Minneapolis/Saint Paul Housing Finance Board
2016 Low Income Housing Tax Credit Procedural Manual
FEDERAL PROGRAM REQUIREMENTS
Section V. B.– Costs of Intermediaries

V. DEVELOPMENT STANDARDS

The Board will review project costs based on comparability and reasonableness. The Board will take into consideration unique characteristics of the project and its comparability to similar projects. The Board will require additional documentation if it believes the proposed costs are not comparable or reasonable. Projects funded under this Program will be evaluated according to the following standards. Small projects, hard-to-develop projects, and projects developed in difficult-to-develop areas may be considered eligible for variances from these standards, if justified.

A. Project Cost Reasonableness:

CPED or HRA will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable. Current Board tax credit project comparables will continue to be the driving factor in approving project costs.

B. Costs of Intermediaries:

CPED and the HRA will evaluate costs of intermediaries with a view toward minimizing such fees. All costs of intermediaries must be reasonable, in the sole discretion of CPED or HRA, as applicable.

For purposes of this provision, "Costs of Intermediaries" shall be consistent with MHFA.

For Saint Paul projects the following maximum developer fee shall apply:

➢ ~~the lesser of $8,500 per unit or 10% of total development cost excluding the cost of acquisition for the first 30 units of a rehabilitation project,~~
➢ ~~the lesser of $6,375 per unit or 10% of total development cost excluding the cost of acquisition for units 31 to 150 of a rehabilitation project,~~
➢ ~~$8,500 per unit for the first 50 units of a new construction project, or~~
➢ ~~$6,375 per unit for units 51 to 150 of a new construction project.~~

~~Developer fee shall be defined to include developer overhead, developer processing fees, developer profit, consulting fees related to activities and responsibilities customarily performed by a developer, and any other amounts received by the developer as determined by the HRA.~~

~~The developer fee as a percent of the total project cost is calculated as the dollar~~

~~amount of developer fee divided by the total development cost of the project, whereby the total development cost excludes the cost of acquisition and the developer fee.~~

DEVELOPER FEE LIMITS

The developer fee (paid either upfront or deferred) is provided to the developer of rental housing for time expended and risks associated with putting a development together. Developer fees include developer overhead, developer processing fee, developer profit, developer construction management and any other amounts received by the developer as approved by the HRA.

New construction:

No greater than 15% of the total development costs, excluding the developer fee, consulting fee and capitalized reserves for the first 50 units, and no more than 8% of the total development costs, excluding the developer fee, construction fee and capitalized reserves, for 51 units and over.

Acquisition/Rehabilitation or Adaptive Reuse Projects.

No greater than 15% of the total development costs, excluding the developer fee, construction consulting fee, capitalized reserves, and acquisition.

C.   Reserves/Contingencies:

CPED or HRA will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner, or any ownership interest, CPED or HRA will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the Project Cost Section (#13) of the application, MHFA Form LIHC-1.

D.   Comparative Analyses:

Notwithstanding these Development Standards and the Selection Criteria within this Allocation Plan, each and every proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits awarded.