

APPENDIX J

WHEDA'S Developer Fee Policy for Tax Credit Developments

For the 2017 LIHTC cycle, Developer Fees are limited to the following:

- Acquisition/rehab properties
 - Acquisition: 6% developer fee (identity of interest situations: developer fee is limited to a maximum of 3%)
 - Rehab: 16% developer fee
- New construction and adaptive reuse
 - Acquisition: 6% developer fee
 - New construction and adaptive reuse costs: 15% for properties with 24 or fewer units. For other properties, the developer fee is limited to 12% for first 55 units, and 9% for units above 55

The following items and activities are to be combined under the developer fee limits described in this Appendix:

- Developer Fees
- Consultant Fees
- Construction Supervision
- Developer Overhead

A developer fee cannot be collected on amounts deposited into Project Reserves. The maximum developer fees will be calculated as follows:

- Acquisition/rehab properties – the maximum developer fee will be the sum of the Land & Building Acquisition and Rehab fees calculated below
 - Land & Building Acquisition: 6% * Purchase of Buildings and Land Subtotal in Section A of the LOLA Project Cost and Credit Calculation page
 - Fee will be limited to 3% for identity of interest situations
 - Rehab: 16% * (Total Development Cost – Purchase of Land and Buildings - Developer Fee – Consultant Fee – Construction Supervision – Developer Overhead – Project Reserves)
- New construction and adaptive reuse - the maximum developer fee will be the sum of the Site Acquisition and New Construction and/or Adaptive Reuse fees calculated below
 - Site Acquisition: 6% * Purchase of Buildings and Land Subtotal in Section A of the LOLA Project Cost and Credit Calculation page
 - New Construction and Adaptive Reuse costs: Developer Fee % identified below * (Total Development Cost – Purchase of Land and Buildings - Developer Fee – Consultant Fee – Construction Supervision – Developer Overhead – Project Reserves)
 - Developer Fee %
 - 24 or Fewer Units: 15%
 - 25 to 55 units: 12%
 - More than 55 units: 12% for the first 55 units; 9% for remaining units

The sum of developer fees, consultant fees, construction supervision, and developer overhead will not be allowed to increase above the amount in the approved LIHTC Carryover application.

Developer's Fee and Identity of Interest Situations

Those developments that include an "Identity of Interest" will be limited on the amount of developer's fee that can be charged. An Identity of Interest situation between the seller and buyer, regardless of unrelated developer, of real estate limits the fee for the acquisition portion to 3% of the acquisition cost or a minimum of \$5,000. The developer's fee for the rehabilitation portion will be scaled to the amount of rehab as identified above.

The Identity of Interest definition that WHEDA will follow is provided by HUD and bond regulations. HUD's Management Agent handbook (4381.5) defines Identity of Interest as:

"An identity of interest relationship exists if any officer, director, board member, or authorized agent of any development of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.):

- (a) is also an officer, director, board member or authorized agent of any other development team member;
- (b) has any financial interest in any other development team member's firm or corporation;
- (c) is a business partner of an officer, director, board member or authorized agent of any other development team member;
- (d) has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member; or
- (e) advances any funds or items of value to the borrower."