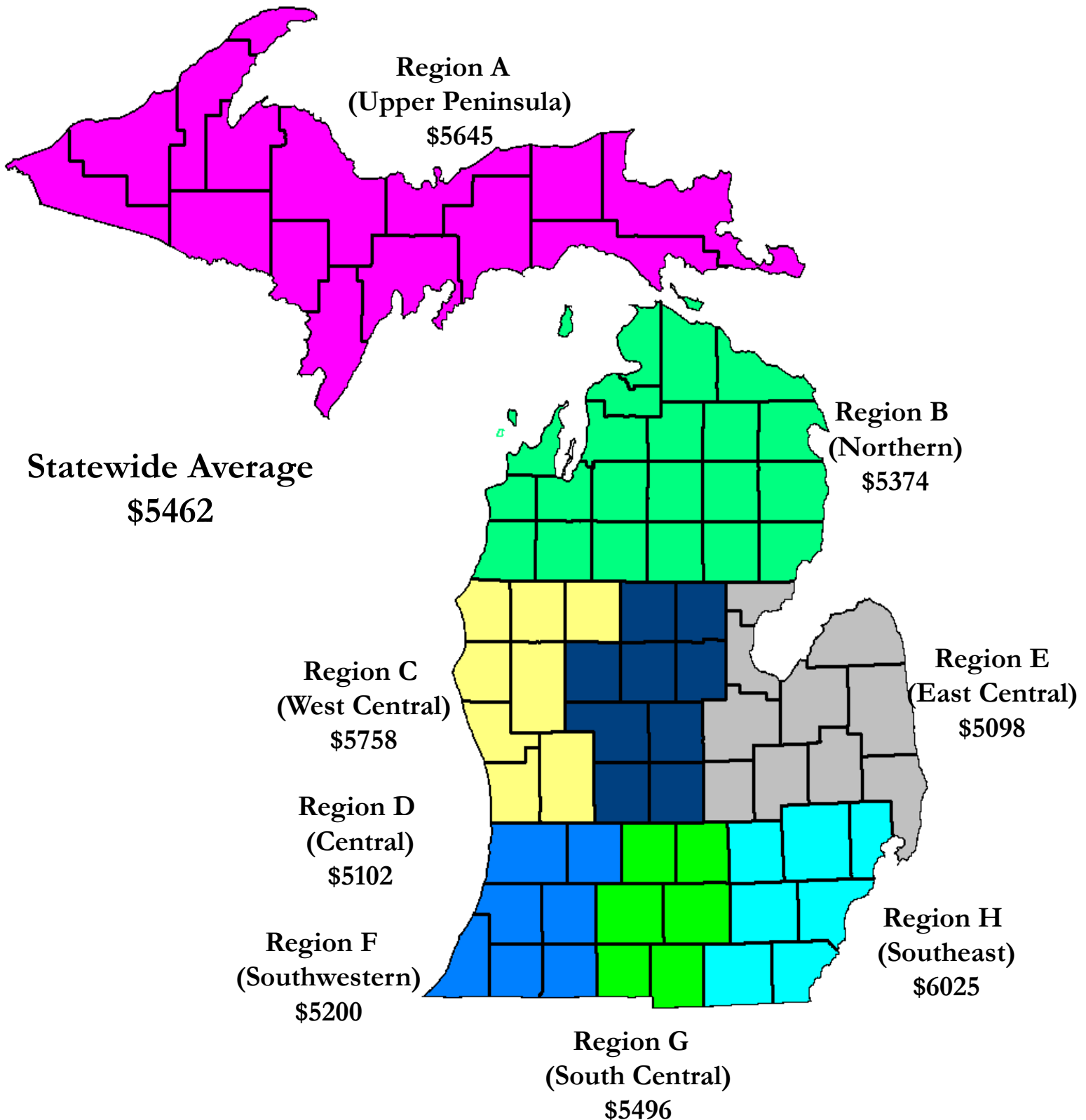


Minimum Underwriting Standards		
Initial Project Reserves	Operating Assurance Reserve (minimum)	4 months of debt service, operating expenses & reserve deposits
	Replacement Reserve for preservation and acquisition/rehabilitation (minimum)	Initial deposit based on 20-year Capital Needs Assessment
Annual Replacement Reserves		New Construction (minimum) Family: \$300 per unit Elderly: \$250 per unit
		Rehab (minimum) \$300 per unit
Annual Trending Factors	Income (maximum)	1% - 1 st 5 yrs; 2% - yrs 6-end
	Electricity Expenses (minimum)	4% - 1 st 5 yrs; 3% - yrs 6-end
	Water Expenses (minimum)	5% - Entire Period
	All Other Operating Expenses (minimum)	3% - Entire Period
	Replacement Reserves (minimum)	3% - Entire Period
Other	Vacancy Rate (minimum)	8.00%
	Debt Service Coverage Ratio (minimum)	1.20
*Operating Expenses – See attached geographic limits		

Note: The underwriting standards outlined above are starting point minimum and maximum standards. For purposes of Direct Lending underwriting standards, which are applied to all direct loans and to any development seeking soft/gap financing from the Authority, staff analysis of a specific transaction may suggest variance from these standards. For example, in some counties where the actual median incomes are substantially below historic exception figures used by HUD to calculate income and rent limits, it may be appropriate to use even more conservative rent trending assumptions for units with rents at regulatory limits. In a similar vein, in preservation transactions, actual operating histories may suggest different financial projections related to expense growth.

For developments seeking only 9% credits without soft/gap financing from the Authority, sponsors may request waivers from these standards based on documentation that the alternative underwriting standards have been reviewed and approved in advance by both the debt and equity providers for the project.

Development Per-Unit Annual Operating Expenses: Regional Averages 2022



"Operating Expense" defined as total expenditures (MIE Line 22) minus total debt service (MIE Line 17), LD Payments ("allowable distributions", Balance Sheet) and Real Estate tax escrow payments (MIE Line 16a)

****Beginning with calendar year 2010 the MIE reporting method converted from Cash basis to Accrual Basis****