

Date: July 24, 2013

To: Management Agents

From: Donna McMillan

Re: 2014 Budget and Utility Policies

Attached are the Budget Guide and Utility Sampling and Rent Schedule policies. Below is a highlight of the major changes included in each policy.

Budget Guide Policy Changes

- The updated maximum fees for the 2014 calendar year are:
 - Management Fee \$496
 - Premium Management Fee \$76
 - Audit Fee (for Sec 236 and 8 developments) \$11,814
- The budget template will be updated to include the MIE template changes from the beginning of the year;
- Budget template submissions will be required to be through the Certification On-line Portal, same location as the MIE submissions.
- Utility Sampling data must be submitted to the MSHDAAssetMgt@michigan.gov mailbox as a pdf.
- Fee Addenda to the Management Agreement only requires one original copy.

Utility Sampling and Rent Schedule Policy Changes

Changes have occurred in the utility sampling process to bring the budget sampling requirements closer to the tax credit utility sampling requirements. Based on the IRS rule, utility samples must be based on the utility rate in effect within 60 days of the calculation and notification to residents of a change. There is also a requirement that residents receive 90 days notification of any utility change.

- Posting notices are required to notify residents of a pending utility change for all developments. The notice *should* occur 90 days prior to the utility change affective date.
- The last monthly bills in the resident samples must end within 60 days of the resident notification posting date. If the resident samples do not end within 60 days of the posting date, verify the utility rates in effect within 60 days of the posting as are the same as the rates identified in the resident bills in the last month of the sample.
- The utility certification form has been updated to include certification that the utility rate used in the last month of sampling is the same utility rate in effect within 60 days of the resident notification posting date.

- The same residents must be used for both the electric and gas samples, if both utilities are being sampled.
- The posting notices included with the policy have been updated.

450 BUDGET GUIDE POLICY

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Purpose of Budgeting

Each year, developments receiving MSHDA or American Recovery and Reinvestment Act (ARRA)-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. Timely submission of a complete budget package is a Premium Management Fee factor. Below is the detailed timeline identifying the timeframe required for achieving the appropriate budget calculations and submission. The timeline includes all possible steps from the various development types with an *italicized* reference at the beginning of each description identifying which developments should be concerned with each date.

Aug 1st - *All developments, except Section 8 developments, Section 8 Preservation Pass-Through, and Section 8 Paid-off developments.* **Begin collecting utility sampling data.** **Note:** Section 8 development utilities are submitted and reviewed 60 days prior to the HAP contract anniversary date, so utility collection should begin at least 120 days prior to the HAP contract anniversary date.

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

- 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 notice to all non-market rate residents prior to the September 30th.
- Residents must receive at least a 30-day notice to comment on the any request for rent increase or utility decrease.
- **Note:** Do not include MSHDA moderate units on the notices to residents.

Oct 1st – *Section 236 developments only, including Section 236 decoupled and Section 236 with Tax Credits.* **Budget packages are due to MSHDA.**

Oct 1st to Oct 31st – Assigned Asset Manager (AM) reviews Section 236 developments' budget materials, including any resident comments received. 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 (preferably prior to Oct 1st) - *For all non-Section 8 and Section 236 developments,* send the Rent/Utility Change Notice (MSHDA Mgmt. 451A3) to the

development's **residents**. Resident notification must be posted 60 days (but preferably 90 days) prior to any utility change effective date for LIHTC properties.

- 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, including Section 236 decoupled and Section 236 with Tax Credits*. MSHDA sends a copy of the approved budget and rent schedule to the management agents and HUD. **HUD has the right to approve or disapprove the rent schedule within 30 days.**

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

Nov 1st to Nov 30th – *MSHDA program developments, including Section 8, Section 8 Preservation Pass-Through and Section 8 Paid-off developments*. The assigned AM reviews and finalizes all development budgets with the assistance of management agents, when necessary.

Prior to Dec 1st – *MSHDA program developments, including Section 8, Section 8 Preservation Pass-Thru and Section 8 Paid-off developments*. MSHDA sends a copy of the approved budget to the management agent, if finalized.

Dec 31st – *All developments, Management Agreements and Management Agreement Addendums are due.*

Jan 1st – *All developments, the management agent implements the approved budget*. If HUD disapproves a *Section 236 (including Section 236 decoupled and Section 236 with Tax Credits)* rent schedule, the notification to residents and the implementation of the anticipated rent increase must be withdrawn until HUD approval is received.

New Developments: Developments must submit an operating budget for the next fiscal year after the mortgage cut-off date occurred. If the cut-off date occurs after September in a year, a feasibility budget could be used for the first year of operation, but MSHDA recommends quickly completing the Asset Management budget process to improve accuracy in reconciling with MIE submissions. E.g. if mortgage cutoff occurred in August **2011**, a **2012** budget must be submitted. **Note:** Preserved developments are still required to submit budget packages to MSHDA.

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 achieve the premium management fee budget factor for a development.

1. Submit an electronic copy of the completed excel workbook (with MSHDA Mgmt. forms 450A through 450D and 451A1 through 451D3, if applicable) to the MSHDA Certification On-line Portal.
 - The file name must be saved in a [MSHDA #.xls] format. Office 2007 and 2010 users will have to select the proper format when saving.
2. Submit the “pdf” copy of the Utility sampling data to the MSHDAAssetMgt@michigan.gov mailbox with the subject line that displays [Utility Sample, Development Name, MSHDA #]. For example, Utility Sample, Accurate Apartments, #999.
3. 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 Budget Form #450A **and a ‘pdf’ of the Utility Sampling data**, developments must submit a paper budget document package with the following documents. The list includes all possible documents from the various development types with an *italicized* reference after each item when the document only pertains to a specific development type’s submission.

1. **Signed copy of the MSHDA Mgmt. 450A** (Budget form – revised 8/2010) 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 450A line items** – 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 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 a list of the employees’ names, position descriptions, number of hours, hourly rate, and the total salary including bonuses for each position/employee. Vacant positions must also be identified.

Additionally, the following development groups must also provide detailed notes for the following line items:

Section 8 Preservation Pass-through Developments:

- 17c: S8 Pres. Pass-thru Prog. Bond Int.;
- 20a: S8 Pres. Pass-thru Trustee Bond Fees; and
- 20b: Sec 8 Pres. Pass-thru Reg. Fees.

Sec. 236 Decoupled Developments:

- F12: Other MSHDA Loan;
- 17a: Mortgage Interest; and
- F1: 1st Mortgage Principal Balance

3. **Owner’s Utility Certification** to MSHDA (MSHDA Mgmt. 451C1 or 451C2)
 - The budget template automatically identifies the appropriate form to be included in the budget submission based on the development selected. Refer to the Utility Sampling and Rent Schedule Policy for more details.
 - *For Section 8 Developments*, including Section 8 Preservation Pass-Thru and Paid off Developments, this form is NOT a required submission with the budget process, only the approved rent schedule needs to be submitted with the budget.
4. **Utility Allowance Calculation Summary Page** - (MSHDA Mgmt. 451B). Required for all Section 236 and MSHDA/ARRA-financed developments. *Not applicable for Section 8 developments in conjunction with the budget submission process.* Refer to the 451 - Utility Sampling and Rent Schedule policy for more details on utility allowance calculation.
5. **Rent\Utility Change Notice** - (MSHDA Mgmt. 451A1 *for Section 236 developments* or MSHDA Mgmt. 451A3 *for all MSHDA or ARRA-financed developments*). Provide a copy of the notice to residents regarding any pending rent increase or utility decrease. A reduction in utility allowance requires a notice and submission of the form 451A1 or 451A3, even if the rent amount does not change.
6. **Proposed Rent Schedule** – Proposed Rent Schedule (MSHDA Mgmt. 450D1 through 450D3). *Section 8 developments, including Section 8 Preservation Pass-Through and Paid-*

off Developments must submit the **latest MSHDA approved rent schedule** from the MSHDA Quality Assurance Analyst. Section 8 rents and utilities are NOT reviewed and approved by the Asset Manager as part of the budget review process.

Refer to the 451 - Utility Sampling and Rent Schedule policy for more information about the completion of sampling 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.

7. **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 “IoI” 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 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 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.

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. **Fee Addendum to Management Agreement (MSHDA Mgmt. 401A)** – Complete and **sign one original** of the Fee Addendum to Management Agreement for approval by MSHDA. After MSHDA approval, an electronic copy will be returned to the Owner and Management Agent for their records.

The Fee Addendums must be submitted to the Authority by December 31st of the current year. Each development’s budget must include the correct amount of management and premium management fees listed in the agreement. When possible, submit the Fee Addendum with the budget packages.

10. **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.

11. **Market Analysis** – 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. *This requirement does not apply to Section 8 developments.*
12. **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.

Section 236 forms

The forms listed in numbers 13-17 are required on Section 236 developments only, including Section 236 decoupled and Section 236 with Tax Credits:

13. **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.
14. **Resident Comments** – Provide any resident comments received regarding a pending rent increase or utility allowance decrease and the Owner or Agent’s evaluation of the comments.
15. **Retain Excess Income** – If applicable, provide a copy of HUD’s approval letter. If a request to retain excess income has been submitted to HUD but approval has not yet been granted, 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.
16. **Excess Income Report** – Provide the most recent copy of the development’s Excess Income Report (HUD-93104).
17. **Owner Certification of Purchasing Practices and Reasonableness of Expenses** – The budget template automatically provides the Purchasing Practices and Reasonableness of Expenses form when a Section 236 development is selected. 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.

Customized Budget Templates - Each management agent will receive a customized Budget 450A form for the MSHDA or American Recovery and Reinvestment Act (ARRA)-financed developments managed by its company. Customized templates should be received via e-mail by August 15th. The customized budget template includes the following tabs:

- Summary;
- 450A;
- Electric – Family;
- Electric – Elderly;
- Gas – Family;
- Gas – Elderly;
- 236 Cert or Sec8&MSHDA Cert (applicable owner certification will be displayed depending on development selected);
- Rent Schedule (applicable rent schedule will be displayed depending on development selected);
- Purchase Cert (*Section 236 only*);
- IofI, and IofI-1 through IofI-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. Selection of a Section 8 development from the drop down list will cause the Electric – Family, Electric – Elderly, Gas – Family, Gas – Elderly, Cert, and Rent Schedule tabs to disappear. *The utility tabs are not part of the Section 8 development budget submission process. A generic utility submission form for Section 8 utility submissions may be found on the MSHDA website.*

Begin completing the budget template for each *non-section 8* developments managed, by entering the:

1. Specific development in cell E3 of the **Summary tab**,
2. Yellow shaded fields on the **Summary tab**,
3. Utility sampling data received from the residents in the appropriate **utility sampling tab** (Electric – Family and Gas – Family or Electric – Elderly and Gas – Elderly),
4. Yellow shaded areas on the “**...Cert**” **tab**,
5. Unit rent information to generate the Gross Rent Potential amounts on the “**...Rent Sch**” **tab**, and
6. HUD Project # and property location on the “**Purch Cert**” **tab**, *for Section 236 developments only.*
7. 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.
8. Budget line items on the **450A** tab to generate an acceptable budget for the development.

For Section 8 Developments only – Select the development in cell E3 of the “Summary tab, then go to step 7. The “Summary” tab is not a required submission as part of the Section 8 development budget documents.

Instructions for Completing the 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 previous 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 numbers should auto-populate this column.

Previous 12-Months Expenditures – The previous year's January through December data submitted during the Monthly Income and Expense (MIE) process is totaled in this column.

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 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 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, otherwise the rent schedule tab calculates the monthly and annual gross rent potential as all the development’s units are entered on the rent schedule. This amount auto-populates to the MSHDA Mgmt. 450A form. The “Utility Sampling and Rent Schedule Policy” provides a description of the break-down of unit types required on the rent schedule in order to properly document the maximum rents being charged for each unit type during the year. Record the difference in rent amounts for each unit type’s 12-month total, because of lease variances 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).

- 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 1st 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.

- 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 month. **Note:** Vacancy claim adjustments for Section 8 developments should be netted against the vacancy loss, when paid by the Authority or an insurance claims 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 Residents** – Project the rental income lost due to residents who have vacated units and owe money to the development in excess of security deposits as of the end of the reporting month 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. Section 236 development rent concessions must be approved by HUD; submit HUD approval with budget details.

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 (resident-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, ie. Tax & Insurance Escrows, Replacement Reserve, DCE Interest, ORC, Operating Assurance Reserve, Operating Deficit, Miscellaneous Escrows, etc. is recorded on this line of the Monthly Income and Expense statements.
- 2g **Excess Rental Income** - Obtain this figure by multiplying the surcharge amount found on the most recent Excess Income Report by 12 (applicable to Section 236 developments only). Record the amount of excess income approved by HUD to be retained by the owner for limited purposes.
- 2h **Bad Debt Recovery** – Project any rent payments received for bad debt/former residents previously written off on Line Item 1d.
- 2i **Interest Reduction Subsidy** – Project the amount of Section 236 interest reduction subsidy to be received.
- 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.
- Depreciable items or capital expenditures must be budgeted in Lines FA2-FA7 of the budget.
- 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 2011 was \$70, which was paid to the management company for PMF earned during 2010, but approved and paid during the 2011 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 time 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 resident referral, other marketing fees or costs. For Section 8 developments, project the cost of any Rent Comparability Study for determining Annual Adjustment Factor.

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. Any court costs or legal fees paid by residents should be off-set in this line item. **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.

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. The notes should also list the employees' names, position description, total hours worked, hourly rate, and the total salary including bonuses for each position/employee. **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 approval of the employee pension plan (refer to the MSHDA Mgmt. 450 Attachment 1), submit a record of the approval 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, computer maintenance and non-capitalized office equipment and development-specific computer software.
- 7h **Auditing** – Project the cost of preparing the annual certified audit required by the Authority. The cost of the Annual Certified Audit’s legal opinion letter must be included on this line item. This line item cannot exceed the maximum fee set for the budget year on developments with Section 236, Section 8, and Moderate Rehabilitation program funding. Refer to the MSHDA Mgmt. 450 - Attachment 2 form for the budget year maximum fee amounts. Also, the non-profit audit required on some developments financed under the Section 8 Preservation Program may be included in this line item if the total audit expense is within the Authority's approved audit fee limit.
- 7i **Credit Reports** – Project the cost paid for resident credit reports, home visits and criminal checks.
- 7j **Human Services Program** - Project the cost of Human Services programs that directly benefit the residents. E.g. holiday dinners, parties, teen activities, cable TV, toddler programs and recreation/entertainment-related activities.
- 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 residents not included in human services program line item. Also, project Tax Credit monitoring fee/inspection fees (these fees are not allowed at Section 8/236 developments) and mileage for on-site staff.

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. The notes should also list the employees’ names, position description, total hours worked, hourly rate, and the total salary including bonuses for each position/employee. **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 maintenance 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 and non-capitalized equipment 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, and all other non-capitalized items related to grounds maintenance.
- 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.
- 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.
- 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.
- 14d **Office Equipment** – Project the costs of **non-capitalized** desks, files, computers, development-specific computer software, typewriters, copiers, calculators, communication system equipment, etc.
- 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, and appliances, etc.
- 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.
- 14g **Cleaning Units** – Project the cost of **non-capitalized** contractual vacant unit cleaning (not janitorial staff).
- 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.
- 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.
- 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.
- 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.

- 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.
- 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.
- 14n **Common Area Costs** – Project the **non-capitalized** common area repairs, painting, renovation, cleaning or replacement costs.
- 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 residents.

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 exterminating contracts and, when applicable, 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 **non-capitalized** security-related items. E.g. fire extinguishers, smoke detectors, monitoring charges, uniforms, city inspection fees and permits, miscellaneous operating expenses, non-capitalized exterior costs, and Comprehensive Needs Assessment (CNA). **Note:** Expenses associated with a development's MSHDA security loan must be expensed on the appropriate line item.

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. Project the Pass-Through Program non-profit distributions pursuant to the Regulatory Agreement.

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. Include Section 236 decoupled mortgage interest from both the first and second mortgages on this line item.

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 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 vehicle and equipment insurance, employee or resident discrimination insurance, fidelity bond coverage where allowed under the Authority's employee dishonesty/crime policy and any other Authority-approved insurance costs not included in item 18a.

Excess Income Payment

19 **Excess Income Payment** - If the owner did not request or receive HUD approval to retain excess income, include the same amount shown on line 2g here. If owner has requested and/or received approval to retain excess income, record the expenses on the appropriate line items.

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 approval 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.

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.

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 has a CNA-Plan 1 only, budget the amount shown as “Required

Annual Contributions” 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 the “Required Annual Contributions” for this budget year as noted in the CNA Plan 2, and up to the amount of the “Cumulative RR Needs” as noted in the Replacement Reserve Analysis, which will be sent to the management agents under separate cover.
- If no CNA has been completed for a development, the amount on line E3-D is designated by the development’s Regulatory Agreement. The annual ongoing funding is typically expressed as:
 - A percentage of last year’s approved Gross Rent Potential (GRP) identified in the Regulatory Agreement;
 - A flat dollar amount designated in the Regulatory Agreement;
 - 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.

Note: Section 236 developments approved to retain excess income to increase Replacement Reserve deposits must budget the approved excess income amount as a deposit to this line item.

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 full 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.
- E9-D **Miscellaneous Special Escrow-Deposit** – Project the amount of deposits for special MSHDA-held reserve accounts, such as exterior painting/staining, asphalt, 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 repair escrow, 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, typewriters, 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 **1st 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 1st 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. Include Section 236 Decoupled mortgage principal on the first mortgage only.

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, Section 236 decoupled second (2nd) Mortgage Principal, Community Development 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, F5 to F15, and F19. 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 F7).
- Do **NOT** budget L.D. payments when a small size/security loan is budgeted.
- Most Section 236 and some Section 8 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.

Instructions for Completing the Utility and Rent Schedule Tabs

Refer to the “451 - Utility Sampling and Rent Schedule Policy” for detailed instructions on completing the Electric – Family, Electric Elderly, Gas – Family, Gas – Elderly, and Rent schedule tabs.

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 – Depending on the number of identity of interest vendors entered on the IofI tab, the template will create the necessary number of IofI-[#] 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

450A – Budget Form

450B – Identity of Interest Disclosure

450C – Identity of Interest Certification

450D – Certification of Purchasing Practices and Reasonableness of Expenses

Attachments

450 Attachment 1 – List of Management Agents with MSHDA-Approved Pension Plans

450 Attachment 2 – Annual Fees

450 Attachment 3 – Identity of Interest Rule

BUDGET FORM #450A

This form is issued under authority of Act 246 P.A. 1966.
 Filing is Required - Failure to comply is in violation of the Regulatory Agreement.
 See procedure for Implementing Operating Budgets for completing this form.

Development:	0		
MSHDA #:	#N/A	Budget Year	2014

	2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail	
INCOME									
1. Gross Rent Potential-GRP	#N/A	#N/A	#N/A		#N/A	#N/A	#N/A	YES	
236 or MSHDA GRP			#N/A						
Section 8 GRP									
Deductions									
a. Loss to Lease:	#N/A	#N/A			0	#N/A	#N/A	NO	
b. Vacancy Loss:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
c. Non-Rental Unit:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
d. Bad Debt/Former Residents:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
e. Marketing Rent Concessions:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
Gross Rent Potential Minus Total Deductions:	#N/A	#N/A	#N/A	0	#N/A				
Economic Vacancy	#N/A	#N/A	#N/A	0.00%	#N/A				
2. Other Income									
a. Late Charges:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
b. Laundry and Carport Income:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
c. Commercial Income:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
d. Subsidies/Grants:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
e. Interest Income:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
g. Excess Rental Income:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
h. Bad Debt Recovery:	#N/A	#N/A			0	#N/A	#N/A	#N/A	
i. Interest Reduction Subsidy:	0	0			0	0%	0	NO	
j. Other:	#N/A	#N/A			0	#N/A	#N/A	NO	
Total Other Income:	#N/A	#N/A	0	0	0				
3. TOTAL INCOME:	#N/A	#N/A	#N/A	0	#N/A				
EXPENDITURES									
Administrative									
4. Management Fees/COE									Max
a. Management Fees:	#N/A	#N/A			0	#N/A	#N/A	NO	#N/A
b. Premium Management Fees:	#N/A	#N/A			0	#N/A	#N/A	NO	#N/A

BUDGET FORM #450A

Development:	0		
MSHDA #:	#N/A	Budget Year	2014

This form is issued under authority of Act 246 P.A. 1966.
Filing is Required - Failure to comply is in violation of the Regulatory Agreement.
See procedure for Implementing Operating Budgets for completing this form.

	2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail
c. COE Expenses:	#N/A	#N/A			0	#N/A	#N/A	NO
Total Management Fees/COE:	#N/A	#N/A	0	0	0			
5. <i>Marketing</i>								
a. Advertising:	#N/A	#N/A			0	#N/A	#N/A	#N/A
b. Marketing Payroll:	#N/A	#N/A			0	#N/A	#N/A	#N/A
c. Other:	#N/A	#N/A			0	#N/A	#N/A	#N/A
Total Marketing:	#N/A	#N/A	0	0	0			
6. <i>Legal :</i>	#N/A	#N/A			0	#N/A	#N/A	#N/A
7. <i>Other Administrative</i>								
a. Administrative Payroll:	#N/A	#N/A			0	#N/A	#N/A	#N/A
b. Temp Administrative Services:	#N/A	#N/A			0	#N/A	#N/A	#N/A
c. Employee Pension Plans:	#N/A	#N/A			0	#N/A	#N/A	#N/A
d. Employer Payroll Taxes:	#N/A	#N/A			0	#N/A	#N/A	#N/A
e. Taxes Other:	#N/A	#N/A			0	#N/A	#N/A	#N/A
f. Telephone:	#N/A	#N/A			0	#N/A	#N/A	#N/A
g. Office:	#N/A	#N/A			0	#N/A	#N/A	#N/A
h. Auditing:	#N/A	#N/A			0	#N/A	#N/A	#N/A
i. Credit Reports:	#N/A	#N/A			0	#N/A	#N/A	#N/A
j. Human Services Program:	#N/A	#N/A			0	#N/A	#N/A	#N/A
k. Miscellaneous:	#N/A	#N/A			0	#N/A	#N/A	#N/A
Total Other Administrative:	#N/A	#N/A	0	0	0			
Total Administrative:	#N/A	#N/A	0	0	0			
Utilities								
8. Electricity:	#N/A	#N/A			0	#N/A	#N/A	#N/A
9. Water & Sewer:	#N/A	#N/A			0	#N/A	#N/A	#N/A
10. Fuel:	#N/A	#N/A			0	#N/A	#N/A	#N/A
Total Utilities:	#N/A	#N/A	0	0	0			
Operating & Maintenance								
11. <i>Maintenance</i>								

BUDGET FORM #450A

Development:	0		
MSHDA #:	#N/A	Budget Year	2014

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See procedure for Implementing Operating Budgets for completing this form.

	2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail
a. Maintenance Payroll: 11a	#N/A	#N/A			0	#N/A	#N/A	#N/A
b. Temp Maintenance Services: 11b	#N/A	#N/A			0	#N/A	#N/A	#N/A
Total Maintenance:	#N/A	#N/A	0	0	0			
12. Janitorial								
a. Janitorial Payroll: 12a	#N/A	#N/A			0	#N/A	#N/A	#N/A
b. Temporary Janitorial Services: 12b	#N/A	#N/A			0	#N/A	#N/A	#N/A
c. Janitorial Supplies: 12c	#N/A	#N/A			0	#N/A	#N/A	#N/A
Total Janitorial:	#N/A	#N/A	0	0	0			
13. Grounds								
a. Grounds Maintenance Payroll: 13a	#N/A	#N/A			0	#N/A	#N/A	#N/A
b. Temporary Grounds Services: 13b	#N/A	#N/A			0	#N/A	#N/A	#N/A
c. Snow Removal: 13c	#N/A	#N/A			0	#N/A	#N/A	#N/A
d. Lawn Maintenance: 13d	#N/A	#N/A			0	#N/A	#N/A	#N/A
e. Parking Lot/Concrete Repairs: 13e	#N/A	#N/A			0	#N/A	#N/A	#N/A
Total Grounds:	#N/A	#N/A	0	0	0			
14. Non-Capitalized Repairs & Maint								
a. Land Improvements: 14a	#N/A	#N/A			0	#N/A	#N/A	#N/A
b. Building & Components: 14b	#N/A	#N/A			0	#N/A	#N/A	#N/A
c. Maintenance Equipment: 14c	#N/A	#N/A			0	#N/A	#N/A	#N/A
d. Office Furniture: 14d	#N/A	#N/A			0	#N/A	#N/A	#N/A
e. Furniture & Fixtures: 14e	#N/A	#N/A			0	#N/A	#N/A	#N/A
f. Painting Units: 14f	#N/A	#N/A			0	#N/A	#N/A	#N/A
g. Cleaning Units: 14g	#N/A	#N/A			0	#N/A	#N/A	#N/A
h. Heating & Air Conditioning: 14h	#N/A	#N/A			0	#N/A	#N/A	#N/A
i. Plumbing: 14i	#N/A	#N/A			0	#N/A	#N/A	#N/A
j. Electrical: 14j	#N/A	#N/A			0	#N/A	#N/A	#N/A
k. Pool Maintenance: 14k	#N/A	#N/A			0	#N/A	#N/A	#N/A
l. Elevator: 14l	#N/A	#N/A			0	#N/A	#N/A	#N/A
m. Ext Cycle Painting/Waterproofing: 14m	#N/A	#N/A			0	#N/A	#N/A	#N/A

BUDGET FORM #450A

Development:	0		
MSHDA #:	#N/A	Budget Year	2014

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	2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail
n. Common Area Costs:	14n	#N/A	#N/A		0	#N/A	#N/A	#N/A
o. Other:	14o	#N/A	#N/A		0	#N/A	#N/A	#N/A
Total Non-Cap Repairs & Maint:		#N/A	#N/A	0	0	0		
15. Other Operating								
a. Vehicle & Equip Operating Exp:	15a	#N/A	#N/A		0	#N/A	#N/A	#N/A
b. Exterminating:	15b	#N/A	#N/A		0	#N/A	#N/A	#N/A
c. Rubbish Removal:	15c	#N/A	#N/A		0	#N/A	#N/A	#N/A
d. Security Payroll:	15d	#N/A	#N/A		0	#N/A	#N/A	#N/A
e. Other:	15e	#N/A	#N/A		0	#N/A	#N/A	#N/A
Total Other Operating:		#N/A	#N/A	0	0	0		
Total Operating & Maint:		#N/A	#N/A	0	0	0		
Other Expenditures								
16. Taxes								
a. Property Taxes or PILOT Exp:	16a							
b. Other:	16b	#N/A	#N/A		0	#N/A	#N/A	#N/A
Total Taxes:		#N/A	#N/A	0	0	0		
17. Interest Expense								
a. Mortgage Interest:	17a	#N/A	#N/A		0	#N/A	#N/A	NO
b. Other Interest:	17b	#N/A	#N/A		0	#N/A	#N/A	#N/A
c. S8 Pres Pass-thru Prog Bond Int:	17c	#N/A	#N/A		0	#N/A	#N/A	NO
Total Interest Expense:		#N/A	#N/A	0	0	0		
18. Insurance								
a. Property & Liability Insurance:	18a							
b. Employee Health Benefits:	18b	#N/A	#N/A		0	#N/A	#N/A	#N/A
c. Worker's Compensation:	18c	#N/A	#N/A		0	#N/A	#N/A	#N/A
d. Other:	18d	#N/A	#N/A		0	#N/A	#N/A	#N/A
Total Insurance:		#N/A	#N/A	0	0	0		
Total Other Expenditures:		#N/A	#N/A	0	0	0		
19. Excess Income Payment:	19	#N/A	#N/A		0	#N/A	#N/A	#N/A

BUDGET FORM #450A

Development:	0		
MSHDA #:	#N/A	Budget Year	2014

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	2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail	
20. Regulatory and Bond Fees:									
a. S8 Pres Pass-Thru Trustee Bond Fees: 20a	#N/A	#N/A			0	#N/A	#N/A	NO	
b. Sec 8 Pres Pass-Thru Reg Fees: 20b	#N/A	#N/A			0	#N/A	#N/A	NO	Annual Fee
c. ARRA Regulatory Fees: 20c	#N/A	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A	#N/A
Total Regulatory and Bond Exp:	#N/A	#N/A	#N/A	0	#N/A				
21. TOTAL EXPENDITURES: 21	#N/A	#N/A	#N/A	0	#N/A				
Subtotal of Income Minus Expenses 22	#N/A	#N/A	#N/A	0	#N/A				
Escrow Activities									Escrow
Tax Escrow									Analysis
Deposit: E1-D	#N/A	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A	#N/A
Insurance Escrow									
Deposit: E2-D	#N/A	#N/A	#N/A		#N/A	#N/A	#N/A	#N/A	#N/A
Replacement Reserve									
Deposit: E3-D	#N/A	#N/A			0	#N/A	#N/A	NO	
Withdrawal: E3-W	#N/A	#N/A			0	#N/A	#N/A	NO	
DCE Principal									
Withdrawal: E4-W	#N/A	#N/A			0	#N/A	#N/A	#N/A	
DCE Interest									
Withdrawal: E5-W	#N/A	#N/A			0	#N/A	#N/A	NO	
ORC									
Withdrawal: E6-W	#N/A	#N/A			0	#N/A	#N/A	#N/A	
Operating Assurance									
Withdrawal: E7-W	#N/A	#N/A			0	#N/A	#N/A	#N/A	
Operating Deficit									
Withdrawal: E8-W	#N/A	#N/A			0	#N/A	#N/A	#N/A	
Misc. Special Escrow									
Deposit: E9-D	#N/A	#N/A			0	#N/A	#N/A	#N/A	
Withdrawal: E9-W	#N/A	#N/A			0	#N/A	#N/A	#N/A	

BUDGET FORM #450A

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Development:	0		
MSHDA #:	#N/A	Budget Year	2014

		2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail
Other Escrow									
Deposit:	E10-D	#N/A	#N/A			0	#N/A	#N/A	#N/A
Withdrawal:	E10-W	#N/A	#N/A			0	#N/A	#N/A	#N/A
Net Escrow Deposits & Withdrawal									
		#N/A	#N/A	#N/A	0	#N/A			
Fixed Assets									
Land Improvements - Additions	FA2	#N/A	#N/A			0	#N/A	#N/A	#N/A
Building and Components - Additions	FA3	#N/A	#N/A			0	#N/A	#N/A	#N/A
Maintenance Equipment - Additions	FA4	#N/A	#N/A			0	#N/A	#N/A	#N/A
Office Equipment - Additions	FA5	#N/A	#N/A			0	#N/A	#N/A	#N/A
Furniture and Fixtures - Additions	FA6	#N/A	#N/A			0	#N/A	#N/A	#N/A
Other - Additions	FA7	#N/A	#N/A			0	#N/A	#N/A	#N/A
Deduct Total Fixed Asset Additions									
		#N/A	#N/A	0	0	0			
Liability Activities									
Short-Term Related Party Advances/Liabilities	L9	0	0			0	0%	0	NO
Other Short-Term Liabilities	L10	0	0			0	0%	0	NO
Deduct Liability Activities									
		0	0	0	0	0			
Financing Activities									
1st Mortgage Principal Balance	F1	#N/A	#N/A			0	#N/A	#N/A	NO
Delinquent Mortgage Principal	F2	#N/A	#N/A			0	#N/A	#N/A	#N/A
Small Size Loan	F5	0	0			0	0%	0	NO
Security Loan	F6	0	0			0	0%	0	NO
Preservation Loan	F7	0	0			0	0%	0	NO
MSHDA HOME Loan	F8	0	0			0	0%	0	NO
TCAP Loan	F9	0	0			0	0%	0	NO

BUDGET FORM #450A

Development:	0		
MSHDA #:	#N/A	Budget Year	2014

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	2013 BUDGET	PREVIOUS 12 MONTH EXPENSES	PROPOSED 2014 BUDGET	ADJS BY MSHDA	MSHDA APPROVED BUDGET	Variances of Greater than 20%	Variances of Greater than \$2,000	Variance Requires Detail
NSP Loan	F10	0	0		0	0%	0	NO
1602 Loan	F11	0	0		0	0%	0	NO
Other MSHDA Loan	F12	0	0		0	0%	0	NO
Other Loan	F13	#N/A	#N/A		0	#N/A	#N/A	NO
Long-Term Related Party Loans	F14	#N/A	#N/A		0	#N/A	#N/A	NO
Long-Term Related Party Advances	F15	#N/A	#N/A		0	#N/A	#N/A	NO
Other Financing	F19	#N/A	#N/A		0	#N/A	#N/A	#N/A
Deduct Financing Activities								
		#N/A	#N/A	0	0	0		
Surplus Cash Activities								
Allowable Distributions	OE2	#N/A	#N/A		0	#N/A	#N/A	NO
Net Surplus or Deficit Budget								
		#N/A	#N/A	#N/A	0	#N/A		

CERTIFICATION: (You must sign here)

I, the undersigned, certify that all information contained herein is true and correct to the best of my knowledge.

Management Company	By (Signature)
AM	Date
Supervisor	Date

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
IDENTITY OF INTEREST DISCLOSURE**

Development Name:	ABC Apartments	MSHDA #	5000
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Identity of Interest Rules are defined in Part 10 of the Authority's General Rules (see the following link for MSHDA's General Rules -http://www.michigan.gov/mshda/0,1607,7-141-5587_5589-43670--,00.html) or a copy of the rule attached to this form.

The owner/agent requests approval to use the following identity of interest vendor:

Vendor Name:				Federal ID #:	
Contact Name:					
Street Address:					
City:		State:		Zip:	

*Provide a list of all offices where business records are kept for the Identity of Interest Vendor.

Owner's Name (Printed)	Type of Ownership

*Attach organizational documents

List of Current Officers Names	Titles
	President
	Vice President
	Secretary
	Treasurer

List all Identity of Interest individuals and describe the extent of each individual's relationship:

Individual's Name	Description of Identity of Interest Relationship

Description of Goods/Services Provided:

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Contract Effective Date:		Contract End Date:	
--------------------------	--	--------------------	--

Development Name:	ABC Apartments	MSHDA #	5000
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MIE Line Item	# Units / # of Occurrences		Cost per Units / Occurrences	Total Cost by Unit or Occurrence	Set Cost of Contact	Total Cost
		X		0		0
		X		0		0
		X		0		0
		X		0		0
		X		0		0
		X		0		0
		X		0		0
		X		0		0
		X		0		0
		X		0		0
Total Contract Amount:				0	0	0

Provide a list of all the Identity of Interest vendor's bookkeepers and accountants

Name	Address

Attachments

Provide a copy of the vendor's organizational documents.

Provide at least three (3) bids for the contracted goods and services to be rendered by the identity of interest vendor. If a multi-year contract exists, rebidding the contract is required every 4 years or anytime the vendor supplies goods or service beyond the goods or services previously approved by the Authority or the contract price increases by 10% or more.

An Identity of Interest vendor can NOT be used until the proposed vendor and contract amount have been approved by the Authority. Notification of any proposed vendors with whom there is an identity of interest relationship must be submitted annually with the development operating budget.

Approval for contracts with identity of interest vendors require the submission of at least three bids on the goods or services to be provided and shall be submitted any time:

*** a new contract begins or,

*** a previously approved contract increases in price by 10% or more of the current contract price previously approved by

*** a previously approved vendor plans to supply goods or services beyond the goods or services previously approved by the Authority.

Development Name:	ABC Apartments	MSHDA #	5000
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Certification of Identity of Interest Rules

I/We certify that I/we have read the Michigan State Housing Development Authority Rules regarding the use of Identity of Interest Vendors and agree to abide by the terms and conditions required by this rule.

OWNER:	<input type="text"/>	AGENT:	<input type="text"/>
Signature:	<hr/>	Signature:	<hr/>
ITS:	<input type="text"/>	ITS:	<input type="text"/>
Date:	<input type="text"/>	Date:	<input type="text"/>
VENDOR Signature:	<hr/>	Date:	<input type="text"/>

MSHDA Approval: Receipt of budget approval constitutes approval of the Identity of Interest submissions with the budget. Mid-year approvals require the MSHDA approval below:

Director, Asset Management Division

Date:

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
IDENTITY OF INTEREST CERTIFICATION**

Development Name:	ABC Apartments	MSHDA #	5000
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Does an Identity of Interest relationship exist at the above referenced development? NO

If **NO** - Print and sign the bottom of the No Identity of Interest Certification below and submit to MSHDA.

I/We do not intend to use an Identity of Interest vendor as defined in the Authority's General rules. Identity of Interest Rules are defined in Part 10 of the Authority's General Rules (see the following link for MSHDA's General Rules - http://www.michigan.gov/mshda/0,1607,7-141-5587_5589-43670--,00.html) or a copy of the rule attached to this form.

Certification of Identity of Interest Rules

I/We certify that I/we have read the Michigan State Housing Development Authority Rules regarding the use of Identity of Interest Vendors and agree to abide by the terms and conditions required by this rule.

OWNER: AGENT:

Signature: _____ Signature: _____

ITS: ITS:

Date: Date:

PURCHASING AND EXPENSE REASONABLENESS CERTIFICATION

DEVELOPMENT NAME: _____ **0** **MSHDA #:** _____ **#N/A**
HUD PROJECT #: _____
LOCATION: _____

Acting on behalf of the development owner, I certify that ALL of the following statements are true.

- 1 The development is obtaining utilities at the lowest rates available.
- 2 The development has received or requested any tax relief for which it is eligible and management has analyzed the development's property tax bills and appealed any assessments which appeared unreasonable.
- 3 Amounts paid to individuals or companies having an identity-of-interest with the owner or the management agent were not in excess of the costs that would have been incurred in making arms-length purchases on the open market.
- 4 Management has exerted reasonable effort to take advantage of discounts and has credited the development with all discounts, rebates or commissions received with respect to purchases, service contracts and other transactions made on behalf of the development.
- 5 Management has obtained contracts, materials, supplies and services, including the preparation of the annual audit, on terms most advantageous to the development and at costs not in excess of amounts ordinarily paid for comparable contracts, materials, supplies and services in the area in which such services, supplies, or materials are furnished.
- 6 Management has solicited verbal or written cost estimates, as necessary to comply with the Paragraphs 3 through 5 above. Management has documented the reasons for accepting other than the lowest bid and will make the documentation available to MSHDA, upon request.

WARNING:

\$ 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than 5 years, or both.

\$ 12 U.S.C. 1715z-4 provides in part: "Whoever, as an owner of a property which is security for a mortgage (covering multifamily housing, as defined in the regulations of the Secretary) or as a stockholder beneficial owner ... trust ... or as an officer, director or agent of any such owner (1) willfully uses or authorizes use of any part of the rents or other funds derived from the property covered by such mortgage in violation of a regulation ... (2) willfully and knowingly uses or authorizes the use, while such mortgage is in default, or any part of the rents or expense ... shall be fined not more than \$5,000 or imprisoned not more than 3 years or both.

Signed by:

_____	_____
Name	Title
_____	_____
Signature	Date

List of Management Agents with MSHDA-Approved Pension Plans

July 2013

1st City
Affinity Property Management
AIMCO
Altman Management
American Preferred Management Company
Amurcon Management
Aspen Square Management
Associated Management
Avon Hills Consumer Housing Cooperative
Central Michigan Non-Profit Housing
Centrum Management
Continental Management
Cremco
First Housing
Heritage Homes, Inc.
Heritage Property Management
Huntington Management
Independent Management Services
KMG Prestige
Keystone Property Management
Lockwood Property Management
Lord's Management Group
Management Resources Development
Management Systems
Medallion Management, Inc.
Michigan Capital Management
Midwest Management Company
National Church Residences
PK Housing & Management Company
PM Group Management
Premier Property Management
Presbyterian Villages of Michigan
Professional Property Management Company
Professional Property Services
Republic Management Corporation
TPM, Inc.
The Shoreline Corporation
Volunteers of America Michigan
Wingate Management Corporation – Boston
Wingate Management Corporation – Southfield

Annual Fees for MSHDA Financed Developments

Below is a summary of the fees allowable for the calendar year.

Year	Maximum Management Fee	Maximum Premium Management Fee	Section 236 & Section 8 Maximum Audit Fee
2014	\$496 PUPY	\$76 PUPY	\$11,814
2013	\$485 PUPY	\$74 PUPY	\$11,560
2012	\$478 PUPY	\$73 PUPY	\$11,400

PUPY = Per Unit Per Year

Annual Asset Management Fees for ARRA Funded Developments

Below is a summary of the fees allowable for the calendar year.

Year	Development Size	9% Equity Support (TCAP)	9% Tax Credit Exchange/Reinvestment Program (1602)
2014	Less than 50 units	\$2,555	\$5,110
2014	50 units or more	\$5,110	\$10,220
2013	Less than 50 units	\$2,500	\$5,000
2013	50 units or more	\$5,000	\$10,000

IDENTITY OF INTEREST WITH VENDORS TO AUTHORITY OR ARRA-FINANCED DEVELOPMENTS

PART 10.

R 125.201 Applicability

Rule 201. The rules contained in this part shall apply to all transactions that involve the supply of goods and services to authority-financed housing developments between the owners or the management agents of the developments and vendors who supply goods or services to those developments.

R 125.202 Identity of interest; "member of the family" defined.

Rule 202. (1) Any contractual relationship between either an owner or management agent and a vendor described in subrule (2) of this rule shall constitute an identity of interest.

(2) An identity of interest shall exist if any of the following conditions occurs:

(a) Either the owner or management agent, or any officer, director, stockholder, partner, or joint venturer or either the owner or management agent, has a financial interest in the vendor.

(b) Either the owner or management agent, or any officer, director, stockholder, partner, or joint venturer of either the owner or management agent, is also an officer, director, stockholder, partner, or joint venturer of the vendor.

(c) Either the owner or management agent, or any officer, director, stockholder, partner, or joint venturer of either the owner or management agent, is also the vendor.

(d) A member of the family of either the owner or management agent, or of any officer, director, stockholder, partner, or joint venturer of either the owner or management agent, is the vendor or an officer, director, stockholder, partner, or joint venturer of the vendor or has a financial interest in the vendor. For purposes of this part, "member of the family" means any person who is related to the party in question by blood, marriage, or operation of law.

R 125.203 Requirements for conducting business with identity of interest vendors.

Rule 203. Owners and management agents shall conform to all of the following requirements when conducting business with vendors with whom there is an identity of interest:

(a) Both the owner and management agent shall inform the authority division of management and reinvestment of any proposed vendor with whom there is an identity of interest. Such notification shall be submitted concurrent with submission of the development operating budget, but at least once per year.

(b) The owner and management agent shall submit a certified disclosure for each proposed vendor with whom there is an identity of interest which lists the names of all of the following persons:

(i) All owners and managers of vendors that are sole proprietorships.

(ii) All copartners or general partners of vendors that are copartnerships or limited partnerships.

(iii) All joint venturers of vendors that are joint ventures.

(iv) All directors, officers, and shareholders of vendors that are corporations.

(c) The certified disclosure shall list, for each person described in subdivision (b) of this rule the names of the individuals involved with the owner or management agent with whom there is an identity of interest and the extent or degree of such identity of interest. The certified disclosure shall also contain other information as the authority shall require, such as the following:

(i) Federal tax identification number of all vendors with whom there is identity of interest.

(ii) The location of all offices that contain business records of the vendors with whom

there is an identity of interest.

(iii) The names and addresses of the bookkeepers and accountants of the vendors with whom there is an identity of interest.

(d) The certified disclosure shall be submitted on such form as shall be designated by the authority and shall be submitted together with the submission described in subdivision (a) of this rule, or if the proposed vendor is not listed on such submission, at the time the owner or management agent requests approval to contract with a proposed vendor with whom there is an identity of interest.

(e) The owner and management agent shall submit, together with its certified disclosure, a copy of the organizational documents for each proposed vendor with whom an identity of interest is shared.

(f) The authority shall have the right to audit the books of the vendor with whom there is an identity of interest to determine whether amounts paid to identity of interest vendors were reasonable and whether there has been compliance with applicable restrictions on return. The owner, management agent, and proposed vendor shall acknowledge the authority's right to conduct such an audit in the certified disclosure.

(g) Both the owner and management agent shall submit, to the authority, a request for approval to use a proposed vendor with whom there is an identity of interest. Neither the owner nor management agent shall contract for goods or services from any vendor with whom there is an identity of interest until the proposed vendor and contract amount is approved by the Authority. If an owner or management agent enters a contract for goods or services beyond the goods or services previously approved by the authority, or if the contract price increases beyond the prices previously approved by the authority, then an additional approval shall be obtained.

(h) The authority may, upon a request from the owner or management agent and after review of the disclosure required pursuant to the provisions of subdivisions (b) to (f) of this rule, determine that the identity of interest between the owner and agent is insignificant. If such a determination is made, the owner and management agent need not comply with the provisions of subdivision (i) of this rule.

(i) Unless compliance with this subdivision is excused pursuant to the provisions of subdivision (h) of this rule, all requests for approval of proposed vendors shall be accompanied by a detailed explanation of the goods or services to be provided by the proposed vendor and not less than 3 bids for such goods and services. The 3 bids shall include a bid from the vendor with whom there is an identity of interest.

(j) Requests for approval of a proposed vendor shall be submitted concurrent with the submission of the development operating budget and any other time that the owner or management agent wishes to contract with a vendor with whom there is an identity of interest. However, a proposed vendor and contract amount need be approved only one time per operating year per development, unless the vendor supplies goods or services beyond the goods or services previously approved by the authority or the contract price increases beyond the prices previously approved by the authority.

R 125.204 Sanctions; "excessive costs" defined.

Rule 204. (1) If an owner or management agent is found to be in violation of these rules concerning identity of interest, the authority, or the officers or employees to whom it shall delegate authority, may impose the following sanctions in addition to any other remedies available through contractual documents or at law or equity:

(a) On the first occurrence of a violation, either or both of the following sanctions may be imposed:

(i) The owner or management agent may be required to reimburse the development operating account for all excessive costs, as determined by the authority, incurred as a result of

the contract with the vendor with whom there is an identity of interest.

(ii) The owner and management agent found to be in violation may be prohibited from using any vendor with whom there is an identity of interest for a period of 1 year.

(b) For each violation after the first, the following sanctions may be imposed, as applicable:

(i) The owner or management agent may be required to reimburse the development operating account for all excessive costs, as determined by the authority, incurred as a result of the contract with the vendor with whom there is an identity of interest.

(ii) If the violation involves a vendor who has an identity of interest with the management agent, then either or both of the following sanctions may be imposed:

(A) The management agent's management agreement may be terminated and a new management agent shall be hired.

(B) The vendor who shares the identity of interest with the management agent may be barred from doing business with other authority-financed developments managed by the same management agent.

(iii) If the violation involves a vendor who has an identity of interest with the owner, then the owner and its management agent may be prohibited from doing business with the particular vendor at the development in question for a period of 5 years.

(2) As used in this rule, the term "excessive costs" means all costs which would not have been incurred by the development if the owner or management agent, or both, had exercised reasonable business judgment and obtained only those goods and services reasonably necessary for operation of the development at competitive prices.

451 UTILITY SAMPLING AND RENT SCHEDULE POLICY

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Utility Allowances Overview

An annual review of utility bills paid by residents helps provide a reasonable allowance to development residents for the potential costs of monthly utilities. This process is typically performed at the same time as the annual analysis of rents to determine if a rent increase/decrease will occur for the upcoming year. The updating of utility allowances may also affect the rent amounts and thus the total gross rent potential earned for budgeting purposes.

Utility Allowance information (calculations or approved amounts) must be submitted with the development’s annual budget submission for all MSHDA programs, *except Section 8 developments*. To prepare for the annual sampling requests, an “Authorization to Release Utility Data” should be included with each residents initial lease signing and each lease renewal. See Attachment 1 for a sample Authorization to Release Utility Data form.

Rent and Utility Review Process Timeline (Non-Section 8)

For all developments, except Section 8 (including Section 8 Preservation Pass-Through and Section 8 Paid-off), the following steps and timing apply when completing the utility sampling and resident notifications process:

Aug 1st - For all developments, begin collecting utility sampling data.

Prior to Sept 30th - For Section 236 (including Section 236 decoupled and Section 236 with Tax Credits), send and post a Rent/Utility Change Notice (MSHDA Mgmt. 451A1) to the development's residents providing at least a 30-day comment period on any planned rent increase and/or utility decrease request. **Note:** Posting the notice prior to Aug 31st, allows the resident comment period to pass and collection of comments to be completed before the budget submission is due.

Oct 1st – Section 236 developments only, including Section 236 decoupled and Section 236 with Tax Credits. **Utility packages are due to MSHDA with the budget package submission.**

Prior to Oct 31st - For all developments, send the Rent/Utility Change Notice (MSHDA Mgmt. 451A3) to the development's **residents**. Resident notification must be posted 60 days (but preferably 90 days) prior to any utility change effective date for LIHTC properties.

- 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.

November 1st - For all developments, except Section 236, including Section 236 decoupled and Section 236 with Tax Credits. **Utility packages are due to MSHDA with the budget package submission.**

January 1st – Implement the rent and/or utility allowance changes. When the utility and/or rent change is submitted and able to be approved timely, the approved utility allowances and rent schedules become effective as of January 1st provided residents have received 30-day notice of any rent increase.

Rent and Utility Review Process Timeline (Section 8)

For Section 8 (including Section 8 Preservation Pass-Through and Section 8 Paid-off), the following steps and timing apply when completing the utility sampling and resident notifications process:

150 Days Prior to the HAP Anniversary Date - Begin collecting utility sampling data.

90 Days Prior to the HAP Anniversary Date - Send the Utility Allowance Decrease Notice (MSHDA Mgmt. 451A2) to the development's residents. Residents must be notified 90 days prior to any utility change effective date.

- Notify the residents according to the Code of Federal Regulations (CFR) 245.15 and Treasury Regulation Section 1.42-10. Post the Utility Allowance Decrease Notice (MSHDA Mgmt. 451A2) in three conspicuous places and send to all non-market rate residents. Do not include MSHDA moderate units on the notices to residents.
- Residents must receive at least a 30-day comment period regarding the planned utility allowance decrease request.

60 days prior to the HAP Anniversary Date - Utility packages are due to MSHDA. Utility submissions are sent to the **Quality Assurance Analyst** (Andrew Uzzle), not to the development's assigned Asset Manager.

HAP anniversary date – Implement the utility allowance changes. When the utility allowance decrease is submitted and able to be approved timely, the approved utility allowances become effective on the HAP Anniversary date.

Utility Submission Requirements

Listed below is a list of the required forms and data to request a utility change or verify a developments current utility allowance. For a more detailed description of the listed forms review the Utility Sampling Form Instructions section of this policy. Include the following information with each developments utility allowance submission:

1. **Utility Allowance Calculation Form – Summary** – Provide an electronic and paper copy.
2. **Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs** – Provide an electronic copy only.
3. **Owner's Utility Certification to MSHDA** - Provide an electronic and **signed** paper copy.
 - *For all MSHDA program, Moderate, 80/20, 70/30, Taxable Bond, 1% Tax-Exempt, TEAM and Neighborhood Preservation Program development* – use the MSHDA Mgmt 451C2 form.
 - *For Section 236 Developments, including Section 236 decoupled and Section 236 with Tax Credits* – use the MSHDA Mgmt 451C1 form. **Note:** The Owner Certification must be dated 30 days after the Posting Letter date.
 - *For Section 8 Developments, including Section 8 Preservation Pass-Thru and Paid off Developments* – Use the MSHDA Mgmt. 451C2 form. **Note:** The Owner Certification must be dated 30 days after the Posting Letter date.
4. **Rent Schedule** – Provide an electronic and paper copy of the appropriate schedule.

5. **Copies of Resident Utility Invoices** – Provide an electronic copy (pdf file) of all the bills used in the sampling calculations. The last month of the bills sampled must occur within 60 days of the resident notification date. For example, if a development posts a utility allowance update on September 20th, then the utility bills sampled must include at least the July utility bills of the current year to be a valid sampling. Copies must include:
 - a. All fees and taxes, so that the total monthly bill for each unit is easily determined, if the total is not listed on the page.
 - b. The unit type, unit number and tenant name or address, and
 - c. The utility company name/information on each page.

Samples not within 60 days of the posting date – Provide confirmation that the utility rate in effect within 60 days of the posting date is the same as the utility rate effective in the last month of the utility sampling. For example, the sampling received from the utility company ends in April, because the utility company is behind in its billing. The management agent calculates the utility rate change and posts the notice of change on September 15th. Since the last month of the utility sample did not end within 60 days (July 17th) of the posting date, a confirmation of the consistency of the utility rate must be provided. Request confirmation that the utility rate in May was the same utility rate billed in July, and provide a copy of this confirmation with the utility sample.

6. **Rent/Utility Change Notice** – (MSHDA Mgmt. 451A1 or 451A3): *For all non-Section 8 developments.* Provide a copy of Rent/Utility Change Notice to residents posted at least 60 days (preferably 90 days) prior to the change effective date, if applicable.
7. **Utility Allowance Decrease Notice** – (MSHDA Mgmt. 451A2): *For Section 8 developments only.* Provide a copy of the Utility Allowance Decrease Notice to residents posted at least 90 days prior to the decrease effective date, if applicable.
8. **Resident Comments** – *For Section 236 and Section 8 developments only.* If applicable, provide a copy of resident comments regarding a pending rent increase or utility allowance decrease and the Owner's or Agent's evaluation of the comments.
9. **Verification of PHA Utility rates** – *For all developments with Project Based vouchers.* Project Based Vouchers (PBV) use the administering Public Housing Agency's (PHA) published utility rate for each PBV designated unit. If the PBV is administered by a state or local PHA, then submit verification of the PHA's published utility rates.
10. **Verification of Rural Development (RD) Utility rates** – *For all developments with RD funded units.* Developments with RD funding use RD rental rates and utilities. Submit verification of RD's approved rental rates and utilities for the RD units.

Utility Sampling Process

The Budget workbook (customized for each management agent) includes four (4) worksheets for entering utility bill information, along with a summary worksheet and a Utility certification form. The following requirements must be met **for each unit type**:

- Collect a sample of gas and/or electric bills on the greater of 5 units or 25% of the units.
- If there are five (5) units or less, collect a sample of 100% of the units. For example, if there are only 4 units of one unit type, all four units must be sampled.
- Units without 12 full consecutive months of occupancy sampling data are not eligible to be included in the sampling calculation.
- Samples for gas and electric utilities must include the same residents. For example, if John Doe was included in the gas sampling, then he must be part of the electric sampling.
- Samples for all units must be within the same date range.
- Request a greater than 25% sampling of units from the utility company. This allows a buffer between the collected samples and the required sample size in case some samples do not meet the sampling requirements, such as not receiving a full twelve months data on an individual unit in the sample.
- Retain the 25% sampling of gas and/or electric resident utility invoices from the utility companies at the development for reference if the assigned Asset Manager (AM) contacts you regarding your electronic submission of the bill samples and the utility calculations.
- Utility samples must be collected with the 12-month sampling-period **ending no more than 60-days prior to the posting date of the tenant notification** submitted with the completed request package to MSHDA. If the sampling period does not end within 60 days of the posting notice, verify the utility rates in effect within 60 days of the posting is the same as the rates identified in the last month of the resident bills being sampled. The sampling period must be the same for all the resident's sampled.

Additional sampling recommendations/suggestions relating to the utility sampling process are:

- Bills less than a \$1 must be included in the sampling as at least \$1/month. If a monthly billing amount on an *occupied* unit is \$0 or a credit is received, insert \$1 in the month and then subtract the \$1 (plus the credit amount, if there was a credit) from another month's billing amount of the same resident in order maintain the same annual average.
- Employee units may be used as part of the sampled units for the calculation.
- If the sample size for a specific unit type does not meet the minimum sample size required (25%, 5 units, or a 100% sampling for 1 to 4 units), the previous year's utility allowance will be used.
- Project-Based Voucher units may be used when sampling utilities, regardless of the requirement that all project based voucher units must use the PHA allowance when determining the rent limit on the units.
- From year to year, different units/residents should be chosen whenever possible for the sampling in order to gain a more accurate representation of the whole property over time.

Utility Allowance (UA) Calculations

The worksheet adds up each resident's full twelve months of bills and generates a monthly average rate. A standard deviation is calculated based on all the average billing amounts. Any average billing amount outside of the standard deviation is dropped from the total utility sampling amount and the worksheet generates an average of the monthly billing amounts within the standard deviation range. Multiple monthly averages could be dropped from the final utility allowance calculation. Below are the individual program calculation requirements:

Section 236 UA Calculation

This includes Section 236 de-coupled and Section 236 with tax credit developments.

- If the utility allowances resulting from the sampling increase by any amount, the utility allowances must be revised. The AM will notify the Agent/Owner of the approved utility allowances in the budget approval letter.
- If the utility allowances resulting from the sampling decrease by any amount, the utility allowances must be revised and the residents must be given a 90-day advance written notice and at least a 30-day period to comment on the utility decrease, which may generate an increase in the tenant portion of the rent. The AM will notify the Agent/Owner of the approved utility allowances in the budget approval letter.
 - Notice to Residents – Follow the CFR 245.15 and Treasury Regulation Section 1.42-10 for proper posting and delivery requirements. The development may use the completed MSHDA mgmt 451A1 form identifying the proposed utility allowance decreases and/or rent increases at the property to inform the residents of the changes requested. This notice to the tenants must occur prior to September 30th.

Section 8 UA Calculation

This includes Section 8 Preservation Pass-Through developments & Section 8 paid-off developments.

- If the utility allowances resulting from the sampling increase by any amount, the utility allowances must be revised. The Quality Assurance Analyst, Andrew Uzzle will notify the Agent/Owner of the approved utility allowances in the rent schedule approval letter.
- If the utility allowances resulting from the sampling decrease by any amount, the utility allowances must be revised, and the residents must be given a 90-day advance written notice and at least a 30-day period to comment on any proposed utility allowance decrease for all units at the property. This notice must occur 30 days prior to the utility change submission date.
 - Notice to Residents – Follow the CFR 245.15 and Treasury Regulation Section 1.42-10 for proper posting and delivery requirements. The development may use the

completed MSHDA Mgmt. 451A2 form identifying the proposed utility allowance decrease at the property to inform the residents of the changes requested. This notice to the tenants must occur 30 days prior to submission.

MSHDA Programs UA Calculation

This includes all properties with tax credit allocations and MSHDA or ARRA-financing.

- If the utility allowance resulting from the sampling increases or decreases by any amount, the utility allowances must be revised and the residents must be given a 60-day (preferably 90 day) advance written notice of any rent/utility change. Failure to provide at least a 60-day notice of utility allowance change will result in a non-compliance finding. The AM will notify the Agent/Owner of the approved utility allowances in the budget approval letter.
- Notice to Residents – Follow the CFR 245.15 and Treasury Regulation Section 1.42-10 for proper posting and delivery requirements. The development may use the completed MSHDA Mgmt. 451A3 form identifying the proposed utility allowance decrease and/or rent increases at the property to inform the residents of the changes requested. This notice to the tenants must occur 30 days prior to submission.

Utility Sampling Form Instructions

Summary Tab – Enter the following fields:

Name of Electric Co: Identify what utility company supplies electricity to the development residents.

Name of Gas Co: Identify what utility company supplies gas to the development residents.

Elec. (Electric) Rate: Identify the electric rate used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Service Chg (Charge): Identify the service charge used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Gas Rate: Identify the gas rate used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Commodity Chg (Charge): Identify the commodity charge used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

12-month Sample Period: Identify the months used for sampling the electric and gas bills.

Effective Date: Identify the date, which the new utility allowances become effective.

Number of Units: Identify the unit mix breakdown for the development under both the electric and gas tables. The numbers of units are used to generate the sampling size and set the minimum amount of billing samples required in order for the utility sampling tabs to generate an average dollar/unit/month amount. The total number of units entered for all the unit types must equal the total number of units at the development regardless of the number of units actually subsidized.

Current Utility Allowance: Enter the amount of the current utility allowance amount.

Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs - Under each of the unit types identified on the Summary tab, Number of units fields, enter a complete 12 months of billing data for at least the required number of units identified in the “25% of Total Units.” The sampling tabs will accept more than the sample size units designated, if more than the required number of units were sampled. Enter the following fields for each sample unit:

Unit # or Address: Identify the sample resident’s unit location (number of address).

Current Tenant Name: Identify the sample resident’s name.

Mo 1 through Mo 12: Identify the billing amount for each of the 12 months sampled.

Along the top of each utility sampling tab is a summary of the totals and averages generated by the utility samples entered.

Certification Tab – The required form for the “Owner Utility Certification to MSHDA” tab appears based on the development selected on the summary tab, cell E3. Complete the following fields, which may appear as data entry fields on the development’s owner utility certification:

Rent Increase Effective: Enter the date when the rent change becomes effective.

HUD Project #: Identify the HUD Project Number of the development, if applicable.

Location: Identify the address of the development.

Name: Type the name of the owner (signer).

*Print and sign the form for the hard copy submission to MSHDA.

Governing Regulations

The specific regulations governing utility rate adjustments are identified below:

- Section 8: CFR* 880.610; CFR 245.10; CFR 245.405(a); CFR 245.410; CFR 245.415; and CFR 245.425
- Section 236: CFR 245.10; CFR 245.310; CFR 245.330; CFR 405(a); CFR 245.410; CFR 245.415; CFR 245.425; and 245.435 (non-insured projects).
- MSHDA Programs (LIHTC): <http://edocket.access.gpo.gov/2008/pdf/E8-17268.pdf> - IRS Regulations Section 42 updated July 29, 2008.
- Treasury Regulations Section 1.42-10.

* CFR means Code of Federal Regulations

Rent Schedule Considerations

When determining rents for the upcoming year, consider the following questions to decide whether the development rent can increase:

- Can the rental market absorb a rental increase? How much?

- Will the vacancy loss increase or decrease? What is the past trend?
- Does the development have a waiting list of eligible applicants?
- Have the rents historically been kept substantially lower than comparable housing? Why? Should the rents continue the trend?
- What is the current financial condition of the development?
- Is the development financially on track with the current year's budget? Are there any anticipated changes in expenses in the upcoming year?
- Is the development able to fund long-term reserves such as replacement reserves?
- Can the development perform repairs as required by the MSHDA Annual Physical Inspection and/or the CNA?
- Has the owner been informed and provided input on the intended rent adjustments?

Rent Limits and Unit Breakdowns

Completing the rent schedule requires close attention to the limits placed on rents by the governing documents, such as the regulatory agreement, tax credit agreements, and program rules. These documents also provide a breakdown of the unit sizes and types that should be listed on the rent schedule.

Rent limits can be found on the MSHDA website at the following link:

http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html.

Determining the Rent Limits – The rent limits are defined within each development's Regulatory Agreement. Follow the steps below to help determine the proper rent limits for the development:

1. Find the 'Rental Restrictions' (not the Qualifications based on Income) defined in the Regulatory Agreement.
2. Review the website above to find the correct rent limit schedule.
3. Open the Rent Limit schedule and find the county in which development resides.
4. If the Regulatory Agreement contains:
 - Similar language to "...assuming occupancy of one and one-half persons per bedroom..." then reference the "By Bedroom" section of the rent limits schedule to determine the rent limits for the specified unit type.
 - Similar language to "...assuming occupancy of one person per bedroom..." then reference the "By Size" section of the rent limits schedule to determine the rent limits for the specified unit type.
 - No language regarding the occupancy, then refer to the year the mortgage originated.
 - Developments originating in 1996 and prior would have been required to employ the "By Size" schedule for rent limits unless otherwise stated in the regulatory agreement.
 - Developments originating in 1997 and later are required to employ the "By Bedroom" schedule for rent limits unless otherwise stated in the regulatory agreement.

- Housing Development Action Grant (HODAG) language, then the rent limits are set by the municipality, which provides the HODAG.

The following tips will also help when completing the rent schedule:

- The maximum rent limits are the maximum gross rent a household may pay for rent and utilities combined for a specific rental unit type.
- Always use the most restrictive rents when multiple programs must be enforced at a development. For example, a unit is funded by both LIHTC and HOME funds, the LIHTC rent limit equals \$600 and the HOME limit equals \$500. Use the HOME rent limit for this unit.
- HOME units should be separated from similar units to identify the proper application of rent limits for each unit type and the total number of HOME units at the development.
- If you are unsure of what rents apply, review the regulatory and/or other controlling document where rent limits are established. If you are still unsure talk with the assigned Asset Manager or a Tax Credit representative from the Authority.
- Project-Based Voucher units must be separate from other similar units on the rent schedule, because the rents and utility allowances will be issued by the Public Housing Agency (PHA) administering the project based vouchers.
- Rural Development (RD) funded units must be separated out on the rent schedule, because the rents and utilities are issued by the United States Department of Agriculture – Rural Development (USDA-RD).
- A subsidy amount paid by a PHA may be allowed to exceed the rent limit reflected on the rent schedule.
- Project-based and tenant based vouchers can exceed the LIHTC rent limit as long as some portion of subsidy is being paid on the specified unit.
- Tenant-based vouchers cannot exceed the HOME rent limits. Enhanced or “sticky” vouchers are considered tenant-based vouchers.
- Project based vouchers (subsidy amount) can exceed the HOME rent limit, if the tenant’s rent portion does not exceed the HOME rent limit.
- Project-based and Tenant-based voucher households always use the PHA utility allowance amounts and voucher program rent amounts. MSHDA’s PHA issued utility allowance can be found at the following links:
 - Region 1: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region1.pdf
 - Region 2: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region2.pdf

- Region 3: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region3.pdf
- Region 4: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region4.pdf
- Region 5: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region5.pdf
- Region 6: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region6.pdf
- Region 7: http://mshdahousing.org/ppm_appendix/UtilityModel_2011_2012_Region7.pdf

Rent Schedule Tab Instructions

The required rent schedule tab appears based on the development selected on the Summary tab, cell E3. Complete the rent schedule to present the desired rents for the upcoming year and project the annual rent potential to be used during the budget process.

Each rent schedule calculates the monthly and annual rent potential for the various units at a development. All units should be included on each rent schedule that will be used for budget purposes. This guarantees the maximum gross rent potential is accurate before accounting for reductions in income due to Loss to Lease, Vacancy Loss, Non-Rental Unit, Bad Debt/Former Resident, and Market Concessions. Entry fields are shaded in yellow on each schedule.

Section 236 Rent Schedules

The schedule automatically calculates Market Rate Rent Ratio and uses the basic rent to determine the gross rent potential. The Gross Rent Potential calculation multiplies the basic rent by the number of units for each unit type and if moderate units exist, multiplies the moderate unit rents by the number of units for each moderate unit type and adds this product to the total.

Section 236 Definitions

Basic Rent – The lowest rent rate that can be charged in order to maintain operations.

Market Rent – Basic Rent times the Market Rent Ratio. The highest rent rate that can be charged and remain within the highest HUD determined rent for the area in which development resides.

Market Rent Ratio – Total annual basic rent potential plus the annual interest reduction subsidy divided by the total basic rent potential. The product of the equation should be carried out to four decimal places (.0000).

Section 236 Type – Various types of Section 236 developments exist:

- Standard,
- Decoupled Basic = Market,
- Decoupled IRP with no Tax Credits,
- Decoupled IRP with set Values for Market, and,
- Decoupled with Tax Credits or HOME

Depending on the type of Section 236 development the rent schedule will require different entry fields.

Section 236 Entry Fields

Complete the following fields on the Section 236 rent schedule:

- Total ACC Units:* Enter the number of units covered by an Annual Contributions Contract.
- HUD Contract/Project #:* Enter the HUD designated number for the development.
- Owner:* Enter the name of the development owner.
- Rent Effective Date:* Enter the begin date of the rents entered on the rent schedule.
- Rent Restriction (based on 1.5 per bedroom), if applicable:* Enter “Yes” if the rent limits are based on one and one-half persons per bedroom, otherwise enter “No”.
- Annual Interest Reduction Subsidy, if applicable:* Enter the total interest reduction subsidy amount for the year.
- Market Rate Rent Ratio, if applicable:* This field should auto fill as you complete the rent schedule. The calculation for this field can be found in the definitions.

For each unit type, enter the following fields to generate the total annual Gross Rent Potential:

- BRS/Rent Res:* Enter the bedroom size of the specified unit and the rent restriction percentage. E.g. 1 bed 60% or studio 50%.
- # Units:* Enter the number of units at the development with the designated unit size and rent amount.
- Basic Rent:* Enter the basic rent amount from the prior year’s approved rent schedule.
- Market Rent:* Enter the market rent amount from the prior year’s approved rent schedule.
- Utility Allowance:* Enter the current utility allowance allocated to the unit type. This should match the utility amount on the previous year’s approved rent schedule.
- Basic Rent Increase:* Enter the amount requested for the upcoming year’s increase to basic rent.
- Maximum County Gross, if applicable:* Enter the current rent limit designated for the specified unit type and county. Rent limits are posted on the MSHDA website at: http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html.
- Utility Allowance:* Enter the newly calculated utility allowance for the upcoming budget year.

For each Moderate unit types, enter the following fields to generate the total Gross Rent Potential:

- Bedroom #/Size:* Enter the number of bedrooms in the specified unit.
- # Units:* Enter the number of units at the development with the designated unit size and rent amount.
- Moderate Rent:* Enter the moderate rent from the prior year’s approved rent schedule.
- Moderate Rent Increase:* Enter the requested amount for the upcoming year’s increase to the moderate rent rate.

Rent Increases at Section 236 Developments

If a rent increase is planned, residents must be given a 90-day advance written notice and at least a 30-day period to comment on the rent increase. This process mirrors the utility decrease posting process. The AM will notify the Agent/Owner of the approval of any rent

increase in the budget approval letter. Refer to the Section 236 Utility Calculations section of this policy for more details.

Section 8 Rent Schedules

Occasionally, Section 8 developments have set aside units which are not part of the ACC units. These units should be included on the rent schedule, but the rent amounts should not be completed and added into the rent potential calculation. The Gross Rent Potential calculation multiplies the contract rent entered by the number of units for each unit type and if moderate units exist, multiplies the moderate unit rents by the number of units for each moderate unit type and adds this product to the total.

Complete the following highlighted fields on the Section 8 rent schedule:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

Unit Type: Enter the type of unit; in most cases this may be copied from the previous year's rent schedule. Unit type definitions:

- E2/E3 – Elderly Mid-rise Apartments,
- E5 – Elderly High-rise,
- AE – Apartment Elderly,
- AW – Apartment Walkup,
- SD – semi-detached,
- TH – Townhouse,
- H – handicap/disabled,
- MR – Mentally disabled.

Units: Enter the number of units at the development with the designated unit size and rent restriction percentage and rent amount.

Rent: Enter the new annual rent amount requested.

Utility Allowance: Enter the newly calculated utility allowance for the upcoming year.

For each Moderate unit types, enter the following fields to generate the total Gross Rent Potential:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

Unit Type: Enter the type of unit units at the development with the designated unit size and rent amount.

Moderate Rent: Enter the moderate rent from the prior year's approved rent schedule.

Moderate Rent Increase: Enter the requested amount for the upcoming year's increase to the moderate rent rate.

MSHDA or ARRA-Financed Rent Schedules

Review the development's Regulatory Agreement before implementing any rent increases. The Regulatory Agreements generally state that the current residents cannot receive a rent increase over 5%. Vacant unit rents can be increased by more than 5% if the market can bear the increase and if the rent increase does not conflict with any program rent restrictions. Provide detailed notes regarding the gross rent calculation with all budget submissions. The Gross Rent Potential calculation multiplies the contract rent entered by the number of units

for each unit type. Resident-based subsidies are included as part of this calculation, since the resident based subsidy supplement individual's rent payments. Development based subsidies and subsidy grants which support the development operations are not included in the Gross Rent Potential calculation.

Complete the following highlighted fields on the rent schedule:

Rent Restriction (based on # in household): Enter "Yes" if the rent limits are based on one person per bedroom, otherwise enter "No".

Rent Restriction (based on 1.5 per bdrm): Enter "Yes" if the rent limits are based on one and one-half persons per bedroom, otherwise enter "No".

Last Contract Rent Adj Date (PBV Only) – For developments with project based vouchers enter the date of the last rent adjustment.

HAP Anniversary Date (PBV Only) – For developments with project based vouchers, enter the anniversary date of the HAP contract.

For each unit type, enter the following fields to generate the total annual Gross Rent Potential:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

Units: Enter the number of units at the development with the designated unit size and rent restriction percentage and rent amount.

Rent Restrict %/Unit Type: Enter the rent restriction percentage, i.e. 30, 40, 50, or 60. Identify the unit type, such as HOME (HH – high HOME, LH – low HOME), PBV, etc.

2011 Rent: Enter the current rent being charged for the unit. This should match the amount on the previous year's rent schedule.

Utility Allowance: Enter the current utility allowance allocated to the unit type. This should match the utility amount on the previous year's rent schedule.

Rent Increase: Enter the amount of any rent increase planned for the upcoming budget year.

Max County Gross Rent: Enter the current rent limit designated for the specified unit type and county. Rent limits are posted on the MSHDA website at:

http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html

Utility Allowance: Enter the newly calculated utility allowance for the upcoming budget year.

MSHDA Use Only fields – In between the development header fields and the rent schedule are tracking fields for funding sources and for project based voucher units. Leave the funding sources fields blank. The Project Based Vouchers fields will be auto-filled from Housing Choice Voucher program data and are locked from edits.

Forms and Attachments

451A1 – Rent-Utility Change Notice for Sec 236

451A2 – Utility Allowance Decrease Notice for Sec 8

451A3 – Rent-Utility Change Notice for all other developments

451B – Utility Allowance Calculation Summary
451C1 – Owner Utility Cert for Sec 236
451C2 – Owner Utility Cert for Sec 8 or MSHDA
451D1 – Section 236 Rent Schedules
451D2 – Section 8 Rent Schedules
451D3 – MSHDA Programs Rent Schedules

Attachment

451 Attachment 1 – Example of Authorization to Release Utility Data

Tenant Notification and Rights

For 30 days after the Rent/Utility Change Notice posting date, a copy of the materials submitted to MSHDA in support of this rent increase and/or utility decrease request will be available during normal business hours at [address] for inspection and duplication by residents of [name of development] and, if the residents wish, by legal or other representatives acting for them individually or as a group.

During the 30-day period after the notice posting date, residents of the development may submit written comments on the proposed change(s) to management at [address] . Resident representatives may assist tenants in preparing those comments. If, at MSHDA's request or otherwise, material changes occur during the comment period in the materials available for inspection and duplication, management will notify the residents of the change(s), and the residents will have the greater of a 15-day period from the date of the additional notice, or the remainder of the original 30-day comment period to inspect and copy the materials as changed and to submit comments on the proposed rent increase and/or utility decrease. These comments will be transmitted to MSHDA, along with management's evaluation of the comments and the request for the change. Residents and resident representatives may also send a copy of their comments (with the development name clearly identified) directly to MSHDA at the following address: Michigan State Housing Development Authority, [MSHDA Lansing or Detroit office address] , Attention: [Assigned Asset Manager] .

MSHDA or the Department of Housing and Urban Development (HUD) may approve, adjust, or disapprove the proposed rent increase and/or utility decrease upon reviewing the request and comments. When MSHDA advises management in writing of the decision on the request, the residents will be notified. If the request is approved, any allowable change will become effective in accordance with the terms of existing leases and only after the residents receive at least a 30-day notice of the approved rent increase and/or utility decrease.

Utility Allowance Decrease Notice
(For Section 8 Developments)

Date of Notice (60 days prior to the utility submission date)

On [date] , [name of development] management plans to request approval of a decrease to the utility allowance from the Michigan State Housing Development Authority (MSHDA). The proposed decreases have been requested, because our most recent sampling of resident utility bills has produced a decrease in the average utility rates.

Approval is being requested for the following utility allowance decreases:

Bedrooms	Present Utility Allowance \$	Proposed Utility Allowance \$

(Tenant Notification and Rights on back.)

Tenant Notification and Rights

For 30 days after the Utility Allowance Decrease Notice posting date, a copy of the materials submitted to MSHDA in support of the utility allowance decrease request will be available during normal business hours at [address]] for inspection and duplication by residents of [name of development] and, if the residents wish, by legal or other representatives acting for them individually or as a group.

During the 30-day period after the notice posting date, residents of the development may submit written comments on the proposed utility allowance decrease to management at [address] . Resident representatives may assist tenants in preparing those comments. If, at MSHDA's request or otherwise, material changes occur during the comment period in the materials available for inspection and duplication, management will notify the residents of the change(s), and the residents will have the greater of a 15-day period from the date of the additional notice or the remainder of the original 30-day comment period to inspect and copy the materials as changed and to submit comments on the proposed utility allowance decrease. These comments will be transmitted to MSHDA, along with management's evaluation of the comments and the request for the utility allowance decrease. Residents and resident representatives may also send a copy of their comments directly to MSHDA at the following address: Michigan State Housing Development Authority [MSHDA Lansing or Detroit office address] , Attention: [Assigned Asset Manager]].

MSHDA or the Department of Housing and Urban Development (HUD) may approve, adjust, or disapprove the proposed utility allowance decrease upon reviewing the request and comments. When MSHDA advises management in writing of the decision on the request, the residents will be notified. If the request is approved, any allowable change will become effective in accordance with the terms of existing leases and only after the residents receive at least a 30-day notice of the approved utility allowance decrease.

Rent/Utility Change Notice
 (For All MSHDA or ARRA-Financed Developments)

Date of Notice (Prior to October 31)

On [date] , [name of development] management plans to submit a request for approval to increase the maximum allowable rents and/or decrease the utility allowances to the Michigan State Housing Development Authority (MSHDA). The proposed rent increase and/or utility decrease is needed for the following reasons:

- 1.
- 2.
- 3.

Approval is being requested for the following changes:

Bedrooms	Present Rent		Proposed Increase		Proposed Rent		Present Utility Allowance \$	Proposed Utility Allowance \$
	Basic \$	Market \$	Basic \$	Market \$	Basic \$	Market \$		

UTILITY ALLOWANCE CALCULATION SUMMARY

Development Name: **CROSSTOWN PARKWAY** MSHDA #: **462** County: **Kalamazoo**
 Management Company: **MEDALLION MANAGEMENT CO** Budget Year: **2014**
 MSHDA Program: **Section 8**
 Name of Electric Co.: Name of Gas Co.:
 Elec. Rate: Service Chg.: Gas Rate: Service Chg.:
 12-month Sample Period: Effective Date:

A. 25% Sampling for each BR size (see comment)			
Unit type		Number of Units	25% of Total Units
Studio	F		16.0000
	E		
1 BR	F		
	E		
2 BR Apt	F		
	E		
2 BR TH	F		
	E		
3 BR Apt	F		
	E		
3 BR TH	F		
	E		
4 BR TH	F		
	E		
Other	F		
	E		
Other	F		
	E		

B. 25% Sampling for each BR size (see comment)			
Unit type		Number of Units	25% of Total Units
Studio	F		
	E		
1 BR	F		
	E		
2 BR Apt	F		
	E		
2 BR TH	F		
	E		
3 BR Apt	F		
	E		
3 BR TH	F		
	E		
4 BR TH	F		
	E		
Other	F		
	E		
Other	F		
	E		

UTILITY ALLOWANCE CALCULATION - ADJUSTMENTS

Based upon the utility allowance information provided on this form, the following adjustments have been made to the utility allowances:

Unit type	CURRENT UTILITY ALLOWANCE	ADJUSTMENTS (+ OR -)	% CHANGE	CALCULATED UTILITY ALLOWANCE	PROPOSED UTILITY ALLOWANCE Section 8 & 236	PROPOSED UTILITY ALLOWANCE MSHDA Programs
Studio	F	16		16.0000	16.0000	16.0000
	E					
1 BR	F					
	E					
2 BR Apt	F					
	E					
2 BR TH	F					
	E					
3 BR Apt	F					
	E					
3 BR TH	F					
	E					
4 BR TH	F					
	E					
Other	F					
	E					
Other	F					
	E					

Comments:

OWNER UTILITY CERTIFICATION TO MSHDA FOR SECTION 236 DEVELOPMENTS

RENT INCREASE EFFECTIVE: January 1, 2012
MSHDA #: 749 DEVELOPMENT NAME: CAPITOL COMMONS II
HUD PROJECT #: [REDACTED]
LOCATION: [REDACTED]

Acting on behalf of [REDACTED], the development owner, I certify that development management has taken ALL of the actions listed below

1. Distributed a Notice to Tenants, in the forms and manner required by 24 CFR 245.310 and 245.410. **(24 CFR 245.410 applies only if a reduction in utility allowances is proposed.)**
2. Took reasonable steps to assure that any posted notices remained intact and in legible form for the full comment period required by 24 CFR 245.
3. Made all materials submitted to justify the increase available during normal business hours in a place reasonably convenient to development residents.
4. Honored any resident's request to inspect those materials.
5. Reviewed and evaluated all comments received from development residents or their authorized representatives.
6. Examined all materials submitted to MSHDA in support of the rent increase request.

I also certify, that all information submitted with my rent increase request is true, correct and complete.

WARNING:

- 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department of agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than 5 years, or both.

Signed by:

[REDACTED]
Name

[REDACTED]
Signature

[REDACTED]
Title

[REDACTED]
Date

(Must be 30 days after Posting Letter date.)

**OWNER UTILITY CERTIFICATION TO MSHDA
FOR SECTION 8 OR MSHDA FINANCED DEVELOPMENTS**

RENT INCREASE EFFECTIVE: January 1, 2012

DEVELOPMENT NAME: CAPITOL COMMONS II MSHDA #: 749

HUD PROJECT #: _____

LOCATION: _____

Acting on behalf of the development owner, I certify that the development's management agent has taken the following actions:

- Collected and analyzed a 25% sampling of gas and/or electric billing and consumption data.
- Retained the gas and/or electric billing and consumption data at the development.
- Agree to notify affected residents 30 days prior to any rent increase when the proposed utility allowance amounts below indicates utility allowances have decreased from the current utility allowances.

Based on the sampling, the proposed utility allowances are effective January 1, 2012 are:

UNIT TYPE		CURRENT UTILITY ALLOWANCES	PROPOSED UTILITY ALLOWANCES
Studios	F		
	E		
1 BR	F	\$120	\$126
	E		
2 BR Apt	F		
	E		
2 BR TH	F		
	E		
3 BR Apt	F		
	E		
3 BR TH	F		
	E		
4 BR TH	F		
	E		
Other	F		
	E		
Other	F		
	E		

Signed by:

Name

Title

Signature

Date

Authorization to Release Utility Data

I, _____, a resident of [Development Name], give my permission for the electric and/or gas company to release billing and consumption data on my account to _____, the Management Company of this development.

I understand that neither party will be charged for this information or service. This information is necessary in order for management to determine whether utility allowances deducted from rent are adequate.

Address:

Account Number:

Date:

Signature: