DSHA Underwriting Guidelines

NOTE: All applicants must utilize DSHA's LIHTC Application Part II - Pro Forma. No addition of tabs, changes to formulas, or manipulations of any kind are allowed. Any deviations from DSHA's version (as posted on its website) will be deemed a violation and the complete application will be considered ineligible.

Waiver requests from DSHA underwriting guidelines will require a $500 waiver fee for each underwriting item waiver request after tax credits are awarded or during the construction period. No waiver requests will be considered or granted prior to application or award of credits.

Construction Guidelines

General Contractor's Overhead and Profit

1. Maximum 10% of construction costs including site work, buildings and general requirements.

2. For General Contractors that are part of the Development Team **at** application a maximum 7% of construction costs including site work, buildings and general requirements.

3. There will be no increase to the Overhead and Profit other than what is approved by change orders during the course of the project. At project completion, the Overhead and Profit percentage may not exceed the percentage submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentage. Please refer to the Cost Certification Guide for additional information.

General Requirements

1. Maximum 7% of construction hard costs for new construction and rehabilitation projects.
2. The General Requirements definition under DSHA's Mortgagor Requisition and Cost Certification Guide will still apply and will be verified by the auditor at cost certification.
3. All costs that are eligible under General Requirements cannot be charged against any other trade line items, unless specifically allowed under DSHA's Cost Certification Guide.
4. General Requirements will be drawn based on percentage of construction completion and will no longer require back-up documentation.
5. There will be no increase to the General Requirements other than what is approved by change orders during the course of the project. At project completion, the General Requirements percentage may not exceed the percentage submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentage. Please refer to the Cost Certification Guide for additional information.

Additional general requirements may be allowed for contractors recycling building materials. Refer to DSHA Cost Cert Guide for further information.

Contingency

1. A percentage, maximum of 5% for new construction and 10% for rehabilitation based on the cost of buildings, site work, general requirements and contractor's overhead and profit. Only one contingency is allowed for both hard and soft costs. Balance of contingency must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development's operations account.

   For the purposes of contingency only, rehabilitation will be defined as follows:

   a. Seventy-five percent (75%) or more of the existing external walls of the building are retained in place as internal or external walls; and

   b. Seventy-five percent (75%) or more of the existing internal structural framework of the building is retained in place.

   All other projects will be defined as new construction.

2. Funds from contingency cannot be drawn or transferred without prior DSHA approval. If contingency funds are limited, it is at DSHA's discretion to release and approve requests.

3. Balance of contingency line item must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development's operations account.

Land and Acquisition Value

Price must be supported by approved summary appraisal. Appraisers must contact DSHA for comparable land cost analysis. DSHA reserves the right to request a second appraisal. Rolled debt must be included in the acquisition cost and supported by the appraised value.

For a related party transaction where the property was acquired less than two (2) years before the application date, the maximum acquisition price may not exceed the lesser of the 'as is' appraised value of the property, or the original acquisition price plus carrying costs acceptable to DSHA. For a related party transaction where the property was acquired two (2) or more years before the application date, the maximum acquisition price may not exceed the "as is" appraised value of the property. Prior to allocation, a property appraisal and, if applicable, a copy of the settlement sheet will be required.

Appraisers are required to contact DSHA for a list of comparable LIHTC properties, which are to be included as comparables within the property appraisal report.

NOTE: The Summary Appraisal Report and the Property Appraisal should not be more than six (6) months old.

Construction Interest

Interest is allowable in the amount paid on all construction mortgage loans, from the date of initial closing until permanent loan closing. Balance of line item must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development's operations account.

Development Guidelines

A. **Developer's Fee**

1. Constitutes the developer's compensation for services rendered exclusively in connection with coordinating and overseeing the construction and completion of the development. No portion of the developer's fee may compensate the general partner to render any other services including, but not limited to, services in connection with the organization or syndication of the mortgagor.

   The fee is limited to a maximum of 12% of the total development cost, excluding developer's fee, transferred reserves, relocation operating deficit reserve, bond prepayment penalty or other penalties, site environmental remediation costs, DSHA assumed debt, and land cost. For identity of interest acquisitions of either land or existing rental properties, the fee is limited to 9% of the total development cost, excluding acquisition, developer fee, transferred reserves, bond prepayment penalty, relocation operating deficit reserve, site environmental remediation costs, assumed DSHA debt, and land cost.

   In all 9% LIHTC projects, the developer fee cannot exceed $1,000,000. For tax exempt bond projects (4% LIHTC projects), the fee cannot exceed $1,500,000; however, any amount in excess of $1,000,000 must be deferred and paid only from cash flow as defined by DSHA. Of the $1,000,000 not paid from cash flow, the deferred developer fee cannot exceed $500,000. Contiguous properties that receive awards in the same LIHTC funding round, using a combination of 9% and 4% credits, will be subject to a reduction in the developer fee, unless each project is for a development of sixty (60) units or more.

2. The developer's fee shall be payable as follows:

   a. Fifty percent (50%) of the non-deferred developer's fee shall be paid from the construction loan proceeds funded by DSHA and any other lenders and shall be disbursed twenty-five percent (25%) at fifty percent (50%) completion of the construction of the Development and twenty-five percent (25%) at permanent closing.

   b. The remaining fifty percent (50%) of the total non-deferred fee shall be paid from the total equity contribution as provided in the Partnership/Operating Agreement.

   c. Regardless of the sources, in no case shall the developer be allowed to receive greater than fifty percent (50%) of the non-deferred developer's fee prior to the conversion date. DSHA reserves the right to hold back any portion of the developer's fee funded from its construction loan(s) in the event funds are needed, which are not otherwise available to complete the development, or to complete the closing on the conversion date.

NOTE: If applying for other DSHA funding, please review the DSHA Funding Supplement for further definition.

B. **Working Capital Escrow**

1. 2.5% of the combined construction mortgages (excluding rolled debt). Amount will be released at permanent closing assuming there are no outstanding financial or construction issues.

2. The cash or Letter of Credit (LOC) is to be provided by the developer, sponsor, Applicant, general partner and/or other entity approved by DSHA. This amount cannot be financed by any lending, equity, or grant sources involved in the Development nor may any portion of the Development be used as security for the working capital LOC or any other LOC issued in connection with the Development. LOC fees may be paid from construction financing sources, but not from Development operational funds.

C. **Operating Reserve Escrow**

1. Federally Subsidized Projects: Four months of operating expenses, including debt service and replacement reserves. Must be funded at construction closing for acquisition/rehabilitation developments and by permanent closing for new construction developments.

2. Non-subsidized Projects: Six months of operating expenses, including debt service and replacement reserves. Must be funded at construction closing for acquisition/rehabilitation developments and by permanent closing for new construction developments.

3. The operating reserve, other reserves or operating income cannot be used to guarantee any obligations of other lenders or syndicators.

4. Unless otherwise specified above, all reserves must be funded by permanent closing.

D. **Transition/Subsidy Reserves**

1. A reserve that is usually required by the syndicator for anticipated non-renewal of the subsidy contract. This reserve is not an eligible basis cost and cannot be paid from DSHA funds. Typically it is funded from equity. The term of the reserve is in accordance with the investor's partnership or lender requirements. At the end of the transition term, funds are returned to the development.

2. If an agreement combines transitional and operating reserves, the escrow accounts must still be separated.

3. All reserves must be funded by permanent closing.

E. **Equity Factor and Equity Raised**

1. DSHA requires that a minimum of .90.~~95~~ cents on the dollar of net equity be raised and contributed to the development. However, DSHA reserves the right to amend this amount due to changing market conditions. The net equity is defined as all equity raised for the development less syndication fees (i.e. syndicator legal and accounting costs), DSHA fees (i.e., 1.5% allocation/carryover fees and monitoring fee amounts), and DSHA Reserve Requirements (i.e.

Operating Reserve, Replacement Reserve, and Carpeting Replacement Reserve). Additionally, if required by the investor, transitional subsidy reserve may be included as part of the net equity calculation upon consent of DSHA. DSHA will underwrite and allocate all acquisition credits or tax-exempt bond projects based on the applicable rate issued by the Treasury Department one (1) month prior to application submission. For identity of interest syndicators, DSHA reserves the right to request additional letters of interest from other syndicators when market conditions warrant competitive equity pricing.

2. Fifteen percent (15%) minimum of the net equity raised must be brought in as a source at construction closing exclusive of equity used to pay the developer's fee or other fees. If more than 15% of net equity is being shown as a source during construction, documentation from the syndicator/investor with the additional amount of equity and proposed pay-ins must be included in the appropriate LIHTC application exhibit. Equity Letters of Interest must be fully executed and clearly demonstrate that equity construction funds are available and the balance of required equity will come in at permanent loan closing (except for any portion of the developer's fee withheld by the investor).

3. The applicable 4% credit rate may be locked in to the current monthly applicable rate at the time of carryover allocation/reservation by election under Code Section 42(b)(2)(A)(ii). DSHA will underwrite new construction and rehabilitative competitive rates at 9%.

4. Historic Equity/Credits

    a. Letters need to be detailed with commitments of funding within four (4) months of a carryover allocation award and have a clear timetable of how the equity funding will flow.

    b. The Developer fee for properties receiving historic credits is maxed at $1,500,000 and amounts exceeding the normal DSHA limit can only be paid from cash flow. The pro forma must demonstrate that the additional fee can be paid in accordance with IRS regulations.

    c. Historic Consultant: For developments utilizing historic rehabilitation tax credits, DSHA will allow a reasonable historic consultant fee (also must meet consultant definition) in both Total Development Cost and eligible basis. The historic consultant fee may not exceed $30,000. A contract to provide historic consultant services must be submitted with the Application and the historic consultant must be a certified expert.

F. **Relocation**

1. All state- and federally-financed, federally- and state-subsidized, or conversion properties must follow all Federal Uniform Relocation Act regulations as applicable and DSHA's Relocation Policy. Relocation assistance must be included as part of construction costs. DSHA must approve all relocation plans and correspondence to residents.

2. At the time of application, the applicant may assume the risk for over-income residents and apply for the full amount of credits needed. However, at the carry-over allocation, verifications/certifications of current residents' income must be analyzed for eligibility. If the applicable fraction from application to construction closing/carryover allocation changes due to

over-income residents that result in a loss of credits, the difference in any equity reduction will be the responsibility of the owner, not DSHA.

3. Relocation expenses include resident moving expenses, utility deposits, off-site rents, on-site management administration beyond normal management duties (as documented by detailed timesheets and invoices), unaffiliated outside personnel hired specifically to perform relocation work only and other relocation expenses allowed under the URA.

4. DSHA will allow up to $3,000 per unit.

5. Relocation costs cannot be included in eligible basis.

G. **Relocation Operating Deficit Reserve**

1. DSHA allows up to $1,500 per unit for a relocation operating deficit reserve for operating deficits caused by off-site relocation. This line item cannot be included in eligible basis. Any funds remaining will be applied to reduce DSHA's loans (if applicable) and cannot be applied to other line items. Funding of an approved reserve from interim income will not be considered to have caused a deficit in operations due to off-site relocation. Additionally, interim income may not be used as collateral for any loan (other than a standard assignment of rents and leases), operating deficit guarantee, or letter of credit.

H. **Legal Fees**

1. All requests for payment of fees to developer's counsel shall be for work completed by counsel and accompanied by an invoice on the letterhead of the firm.

2. The total amount of legal fees for any single Development shall not exceed $200,000 for all developments. This limit is the maximum allowable and includes all fees, travel, expenses, incidentals and other costs (i.e. searches, courier, binder preparation, copy costs, etc.) incurred by the firm or the counsel in connection with the Development work. Charges for travel, expenses, incidentals, and other costs must be appropriately itemized and/or documented. This limit includes both construction and permanent closing.

3. The fee cap includes all lenders' counsel and the Applicant/Developer and/or related entities counsel.

4. No waiver requests may be submitted for legal fees exceeding the $200,000 limit. Any overages may be paid from the developer's fee or from non-project sources.

5. Syndication legal expenses, bond issuance fees, bond legal fees charged by the financial institutions providing equity and/or bond financing to the development, and title and recording fees are not included in this limit. Syndication fees are not generally included in DSHA financing and must be paid from the developer fee or equity.

   No legal fees and costs incurred in preparation and review of the tax credit application will be paid or reimbursed for prior applications.

I. **Cost Certification/Accounting**

1. Accounting costs for completing audits or cost certifications required by DSHA or other entities providing funds to the development are permitted charges.

2. Cost certification/accounting fees cannot exceed $30,000.

3. Cost certification costs cannot be included in eligible basis.

4. All cost certification and accounting firms must be licensed in the State of Delaware.

J. **Furniture, Fixtures, and Equipment (FFE)**

1. Furnishings for management office, and/or community room, office equipment and computer software/hardware. DSHA requires a minimum FFE of $800 per unit for new construction and new creation projects and a maximum of $800 per unit for preservation projects.

K. **Marketing and Rent-Up Fees**

1. Marketing costs include advertising, temporary office rental expenses, office supplies and other marketing costs, such as brochures, business cards, temporary signs, and flyers. No salaries may be included in the marketing costs.

2. Rent-Up Fees:

    a. Management companies can charge a rent-up fee of up to $500 per unit for new construction or unoccupied rehabilitation developments.

    b. Management companies can charge a rent-up fee of up to $250 per unit for occupied rehabilitation developments.

    c. This fee is only allowed if it is included in the budget at construction closing. This line item cannot be increased after construction closing. No other management costs related to rent-up (office supplies, salaries, travel expenses, etc.) are allowed. Note: rent-up fees cannot be included in eligible basis.

L. **Bond Prepayment, Broker Fees and Tax Credit Fees**

1. Bond prepayment and broker fees shall be included as part of the seller's costs and included in the acquisition price provided such payment is supported by an appraisal.

2. Tax credit and HDF application fees are eligible expenses if a successful award is made by DSHA. HOME and NHTF application fees are not eligible for reimbursement and should not be counted in basis.

M. **Appraisals**

1. Appraisals for projects with DSHA financing may be ordered by DSHA when the preliminary rankings for projects are released for the top-ranked Applicants. DSHA reserves the right to order appraisals for non-DSHA-financed projects at DSHA's discretion. (Please see DSHA Funding Supplement for more information.)

2. A Summary Appraisal Report, from a qualified professional appraiser (all appraisers must be licensed in the State of Delaware), of the unimproved land value is required for all Applicants at application. For all projects, the acquisition price must meet the following standards:

    a. For an arm's length transaction, the maximum acquisition price must be the lesser of the contract price or the "as is" appraised value of the property;

    b. For a related party transaction where the property was acquired less than two years before the application date, the maximum acquisition price may not exceed the lesser of the 'as is' appraised value of the property, or the original acquisition price plus carrying costs acceptable to DSHA; and

    c. For a related party transaction where the property was acquired two or more years before the application date, the maximum acquisition price may not exceed the "as is" appraised value of the property. Prior to allocation, a property appraisal and, if applicable, a copy of the settlement sheet will be required.

3. Appraisers are required to contact DSHA for a list of comparable LIHTC properties, which are to be included as comparables within the property appraisal report.

4. A Summary Appraisal/Opinion of Project Value will still be required at application.

NOTE: The Internal Revenue Service updated IRC §42, Low-Income Housing Credit Audit Technique Guide in August 2015. The revised guide includes, among other changes, an expanded explanation of documents to request from the taxpayer during pre-contact analysis; a more developed definition of "residential rental property"; a new section on emergency housing relief; and clarifications on an eligible basis determination. It is recommended that the applicant's tax accountant and attorney review this document, as well as all other IRS Rulings, Regulations and Guidance for determining eligible basis.

Operating Pro Forma Underwriting Guidelines

A. **Operating Income**

1. Must include rents, laundry income, and income from solar energy, as long as it benefits the property and/or residents. Other income must be supported with written documentation.

2. Rents should be affordable for the market area. Please contact DSHA for comparable tax credit rents in the area of the proposed development.

3. For federally-financed or subsidized properties, the contract rents approved by HUD/USDA Contract Administrator(s) must be used for the contract period. Tax credit rents must be used after any subsidy period expires.

4. Interim income can only be used for HUD/USDA/DSHA-approved operating expenses of the property and not for construction expenses except by written consent by HUD and/or

DSHA as the case may be. For subsidized developments, existing escrows and interim income may be used to fund required reserves (contact DSHA for additional guidance). Funding of an approved reserve from interim income will not be considered to have caused a deficit in operations due to off-site relocation. Additionally, interim income may not be used as collateral for any loan (other than a standard assignment of rents and leases), operating deficit guarantee, or letter of credit.

B. **Operating Expenses**

a. Range must be between $5,000 and $5,800 per unit (for non-subsidized properties).

b. Range must be between $5,900 and $6,900 per unit (for federally-subsidized properties).

C. **Debt Coverage Ratio**

NOTE: Value = Rent Restricted Value

a. 1.15:1 Loan to Value ratio of 50% or less.

b. 1.20:1 Loan to Value ratio of 51%-80%.

c. For projects with fully amortizing DSHA permanent debt, the Loan to Value ratio must cover all amortizing debt (with exception to USDA projects).

d. For projects financed under the FHA Risk Sharing Insurance program, DSHA will follow the risk sharing regulation of 1.176:1.

e. For projects with USDA debt, where 90-100% of the units are subsidized with rental assistance, DSHA will allow 1.15:1 Loan to Value ratio of 51%-80%.

f. No negative cash flow within first 20 years of loan will be accepted. All first mortgages must have a term of 20 years or more amortized over 30 or 35 years unless otherwise approved by DSHA.

D. **Annual Replacement Reserves**[1]

a. New Construction and Rehabilitation: $500 per unit; however, if carpet is installed in the units, the annual replacement reserve will be increased to $550 per unit.

E. **Replacement Reserves**[2]

a. Existing federally-financed or subsidized properties that have replacement reserve funds currently in escrow must use these funds for capital improvements (rehabilitation expenses). Reserve funds cannot be counted toward eligible basis.

b. All projects must establish an initial replacement reserve by permanent closing of $1,500 per unit; however, if carpets are installed in the units the replacement reserve will be

[1] Deviations from the Annual Replacement Reserve guideline must be submitted in writing and approved by DSHA.
[2] Deviations from the Replacement Reserve guidelines must be submitted in writing and approved by DSHA.

increased to $1,650 per unit. The reserve will be established from equity per the net equity calculation. When the initial per unit balance has been met (must be by permanent closing), the annual replacement reserve per unit cost will reduce to $500 per unit (see Annual Replacement Reserve).

c. All reserves must be funded by permanent closing.

F. **Trending (20-year Cash Flow Pro Forma)**

1. Income escalation is 3%

2. Expenses escalation is 4%

NOTE: For Section 8 properties, trending must be approved by the Contract Administrator(s) prior to application submission.

G. **Vacancy Rate**

1. 5-7% (contact DSHA for guidance).

2. Loans financed using the FHA Risk Sharing Program will generally be underwritten using a 7% vacancy rate.

H. **Management Fee**

1. Maximum of 8% of gross income (exceptions made for subsidized developments).

I. **Operating Pro Forma**

1. Must be approved by the development's management entity. For federally-subsidized properties, the Contract Administrator must also approve the pro forma.

2. If photovoltaic system (solar) is being utilized at the development, any costs associated with the third party aggregator (typically 8-10% of the fees generated) should be added as an expense to the budget. In addition, sources derived from the photovoltaic system should be noted as a source.

3. For subsidy layering and pro forma purposes, the amount of annual equity distribution should be calculated at 1.5% of initial investment. However, if DSHA does not provide financing to the development, the 1.5% will not apply during the term of the credit or extended use period and standard partnership waterfall distribution of income will apply. Maximum accumulated distributions cannot exceed five (5) years. DSHA may reduce the amount of annual credit to a development where the annual equity distribution appears excessive. Please see DSHA Funding Supplement for additional requirements.

4. For projects with approved debt service coverage ratios of lower than 1.20:1, or longer amortization periods (greater than thirty (30) years), the annual equity distribution will be calculated at 1% of initial investment; this will also include all tax-exempt/HDF projects.

J. **Utility Allowance**

1. Allowable Methods

The IRS and HUD have published final regulations regarding utility allowances for LIHTC properties and projects that receive federal funds. Utility allowance methods include the following:

a. ***Public Housing Authority (PHA) Utility Allowance Schedule***: the utility allowance method is established by the applicable PHA. If the applicable PHA allowance lists flat fees for any utility, those flat fees must be included in the calculation of the utility allowance if the resident is responsible for that utility. The most recent PHA allowance must be used.

b. ***HUD Actual Consumption Method***: this method is required by all LIHTC projects that receive HUD funding (see chart below). The HUD Actual Consumption Method is based on actual consumption of the residents in existing projects. The calculations and submittal for DSHA approval must be completed in accordance with HUD Notice H-2015-04, Methodology for Completing a Multifamily Housing Utility Analysis, effective June 22, 2015. This utility calculation is the only method that is updated every three (3) years.

c. ***Energy Consumption Model (Estimates from engineering firms)***: this method uses engineering calculations and technical data to estimate a utility allowance.

This method calculates utility estimates using an energy, water, and sewage consumption and analysis model. The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location, and available historical data.

The utility consumption estimates must be calculated by a properly licensed engineer or other qualified professional. The qualified professional and the building owner must not be related within the meaning of the applicable IRS regulation, Section 1.42-10. If a qualified professional is not a properly licensed engineer and if the building owner wants to utilize that qualified professional to calculate utility consumption estimates, then the owner must obtain approval from DSHA. When requesting such approval, DSHA requires a written request from the owner and submission of a statement of qualifications describing the qualified professional's relevant experience. Further, regardless of the type of qualified professional, DSHA may approve or disapprove of the energy consumption model or require information before permitting its use.

Utility rates used for the energy consumption model must be no older than the rates in place 60 days prior to the beginning of the 90-day notification period as described in the applicable IRS regulation, Section 1.42-10.

To generate an energy consumption model, the qualified professional shall estimate the utility consumption and cost for each tenant-paid utility for every apartment configuration within each unit-type, such as two-bedroom units. For example, the qualified professional will model a two-bedroom end unit and a two-bedroom interior unit as each is a different configuration of a single unit type. The qualified professional shall then determine the appropriate utility allowance for each unit-type by performing a weighted average of the modeled values for each distinct apartment configuration within that unit-type.

The following information should be clearly defined or described in the engineering firm's analysis and report:

1. The name and version of the modeling software used;
2. The name of the applicable utility company or companies serving the property;
3. The utility rate and costs, including any taxes or other charges that would be included in a tenant's utility bill;
4. A list of all design elements and modeling inputs used and a brief description of each and the source of that information;
5. Available historical consumption data for the subject building or a similar building. If such historical data is not available, the analysis should justify that the modeled consumption values are reasonable;
6. Summary table(s) of the consumption and cost by utility for each apartment configuration modeled;
7. Summary table(s) of the consumption and cost by utility for each unit-type after performing a weighted average of the apartment configurations; and
8. Narrative explaining how the analysis satisfies each requirement of the applicable IRS regulation, Section 1.42-10.

This method may be used for new construction developments for projections in the pro forma submitted at application. However, at conversion both new creation projects and those receiving any type of HUD funding will switch to the HUD Actual Consumption Method after consumption records are available.

d. ***Estimate from Utility Provider***: a written estimate from a local utility provider is an acceptable method. The utility provider's estimate must be in writing and any costs incurred to receive this estimate are borne by the owner/applicant. The building owner/applicant must retain the original utility provider estimate and must furnish a copy to DSHA and must make copies available to all tenants. This utility analysis or

survey must also be pre-approved by DSHA.

e. ***HUD Utility Schedule Model***: building owners/applicants may use the HUD Utility Schedule Model that can be found on the HUD data set page at http://www.huduser.gove/portal/resources/utilallowance.html. The HUD Utility Schedule Model is based on data from the Residential Energy Consumption Surveys (RECS) conducted by the Department of Energy. This data provides energy consumption by structure for heating, air conditioning, cooking, water heating, and other electric (lighting and refrigeration). The Model incorporates building location and climate.

The utility allowance methods listed below should be used in LIHTC projects, respective to the type of program included in the LIHTC project.

LIHTC Unit Type – Program Type	Applicable Utility Allowance Method	Review Requirement
Rural Development (RD) Section 515/RA	RD Utility Method/Schedule	As required by RD
RD Section 515/with Section 8	HUD Actual Consumption Method	Every 3 years
Section 8, project-based projects/units	HUD Actual Consumption Method	Every 3 years
Section 202 projects – PRAC or SPRAC	HUD Actual Consumption Method	Every 3 years
HOME projects or units	HUD Actual Consumption Method	Every 3 years
Section 811	HUD Actual Consumption Method	Every 3 years
Section 8, Housing Choice Voucher units, or HOPWA vouchers	PHA Utility Allowance Schedule	Annually
State Rental Assistance Vouchers (SRAP)	PHA Utility Allowance Schedule	Annually
LIHTC Only (no subsidies)	Choice of Any Utility Allowance Method	Annually, with exception to the HUD Actual Consumption Method

2. **Notice**

A building owner/applicant using a Utility Company Estimate, the HUD Utility Schedule Model, or an Energy Consumption Model must submit copies of the utility estimates to DSHA and make the estimates available to all tenants in the building at the beginning of the ninety (90)-day period before the utility allowances can be used in determining the gross rent of rent-restricted units.

If using the HUD Actual Consumption Utility Method, notice requirements are in accordance with HUD Notice H-2015-04, Methodology for Completing a Multifamily Housing Utility Analysis.

3. **Utility Rates**

For the Energy Consumption Model, rates must be no older than the rates in place sixty (60) days prior to the beginning of the ninety (90)-day notice period.

4. **Utility Allowance Estimate Costs**

The building owner/applicant must pay for all costs incurred in obtaining the estimates and providing the estimates to DSHA and the residents. The Energy Consumption Method is an eligible project cost.

5. **Record Retention**

The building owner/applicant must retain any utility consumption estimates and supporting data as part of the taxpayer's records for the compliance period.

6. **Changes in Utility Allowances**

An owner/applicant may choose to change the utility allowance calculation after the credits have been placed in service. If, at any time during the building's compliance and extended use period, the applicable utility allowance for units changes, the new utility allowance must be used to compute gross rents of the units due ninety (90) days after the change (the ninety (90)-day period).

K. **DSHA Funds**

1. Please see the DSHA Funding Supplement for additional underwriting criteria if utilizing the HDF, ARHP, NHTF, or state HOME funds.