

The background features a dark blue gradient with several circular gauges and numbers. The gauges are semi-transparent and have arrows pointing in various directions. The numbers are arranged in a circular pattern, ranging from 140 to 260. The overall aesthetic is technical and modern.

LIHTC BUDGETING

WHY DO WE NEED A BUDGET?

- Track financial performance (budget vs actual)
- Keep from overspending/bankrupting the project
- Program requirement
 - Properties with “Active IHDA Loans” due to IHDA by October 1st
 - Use editable PDF [form](#), available on the IHDA website
 - Email to fpateam@ihda.org
 - Other investors or lenders may have different requirements

CROSSWALK

- Matches up LIHTC general ledger (GL) accounts with standard (HUD FDS?) GL accounts



INCOME

- “Rental Income” = Gross Potential Rent (GPR) – The total rent you would earn if 100% of your units were rented at full rent. (Approved rent schedule)
 - Example: 5 units with rents at \$300, \$350, \$400, \$450, and \$500
 - Annual GPR = $\$2000 \times 12 = \$24,000$
- Vacancy (Economic Vacancy vs Unit Vacancy)
 - Economic Vacancy = $1 - (\text{Total Rent Charged}/\text{GPR})$
 - Unit Vacancy = $\text{Units Vacant}/\text{Total Units}$
 - Example: \$500 unit is vacant
 - Economic Vacancy = $1 - (\$1,500/\$2,000) = 25\%$
 - Unit Vacancy = $1/5 = 20\%$

INCOME

- Subsidy
 - Tenant-Based – (Section 8 Housing Choice Voucher)
 - Project-Based – (PBV, PBRA, LIPH Operating Subsidy)
- Other Receivables
 - Late Fees
 - Maintenance Charges
 - Laundry, vending
 - Cable, internet

ADMIN EXPENSES

- Office Expenses
 - Software (pro-rate across portfolio)
 - Office Supplies
 - Office Rent
 - Membership Dues & Fees
 - Publications & Subscriptions
 - Postage & Delivery
 - Sundry



ADMIN EXPENSES

- Management Fees is a calculation based on a % of Gross Collections
 - Rent
 - Subsidy
 - Other Tenant Charges
- Found in Management Agreement

(b) After the Initial Rent-up Period, Property Manager shall be compensated for its services under this Agreement by monthly fees, to be paid out of the Development Bank Account and treated as Development expenses. Such fees shall be payable on the 15th day of each month following the month in which the services were rendered. Each such monthly fee shall be a sum equal to five percent (5%) of Gross Collections.

- Central Office Overhead
- Executive Staff
- Bookkeeping
- Compliance Management

ADMIN EXPENSES

Management Fee Calculation

Rental Income	\$ 499,020
Subsidy Income	\$ 25,000
Vacancy Loss	\$ (24,951)
Concessions	\$ (2,400)
Other Receivables	\$ 20,100
Bad Debt	\$ (4,670)
Gross Collections	\$ 512,099
Management Fee Rate	5%
Management Fee	\$ 25,605

ADMIN EXPENSES

- Bad Debt = Accounts Receivable that have been deemed uncollectible and have been written off through an approved internal control procedure, such as a Board resolution.
- Shown on the GL as an expense
 - Original entry: debit A/R, credit Revenue
 - Write-off entry: debit Bad Debt, credit A/R



ADMIN EXPENSES (CONTINUED)

- Social Programming (Resident Services)
- Legal Expense (Notices & Evictions)
- Audit Expense (Independent Public Audit is a requirement of the LIHTC program)
- Telephone (Can include internet if not included in Office Expense)
- Marketing (and Advertising)
- Miscellaneous (Include small number as a catch-all)
 - Bank Fees, Filing Fees, Processing Fees, etc.

OPERATING EXPENSES

- Exterminating
- Rubbish (Trash) Removal
- Snow Removal
- Landscaping (Lawn Care)
- Equipment (non-depreciable)
- Miscellaneous

MAINTENANCE EXPENSES

- Elevator Repairs (Maintenance Contract)
- HVAC
- Security (Service & Monitoring)
- Painting & Decorating (Unit Turnover)
- Plumbing
- Electrical
- Appliance Repair
- Miscellaneous

MAINTENANCE EXPENSE METHODS

- Contract to 3rd party or hire employee (larger projects)
- Maintenance Labor paid by project
 - Hourly Rate (charged back to project through work order system) – more accurate, requires detailed tracking & billing process
 - Flat Fee (based on allocation of existing labor expenses or historical cost) – more predictable, easier, much less tracking required

MATERIALS

Methods

1. Invoiced directly to project
2. Allocated from charge/credit account statement
3. Billed from central inventory through work order system

SALARIES & WAGES

Position	Hours/ Week	Salary & Wages	FICA	Health Insurance	401k	Disability	SUTA	W/C	Overtime & Travel	Total
Affordable Housing Manager	35.5	\$ 39,918.67	\$ 3,053.78	\$ 9,854.00	\$ 2,395.12	\$ 259.47	\$ 1,297.36	\$ 977.61	\$ 600.00	\$ 58,356.00
Facilities Maintenance Technician	32.1	\$ 30,658.30	\$ 2,345.36	\$ 9,854.00	\$ 1,839.50	\$ 199.28	\$ 987.20	\$ 751.36	\$ 1,800.00	\$ 48,435.00
Total		\$ 70,576.97	\$ 5,399.14	\$ 19,708.00	\$ 4,234.62	\$ 458.75	\$ 2,284.55	\$ 1,728.97	\$ 2,400.00	\$ 106,791.00

UTILITIES

- Electricity
- Gas
- Water/Sewer
- Other

TAXES & INSURANCE

- R/E Tax Methods (Paid from Reserve/Escrow Account)
 - PILOT (Cooperation Agreement w/ PHA)
 - Income-Based Formula ([35 ILCS 200/10-235](#))
 - Assessment
- Property & Liability Insurance (Paid from Reserve/Escrow Account)
- Payroll Tax can be broken out or included in salaries
- Replacement Reserve
 - Contribution dictated by Limited Partnership Agreement

LIMITED PARTNERSHIP AGREEMENT

- Guiding document for how the structure and operation of the Limited Partnership
 - Ownership percentages
 - Roles & Responsibilities
 - Replacement of partners and dissolution
 - Distribution of Cash Flow (“waterfall”) and other Proceeds

LIMITED PARTNERSHIP AGREEMENT

5.1.1 Cash Flow shall be paid, prior to the making of any distributions pursuant to Section 5.1.2 hereof, in the following order and priority:

(i) First, to the Limited Partner to the extent of any amount which the Limited Partner is entitled to receive in order to satisfy any and all amounts owed to it pursuant to this Partnership Agreement, including, without limitation, under Section 6.8 and Section 6.9 hereof (other than Section 3.7 hereof);

(ii) Second, to the Asset Manager to pay any accrued and payable Asset Management Fees;

(iii) Third, to pay any accrued and unpaid principal and interest on loans made by the Limited Partner pursuant to Section 3.7;

(iv) Fourth, to the Operating Reserve Account until such time as such account is replenished up to the Operating Reserve Target Amount;

v) Fifth, to the Developer to pay any unpaid balance on the Deferred Development Fee;

(vi) Sixth, to repay any accrued and unpaid principal and interest on loans made by the General Partner pursuant to Section 3.7;

(vii) Sevenths, after the end of the Compliance Period to repay all accrued interest and principal on the Subordinate Cash Flow Loan;

(viii) Eighth, to the General Partner (in the order of loans made, with earlier loans repaid in full before subsequent loans are repaid) to repay any amounts treated as loans to the Partnership (without interest) by the General Partner pursuant to Section 6.4.6(i) or 6.4.6(ii) and not yet repaid;

(ix) Ninth, until the end of the Compliance Period, ninety percent (90%) of the balance, if any, to the General Partner as an Incentive Partnership Management Fee, on a non-cumulative basis. To the extent the IRS or any governing authority deems the Incentive Partnership Management Fee unreasonable and/or reclassifies some or all of the Incentive Partnership Management Fee as a distribution, the General Partner will receive a distribution in the amount equal to the disallowed Incentive Partnership Management Fee.

IHDA COMPLIANCE FEE

- \$25 per unit per year
- Paid with submission of annual compliance monitoring documents

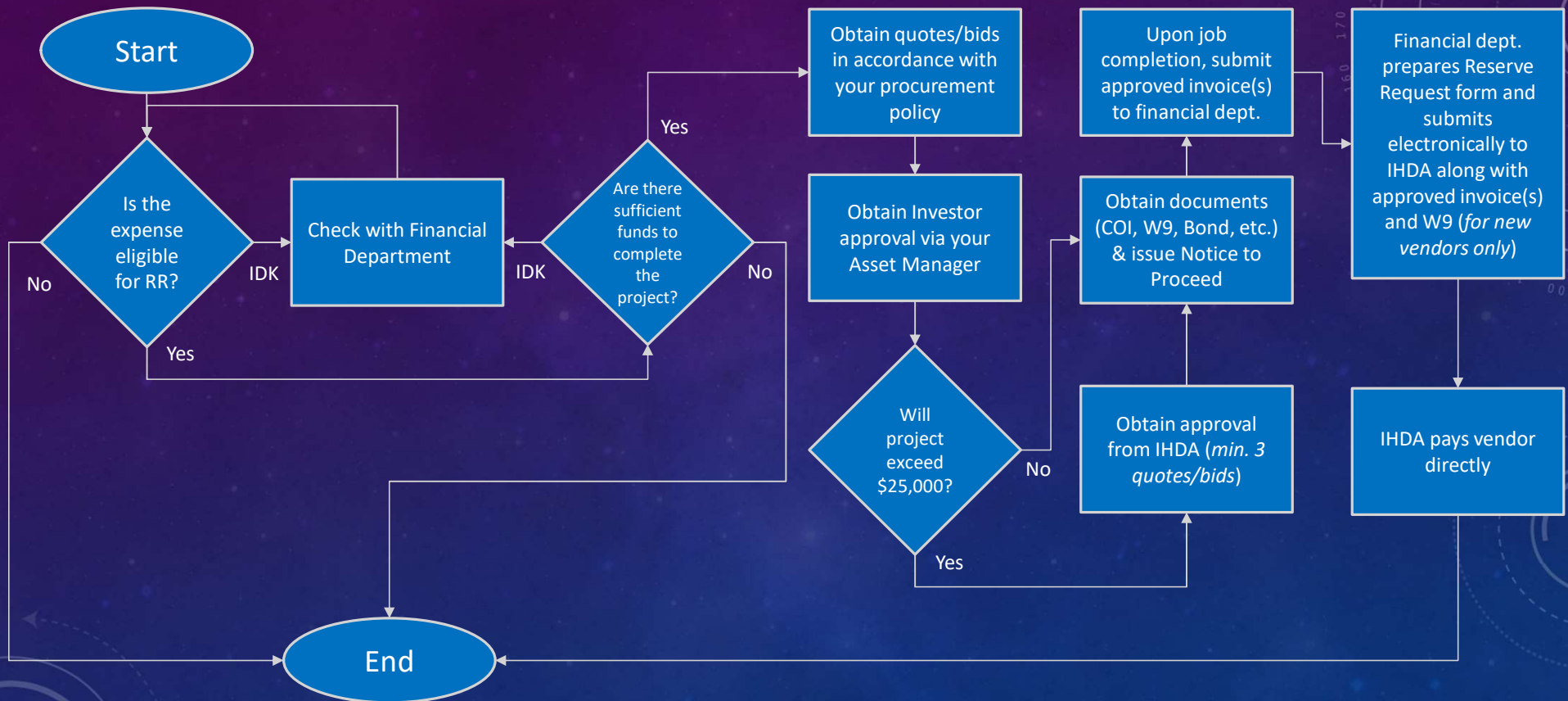
DEBT SERVICE

- Total of all principal & interest payments throughout the year
- Dictated by loan documents
- Types
 - Hard Debt – Recurring payments (usually monthly) of a specific amount
 - Soft Debt – Based on surplus annual cash flow

CAPITAL IMPROVEMENTS

- Replacement and Upgrade of Fixed Assets
 - Building Structure (Roof, Windows, Siding, Flooring)
 - Building Systems (HVAC, Plumbing, Wiring)
 - FF&E (Appliances, Water Heater, Toilet)
 - Site Improvements (Parking Lot, Sidewalk, Retaining Wall)
- Paid from Replacement Reserve (?)

IHDA Replacement Reserve Process



SOURCE DOCUMENTS

- IHDA-approved rent schedule
- Management Agreement
- Maintenance & Operating Contracts
- Cooperation Agreement/35 ILCS 200
- Limited Partnership Agreement (LPA)
- Loan Documents
- Budget Worksheet

The background is a dark blue gradient with a subtle starry or particle effect. On the right side, there are faint, light blue technical diagrams. One prominent diagram is a circular gauge or scale with numerical markings from 80 to 210 and several concentric circles with arrows indicating rotation. Other smaller circular diagrams with arrows are scattered in the lower-left and lower-right areas.

QUESTIONS?