

Vermont Housing and Conservation Board
DEVELOPMENT FEE POLICY FOR AFFORDABLE HOUSING PROJECTS

Applicability

All housing projects with an award of any VHCB administered fund, including the HOME Program. In cases which the Board awards bond funds, such funds may not be used to pay development fees. In cases which the Board awards funds for development fees, such fees will only be awarded on the basis of VHCB restricted units.

Intent

To establish criteria and guidelines for fees that are intended to compensate developers for performance of typical activities in the housing development process.

In addition to permitted fees, development organizations which undertake highly specialized functions may charge those costs to the project if they are not funded by other VHCB programs. Such costs will be evaluated for reasonableness as part of the project underwriting process. Examples of such activities include the following: construction program design and management, management of tenant relocation, cooperative organizing. Conversely, VHCB reserves the right to reduce the standard fee for projects in which applicants employ consultants for a significant portion of typical development tasks.

Criteria

1. The development fee for projects of 35 or more units shall be reviewed by staff on a case by case basis. Criteria to be evaluated in determining the allowed fee include number of funding sources involved, complexity of project, length of development period.
2. Applicants may be required to provide a breakdown of project activities undertaken by the applicant and project consultants. An outline of activities normally undertaken by applicant/developers will be provided by the VHCB staff.

Fee Guidelines

1. Multi-family Housing. The development fee limits for multi-family housing developments shall conform to those set forth in the 2001-2002 Federal Housing Credit Program Allocation Plan. The fee shall be calculated based on the total development cost (minus the fee and cash accounts) at the time of the VHCB award, or in the case of tax credit projects, at the time of allocation of the credit. Notwithstanding these guidelines, in the case of a tax credit project in which there is only one general partner the developer shall obtain direction from VHCB staff regarding the amount and timing of receipt of the fee. (In general, it is expected in the case of one general partner that the fee will be capped at 12% of the total development cost (minus the fee and cash accounts) and that a portion of the fee shall be lent back to the project.)

2. For mobile home park projects the development fee shall not exceed \$3,250 per lot for parks containing over fifteen lots and \$3,400 per lot for parks with less than or equal to fifteen lots.
3. For all VHCB restricted homeownership projects the development fee at the time of original purchase shall not exceed \$4,500 per unit. As part of the resale of VHCB restricted single family homes, up to 6% of the appraised value of the property home may be included in the sale price of the home for reimbursement of sponsor staff costs, real estate agent fees and other transactional costs if the amount of the original VHCB subsidy will not be reduced and property remains affordable to an income eligible buyer as established by the VHCB Housing Subsidy Covenant.

Developers of multi-unit projects are strongly encouraged to place up to \$500/unit into a pooled replacement/operating reserve that can be used to cover unforeseen expenses in any of the projects in a particular non-profit's portfolio.

DEVELOPMENT FEES FOR PROJECTS ALREADY IN NON-PROFIT OR COOPERATIVE OWNERSHIP

Eligibility

1. Owners of projects applying for VHCB funding for projects that they already own, or where ownership is being transferred from one non-profit to another or from a non-profit to a limited partnership, and where VHCB originally subsidized the project, are eligible to take a development fee at the time of closing on the redevelopment under the following circumstances:
 - a. If additional rehabilitation is proposed; and,
 - b. If a fee was not taken when the building was acquired, or if a fee was taken but the amount of the fee budgeted at that time was less than 75% of the amount of fee currently allowed.
2. At the time of redevelopment, owners are encouraged to try to build an annual asset management fee into their pro-forma. However, in the case of projects where asset management fees have been collected over a long period of time, VHCB shall evaluate eligibility for development fees on a case by case basis.

Amount of Fee

1. If no fee was taken when the project was originally developed:
 - a. and less than or equal to \$10,000 per unit in rehabilitation is proposed at the time of the revisit, the developer can take 75% of the fee allowed at the time of the revisit
 - b. and more than \$10,000 per unit in rehabilitation is proposed at the time of the revisit, the developer can take the fee allowed at the time of the revisit

2. If a fee was taken when the project was originally developed:
 - a. and less than or equal to \$10,000 per unit in rehabilitation is proposed at the time of the revisit, the developer can take the difference between 75% of the fee allowed at the time of the revisit and the original fee taken
 - b. and more than \$10,000 per unit in rehabilitation is proposed at the time of the revisit, the developer can take the difference between the fee allowed at the time of the revisit and the original fee taken
3. For projects involving transfer of ownership to a limited partnership in which one of the general partners was the original developer of the project, the acquisition cost to the new entity must be subtracted from the total development cost prior to calculating the amount of the allowable fee.
4. Except as outlined above, calculation of the fee for multi-family projects shall conform to those set forth in the 2001-2002 Federal Housing Credit Program Allocation Plan.

Asset Management Fees

Asset management fees may be taken at the end of the project operating year upon approval of VHCB staff. An asset management fee may only be taken if a project has positive cash flow after adequately funding replacement and operating reserves at levels necessary to meet future anticipated capital and other needs.