



GEORGIA DEPARTMENT of COMMUNITY AFFAIRS

HOME-ARP Underwriting Guidance - DRAFT

This guidance applies to any housing development project applying for or receiving funds under the 2025 Rental Housing with Services Priorities NOFO, Part 1 (HOME-ARP/Service-Enriched, Affordable Rental Housing), NOFO Sections XV through XVIII. Additionally, this Guidance applies to any 2025 9% low-income housing tax credit (LIHTC) application that incorporates HOME-ARP funding.

The standards set forth in this guidance are in addition to all other underwriting standards contained in the 2024-2025 Qualified Allocation Plan (QAP), including but not limited to standards contained within: (Threshold) Project Feasibility, Viability Analysis & Conformance with Plan; (Threshold) Appendix A, DCA Underwriting Standards; and (Threshold) Appendix B, Additional DCA Policies Related to the Funding of DCA HOME Loans, and all HOME-ARP Regulations. Qualified Allocation Plans are available [here](#). However, for the above-referenced usages, the standards in this Guidance will supersede any conflicting standards set forth in the QAP.

The Notice of Funding Opportunity (NOFO) application will require the applicant to demonstrate that the project is financially feasible and viable using the least amount of HOME-ARP funds. Underwriting will be completed by DCA during the review of the NOFO submissions, and subsequently during the review of applicable 2025 9% LIHTC applications. DCA may adjust the amount of the HOME-ARP award based upon the underwriting review. Underwriting shall be completed for a project prior to the time HOME-ARP funds are awarded, prior to the tax credit award, and prior to the closeout of the project. The Applicant's pro forma and its updates will be part of both the HOME-ARP NOFO application and 2025 9% LIHTC applications.

The NOFO and LIHTC applications will require the applicant to supply sufficient information to allow DCA to determine whether the project is financially feasible during all phases of the project, including the construction phase and the operational phase. The application will require the applicant to provide all information regarding loans, grants, equity contributions, property tax abatements, tax increment financing, enterprise zone benefits, and any other type of financing or contributions that are relevant to the economic feasibility of the project and are available to the project.

The following minimum financial underwriting requirements apply to all HOME-ARP projects. Projects that cannot meet the minimum requirements, as determined by DCA, will not receive HOME-ARP funds.

Underwriting Standards – General Requirements

Budget Limitations

- HOME-ARP funds cannot be used for replacement reserves or operating reserves.
- HOME-ARP funds budgeted for developer fee cannot exceed 15% of the HOME-ARP award.
- HOME-ARP funds budgeted for soft costs, including environmental review and developer fee, cannot exceed 20% of the HOME-ARP award.



Debt Coverage Ratio (DCR)

The DCR should be reviewed for appropriateness. HOME-ARP allows for a much higher level of federal fund contribution which could impact (reduce) the need for project financing. It may be necessary to compare the DCR against other projects in the funding round to determine appropriateness. Underwriting review will determine the reasonableness of the application's DCR.

Revenue & Operating Expense Trends

In accordance with the State of Georgia 2024-2025 Qualified Allocation Plan (QAP), Applications will trend revenue at 2% per year and operating expenses at 3%. DCA will underwrite vacancy and collection loss at the higher of 7% or a percentage DCA determines is appropriate.

Vacancy Rate

The total project will be underwritten assuming a 7% vacancy rate for all HOME-ARP Units

Developer Fees

The developer fee policy for HOME-ARP Units is as follows:

- Consulting fees and guarantor fees are part of the total Developer Fee calculation (does not include green building certifications).
- The Developer Fee cannot increase after Application Submission.
- The maximum Developer Fees are as follows:
 - Within the HOME-ARP Balance of State Participating Jurisdiction
 - 150 GA Counties, not including the following jurisdictions that received HOME-ARP Funding (City of Albany, Athens-Clarke County, City of Atlanta, Augusta-Richmond County, Columbus-Muscogee County, Macon-Bibb County, City of Savannah, Clayton County, DeKalb County, Fulton County, Gwinnett County, and Cobb County):
 - \$27,500 per unit for the first eighty (80) units
 - \$16,500 per unit for units eighty-one (81) or higher
 - Within the Federal HOME-ARP Participating Jurisdiction, the maximum Developer Fees are according to the 2025 9% QAP.
- The Developer Fee for Applications for additional Credits (in the year the project is placed in service) is limited to the original approved Developer Fee.
- Notwithstanding anything contained herein to the contrary, the Developer Fee will be limited to a maximum \$2,285,000 for 9% Credit Applications.

Any additional standards for Developer Fee and Deferred Developer Fee not mentioned remain pursuant to the QAP. Applicants are encouraged to apply any available deferred developer fees, as possible and appropriate, to fund reserves as specified elsewhere in this Guidance.

Construction Contingency Funding

For new construction, the construction contingency is limited to a maximum of 5% of the total construction hard costs. For rehabilitation, the construction contingency is limited to a maximum of 10% of the total construction hard costs. For any property funded with GHFA loans, DCA requires a minimum contingency of 3% of the total construction hard costs.

Subsidy Layering Review

DCA is required to undertake subsidy layering reviews of each project receiving HUD housing assistance to ensure that the applicant does not receive excessive government subsidies by combining HUD housing

assistance with other forms of federal, State or local assistance. Review of Rent Reasonableness and Project Based Voucher Safe Harbor Standards will be used to ensure appropriate subsidy layering.

Unit Cost Cap

DCA shall award HOME-ARP funds to a project where the total project costs best align to the per unit dollar limitations established annually by HUD. DCA's use of HUD's [HOME Cost Allocation Tool](#) is not mandated to determine the maximum allowable loan amounts for HOME-ARP funds. However, DCA does have the discretion to utilize this tool to maintain underwriting consistency with other programs.

Financing Commitment

- For all projects proposing private construction and permanent financing, original executed preliminary commitments for all financing must be submitted with the project's 2025 9% QAP Submission (as applicable) as stated in the QAP. This information will be reviewed alongside the HOME-ARP Favorable Financing Commitment if awarded. Therefore, all available preliminary financing information should be included at the submission of the NOFO application to make a determination. However, the final decision will be made during the 2025 9% LIHTC application reviews.
- For all other financing sources, except HOME-ARP funds, funding commitments must be executed and submitted with the 2025 9% LIHTC application, pursuant to all QAP requirements. Documentation of the commitment, from the funding provider, must specify the value of the commitment, the purpose the funds can be used for, and time limitations related to the commitment.

Underwriting Standards – Operating Assumptions

Operating Expenses

In accordance with the State of Georgia 2024-2025 Qualified Allocation Plan (QAP), the annual budgeted operating expenses must be no less than the following per unit:

- \$5,000 for projects within the City of Atlanta,
- \$4,500 for projects located in a Metropolitan Statistical Area (MSA) other than the City of Atlanta,
- \$3,750 for Rural projects in an MSA
- \$3,250 for non-MSA Rural projects,
- DCA will determine the reasonableness of the budgeted operating expenses for existing housing developments.

However, the underwriting review will include the reasonableness of operating expenses for HOME-ARP purposes, and applicants are encouraged to underwrite operating expenses at levels that will reasonably address the needs and sustainability of the property, with special consideration to the operating expenses impact related to the required Enriched Property Services employed to assist HOME-ARP Residents when they have needs. Operating expenses may reasonably account for, among other things, additional property management needs, additional maintenance, security, and service-related expenses.

Reserves

- **Replacement Reserve** – All developments must maintain a replacement reserve account beginning at the time of project completion for the term of the HOME-ARP period of affordability. All developments must budget for and capitalize and fund Replacement Reserves at or before Conversion, in an amount that equals the total of six months' worth of contributions to

Replacement Reserves. Required monthly contribution amounts to Replacement Reserves will remain pursuant to QAP requirements.

- **Operating Deficit Reserve** – QAP requirements and standards apply.
- **Rent Up Reserve** – QAP requirements and standards apply.

Additional Requirements

Developer Experience

DCA will review and determine the developer's experience and financial capacity are satisfactory based on the size and complexity of the project, and needs of the HOME-ARP program and tenants. When assessing the developer, DCA will review, at minimum, prior experience with similar projects and the current capacity to develop the proposed project. When determining whether the developer has the financial capacity to undertake the project, DCA will examine financial statements and audits to determine the developer's net worth, portfolio risk, pre-development funding, and liquidity. Pursuant to the NOFO, applicants must be able to meet, at a minimum, all standards required for a Certifying Entity, and Project Team Qualification, pursuant to the QAP.

Market Study

Per HOME-ARP Regulations (CPD Notice 21-10), a market study is not required to determine the demand for HOME-ARP units for qualifying households. For the Rental Housing with Services Priorities NOFO, DCA is relying on the "Data Informed Local Need" Section to demonstrate that there is an unmet need among qualifying populations for the type of housing proposed through other forms of analysis.

Market Studies will otherwise be conducted in accordance with 24 CFR 92.250(b)(2), and other QAP and Section 42 requirements in conjunction with the associated Tax Credit Application. As possible, market assessments should reference comparable properties with enriched property services.

Discretion

DCA reserves discretion to adjust required amounts based on the project's proposed uses, feasibility, and other underwriting concerns. DCA may establish other conditions, and the establishment of final financing terms remains subject to DCA discretion. DCA is not required to adjust any requirements, deadlines, or conditions associated with a prior award.

Contact

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