1.   Total Development Cost Limitation Test

There is a maximum Developer Fee that can be earned which is tailored for the characteristics of each Development.

a.   Overview

(1)   Maximum Developer Fee based on Percentage of Development Cost as outlined in Rule 67-21, F.A.C. and/or 67-48, F.A.C.

(2)   Maximum Developer Fee Amount based on Maximum Development Cost

The Corporation will calculate the Maximum Developer Fee for each proposed Development, then compare it to the proposed Development's stated Developer Fee. The Maximum Developer Fee Amount will be the sum of the maximum Developer Fee on non-Acquisition Costs calculated in (a) below and, if applicable, the maximum Developer Fee on Building Allocation portion of Acquisition Costs ("Building Allocation") as calculated in (b) below.

(a)   Maximum Development Cost upon which a Developer Fee can be Earned when there are no Building Allocation Costs

(i)   Hard Cost Factor Per Unit Chart plus estimate of Soft Costs Per Unit

The Non-Acquisition Costs for purposes of determining the maximum Developer Fee are calculated by first selecting the applicable hard cost factor for each unit in the chart below then incorporating an estimate of soft costs per unit.

Hard costs are defined as the total of the actual construction costs (includes the General Contractor Construction Contract and any construction costs to be incurred outside of the General Contractor Construction Contract), the General Contractor Fee and the approved Hard Cost Contingency. These costs are representative of what is normally reported on lines A1.3 and A1.4 in the Development Cost Pro Forma in the Application. The Hard Cost Factor per Unit amounts in the chart are not a limit of the actual hard costs allowed in each Development. Each Development's actual costs may exceed these amounts, but these are the maximums used in the Developer Fee calculation.

Measure	Hard Cost Factor per New Construction Unit					Hard Cost Factor per Rehabilitation Units	
	Garden Non-ESS*	Garden ESS*	Mid-Rise-Non-ESS*	Mid-Rise-ESS*	High-Rise*	Garden*	Non-Garden*
Hard Cost Factor Per Unit for all counties except Broward, Miami-Dade and Palm Beach counties	$220,000	$240,000	$240,000	$270,000	$290,000	$100,000	$130,000
Hard Cost Factor Per Unit for Broward, Miami-Dade and Palm Beach counties	$240,000	$260,000	$260,000	$290,000	$310,000	$110,000	$140,000

* Garden includes all Development Types other than Mid-Rise and High-Rise; Non-Garden includes Development Types of Mid-Rise with elevator (4 stories, 5 stories, or 6 stories) and High-Rise (7 or more stories); Mid-Rise includes Development Types of Mid-Rise with elevator (4 stories, 5 stories, or 6 stories); and High-Rise includes Development Type of High-Rise (7 or more stories). ESS means Enhanced Structural Systems Construction.

If there is only one unit type for the entire proposed Development, the number in the chart associated with the unit type is the Hard Cost Factor Per Unit for the Development.

If there are multiple unit types, the amount associated for each unique unit type is multiplied by the number of units for that unit type, added together, and then divided by the total number of units (i.e. pro rata distribution). The result of that calculation is the Hard Cost Factor Per Unit for the Development.

Incorporate an Estimate of Soft Costs Per Unit

The Hard Cost Factor Per Unit for the Development is then divided by 75 percent (resulting in a maximum of hard costs and soft costs per unit when calculating the Maximum Developer Fee, prior to Add-Ons, Multipliers, and Escalation Rate.)

(ii)   Then add applicable per unit TDC Add-On(s) to the result of (i) above

PHA Add-On for means (i) Applicants that either have a land lease with a PHA for the proposed Development's location or the Applicant provided an Option to Enter into a Ground Lease Agreement on property where the proposed Development is to be located; AND the property which has a Declaration of Trust between the PHA and HUD; or (ii) Applicants that have a PHA/instrumentality of a PHA as a Principal	$7,500 of additional per unit costs will be added to the above Maximum TDC Per Unit to Applications that qualify for the PHA Add-On
TDC Add-on for All Applicants due to known expenses related to tax-exempt bond transactions	$7,500 of additional per unit costs will be added to the above Maximum TDC Per Unit

(iii)   Then divide the result of (ii) above by the applicable TDC
          Multiplier(s)

Non-Geographic TDC Multiplier – Elderly-ALF Developments	95%
Non-Geographic TDC Multiplier – Homeless Demographic	90%
Non-Geographic TDC Multiplier – Demographic Commitment of either Persons with a Disabling Condition or Persons with Developmental Disabilities	90%
Non-Geographic TDC Multiplier – All Developments that consist of 50 total units or less and not located in the Florida Keys Area *(reserved for Homeless Demographic serving PDC or PDD)*	90%
Non-Geographic TDC Multiplier – All Developments that consist of more than 50 total units, but not more than 80 total units and not located in the Florida Keys Area *(reserved for Homeless Demographic serving PDC or PDD)*	95%
Geographic TDC Multiplier – Developments located north of Plantation Key (i.e., north of Tavernier Creek) in the Florida Keys Area	65%
Geographic TDC Multiplier – Developments located south of Plantation Key (i.e., north of Tavernier Creek) in the Florida Keys Area	50%*

*If the proposed Development consists of Scattered Sites, the 50% TDC Multiplier applies only if all the sites are located south of Tavernier Creek.

(iv)   Then multiply the result of (iii) above by the sum of 1 plus 6
          percent, which represents the Escalation Factor

(v)   Then multiply this result by the total number of units within the
          proposed Development to achieve the Maximum Development
          Cost upon which a Developer Fee can be Earned when there are
          no Building Allocation Costs ("**Maximum Non-Acquisition
          Development Cost for Developer Fee**").

To obtain the **Maximum Developer Fee Amount on non-Acquisition
Costs**, multiply the result of (v) by the maximum Developer Fee
percentage allowed in the RFA as described below:

- If the maximum Developer Fee percentage stated in the RFA is 16
  percent, the result of the calculation above is then multiplied by 16
  percent, rounded down to the nearest dollar.
- If the maximum Developer Fee percentage stated in the RFA is 18
  percent, the result of the calculation above is then multiplied by 18
  percent, rounded down to the nearest dollar.
- If the maximum Developer Fee percentage stated in the RFA is 21
  percent, the result of the two calculations below are added
  together:
  o the result of the calculation is then multiplied by 16 percent,
     rounded down to the nearest dollar; AND
  o the result of the calculation is then multiplied by 5 percent,
     rounded down to the nearest dollar.

If there is no Building Allocation costs, this **Maximum Developer Fee
Amount on non-Acquisition Costs** is also the **Development's Maximum**

Developer Fee. If there is Building Allocation costs, the result of the fee calculation above is added to the result of the fee calculation below to determine the **Development's Maximum Developer Fee**.

(b)   Maximum Developer Fee Amount on Building Allocation costs, if applicable

The Building Allocation costs are comprised of a Building Allocation plus Other building acquisition related costs of the existing Development, together are typically represented by line B. in the Development Cost Pro Forma in the Application. The maximum Building Allocation is a structured calculation. Start by taking the lesser of either the appraised value of the entire property or the actual property purchase price. The lowest land cost allocation is then subtracted from this amount. The lowest land cost allocation methodology is determined as follows:

(i)   Appraised "as is" market value of the land, as if vacant;

(i)   Assessed value of the land as provided by the county property appraiser; or

(iii)   Discount the value provided in the option (a) above to account for the LURA/EUA rent restrictions existing on the property. This is done by taking the lesser of the subject property's acquisition price, or the subject property's appraised "as is" restricted value and dividing this amount by the "as is" market value of the property as if unrestricted. The resulting discount factor is then multiplied by the value provided in option (a).

The lesser of the result of this maximum Building Allocation calculation or the Applicant's stated Building Allocation is then added to any other separate acquisition costs associated with the Building Allocation and this total is multiplied further based on the maximum Developer Fee percentage allowed in the RFA as described below to obtain the Maximum Developer Fee Amount on Building Allocation:

- If the maximum Developer Fee percentage stated in the RFA is 16 percent, the result of the calculation above is then multiplied by 16 percent, rounded down to the nearest dollar.
- If the maximum Developer Fee percentage stated in the RFA is 18 percent, the result of the calculation above is then multiplied by 18 percent, rounded down to the nearest dollar.
- If the maximum Developer Fee percentage stated in the RFA is 21 percent, the result of the two calculations below are added together:
  - the result of the calculation is then multiplied by 16 percent, rounded down to the nearest dollar; AND
  - the result of the calculation is then multiplied by 5 percent, rounded down to the nearest dollar.

(3)   Maximum TDC Component

The Maximum TDC Component equals the Maximum Non-Acquisition Development Cost for Developer Fee (as calculated in (2)(v) above) plus the maximum Developer Fee amount on non-acquisition costs (as calculated in (a) above) and then adding, if applicable, the maximum Developer Fee amount on Building Allocation (as calculated in (b) above). The Maximum TDC Component is unique to each Development and will not change once it is calculated. It will be used for calculations described in b. below. However, the maximum Developer Fee amount on Building Allocation costs, if applicable, can be updated at time of Final Cost Certification Application Package review when the Other building acquisition related costs of the existing Development have changed since credit underwriting.

b.   Determining whether adjustments to the Developer Fee and the Total Development Cost of the proposed Development are needed during Credit Underwriting

The Total Development Cost of the proposed Development ("TDC of the Proposed Development") is often adjusted during credit underwriting and Final Cost Certification process. The steps below are performed first during the credit underwriting process and then a similar process is completed during the Final Cost Certification process as presented in c. below. Any such adjustments that occurred during these processes may affect the maximum Developer Fee allowed for the proposed Development to fluctuate.

(1)   First Review of the Developer Fee and the TDC of the Proposed Development

To review the maximum Developer Fee for the proposed Development, the Corporation will first determine if the stated Developer Fee is in compliance with the percentage Developer Fee limit and then compare the results of the calculation in a. above to the Developer Fee stated by the Applicant.

If the maximum Developer Fee calculated by the percentage Developer Fee on stated Development Costs and the maximum Developer Fee calculated in a. above is equal to or greater than the proposed Development's stated Developer Fee, there will be no resulting deduction to the stated Developer Fee or the TDC of the Proposed Development from this first review.

If this step creates a maximum Developer Fee that is less than the proposed Development's stated Developer Fee, the stated Developer Fee will be reduced to the maximum Developer Fee provided in this step, and the TDC of the Proposed Development will be equally reduced to incorporate this mandated cost reduction.

(2)   Second Review of the Developer Fee and the TDC of the Proposed Development

The second review will compare the proposed Development's Maximum TDC Component and the Net TDC of the Proposed Development for these limitation purposes.

Calculating the Net TDC of the Proposed Development

The Net TDC of the Proposed Development is determined by taking the TDC of the Proposed Development (after any reduction in the initially stated Developer Fee as provided above) and deducting the following qualifying costs:

- the property acquisition price (building and land, which are subject to their own limits)
- demolition costs
- tenant relocation costs
- construction costs associated with the delivery of commercial/retail space, and
- any approved operating deficit reserves (ODR) that are part of the permanent phase (i.e., non-construction) financing for the Development which have not been included within the Developer fee.

Comparison of the Development's Maximum TDC Component and the Net TDC of the Proposed Development

If the proposed Development's Maximum TDC Component is equal to or greater than the Net TDC of the Proposed Development, the review of the Developer Fee is complete and no other reduction to the proposed Development's Developer Fee is required.

If the proposed Development's Maximum TDC Component is less than the Net TDC of the Proposed Development, the maximum Developer Fee will be reduced by the lesser of:

(a)   the actual amount that the Net TDC of the Proposed Development exceeds the Maximum TDC Component,

(b) $750,000, or

(c)   25 percent of the Maximum Developer Fee calculated in a. above.

If the maximum Developer Fee calculated in this step is equal to or greater than the proposed Development's Developer Fee calculated in b.(1) above, there will be no resulting deduction to the proposed Development's Developer Fee after step b.(1) nor to the Net TDC of the Proposed Development from this second review.

If this step causes the maximum Developer Fee to be less than the proposed Development's Developer Fee calculated in b.(1) above, the proposed Development's Developer Fee will be reduced to the maximum Developer Fee calculated in this step, and the Net TDC of the Proposed Development will be equally reduced to incorporate the second mandated cost reduction.

This is the final review of the Developer Fee during credit underwriting.

c.   Reviewing the Developer Fee and the Net TDC of the Proposed Development stated in the Final Cost Certification Application Package ("FCCAP")

The Developer Fee and the Net TDC of the Proposed Development may be further adjusted when the FCCAP is processed. Any such adjustments that occur with the

FCCAP may cause the maximum Developer Fee allowed for the proposed Development to either increase, as described in (3) below, or decrease, as described in (2) and (4) below. Any increase or decrease to the proposed Development's Developer Fee will cause the Net TDC of the Proposed Development to be equally increased or decreased, respectively.

Before each item below, the stated/updated Developer Fee will be tested to make sure it doesn't exceed the amount determined by multiplying the proposed Development's stated Development Costs by the maximum Developer Fee percentage, rounded down to the nearest dollar.

(1)   First Review of the Developer Fee and the TDC of the Proposed Development

Policy when the Developer Fee was <u>not reduced</u> by the process described in b. above

The proposed Development's Developer Fee initially presented in the FCCAP will be tested for compliance with the maximum Developer Fee percentage requirement.

   (a)   If the Net TDC of the Proposed Development preliminarily stated in the FCCAP (after any Developer Fee compliance adjustments from above) is <u>less than</u> or equal to the Maximum TDC Component calculated in a. above, no adjustment to the proposed Development's Developer Fee will be required and there will not be a need for the second review.

   (b)   If the Net TDC of the Proposed Development preliminarily stated in the FCCAP (after any Developer Fee compliance adjustments from above) is <u>greater than</u> the Maximum TDC Component calculated in a. above there will be a need for the second review process below.

Policy when the Developer Fee was <u>reduced</u> by the credit underwriting process described in b. above

   (c)   If the Net TDC of the Proposed Development preliminarily stated in the FCCAP is <u>less than</u> the TDC reported in the final credit underwriting report, the calculations in b. above will be repeated using the Net TDC of the Proposed Development preliminarily stated in the FCCAP. This may result in an increase to the final Developer Fee from the limit imposed at time of credit underwriting during steps b.(1)-(2).

   (d)   If the Net TDC of the Proposed Development preliminarily stated in the FCCAP is <u>greater than</u> the Net TDC of the Proposed Development reported in the final credit underwriting report, the Developer Fee stated in the FCCAP is initially capped at the maximum Developer Fee determined in b.(2) above. If the Developer Fee stated in the FCCAP is greater than the maximum Developer Fee determined in b.(2) above, the Developer Fee will be reduced to match the maximum Developer Fee and any reduction in the stated Developer Fee will have a corresponding reduction in the Net TDC of the Proposed Development. There will be a need for the second review process below.

(2)   Second Review of the Developer Fee and the TDC of the Proposed Development

After the applicable step above in c.(1)(b) or c.(1)(d) is complete, the calculations described below will determine the final Developer Fee.

If the Net TDC of the Proposed Development after step (1) above is <u>greater than</u> the Maximum TDC Factor calculated in a. above, the maximum Developer Fee determined in b.(2) above, will be reduced by the lesser of:

(i)   the actual amount that the Net TDC of the Proposed Development exceeds the Maximum TDC Factor,

(ii) $350,000, or

(iii)   10 percent of the Maximum Developer Fee calculated in (b) above.

If the maximum Developer Fee calculated in this step is equal to or greater than the Developer Fee stated in the FCCAP after c.(1) above, there will be no resulting deduction to the stated Developer Fee or the Net TDC of the Proposed Development from this review.

If this step causes the maximum Developer Fee to be less than the Developer Fee stated in the FCCAP after c.(1) above, the stated Developer Fee will be reduced to the maximum Developer Fee calculated in this step, and the Net TDC of the Proposed Development will be equally reduced to incorporate this cost reduction.

TBD: A template and training video regarding the Total Development Cost Per Unit Limitation have been made available. A link has been added to the RFA Webpage called "Total Development Cost Per Unit Limitation Information Used In RFAs". This link will take users to a new webpage with examples of this process, as well as a template, training video, and, for assistance after the review and evaluation process as explained in Section Three, F.2. of this RFA, contact information for available Florida Housing staff.