

# BUDGET GUIDE POLICY

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## Budget Overview

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 and utilities.
- *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 numbers and the previous year's financial activity.

The budget process varies slightly based on the following categories of MSHDA-financed developments. The categories are as follows:

- **Section 8** – Developments with a Section 8 HAP contract, including Section 8 Preservation Pass-through developments, and paid off Section 8 developments.
- **Non-Section 8** – All non-Section 8 MSHDA-financed developments are in this category.

## Budget Submission Timeline

The annual budgeting process follows a strict schedule to meet all reporting requirements and statutes. Timely submission of a complete budget package is a premium management fee factor. Below is the detailed timeline that identifies the timeframe, required for achieving the appropriate budget calculations and submissions. The timeline includes all possible steps from the various development types with an *italicized* reference at the beginning of each description identifying the development types that should be concerned with each date.

**Aug 1<sup>st</sup> – Non-Section 8 developments. Begin collecting utility sampling data.** Section 8 development utilities are submitted and reviewed 60 days prior to the HAP contract anniversary date, refer to the Utility and Rent Schedule policy for further details.

**Prior to Oct 1<sup>st</sup> – Non-Section 8 developments,** send the **Utility Allowance Change Notice** (MSHDA Mgmt. 451A1) to the development's **tenants**. Tenant notification must be posted 90 days prior to any utility change effective date for LIHTC properties.

- Notify the tenants according to the Code of Federal Regulations (CFR) 245.15 and Treasury Regulation Section 1.42-10. Send the notice (MSHDA Mgmt. 451A1) to all non-market rate tenants and post in at least three conspicuous places. Do not include moderate units on the notices to tenants.

**Oct 1<sup>st</sup> – All developments. Budget packages are due to MSHDA.**

**Oct 1<sup>st</sup> to Nov 30<sup>th</sup> – All developments.** The assigned AM reviews and finalizes all development budgets with the assistance of management agents, when necessary.

**Prior to Dec 1<sup>st</sup> – All developments.** MSHDA sends a copy of the approved budget to the management agent, if finalized.

**Dec 31<sup>st</sup> – All developments, Management Agreement Addendums are due, if not sent in with the budget.**

**Jan 1<sup>st</sup> – All developments, the management agent implements the approved budget.**

**30 days prior to implementing a rent increase –** The management agent must notify the tenants of a rent increase consistent with the tenant lease terms. *Section 8 developments* must notify tenants when an approved rent increase resulting from a decrease in utility rates is implemented. E.g., per HUD guidelines (HUD Handbook 4350.3, Rev-1, Section 6.11), a utility rate decrease for April 1<sup>st</sup> requires tenants to receive notice of the pending rent increase by March 2nd.

## **Developments Requiring a MSHDA Budget**

A budget is due for all developments that have MSHDA financing and will have leased units in the upcoming budget year.

**New Construction and Rehab (No Occupancy) Developments:** Newly constructed and rehabbed developments where no occupancy exists must submit an operating budget for the next fiscal year after the mortgage cut-off date occurs. If the cut-off date occurs after August 31<sup>st</sup>, a feasibility budget may be used for the first year of operation. E.g., If mortgage cutoff date occurred prior to August 31, **2024**, a **2025** budget must be submitted.

**Preserved developments (With Occupancy):** Preserved or rehab developments where occupants remain in the building during reconstruction are still required to submit budget packages to MSHDA. Whenever possible, MSHDA recommends completing the Asset Management budget process to improve accuracy in reconciling with MIE submissions and to update other annual documentation (e.g., rent schedules, identity of interest forms, etc.).

## Budget Electronic Document Submission Requirements

The following items must be completed and submitted by the designated due dates to achieve the premium management fee budget factor for a development. Use the Agent Budget Submission Checklist (MSHDA mgmt. 450D) to assist in completing the MSHDA budget submission requirements.

1. Submit to the MSHDA Certification On-line Portal the completed Excel Budget Template Workbook both as:
  - a. An Excel file save in [.xls] format with a filename of:  
[MSHDA # Development Name] Budget.xls  
Example: 9999 Accurate Apartments Budget.xls
  - b. A CSV file saved on the csv tab of the Excel budget template with the filename of:  
MSHDA # Development Name Budget.csv.
    - MS Office 2007 or later users will have to select the proper format when saving. Do not include any special characters in the filename, such as -, #, or ().
2. Submit the following items to the [MSHDAAssetMgt@michigan.gov](mailto:MSHDAAssetMgt@michigan.gov) mailbox:
  - a. 2025 Budget Documents identified with the subject line of:  
**2025 Budget Package [sequence#], [MSHDA # Development Name].**  
Include a pdf of each of the following in the budget package:
    - Each Identity of Interest form with the filename(s) of:  
2025 IOI [sequence#] [MSHDA # Development Name].pdf  
Example: 2025 IOI 1 9999 Accurate Apartments.pdf
    - Each Identity of Interest backup information with filename(s) of:  
2025 IOI [sequence#] support [MSHDA #].pdf
    - Fee Addendum to Management Agreement with a filename of:  
2025 FA [MSHDA #].pdf.
    - Any approved Rent Schedules from MSHDA, HUD, or RD with filename of:  
2025 [Agency] RS [MSHDA #].pdf.
    - Any other budget documents may be grouped in a single pdf file with a filename of 2025 Budget Docs [MSDHA # Development Name] or included individually.
      - The signed MSHDA Mgmt. 450A form.
      - Detailed notes of 450A line items.
      - The signed Owner's Utility Allowance Certification.
      - RD Utility Rates Verification.
      - Each Service Contract.
      - Pension Plan evidence, if applicable.
      - Market Analysis, if applicable.
      - Letter from Owner, if applicable.
  - b. 2025 Utility Expense Data with the identified subject line of:

**2025 Utility Data [sequence #], [MSHDA # Development Name].**

Include with this e-mail:

- An Excel file saved in macro-enabled (.xslm) format with the filename of:  
2025 URST [MSHDA #].xslm
  - One or more pdf files of all the utility expense data used in sampling the tenant utility expenses for the utility submission with the filename(s) of:  
2025 Utility Data [sequence#] [MSHDA #].pdf.
- \*\* If the size of the files requires more than one e-mail to be submitted add in the sequence number (1,2,3, etc.) to the filename.

Contact your assigned Asset Manager if you need to discuss the possibility of an exception to the electronic submission of the budget documents.

## **Budget Electronic Copy Submission Requirements**

The following list includes all possible documents from the various development types with an *italicized* program reference after each item to identify when the document pertains to a specific program's submission.

1. **Signed copy of the MSHDA Mgmt. 450A** – Provide the Budget form with the signature page on top. The owner or a management company representative must sign the budget form to validate the budgeted numbers.
2. **Detailed notes of the 450A line items** – Provide notes describing the anticipated income and expenses being budgeted for each line item on the 450A form are 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 450A form refer to the “Instructions for completing the 450A Tab” section below.

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

- A \$2,000 **and** 20% variance between the proposed budget amount and the previous 12-month expense.
- A physical needs item expensed that will be funded from an escrow account.
- An Identity of Interest expenditure.
- The “Variance Requires Detail” column of the 450A form is flagged as “Yes”.
- A **“Budget Notes are required”** reference in the detailed explanation in “Budget Form #450A Tab Instructions” section below.

- All payroll line items (i.e., Marketing, Administrative, Maintenance, Janitorial, and Grounds Maintenance payrolls) must include the gross salary amount of the positions and whether any position is currently vacant.
3. **Signed Owner’s Utility Certification to MSHDA** (MSHDA Mgmt. 451C1) – *All developments* must provide the Owner’s Utility Allowance Certification form and certify the method(s) of utility allowance calculation for the upcoming budget year. Refer to the Utility and Rent Schedule policy for more details.
  4. **Utility Change Notice** (MSHDA Mgmt. 451A1) – *Non-Section 8 only*, provide a copy of the Utility Allowance Change Notice posted to notify all the developments affected tenants. Included in the utility temple workbook submission. Refer to the Utility and Rent Schedule policy for more details.
  5. **Proposed Rent Schedule** –Provide a proposed Rent Schedule (MSHDA Mgmt. 453A). Included in the Utility Rent Schedule template workbook submission. Extra rent schedules may be required as follows:
    - *Developments with Section 8 units* must submit the **most recently approved HUD rent schedule** form (HUD-92458), or **MSHDA Section 8 rent schedule**. Section 8 rents and utilities are NOT reviewed and approved by the Asset Manager as part of the budget review process.
    - *Developments with Rural Development units* must submit the **most recently approved Rural Development rent and utilities**. Refer to the Utility and Rent Schedule policy for further details.
    - *Developments with other Agency administered units* must submit the most recently approved rent and utilities from the administering agency.
  6. **Signed Identity of Interest (IOI) Disclosure(s)** – Provide a(n):
    - a. Certification of No Identity of Interest relationships (MSDHA Mgmt. 450C) form,
    - b. Copy of a previously approved Identity of Interest (MSHDA Mgmt. 450B) with an expiration date that covers the entire budgeted year, or
    - c. Identity of Interest Disclosure form (MSHDA Mgmt. 450B) for each IOI vendor anticipated to be used at the development in the upcoming budget year.

The forms and information are 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 “IoI” tab. **All identity of interest vendors must receive approval to contract or re-approval to continue contracting with each development for goods and/or services in the budget year. If a multiple year contract was approved by MSHDA, include a copy of the multi-year approval. Refer to previously approved Identity of Interest Disclosure(s) for the contract end dates.**

If during the budget year, an Identity of Interest 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 a previously approved identity of interest disclosure, 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.

7. **Management Agreement (MSHDA Mgmt. 401A)** – Provide a completed and **signed** Management Agreement for approval by MSHDA. After MSHDA approval, an electronic copy will be returned to the Owner and Management Agent for their records. If a Management Agreement was signed in 2023, a Fee Addendum to Management Agreement (MSHD Mgmt. 401A) may be submitted in place of the Management Agreement.
8. **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.
9. **Pension Plan Certification** – Provide a Pension Plan Certification form signed by an authorized officer of the Management Company. The list of Management Agents with MSHDA-approved Pension Plans (MSHDA Mgmt. 450 Attachment 1) has been updated to remove all Management Companies that have not signed a pension certification form in the past five years. The Pension Certification form can be found on the **AM Policies and Forms ([michigan.gov](http://michigan.gov))** webpage.
10. **Market Analysis** – *Non-Section 8 developments*, 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.
11. **Letter from Owner** – If there is a budget deficit, the owner must describe a plan to fund the budget deficit. If the owner intends to fund a deficit budget by reducing the management fees, the full amount of the management fees should be budgeted in line item 4a and the deficit amount should be budgeted in line item L9 – Short-term Related Party Advances/Liabilities with an appropriate explanation in the budget detailed notes. The deficit letter must include the following:
  - The owner is aware of the deficit, and
  - If a cash shortage arises during the year, the owner will address the shortage at that time.

## 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.

**Customized Budget Templates** - Each management agent will receive a customized Budget 450A form for the MSHDA-financed developments managed by its company. Customized templates should be received via e-mail around August 15<sup>th</sup>. The customized budget template includes the following tabs:

- Summary.
- 450A.
- MSHDA Rent Sch (applicable rent schedule will be displayed depending on development selected).
- Iofl, and Iofl-1 through Iofl-10.

Upon receiving the budget template, the management agent should verify all the developments they manage are available from the drop-down list on the Summary tab, cell E3. *The Utility Template is released near the end of June and is posted on the MSHDA website. Section 8 utility updates that are performed in conjunction with the HAP renewal dates and the Section 8 Utility Template is also available on the [AM Policies and Forms \(michigan.gov\)](http://AM.PoliciesandForms.michigan.gov).*

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

1. Specific development in cell E3 of the **Summary tab**.
2. Yellow shaded fields on the **Summary tab**.
3. Unit rent information to generate the Gross Rent Potential amounts on the “...**Rent Sch**” tab (*Section 8 developments skip this step*).
4. Identity of Interest certification of no IOI vendors or listing out all the Identity of Interest vendors on the Iofl tab and completing an IOI Disclosure on the Iofl- # tabs for each Identity of Interest vendor.
5. Budget line items on the **450A** tab to generate an accurate and acceptable budget for the development.

## Instructions for Completing the Budget Form (450) Tab

Budgets must be prepared by the management agent and submitted to the Authority on the customized MSHDA Mgmt. 450A form utilizing the instructions outlined in this section. After selecting the desired development name on the Summary tab, the 450 tab should populate with the development’s previous calendar year’s income and expense data.

### 450A 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 (e.g., should be current calendar year) numbers should auto-populate this column.

**Previous 12-Months Expenditures** – The previous calendar year’s January through December data submitted during the Monthly Income and Expense (MIE) process is totaled in this column. For example, 2021 January through December MIE data collected and adjusted by the 2021 audits will be used for comparison against the 2023 budget data.

**Proposed 20xx Budget** – Enter the development’s estimated total annual income and expenses on each applicable line item for the upcoming budget year in this column. Use the previous calendar year’s amounts (e.g., 2021) to estimate the upcoming calendar year’s (e.g., 2023) income and expenses for the budget. Adjust your calculations for unusual income and expenditures incurred during the previous calendar year or anticipated for the upcoming budget year.

**Adjs by MSHDA** - Leave this column blank. MSHDA staff records 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”.  
$$\text{Variance} = \frac{\text{Proposed Budget} - \text{Previous 12-Months Expenses}}{\text{Previous 12-Month's Expense amount}}$$

**Variances of Greater than \$2,000** – This column calculates the dollar variance between the “Proposed 20xx Budget” and the “Previous 12-Month Expenses”.  
$$\text{Variance} = \text{Proposed 20xx Budget} - \text{Previous 12-Month Expenses}$$

**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 450A 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.

#### **450A Rows**

Below is a description of each line-item row on the MSHDA Mgmt. 450A 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 in this guide need a detailed explanation regardless of the significant variance (20% or \$2,000) requirement established for explanations.

## Income Line Items

### Gross Rent Potential

- 1 **Gross Rent Potential (GRP)** – Section 8 developments must enter this total from the approved rent schedule. For all other developments, the rent schedule tab calculates the monthly and annual gross rent potential from all the development’s units entered on the rent schedule. This amount auto-populates to the MSHDA Mgmt. 450A form. The Utility Sampling and Rent Schedule Policies provide a description of the break-down of unit types required on the rent schedule to properly document the maximum rents being charged for each unit type during the year. Record the difference in rent amounts (lease variances) for each unit type’s 12-month total on line 1a – Loss to Lease.  
**Budget Notes are required** – Include detailed calculations and documentation to support the gross rent potential amounts listed on the rent schedule. Do not include subsidy grants that support the operation of the development (e.g., development-based subsidies). Including a rent roll can help document the individual amounts included in the total budgeted amount.
- 1a **Loss to Lease** – Project the amount of rent revenue loss due to existing lease rent restrictions (lease variances). E.g., rent increases effective after January 1<sup>st</sup> will not receive the maximum gross rent until the month the rent increase becomes effective for the unit.  
**Budget Notes are required** – Include a unit-by-unit breakdown of the amount of lease variance. The Loss to Lease template is included in the Utility Rent Schedule Template.
- 1b **Vacancy Loss** – Project vacancy rates based on the previous 6 months and adjust for any projected increase or decrease during the budget year. Record rental income lost due to vacant units during the year. **Note:** Vacancy claim adjustments for Section 8 developments should be netted against the vacancy loss, when paid by the Authority or an insurance claim for lost rent, i.e. fire. Do not record the 80% vacancy loss claim as a receivable.
- 1c **Non-Rental Unit** – Project the rental income lost due to rent-free unit(s) occupied by on-site staff. Refer to the governing documents and addenda for the allocation of non-rental units. *For Section 8 developments*, units not included in the ACC, are NOT entered in the Gross Rent Potential, so do not record the loss of rent income from these units on this line item. Refer to line item 2j for income earned on non-ACC units.
- 1d **Bad Debt/Former Tenants** – Project the rental income lost due to tenants who have vacated units and owe money to the development in excess of security

deposits as of the end of the budgeted year based on the previous 12-month's average.

- 1e **Marketing Rent Concessions** - Project income lost due to any marketing rent concessions based on the previous 12-month's amount and adjust for any significant projected increase or decrease during the budget year. Provide documentation to support any adjustments to the previous 12-months amount. **Section 8 developments cannot budget or give marketing rent concessions.**

#### **Other Income**

- 2a **Late Charges** - Multiply the late charge times the anticipated number of occurrences to project the amount for the budget year.
- 2b **Laundry & Carport Income** - Project the development's portion of income received from common area laundry facility and carport rentals.
- 2c **Commercial Income** – Project rent collected from commercial space covered by a master lease.
- 2d **Subsidies/Grants** – Project non-repayable subsidy or grant funds to be received, i.e. MSHDA development-based subsidies, other subsidy grants that support the operation of the development (tenant-based subsidies are included in Gross Rent Potential) or HODAG.
- 2e **Interest Income** - Project income derived from interest earned on savings deposits, investment certificates, security deposits (where applicable) and trustee-held escrow accounts (including Section 8 Preservation Pass-through developments). **Note:** Do NOT include a projection of interest to be earned on MSHDA-held reserves.
- 2f **Interest Income (MSHDA-Held Escrows)** – This line item is NOT included in the budget projection process. Income earned from MSHDA-held escrows, i.e. Tax & Insurance Escrows, Replacement Reserve, DCE Interest, ORC, Operating Assurance Reserve, Operating Deficit Reserve, Miscellaneous Escrows, etc. is recorded on this line of the Monthly Income and Expense statements.
- 2g **Excess Rental Income** – *Section 236 Decoupled Development Only.* There are no more of these developments in the MSHDA-financed portfolio. This line item should be \$0.
- 2h **Bad Debt Recovery** – Project any rent payments received for bad debt/former tenants previously written off on-line item 1d.
- 2i **Interest Reduction Subsidy** – *Section 236 Decoupled Development Only.* There are no more of these developments in the MSHDA-financed portfolio. This line item should be \$0.

- 2j **Other** – Project miscellaneous income. E.g., cable, club house rentals, air conditioner unit rentals, rent from telecommunications tenants, guest suite rentals, beauty shop space rentals, non-refundable pet or other fees, human services programs, sales proceeds, income from non-ACC units, and NSF fees. **Budget Notes are required.**
- 3 **Total 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 Lines 11 through 15 of the budget form.
- Depreciable items or capital expenditures must be budgeted in Lines FA2-FA7 of the budget form.
- 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.
- The cost of an audit used to establish the selling price for preservation of a Section 8 development cannot be budgeted as this is an expense of the seller.
- Congregate care service expenditures cannot be budgeted.

### **Management Fees/COE**

- 4a **Management Fees** – Project the maximum amount of management fee that could be earned based on the development owner approved fee on the Management Agreement/Fee Addendum of the Management Agreement. Calculate the fee by multiplying the total number of units in the development (including non-ACC and employee units) times the approved management fee set for the budget year. The management fee cannot exceed the maximum amount set for the budget year on the MSHDA Mgmt. 450 Attachment 2. **Budget Notes are required.**
- 4b **Premium Management Fees (PMF)** – Project the maximum amount of premium management fee that could be earned based on the development owner approved PMF on the Management Agreement/Fee Addendum of the

Management Agreement. Calculate the fee by multiplying the total number of units in the development (including non-ACC and employee units) times the approved premium management fee set for the budget year. The PMF cannot exceed the maximum amount set for the budget year on the MSHDA Mgmt. 450 Attachment 2. **Budget Notes are required.**

The maximum PMF per unit fee is applied to the current calendar year's PMF factors being earned that will be paid, if approved in the upcoming budget year. E.g., the PMF for 2022 equals \$86, which was paid to the management company for PMF earned for performance during 2021. 2022 PMF performance is approved and paid during the spring of the 2023 budget/calendar year.

4c **COE Expenses** – Project the COE salaries and travel expenses in this line item. **Budget Notes are required** - The following information must be included for each COE position, if known at the time of the budget preparation:

- A detailed explanation of the position being temporarily replaced.
- The period of the replacement.
- Pay-rate of the replacement employee.

### **Marketing**

5a **Advertising** - Project development advertising through newspapers, radio, television, exhibits, leaflets, brochures, signs, banners, etc. as well as advertising for staff vacancies.

5b **Marketing Payroll** - Project the reimbursement of gross salaries of staff used exclusively for marketing or commissions paid to outside agents. **Budget Notes are required.**

5c **Other** - Project tenant referral, other marketing fees or costs. For Section 8 developments, project the cost of any Rent Comparability Study for determining Annual Adjustment Factor. **Budget Notes are required.**

### **Legal**

6 **Legal Expense** - Project professional services relating to the development's operations, E.g., serving notices, bonding, eviction proceedings, real estate tax appeals, etc. Historical legal expenses/activity should establish the average number of cases expected during the forthcoming year. The following expenses must be **excluded** from legal expenses:

- Court costs or legal fees paid by tenants should be off set in this line item.
- Unusually high expenses associated with reoccurring lawsuit(s) experienced in the past.
- Costs associated with the Legal Opinion Letter required for the Annual Certified Audit.
- Legal expenses incurred in the sale or the proposed sale of the development or the partnership interest cannot be paid from development operations.

### **Other Administrative**

- 7a **Administrative Payroll** – Project the reimbursement of gross salaries of all full and part-time office staff, including the human services coordinator. If a position is vacant, identify the vacant position in the budget notes. **Budget Notes are required.**
- 7b **Temporary Administrative Services** – Project the cost of employment agency administrative staff. **Note:** Do not include development-paid staff on this line item.
- 7c **Employee Pension Plans** – Project the cost of the employer's contribution for **Authority-approved** pension plans for on-site staff and the cost of auditing these pension plans. If the Authority has not recorded receipt of the employee pension plan certification (refer to the MSHDA Mgmt. 450 Attachment 1), submit a record of the signed certification (MSHDA Mgmt. 421A) with the budget.
- 7d **Employer Payroll Taxes** – Project the amount of all employer payroll taxes (i.e. FICA, FUTA, and Unemployment Agency payments). Also include the taxes paid by the employer on behalf of marketing staff (5b), administrative staff (7a), maintenance staff (11a), janitorial staff (12a), grounds staff (13a), and security staff (15d). The cost of an unemployment tax audit must be included in this line item.
- 7e **Taxes Other** – Project any other development-related taxes, except Real Estate Taxes.
- 7f **Telephone** – Project local and long-distance telephone charges, telephone equipment rental and internet charges. Pager and cellular services used by on-site staff are eligible expenses.
- 7g **Office** - Project office supplies and computer maintenance costs.
- 7h **Auditing** – Project the cost of preparing the annual certified audit(s) required by the Authority and HUD, and tax preparation fees. Audit expenses include:
- Annual certified audit(s) – including MSHDA, HUD, RD, and non-profit or partnership audits (financed under the Section 8 Preservation Program) including submission fees.
  - Tax preparation fees – Cost of preparation of the annual federal and state tax filing of the development.
  - Annual Certified Audit's legal opinion letter.

Do **not** include the following **owner or management agent** expenses on this line item. These expenses are not operating expenses and therefore should not be paid from the operating account:

- Predevelopment and/or preservation of the project which are not considered project operating expenses – including 8609 form and cost certification costs.

- Consulting Fees – including bookkeeping or tax consulting fees.
- 7i **Credit Reports** – Project the cost paid for tenant credit reports, home visits and criminal background checks.
- 7j **Human Services Program** – Project the cost of Human Services programs that directly benefit the tenants. E.g., holiday dinners, parties, teen activities, cable TV, toddler programs and recreation/entertainment-related activities.
- 70/30 developments must budget \$1.00 for every \$3.00 budgeted for L.D. payments. These funds must be used to provide new services or training for low-income households or to provide rental assistance for additional very low-income households.
- 7k **Miscellaneous** – Project the cost of newsletters, coffee, bank charges, approved seminars or training sessions for on-site employees, charitable contributions and other items provided to tenants not included in human services program line item. Also, project Tax Credit monitoring fee/inspection fees and mileage for on-site staff. **Budget Notes are required.**

### **Utilities**

Line items 8 to 10 require an estimate of development utility expenses. Consider whether energy conservation measures will be undertaken in the upcoming budget year to reduce expenses; provide a detailed explanation in the budget notes, if planned.

- 8 **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.
- 9 **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.
- 10 **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.

### **Maintenance**

- 11a **Maintenance Payroll** – Project the amount of the gross salary for both full and part-time maintenance staff. E.g., staff that maintains site mechanical equipment, pool attendants, and staff that perform other maintenance-related work. If a position is vacant, identify the vacant position in the budget notes. **Budget Notes are required.**

- 11b **Temporary Maintenance Services** – Project the cost of employment agency maintenance staff. **Note:** Do not include development-paid staff on this line item.

### **Janitorial**

- 12a **Janitorial Payroll** – Project the reimbursement of the gross salary of both full and part-time janitorial staff for both unit and common area cleaning. **Budget Notes are required.**
- 12b **Temporary Janitorial Services** – Project the cost of employment agency janitorial staff. **Note:** Do not include development-paid staff on this line item.
- 12c **Janitorial Supplies** – Project supply costs related to regular janitorial maintenance. E.g., detergents, cleaning compounds, disinfectants, brooms, mops, toilet paper, light bulbs, etc.

### **Grounds**

- 13a **Grounds Maintenance Payroll** – Project the reimbursement of the gross salaries of both full and part-time grounds staff. **Budget Notes are required.**
- 13b **Temporary Grounds Services** – Project the cost of employment agency grounds staff. **Note:** Do not include development-paid staff on this line item.
- 13c **Snow Removal** – Project snow removal contracts and/or supplies related to the removal of snow and ice.
- 13d **Lawn Maintenance** – Project lawn care contracts and/or supplies related to on-site lawn maintenance. E.g., trees, fertilizer, weed killers, shrub and lawn trimming.
- 13e **Parking Lot/Concrete Repairs** – Project the cost of routine maintenance and upkeep of the parking lot, sidewalks, concrete, i.e. contracted cleaning, sealing/stripping, etc. Major repairs and property updates may require escrowing of funds in a special escrow (see line-item E-9D).

### **Non-Capitalized Repairs & Maintenance**

- 14a **Land Improvement** – Project costs of **non-capitalized** improvements directly related to or added to the land. E.g., sidewalks, roads, fences, landscaping shrubs and trees, lawn sprinkler system, playground equipment, etc. **Budget Notes are required.**
- 14b **Building & Components** – Project the costs of **non-capitalized** major structural repairs or additions. E.g., decks, awnings, siding, roofs, doors, windows, storage sheds, lighting systems, heating/cooling systems, security systems and equipment, glass and screens, parts or repairs to drywall, etc. **Budget Notes are required.**

- 14c **Maintenance Equipment** – Project the costs of **non-capitalized** vehicles and tools used to upkeep the property, such as trucks, snow removal equipment, lawn mowers, power tools, etc. **Budget Notes are required.**
- 14d **Office Furniture (Equipment)** – Project the costs of **non-capitalized** desks, file cabinets, computers, development-specific computer software, printers, copiers, calculators, communication system equipment, etc. **Budget Notes are required.**
- 14e **Furniture & Fixtures** – Project the cost of **non-capitalized** non-structural components of a building. E.g., appliances, floor covering, tubs, sinks, cabinets, toilets, air conditioning units, water heaters, window treatments, common area furniture and pictures, countertops, etc. **Budget Notes are required.**
- 14f **Painting Units** – Project the costs of **non-capitalized** unit turnover and cycle contracted painting, wall papering, painting supplies, wallpaper and paint removing material, etc. **Budget Notes are required.**
- 14g **Cleaning Units** – Project the cost of **non-capitalized** contractual vacant unit cleaning (not janitorial staff). **Budget Notes are required.**
- 14h **Heating and Air Conditioning** – Project the costs of **non-capitalized** unit or common area boiler inspections in addition to replacements and repairs or service contracts for heating and air conditioning equipment. **Budget Notes are required.**
- 14i **Plumbing** – Project the costs of **non-capitalized** unit or common area maintenance contracts for plumbing, routine plumbing maintenance supplies, replacements or repairs and any scheduled payments for calling in a plumber. **Budget Notes are required.**
- 14j **Electrical** – Project the costs of **non-capitalized** unit or common area maintenance contracts for electrical repairs, interior lighting replacements or repairs, routine electrical maintenance supplies, generator repairs, and any scheduled payments for calling in an electrician. **Budget Notes are required.**
- 14k **Pool Maintenance** – Project the costs of **non-capitalized** maintenance contracts for pool repairs, routine pool maintenance equipment and supplies, and any scheduled payments for calling in a pool repair person. **Budget Notes are required.**
- 14l **Elevator** – Project the costs of **non-capitalized** maintenance contracts for elevator repairs, routine elevator maintenance supplies, and any scheduled payments for calling in an elevator repair person. **Budget Notes are required.**
- 14m **Exterior Cycle Painting/Waterproofing** – Project the cost of **non-capitalized** exterior cycle painting and waterproofing costs. Developments are recommended to perform this process every five years. The costs may be covered in the CNA

or if no CNA exists the development can setup a Miscellaneous Special Escrow account. **Budget Notes are required.**

- 14n **Common Area Costs** – Project the **non-capitalized** common area repairs, painting, renovation, cleaning or replacement costs, smoke detectors, and fire extinguishers. **Budget Notes are required.**
- 14o **Other** – Project the **non-capitalized** unit costs. E.g., maintenance supplies and any other unit contractual costs not specifically identified elsewhere. Offset the amount of damages collected from tenants. **Budget Notes are required.**

### **Other Operating**

- 15a **Vehicle & Equipment Operating Expense** – Project vehicle and equipment operating expenses such as permits, rentals, licenses, gasoline, oil, lubricants, and upkeep of vehicles and equipment.
- 15b **Exterminating** – Project extermination contracts and, when applicable, extermination supplies and equipment for use by on-site staff.
- 15c **Rubbish Removal** – Project the contract amount for all rubbish removal.
- 15d **Security Payroll** – Project contracted security service or reimbursement of the gross salaries of security staff.
- 15e **Other** – Project costs for Comprehensive Needs Assessment (CNA), security-related items, and other miscellaneous operating expenses not covered under another line item. E.g., monitoring charges, uniforms, city inspection fees and permits. **Note:** Expenses associated with a development’s MSHDA security loan must be expensed on the appropriate line item. **Budget Notes are required.**

### **Taxes**

- 16a **Property Taxes or PILOT Expense** – Property tax or PILOT expense should be recorded in the Escrow Activities, Tax Escrow, Deposit line item E1-D. Do not record an amount on this line for budgeting purposes.
- 16b **Other** – Project personal property taxes and municipality assessments. Also, project any Pass-Through Program non-profit distributions pursuant to the Regulatory Agreement. **Budget Notes are required.**

### **Interest Expense**

- 17a **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.

- 17b **Other Interest** – Project other interest expense, not including monthly mortgage interest.
- 17c **Section 8 Preservation Pass-Thru Program Bond Interest** – Project the Section 8 Preservation Pass Through program bond interest paid to trustees.

### **Insurance**

- 18a **Property & Liability Insurance** – MSHDA-approved property and liability insurance expense should be recorded on the Escrow Activities, Insurance Escrow, Deposit line item E2-D. Do not record an amount on this line for budgeting purposes.
- 18b **Employee Health Benefits** – Project the development's contribution for staff hospitalization, dental and vision insurance, include any costs for flexible spending accounts, etc.
- 18c **Worker's Compensation** – Project Worker's Disability Compensation Insurance and the cost of the Worker's Compensation audit. The cost of the worker's compensation is determined by multiplying the percentage cost of worker's compensation (supplied by the Unemployment Insurance Agency) by the gross salary of each employee or employee group. This percentage varies depending on the job classification of the employee.
- 18d **Other** – Project insurance premiums for vehicles and equipment, tenant or employee discrimination liability, employee dishonesty/crime policy, and any other Authority-approved insurance costs not included in item 18a. **Budget Notes are required.**

### **Excess Income Payment**

- 19 **Excess Income Payment** – *Section 236 Decoupled Development Only.* There are no more of these developments in the MSHDA-financed portfolio. This line item should be \$0.

### **Regulatory and Bond Fees**

- 20a **Section 8 Preservation Pass-Thru Trustee Bond Fees** – Project bond fees paid to a trustee to establish and manage Section 8 Pass-Thru bonds.
- 20b **Section 8 Preservation Pass-Thru Regulatory Fees** – Project the Section 8 Preservation Pass-Through Program Regulatory Fee expense.
- 20c **ARRA Regulatory Fees** – Project the amount of Asset Management Fee paid to MSHDA for oversight of ARRA funded developments. The amount due will auto-fill to this line.
- 21 **Total Expenditures** – The form auto-calculates this field.

## Escrows Activities

Project anticipated deposits and withdrawals from each of the development's escrow accounts for the upcoming budget year. When budgeting, assess the physical needs of the development to determine how major expenses and the required escrow deposits will be funded. Consider the latest annual physical inspection, Capital Needs Assessment (CNA), if applicable and the age and life expectancy of the development's buildings and components. Based on this assessment, determine which funding sources to use and how to balance the escrow funding with the operational needs of the development. **Be aware that budget acceptance does not represent pre-approval of the use of escrow funds.**

**E1-D Tax Escrow-Deposit** – The “Forecast Due” amount from the MSHDA tax analysis will auto-fill to this line. Developments must use the “Forecast Due” amount 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.

The “Forecast Due” amount from the MSHDA tax analysis will auto-fill to this line. Developments must use the “Forecast Due” amount 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 are required** – If amount is different from the forecast, provide documentation from the tax assessor confirming a new tax escrow amount.

**E2-D Insurance Escrow-Deposit** – The “Forecast Due” amount from the MSHDA insurance analysis will auto-fill to this line. Developments must use the “Forecast Due” amount unless the development can provide documentation that a policy has been purchased at a lower cost. If the forecast due amount is not accurate, provide supporting documentation to demonstrate a change in the current insurance policy and enter the updated amount on the budget form #450.

**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. 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.

**E3-D Replacement Reserve-Deposit** – For developments with a CNA, budget deposits according to the MSHDA-approved CNA. If operations cannot support the amount stated in the CNA, **at a very minimum for all developments**, budget the amount stated in the development's Regulatory Agreement. If that amount is expressed as a percentage of Gross Rent Potential, multiply the Gross

Rent Potential including rent contributions and subsidies approved for the previous budget year by the replacement reserve factor, carried out four decimal places. **Budget Notes are required.**

- If the development only has a CNA-Plan 1, budget the amount shown as “Line D Total Annual Reserve Funding” for this budget year as noted in the CNA Plan 1.
- If the development has a CNA Plan 2, the amount budgeted will be the minimum of “Line D Total Annual Reserve Funding” for this budget year as noted in the CNA Plan 2, and up to the amount of the “Cumulative RR Needs”. The “Cumulative RR Needs” can be calculated by taking your RR Needs balance shown on your most recent MSHDA Statement of Activity, subtract the total amount of payments you plan to make towards the RR Escrow for the remainder of the current year, and then add the Line (D) Total Annual Reserve Funding for this budget year as noted in the CNA Plan 2.
- If no CNA has been completed for a development, the amount on this line is designated by the development’s Regulatory Agreement. The annual ongoing funding is typically expressed or identified in the Regulatory Agreement as:
  - A percentage of last year’s approved Gross Rent Potential (GRP).
  - A flat dollar amount designated.
  - A percentage increase over the last year’s annual deposit, or
  - The greater of a stated percentage increase over last year’s approved GRP or a stated percentage over last year’s deposit.

**E3-W Replacement Reserve-Withdrawal** – If a CNA has been completed by On-Site Insight, use the CNA as a general guide to project Replacement Reserve withdrawal for the upcoming budget year. **All items listed in the CNA can be budgeted from Replacement Reserve, unless the CNA indicates the item should be paid from operations.** If a CNA has not been completed, include the estimated Replacement Reserve funds that will be disbursed during the year based on the list of projected physical needs of the development. **Budget Notes are required.**

**E4-W ORC-Withdrawal** – Project the estimated Operating Reserve Cash Escrow funds that will be disbursed based on the operational needs of the development.

**E5-W DCE Principal-Withdrawal** – Project the estimated DCE Principal funds that will be disbursed based on the anticipated property improvements planned for the upcoming budget year.

**E6-W DCE Interest-Withdrawal** – Project the DCE Interest funds that will be disbursed during the year based on the anticipated physical needs of the property for the upcoming budget year. DCE interest must be budgeted (if required) to offset

one-half of a full 6, 7 or 8% L. D. payment or to offset a deficit budget. **Budget Notes are required.**

**Note:** Agents/owners should operate the development financially independent of the DCE by using the current year's rents to support the current year's expenses. However, the agent may consider budgeting the some DCE interest income to keep rents low in poor rental markets or to avoid vacancies.

E7-W **Operating Assurance-Withdrawal** – Project the Operating Assurance funds that will be disbursed for operating needs.

E8-W **Operating Deficits-Withdrawal** – Project the anticipated withdrawals for operating deficits for the upcoming budget year. Refer to the Operating Deficit Reserve (ODR) cash flow projection schedule for the annual planned deficit and the anticipated ODR withdrawals. Any excess withdrawal of the ODR *may prohibit* drawing a limited dividend payment until the ODR is replenished to an acceptable level.

**Note:** If a development wants to establish automatic withdrawals of the ODR account, submit a letter requesting the automatic withdrawal of the total annual withdrawal amount. The total annual amount will be divided by twelve and applied to the monthly mortgage payment.

E9-D **Miscellaneous Special Escrow-Deposit** – Project the amount of deposits for special MSHDA-held reserve accounts, such as exterior painting/staining, asphalt repairs, resale repairs, and roofing, etc.

E9-W **Miscellaneous Special Escrow-Withdrawal** – Project the anticipated withdrawals from special MSHDA-held reserve accounts, such as exterior painting/staining, asphalt repairs, resale repairs, roofing, etc.

E10-D **Other Escrow-Deposits** – Project the amount of deposits to any other MSHDA-held escrow accounts not defined in E1 through E9 above.

E10-W **Other Escrow-Withdrawal** – Project the amount of withdrawals to any other MSHDA-held escrow account not defined in E1 through E9 above.

### **Fixed Assets**

Project anticipated purchases, sales, or improvements to the developments fixed assets for the upcoming budget year. When budgeting, assess the physical needs of the development to determine what fixed asset accounts will be affected. **Note: major structural repairs or additions require approval from MSHDA before work commences.**

FA2 **Land Improvements** – Project the value of capitalized improvements directly related to or added to the land. E.g., sidewalks, roads, fences, landscaping shrubs and trees, lawn sprinkler system, playground equipment, etc.

- FA3 **Building & Components** – Project the value of capitalized major structural repairs or additions. E.g., decks, awnings, siding, roofs, doors, windows, storage sheds, lighting systems, heating/cooling systems, security systems and equipment, etc.
- FA4 **Maintenance Equipment** – Project the value of capitalized trucks, snow removal equipment, lawn mowers, power tools, etc.
- FA5 **Office Equipment** – Project the value of capitalized desks, files, computers, development-specific computer software, printers, copiers, calculators, communication system equipment, etc.
- FA6 **Furniture & Fixtures** – Project the value of capitalized non-structural components of a building. E.g., appliances, floor covering, tubs, sinks, cabinets, toilets, air conditioning units, water heaters, window treatments, common area furniture and pictures, etc.
- FA7 **Other** – Project the value of capitalized items not included in the above categories, E.g., service vans, etc.

### Liability Activities

- L9 **Short-Term Related Party Advance/Liabilities** – Project any related party/affiliate contributions/owner contributions advanced to the development to fund operating deficits or needs that will be repayable within one year to the related parties. Enter repayments to amounts due within the year as a negative number. **Budget notes are required**, including an anticipated repayment schedule with all newly anticipated short-term related party liabilities.
- L10 **Other Short-Term Liabilities** – Project the amount due within one year to non-related parties. **Budget notes are required**, including an anticipated repayment schedule of any newly anticipated short-term liability.

### Financing Activities

- F1 **1<sup>st</sup> Mortgage Principal Balance** – Use the mortgage amortization statement to determine the upcoming budget year’s total principal paid. This field may auto-populate from MSHDA’s current amortization schedule of the 1<sup>st</sup> mortgage. 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.
- F2 **Delinquent Mortgage Principal** – Project the repayment of any delinquent mortgage principal payments.
- F5 **Small Size Loan** – Project the amount due within one year to the small size loan balance.

- F6 **Security Loan** – Project the amount due within one year to the security loan balance.
- F7 **Preservation Loan** – Project the amount due within one year to the preservation loan balance.
- F8 **MSHDA HOME Loan** – Project the amount due within one year to the MSHDA HOME loan balance.
- F9 **TCAP Loan** – Project the amount due within one year to the TCAP loan balance.
- F10 **NSP Loan** – Project the amount due within one year to the NSP loan balance.
- F11 **1602 Loan** – Project the amount due within one year to the 1602 loan balance.
- F12 **Other MSHDA Loan** – Project the amount due within one year to all other MSHDA loan balances, including loans from reserve accounts, second\third mortgages, Community Development Fund/Mortgage Resource Fund loans, repayable subsidies, and amenity loans. **Note: Resale proceeds to repay the DCE Interest, DCE Principal, or Replacement Reserve must be budgeted in this item.**
- F13 **Other Loan** – Project the amount due within one year to the balance of all non-MSHDA loan balances that are not owed to related parties.
- F14 **Long-Term Related Party Loans** – Project any loans funded from the partnership, owners, management agent, and any other related party money that will not be repayable within one year. Enter repayments to amounts due on outstanding long-term (over one year) loans within the year as a negative number. **Budget notes are required**, including an anticipated repayment schedule with all newly anticipated long-term related party liabilities.
- F15 **Long-Term Related Party Advances** – Project any repayable advances from the partnership, owners, management agent, or other related party money to pay operating deficits that will not be repayable within one year. Enter repayments to amounts due on outstanding long-term (over one year) advances within the year as a negative number. **Budget notes are required**, including an anticipated repayment schedule with all newly anticipated long-term related party advances.
- F19 **Other Financing** – Project the amount due within one year to other financing activities not included in line items L9, L10, F1, F2, and F5 to F15. Project any interest accrued from related party loans and advances and include the amount on this line item.

## Owner's Equity

**OE2 Distributions Paid in Current Year** – Project the limited dividend payment pursuant to the Regulatory Agreement. If not budgeted limited dividend payments may be paid if the terms and conditions of the Regulatory Agreement are met. **Budget Notes are required.**

The following additional items should be considered when budgeting allowable distributions:

- Do **NOT** budget more than one year's annual L.D. amount.
- Do **NOT** include the HOME loan portion of the distribution. (HOME loan portions of distribution are reported on line item F8).
- Do **NOT** budget L.D. payments when a small size/security loan is budgeted.
- Some Section 8 developments have limitations on the amount of the annual L.D. payment that can be budgeted. Where a limitation exists and the owner budgets the full annual L.D. payment, they must budget DCE Interest to cover the difference between the limited and the full L.D. amount.
- The 70/30 program requires that the mortgagor expend \$1 of development income to provide new services, training, or rental assistance for very low-income households for every \$3 of approved L.D. payment.
- Developments with Rural Development funding may have limitations on the amount of the annual L.D. payment that is more restrictive than the amount set by the MSHDA Regulatory Agreement. Budgeted L.D. payments should not exceed the maximum allowed per Rural Development.

## Net Surplus or Deficit Budget

Line item totals the income less expenses of the budgeted line items above to provide an overall balance of the budget. Deficit budgets require an explanation of how the owner plans to address deficits as the budget year proceeds. See BUDGET ELECTRONIC COPY SUBMISSION REQUIREMENTS, Letter from Owner for more details.

## 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 to create a separate identity of interest disclosure.

**IOI-1 through IOI-10 tabs** – 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.

*Vendor's Owners' Name (printed)* – Enter each owner's name of the IOI vendor.

*Type of Ownership* – Enter the ownership interest each person has in the company. E.g., sole proprietor, general partner, limited partner, etc.

*List of Vendor's Current Officer 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 with the Management Company or LDHA ownership.

*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 of the IOI form.

*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/occurrences 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.

If the vendor is used on an “as needed” basis, then bids do not need to be submitted with the IOI Certification form but will need to be submitted when the vendor performs work and/or services for the development.

**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.

**Attachments** – Include the following documents with each IOI vendor submission:

1. A copy of vendor’s organizational document.
2. A copy of the vendor’s contract for good or services for the development.
3. Three current bids (within 12 months of the approval request) for the contracted goods or services to be rendered by the IOI vendor. Bids must include the date of the bid and be comparable to the goods or services being provided.

**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 without 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**

450A – Budget Form

450B – Identity of Interest Disclosure

450C – Identity of Interest Certification

450D – Agent Budget Submission Checklist

### ***Attachments***

450 Attachment 1 – Certified Pension Plans

450 Attachment 2 – Annual Fees

450 Attachment 3 – Identity of Interest Rule