

# APPENDIX A

## WHEDA Market Study Guidelines

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## General Information

WHEDA requires independent third-party market studies for the following:

- Low Income Housing Tax Credit developments (submit 1 hard copy);
- WHEDA-financed developments, including: new construction, acquisition/rehab, or adaptive reuse (submit 2 hard copies). Market study requirements may be waived at WHEDA's discretion.

Market studies must be prepared by a WHEDA-approved market study provider. For the list of approved providers navigate to: [http://www.wheda.com/Cat\\_MF/Mktprov.pdf](http://www.wheda.com/Cat_MF/Mktprov.pdf) or call WHEDA at (608)266-7884.

To assist project owners, developers and consultants, WHEDA has prepared market study guidelines that must be used for a study to be considered. These guidelines establish the minimum information and analysis. Meeting these guidelines does not ensure acceptance of the study. Methodology used and conclusions drawn must be reasonable. **WHEDA, in determining whether a market exists for a proposed project, will consider market factors other than market study. WHEDA reserves the right to deny any application based on such factors.**

Developments that require a Market Study must submit the appropriate study based on the following:

- Assisted Living developments – see "New Construction and Adaptive Reuse " and include information requested in WHEDA's "Market Considerations For Assisted Living Developments (RCACs/CBRFs)"
- New construction and adaptive reuse developments – see "New Construction and Adaptive Reuse"
- Acquisition and/or rehabilitation developments – see "Acquisition/Rehabilitation"

All market studies submitted must include a certification from the provider stating there is no Identity of Interest as defined below.

*“An identity of interest relationship exists if any officer, director, board member, or authorized agent of any development of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.):*

- (a) is also an officer, director, board member or authorized agent of any other development team member;*
- has any financial interest in any other development team member's firm or corporation;*
- (b) is a business partner of an officer, director, board member or authorized agent of any other development team member;*
- (c) has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member; or*
- (d) advances any funds or items of value to the sponsor/borrower.”*

The study must be a concisely-written bound report including pictures and tables.

Studies will be considered "stale" after 6 months, but may be updated by the provider to meet requirements. *Studies with appropriate updates are considered stale after 18 months from original market study date. For example, WHEDA would allow an updated study for a 2008 competitive tax credit application if the original study was submitted for a 2007 competitive tax credit application.*

Such updates shall identify and analyze the impact of additional developments not identified in the prior report. It shall also include changes in the occupancy and rent structure in the marketplace. The analyst should address other factors that may have significant impact on the proposed development, such as economic changes and/or demographics. The analyst should specify in the update whether or not all of the changes listed above exist, and explain the changes and resulting effects. The updated information can be provided in the form of a letter update attached to the original application. Studies over 12 months old will not be accepted.

## Assisted Living Developments (RCACs/CBRFs)

The market study for RCACs/CBRFs considers the special market targeted. Assisted Living Developments must follow “WHEDA Market Study Guidelines – New Construction” and also include information required in this addendum.

➤ **Market Area:**

The Market Study should describe and defend the selected market area in terms of the intended population to be served (i.e. frail elderly, those with dementia, etc.).

➤ **Demographic Information/Demand:**

Market demand should be based on the profile of a typical targeted resident.

Example: if the typical profile of a RCAC resident is an 83 year old female widow, the Market Study should include the following to support its demand analysis:

- No. of elderly over 85 yrs. old (male & female)
- No. of elderly over 75 yrs. old (male & female)
- Household incomes of both age groups
- Household assets of both age groups (if available)
- No. of persons/household (becomes closer to one with higher age)
- Percent of elderly requiring supportive services (increases with age)
- Percent of elderly with moderate to advanced dementia (this population is inappropriate for an RCAC)

➤ **Turnover rate of RCACs/CBRFs**

- Turnover can be significant in assisted living developments (up to 50% annually). The average stay in an RCAC is only 26 months (may be longer if some form of public funding involved).
- Market Study should reference a market turnover rate and the source of that information.
- Market Study should comment on turnover impact during lease up, and implications for occupancy and operations over time.

➤ **Market Study should describe the proposed monthly fee structure and indicate whether services will be bundled, based on level of care, or ala carte. Provide estimated monthly service revenue and assumptions used to arrive at this figure.**

➤ **Market Study should describe and defend assumptions regarding resident referrals and marketing:**

- CMO (Care Maintenance Organizations in Family Care counties)
- County Human Resource (issuers of Medicaid Waivers)
- Hospitals
- Nursing homes
- Other health care influencers

➤ **Market Study should answer these questions:**

- What is expected monthly service cost to low-income residents? To market rate residents?
- What is the expected revenue source(s) for these services (how will a low income person pay for services)? Provide examples.

➤ **Estimate current use of Medicaid Waivers or Family Care resources for RCAC/CBRF residents.**

➤ **Describe the waiting list for Medicaid Waivers in the county, and the working relationship, if any, the developer and/or service provider has with the county human services department relating to Medicaid Waivers.**

# New Construction and Adaptive Reuse

## I. Purpose

The purpose of these guidelines is to provide standardized terminology and content for Market Studies of affordable rental housing – new construction - prepared for WHEDA. The standards outline the content, data, analysis and conclusions to be included in Market Studies for rental housing. These guidelines do not establish the format or presentation for the report. The Market Study Terminology is included at the end of Appendix A.

## II. Content

**A. Executive Summary.** Each market study should include a concise summary of the data, analysis and conclusions, including the following:

1. A concise description of the site and the immediately surrounding area.
2. A brief summary of the project including the proposed number of units, rent levels and population to be served.
3. Precise statement of key conclusions reached by the analyst.
4. Precise statement of analyst's opinion of Market Feasibility including the prospect for long-term performance of the property given housing and demographic trends and economic factors.
5. Provide recommendations and/or suggest modifications to the proposed project.
6. Provide a summary of market related strengths and/or weaknesses which may influence the subject development's Marketability, including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, rent levels, amenities, and number of units.
7. A summary of positive and negative attributes and issues that will affect the property's performance and lease-up and points that will mitigate or reduce any negative attributes.

**B. Project Description.** The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. The project description should include:

1. Proposed number of units by: number of bedrooms and baths, income limit as a percent of AMI, unit size in square feet, utility allowances for Tenant Paid Utilities, proposed rents, and Target Population, including income restrictions and any special needs set-asides.
2. The utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat, and cooking.
3. Developer's projected dates for construction start and completion, and start of pre-leasing.
4. Description of: the number of buildings, design (walk-up, elevator, etc.), and number of stories, unit and common amenities, site amenities and parking. The status or date of architectural plans and name of the architect should be referenced. If available, a copy of the floor plans and elevations should be evaluated by the market analyst and included as an attachment to the report.

## C. Location and Market Area Definition

1. Define the Primary Market Area (PMA) including a map that clearly delineates the areas and an explanation of the basis for the boundaries of the PMA. Identify PMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries. Also define the

larger geographic area in which the PMA is located (i.e. city, county, MSA, etc.). The use of concentric circles as a market area is not permitted. A list of census tracts included in the primary market area should be included.

2. Provide a written narrative detailing the rationale for the primary market area. This narrative should specifically address any specific issues with the market area including the exclusion or nearby areas or justification for geographically large market areas.
3. Provide a description of the site characteristics including its size, shape, general topography and vegetation and proximity to adverse conditions.
4. Provide photographs of the site and neighborhood including adjoining land uses, and a map clearly identifying the location of the project and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, banks, etc. In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.
5. Describe the Marketability of the proposed development.
6. Describe and evaluate the visibility and accessibility of the site.
7. Provide information or statistics on crime in the Primary Market Area relative to data for the overall area. Address any local perceptions of crime or problems in the Primary Market Area.

#### **D. Population and Households**

1. Provide total population, age and income target data for the Primary Market Area using the 2000 Census, current year estimates, and a five year projection using reputable sources such as Claritis, Local Planning, COG, etc. Data from other legitimate studies, such as Claritas, CACI and similar demographic information companies, with detail on Household size, tenure, age and other relevant categories may be provided. Indicate the source for all data, provide a methodology for estimates and provide an analysis of trends indicated by the data.
2. Provide a breakdown of Households by tenure for 2000 Census, current year and five year projection.
3. Provide an overview analysis of how demographic trends and projections potentially impact the need for housing and specifically the proposed project. Include reference sources for the data and methodology for analyzing the data.
4. Provide a breakdown of households by incomes in \$5,000-\$10,000 increments, by household size and by tenure for 2000 Census, current year, and five year projection.

**E. Employment and Economy.** Provide data and analysis on the employment and economy of the Primary Market Area to give an understanding of the overall economic health of the community in which the Primary Market Area is located. List sources for the data and methodology for the analysis.

1. Provide a description of employment by industry sector for the Primary Market Area or smallest geographic area available that includes the Primary Market Area and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA.
2. List major employers in the PMA, the type of business and the number employed
3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA, County, etc.).
4. Show at-place employment growth over the same period or a more recent, shorter period (last 5 years). Compare to the larger geographic area.
5. Comment on trends for employment in the PMA in relation to the subject.
6. If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the Primary Market Area.

7. Provide a breakdown of typical income by occupation.
8. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

**Note: The above section E is not required for elderly developments.**

**F. Existing Rental Housing Stock.** Provide information on other multifamily rental housing in the Primary Market Area and any rental housing proposed to be developed in the Primary Market Area. This section of the Market Study should include:

1. If relevant in the market, a 10-year, or other appropriate period, history of building permits, if available, by housing type and comments on building trends in relation to household trends.
2. Identify a list of existing Comparable Properties, including: name, location, population served, services offered and price structure (if applicable), type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking), unit and site amenities included, site staffing, occupancy rate, absorption history (if recently completed), name, address and phone number of property contact. *Comparables for a proposed RCAC should include other competing RCACs, as well as CBRFs and other independent housing that has a strong service component. Other housing options may also be included if the provider feels they will actively compete with the subject.* Attach photos of each Comparable Property. Include a map identifying the location of each Comparable Property in relation to the subject.
3. Describe the overall rental market in the PMA, including the percentage of Market Rate and Affordable Housing properties.
4. Provide a narrative evaluation of the subject property in relation to the Comparable Properties, and identify the Competitive Properties, which are most similar to the proposed development. The analyst should state why the comparables referenced have been selected, which are the most directly comparable, and explain why certain projects have not been referenced.
5. A table showing each Comparable Property comparisons to the subject rents based on the Comparable Property Amenities, Tenant Paid Utilities, location, parking, concessions and rent increase or decrease trends.
6. Discuss the availability of affordable housing options, including purchase or sale of homes, if applicable.
7. Include a list of LIHTC projects with allocations in or near the market area that are not placed in service, giving as much known detail as possible on estimated Placed-In-Service dates, unit mix and Income Levels to be served.
8. Discuss the impact of the subject development on the existing housing stock.
9. The Market Vacancy Rate for the Primary Market Area rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project Based Rent Assistance) and type of occupancy (i.e. family, seniors, special populations) and unit size.
10. Identify the number of people on waiting lists for each project.
11. *Include occupancy data from this website [http://www.wheda.com/REPORTS/MF Portfolio.asp](http://www.wheda.com/REPORTS/MF_Portfolio.asp) for the county(s) included in the PMA. Contrast this to other data collected and discuss any discrepancies. If no data is available, this must be stated in market study.*

**G. Local Perspective of Rental Housing Market and Housing Alternatives.** The Market Study should include a summary of the perspective on the rental market, need for the proposed housing and Unmet Housing Need in the market. The local perspective should consider:

1. Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject and to evaluate the local perception of need for additional housing.
2. Interview local Public Housing Authority (PHA) officials and seek comment on need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for Housing Choice Vouchers. Compare subject's proposed rents to local payment standards or median rents.
3. Provide a summary of the comments from area apartment managers, particularly at comparable LIHTC projects, regarding the need for the proposed subject project.

#### **H. Demand Analysis.**

1. Provide a detailed analysis of the income levels of the potential tenants for the proposed units. State and support the minimum household income used for total housing expenses to set the lower limit of the targeted household income range. The rent-to-income ratio for establishing minimum income requirements is 35% for the family developments and 40% for the senior developments. The maximum income limit should be derived by taking 1.5 persons per bedroom, except for age restricted properties which should use the two-person income limit.
2. Derive a Market Rent and an achievable rent and then compare them to the developer's proposed rent. Quantify and discuss Market Advantage of the subject and impact on Marketability.
3. Calculate the Capture Rate for each Income Limit in the subject property incorporating any restrictions such as age, income, living in Substandard Conditions, renters versus home owners, household sizes, etc.
4. Calculate the Penetration Rate that includes all competitive properties.
5. Define and justify the Absorption Period and Absorption Rate for the subject property.
6. Project and explain any future changes in the housing stock within the market area.
7. Identify risks (i.e. Competitive Properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances. Evaluate need for voucher support or HUD contracts.
8. Provide statement on viability of the development based on the analysis factors defined above.
9. Provide documentation and descriptions that show the methodology for calculations in the analysis section and relate the conclusions to the data.

**Only households above age 65 should be considered for senior developments for the above analysis.**

#### **I. Other Requirements**

1. Date report was prepared, date of inspection and name and telephone number of analyst preparing study;
2. Certification of no identity of interest between the analyst and the entity for whom the report is prepared including the sponsor, developer or owner of the proposed development;
3. Certification that recommendations and conclusions are based solely on professional opinion and best efforts;
4. Statement of qualifications;
5. List of sources for data in the Market Study;

6. Append current utility allowance schedule (or utility company provider letters).

### **III. Additional Work**

The documentation and analysis outlined previously in section II constitutes the entire content for a Market Study. WHEDA may desire a market analyst to provide additional information beyond the basic scope of the Market Study. Any costs associated with additional documentation or analysis beyond the scope of the Market Study shall be paid by the applicant.

# Acquisition/Rehabilitation

## I. Purpose

The purpose of these guidelines is to provide standardized terminology and content for Market Studies of affordable rental housing – acquisition/rehab - prepared for WHEDA. The standards outline the content, data, analysis and conclusions to be included in Market Studies for preservation rental housing. These guidelines do not establish the format or presentation for the report. The Market Study Terminology is included at the end of Appendix A.

## II. Content

**A. Executive Summary.** Each market study should include a concise summary of the data, analysis and conclusions, including the following:

1. A concise description of the site and the immediately surrounding area.
2. A brief summary of the project and the type of subsidy program(s) affecting the property.
3. Description of program income limits and rent limitations, and analysis of where current and proposed subsidized rents are relative to market level.
4. Description of the proposed rehab including list of improvements as well as dollar amount per unit to be spent on rehab, with analysis of:
  1. whether proposed rehab supports post-rehab rent increases
  2. relocation plans – how many tenants will be permanently displaced, temporarily displaced, for how long, and where.
5. A three year description (table format) of the property's occupancy/vacancy must be presented.
6. An analysis of the income qualification of existing residents with the proposed rent changes.
7. Precise statement of key conclusions reached by the analyst.
8. Precise statement of analyst's opinion of Market Feasibility including the prospect for long term performance of the property given housing and demographic trends and economic factors.
9. Provide recommendations and/or suggest modifications to the proposed preservation project.
10. Provide a summary of market related strengths and/or weaknesses which may influence the subject development's Marketability, including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, rent levels, amenities, and number of units.
11. A summary of positive and negative attributes and issues that will affect the property's performance and points that will mitigate or reduce any negative attributes.

**B. Project Description.** The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. The project description should include:

1. Proposed number of units by: number of bedrooms and baths, income limit as a percent of AMI, unit size in square feet, utility allowances for Tenant Paid Utilities, proposed rents, and Target Population, including income restrictions and any special needs set-asides.
2. The utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat, cooking;

3. Identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc, as well as current occupancy levels, current rents and proposed rents. A brief profile of current occupants should be provided that includes typical income, household size, age, etc.
4. Developer's projected dates for rehab start, completion and lease-up, if applicable.
5. Description of the existing buildings, design (walk-up, elevator, etc.), and number of stories, unit and common amenities, site amenities and parking. Provide a description of the methodology for the rehabilitation and the scope of work. The status or date of architectural plans and name of the architect should be referenced. If available, a copy of the floor plans and elevations should be evaluated by the market analyst and included as an attachment to the report.
6. If occupancy has averaged less than 90% over the last 12 months, address any of the issues identified as contributing to this.

### **C. Location and Market Area Definition**

1. Define the Primary (PMA) Market Area including a map that clearly delineates the areas and an explanation of the basis for the boundaries of the PMA. This discussion should include information from the subject property such as analysis of rent roll and traffic report, as well as an interview with the management agent at the subject property. Identify PMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries. Also, define the larger geographic area in which the PMA is located (i.e. city, county, MSA, etc.). The use of concentric circles as a market area is not permitted. A list of census tracts included in the primary market area should be included.
2. Provide a written narrative detailing the rationale for the primary market area. This narrative should address any specific issues with the market area including the exclusion or nearby areas or justification for geographically large market areas.
3. Provide a brief description of the site characteristics including its size, shape, general topography and vegetation and proximity to adverse conditions.
4. Provide photographs of the site and neighborhood including adjoining land uses, and a map clearly identifying the location of the project and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, banks, etc. In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.
5. Discuss any site nuisances that have or may impact marketability of the project.

### **D. Population and Households**

1. Provide total population, age and income target data for the Primary Market Area using the 1990 Census, 2000 Census, current year estimates, and a five year projection using reputable sources such as Claritis, Local Planning, COG, etc. Data from other legitimate studies, such as Claritas, CACI and similar demographic information companies, with detail on Household size, tenure, age and other relevant categories may be provided. Indicate the source for all data, provide a methodology for estimates and provide an analysis of trends indicated by the data.
2. Provide a breakdown of Households by tenure for 1990 Census, 2000 Census, current year and five year projection.

**E. Existing Rental Housing Stock.** Provide information on other multifamily rental housing in the Primary Market Area and any rental housing proposed to be developed in the Primary Market Area. This section of the Market Study should include:

1. Identify a list of existing Comparable Properties, including: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of

utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking), unit and site amenities included, site staffing, occupancy rate, absorption history (if recently completed), name, address and phone number of property contact. Attach photos of each Comparable Property. Include a map identifying the location of each Comparable Property in relation to the subject.

2. Describe the overall rental market in the PMA, including the percentage of Market Rate and Affordable Housing properties.
3. Provide a narrative evaluation of the subject property in relation to the comparable properties, and identify the competitive properties, which are most similar to the proposed development. The analyst should state why the comparables referenced have been selected, which are the most directly comparable, and explain why certain projects have not been referenced.
4. A table showing each Comparable Property comparisons to the subject rents based on the Comparable Property Amenities, Tenant Paid Utilities, location, parking, concessions and rent increase or decrease trends.
5. Include a list of LIHTC projects with allocations in or near the market area that are not placed in service, giving as much known detail as possible on estimated Placed-In-Service dates, unit mix and Income Levels to be served.
6. The Market Vacancy Rate for the Primary Market Area rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project Based Rent Assistance) and type of occupancy (i.e. family, seniors, special populations) and unit size.
7. Identify the number of people on waiting lists for each project.
8. *Include occupancy data from this website [http://www.wheda.com/REPORTS/MF\\_Portfolio.asp](http://www.wheda.com/REPORTS/MF_Portfolio.asp) for the county(s) included in the PMA. Contrast this to other data collected and discuss any discrepancies. If no data is available, this must be stated in market study.*

#### **F. Demand Analysis.**

1. Provide a detailed analysis of the income levels of the potential tenants for the proposed units. State and support the minimum household income used for total housing expenses to set the lower limit of the targeted household income range. If required, provide an analysis based on the regulating agency's requirements.
2. Evaluate the demand in two ways: one as a tax credit project only without any subsidy, and other as if the project was to retain its current subsidy if applicable.
3. Derive a Market Rent and an achievable rent and then compare them to the developer's post-rehab proposed rent.
4. Project and explain any future changes in the housing stock within the market area.
5. Identify risks (i.e. Competitive Properties which may come on line; declining population in the PMA, etc.), unusual conditions and mitigating circumstances. Evaluate need for voucher support or HUD contracts.

#### **G. Other Requirements**

1. Date report was prepared, date of inspection and name and telephone number of analyst preparing study;
2. Certification of no identity of interest between the analyst and the entity for whom the report is prepared;
3. Certification that recommendations and conclusions are based solely on professional opinion and best efforts;
4. Statement of qualifications;

5. List of sources for data in the Market Study;
6. Append current utility allowance schedule (or utility company provider letters).

### **III. Additional Work**

The documentation and analysis outlined previously in section II constitutes the entire content for a Market Study. WHEDA may desire a market analyst to provide additional information beyond the basic scope of the Market Study. Any costs associated with additional documentation or analysis beyond the scope of the Market Study shall be paid by the applicant.

## Market Study Terminology

<i>Terminology</i>	<i>Definition</i>
<b>Absorption Period</b>	The period of time necessary for a newly constructed or renovated property to achieve the Stabilized Level of Occupancy. The Absorption Period begins when the first certificate of occupancy is issued and ends when the last unit to reach the Stabilized Level of Occupancy has a signed lease. Assumes a typical pre-marketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.
<b>Absorption Rate</b>	The average number of units rented each month during the Absorption Period.
<b>Acceptable Rent Burden</b>	The rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The Acceptable Rent Burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.
<b>Affordable Housing</b>	Housing where the tenant Household pays no more than 30 percent of its annual income on Gross Rent.
<b>Amenity</b>	Tangible or intangible benefits offered to a tenant at no fee, typically on-site recreational facilities or planned programs, services and activities.
<b>Annual Demand</b>	The total estimated demand present in the market in any one year for the type of units proposed.
<b>Area Median Income (AMI)</b>	100% of the gross median Household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.
<b>Assisted Housing</b>	Housing where the monthly costs to the tenants are subsidized by federal, state or other programs.
<b>Attached Housing</b>	Two or more dwelling units connected with party walls (e.g. townhouses or flats).
<b>Basic Rent</b>	The minimum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.
<b>Below Market Interest Rate Program (BMIR)</b>	Program targeted to renters with income not exceeding 80% of area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract to subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.
<b>Capture Rate</b>	The percentage of age, size, and income qualified renter Households in the Primary Market Area that the property must capture to achieve the Stabilized Level of Occupancy. Funding agencies may require restrictions to the qualified Households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The Capture Rate is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter Households in the Primary Market Area. See Penetration Rate for rate for entire market area.
<b>Census Tract</b>	A small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting

data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

<b>Central Business District (CBD)</b>	The center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.
<b>Community Development Corporation (CDC)</b>	Entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.
<b>Comparable Property</b>	A property that is representative of the rental housing choices of the subject's Primary Market Area and that is similar in construction, size, amenities, or age. These Comparables and Competitives are generally used to derive market rent.
<b>Competitive Property</b>	A property that is comparable to the subject and that competes at nearly the same rent levels, and tenant profile, such as age, family or income. .
<b>Concession</b>	Discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities which are normally charged separately (i.e. washer/dryer, parking).
<b>Condominium</b>	A form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.
<b>Contract Rent</b>	1.The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).
<b>Demand</b>	The total number of households in a defined market area that would potentially move into proposed new or renovated housing units. These households must be of the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.
<b>Difficult Development Area (DDA)</b>	An area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.
<b>Detached Housing</b>	A freestanding dwelling unit, typically single-family, situated on its own lot.
<b>Effective Rents</b>	Contract Rent less concessions.
<b>Elderly or Senior Housing</b>	Housing where (1) all the units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by Households where at least one Household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.
<b>Extremely Low Income</b>	Person or Household with income below 30% of Area Median Income adjusted for Household size.
<b>Fair Market Rent (FMR)</b>	The estimates established by HUD of the Gross Rents (Contract Rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally sets FMR so that 40% of the rental units have rents below the FMR. In rental markets with a shortage of lower

	priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50 <sup>th</sup> percentile of rents.
<b>Garden Apartments</b>	Apartments in low-rise buildings (typically two to four stories) that feature low density, ample open-space around buildings, and on-site parking.
<b>Gross Rent</b>	The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.
<b>High-rise Household</b>	A residential building having more than ten stories. One or more people who occupy a housing unit as their usual place of residence.
<b>Household Trends</b>	Changes in the number of Households for a particular area over a specific period of time, which is a function of new Household formations (e.g. at marriage or separation) and changes in average Household size.
<b>Housing Unit</b>	House, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.
<b>Housing Choice Voucher (Section 8 Program)</b>	Federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible Households to use in the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.
<b>Housing Finance Agency (HFA)</b>	State or local agencies responsible for financing housing and administering Assisted Housing programs.
<b>HUD Section 8 Program</b>	Federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the Contract Rent and a specified percentage of tenants' adjusted income.
<b>HUD Section 202 Program</b>	Federal Program, which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.
<b>HUD Section 811 Program</b>	Federal program, which provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization.
<b>HUD Section 236 Program</b>	Federal program which provides interest reduction payments for loans which finance housing targeted to Households with income not exceeding 80% of area median income who pay rent equal to the greater of Basic Rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.
<b>Income Band</b>	The range of incomes of Households that can pay a specific rent but do not have more income than is allowed by the Income Limits of a particular housing program. The minimum household income typically is based on a defined Acceptable Rent Burden percentage and the maximum typically is pre-defined by specific programmatic

	requirements or by general market parameters.
<b>Income Limits</b>	Maximum Household income by county or Metropolitan Statistical Area , adjusted for Household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income Limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes Income Limits each year for 30% median, Very Low Income (50%), and Low-Income (80%), for households with 1 through 8 people.
<b>Infrastructure</b>	Services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.
<b>Low Income</b>	Person or Household with gross Household income below 80% of Area Median Income adjusted for Household size.
<b>Low Income Housing Tax Credit</b>	A program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on these units be restricted accordingly.
<b>Low Rise Building</b>	A building with one to three stories
<b>Market Advantage</b>	The difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.
<b>Market Analysis</b>	A study of real estate market conditions for a specific type of property.
<b>Market Area or Primary Market Area</b>	A geographic area from which a property is expected to draw the majority of its residents.
<b>Market Demand</b>	The total number of households in a defined market area that would potentially move into new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining demand.
<b>Market Rent</b>	The rent that an apartment, without rent or income restrictions or rent subsidies, would command in the open market considering its location, features and amenities. Market rent should be adjusted for Concessions and owner paid utilities included in the rent.
<b>Market Study</b>	A comprehensive review of the housing market in a defined market area. A market study can be used to determine the demand for specific proposed development or to examine the overall condition of an area's housing market. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography. At a minimum, market studies include a review of location, economic conditions, demographics, and existing and proposed housing stock.
<b>Marketability</b>	The manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.
<b>Market Vacancy Rate Physical Market Vacancy Rate Economic</b>	Average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same Market Area, excluding units in properties which are in the lease-up stage. Percentage of rent loss due to concessions and vacancies.
<b>Metropolitan Statistical Area (MSA)</b>	A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept

of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

<b>Mid-rise Migration</b>	A building with four to ten stories. The movement of Households from one location or market area to another.
<b>Mixed Income Property</b>	An apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more Income Limits (i.e. Low Income Tax Credit property with income limits of 30%, 50% and 60%).
<b>Mobility</b>	The ease with which people move from one location to another.
<b>Moderate Income</b>	Person or Household with gross household income between 80 and 120 percent of area median income adjusted for Household size.
<b>Move-up Demand</b>	An estimate of how many consumers are able and willing to relocate to more expensive or desirable units, such as tenants who move up from Class C properties to Class B; and Class B tenants that move up to class A properties; and tenants that move from Class C and B properties to a new superior Low Income Tax Credit property.
<b>Multi-family Neighborhood</b>	Structures that contain more than two or more housing units. An area of a city or town with common demographic and economic features that distinguish it from adjoining areas.
<b>Net Rent (also referred to as Contract or Lease Rent)</b>	Gross Rent less Tenant Paid Utilities.
<b>Penetration Rate</b>	The percentage of age and income qualified renter Households in the Primary Market Area that all existing and proposed properties, to be completed within six months of the subject, and which are competitively priced to the subject that must be captured to achieve the Stabilized Level of Occupancy. Funding agencies may require restrictions to the qualified Households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors. See Capture Rate for property specific rate.
<b>Pent-up Demand</b>	A market in which there is a scarcity of supply and vacancy rates are very low.
<b>Population Trends</b>	Changes in population levels for a particular area over a specific period of time—which is a function of the level of births, deaths, and net migration.
<b>Primary Market Area</b>	See Market Area.
<b>Programmatic Rents</b>	The proposed rents for a Tax Credit or other income restricted property relative to comparable market rate properties and rents being achieved at another Low Income Housing Tax Credit or other income restricted properties in the market. Can be no greater than maximum rents permitted by the Low Income Housing Tax Credit or other program regulations.
<b>Project Based Rent Assistance</b>	Rental assistance from a federal, state or local program that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.
<b>Public Housing or Low Income</b>	HUD program administered by local (or regional) Housing Authorities

<b>Conventional Public Housing</b>	which serves Low- and Very-Low Income Households with rent based on the same formula used for HUD Section 8 assistance.
<b>Qualified Census Tract (QCT)</b>	Any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of Households have an income less than 60% of Area Median Income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credits may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.
<b>Rural Development (RD) Market Rent</b>	A monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an unsubsidized mortgage and provide an adequate return to the property owner. This rent is the maximum rent that a tenant can pay at an RD Property.
<b>Rural Development (RD) Program (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program)</b>	Federal program which provides low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, whichever is the higher (but not exceeding the market rent). The Program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.
<b>Redevelopment</b>	The redesign or rehabilitation of existing properties.
<b>Rent Burden</b>	Gross Rent divided by gross monthly Household income.
<b>Rent Burdened Households</b>	Households with Rent Burden above the level determined by the lender, investor, or public program to be an acceptable rent-to-income ratio.
<b>Restricted Rent</b>	The rent charged under the restrictions of a specific housing program or subsidy.
<b>Saturation</b>	The point at which there is no longer demand to support additional units.
<b>Single-Family Housing</b>	A dwelling unit, either attached or detached, designed for use by one Household and with direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.
<b>Special Needs Population</b>	Specific market niche that is typically not catered to in a conventional apartment property. This population should exhibit certain criteria, which can be well defined, in order, for example, to assess the need and demand from this source. Examples of special needs populations include: substance abusers, visually impaired person or persons with mobility limitations.
<b>Stabilized Level of Occupancy</b>	The underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.
<b>State Data Center (SDC)</b>	A state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.
<b>Subsidy</b>	Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's Contract Rent and the amount paid by the tenant toward rent.
<b>Substandard Conditions</b>	Housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.
<b>Target Income Band</b>	The Income Band from which the subject property will draw tenants.
<b>Target Population</b>	Market niche a development will appeal or cater to. State agencies often use Target Population to refer to various income set asides,

	elderly v. family, etc.
<b>Tenant</b>	One who rents real property from another.
<b>Tenant Paid Utilities</b>	The cost of utilities necessary for the habitation of a dwelling unit, which are paid by the tenant. Tenant Paid Utilities do not include costs for telephone or cable service.
<b>Tenure</b>	The distinction between owner-occupied and renter-occupied housing units.
<b>Townhouse (or Row House)</b>	Single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called a row house.
<b>Turnover Period</b>	1. An estimate of the number of housing units in a Market Area as a percentage of total housing units in the Market Area that will likely change occupants in any one year. See Vacancy Period 2. The percent of occupants in a given apartment complex that move in one year.
<b>Unmet Housing Need</b>	New units required in the Market Area to accommodate Household growth, homeless Households, and housing in substandard conditions.
<b>Unrestricted Rents</b>	The recommended rents for the market rate units at a Mixed-Income Property.
<b>Unrestricted Units</b>	The units at a Mixed-Income Property that are not subject to any income or rent restrictions.
<b>Vacancy Period</b>	The amount of time that an apartment remains vacant and available for rent.
<b>Vacancy Rate- Economic Vacancy Rate - Physical</b>	Maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.
<b>Very Low Income</b>	Person or Household whose gross household income does not exceed 50% of Area Median Income adjusted for Household size.
<b>Zoning</b>	Classification and regulation of land by local governments according to use categories (zones); often also includes density designations.

# APPENDIX B

## Nonprofit Set-Aside Form

Nonprofit Set-Aside applicants must complete this form.

*These are WHEDA's threshold requirements for determining if applications may be submitted in the Nonprofit Set-Aside. WHEDA at its sole discretion will move an application from the Nonprofit Set-Aside to the General Set-Aside for failure to submit required materials or failure to demonstrate to WHEDA's satisfaction that the applicant meets IRS Section 42 guidelines for qualified Nonprofits. Applicants should answer "Yes" to questions 2 through 7 to be considered eligible for the Nonprofit Set-Aside.*

1. Check one:            501(c)(3) Organization             501(c)(4) Organization

**Submit Articles of Incorporation and IRS certification.**

2. Will the Nonprofit remain in control and be the primary decision maker for the project through the compliance period?  YES  NO

**Submit supporting documentation.**

3. If the Nonprofit will make financial guarantees to the limited partner, will the guarantees be limited in scope per IRS guidelines?  YES  NO

**Submit supporting documentation.**

4. Will the Nonprofit retain a right of first refusal to acquire the project at the end of the compliance period?  YES  NO

**Submit supporting documentation.**

5. Will the Nonprofit materially participate as required by the IRS\*  YES  NO

more than 500 hours annually, or  
 constitute substantially all the participation, or  
 more than 100 hours annually and this is not less than any other owner, or  
 participation in multiple projects must exceed 500 hours, or  
 participation will be regular, consistent and substantial

**Submit supporting documentation.**

6. Is one of the exempt purposes of the Nonprofit to foster low-income housing?  YES  NO

**Submit supporting documentation.**

7. The Nonprofit is **NOT** affiliated with, or controlled by, a for-profit organization  YES  NO

\*Applicants should consult the January 2007 IRS Guide for Completing Form 8823, Chapter 22, Category 11q for further guidance on Material Participation

# **APPENDIX C**

## **Income and Rent Limits**

See [www.wheda.com](http://www.wheda.com) for current Income and Rent Limits for Section 42 developments.

# APPENDIX D

## HOME Funds and Federal Loans Used With Low Income Housing Tax Credits

HOME FUNDS FINANCING STRUCTURE	RESULTING IMPACT OF HOME FUNDS OR FEDERAL LOAN ON TAX CREDIT ALTERNATIVES					
	HOME Funds In Basis?	9% Credit Allowed?	4% Credit Allowed?	130% QCT Increase Allowed?*	Minimum 40/50 Set-Aside	Minimum 20/50 Set-Aside?
Grant - New Construction	No	Yes	N/A	Yes	N/A	Yes
Grant - With Tax-Exempt Bond Financing	No	N/A	Yes	Yes	N/A	Yes
Grant - Acq/Rehab	No	Yes on Rehab	Yes on Acq	YES	N/A	Yes
<b>FEDERAL LOAN STRUCTURE</b>						
↓	↓	↓	↓	↓	↓	↓
Loan Rate < AFR** New Construction	Yes	Yes	N/A	Yes	N/A	Yes
Loan Rate < AFR** Tax-Exempt Bond Financing	Yes	N/A	YES	Yes	N/A	YES
Loan Rate < AFR** Acq/Rehab	Yes	Yes on Rehab	Yes on Acq	YES	N/A	Yes
Loan @ AFR or above**	Yes	Yes	N/A	Yes	N/A	Yes

All Below Market Federal loans, including HOME funds have been eliminated from the definition of “Federally Subsidized Properties”. As a result 9% credits are allowed on all federally subsidized properties, except for tax-exempt bond financed properties.

\* QCT: “Qualified Census Tract” is a low income census tract as defined by HUD.

\*\* AFR: The “Applicable Federal Rate” is published monthly by the Treasury Dept. based on Federal borrowing costs for different maturities and different compounding periods.

## **APPENDIX E**

**This appendix has been eliminated for 2009**

# APPENDIX F

## 2009 Wisconsin Federally Designated Qualified Census Tracts Eligible for 130% Credit

(Published – Federal Register on September 3, 2008)

County	Census Tracts
Brown	8.00, 9.00, 10.00, 12.00, 211.00
Dane	6.00, 11.00, 12.00, 14.01, 16.01, 16.02, 17.01, 32.00
Douglas	201.00, 202.00
Dunn	9708.00
Eau Claire	11.01, 11.02, 12.00
Fond Du Lac	405.00
Kenosha	10.00, 11.00
LaCrosse	2.00, 3.00, 4.00, 5.00, 9.00
Marathon	1.00
Menominee	9701.00
Milwaukee	2.01, 3.02, 11.00, 12.00, 14.00, 18.00, 19.00, 20.00, 21.00, 23.00, 24.00, 25.00, 26.00, 28.00, 29.00, 40.00, 41.00, 42.00, 44.00, 45.00, 46.00, 47.00, 48.00, 62.00, 63.00, 64.00, 65.00, 66.00, 67.00, 68.00, 69.00, 70.00, 78.00, 80.00, 81.00, 82.00, 83.00, 84.00, 85.00, 86.00, 87.00, 88.00, 89.00, 90.00, 91.00, 92.00, 96.00, 97.00, 98.00, 99.00, 100.00, 101.00, 102.00, 103.00, 104.00, 105.00, 106.00, 107.00, 108.00, 110.00, 112.00, 113.00, 115.00, 116.00, 117.00, 118.00, 119.00, 120.00, 121.00, 122.00, 123.00, 132.00, 134.00, 135.00, 136.00, 137.00, 138.00, 139.00, 140.00, 141.00, 145.00, 146.00, 147.00, 148.00, 149.00, 150.00, 151.00, 154.00, 155.00, 156.00, 157.00, 158.00, 159.00, 160.00, 163.00, 164.00, 165.00, 166.00, 167.00, 168.00, 169.00, 170.00, 174.00, 175.00, 176.00, 177.00, 178.00, 179.00, 187.00, 188.00, 905.00
Portage	9604.00
Racine	1.00, 3.00, 4.00, 5.00, 10.01, 22.00
Rock	1.00, 15.00
Sheboygan	5.00, 6.00
Vernon	9602.00
Walworth	5.00
Waukesha	2027.00
Winnebago	7.00

## **APPENDIX G**

**For 2009, Appendix G is an interactive  
Excel Spreadsheet**

**To complete Appendix G, see  
221(d)(4) Cost Limit Guide on [www.wheda.com](http://www.wheda.com)**

# APPENDIX H

## WHEDA Multifamily Capital Needs Assessment Policy and Standards Revised 9/11/08

The Capital Needs Assessment (CNA) is a qualified professional's opinion of a property's current physical condition. It identifies deferred maintenance, physical needs, remaining useful life of key components, building material deficiencies and material building code violations that affect the property use, structural and mechanical integrity, and the future physical and financial needs.

Issues identified by the CNA should be addressed in the development's rehabilitation proposal and will be considered by WHEDA when evaluating the operating and replacement reserve requirements for the development.

The CNA provider **must** include a copy of the proposed "Scope of Work" from the Developer in the CNA report.

WHEDA has established the following standards for CNA reports submitted in conjunction with loan financing requests and/or tax credit applications. All CNA reports must follow the prescribed format as outlined below.

WHEDA applicants/borrowers must work with the current property owner to secure necessary information to assist the CNA provider. This includes obtaining original construction documentation and a 5-year history of capital and major repair expenditures.

All Capital Needs Assessment reports submitted to WHEDA will be reviewed for content, thoroughness and reasonableness based upon the following standards. The CNA's are subject to the final approval and acceptance by WHEDA.

CNA providers who routinely submit CNA reports that are not thorough and do not reach reasonable, supportable conclusions as to the extent of rehabilitation needed will be removed from the approved provider list.

**A minimum of 100% of the units for all building sizes must be inspected as part of the review.**

A **minimum** of two (**2**) copies of the CNA report must be submitted to WHEDA with the financing or tax credit application.

**Abbreviated CNA reports** on some small developments are acceptable. See the Abbreviated CNA requirements listed below. All other developments shall use the following CNA standards.

### **CNA reports:**

- ◆ are required with **all** financing or tax credit applications that include the purchase, renovation and/or preservation of existing housing developments. This includes developments with proposed minor, moderate or substantial renovation. A CNA is **not required** on an adaptive reuse development.
- ◆ must be submitted with the initial loan or tax credit application documentation. **CNA reports are considered a threshold item for tax credit applications.**

- ◆ must be completed and dated within 24 months of submission to WHEDA.
- ◆ must be completed by one of the WHEDA approved, independent CNA providers. The provider cannot have an identity of interest or business association with the Applicant, Developer or Owner of the property being evaluated. A listing of WHEDA-approved, independent, third-party Capital Needs Assessment providers is available at WHEDA.com.
- ◆ must include the author's observations and assessments based on physical observations and assessment of the building exterior and interior including interior public, mechanical and accessible spaces. The scope of the inspection should include all spaces that are reasonably accessed, including a thorough walk-through of all attics, roofs, crawl spaces, etc. Any inaccessible spaces must be noted in the report.
- ◆ must include a narrative description of the development including the evaluator's overall assessment of the property condition. The narrative portion should include: property location, age, physical attributes including number of units and bedrooms, number of units inspected, and the physical condition of units inspected. The assessment should address the presence or suspected presence of environmental hazards such as asbestos, lead paint or mold.

The narrative portion of the assessment should further examine and analyze the following:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, and gas and electric utilities and lines;
  - Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
  - Interiors, including unit and common areas, existing finishes (carpeting, tile, walls, paint condition, etc.), cabinets, appliances, fixtures and common area lobbies and corridors;
  - Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection systems, and elevators; and
  - Any non-compliant component or issue relative to the applicable accessibility code/guidelines of ADA, Section 504 and/or Fair Housing Guidelines. Include a copy of the owner's certification that the development complies with ADA and 504 regulations or include their plan to achieve compliance, if available.
- ◆ must include an interview with available on-site property management and maintenance personnel to gain knowledge of past repairs/improvements, pending repairs, and existing defects or chronic physical deficiencies in the development. The CNA provider should obtain and review a 5-year history of capital and major repair expenditures for the development.
  - ◆ must include photographs of typical building characteristics and deficiencies.
  - ◆ must include the developer's proposed expenditures/costs for extra-ordinary property improvements which may affect the project's future marketability. Such improvements may include: Adding parking garages or other covered parking structures to the site, adding central air conditioning for units, elevators, or community room additions, etc.
  - ◆ must include a "property inspection and evaluation" section in a **spreadsheet format**. The information contained in this spreadsheet portion of the report **must follow the format and contain the information** included in the Freddie Mac form 1105, "Multifamily Engineering and Property Condition Report". The actual Freddie Mac forms do not need to be used. The Freddie Mac forms include; Section I – Summary, Section II – Property

Inspection and Evaluation, Section III – Immediate Repair Needs and Cost Estimate, and Section IV – Capital Needs Over Loan Term.

**The minimum term to be used in this portion of the report is eighteen (18) years.  
The Freddie Mac forms can be reviewed and downloaded at:**

- [http://www.freddiemac.com/multifamily/mf\\_forms/pdf/f1105.pdf](http://www.freddiemac.com/multifamily/mf_forms/pdf/f1105.pdf)
- www.WHEDA.com also provides a link to the Freddie Mac site.

### **ABRREVIATED CNA REPORTS**

Developments having **24 units or less that include only single family and/or duplex units**, may use an abbreviated CNA report.

- ◆ The abbreviated CNA report **does not need to include an extensive narrative portion**. A brief narrative is required describing the scope of work including the following:
  - Statement that 100% of the units were inspected.
  - Systems inspected (such as boilers, roofs)
  - A list of all parties present during the inspection
  - Description of records researched and information obtained to determine the condition of all systems
  - Methodology used to estimate replacement reserves
- ◆ The abbreviated CNA report must be completed and dated within 24 months of submission to WHEDA.
- ◆ The abbreviated CNA report must indicate any non-compliant component or issue relative to the applicable accessibility code/guidelines of ADA, Section 504 and/or Fair Housing Guidelines. Include a copy of the owner's certification that the development complies with ADA and 504 regulations or include their plan to achieve compliance, if available.
- ◆ The abbreviated CNA report must include photographs of typical building characteristics and deficiencies.
- ◆ The abbreviated CNA report **must follow the format and contain the information** included in the Freddie Mac form 1106, "Multifamily Engineering and Property Condition Survey". The forms include; Section I – Summary, Section II – Property Inspection and Evaluation, Section III – Immediate Repair Needs and Cost Estimate and Section IV – Capital Needs over Loan Term.
- ◆ **The minimum term to be to be used is eighteen (18) years.**

**The Freddie Mac forms can be reviewed and downloaded at:**

- [http://www.freddiemac.com/multifamily/mf\\_forms/pdf/f1106.pdf](http://www.freddiemac.com/multifamily/mf_forms/pdf/f1106.pdf)
- www.WHEDA.com also provides a link to the Freddie Mac site.

# APPENDIX H-1

## SCOPE OF WORK - REQUIRED FORMAT

A **Scope of Work** in the following format is an **Application Threshold item** for all Preservation and Rehabilitation projects. The **Scope of Work** should follow the CSI Format of the 16 Divisions of Work. The following is an example of what a typical Scope of Work might include.

### SCOPE OF WORK - RENOVATION DEVELOPMENT BUDGET

Divison	Item	Description	Total Cost
<b>1000</b>	<b>General Requirements</b>		
	Regulatory Items	Building permits	\$500
<b>2000</b>	<b>Site Work</b>		
	Demolition	Remove existing garages	\$12,000
	Site preparation	Grading	\$3,000
<b>3000</b>	<b>Concrete Work</b>		
	Concrete materials	Repair sidewalk spaulding - 5 areas	\$22,000
<b>4000</b>	<b>Masonry</b>		
	Insulation	Install new attic insulation	\$4,000
	Roofing and tiles	Repair roof tiles	\$15,000
<b>5000</b>	<b>Metals</b>		
	Metal framing	New stud walls in 4 units	\$25,000
	Metal decking	Repair 4 existing decks	\$12,000
<b>6000</b>	<b>Wood &amp; Plastics</b>		
	Rough Carpentry	Miscellaneous in 10 units	\$18,000
	Finish Carpentry	Replace cabinets in 4 kitchens	\$9,000
<b>7000</b>	<b>Thermal &amp; Moisture</b>		
	Landscaping	Sod and plantings	\$2,000
	Parking lot paving	Patch and repair parking lot	\$8,000
<b>8000</b>	<b>Doors &amp; Windows</b>		
	Wood windows	18 new windows	\$6,000
	Metal Doors	4 new doors - exterior	\$2,000
<b>9000</b>	<b>Finishes</b>		
	Drywall	Repair/replace as needed - 4 units	\$25,000
<b>10000</b>	<b>Specialties</b>		
	Carpeting	Replace all carpeting in 12 units	\$12,000
	Tile	Install new floor tile in 8 bathrooms	\$3,200
<b>11000</b>	<b>Equipment</b>		
<b>12000</b>	<b>Furnishings</b>	Install new blinds in all units	\$4,000.00
<b>13000</b>	<b>Special construction</b>		
<b>14000</b>	<b>Conveying Systems</b>	Elevator repairs	\$22,000.00
<b>15000</b>	<b>Mechanical</b>		
	Fire Protection	Install new sprinklers - hallway	\$19,000.00
	Plumbing fixtures	14 new kitchen sinks	\$4,200.00
<b>16000</b>	<b>Electrical</b>		
	Electrical service	Install new service box	\$2,000.00
	Air conditioning	14 new sleeve air conditioners	\$7,000.00
	<b>Total Renovation Hard Costs</b>		<b>\$236,900.00</b>

# **APPENDIX I**

## **Guidelines - Service Provision In Senior Housing:**

The following is a description of services a Wisconsin housing owner can and cannot provide without authority to operate as a community based residential facility (CBRF) or residential care apartment complex (RCAC).

Many services can be provided to tenants of senior housing without being regulated. However, those providing services above a statutorily defined threshold must be either licensed as a community based residential facility (CBRF) or be registered or certified as a residential care apartment complex (RCAC). These guidelines determine whether the services an owner provides or arranges for tenants will trigger regulation. These criteria do not apply to, nor do they limit, the types of services a tenant may arrange to receive from a provider other than the owner of the housing.

### **What housing providers *can* do without the facility being a CBRF or RCAC**

1. Receive and collect information about tenants' needs and services/assistance they will receive.
2. Identify and discuss changes regarding the tenants' need for assistance, and if appropriate, their families/guardians.
3. Provide information about, or refer tenants and (if appropriate) their families/guardians, to agencies providing personal care; medication administration or other nursing care; physical, occupational or speech therapy; or other health related services.
4. Arrange or provide light or "hotel" type supportive services such as transportation, meals, housekeeping, laundry, social and recreational activities for tenants.
5. Assist tenants with shopping or other household management tasks.
6. Provide information about the tenants' needs to agencies they have been referred to or which provide service(s) to them.
7. In case of emergency, provide assistance or take action. For example, this would include helping someone who has fallen by calling 911.

### **What housing providers *cannot* do if the development is not a CBRF or RCAC**

1. Develop a tenant plan for services that include:
  - care supervision
  - bathing, dressing, toileting or other personal care
  - medication storage, monitoring, dispensing, or administration
  - other nursing or health care services
  - physical, occupational or speech therapy
2. Arrange, contract for, or provide any of the services described in #1 above.
3. Provide supervision for tenants. Supervision is protective oversight of a person's daily functioning, including keeping track of their whereabouts and providing guidance and intervention when needed.

For additional information about certification/registration or licensing:

Please contact the Wisconsin Department of Health Services, WI Regional Offices, Bureau of Quality Assurance, Assisted Living Section OR visit the Wisconsin Department of Health Services websites:

**For RCACs:** [http://dhs.wisconsin.gov/rl\\_dsl/RCACs/RCACintro.htm](http://dhs.wisconsin.gov/rl_dsl/RCACs/RCACintro.htm)

**For CBRFs:** [http://dhs.wisconsin.gov/rl\\_dsl/CBRF/CBRFintro.htm](http://dhs.wisconsin.gov/rl_dsl/CBRF/CBRFintro.htm)

## **Independent Senior Housing With Co-Located Home Health Services**

*The following describes how senior housing providers can facilitate tenant access to care services without themselves providing the care or becoming a Community Based Residential Facility (CBRF) or Residential Care Apartment Complex (RCAC). Since any particular case is fact-driven, providers should contact the Bureau of Quality Assurance regional office for a determination. Contact information for the regional offices can be found at*

*<http://www.dhfs.state.wi.us/bqaconsumer/AssistedLiving/ALSreglmap.htm>.*

### **What Can be Done**

- Independent living housing can lease space to a home health agency in the same building.
- Housing staff can refer tenants to home health agencies, including any home health agency located in the same building as the independent living apartments.
- Marketing for the housing may refer to meals, housekeeping or other hospitality services that do not trigger the licensing threshold. Advertising for the housing can also say that a home health agency is located in the same building but must make clear that the on site home health agency is a separately operated and regulated entity, not affiliated with the housing. If the home health agency is mentioned in the housing development's advertising, the material must state that tenants are not required to purchase services from the home health agency and that home health agency services are not included in the housing development's fees.

### **What Cannot be Done**

- The home health agency cannot be owned by the same parent corporation as the housing.
- The housing and the home health agency cannot have any of the same people serving as administrators or managers or on their respective boards of directors.
- The housing cannot advertise itself as an assisted living facility or as providing health care or any other services that it would be prohibited from providing without being a licensed, registered or certified residential facility.
- Housing cannot make space available to the on site home health agency rent free or at a below market rate.
- Housing cannot give preference to the on-site home health agency when referring tenants for home health services. Tenants should be advised of all available providers in the area.
- Housing cannot give the home health agency preferential access to information about tenants. Other home health agencies in the area must be given equal access to information. Sharing of any tenant-specific information would require the tenant's prior consent.

# APPENDIX J

## Utility Allowance Information

Updated 9/25/2008

### SECTION 42 PROJECT UTILITY ALLOWANCE REVISIONS

IRS Treasury Regulation §1.42-10 for Section 42 projects (aka LIHTC) regarding utility allowance (UA) calculations has been revised. This change takes effect for taxable years beginning on or after July 29, 2008. ***This is not applicable to properties operating under the Rural Housing Service or HUD Section 8 (in combination with Section 42) or any building in which any resident receives Rural Housing Service rental assistance.***

Following is a LINK to the IRS Treasury Regulation § 1.42-10. Please review the changes prior to determining your utility calculations.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=0dc0ddf9bc31d86639ca9ac95a3a56a8&rqn=div8&view=text&node=26:1.0.1.1.1.0.5.83&idno=26>

#### Summary of Treasury Regulation §1.42-10 Changes

New Calculation Options. If a building is neither RHS-assisted or HUD-regulated, and no resident in the building receives RHS rental assistance, applicable utility allowances for rent-restricted units in the building are determined using either the Utility Company Estimate or one of the two choices outlined below. (Agency Estimates permitted per legislation are not applicable in Wisconsin).

Frequency of Utility Allowance Review: At least once during each calendar year, the basis on which utility allowances have been established must be reviewed and updated regardless of any percentage change in utility rates.

- Reviews must take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates.
- Building owners may choose to calculate new utility allowances more frequently than once per calendar year, provided the owner complies with the requirements for implementing utility allowances.
- Building owners are not required to review or implement new utility allowances until the building has achieved 90 percent occupancy for a period of 90 consecutive days, OR the end of the first year of the credit period, *whichever is earlier*.

Cable Television and Internet Costs: Are specifically excluded (in addition to telephone) from utility allowance calculations.

Understated Utility Allowances: If WHEDA determines an owner has understated the utility allowance for a building, and as a result the building's units are not rent-restricted units (under section 42(g)(2)), WHEDA is required to report the noncompliance to the IRS.

Record Retention: The building owner must retain any utility consumption estimates and supporting data as part of the taxpayer's records.

### **Utilizing New Options:**

Owner must pay for all costs incurred in obtaining these estimates and providing them to both WHEDA and building residents. WHEDA may require additional information from the owner during the 90-day period.

#### **HUD Utility Schedule Model.**

- Calculate utility estimates using the “HUD Utility Schedule Model” found on the Low-Income Housing Tax Credits page at <http://www.huduser.org/datasets/lihtc.html> (or successor URL).
- Owners submit to WHEDA: WHEDA form 205, HUD form 52667 “Allowances for Tenant-Furnished Utilities and Other Services” generated from the HUD Utility Schedule Model (with supporting documentation), and the notification sent to building tenants. In the event the new utility allowance is a \$5.00 or more change from the previous year’s calculation an explanation must be provided with your submission.

#### **Energy Consumption Model.**

- Utility consumption estimates must be calculated by a properly licensed engineer using an energy consumption model which must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location.
- The engineer and building owner must not be related [within the meaning of section 267(b) or 707(b)].
- For newly-constructed or renovated buildings with less than 12 months of consumption data, the engineer may use consumption data for the 12-month period of units of similar size and construction within the geographic area in which the building containing the units is located.
- Owners submit to WHEDA: WHEDA form 205 along with the utility calculation documentation, a copy of the engineer’s current license, and the notification sent to building residents. In the event the new utility allowance is a \$5.00 or more change from the previous year’s calculation an explanation must be provided with your submission.

### **Notification Requirements and Data Collection:**

Utility rates used to calculate analysis must be no older than the rates in place 60 days prior to the beginning of the 90-day period. WHEDA and all building residents must be notified of utility allowances 90 calendar days prior to the UA effective date. The utility company furnishing the estimate must offer utility services to the building.

Reminder: Only utility costs paid directly by the resident(s) and not by or through the owner are included in the utility allowance calculation. Unit gross rents include the applicable utility allowance.

#### **Timeline for a Utility Allowance with an effective date of August 1, 2009:**

- March 4, 2009 - May 2, 2009 (60 calendar days). Obtain utility data for the previous 12 months and calculate the utility allowance.
- No later than May 3, 2009 (90 calendar days). Owner notifies WHEDA and all building residents of utility allowance.
- May 3 – July 31, 2009 – WHEDA reviews and approves utility allowance.

# **APPENDIX K**

## **WHEDA'S Developer Fee Policy For Loan And/Or Tax Credit Developments**

**May 4, 2005**

### **Concept of Developer's Fees**

Developers and professionals representing developers have pointed out a major difference in compensation and incentive for a tax credit development versus a conventional market-rate development. In a conventional development, developers often package only small fees to assemble investment groups. Return is generated on the back end – developers earn a percentage of ownership for packaging the investment and obtain this return through management fees, ongoing depreciation and interest write-off, and a guaranteed percentage of ownership interest in the event the development is refinanced or sold.

Tax credit developers are limited in this respect. As the typical general partner in these deals, developers often hold a minimal interest in the property, (0.1% – 1.0%), and therefore have limited long-term upside gain.

Tax credit developers have argued they have risks not inherent in conventional deals. Specifically, these developers must offer guarantees to the equity syndicators to entice the purchasing of tax credits for equity. These guarantees cover the risks of construction completion, latent property defects, lease-up, and tax credit compliance, particularly throughout the initial year of operation. Defects in any of these factors results in an erosion of the resources pledged to make the guarantees – in most cases developer's fees.

Based on the same standards, developer's fees in bond deals often fill funding gaps. Bond deals, functioning via lower interest rates rather than increased equity, often have large funding gaps because the interest rate difference doesn't carry as much impact as large equity amounts. Developers often argue that bond deals carry large risk, entitling them to their fees.

### **WHEDA'S Developer Fee Policy**

Based on the above concepts and WHEDA's concerns about developers being overcompensated on rehabilitation projects that include only minimal rehabilitation, WHEDA established the following in September 2002.

#### **New Construction Developments**

The developer's fee calculation is based on the total development budget, excluding the developer's fee in the sum. WHEDA allows a 15% developer's fee for developments of 24 units or less. The maximum fee is reduced to 12% for developments of 25 or more units. WHEDA currently uses the same standards for tax credit and tax-exempt bond-funded developments.

## Rehabilitation and Adaptive Reuse Developments

The maximum developer fee on Rehabilitation and Adaptive Reuse developments includes two components: the Acquisition Fee portion and Rehabilitation Fee portion.

The maximum eligible acquisition fee is based on the ratio of rehabilitation hard costs compared to the acquisition cost of the property. The eligible fees for the acquisition portion of the total developer's fee are calculated as follows:

<b>Percentage of Rehabilitation: Hard Rehab Costs Divided by Acquisition Cost</b>	<b>Eligible Acquisition Fee for Projects with 25 or more Units**</b> (See the Identity of Interest limitation outlined below)	<b>Eligible Acquisition Fee for Projects with 24 or Fewer Units, or for Projects Involving Negotiations with HUD</b>
10 – 19%	5%	8%
20 – 39%	6%	9%
40 – 59%	8%	11%
60 – 79%	10%	13%
80% and over	12%	15%

The rehabilitation portion of the fee is calculated at 12% of hard costs plus soft costs (excluding the developer fee) for developments with 25 or more units, or 15% for developments with 24 or fewer units.

Based on the above information, the following example shows the total developer fee calculation on a 36-unit acquisition/rehabilitation project with minimal rehabilitation, involving negotiations with HUD and no Identity of Interest limitation.

Total project hard rehabilitation costs	\$132,000
Total project soft costs(excluding developer fee)	\$150,000
Building acquisition cost (including land cost)	\$1,100,000
Rehabilitation hard costs divided by acquisition cost	12%
Acquisition fee portion – 8% of acquisition cost	\$88,000
Rehabilitation fee portion – 12% of hard costs plus soft costs	\$33,840
Maximum Developer Fee allowed	\$121,840

\*\* The Identity of Interest limitation, as outlined below, restricts the fees for the acquisition portion of the developer fee.

## Developer's Fee and Identity of Interest Situations

Those developments that include an "Identity of Interest" will be limited on the amount of developer's fee that can be charged. An Identity of Interest situation between the seller and buyer of real estate limits the fee for the acquisition portion to 3% of the acquisition cost or a minimum of \$5,000. The developer's fee for the rehabilitation portion will be scaled to the amount of rehab as identified above.

The Identity of Interest definition that WHEDA will follow is provided by HUD and bond regulations. HUD's Management Agent handbook (4381.5) defines Identity of Interest as:

"An identity of interest relationship exists if any officer, director, board member, or authorized agent of any development of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.):

- (a) is also an officer, director, board member or authorized agent of any other development team member;
- (b) has any financial interest in any other development team member's firm or corporation;
- (c) is a business partner of an officer, director, board member or authorized agent of any other development team member;
- (d) has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member; or
- (e) advances any funds or items of value to the borrower.”

## **APPENDIX L**

**This appendix has been eliminated for 2009**

# 2009 APPENDIX M

## WHEDA Design Requirements For All LIHTC Applicants Effective January 1, 2009.

### A. INITIAL SUBMITTAL REQUIREMENTS:

Submit a certified letter, signed by the development Architect/Engineer and applicant, stating all Development Requirements outlined in this Appendix M will be incorporated in the completed housing development.

### B. DEVELOPMENT REQUIREMENTS

#### I. REQUIRED ITEMS.

KEY: NC= New Construction and Adaptive Reuse; AR= Acquisition Rehab Existing Multifamily

Required For	ITEM
NC, AR	<u>Showerheads &amp; faucets:</u> <b>a)</b> Low flow showerheads of 1.75 gpm, or less, must be installed on every showerhead within each dwelling unit in the development, and <b>b)</b> Faucet aerators with a rating of 1.5 gpm or less must be installed on every faucet within each dwelling unit in the development.
NC, AR	<u>Common Area Lighting:</u> Appropriate high efficiency lighting, including High Performance T-8 systems, T-5 systems, or Compact Fluorescent Lamps (CFLs), shall be installed in all interior common areas, including decorative fixtures.
NC, AR	<u>Appliances:</u> being replaced or initially installed <b>must</b> meet current ENERGY STAR® standard(s).
NC, AR	<u>Window or Central Air Conditioning Units:</u> being replaced or initially installed must meet current ENERGY STAR® standard(s).
NC, AR	<u>Setback Thermostats:</u> All Family housing units located in the development are required to incorporate setback thermostats.
NC, AR	Installed minimum 18" grab bar in tub/ shower, <b>AND</b> installed minimum 18" grab bar within 18" of toilet (matching or contrasting shower/tub color, nylon & 1-to-1 1/2 inch diameter)
NC, AR	Lever-style handles on all interior doors
NC, AR	Bath/kitchen faucets being replaced or initially installed must be single-lever type.
NC, AR	Mini blinds or similar window covering
NC	Non-skid tub/shower pattern covering 75% of tub/shower floor.
NC	All walls within 36" of toilet, and in tub/shower area, shall have ¾" plywood behind drywall to provide sufficient support for grab bars or other assist devices.
NC	Bathtub/shower stalls with offset controls.
NC	Toilet space will have a minimum 42" side clear area and be 18" from the wall/tub/cabinet on the opposite side to the center of bowl.
NC	Low-profile thresholds - ¼" maximum vertical height, or ½" maximum beveled at 1:2 are required between ALL interior common areas and in all dwelling unit openings when floor transition height differs.
NC	100% visitable units (i.e. Accessible route from vehicle parking, at least one no-step entry with weather-sealed door threshold less than ½" high, all exterior doors 36" wide, and 60" x 60" level maneuvering space on both sides of exterior doors).
NC	Thermostats, primary fuse box and light switches set to a maximum height of 48

	above the floor.
NC	Electrical outlets and cable/date outputs set to a minimum height of 18" above the floor.
NC	Built-in Dishwasher and disposal-all 2BR or larger units
NC	Provide at least 1 bedroom on the first floor of multi-story units (minimum 4% of the development's multi-story units).

## II. REQUIRED BUILDING ENVELOPE

### **New Construction**

- Building envelope worksheet calculations: Must exceed the State of Wisconsin Department of Commerce Building Envelope Requirements by, at minimum 2%, based upon (2006 IBC code) REScheck™ software calculations **AND** heating loads must be calculated at the maximum infiltration rate allowable in REScheck™ ( 0.5 air changes/hour).
- REScheck™ calculations must demonstrate compliance with State of Wisconsin building codes.

*(These calculations must be submitted to WHEDA with the final LIHTC application for the development.)*

### **Preservation (Acquisition/Rehab) and Adaptive Re-use Developments**

- Preservation and Adaptive Re-use developments must make efforts to exceed the State of Wisconsin Department of Commerce Building Envelope Efficiency by 2% (2006 IBC code). If the full 2% cannot be achieved, documentation (submitted with the final LIHTC application) must demonstrate efforts **AND** greater than normal efficiencies of ancillary items such as window replacement "U" value, insulation "R" value, heating systems and lighting systems.
- Components for each building must meet ENERGY STAR® or equivalent standard(s) for: a) windows, b) wall insulation, c) roof insulation and d) exterior doors.

*(These calculations must be submitted to WHEDA with the final LIHTC application for the development.)*

### **C. FINAL SUBMITTAL REQUIREMENTS-All Developments**

Development Owner **AND** General Contractor Certifications *must be submitted to WHEDA with the final LIHTC application* reflecting that 1) the development is complete and 2) each building meets or exceed requirements outlined in the Appendix M governing the year of the original application. See: [www.wheda.com](http://www.wheda.com) for Certification forms.

➔ Download REScheck™ software from U.S. Department of Energy website:  
<http://www.energycodes.gov/rescheck/download.stm>

# **APPENDIX N**

## **Submittal Requirements for Developments with HUD, Rural Development, Public Housing Financing and/or Project-based Rental Subsidies**

**The following are threshold items applicant must submit with the Initial Application:**

1. Evidence that the following items have been submitted to HUD or RD, at minimum, 30 days prior to the submittal of the tax credit application:
  - Proposed Ownership Entity and all principals.
  - Proposed Scope of Work in narrative form. Include cost estimates, current and assumed post transaction rents, operating expenses, change in number or type of units, consolidation of multiple properties, proposed operating budget for RD and HUD transactions, etc.
  - A Proposed Sources and Uses Statement showing all sources of funding, including financing terms, for the project including proposed lien position.
  - Executed Purchase Agreement, if available.
  - Both HUD and RD must receive this information if the subject is a RD property with a Section 8 rent contract overlay.
  - Additional requirements for Rural Development properties:
    - If principals currently own properties financed by RD, provide a certification the principals are in compliance with all regulatory documents, agreements, etc.
    - A rent comparability study is required for all projects in which a rent increase is being planned along with documentation as to how effected residents will be protected by the planned rent increase.
    - RD Form 3560-7 with a typical proposed budget will be required.
    - Capital Needs Assessment (in an approved Rural Development format) showing the proposed rehabilitation along with the needs for the next twenty years is required.
2. Letter from HUD, RD or WHEDA Contract Administration showing actual or preliminary approval of contract rent increase if the financing structure in the application assumes a rent increase under any HUD or RD program\*. Without written support of a rent increase from HUD, RD, or WHEDA contract administration, current contract rents will be used.
3. Letter from HUD or RD showing actual or preliminary approval of any special terms or restructuring if the financing structure in the application assumes any special terms or restructuring under any HUD or RD loan. Without written support from HUD or RD, WHEDA tax credit financing terms (or current financing terms if such exists) will be used in the application and feasibility test.
4. Copy of any applicable rental assistance (HAP or RAP) contracts and/or Public Housing operating subsidy agreements.

\* ***Applicants are encouraged to use HUD, RD and WHEDA HUD Contract Administration staff as resources to determine rent increase and contract renewal options for HUD/RD properties.***

**Please note these two important Submittal Requirements for developments with HUD or Rural Development financing and/or Project-based Rental Subsidies:**

1. Required prior to Reservation of Credit: Copy of approvals of loan assumptions (“transfer of physical assets”), or copy of approval to prepay HUD, RD or WHEDA loans.
2. Required at Certification of 10% Expenditure: A copy of HUD/RD approval to transfer HAP or RAP contracts.

## APPENDIX O

**This appendix has been incorporated into  
the LOLA online application**

# APPENDIX P

## **Development Team**

The following items are examples of factors that will be taken into consideration when evaluating scoring – WHEDA staff is not limited to these items and the following is not an all-inclusive listing of items.

### Developer Quality Scoring\*

\*Note: Scoring is done for the Primary Developer, not the Co-Developer/Consultant (if any). Strength of the Co-Developer/Consultant is reflected in Ability to Bring Strong Players Together

#### **Experience**

##### *Years of multifamily/Section-42*

- Number and type of projects developed (i.e. Section 8, Section 42, market rate, elderly, family, special needs, RCAC, size of projects) vs. proposed project
- Documented years of experience with WHEDA or other state HFAs.
- Documented multifamily and/or commercial development may be considered if documented
- Direct participation in development of project(s)
- Size of projects (i.e. single family, duplexes, 4+ units, 20+ units) vs. proposed project in application

##### *Quality/Success of projects*

- Length of lease up for previous development(s)
- Number and level of 8823s issued/unresolved
- Occupancy history of previous development(s) (Below 95%; Below 90%)
- Development(s) completed within budget
- Development(s) completed in a timely fashion
- Tenant complaints-documented life/safety issues
- Public comment
- Materials/Amenities
- Landscaping
- Quality of workmanship
- Past site selection-location/linkages

#### **Non-Performance Deduction**

- WHEDA reserves the right to deduct up to 15 points for developer/applicant non-compliance on a previous tax credit award.
- Deductions shall extend no more than twenty four months from the date of discovery
- Examples: failure to incorporate design/amenity/accessibility/energy efficiency/support services for which the developer received points

#### **Market (Geographic) Familiarity**

- Knowledge of project's general area and target market area specifics: neighborhood characteristics, city/area building requirements, target population demographics, employment variables, services, transportation options, etc.
- Number of developments in target market
- Relationships within community are documented

#### **Market (Product Type) Familiarity**

- Knowledge of housing and amenity preferences of project's target population
- Experience in market with proposed type of project (i.e. elderly, family, special needs, supportive)
- Performance of other projects in specific market
- Documented relationships with local community including service providers, contractors, tenant groups, neighborhood groups.

#### **Understanding of Tax Credit Process**

- Completeness and organization of this and previous tax credit applications
- Ability to navigate tax credit allocation process
- Success of prior tax credit projects
- Timely submission of documents
- Compliance with tax credit monitoring requirements/Outstanding 8823s.

### **Ability to Bring Strong Players Together**

- Strength and experience of team members working together as team on developments
- History of individual development team members in previous tax credit and other developments

- History of completing development with same team as shown on application
- Co-Developer/Consultant adding complimentary skills/experience and/or participant in WHEDA mentor/protégé program

## **Management Agent Quality Scoring**

### **Compliance History**

- Number and quality of 8823's issued
- Responsiveness to federal and state housing compliance issues including AG 134, Equal Opportunity, affirmative fair marketing practices, 504, and LIHTC
- Staff stability
- Staff knowledge of program requirements
- Tenant files completeness and organization
- Processing certifications and recertifications
- Fees current or past due

### **Vacancy History**

- Type of portfolio vs. proposed project in application (i.e. family, elderly, special needs, RCAC)
- Length of time management agent has been managing the development (i.e. sufficient time to turn around a project that historically had issues)
- Management agent's track record of turning properties around
- Anomalies within the portfolio that would skew the data
- Market vs. management issue
- Taking over difficult properties that would skew overall data
- Marketing plan
- Advertising practices
- Vacancy management
- Waiting list management

### **Property Condition**

- Documentation showing prompt response to preventative and existing maintenance issues
- History of adequate reserves maintained for capital needs
- Site maintenance
- Building exterior
- Common areas
- Unit condition
- Health and safety
- Capital improvement planning

### **Capacity/Experience**

- History of sufficient personnel and infrastructure to maintain present portfolio of properties
- Documentation of sufficient personnel and infrastructure to support addition of this property to portfolio
- Staff responsiveness
- Staff size/qualifications
- Staff location (onsite/offsite)
- Staff training
- Staff supervision
- On-site administration
- Management entity functionality
- Resident relations
- Tenant selection
- Years of experience
- Number and type of projects developed (i.e. Section 8, section 42, market rate, elderly, family, special needs, RCAC, size of projects) vs. proposed project
- Size of projects (i.e. single family, duplexes, 4+ units, 20+ units) vs. proposed project in application
- Experience in specific market and/or product type

# APPENDIX Q

## Identity Of Interest

How It May Impact A Development

### **IDENTITY OF INTEREST - DEFINITION**

**The Identity of Interest definition that WHEDA will follow is provided by HUD and bond regulations. HUD's Management Agent handbook (4381.5) defines Identity of Interest as:**

(1) An identity of interest relationship exists if any officer, director, board member, or authorized agent of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.):

(a) is also an officer, director, board member, or authorized agent of any other development team member;

(b) has any financial interest in any other development team member's firm or corporation;

(c) is a business partner of an officer, director, board member, or authorized agent of any other development team member;

(d) has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member; or

(e) advances any funds or items of value to the sponsor/borrower

**All developments that include an Identity of Interest, as defined above, must indicate the specific Identity of Interest in the application for financing or tax credits.**

### **IDENTITY OF INTEREST – SITUATIONS**

WHEDA will impose restrictions on the amount of certain fees in the following Identity of Interest situations.

- ◆ An Identity of Interest **between the seller and buyer of real estate**, on Rehabilitation and Adaptive Reuse developments, results in a developer fee limitation. The developer fee for the acquisition portion is limited to 3% of the acquisition cost or a minimum of \$5,000. The developer fee for the rehabilitation portion will be scaled to the amount of rehab defined in WHEDA's "Developer Fee Policy".
- ◆ When an Identity of Interest exists between the developer, owner and general contractor, and the auditor performing the cost certification determines that the general contractor entity is **not** a legitimate operating concern, the following limitations will be applied. For developments with 24 units or less, the **combined total** of the general requirements, contractor's profit, contractor's overhead, consultant's fee, developer's fee, and developer's overhead will be limited to 20% of the total development costs, not including the combined total for those items. The combined total will be limited to 17% for developments over 24 units. For rehabilitation developments, the limits will be reduced to reflect the policy in WHEDA's "Developer Fee Policy".

# **APPENDIX R**

## **Certified Rent Roll Requirements**

A certified rent roll is required at the time the tax credit owner requests WHEDA issue form(s) 8609 for the development. Include the rent roll in the final LIHTC application packet. It is important that the rent roll is accurate and provides all necessary information.

The following is **required** information:

**1. List the FINAL name of the LIHTC development and effective date of the rent roll**

**2. Unit Information:**

- Unit Numbers
- Tenant name (or indicate as vacant)
- Number of bedrooms for each unit
- Number of bathrooms for each unit
- Identify set-aside units
- Identify unit set-aside CMI (30%, 40%, 50% or 60% )
- Identify market rate units
- Identify manager's unit(s)
- Identify HOME-funded units
- Current rent for each unit
- Current utility allowance for each unit
- Square footage for each unit
- Lease start date
- Lease termination date

**3. Project TOTALS (include all of the following):**

- a. Number of units
- b. Occupied units
- c. Vacant units
- d. Market rate units
- e. Number of units in each set-aside CMI (30%, 40%, etc.)
- f. Number of set-aside units
- g. Percentage of units set-aside as affordable
- h. Percentage of units that are occupied
- i. Percent of units in each set-aside category
- j. Square footage of all units
- k. Square footage of set-aside units
- l. Square footage of market rate units
- m. Percentage of square footage of set-aside units
- n. Percentage of square footage of market rate units

**4. Certification requirements:**

- a. Statement: "I certify, to the best of my knowledge and belief, that the information contained in this rent roll for \_(insert name of development)\_ is complete and accurate."
- b. Signature block for accurate project ownership entity (with all appropriate punctuation)
- c. Signature of authorized owner
- d. Date rent roll is signed



# APPENDIX S

## Construction Sign Specifications

All developments receiving WHEDA® construction financing or Low Income Housing Tax Credits are required to produce and display a WHEDA Construction Sign during the construction period of the development.

WHEDA provides the electronic art files and sign specifications for developers to send to the sign company/printer of their choice. There are 2 file formats available to download as per the sign maker's requirements. Available for download are vector-based EPS and PDF files. All files have been created to the exact dimensions, are high resolution (300dpi) and have been Zipped for downloadability. Electronic art files can be found on the WHEDA website at:

[www.wheda.com/cat\\_tca/2008/2008.asp](http://www.wheda.com/cat_tca/2008/2008.asp). Please scroll down to Appendix S.

### Sign specifications are:

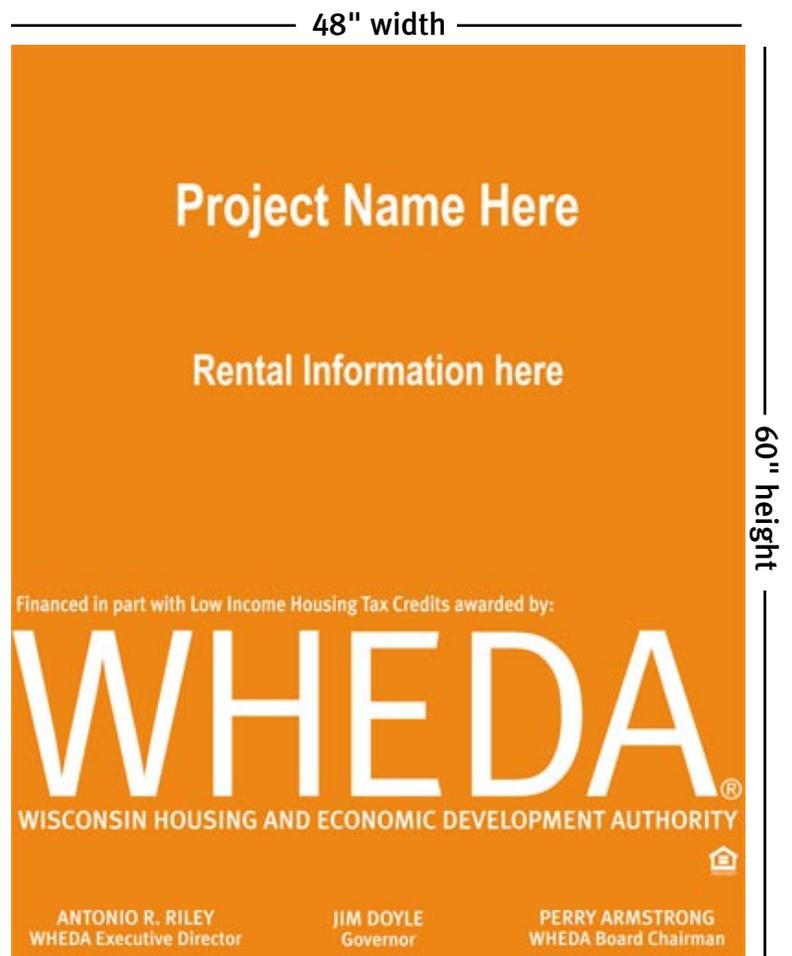
**Board material:** 3/4 Plywood A-B Ext. APA

**Size:** 48"W x 60"H (.125" bleed on all sides if necessary)

**Color:** Pantone 716 (4C separation: 50M/100Y)

**Font usage:** There are only 2 areas of text that are editable on the electronic files. All other text is set in place and cannot be edited.

- 1. PROJECT NAME** – Arial Narrow Bold, minimum font size 225pt, white, 95% horizontal scale
- 2. RENTAL INFORMATION** – Arial Narrow Bold, minimum font size 150pt, white, 95% horizontal scale



WHEDA Construction Sign proof



### WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

201 West Washington Avenue ■ Suite 700  
Madison, WI 53701-1728  
800.334.6873 ■ [www.wheda.com](http://www.wheda.com)



## **APPENDIX T**

**This appendix has been eliminated for 2009**