

January 2022

**VERMONT HOUSING & CONSERVATION BOARD**

**POLICY POSITION:**

**DEVELOPMENT AND ASSET MANAGEMENT FEE  
GUIDELINES FOR AFFORDABLE HOUSING PROJECTS**

**Intent**

These guidelines are intended to establish criteria and guidelines for fees that are intended to compensate developers for performance of typical activities in the housing development process and as compensation for their time and risk associated with development of affordable housing.

In addition to permissible 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.

Timing Requirements: VHCB will allow no more than 50% of the Development Fee to be paid prior to the 50% Completion benchmark; disbursement of 100% of the Development Fee may occur upon Substantial Completion.

**Applicability**

These guidelines apply to all housing projects with an award of any VHCB administered housing funds, including the HOME Program. In cases in which the Board awards originate from the state of Vermont's capital budget, such funds may not be used to pay development fees.

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.

**Development Fee Guidelines**

1. **Multi-family Housing:** The development fee limits for multifamily housing developments shall conform to those set forth in the State of Vermont's 2022 Federal Housing Credit Qualified Allocation Plan (QAP) or any subsequent approved revision to the QAP. The fee shall be calculated 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, the size of a development fee shall be determined in consultation with VHCB based on the complexity of the development, the availability of other funding resources, and whether there are any other compensation structures in the project for the Developer. In the event of a material change in development costs at any time after the review of an application by the VHCB board, VHCB reserves the right to negotiate with applicants / grantees regarding the appropriateness of changes to proposed development fees.

2. **Mobile Home Parks:** The development fee shall not exceed \$3950 per lot for parks containing over twenty lots and up to \$4500 per lot for parks with twenty or fewer lots.
3. **Homeownership:** The permissible development fees for homeownership units assisted by VHCB are determined by project type and the level of involvement and risk for the applicant as assessed by VHCB. In each case, VHCB may pay the full amount of the allowed fee unless there is another funding source available.

Homeownership Fee Limits:

- Buyer-Initiated Transactions and Habitat New Construction: Up to \$6500 per unit
- Buyer-Initiated Transactions with Rehabilitation Cost: Up to \$12,000 per unit
- Turn-key type projects: Up to \$10,000 per unit
- Development Projects: Up to \$15,000 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, provided the following conditions are met:

- The amount of the original VHCB subsidy will not be reduced; and
- The property remains affordable to an income-eligible buyer as established by the VHCB Housing Subsidy Covenant.

VHCB will also consider fees above 6% of appraised value for resales if 1) there are extraordinary costs with the transaction; 2) the home retains significant affordability with a higher fee and 3) if a portion of the funds received are placed into a homeownership stewardship fund.

**Asset Management Fee Guidelines**

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.