452 MR BUDGET GUIDE POLICY

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Purpose of Budgeting

This policy provides guidance regarding the completion of the annual budget process for Supportive Housing - MR Developments that are required to submit an annual budget to the Authority. Each year, developments receiving MSHDA-financing must submit a budget of anticipated income and expenses for the upcoming fiscal year. This provides a measurement against which Monthly Income and Expense (MIE) statements can be compared to help judge the ongoing financial health of each property.

This process involves:

- Anticipating income based on the updated rent schedule and any potential increases or decreases in rents.
- Projecting the upcoming year's income and expenses based on the previous year's financial activity and anticipated changes in operations at the development.
- Explaining significant variances between the current budgeted number and the previous year's financial activity.

Budget Submission Timeline

The annual budgeting process follows a strict schedule in order to meet all reporting requirements and statutes. A detailed timeline identifying the timeframe required for achieving the appropriate budget calculations and submissions follows:

Prior to Sept 30th – *Section 236 developments only.* **Send and post the Rent/Utility Change Notice** (MSHDA Mgmt. 451A1) to the development's residents, if applicable.

- Notify the residents according to the Code of Federal Regulations (CFR) 245.15 and Treasury Regulation Section 1.42-10. Post the notice (MSHDA Mgmt. 451A1) in three conspicuous places and send to all non-market rate residents prior to the September 30th.
- Residents must receive at least a 30 day notice to comment on any request for rent increase, if applicable.
- **Note:** Do not include MSHDA moderate units on the notices to residents.

Oct 1st – *Section 236 developments only.* **Budget packages are due to MSHDA**.

Oct 1st to Oct 31st – Assigned Asset Manager (AM) reviews MR Section 236 developments' budget materials, including any resident comments received, if applicable. The AM review of comments must not begin prior to 30 days from the actual posting date of the **Rent/Utility Change Notice** (MSHDA Mgmt. 451A1).

Prior to Oct 31st - *For all Section 8 and moderate developments,* send the Rent/Utility Change Notice (MSHDA Mgmt. 451A3) to the development's residents, if applicable.

- Notify the residents according to the Code of Federal Regulations (CFR) 245.15 and Treasury Regulation Section 1.42-10. Send the notice (MSHDA Mgmt. 451A3) to all non-market rate residents and post in at least three conspicuous places. Do not include MSHDA moderate units on the notices to residents.

Prior to Nov 1st – *Section 236 developments only.* MSHDA sends a copy of the approved budget and rent schedule to the management agents and HUD, if applicable. HUD has the right to approve or disapprove the rent schedule within 30 days, if a rent increase is submitted.

Nov 1st – *All non-Section 236 developments.* **Budget packages are due to MSHDA.**

Nov 1st to Nov 30th – *All moderate and Section 8 developments.* The assigned AM **reviews and finalizes all development budgets** with the assistance of the management agents, when necessary.

Prior to Dec 1st – *Moderate and Section 8 developments.* **MSHDA sends a copy of the approved budget to the management agent.**

Jan 1st – *All developments.* **The management agent implements the approved budget.**

30 days prior to implementing a rent increase – The management agent MUST notify the residents of a rent increase consistent with the resident lease terms. *Section 8 developments* must notify residents when an approved rent increase resulting from a decrease in utility rates is implemented. E.g., per statute, a utility rate decrease for April 1st requires residents to receive notice of the pending rent increase by March 2nd.

Where to Submit Budget Documentation

The following two items must be completed by the designated due dates in order to meet the submission deadline.

1. Submit an electronic copy of the completed excel workbook (MSHDA Mgmt. 452A, and Identity of Interest disclosure forms) to the MSHDAassetmgt@michigan.gov mailbox.

   - The e-mail must have a subject line with [Budget Year, Development Name, MSHDA #]. For example, Budget 2013, Accurate Apartments, #999.

   - The file name must be saved in a [MSHDA #.xls]. Office 2007 and 2010 users will have to select the proper format when saving.

2. Submit hard copies of all the required documents listed in the 'Budget Submission Requirements' section below to:

   Ms. Maureen Carden
   Michigan State Housing Development Authority
   735 E. Michigan Ave., 3rd Floor
   P.O. Box 30044
   Lansing, Mi 48909

Budget Submission Requirements

In addition to submitting a completed electronic copy of the MR Budget Form #452A, developments must submit a budget document package with the following documents:

1. **Signed copy of the MSHDA Mgmt. 452A** – The MR Budget form (revised 7/2013 or later) with the signature page on top. The owner or a management company representative must sign the budget form to validate the numbers.

2. **Detailed notes of the 452A line items** – Notes describing the anticipated income and expenses being budgeted for each line item on the 452A form is encouraged. Detailed notes should include mathematical computations and supportive documents to assist in explaining the full financial picture to the assigned Asset Manager, which helps create a smooth budgeting process. For a description of every line item on the

MSHDA Mgmt. 452A form refer to the "Instructions for Completing the 452A Tab" section below.

At a minimum, budget notes must be included for each line item with:

- A $2,000 **and** 20% variance exists between the budgeted amount and the current 12-month expenses;
- A physical needs item expensed that will be funded from an escrow account; and
- An Identity of Interest expenditure.
- The "Variance Requires Detail" column of the 452A form flagged as "Yes".
- A "**Budget Notes**" reference in the detailed explanation in "Instructions for Completing the 452A Tab" section below.

3. **Rent\Utility Change Notice -** (MSHDA Mgmt. 451A1 *for Section 236 developments* or MSHDA Mgmt. 451A3 *for Moderate developments*). Provide a copy of the notice to residents regarding any pending rent increase, if applicable.

4. **Proposed Rent Schedule** – Proposed Rent Schedule (MSHDA Mgmt. 450D1 through 450D3). Refer to the 451 - Utility Sampling and Rent Schedule policy for more information about the completion and submission requirements. When determining the new rent amounts, consider the competing rents in the market area. Rents should not be excessively high in relation to comparable housing alternatives or excessively low. They should ensure the continued stable operation of the development.

5. **Identity of Interest (IoI) Disclosure** – Provide a complete list of all Identity of Interest vendors with the budget using the MSHDA Mgmt. 450B form for each vendor. This information is included in the budget template; refer to "Instructions for Completing the Identity of Interest Tab" section of this policy for detailed instructions on completing the "IofI" tab. **All identity of interest vendors must receive (re)approval in order to begin to contract or continue to contract with each development for goods and/or services in 2014, unless a multiple year contract was approved by MSHDA. Refer to the previously approved IoI Disclosure(s) for the contract end dates.** If during the budget year, an IoI Disclosure (MSHDA Mgmt. 450B) is required, reopen the budget template and make the necessary corrections to update the identity of interest template or create a new form. If one of the following changes occurs in the previous identity of interest disclosure and approval, re-approval of the vendor is required:

   - A change in Identity of Interest vendor or management agent, **or**
   - An increase in the amount being charged by a previously submitted Identity of Interest vendor disclosure form. New bids must be submitted if the increased amount exceeds 10% of the previously approved Identity of Interest Disclosure.

6. **Current Service Contracts** – If there is a $2,000 and 20% variance between the proposed budget amount and the previous 12-month expenses (January to December), provide copies of all current service contracts for the development indicating amounts and note the contract in the budget details.

7. **Pension Plan Evidence** – If your management company is not on the List of Management Agents with MSHDA-approved Pension Plans (MSHDA Mgmt. 450 Attachment 1), provide evidence of an Authority approved pension plans for on-site staff.

8. **Market Analysis** – *Applies to Section 236 developments on rare occasions where a rent increase exists. This does not apply to Section 8 development.* Provide a market analysis, if the year-to-date vacancy at the time of budget preparation exceeds 5% - or - there is a proposed rent increase, which exceeds 5% of the current rents.

9. **Letter from owner** - If there is a budget deficit; the owner must describe a plan to fund the budget deficit. Any contribution to the development deficit amount by a related party should be budgeted in Line Item 2e - Advances with an appropriate explanation in the budget detailed notes.

Section 236 forms

The forms listed in numbers 9-14 are required on Section 236 developments only, including Section 236 decoupled and Section 236 with Tax Credits:

10. **HUD Budget Worksheet** – Income and Expense Projections (Form HUD-92547-A): this form is located at: http://portal.hud.gov/hudportal/documents/huddoc?id=92547-a.pdf. Complete and sign the form. Unaudited numbers for the current year are acceptable.

11. **Resident comments** – If applicable, provide resident comments regarding a pending rent increase or utility allowance decrease.

12. **Retain Excess Income** – If applicable, provide a copy of HUD's approval letter or the management agent's request letter to retain excess income. Otherwise provide a copy of the letter requesting approval to retain excess income. Requests to retain excess income should be submitted to the Local HUD Field Office.

13. **Excess Income Report** – Provide the most recent copy of the development's Excess Income Report (HUD-93104).

14. **Owner Certification of Purchasing Practices and Reasonableness of Expenses** – Provide a signed copy of the Owner Certification of Purchasing Practices and Reasonableness of Expenses (MSHDA Mgmt. 450D).

Instructions for Completing the MSHDA Budget Template

The following instructions offer a guide to the management agents and owners in preparing the annual Operating Budgets on the MSHDA Budget template. The MSHDA Budget template is posted on the MSHDA website. The MR budget template includes the following tabs for all developments:

- CSV,
- 452A,
- "…Rent Sch" – The applicable rent schedule will be displayed depending on development selected,
- "Purch Cert" – The applicable owner certification will be displayed depending on development selected, and,
- "I of I" tabs.

Begin completing the budget template for each of developments managed, by entering the:

1. Specific development in cell F1 of the **452 tab**,
2. Unit rent information on the **"…Rent Sch"** tab,
3. Budget line items on the **452** tab to generate an acceptable budget for the development.
4. Identity of Interest certification or listing out all the Identity of Interest vendors on the IofI tab and if applicable, completing an IofI-# tab for each Identity of Interest vendor.
5. HUD Project # and property location on the **"Purch Cert" tab**, *applicable to Section 236 developments only*.

Instructions for Completing the 452A Tab

Budgets must be prepared by the management agent and submitted to the Authority on the customized MSHDA Mgmt. 452A form using the instructions outlined in this section. The appropriate tabs will appear in the workbook based on the development name selected on the 452 tab.

452A Columns
Below is a description of the data in each column of the budget form:

20xx Budget – The previous year's Authority approved Annual Operating Budget numbers should be entered into this column.

Previous 12-Months Expenditures – Enter the total accumulated Monthly Income and Expense (MIE) data from the previous year's January through December MIE data submitted during the MIE process.

Proposed 20xx Budget – Enter in the development's estimated total annual income and expenses for the upcoming budget year in each line item of this column.
* Use the previous 12-month's amounts to estimate the upcoming calendar year's income and expenses. Adjust your calculations for unusual income and expenditures incurred during the previous 12-months or anticipated for the upcoming budget year.

Adjs by MSHDA - Leave this column blank. MSHDA staff record adjustments to budget items in this column.

MSHDA Approved Budget - Leave this column blank. MSHDA-approved budget amounts are calculated in this column based on adjustment amounts entered in the "Adjs By MSHDA" column.

Variances of Greater than 20% - This column calculates the percentage of variance between the "Proposed 20xx Budget" amount and the "Previous 12-Month Expenses". Variance = Proposed Budget minus Previous 12-Months Expenses divided by the Previous 12-Month's Expense amount.

Variances of Greater than $2,000 – This column calculates the dollar variance between the "Proposed 20xx Budget" and the "Previous 12-Month Expenses". Variance = Proposed 20xx Budget minus Previous 12-Month Expenses.

Variance Requires Detail – If the column displays a "YES" in the row, the variance is greater than 20% AND $2,000. **The management agent must provide an explanation of the variance in the "Detailed Notes of the 452A Line Items" of the budget submission requirements.**

NOTE: Developments processed under the Authority's Threshold Requirements for Preservation of Section 8 Developments must follow the operating budget requirements established at closing.

452A Rows

Below is a description of each line item row on the MSHDA Mgmt. 452A form. Remember to project the total annual income and expenses for all budget line items based on the previous 12-month's income and expenditures. Adjust each line item for any anticipated changes expected during the upcoming budget year and provide an explanation or support documentation when the changes to a line item are significant (greater than a 20% and $2,000 variance). Line items with a "**Budget Notes are required**" reference need a detailed explanation regardless of the significant variance (20% or $2,000) requirement regarding explanations.

Income Line Items

Gross Rent Potential

1 **Gross Rent Potential (GRP) -** The rent schedule calculates the monthly and annual rent potential once all the development's units have been entered on the

schedule. This line item equals the Grand Total Annual Rent Potential less the projected amount of rent revenue lost due to existing lease restrictions (lease variances). For example, rent increases effective after January 1st will not receive the maximum gross rent until the month the rent increase becomes effective for the unit. Also, adjust the amount of the GRP by any unit type where the tenant is paying less than the rent identified on the rent schedule for the unit type. More details are covered in the "Utility Sampling and Rent Schedule Policy" regarding the calculation of GRP.

Budget Notes are required – Include detailed calculations and documentation to support the rent potential amounts listed on the rent schedule and a unit by unit breakdown of the amount of lease variances. Do not include subsidy grants that support the operation of the development (e.g. development based subsidies).

1a **Net Change in Receivables** – This line in is not included in the budget projection process.

1b **Net Change in Unearned Rental Income (URI)** – This line in is not included in the budget projection process.

Other Income

2a **Replacement Reserve** – Project the amount of Replacement Reserve funds withdrawn to pay for the physical needs of the development during the budget year.

2b **DCE Principal** – Project the amount of DCE Principal funds withdrawn to pay for physical improvements to the development during the budget year.

2c **DCE Interest** – Project the amount of DCE Interest funds withdrawn to pay for any budget deficits, physical needs, or operational needs of the development during the budget year.

2d **Operating Reserve Cash** – Project the amount of Operating Reserve Cash withdrawn to pay for any budget deficits, physical needs, or operational needs of the development during the budget year.

2e **Advances** – Project any anticipated money advanced to the development (generally from the ownership) to help support the developments operational needs or deficits during the budget year.

2f **Miscellaneous Special Escrows** – Project the amount of funds withdrawn from MSHDA-held reserve accounts, such as exterior painting/staining, asphalt repairs, resale repair escrow, reimbursements from insurance escrow, etc.

2g **Personal Care Rate/AFC** – Project this amount by multiplying the personal home care rate times 12 months times the number of applicable units where

residents are receiving personal home care payments. Subtract out the portion of the payments paid toward rent and recorded in 1 - Gross Rent Potential. Only include boarding and other services from Supplemental Security Income (SSI) issued by the Social Security Administration (SSA) in this line item. **Budget Notes are required.**

2h **Program Funds** – Project the amount of funds to be received from federal, state, and community agencies to fund resident programs and services. For example, food stamps and human services programs, Community Mental Health (CMH) per diem. **Budget Notes are required** - Include a breakdown of the names of the program funding sources and the amount received from each source.

2i **Excess Rental Income (Section 236 developments only)** – Project this figure by multiplying the surcharge amount found on the most recent Excess Income Report by 12. Record the amount of excess income approved by HUD to be retained by the owner for limited purposes.

2j **Other** - Project miscellaneous income. For example, cable, club house rental, air conditioner unit rentals, Section 236 Interest Reduction Subsidy, non-refundable pet or other fees, sales proceeds, income from non-ACC units, NSF fees, Section 236 Interest Reduction Subsidy, and rent from telecommunications residents. **Budget Notes are required**.

Total Other Income – The form auto-calculates this field.

3 **Total Income (Total Net Rent Collected Plus Total Other Income)** – The form auto-calculates this field.

Expenditure Line Items

Management agents may use their discretion to classify and record expenses as either routine maintenance expenses (non-depreciable) or capital expenditures (depreciable). The method of depreciation and rationale for classifications must follow standard accounting principles and practices. **However, once an item is classified as either non-depreciable or depreciable, the item must continue to be reported with the same classification unless formally changed. Changing accounting methods and practices within an established fiscal period or periods is not allowed without formal declaration as required by IRS regulations.**

- Non-depreciable operating and maintenance items must be budgeted in Line 6d – Non-Capitalized Maintenance & Repairs of the budget.

- Depreciable items or capital expenditures must be budgeted in Line 6e – Major Purchases/Improvements.

- The projected physical needs of the development including item, quantity, cost and

anticipated escrow funding source must be detailed in the specific budget line items.

- Congregate care service expenditures cannot be budgeted.

Administration

4a **Management/Administration Fees** – Project the salary of the program director or administrator, if any, bookkeeping, secretarial assistance, administrative fees, and miscellaneous fees paid to a management agent. **Budget Notes are required**.

4b **Employee Payroll** – Project the reimbursement of gross salaries of all full and part-time office staff, including resident and relief resident managers, as well as persons employed for housekeeping, food preparation, program aides, transportation, maintenance and janitorial. If a position is vacant, identify the vacant position in the budget notes. The notes should also list the employees' names, position description, hourly rate, total hours worked, and the total salary including bonuses for each position/employee. **Budget Notes are required.**

4c **Employer Payroll Taxes** – Project the reimbursement of all employer payroll taxes (i.e. FICA, FUTA, and Unemployment Agency payments). The cost of an unemployment tax audit must be included in this line item. **Budget Notes are required.**

4d **Employee Benefits & Insurance** – Project the cost of the employer's contribution for Authority-approved pension plans for on-site staff, health care, life insurance, worker's compensation (if not included with the property insurance premium), fidelity bond coverage when allowed under the Authority's Employee Dishonesty/Crime Policy, and any other Authority-approved employee insurance costs not currently being escrowed.
Budget Notes are required – Include:

- The worker's compensation cost calculation – This is calculated by multiplying the percentage cost of worker's compensation (supplied by The Unemployment Agency) by the gross salary of each employee or employee group. This percentage varies depending on the job classification of the employee.
- Evidence of Authority approved pension plan, if the Authority has not included the plan on the Authority's approved pension list (MSHDA Mgmt. 450 – attachment 1).

4e **Legal Expense** - Project professional services relating to the development's operations; i.e., serving notices, bonding, eviction proceedings, real estate tax appeals, etc. Any court costs or legal fees paid by residents should be off-set in this line item. Do not include the cost of the Legal Opinion letter required for the Annual Certified Audit on this line item. Supportive documents should clearly establish the average number of cases expected during the forthcoming year. Exclude the cost of unusually high expenses associated with nonrecurring lawsuits experienced in the past.

Note: Any legal expenses incurred in the sale or the proposed sale of the development or the partnership interest cannot be paid from development operations.

4f **Audit Fees** – Project the cost of preparing the annual certified audit. This item cannot exceed the maximum fee set for the budget year on developments with Section 236, Section 8, and Moderate Rehabilitation program funding. Any charge in excess of the maximum published rate is a cost to the owner of the development. Refer to the MSHDA Mgmt. 450 - Attachment 2 for the budget year maximum fee amounts. The cost of the Annual Certified Audit's legal opinion letter must be included on this line item.

4g **Office/Telephone** - Project the costs of office supplies, computer maintenance, non-capitalized office equipment, development specific computer software, local and long distance telephone charges, telephone equipment rental, and internet charges. Pager and cellular services used by on-site staff are also eligible expenses. **Budget Notes are required.**

4h **Miscellaneous Administrative** – Project the cost of newsletters, coffee, bank charges, approved seminars or training sessions for on-site employees, charitable contributions, mileage for on-site staff, and other miscellaneous administrative costs. Also, Tax Credit monitoring fees/inspection fees may be included for moderate (**non**-Section 8/236) developments only.

Total Administrative – The form auto-calculates this field.

Utilities

Line items 5a to 5c require an estimate of development utility expenses. Consider whether any energy conservation measures will be undertaken in the upcoming budget year to reduce expenses; provide a detailed explanation on any conservation actions planned in the budget notes.

5a **Electricity** – Enter the development paid and common area electric utility costs based on the amount on the previous 12-month's electric costs. Provide an explanation for any variance from the 12-months expense amount.

5b **Water & Sewer** – Enter the development paid and common area water & sewer utility costs. Include any increase in the actual water and sewer for the previous 12-months by the local water department's projections for the upcoming budget year. If an irrigation system is being installed, account for the potential increase in water consumption.

5c **Fuel** – Enter the development paid and common area fuel utility costs based on the amount on the previous 12-month's fuel costs. Provide an explanation for any variance from the 12-months expense amount.

Total Utilities – The form auto-calculates this field.

Operating & Maintenance

6a **Food** – Project the cost of the preparation and purchase of food for the residents.

6b **Supplies & Materials** – Project the cost of non-food supplies and materials used for development operations and services. For example, the expense of detergents, cleaning supplies, soap products, disinfectants, brooms, mops, toilet paper, paper products, teaching supplies, light bulbs, magazine or newspaper subscriptions, etc.

6c **Transportation** – Project the costs of the transportation of residents to and from any activity and the cost of service, operation, payments and vehicle insurance, **if the vehicle insurance is not escrowed with MSHDA.**

6d **Non-Capitalized Repairs & Maintenance** – Project the costs of **non-capitalized** expenses related to materials and purchased labor costs for the regular maintenance of the development's assets. Major repairs to the property will be included under the Major Purchases/Improvement-Fixed Asset Additions (FA) section of the budget and MIE. The following are examples of expenditures to include as long as the expenditures are minor repairs to:

Building and components – such as decks, awnings, siding, roofs, doors, windows, storage sheds, lighting systems, security systems and equipment, etc.
Common areas – such as common area repairs, painting, renovation, cleaing, or replacement costs.
Electrical – such as electrical repairs, interior lighting replacements or repairs, electrical maintenance supplies, generator repairs, and any scheduled payments for calling in an electrician.
Elevators – such as elevator repairs, routine elevator maintenance supplies, and any scheduled payments for calling in an elevator repair person.
Exterior cycle painting/waterproofing – such as costs for exterior cycle painting and waterproofing and supplies.
Furniture and fixtures – such as appliances, floor coverings, tubs, sinks, cabinets, toilets, water heaters, window treatments, common area furniture and pictures, etc.
Heating and air conditioning – such as common area boiler inspections, replacements and repairs to heating/cooling systems, service contracts for heating and air conditioning equipment, etc.
Maintenance equipment – such as trucks, snow removal equipment, lawn mowers, power tools, etc.,
Office equipment – such as desks, files, computers, development-specific software, typewriters, copies, calculators, communication equipment, etc.
Parking lot and concrete – such as contracted cleaning, sealing and striping, sidewalk and road repairs, etc.
Pool - such as maintenance contracts for pool repairs, routine pool maintenance supplies and any scheduled payments for calling in a pool repair person.

Plumbing – such as routine plumbing maintenance supplies, replacements or repairs to plumbing, and any scheduled payments for calling in a plumber.

Include the cost of non-capitalized expenses related to the materials and purchased labor costs for the regular maintenance of the development's rental units. Major repairs to units will be included under the Major Purchases/Improvement-Fixed Asset Additions (FA) portion of the budget and MIE. The following are examples of expenditures to include as long as the expenditures are minor repairs to:

Electrical – such as electrical repairs, lighting replacements or repairs, electrical maintenance supplies, and any scheduled payments for calling in an electrician.
Furniture and fixtures – such as appliances, floor coverings, tubs, sinks, cabinets, toilets, water heaters, window treatments, etc.
Heating and air conditioning – such as replacements and repairs to heating/cooling systems, service contracts for heating and air conditioning equipment, etc.
Plumbing – such as routine plumbing maintenance supplies, replacements or repairs to plumbing, and any scheduled payments for calling in a plumber.
Unit turnover tasks - such as painting and wall papering vacant units, painting supplies, wallpapering and paint removal materials, cleaning vacant units, flooring replacement and repair, etc.

6e **Major Purchases/Improvements** – Project the value of ***capitalized*** improvements directly related to all land improvements, major structural updates or repairs, new maintenance or office equipment, and/or furniture and fixtures. The following are examples of items to include:
Land improvements – such as *capitalized* sidewalks, roads, fences, landscaping shrubs and trees, lawn sprinkler system, playground equipment, etc.
Building & Components – such as *capitalized* decks, awnings, siding, roofs, doors, windows, storage sheds, lighting systems, heating/cooling systems, security systems and equipment, etc.

6f **Other** – Project **non-capitalized** costs for security related items and those not specifically identified on another line item. E.g. fire extinguishers, smoke detectors, security monitoring charges, uniforms, city inspection fees and permits, non-capitalized exterior costs, Comprehensive Needs Assessments, and miscellaneous operating expenses. Offset the amount of damages collected from residents.

Total Operating & Maintenance – The form auto-calculates this field.

Escrow Funding & Debt Service

7a **Property Taxes** – Use the "Forecast Due" amount on the MSHDA tax analysis, unless the development successfully appeals the tax amount or obtains a tax

abatement. If the MSHDA projection is inaccurate, submit documentation from the tax assessor confirming the new amount with the budget package.

Use the "Forecast Due" amount on the MSHDA tax analysis for the PILOT amount unless proof can be provided that the PILOT projected for the next calendar year is different than the amount forecasted on the MSHDA tax analysis. **Budget Notes** – If amount is different from the forecast, provide documentation from the tax assessor confirming a new tax escrow amount.

7b **Property & Liability Insurance** – Use the "Forecast Due" amount on the MSHDA insurance analysis unless the development is "shopping" insurance companies to reduce the cost.

Budget Notes – If the MSHDA projection is inaccurate, submit a copy of the most current insurance bill and a copy of the cancelled check, if you already paid the bill.

Note: Property & Liability insurance premiums that are paid directly from the development's operating account must be included in this line item for the monthly insurance escrow deposit. In order to receive reimbursement, management agents must provide applicable MSHDA Finance Division staff with copies of the most current insurance bill and a copy of the cancelled check as soon as the insurance premium has been paid

7c **Replacement Reserve** – Project the amount of deposits to the Replacement Reserve account. Deposits must be made according to the Regulatory Agreement. *Section 236 developments* approved to retain excess income to increase the Replacement Reserve deposits must budget the amount in this line item. **Budget notes are required.**

7d **Other Escrows** – Project the amount of deposits to MSHDA-held escrows during the budget year. Also, include the amount on line 2i, if the owner did not request or receive HUD approval to retain excess income. If the owner has received HUD approval to retain excess income, record the expenses in the appropriate expense line item(s). **Budget notes are required.**

7e **Mortgage Principal** – Use the mortgage amortization schedule to determine the upcoming budget year's total principal paid. If the amortization statement is unavailable multiply the latest Monthly Statement of Activity principal amount by 12 to project the mortgage principal balance paid for the budget year.

7f **Mortgage Interest** - Use the mortgage amortization statement to determine the upcoming budget year's total interest expense. If the amortization statement is unavailable multiply the latest Monthly Statement of Activity interest amount by 12 to project the mortgage interest expense. **Budget Notes are required** - If the development has other loan interest, project other interest expense and include the

amount on this line item.

Total Escrow Funding & Debt Service - The form auto-calculates this field.

8 **Total Expenditures** - The form auto-calculates this field.

9 **Income Minus Expenditures** – The form auto-calculates this field.

Instructions for Completing the Identity of Interest Tab

IOI tab – Answer the question, "Does an Identity of Interest relationship exist at the above development?"

- If 'No', the tab refreshes to display the Identity of Interest Certification (MSHDA Mgmt. 450C). Complete the signature block fields, then print and sign the form.

- If 'Yes', the tab refreshes to request the number of identity of interest vendors and a list of the vendor names. Enter each identity of interest vendor name in order to create a separate identity of interest disclosure.

IOI-1 through IOI-10 tabs *(Applies to both MR and CSH)* – Depending on the number of identity of interest vendors entered on the IoI tab, the template will create the necessary number of IoI-[#] tabs to generate individual identity of interest vendor approval request forms. For each request form complete the following fields:

Federal ID# - Enter the federal employer identification number in this field.
Contact Name – Enter the vendor's primary contact person.
Street Address – Enter the street number, name, suite, etc where the vendor's main office is located.
City – Enter the city where the vendor's main office is located.
State – Enter the state where the vendor's main office is located.
Zip – Enter the zip code where the vendor's main office is located.

Owner's Name (printed) – Enter each owner's name
Type of Ownership – Enter the ownership interest each person has in the company. E.g. sole proprietor, general partner, limited partner, etc.

List of Current Officers Names – Enter the names of the current company officers.
Titles – These are pre-entered, but may be changed if the officers have different titles.

Identity of Interest Individuals Name – List the name of each individual that has an identity of interest relationship with the development's Ownership or Management Company.
Identity of Interest Relationships – Describe how the individual has an identity of interest relationship.

Description of Goods\Services Provided – Enter a detailed description of the goods and services planned to be provided by the company to the development.

Contract Effective Date – Enter the date, which the contract is intended to start.
Contract End Date – Enter the anticipated date the contract will expire. Contracts can last up to a maximum of four years before requiring renewal.

MIE Line Item – Enter a list of the Monthly Income and Expense (MIE) line items where the contracted goods and services will be expensed.
 # Units/ # of Occurrences – Enter the anticipated number of times the product or service will be used, if applicable.
Cost per unit/ occurrence – Enter the individual cost for each use of the product or service, if applicable.
Total Cost by Unit/ Occurrence – This field calculates the number of units/occurrence multiplied by the cost per unit/occurrence for each MIE line item.
Set Cost of Contract – Enter the total contract amount for the specified MIE line item, if the per cost or per occurrence breakdown of the expense is not applicable.
Total Cost – This field sums the Total Cost by Unit/Occurrence amount with the Set Cost of Contract amount.
Total Contract Amount – This field sums the total cost of all the MIE line items broke down in the above grid.

Bookkeepers and Accountants –
Names – Enter the name of each bookkeeper and accountant that works for the vendor.
Address – Enter the primary work address where the bookkeeper or accountant works.

Certification of No Cost – If the identity of interest vendor provides its services at no cost to the development, have the vendor representative sign this section as certification. This allows the Identity of Interest Disclosure to be submitted with out bids.

Review the certification of the identity of interest rules and complete the signature block fields, then print and sign the form.

Forms and Attachments

452A – Supportive Housing MR – Budget Form

<u>Forms and Policy Referenced</u>
Utility Sampling and Rent Schedule Policy and related forms
450B – Identity of Interest Disclosure
450C – Identity of Interest Certification

450D – Certification of Purchasing Practices and Reasonableness of Expenses

Attachments Referenced
450 Attachment 1 – List of Management Agents with MSHDA-Approved Pension Plans
450 Attachment 2 – Annual Fees and Interest
450 Attachment 3 – Identity of Interest Rule