

Managing Multifamily HAP Contracts

Case Studies

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Case Study 1

ORIGINAL HAP CONTRACT 1978

U.S. Department of Housing and Urban Development
Section 8 Housing Assistance Payments Program
Housing Finance and Development Agencies

HOUSING ASSISTANCE PAYMENTS CONTRACT RECEIVED APR 23 1978

Master Section 8 Acct. No.	Acct. List No. C-77-061	New Construction Proj. No. XXXXXXXXXXXXXXXXXXXXXXXXXXXX	Subcontract WI39-H200-004
	3/2/77		

PART 1

THIS HOUSING ASSISTANCE PAYMENTS CONTRACT ("Contract") is entered into by and between the HOUSING FINANCE AUTHORITY, a housing agency ("HFA"), which is a public housing agency as defined in the United States Housing Act of 1937, 42 U.S.C. 1437, et seq. ("Act"), as Section 1437a(6) and _____

_____ ("Owner") and approved by the United States of America acting through the Department of Housing and Urban Development (Government"), pursuant to the Act and the Department of Housing and Urban Development Act, 42 U.S.C. 3531, et seq.

The parties hereto agree as follows:

Section 1.1. Significant Dates and Other Items; Contents of Contract.

(a) Effective Date of Contract. The effective date of this Contract is April 1, 1978. [This date shall be no earlier than the date of submission by the HFA to the Government of the certifications required by 24 CFR 885.316(a).]

(b) Initial Term of Contract. The initial term of this Contract (see Section 1.4(a)) shall be FIVE (5) years), beginning with the effective date of this Contract and ending April 1, 1983.

(c) Number and Length of Optional Additional Terms. The number and length of optional additional terms (see Section 1.4(a)) shall be SEVEN (7) terms of FIVE (5) years

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each [not to exceed (5) years each].

(d) Maximum Total Term of Contract. The maximum total term of this Contract for any unit, including renewals, shall be as specified in Section 1.4(a).

(e) Fiscal Year. The ending date of each Fiscal Year (see Section 1.4(b)) shall be June 30.

(f) Annual Contributions Contract. The Annual Contributions Contract applicable to this Contract ("ACC") (see Section 1.5(a)), is the ACC dated March 23, 1977 with respect to Project No. W139-H200-004.

(g) Maximum Housing Assistance Commitment. The maximum amount of the commitment for housing assistance payments under this Contract (see Section 1.6(a)) is Two Hundred Thirty-Seven Thousand, Two Hundred Forty Dollars (\$ 237,240) per annum. Enter amount specified in the ACC for housing assistance payments, exclusive of the Financing Cost Contingency. This amount shall be subject to increase pursuant to Section 1.5(e)(2) or 1.5(f)(3) of the Agreement or Section 1.9(c)(3) of this Contract, as appropriate.

(h) Percent of Units to be Leased to Very Low-Income Families. In the initial renting of the Contract Units, the minimum percentage of those units required to be leased to Very Low-Income Families (see Section 1.10(c)(1)) shall be Thirty percent (30%).

(i) Contents of Contract. This Contract consists of Part I, Part II and the following exhibits:

Exhibit A: The schedule showing the number of units by size ("Contract Units") and their applicable rents ("Contract Rents");

Exhibit B: The Project description;

Exhibit C: The statement of services, maintenance and utilities to be provided by Owner;

Exhibit D: The Affirmative Fair Housing Marketing Plan, if applicable; and

Additional Exhibits: None.

This Contract, including said exhibits, comprises the entire agreement between the parties hereto with respect to the matters contained herein, and neither party is bound by any representations or agreements of any

kind except as contained herein or except agreements entered into in writing which are not inconsistent with this Contract.

Section 1.2. Owner's Warranties.

(a) Legal Capacity. The Owner warrants that he has the legal right to execute this Contract and to lease dwelling units covered by this Contract.

(b) Completion of Work. The Owner warrants that the Project as described in Exhibit B is in good and tenantable condition and that the Project has been completed in accordance with the terms and conditions of the Agreement to Enter into Housing Assistance Payments Contract ("Agreement") or will be completed in accordance with the terms on which the Project was accepted. The Owner further warrants that he will remedy any defects or omissions covered by this warranty if called to his attention within twelve (12) months of the effective date of this Contract. The Owner and the HFA agree that the continuation of this Contract shall be subject to the conditions set forth in Section 1.4(b) of the Agreement.

Section 1.3. Families to be Housed, HFA Assistance.

(a) Families to be Housed. The Contract Units are to be leased by the Owner to eligible Lower-Income Families ("Families") for use and occupancy by such Families solely as private dwellings.

(b) HFA Assistance.

(1) The HFA hereby agrees to make housing assistance payments on behalf of Families for the Contract Units, to enable such Families to lease Decent, Safe and Sanitary housing pursuant to Section 8 of the Act. Such housing assistance payments shall equal the difference between the Contract Rents for units leased by Families and the portion of such rents payable by Families as determined by the Owner in accordance with schedules and criteria established by the Government.

(2) If there is an Allowance for Utilities and Other Services and if such Allowance exceeds the Gross Family Contribution, the Owner shall pay the Family the amount of such excess on behalf of the HFA upon receipt of funds from the HFA for that purpose.

Section 1.4. Term of Contract, Fiscal Year.

(a) Term of Contract.

Alternative 1-- General: The initial term of this Contract shall be as stated in Section 1.1b. This Contract may be renewed for the number and length of additional terms stated in Section 1.1c, provided that the total Contract term for any unit, including all renewals, shall not exceed the shorter of (1) 40 years or (2) a period terminating on the date of the last payment of principal due on the permanent financing (insert in (1) a number of years equal to the maximum anticipated number of years during which assistance payments will be made, not to exceed 40 years). Renewals shall be automatic unless either party notifies the other in writing, no later than 60 days prior to the expiration of the current term, of his desire not to renew, and the other party agrees in writing that there shall be no renewal. If the project is completed in stages, the dates for the initial term and renewal terms shall be separately related to the units in each stage; Provided, however, that the total Contract term for all the stages, beginning with the effective date of the Contract with respect to the first stage, shall not exceed the total Contract term for any unit specified in this paragraph, plus two (2) years. In any case where the project is owned by, or financed by a loan or loan guarantee from a State or local agency, the housing assistance payments pursuant to this Contract with respect to any dwelling unit shall be payable over a period not to exceed 40 years.

Alternative 2-- For Certain Substantial Rehabilitation Projects:

For a Substantial Rehabilitation project, where the relative cost of the the rehabilitation is less than fifteen percent (15%) of the value of the Project after completion of the rehabilitation, the Contract shall be for one (1) term of not more than five (5) years for any dwelling unit. If the Project is completed in stages, this term shall be separately related to the units in each stage; provided, however, that the total Contract term for all the stages, beginning with the effective date of the Contract with respect to the first stage, shall not exceed said Contract term, plus (2) years.

(b) Fiscal Year. The Fiscal Year for the Project shall be the twelve (12) month period ending on the date stated in Section 1.1(e); provided, however, that the first Fiscal Year for the Project shall be the period beginning with the effective date of the Contract and ending on the last day of said established Fiscal Year which is not less than twelve (12) months after such effective date. If the first Fiscal Year exceeds twelve (12) months, the maximum total annual housing assistance payment in Section 1.6(a) may be adjusted by the addition of the pro rata amount applicable to the period of operation in excess of twelve (12) months.

Section 1.5. Annual Contributions Contract.

(a) Identification of Annual Contributions Contract. The HFA has entered into an Annual Contributions Contract with the Government, as identified in Section 1.1(f), under which the Government will provide financial assistance to the HFA pursuant to Section 8 of the Act for the purpose of making housing assistance payments. A copy of the ACC shall be provided upon request.

(b). HFA Pledge of ACC Payments. The HFA hereby pledges to the payment of housing assistance payments pursuant to this Contract the annual contributions payable under the ACC for such housing assistance payments. The HFA shall not, without the consent of the Owner, amend or modify the ACC in any manner which would reduce the amount of such annual contributions, except as authorized in the ACC and this Contract.

(c) Government Approval of Housing Assistance Payments Contract. The approval of this Contract by the Government signifies that the Government has executed the ACC and that the ACC has been properly authorized; that the faith of the United States is solemnly pledged to the payment of annual contributions pursuant to said ACC; and that funds have been obligated by the Government for such payments to assist the HFA in the performance of its obligations under the Contract.

Section 1.6. Maximum Housing Assistance Commitment, Project Account.

(a) Maximum Housing Assistance Commitment. Notwithstanding any other provisions of this Contract (other than paragraph (b) of this Section) or any provisions of any other contract between the HFA and the Owner, the HFA shall not be obligated to make and shall not make any housing assistance payments under this Contract in excess of the amount, per annum stated in Section 1.1(g); provided, however, that this amount shall be reduced commensurately with any reduc-

tion in the number of Contract Units or in the Contract Rents or pursuant to any other provision of the ACC or this Contract (except reductions in Contract Rents pursuant to Section 1.9(c)(1)).

(b) Project Account. As provided in the ACC, in order to assure that housing assistance payments will be increased on a timely basis to cover increases in Contract Rents or decreases in Family Incomes:

(1) A Project Account shall be established and maintained, in an amount as determined by the Government consistent with its responsibilities under Section 8(c)(6) of the Act out of amounts by which the Maximum ACC Commitment per year (exclusive of any Financing Cost Contingency) exceeds amounts paid under the ACC for any year. This account shall be established and maintained by the Government as a specifically identified and segregated account. To the extent funds are available in said account, the maximum total annual housing assistance payments for any Fiscal Year may exceed the maximum amount stated in paragraph (a) of this Section to cover increases in Contract Rents or decreases in Family Incomes (see Section 1.9). Any amount remaining in said account after payment of the last housing assistance payment with respect to the Project shall be applied by the Government in accordance with law.

(2) Whenever the Government approved estimate of the required Annual Contribution exceeds the Maximum ACC Commitment then in effect (exclusive of any Financing Cost Contingency), and would cause the amount in the Project Account to be less than an amount equal to forty percent (40%) of such Maximum ACC Commitment, the Government shall, within a reasonable period of time, take such additional steps authorized by Section 8(c)(6) of the Act as may be necessary to carry out this assurance, including (as provided in that section of the Act) "the reservation of annual contributions authority for the purpose of amending housing assistance contracts or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts."

Section 1.7. Housing Assistance Payments to Owners.

(a) General.

(1) Housing assistance payments shall be paid to the Owner

for units under lease. Families in accordance with the Contract. The housing assistance payment will cover the difference between the Contract Rent and that portion of said rent payable by the Family as determined in accordance with the Government-established schedules and criteria.

(2) The amount of housing assistance payment payable on behalf of a Family and the amount of rent payable by such Family shall be subject to change by reason of changes in Family Income, Family composition or extent of exceptional medical or other unusual expenses in accordance with the Government-established schedules and criteria; or by reason of adjustment by the HFA of any applicable Allowance for Utilities and Other Services. Any such change shall be effective as of the date stated in a notification of such change to the Family.

(b) Vacancies During Rent-up. If a Contract Unit is not leased as of the effective date of the Contract, the Owner shall be entitled to housing assistance payments in the amount of eighty percent (80%) of the Contract Rent for the unit for a vacancy period not exceeding sixty (60) days from the effective date of the Contract, provided that the Owner (1) commenced marketing and otherwise complied with Section 1.3(b) of the Agreement, (2) has taken and continues to take all feasible actions to fill the vacancy, including, but not limited to, contacting applicants on his waiting list, if any, requesting the HFA and other appropriate sources to refer eligible applicants, and advertising the availability of the unit, and (3) has not rejected any eligible applicant, except for good cause acceptable to the HFA.

(c) Vacancies After Rent-Up.

(1) If a Family vacates its unit (other than as a result of action by the Owner which is in violation of the Lease or the Contract or any applicable law), the Owner shall receive housing assistance payments in the amount of eighty percent (80%) of the Contract Rent for a vacancy period not exceeding sixty (60) days; provided, however, that if the Owner collects any of the Family's share of the rent for this period in an amount which, when added to the eighty percent (80%) payments, results in more than the Contract Rent, such excess shall be payable to the Government or as the Government may direct. (See also Section 1.10(b).) The Owner shall not be entitled to any payment under this subparagraph unless he: (1) immediately upon learning of the vacancy, has notified the HFA of the vacancy or prospective vacancy and the reasons for the vacancy, and (1) has taken and continues to take

the actions specified in paragraphs (b)(2) and (b)(3) of this Section.

(2) If the Owner evicts a Family, he shall not be entitled to any payment under paragraph (c)(1) of this Section unless the request for such payment is supported by a certification that (i) he gave such Family a written notice of the proposed eviction, stating the grounds and advising the Family that it had ten (10) days within which to present its objections to the Owner in writing or in person and (ii) the proposed eviction was not in violation of the Lease or the Contract or any applicable law.

(d) Limitation on Payments for Vacant Units. The Owner shall not be entitled to housing assistance payments with respect to vacant units under this Section to the extent he is entitled to payments from other sources (e.g., payments for losses of rental income incurred for holding units vacant for relocations pursuant to Title I of the Housing and Community Development Act of 1974 or payments under Section 1.10(b) of this Contract).

(e) HFA Not Obligated for Family Rent. The HFA has not assumed any obligation for the amount of rent payable by any Family or the satisfaction of any claim by the Owner against any Family other than in accordance with Section 1.10(b) of this Contract.

(f) Owner's Monthly Requests for Payments.

(1) The Owner shall submit monthly requests to the HFA or as directed by the HFA for housing assistance payments. Each such request shall set forth: (i) the name of each Family and the address and/or number of the unit leased by the Family; (ii) the address and/or the number of units, if any, not leased to Families for which the Owner is claiming payments; (iii) the Contract Rent as set forth in Exhibit A for each unit for which the Owner is claiming payments; (iv) the amount of rent payable by the Family leasing the unit (or, where appropriate,

the amount to be paid the Family in accordance with Section 1.3(b)(2); and (v) the total amount of housing assistance payments requested by the Owner.

(2) Each of the Owner's monthly requests shall contain a certification by him that to the best of his knowledge and belief (i) the dwelling unit is in Decent, Safe and Sanitary condition, (ii) all the other facts and data on which the request for funds is based are true and correct, (iii) the amount requested has been calculated in accordance with the provisions of this Contract and is payable under the Contract, and (iv) none of the amount claimed has been previously claimed or paid.

(3) If the Owner has received an excessive payment, the HHA or the Government, in addition to any other rights to recovery, may deduct the amount from any subsequent payment or payments.

(4) The Owner's monthly requests for housing assistance payments shall be made subject to penalty under 18 U.S.C. 1001, which provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than Ten Thousand Dollars (\$10,000.00) or imprisoned for not more than five (5) years, or both.

(g) Recoupment of Savings in Financing Cost.

(1) In the event that interim financing is used and is continued after the first year of the term of the Contract and the debt service of the interim financing for any period of three (3) months, after such first year, is less than the anticipated debt service under the permanent financing on which the Contract Rents were based, an amount reflecting the

savings in financing cost, computed in accordance with paragraph (g)(2) of this Section, shall be credited by the Government to the Project Account, and withheld from housing assistance payments to the Owner. If during the course of the same year there is any period of three (3) months in which the debt service is greater than the anticipated debt service under the permanent financing, an adjustment shall be made so that only the net amount of savings in financing cost for the year is credited by the Government to the Project Account and withheld by the HFA from the Owner as aforesaid (no increased payments shall be made to the Owner on account of any net excess for the year of actual interim debt service over the anticipated debt service under the permanent financing). Nothing in this paragraph (g) shall be construed as requiring a reduction in the Contract Rents or precluding adjustments of Contract Rents in accordance with Section 1.9.

(2) The computation and recoupment under this paragraph (g) may be made on an annual or on a quarterly or other periodic basis, but in any event no later than as of the end of each Fiscal Year; provided, however, that if recoupment is to be made less often than quarterly, the amounts of recoupment shall be computed on at least a quarterly basis and the funds shall be deposited in a special account from which withdrawals may be made only with the authorization of the HFA. The manner of computing the amount of recoupment shall be as follows:

(i) Determine the amount by which the debt service for the interim financing for the period in question is less than the anticipated

debt service under the permanent financing on which the Contract Rents were based;

(ii) Determine what percentage the amount found under paragraph (g)(2)(i) of this Section is of the aggregate Contract Rents for all Contract Units for the period in question;

(iii) Apply the percentage found in paragraph (g)(2)(ii) of this Section to the aggregate Contract Rents for those Contract Units which are included in the Owner's claim(s) for housing assistance payments for the period in question; and

(iv) The amount found in paragraph (g)(2)(iii) of this Section shall be credited to the Project Account and withheld from the next housing assistance payment or payments to the Owner.

(h) Payments by HFA. The amount of the housing assistance payment, determined in accordance with the provisions of this Contract, up to the amount of the mortgage repayments due the HFA from the Owner pursuant to the mortgage loan made by the HFA for the Project, shall be credited to the Owner and transferred monthly by the HFA from the account maintained under the General Depositary Agreement pursuant to the ACC to the trustee under the note or bond resolution of the HFA under which the notes or bonds to provide the mortgage loan were issued. Any amount of the housing assistance payment in excess of such credit shall be paid by the HFA directly to the Owner.

Section 1.8. Maintenance, Operation and Inspection.

(a) Maintenance and Operation. The Owner agrees (1) to maintain and operate the Contract Units and related facilities so as to provide Decent, Safe and Sanitary housing, and (2) to provide all the services, maintenance and utilities set forth in Exhibit C. If the HFA determines that the Owner is not meeting one or more of these obligations, the HFA shall have the right, in addition to its other rights and remedies under this Contract, to abate housing assistance payments in whole or in part.

(b) Inspection Prior to Occupancy.

(1) Prior to occupancy of any unit by a Family, the Owner and the Family shall inspect the unit and both shall certify, on forms prescribed by the Government, that they have inspected the unit and have determined it to be Decent, Safe and Sanitary in accordance with the criteria provided in the prescribed forms. Copies of these reports shall be kept on file by the Owner for at least three (3) years.

(2) The HFA shall inspect or cause to be inspected each Contract Unit and related facilities at least annually and at such other times (including prior to initial occupancy and re-renting of any unit) as may be necessary to assure that the Owner is meeting his obligation to maintain the units in Decent, Safe and Sanitary Condition and to provide the agreed upon utilities and other services. The HFA shall take into account complaints by occupants and any other information coming to its attention in scheduling inspections and shall notify the Owner and the Family of its determination.

(c) Units Not Decent, Safe and Sanitary. If the HFA notifies the Owner that he has failed to maintain a dwelling unit in Decent, Safe and Sanitary condition and the Owner fails to take corrective action within the time pre-

scribed in the notice, the HFA may exercise any of its rights or remedies under the Contract, including abatement of housing assistance payments, even if the Family continues to occupy the unit. If, however, the Family wishes to be rehoused in another dwelling unit with Section 8 assistance and the HFA does not have other Section 8 funds for such purposes, the HFA may use the abated housing assistance payments for the purpose of rehousing the Family in another dwelling unit. Where this is done, the Owner shall be notified that he will be entitled to resumption of housing assistance payments for the vacated dwelling unit if (1) the unit is restored to Decent, Safe and Sanitary condition, (2) the Family is willing to and does move back into the restored unit, and (3) a deduction is made for the expenses incurred by the Family for both moves.

(d) Notification of Abatement. Any abatement of housing assistance payments shall be effective as provided in written notification to the Owner. The HFA shall promptly notify the Family of any such abatement.

(e) Overcrowded and Underoccupied Units. If the HFA determines that a Contract Unit is not Decent, Safe and Sanitary by reason of increase in Size, or that a Contract Unit is larger than appropriate for the size of the Family in occupancy, housing assistance payments with respect to such unit will not be abated, unless the Owner fails to offer the Family a suitable unit as soon as one becomes vacant and ready for occupancy. In the case of an overcrowded unit, if the Owner does not have any suitable units or if no vacancy of a suitable unit occurs within a reasonable time, the HFA will assist the Family in finding a suitable dwelling unit and require the Family to move to such a unit as soon as possible. The Owner may receive housing assistance payments for the vacated unit if he complies with the requirements of Section 1.7(c)(1).

Section 1.9. Rent Adjustments.

(a) Funding of Adjustments. Housing assistance payments will be made in increased amounts commensurate with Contract Rent adjustments under this Section up to the maximum amount authorized under Section 1.6 of this Contract.

(b) Automatic Annual Adjustments.

(1) Automatic Annual Adjustment Factors will be determined by the Government at least annually; interim revisions may be made as market conditions warrant. Such factors and the basis for their deter-

mination will be published in the Federal Register. These published factors will be reduced appropriately by the Government where utilities are paid directly by the Families.

(2) On each anniversary date of the Contract, the Contract Rents shall be adjusted by applying the applicable Automatic Annual Adjustment Factor most recently published by the Government. Contract Rents may be adjusted upward or downward, as may be appropriate; however, in no case shall the adjusted Contract Rents be less than the Contract Rents on the effective date of the Contract.

(c) Special Additional Adjustments. Special additional adjustments shall be granted, when approved by the Government, to reflect increases in the actual and necessary expenses of owning and maintaining the Contract Units which have resulted from substantial general increases in real property taxes, utility rates or similar costs (i.e., assessments, and utilities not covered by regulated rates), but only if and to the extent that the Owner or the HFA clearly demonstrates that such general increases have caused increases in the Owner's operating costs which are not adequately compensated for by automatic annual adjustments. The Owner or the HFA shall submit to the Government financial statements which clearly support the increase.

(d) Overall Limitation. Notwithstanding any other provisions of this Contract, adjustments as provided in this Section shall not result in material differences between the rents charged for assisted and comparable unassisted units, as determined by the HFA (and approved by the Government, in the case of adjustments under paragraph (c) of this Section; provided, that this limitation shall not be construed to prohibit differences in rents between assisted and comparable unassisted units to the extent that such differences may have existed with respect to the initial Contract Rents.

(c) Adjustment to Reflect Actual Cost of Permanent Financing. This paragraph (c) shall apply if the Project is not permanent financed until after the effective date of the Contract. After the Project is permanent financed, the HFA shall submit a certification to the Government as to the actual financing terms and the following provisions shall apply:

(1) If the actual debt service under the permanent financing is lower than the anticipated debt service on which the Contract Rents were based, the Contract Rents currently in effect shall be reduced commensurately, and the amount of the savings shall be credited to the Project Account. The Maximum ACC Commitment shall not be reduced except by the amount of the contingency, if any, which was included for possible increases under paragraph (c)(2) of this Section.

(2) If the actual debt service under the permanent financing is higher than the anticipated debt service on which the Contract Rents were based, and the HFA is using its set-aside for the Project, the Contract Rents currently in effect shall be increased commensurately, not to exceed the limitations in this paragraph (c)(2) and the amount of the Financing Cost Contingency in the ACC, if the projected borrowing rate (net interest cost) was not less than the average net interest cost for the preceding quarter (at the time the projection was submitted to the Government) of the "20 Bond Index" published weekly in the Bond Buyer, plus fifty (50) basis points. An adjustment under this paragraph (c)(2) shall not be more than is necessary to reflect an increase in debt service (based upon the original projected capital cost and the actual term of the permanent financing for the project) resulting from an increase in interest rate of not more than:

(1) One and one-half percent (1-1/2%)

if the projected spread as submitted to the Government was three-fourths (3/4) of one percent (1%) or less, or

- (i) One percent (1%) if such projected spread was more than three-fourths ($3/4$) of one percent (1%) but not more than one percent (1%), or
- (iii) One-half ($1/2$) of one percent (1%) if such projected spread was more than one percent (1%).

(3) After Contract Rents have been adjusted in accordance with paragraph (e)(1) or (e)(2) of this Section, the maximum amount of the ACC commitment shall be reduced by the amount of any unused portion of the Financing Cost Contingency, and such portion shall be reallocated to the then current set-aside of the HFA, if any. At the same time, if the Contract Rents have been increased in accordance with paragraph (e)(2) of this Section, the maximum Contract amount specified in Section 1.1(g) shall be increased commensurately.

(4) Incorporation of Rent Adjustment. Any adjustment in Contract Rents shall be incorporated into Exhibit A by a dated addendum to the exhibit establishing the effective date of the adjustment.

Section 1.10. Marketing and Leasing of Units.

(a) Compliance with Equal Opportunity. Marketing of units and selection of Families by the Owner shall be in accordance with the Owner's Government-approved Affirmative Fair Housing Marketing Plan, shown as Exhibit B, and with all regulations relating to fair housing advertising.

(b) Security and Utility Deposits.

(1) The Owner may require Families to pay a security deposit in an amount equal to one (1) month's Gross Family Contribution. If a Family vacates its unit, the Owner, subject to State and local law, may utilize the deposit as reimbursement for any unpaid rent or other amount owed under the Lease. If the Family has provided a security deposit, and it is insufficient for such reimbursement, the Owner may claim reimbursement from the HFA, not to exceed an amount equal to the remainder of one (1) month's Contract Rent. Any reimbursement under this Section shall be applied first toward any unpaid rent. If a Family vacates its unit owing no rent or other amount under the Lease, or if the amount owed is less than the amount of the security deposit, the Owner shall refund the full amount or the unused balance, as the case may be, to the Family.

(2) In those jurisdictions where interest is payable to the Owner on security deposits, the refunded amount shall include the amount of interest payable. All security deposit funds shall be deposited by the Owner in a segregated bank account, and the balance of this account, at all times, shall be equal to the total amount collected from tenants in occupancy, plus any accrued interest. The Owner shall comply with all State and local laws regarding interest payments on security deposits.

(3) Families shall be expected to obtain the funds to pay security and utility deposits, if required, from their own resources and/or other private or public sources.

(c) Eligibility, Selection and Admission of Families.

(1) The Owner shall be responsible for determination of eligibility of applicants, selection of families from among those determined to be eligible, and computation of the amount of housing assistance payments on behalf of each selected family in accordance with schedules and criteria established by the Government. In the initial renting of the Contract Units, the Owner shall lease at least that percentage of those units which is stated in Section 1.1(h) to Very Low-Income Families (determined in accordance with the Government-established schedules and criteria) and shall thereafter exercise his best efforts to maintain at least that percentage of occupancy of the Contract Units by Very Low-Income Families as determined in accordance with such schedules and criteria.

(2) The lease entered into between the Owner and each selected family shall be on the form of lease approved by the Government.

(3) The Owner shall make a reexamination of family income, composition and the extent of medical or other unusual expenses incurred by the family at least annually (except that such reviews may be made at intervals of no longer than two (2) years in the case of elderly families), and appropriate redeterminations shall be made by the Owner of the amount of family contribution and the amount of housing assistance payments, all in accordance with schedules and criteria established by the Government. In connection with the reexamination, the

Owner shall determine what percentage of Families in occupancy are Very Low-Income Families. If there are fewer than the agreed to percentage of Very Low-Income Families in occupancy, the Owner shall report the fact to the HFA and shall adopt changes in his admission policies to achieve, as soon as possible, at least the agreed to percentage of occupancy by such Families.

(d) Rent Redetermination After Adjustment in Allowance for Utilities and Other Services. In the event that the Owner is notified of an HFA determination making an adjustment in the Allowance for Utilities and Other Services applicable to any of the Contract Units, the Owner shall promptly make a corresponding adjustment in the amount of rent to be paid by the affected Families and the amount of housing assistance payments.

(e) Processing of Applications and Complaints. The Owner shall process applications for admission, notifications to applicants and complaints by applicants in accordance with applicable HFA or Government requirements and shall maintain records and furnish such copies or other information as may be required by the HFA or the Government.

(f) Review, Incorrect Payments. In making housing assistance payments to Owners, the HFA or the Government will review the Owner's determinations under this Section. If as a result of this review, or other reviews, audits or information received by the HFA or the Government at any time, it is determined that the Owner has received improper or excessive housing assistance payments, the HFA or the Government shall have the right to deduct the amount of such overpayments from any amounts otherwise due the Owner, or otherwise effect recovery thereof.

Section 1.11. Termination of Tenancy. The Owner shall be responsible for termination of tenancies, including evictions. However, conditions for payment of housing assistance payments for any resulting vacancies shall be as set forth in Section 1.7(c).

Section 1.12. Reduction of Number of Contract Units for Failure to Lease to Eligible Families.

(a) After First Year of Contract. If at any time, beginning six (6) months after the effective date of this Contract, the Owner fails for a continuous period of six (6) months to have at least eight percent (8%) of the Contract Units leased or available for leasing by Families, the HFA, with Government approval, may on thirty (30) days' notice reduce the number of Contract Units to not less than the number of units under lease or available for leasing by Families plus ten percent (10%) of such number if the number is ten (10) or more, rounded to the next highest number.

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(b) At End of Initial and Each Renewal Term. At the end of the initial term of the Contract or of each renewal term, the HFA, with Government approval, may, by notice to the Owner, reduce the number of Contract Units to not less than (1) the number of units under lease or available for leasing by Families at that time or (2) the average number of units so leased or available for leasing during the last year, whichever is the greater, plus ten percent (10%) of such number if the number is ten (10) or more, rounded to the next highest number.

(c) Restoration of Units. The Government will agree to an amendment of the ACC to provide for subsequent restoration of any reduction made pursuant to paragraph (a) or (b) of this Section if the Government determines that the restoration is justified as a result of changes in demand and in the light of the Owner's record of compliance with his obligations under the Contract and if annual contributions contract authority is available; and the Government will take such steps authorized by Section 8(c)(6) of the Act as may be necessary to carry out this assurance (see Section 1.6).

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than ten thousand dollars (\$10,000.00) or imprisoned for not more than five (5) years, or both.

By _____

Date: 3/31/78

OWNER _____

By _____

Date: March 31, 1978

APPROVED:

By _____

[If the Project is to be completed and accepted in stages, execution of the contract with respect to the several stages appears on the following pages of this Contract]

Execution of Contract with Respect
to Contract Units Completed and
Accepted in Stages - Stage 1

This Contract is hereby executed with respect to the units described in Exhibit A-1. The effective date of this Contract with respect to the units described in Exhibit A-1 is April 1 1978 [insert date which shall be no earlier than the date of submission by the BFA to the Government of the certifications required by 24 CFR, Section 883.316(a)]

By Miguel V. Cruz
Date: March 31, 1978

APPROVED:

AFERICA, SECRETARY OF
DEVELOPMENT

Date:

Execution of Contract with Respect
to Contract Units Completed and
Accepted in Stages - Stage 2

This Contract is hereby executed with respect to the units described in Exhibit A-2. The effective date of this Contract with respect to the units described in Exhibit A-2 is July 8 1976 [insert date which shall be no earlier than the date of approval by the Government].

AUTHORITY

Date:

OWNER _____

By

Date: 6-30-76

APPROVED:

AMERICA, SECRETARY OF
DEVELOPMENT

Date:

pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR Part 135, and all applicable rules and orders of the Department, issued thereunder prior to the execution of this Contract. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.

"(C) The contractor will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.

"(D) The contractor will include this Section 3 clause in every subcontract for work in connection with the Project and will, at the direction of the applicant for or recipient of Federal financial assistance, take appropriate action pursuant to the subcontract upon a finding that the subcontract is in violation of regulations issued by the Secretary of Housing and Urban Development, 24 CFR Part 135. The contractor will not subcontract with any subcontractor where it has notice or knowledge that the latter has been found in violation of regulations under 24 CFR Part 135, and will not let any subcontract unless the subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.

"(E) Compliance with the provisions of Section 3, the regulations set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of the Contract, shall be a condition of the Federal financial assistance provided to the Project, binding upon the applicant or recipient for such assistance, its successors and assigns. Failure to fulfill these requirements shall subject the applicant or recipient, its contractors and subcontractors, its successors and assigns, to those sanctions specified by the grant or loan agreement or contract through which Federal assistance is provided, and to such sanctions as are specified by 24 CFR 135.135."

(e) The Owner agrees that he will be bound by the above Employment of Project Area Residents and Contractors clause with respect to his own employment practices when he participates in federally assisted work.

Section 2.3. Cooperation in Equal Opportunity Compliance Reviews. The HFA and the Owner shall cooperate with the Government in the conducting of compliance reviews and complaint investigations pursuant to all applicable civil rights statutes, Executive Orders and rules and regulations pursuant thereto.

Section 2.4. Flood Insurance. If the Project is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and if the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, the Owner agrees that the Project will be covered, during its anticipated economic or useful life, by flood insurance in an amount at least equal to its development or Project cost (less estimated land cost) or to the maximum limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less,

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Case Study 1

Section 2.5. Clean Air Act and Federal Water Pollution Control Act.² In compliance with regulations issued by the Environmental Protection Agency ("EPA"), 40 CFR Part 15, 19 FR 11099, pursuant to the Clean Air Act, as amended ("Air Act"), 42 U.S.C. 1857, et seq., the Federal Water Pollution Control Act, as amended ("Water Act"), 33 U.S.C. 1251, et seq., and Executive Order 11738, the Owner agrees that:

(a) Any facility to be utilized in the performance of this Contract or any subcontract shall not be a facility listed on the EPA List of Violating Facilities pursuant to Section 15.20 of said regulations;

(b) He will promptly notify the HFA of the receipt of any communication from the EPA indicating that a facility to be utilized for the Contract is under consideration to be listed on the EPA List of Violating Facilities;

(c) He will comply with all the requirements of Section 114 of the Air Act and Section 308 of the Water Act relating to inspection, monitoring, entry, reports and information, as well as all other requirements specified in Section 114 and Section 308 of the Air Act and the Water Act, respectively, and all regulations and guidelines issued thereunder; and

(d) He will include or cause to be included the provisions of this Section in every non-exempt subcontract, and that he will take such action as the Government may direct as a means of enforcing such provisions.

Section 2.6. HFA and Government Access to Premises and Owner's Records.

(a) The Owner shall furnish such information and reports pertinent to the Contract as reasonably may be required from time to time by the HFA or the Government.

(b) The Owner shall permit the HFA or the Government or any of their duly authorized representatives to have access to the premises and, for the purpose of audit and examination, to have access to any books, documents, papers and records of the Owner that are pertinent to compliance with this Contract, including the verification of information pertinent to the monthly requests for housing assistance payments.

Section 2.7. Failure or Inability of HFA to Comply with Contract. The following provisions of the ACC are hereby made a part of this Contract:

*(a) Rights of Owner if HFA Defaults.

*(1) In the event of failure of the HFA to comply with the Contract with the Owner, or if such Contract is held to be void, voidable or ultra vires, or if the power or right of the HFA to enter into such Contract is drawn into question in any legal proceeding, or if the HFA

²Strike this Section if the Contract Bids on the effective date of this Contract, over the maximum total term of this Contract, are \$100,000.00 or less.

asserts or claims that such Contract is not binding upon the HFA for any such reason, the Government may, after notice to the HFA giving it a reasonable opportunity to take corrective action, determine that the occurrence of any such event constitutes a Substantial Default hereunder. Where the Government so determines, it shall have the right to assume the HFA's rights and obligations under such Contract, perform the obligations and enforce the rights of the HFA, and exercise such other powers as the Government may have to cure the Default; however, whether or not the Government elects to proceed in this manner, the Government shall, if it determines that the Owner is not in default, continue for the duration of such Contract to pay Annual Contributions for the purpose of making housing assistance payments with respect to dwelling units under such Contract.

"(2) All rights and obligation of the HFA assumed by the Government pursuant to this Section 2.16(a) will be returned as constituted at the time of such return (i) when the Government is satisfied that all defaults have been cured and that the Project will thereafter be administered in accordance with all applicable requirements, or (ii) when the Housing Assistance Payments Contract is at an end, whichever occurs sooner.

"(3) The provisions of this Section 2.16(a) are made with, and for the benefit of, the Owner, the HFA (but only in its capacity as lender), or the Owner's other assignees, if any, who will have been specifically approved by the Government prior to such assignment. If such parties are not in default, they may, in order to enforce the performance of these provisions, (i) demand that the Government, after notice to the HFA giving it a reasonable opportunity to take corrective action, make a determination whether a Substantial Default exists under paragraph (a)(1) of this Section, (ii) if the Government determines that a Substantial Default exists, demand that the Government take action as authorized in paragraph (a)(1) and (iii) proceed against the Government by suit at law or in equity."

Section 2.8. Rights of HFA and Government if Owner Defaults under Contract.

(a) A default by the Owner under this Contract shall result if:

(1) The Owner has violated or failed to comply with any provision of, or obligation under, this Contract or of any Lease; or

(2) The Owner has asserted or demonstrated an intention not to perform some or all of his obligations under this Contract or under any Lease.

(b) Upon a determination by the HFA that a default has occurred, the HFA shall notify the Owner, with a copy to the Government, of (1) the nature of the default, (2) the actions required to be taken and the remedies to be applied on account of the default (including actions by the Owner to cure the default, and, where appropriate, abatement of housing assistance payments in whole or in part and recovery of overpayments), and (3) the time within which the Owner shall

respond with a showing that he has taken all the actions required of him. If the Owner fails to respond or take action to the satisfaction of the HFA and the Government, the HFA shall have the right to terminate this Contract in whole or in part or to take other corrective action to achieve compliance, in its discretion or as directed by the Government.

(c) Notwithstanding any other provisions of this Contract, in the event the Government determines that the Owner is in default of his obligations under the Contract, the Government shall have the right, after notice to the Owner and the HFA giving them a reasonable opportunity to take corrective action, to abate or terminate housing assistance payments and recover overpayments in accordance with the terms of the Contract. In the event the Government takes any action under this Section, the Owner and the HFA hereby expressly agree to recognize the rights of the Government to the same extent as if the action were taken by the HFA. The Government shall not have the right to terminate the Contract except by proceeding in accordance with Section 2.16(b) of the ACC and paragraph (b) of this Section.

Section 2.9. Remedies Not Exclusive and Non-Waiver of Remedies. The availability of any remedy provided for in this ACC or in the Contract shall not preclude the exercise of any other remedy under this ACC or the Contract or under any provisions of law, nor shall any action taken in the exercise of any remedy be deemed a waiver of any other rights or remedies. Failure to exercise any right or remedy shall not constitute a waiver of the right to exercise that or any other right or remedy at any time.

Section 2.10. Disputes.

(a) Except as otherwise provided herein, any dispute concerning a question of fact arising under this Contract which is not disposed of by agreement of the HFA and the Owner may be submitted by either party to the Department of Housing and Urban Development field office director who shall make a decision and shall mail or otherwise furnish a written copy thereof to the Owner and the HFA.

(b) The decision of the field office director shall be final and conclusive unless, within thirty (30) days from the date of receipt of such copy, either party mails or otherwise furnishes to the Government a written appeal addressed to the Secretary of Housing and Urban Development. The decision of the Secretary or duly authorized representative for the determination of such appeals shall be final and conclusive, unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

In connection with any appeal proceeding under this Section, the appellant shall be afforded an opportunity to be heard and to offer evidence in support of his appeal. Pending final decision of a dispute hereunder, both parties shall proceed diligently with the performance of the Contract and in accordance with the decision of the field office director.

(c) This Section does not preclude consideration of questions of law in connection with the decisions rendered under paragraphs (a) and (b) of this Section; provided, however, that nothing herein shall be construed as making final the decision of any administrative official, representative or board, on a question of law.

Section 2.11. Interest of Members, Officers or Employees of HFA, Members of Local Governing Body or Other Public Officials. No member, officer or employee of the HFA, no member of the governing body of the State or locality (city and county) in which the Project is situated, and no other public official of such State or locality who exercises any functions or responsibilities with respect to the Project, during his tenure or for one (1) year thereafter, shall have any interest, direct or indirect, in this Contract or in any proceeds or any benefits arising therefrom. In the case of a Project owned by a public housing agency, the foregoing prohibition shall also apply to members of the governing body of the locality (city and county) in which such public housing agency was activated.

Section 2.12. Interest of Member of or Delegate to Congress. No member of or delegate to the Congress of the United States of America or resident commissioner shall be admitted to any share or part of this Contract or to any benefits which may arise therefrom.

Section 2.13. Assignment, Sale or Foreclosure.

(a) The Owner agrees that he has not made and will not make any sale, assignment or conveyance or transfer in any other form of this Contract or the Project or any part thereof or any of his interest therein, without the prior consent of the HFA and the Government; provided, however, that in the case of an assignment as security for the purpose of obtaining financing of the Project, the HFA and the Government shall consent in writing if the terms of the financing have been approved by the Government.

(b) The Owner agrees to notify the HFA and the Government promptly of any proposed action covered by paragraph (a) of this Section. The Owner further agrees to request the written consent of the HFA and the Government in regard thereto.

(c) (1) A transfer by the Owner, in whole or in part, or a transfer by a party having a substantial interest in said Owner, or transfers by more than one party of interests aggregating a substantial interest in said Owner, or any other similarly significant change in the ownership of interests in the Owner, or in the relative distribution thereof, or with respect to the parties in control of the Owner or the degree thereof, by any other method or means (e.g., increased capitalization, merger with another corporation or other entity, corporate or other amendments, issuance of new or additional ownership interests or classification of ownership interests or otherwise) shall be deemed an assignment, conveyance or transfer for purposes of this Section 2.13. An assignment by the Owner to a limited partnership, in which no limited partner has a 25 percent or more interest and of which the Owner is the sole general partner, shall not be considered an assignment, conveyance, or transfer.

(2) The term "substantial interest" means the interest of any general partner, any limited partner having a 25 percent or more interest in the organization, any corporate officer or director, and any stockholder having a 10 percent or more interest in the organization.

(3) The Owner, and the party signing this Contract on behalf of said Owner, represent that they have the authority of all of the existing parties having ownership interests in the Owner to agree to this provision on their behalf and to bind them with respect thereto.

(d) In the event of foreclosure or assignment or sale to the HFA (or mortgagee if the HFA is not the mortgagee) in lieu of foreclosure, or in the events of assignment or sale agreed to by the HFA (or mortgagee if the HFA is not the mortgagee) and approved by the Government (which approval shall not be unreasonably delayed or withheld), housing assistance payments shall continue in accordance with the terms of the Contract.

Notes

FINANCIAL STATEMENTS

Balance Sheet June 30, 2017

Assets

Current Assets

450-0-1110.000	Petty Cash	\$ 100.00	
450-0-1120.000	Cash-Operations	109,310.82	
450-0-1130.000	Tenant Accounts Receivable	5,528.98	
450-0-1135.000	Housing Assistant Receivable	446.00	
450-0-1145.000	Accounts & Notes Rec	31,316.00	
450-0-1240.000	Prepaid Property Insurance	15,681.50	
450-0-1312.000	Insurance Escrow-Mortgage	<u>1,022.76</u>	
	Total Current Assets		<u>\$ 163,406.06</u>

Funded Deposits Held in Trust

450-0-1191.000	Tenant Security Deposits	\$ 21,806.83	
450-0-1320.000	Replacement Reserve	933.18	
450-0-1321.000	Replacement Reserve Withdrawals	(753.44)	
450-0-1322.000	Replacement Reserve Deposits	7,694.70	
450-0-1323.000	Replacement Reserves-Prior Year Bala	<u>131,644.18</u>	
	Total Funded Deposits in Trust		<u>\$ 161,325.45</u>

Fixed Assets

450-0-1410.000	Land	\$ 460,000.00	
450-0-1420.000	Buildings	1,808,279.00	
450-0-1421.000	Building Improvements	309,084.39	
450-0-1440.000	Building Equipment (Portable)	58,918.65	
450-0-1460.000	Furnishings	33,703.62	
450-0-1490.000	Land Improvements	81,420.72	
450-0-4100.000	Accumulated Depreciation	<u>(647,023.37)</u>	
	Net Fixed Assets		<u>\$ 2,104,383.01</u>

Other Assets

Net Other Assets

Total Assets

\$ 2,429,114.52

Managing Multifamily HAP Contracts

Case Study 1

Balance Sheet
June 30, 2017

Liabilities and Equity

Current Liabilities

450-0-2110.000	Accounts Payable	\$ 13,955.72	
450-0-2133.000	Accrued Int-1	2,639.00	
450-0-2134.000	Accrued Interest	137,357.50	
450-0-2210.000	Prepaid Rent	<u>1,460.00</u>	
	Total Current Liabilities		\$ 155,412.22

Deposit Liabilities

450-0-2191.000	Tenant Security Deposits	\$ 21,027.15	
450-0-2192.000	Pet Deposits	<u>1,028.37</u>	
	Total Current Liabilities		\$ 22,055.52

Long Term Liabilities

450-0-2315.000	Note Payable	\$ 515,416.73	
450-0-2320.000	Mortgage Payable-Long Term	1,429,552.01	
450-0-2370.000	Deferred Revenue Charter Contract	3,812.00	
450-0-2420.000	Mortgage Principal Payments	(20,728.12)	
450-0-2520.000	Financing Fees	(54,386.32)	
450-0-2521.000	Acc Amor of Financing Fees	<u>50,948.38</u>	
	Long Term Liabilities		\$ 1,924,614.68
	Total Liabilities		\$ 2,102,082.42

450-0-3210.000	Accumulated Profit (Loss)	\$ 330,886.80	
	Net Income	<u>(3,854.70)</u>	
	Total Equity		\$ 327,032.10
	Total Liabilities & Equity		\$ 2,429,114.52

Managing Multifamily HAP Contracts

Case Study 1

Statement of Profit and Loss For the Period Ended June 30, 2017

		Current Period	Current Budget	Current Y-T-D	Budget Y-T-D	\$ Variance
REVENUES						
	<u>Rental Income</u>					
450-0-5120.000	Rental Revenue	\$ 18,225.00	\$ 18,757.00	\$ 109,636.06	\$ 112,542.00	\$ (2,905.94)
450-0-5121.000	Tenant Assistance Payments	<u>16,203.00</u>	<u>15,347.00</u>	<u>94,972.94</u>	<u>92,082.00</u>	<u>2,890.94</u>
	Potential Rents	\$ 34,428.00	\$ 34,104.00	\$ 204,609.00	\$ 204,624.00	\$ (15.00)
450-0-5220.000	Vacancies	<u>\$ 9.11</u>	<u>\$ (1,705.00)</u>	<u>\$ (4,532.92)</u>	<u>\$ (10,230.00)</u>	<u>\$ 5,697.08</u>
	Vacancies	\$ 9.11	\$ (1,705.00)	\$ (4,532.92)	\$ (10,230.00)	\$ 5,697.08
	Net Realized Rents	<u>\$ 34,437.11</u>	<u>\$ 32,399.00</u>	<u>\$ 200,076.08</u>	<u>\$ 194,394.00</u>	<u>\$ 5,682.08</u>
	<u>Other Revenue</u>					
450-0-5225.000	Vacancy Claims	\$ 0.00	\$ 171.00	\$ 0.00	\$ 1,026.00	\$ (1,026.00)
450-0-5290.000	Charter Contract Income	49.50	0.00	297.00	0.00	297.00
450-0-5910.000	Laundry and Vending Revenue	569.50	525.00	3,728.50	3,150.00	578.50
450-0-5920.000	Late Fees	30.00	50.00	160.00	300.00	(140.00)
450-0-5930.000	Damages & Cleaning Fees	71.00	200.00	3,015.26	1,200.00	1,815.26
450-0-5990.000	Other Operating Income	<u>9.20</u>	<u>0.00</u>	<u>50.25</u>	<u>0.00</u>	<u>50.25</u>
	Total Other Revenue	\$ 729.20	\$ 946.00	\$ 7,251.01	\$ 5,676.00	\$ 1,575.01
Total Revenue		<u>\$ 35,166.31</u>	<u>\$ 33,345.00</u>	<u>\$ 207,327.09</u>	<u>\$ 200,070.00</u>	<u>\$ 7,257.09</u>
OPERATING EXPENSES						
	Administrative Expense					
450-0-6210.000	Advertising	\$ 55.76	\$ 167.00	\$ 473.96	\$ 1,002.00	\$ 528.04
450-0-6235.000	Seminars & Training	0.00	46.00	82.49	276.00	193.51
450-0-6250.000	Other Renting Expenses	0.00	55.00	358.77	330.00	(28.77)
450-0-6260.000	Credit Check Expense	45.00	44.00	271.03	264.00	(7.03)
450-0-6310.000	Office Salaries	748.80	753.00	4,465.72	4,518.00	52.28
450-0-6311.000	Office Expenses	263.66	417.00	2,521.91	2,502.00	(19.91)
450-0-6320.000	Management Fees	2,177.87	2,052.00	12,920.48	12,312.00	(608.48)
450-0-6330.000	Manager Salaries	2,661.01	2,725.00	16,021.95	16,350.00	328.05
450-0-6340.000	Legal Fees	0.00	8.00	112.00	48.00	(64.00)
450-0-6350.000	Audit Fees	0.00	0.00	5,157.00	5,292.00	135.00
450-0-6351.000	Bookkeeping/Accounting Fees	354.36	354.00	2,221.38	2,124.00	(97.38)
450-0-6360.000	Telephone	188.54	229.00	1,338.28	1,374.00	35.72
450-0-6370.000	Bad Debt	0.00	83.00	(98.46)	498.00	596.46
450-0-6380.000	Social and Recreational	75.08	127.00	642.88	762.00	119.12
450-0-6390.000	Miscellaneous Administrative	<u>107.52</u>	<u>81.00</u>	<u>538.68</u>	<u>486.00</u>	<u>(52.68)</u>
	Total Administrative Expense	\$ 6,677.60	\$ 7,141.00	\$ 47,028.07	\$ 48,138.00	\$ 1,109.93
	Utility Expense					
450-0-6450.000	Electricity	\$ 499.10	\$ 1,009.00	\$ 6,392.49	\$ 6,054.00	\$ (338.49)
450-0-6451.000	Water/Sewer	1,128.89	1,267.00	6,682.78	7,602.00	919.22
450-0-6452.000	Gas	<u>198.98</u>	<u>272.00</u>	<u>1,714.58</u>	<u>1,632.00</u>	<u>(82.58)</u>
	Total Utility Expense	\$ 1,826.97	\$ 2,548.00	\$ 14,789.85	\$ 15,288.00	\$ 498.15
	Maintenance Expense					
450-0-6510.000	Maintenance Payroll	\$ 3,727.43	\$ 3,538.00	\$ 23,705.58	\$ 21,228.00	\$ (2,477.58)
450-0-6515.000	Janitor and Cleaning Supplies	145.67	108.00	714.42	648.00	(66.42)
450-0-6519.000	Exterminating Expense	10.47	25.00	10.47	150.00	139.53
450-0-6520.000	Contracts	0.00	50.00	0.00	300.00	300.00

Managing Multifamily HAP Contracts

Case Study 1

Statement of Profit and Loss For the Period Ended June 30, 2017

450-0-6525.000	Trash Removal	\$ 481.93	\$ 583.00	\$ 3,324.57	\$ 3,498.00	\$ 173.43
450-0-6535.000	Grounds Supplies	105.83	820.00	876.42	2,440.00	1,563.58
450-0-6541.000	Appliance Maint/Repair	0.00	283.00	1,704.45	1,698.00	(6.45)
450-0-6542.000	Repairs Contract	0.00	783.00	2,327.04	4,698.00	2,370.96
450-0-6544.000	Plumbing	770.13	250.00	3,090.58	1,500.00	(1,590.58)
450-0-6545.000	Elevator Maintenance/Contract	0.00	333.00	1,844.16	1,998.00	153.84
450-0-6546.000	Heating/Cooling Maintenance	153.99	42.00	399.75	252.00	(147.75)
450-0-6548.000	Snow Removal	0.00	0.00	2,545.00	3,600.00	1,055.00
450-0-6561.000	Decorating Supplies	34.97	100.00	484.53	600.00	115.47
450-0-6562.000	Carpeting	0.00	474.00	3,312.32	2,844.00	(468.32)
450-0-6565.000	Electrical Repairs	0.00	292.00	270.55	1,752.00	1,481.45
450-0-6570.000	Vehicle and Equipment Repairs	44.90	83.00	329.87	498.00	168.13
450-0-6590.000	Miscellaneous Maintenance	<u>0.00</u>	<u>8.00</u>	<u>0.00</u>	<u>48.00</u>	<u>48.00</u>
	Total Maintenance Expense	\$ 5,475.32	\$ 7,772.00	\$ 44,939.71	\$ 47,752.00	\$ 2,812.29
Tax and Insurance Expense						
450-0-6711.000	Payroll Taxes	\$ 557.23	\$ 643.00	\$ 4,047.32	\$ 3,858.00	\$ (189.32)
450-0-6720.000	Property Insurance	1,318.25	1,319.00	7,538.25	7,914.00	375.75
450-0-6721.000	Fidelity Bond Insurance	0.00	13.00	142.25	78.00	(64.25)
450-0-6722.000	Workers' Compensation	0.00	225.00	3,662.28	1,350.00	(2,312.28)
450-0-6723.000	Health Insurance and Benefits	610.97	733.00	6,189.20	4,398.00	(1,791.20)
450-0-6790.000	Misc Taxes, Lic., Permit and Insurance	<u>0.00</u>	<u>1.00</u>	<u>0.00</u>	<u>6.00</u>	<u>6.00</u>
	Total Tax & Insurance Expense	\$ 2,486.45	\$ 2,934.00	\$ 21,579.30	\$ 17,604.00	\$ (3,975.30)
Total Operating Expenses		<u>\$ 16,466.34</u>	<u>\$ 20,395.00</u>	<u>\$ 128,336.93</u>	<u>\$ 128,782.00</u>	<u>\$ 445.07</u>
NET OPERATING INCOME		<u>\$ 18,699.97</u>	<u>\$ 12,950.00</u>	<u>\$ 78,990.16</u>	<u>\$ 71,288.00</u>	<u>\$ 7,702.16</u>
INVESTMENT INCOME						
450-0-5410.000	Interest Revenue-Operations	\$ 2.35	\$ 0.00	\$ 12.50	\$ 0.00	\$ 12.50
450-0-5440.000	Interest Revenue-Reserves	<u>215.47</u>	<u>0.00</u>	<u>933.18</u>	<u>0.00</u>	<u>933.18</u>
	Net Investment Income	\$ 217.82	\$ 0.00	\$ 945.68	\$ 0.00	\$ 945.68
NET OPERATING & INVESTMENT INCOME		<u>\$ 18,917.79</u>	<u>\$ 12,950.00</u>	<u>\$ 79,935.84</u>	<u>\$ 71,288.00</u>	<u>\$ 8,647.84</u>
OTHER INCOME AND EXPENSES						
Financial Expense						
450-0-6820.000	Interest on Mortgage Payable Mortgage	\$ 2,982.34	\$ 5,986.00	\$ 17,516.06	\$ 35,916.00	\$ 18,399.94
450-0-6840.000	Note Payable Interest Loan Fee	2,541.78	0.00	15,006.66	0.00	(15,006.66)
450-0-6870.000	Amortization Exp Miscellaneous	220.67	0.00	1,324.02	0.00	(1,324.02)
450-0-6890.000	Financial Expense	<u>0.00</u>	<u>0.00</u>	<u>16,666.66</u>	<u>0.00</u>	<u>(16,666.66)</u>
	Total Financial Expense	\$ 5,744.79	\$ 5,986.00	\$ 50,513.40	\$ 35,916.00	\$ (14,597.40)
Non Recurring Expenses						
	Total Non Recurring Expenses	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Elderly Services						
	Total Elderly Services Rev/Exps	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
	Total Other (Income) and Expenses	<u>\$ 5,744.79</u>	<u>\$ 5,986.00</u>	<u>\$ 50,513.40</u>	<u>\$ 35,916.00</u>	<u>\$ (14,597.40)</u>
NET PROFIT (LOSS) BEFORE ENTITY & DEPRECIATION		<u>\$ 13,173.00</u>	<u>\$ 6,964.00</u>	<u>\$ 29,422.44</u>	<u>\$ 35,372.00</u>	<u>\$ (5,949.56)</u>
Depreciation						
450-0-6600.000	Depreciation	<u>\$ 5,546.19</u>	<u>\$ 5,546.19</u>	<u>\$ 33,277.14</u>	<u>\$ 33,277.10</u>	<u>\$ (.04)</u>
	Total Depreciation	\$ 5,546.19	\$ 5,546.19	\$ 33,277.14	\$ 33,277.10	\$ (.04)

Managing Multifamily HAP Contracts

Case Study 1

Statement of Profit and Loss For the Period Ended June 30, 2017

NET PROFIT (LOSS) BEFORE ENTITY	<u>\$ 7,626.81</u>	<u>\$ 1,417.81</u>	<u>\$ (3,854.70)</u>	<u>\$ 2,094.90</u>	<u>\$ (5,949.60)</u>
Entity (Expense) Revenue					
Net Entity (Expense) Revenue	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
NET PROFIT (LOSS) AFTER ENTITY	<u><u>\$ 7,626.81</u></u>	<u><u>\$ 1,417.81</u></u>	<u><u>\$ (3,854.70)</u></u>	<u><u>\$ 2,094.90</u></u>	<u><u>\$ (5,949.60)</u></u>

Managing Multifamily HAP Contracts

Case Study 1

MONTHLY

	Alice	Annual Amount	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	ANNUAL TOTAL	CHECK
Rental Income																
5120 Rental Income - Tenant	E	225,088	18,757	18,757	18,757	18,757	18,757	18,757	18,757	18,757	18,757	18,757	18,757	18,761	225,088	-
5121 Rental Income - Assistance	E	184,163	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,346	184,163	-
5140 Rental Income - Commercial	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5170 Garage and Parking Space Revenue	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5190 Miscellaneous Rent Revenue	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5191 Excess Rent - Overage	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5192 Supplemental Utility Allowances	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5193 Special Claims Revenue	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5194 Retained Excess Income for 236	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5220 Vacancies - Residential	E	(20,463)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,705)	(1,708)	(20,463)	-
5225 Vacancy Claims	E	2,046	171	171	171	171	171	171	171	171	171	171	171	165	2,046	-
5240 Vacancies - Commercial	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5250 Rental Concessions	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5290 Miscellaneous	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Rental Income		390,834	32,570	32,570	32,570	32,570	32,570	32,570	32,570	32,570	32,570	32,570	32,570	32,564	390,834	-
Other Income																
5910 Laundry Receipts	E	6,300	525	525	525	525	525	525	525	525	525	525	525	525	6,300	-
5920 Tenant Charges	E	600	50	50	50	50	50	50	50	50	50	50	50	50	600	-
5930 Damage & Cleaning Fees	E	2,400	200	200	200	200	200	200	200	200	200	200	200	200	2,400	-
5970 Grant Revenue	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5972 Grant Revenue - Service Coordinator	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5990 Other Revenue	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income		9,300	775	775	775	775	775	775	775	775	775	775	775	775	9,300	-
TOTAL INCOME		400,134	33,345	33,345	33,345	33,345	33,345	33,345	33,345	33,345	33,345	33,345	33,345	33,339	400,134	-
Administrative Expenses																
6204 Management Consultants	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6210 Advertising/Merchant Promotions	E	2,000	167	167	167	167	167	167	167	167	167	167	167	163	2,000	-
6235 Seminars & Training	E	550	46	46	46	46	46	46	46	46	46	46	46	44	550	-
6250 Other Rent Expense	E	660	55	55	55	55	55	55	55	55	55	55	55	55	660	-
6260 Credit Check Expense	E	525	44	44	44	44	44	44	44	44	44	44	44	41	525	-
6311 Office Expense	E	5,000	417	417	417	417	417	417	417	417	417	417	417	413	5,000	-
6320 Management Fee	E	24,622	2,052	2,052	2,052	2,052	2,052	2,052	2,052	2,052	2,052	2,052	2,052	2,050	24,622	-
6310 Payroll-Administrative	E	9,030	753	753	753	753	753	753	753	753	753	753	753	747	9,030	-
6312 Office or Model Apartment Rent	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6321 Management Fee - Commercial Rents	E	32,700	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	32,700	-
6330 Manager/Supervisor Salaries	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6331 Administrative Rent-free Unit	E	100	8	8	8	8	8	8	8	8	8	8	8	12	100	-
6340 Legal	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6345 Tax Credit Fees	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6350 Auditing	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6351 Bookkeeping Fees	E	5,792	354	354	354	354	354	354	354	354	354	354	354	351	5,792	-
6360 Telephone	E	2,750	229	229	229	229	229	229	229	229	229	229	229	231	2,750	-
6370 Bad Debt Expense	E	1,000	83	83	83	83	83	83	83	83	83	83	83	87	1,000	-
6372 Service Coordinator Expense	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6380 Resident Activities	E	1,525	127	127	127	127	127	127	127	127	127	127	127	128	1,525	-
6385 S/D Interest Expense	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6387 Nutritional Site	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6389 Insurance Claims / Damages	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6390 Miscellaneous Administrative	E	975	81	81	81	81	81	81	81	81	81	81	81	84	975	-
Total Admin Expense		91,474	7,141	7,141	7,141	7,141	7,141	7,141	7,141	7,141	7,141	7,141	7,141	7,131	85,682	(5,792.00)

Managing Multifamily HAP Contracts

Case Study 1

	Alloc	Annual Amount	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	ANNUAL TOTAL	CHECK
Utilities Expense																
6450 Electricity	E	12,102	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	12,102	-
6451 Water	E	15,204	1,267	1,267	1,267	1,267	1,267	1,267	1,267	1,267	1,267	1,267	1,267	1,267	15,204	-
6452 Gas	E	3,266	272	272	272	272	272	272	272	272	272	272	272	272	3,266	-
6453 Sewer	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Utilities Expense		30,572	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	30,572	-
Maintenance Expense																
6501 Parking	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6510 Payroll - Maintenance	E	42,456	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	42,456	-
6515 Supplies / Cleaning	E	1,300	108	108	108	108	108	108	108	108	108	108	108	112	1,300	-
6517 Janitorial Service	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6519 Exterminating	E	300	25	25	25	25	25	25	25	25	25	25	25	25	300	-
6520 Contract	E	600	50	50	50	50	50	50	50	50	50	50	50	50	600	-
6521 Operating & Maint Rent Free Unit	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6525 Garbage & Trash Removal	E	7,000	583	583	583	583	583	583	583	583	583	583	583	587	7,000	-
6530 Security Expense	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6535 Grounds & Landscape	E	3,260	300	-	100	720	500	820	-	-	520	300	-	-	3,260	-
6537 Exterior Repairs	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6541 Appliance Maint & Repair	E	3,400	283	283	283	283	283	283	283	283	283	283	283	287	3,400	-
6542 Other Building R & M	E	9,400	783	783	783	783	783	783	783	783	783	783	783	787	9,400	-
6544 Plumbing Expense	E	3,000	250	250	250	250	250	250	250	250	250	250	250	250	3,000	-
6545 Elevator Expense	E	4,000	333	333	333	333	333	333	333	333	333	333	333	337	4,000	-
6546 HVAC Maint & Repair	E	500	42	42	42	42	42	42	42	42	42	42	42	38	500	-
6548 Snow Removal	E	5,000	2,400	1,200	-	-	-	-	-	-	-	-	500	900	5,000	-
6560 Decorating - Contract Painting	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6561 Decorating Supplies	E	1,200	100	100	100	100	100	100	100	100	100	100	100	100	1,200	-
6562 Carpeting Expense	E	5,690	474	474	474	474	474	474	474	474	474	474	474	476	5,690	-
6565 Electrical Expense	E	3,500	292	292	292	292	292	292	292	292	292	292	292	288	3,500	-
6570 Vehicle Usage & Maint	E	1,000	83	83	83	83	83	83	83	83	83	83	83	87	1,000	-
6590 Misc Maintenance Expense	E	100	8	8	8	8	8	8	8	8	8	8	8	12	100	-
Total Maintenance Expense		91,706	9,652	8,152	7,052	7,672	7,452	7,772	6,952	6,952	7,472	7,252	7,452	7,874	91,706	-
Tax & Insurance Expense																
6710 Real Estate Taxes	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6721 Payroll Taxes	E	7,710	643	643	643	643	643	643	643	643	643	643	643	637	7,710	-
6721 Fidelity Bond	E	160	13	13	13	13	13	13	13	13	13	13	13	17	160	-
6722 Worker's Compensation	E	2,703	225	225	225	225	225	225	225	225	225	225	225	228	2,703	-
6723 Health Insurance & Other Benefits	E	8,600	733	733	733	733	733	733	733	733	733	733	733	737	8,600	-
6730 Misc Taxes, Licenses, Permits, Ins	E	10	1	1	1	1	1	1	1	1	1	1	1	(1)	10	-
6720 Property Insurance	E	15,824	1,319	1,319	1,319	1,319	1,319	1,319	1,319	1,319	1,319	1,319	1,319	1,315	15,824	-
Total Tax & Insurance Expense		35,207	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,933	35,207	-
Total Operating Expenses		248,959	22,275	20,775	19,075	20,295	20,075	20,395	19,575	19,575	20,095	19,875	20,075	20,482	243,167	(5,792.00)
NET OPERATING INCOME		151,775	11,070	12,570	13,670	13,050	13,270	12,950	13,770	13,770	13,250	13,470	13,270	12,857	156,967	5,792.00

Managing Multifamily HAP Contracts

Case Study 1

	Alloc	Annual Amount	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	ANNUAL TOTAL	CHECK
Interest Income																
5410 Interest Income from Operations	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Expenses																
6802 Service Fee	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6805 Preservation Fee	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6810 Bond Interest	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6820 Mortgage Interest (1st)	E	71,829	5,986	5,986	5,986	5,986	5,986	5,986	5,986	5,986	5,986	5,986	5,986	5,983	71,829	-
2420 Mortgage Principal (1st)	E	41,990	3,499	3,499	3,499	3,499	3,499	3,499	3,499	3,499	3,499	3,499	3,499	3,501	41,990	-
6822 Mortgage Interest (2nd)	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2422 Mortgage Principal (2nd)	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6842 Mortgage Interest (Bond)	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2416 Mortgage Principal (Bond)	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6844 Mortgage Interest (Bond 2nd)	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2417 Mortgage Principal (Bond 2nd)	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5495 IRP Assistance	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2424 Other Loans & Notes Payable	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6830 Note Interest	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2410 Note Principal	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6840 Note Payable Interest	E	79,407	6,617	6,617	6,617	6,617	6,617	6,617	6,617	6,617	6,617	6,617	6,617	6,620	79,407	-
2415 Note Payable Principal	E	34,266	2,856	2,856	2,856	2,856	2,856	2,856	2,856	2,856	2,856	2,856	2,856	2,850	34,266	-
6850 Mortgage Insurance Premium/Service Chg	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7191 Asset Management Fee to Investor	U	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6890 Miscellaneous Financial Expense	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Financial Expenses		227,492	18,958	18,958	18,958	18,958	18,958	18,958	18,958	18,958	18,958	18,958	18,958	18,954	227,492	-
Capital Improvements																
1430 Building Improvements	E	8,000	667	667	667	667	667	667	667	667	667	667	667	663	8,000	-
1450 Furniture For Project / Tenant Use	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1460 Furnishings	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1470 Maintenance Equipment	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1480 Motor Vehicles	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1490 Land Improvements	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Improvements		8,000	667	667	667	667	667	667	667	667	667	667	667	663	8,000	-

Managing Multifamily HAP Contracts

Case Study 1

	Alloc	Annual Amount	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	ANNUAL TOTAL	CHECK
Reserve Activity																
1322 Required Reserve Deposits	E	15,389	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	15,389	-
1321 Replacement Reserve Withdrawals	E	(8,000)	(667)	(667)	(667)	(667)	(667)	(667)	(667)	(667)	(667)	(667)	(667)	(667)	(8,000)	-
1341 Residual Receipt Withdrawals	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1351 Capital Needs Withdrawals	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1361 Operating Deficit Withdrawals	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1371 Development Cost Withdrawals	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1381 Other Reserve Withdrawals	E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Reserve Activity		7,389	615	615	615	615	615	615	615	615	615	615	615	624	7,389	-
NET SURPLUS / (DEFICIT)		(91,706)	(9,170)	(7,670)	(6,570)	(7,190)	(6,970)	(7,290)	(6,470)	(6,470)	(6,990)	(6,770)	(6,970)	(7,384)	(85,914)	5,792.00
6600 Depreciation Expense	E	66,861	5,572	5,572	5,572	5,572	5,572	5,572	5,572	5,572	5,572	5,572	5,572	5,569	66,861	-
Debt Coverage Ratio (w/o Note debt)		1.1930	NOTE -- DCR Goal is 1.15 on primary debt													
Debt Coverage Ratio (with Note debt)		0.5969														
Was depreciation expense entered?		YES														
Was surplus cash goal met or exceeded?																

GOAL:

Notes

Case Study 2

ORIGINAL HAP CONTRACT 1979

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM
NEW CONSTRUCTION

PART I OF THE
HOUSING ASSISTANCE PAYMENTS CONTRACT

PRIVATE-OWNER OR PHA-OWNER PROJECT

HAP CONTRACT LIST NUMBER AND DATE: C-79-255; March 22, 1979	PROJECT NUMBER: WI39-0040-027
--	----------------------------------

This Housing Assistance Payments Contract ("Contract") is entered into by and between the United States of America acting through the Department of Housing and Urban Development ("Government"), and Hsg. Facilities of Monticello ("Owner"), pursuant to the United States Housing Act of 1937 ("Act"), 42 U.S.C. 1437, et seq., and the Department of Housing and Urban Development Act, 42 U.S.C. 3531, et seq.

The parties hereto agree as follows:

1.1 SIGNIFICANT DATES AND OTHER ITEMS: CONTENTS OF CONTRACT.

- a. Effective Date of Contract. The effective date of this Contract is August 28, 19 79. [This date shall be no earlier than the date of Government acceptance of the project.]
- b. Initial Term of Contract. The initial term of this Contract (see Section 1.4a) shall be 5 years [not to exceed five years], beginning with the effective date of this Contract and ending August 28, 1984.
- c. Number and Length of Optional Additional Terms. The number and length of optional additional terms (see Section 1.4a) shall be 3 terms of 5 years each [not to exceed five years each].
- d. Maximum Total Term of Contract. The maximum total term of this Contract for any unit, including all renewals (see Section 1.4a) shall be 20 years. [Insert 20, except that (1) in the case of a project owned by, or financed by a loan or loan guarantee from, a State or local agency, insert the number, not to exceed 40, which will provide a term ending with the scheduled maturity date for the last payment under such financing, and (2) in the case of a mobile homes project, insert number as authorized by the Government pursuant to 24 CFR, Section 880.109, not to exceed 20.]
- e. Fiscal Year. The ending date of each Fiscal Year (see Section 1.4b) shall be December 31 [insert March 31, June 30, September 30, or December 31, as determined by the Government].
- f. Maximum Housing Assistance Commitment. The maximum amount of the commitment for housing assistance payments under this Contract (see Section 1.5a) is \$ 69,840.00 per annum.
- g. Contents of Contract. This Contract consists of Part I, Part II, and the following exhibits:
Exhibit A: The Schedule showing the number of units by size ("Contract Units") and their applicable rents ("Contract Rents");
Exhibit B: The project description;
Exhibit C: The statement of services, maintenance and utilities to be provided by Owner;
Exhibit D: The Affirmative Fair Housing Marketing Plan, if applicable; and
Additional exhibits: [Specify additional exhibits, if any. If none, insert "None."] Exhibit E
Exhibit E: Debt Service - Vacant Units

This Contract, including such exhibits, comprises the entire agreement between the parties hereto with respect to the matters contained herein, and neither party is bound by any representations or agreements of any kind except as contained herein or except agreements entered into in writing which are not inconsistent with this Contract.

1.2 OWNER'S WARRANTIES.

- a. Legal Capacity. The Owner warrants that he has the legal right to execute this Contract and to lease dwelling units covered by this Contract.
- b. Completion of Work. The Owner warrants that the project as described in Exhibit B is in good and tenantable condition and that the project has been completed in accordance with the terms and conditions of the Agreement to Enter into Housing Assistance Payments Contract ("Agreement") or will be completed in accordance with the terms on which the project was accepted. The Owner further warrants that he will remedy any defects or omissions covered by this warranty if called to his attention within 12 months of the effective date of this Contract. The Owner and the Government agree that the continuation of this Contract shall be subject to the conditions set forth in Section 1.4f of the Agreement.

1.3 FAMILIES TO BE HOUSED: GOVERNMENT ASSISTANCE.

- a. Families To Be Housed. The Contract Units are to be leased by the Owner to eligible Lower-Income Families ("Families") for use and occupancy by such Families solely as private dwellings.
- b. Government Assistance.
 - (1) The Government hereby agrees to make housing assistance payments on behalf of Families for the Contract Units, to enable such Families to lease Decent, Safe, and Sanitary housing pursuant to section 8 of the Act. Such housing assistance payments shall equal the difference between the Contract Rents for units leased by Families and the portion of such rents payable by Families as determined by the Owner in accordance with schedules and criteria established by the Government.
 - (2) If there is an Allowance for Utilities and Other Services and if such Allowance exceeds the Gross Family Contribution, the Owner shall pay the Family the amount of such excess on behalf of the Government upon receipt of funds from the Government for that purpose.

1.4 TERM OF CONTRACT; FISCAL YEAR.

a. Term of Contract.

[Alternative provisions—incorporate alternative 1 or 2, as applicable.]

Alternative 1—General:

The initial term of this Contract shall be as stated in Section 1.1b. This Contract may be renewed, at the sole option of the Owner, for the number and length of additional terms stated in Section 1.1c, provided that the total Contract term for any unit, including all renewals, shall not exceed the number of years stated in Section 1.1d. Renewal shall be automatic unless the Owner notifies the Government, no later than 60 days prior to the expiration of the current term, of his intention not to renew. If the project is completed in stages, the dates for the initial term and renewal terms shall be separately related to the units in each stage; Provided, however, that the total Contract term for all the stages, beginning with the effective date of the Contract with respect to the first stage, shall not exceed the total Contract term stated in Section 1.1d, plus two years. In any case where the project is owned by, or financed by a loan or loan guarantee from, a State or local agency, the housing assistance payments pursuant to this Contract with respect to any dwelling unit shall be payable over a period not to exceed 40 years.

In the case of mobile homes, the initial term of this Contract for each mobile home shall be as stated in Section 1.1b. This Contract shall be renewed, as may be mutually agreed upon by the Owner and the Government, with respect to any mobile home, for the number and length of additional terms as stated in Section 1.1c, provided that the total Contract term for any mobile home, including all renewals, shall not exceed the number of years stated in Section 1.1d. Renewals shall become effective only if either party gives written notice, no later than 60 days prior to the expiration of the current term, of his desire to renew, and the other party concurs or fails to object before the expiration of the current term. If the project is completed in stages, the dates for the initial term and renewal terms shall be separately related to the mobile homes in each stage; Provided, however, that the total Contract term for all the stages, beginning with the effective date of the Contract with respect to the first stage, shall not exceed the total Contract term stated in Section 1.1d, plus two years.

- b. **Fiscal Year.** The Fiscal Year for the project shall be the 12-month period ending on the date stated in Section 1.1c; Provided, however, that the first Fiscal Year for the project shall be the period beginning with the effective date of the Contract and ending on the last day of said established Fiscal Year which is not less than 12 months after such effective date. If the first Fiscal Year exceeds 12 months, the maximum total annual housing assistance payment in Section 1.5a may be adjusted by the addition of the pro rata amount applicable to the period of operation in excess of 12 months.

1.5 MAXIMUM HOUSING ASSISTANCE COMMITMENT; PROJECT ACCOUNT.

- a. **Maximum Housing Assistance Commitment.** Notwithstanding any other provisions of this Contract (other than paragraph b of this Section) or any provisions of any other contract between the Government and the Owner, the Government shall not be obligated to make and shall not make any housing assistance payments under this Contract in excess of the amount per annum stated in Section 1.1f; Provided, however, that this amount shall be reduced commensurately with any reduction in the number of Contract Units or in the Contract Rents or pursuant to any other provisions of this Contract.

- b. **Project Account.** In order to assure that housing assistance payments will be increased on a timely basis to cover increases in Contract Rents or decreases in Family Incomes:

- (1) A Project Account shall be established and maintained, in an amount as determined by the Government consistent with its responsibilities under section 8(c)(6) of the Act, out of amounts by which the maximum Contract commitment per year exceeds amounts paid under the Contract for any Fiscal Year. This account shall be established and maintained by the Government as a specifically identified and segregated account. To the extent funds are available in said account, the maximum total annual housing assistance payments for any Fiscal Year may exceed the maximum amount stated in paragraph a of this Section to cover increases in Contract Rents or decreases in Family Incomes (see Section 1.8). Any amount remaining in said account after payment of the last housing assistance payment with respect to the project shall be applied by the Government in accordance with law.
- (2) Whenever the Government approved estimate of the required Annual Contribution exceeds the maximum Contract commitment then in effect, and would cause the amount in the Project Account to be less than an amount equal to 40 percent of such maximum Contract commitment, the Government shall, within a reasonable period of time, take such additional steps authorized by section 8(c)(6) of the Act as may be necessary to carry out this assurance, including (as provided in that section of the Act) "the reservation of annual contributions authority for the purpose of amending housing assistance contracts or the allocation of a portion of new authorizations for the purpose of amending housing contracts."

1.6 HOUSING ASSISTANCE PAYMENTS TO OWNERS.

a. General.

- (1) Housing assistance payments shall be paid to the Owner for units under lease by Families in accordance with the Contract. The housing assistance payment will cover the difference between the Contract Rent and that portion of said rent payable by the Family as determined in accordance with the Government-established schedules and criteria.
- (2) The amount of housing assistance payment payable on behalf of a Family and the amount of rent payable by such Family shall be subject to change by reason of changes in Family Income, Family composition, or extent of exceptional medical or other unusual expenses, in accordance with the Government-established schedules and criteria; or by reason of adjustment by the Government of any applicable Allowance for Utilities and Other Services. Any such change shall be effective as of the date stated in a notification of such change to the Family.

- b. **Vacancies During Rent-up.** If a Contract Unit is not leased as of the effective date of the Contract, the Owner shall be entitled to housing assistance payments in the amount of 80 percent of the Contract Rent for the unit for a vacancy period not exceeding 60 days from the effective date of the Contract, provided that the Owner (1) commenced marketing and otherwise complied with Section 1.3b of the Agreement, (2) has taken and continues to take all feasible actions to fill the vacancy, including, but not limited to, contacting applicants on his waiting list, if any, requesting the Public Housing Agency ("PHA") and other appropriate sources to refer eligible applicants, and advertising the availability of the unit, and (3) has not rejected any eligible applicant, except for good cause acceptable to the Government.

c. Vacancies After Rent-up.

- (1) If a Family vacates its unit (other than as a result of action by the Owner which is in violation of the Lease or the Contract or any applicable law), the Owner shall receive housing assistance payments in the amount of 80 percent of the Contract Rent for a vacancy period not exceeding 60 days; Provided, however, that if the Owner collects any of the Family's share of the rent for this period in an amount which, when added to the 80 percent payments, results in more than the Contract Rent, such excess shall be payable to the Government or as the Government may direct. (See also Section 1.9b.) The Owner shall not be entitled to any payment under this subparagraph unless he: (i) immediately upon learning of the vacancy, has notified the Government of the vacancy or prospective vacancy and the reasons for the vacancy, and (ii) has taken and continues to take the actions specified in paragraphs b(2) and b(3) of this Section.

- (2) If the Owner evicts a Family, he shall not be entitled to any payment under paragraph c(1) of this Section unless the request for such payment is supported by a certification that (i) he gave such Family a written notice of the proposed eviction, stating the grounds and advising the Family that it had 10 days within which to present its objections to the Owner in writing or in person and (ii) the proposed eviction was not in violation of the Lease or the Contract or any applicable law.
- d. Limitation on Payments for Vacant Units. The Owner shall not be entitled to housing assistance payments with respect to vacant units under this Section to the extent he is entitled to payments from other sources (e.g., payments for losses of rental income incurred for holding units vacant for relocatees pursuant to Title I of the Housing and Community Development Act of 1974 or payments under Section 1.9b of this Contract).
- e. Government Not Obligated for Family Rent. The Government has not assumed any obligation for the amount of rent payable by any Family or the satisfaction of any claim by the Owner against any Family other than in accordance with Section 1.9b of this Contract. The financial obligation of the Government is limited to making housing assistance payments on behalf of Families in accordance with this Contract.
- f. Owner's Monthly Requests for Payments.
- (1) The Owner shall submit monthly requests to the Government for housing assistance payments. Each such request shall set forth: (i) the name of each Family and the address and/or number of the unit leased by the Family; (ii) the address and/or the number of units, if any, not leased to Families for which the Owner is claiming payments; (iii) the Contract Rent as set forth in Exhibit A for each unit for which the Owner is claiming payments; (iv) the amount of rent payable by the Family leasing the unit (or, where applicable, the amount to be paid the Family in accordance with Section 1.3b(2); and (v) the total amount of housing assistance payments requested by the Owner.
 - (2) Each of the Owner's monthly requests shall contain a certification by him that to the best of his knowledge and belief (i) the dwelling units are in Decent, Safe, and Sanitary condition, (ii) all the other facts and data on which the request for funds is based are true and correct, (iii) the amount requested has been calculated in accordance with the provisions of this Contract and is payable under the Contract, and (iv) none of the amount claimed has been previously claimed or paid.
 - (3) If the Owner has received an excessive payment, the Government, in addition to any other rights to recovery, may deduct the amount from any subsequent payment or payments.
 - (4) The Owner's monthly requests for housing assistance payments shall be made subject to penalty under 18 U.S.C. 1001, which provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

1. Recoupment of Savings in Financing Cost

- (1) In the event that interim financing is continued after the first year of the term of the Contract and the debt service of the interim financing for any period of three months, after such first year, is less than the anticipated debt service under the permanent financing on which the Contract Rents were based, an amount reflecting the savings in financing cost, computed in accordance with paragraph g(2) of this Section, shall be credited by the Government to the Project Account, and withheld from housing assistance payments to the Owner. If during the course of the same year there is any period of three months in which the debt service is greater than the anticipated debt service under the permanent financing, an adjustment shall be made so that only the net amount of savings in financing cost for the year is credited by the Government to the Project Account and withheld from housing assistance payments to the Owner as aforesaid (no increased payments shall be made to the Owner on account of any net excess for the year of actual interim debt service over the anticipated debt service under the permanent financing). Nothing in this paragraph g shall be construed as requiring a reduction in the Contract Rents or precluding adjustments of Contract Rents in accordance with Section 1.8.
- (2) The computation and recoupment under this paragraph g may be made on an annual or on a quarterly or other periodic basis, but in any event no later than as of the end of each Fiscal Year; Provided, however, that if recoupment is to be made less often than quarterly, the amounts of recoupment shall be computed on at least a quarterly basis and the funds shall be deposited in a special account from which withdrawals may be made only with the authorization of the Government. The manner of computing the amount of recoupment shall be as follows:
 - (i) Determine the amount by which the debt service for the interim financing for the period in question is less than the anticipated debt service under the permanent financing on which the Contract Rents were based;
 - (ii) Determine what percentage the amount found under paragraph g(2)(i) of this Section is of the aggregate Contract Rents for all Contract Units for the period in question;
 - (iii) Apply the percentage found in paragraph g(2)(ii) of this Section to the aggregate Contract Rents for those Contract Units which are included in the Owner's claim(s) for housing assistance payments for the period in question; and
 - (iv) The amount found in paragraph g(2)(iii) of this Section shall be credited to the Project Account and withheld from the next housing assistance payment or payments to the Owner.

1.7 MAINTENANCE, OPERATION AND INSPECTION.

- a. Maintenance and Operation. The Owner agrees (1) to maintain and operate the Contract Units and related facilities so as to provide Decent, Safe, and Sanitary housing, and (2) to provide all the services, maintenance and utilities set forth in Exhibit C. If the Government determines that the Owner is not meeting one or more of these obligations, the Government shall have the right, in addition to its other rights and remedies under this Contract, to abate housing assistance payments in whole or in part.
- b. Inspection.
- (1) Prior to occupancy of any unit by a Family, the Owner and the Family shall inspect the unit and both shall certify, on forms prescribed by the Government, that they have inspected the unit and have determined it to be Decent, Safe, and Sanitary in accordance with the criteria provided in the prescribed forms. Copies of these reports shall be kept on file by the Owner for at least three years.

¹ Delete this paragraph unless the project is subject to 24 CFR, Section 880.125.

(2) The Government shall inspect or cause to be inspected each Contract Unit and related facilities at least annually and at such other times (including prior to initial occupancy and reentering of any unit) as may be necessary to assure that the Owner is meeting his obligation to maintain the units in Decent, Safe, and Sanitary condition and to provide the agreed upon utilities and other services. The Government shall take into account complaints by occupants and any other information coming to its attention in scheduling inspections and shall notify the Owner and the Family of its determination.

- c. **Units Not Decent, Safe, and Sanitary.** If the Government notifies the Owner that he has failed to maintain a dwelling unit in Decent, Safe, and Sanitary condition and the Owner fails to take corrective action within the time prescribed in the notice, the Government may exercise any of its rights or remedies under the Contract, including abatement of housing assistance payments, even if the Family continues to occupy the unit. If, however, the Family wishes to be rehoused in another dwelling unit with section 8 assistance and the Government does not have other section 8 funds for such purposes, the Government may use the abated housing assistance payments for the purpose of rehousing the Family in another dwelling unit. Where this is done, the Owner shall be notified that he will be entitled to resumption of housing assistance payments for the vacated dwelling unit if (1) the unit is restored to Decent, Safe, and Sanitary condition, (2) the Family is willing to and does move back into the restored unit, and (3) a deduction is made for the expenses incurred by the Family for both moves.
- d. **Notification of Abatement.** Any abatement of housing assistance payments shall be effective as provided in written notification to the Owner. The Government shall promptly notify the Family of any such abatement.
- e. **Overcrowded and Underoccupied Units.** If the Government determines that a Contract Unit is not Decent, Safe, and Sanitary by reason of increase in Family size, or that a Contract Unit is larger than appropriate for the size of the Family in occupancy, housing assistance payments with respect to such unit will not be abated, unless the Owner fails to offer the Family a suitable unit as soon as one becomes vacant and ready for occupancy. In the case of an overcrowded unit, if the Owner does not have any suitable units or if no vacancy of a suitable unit occurs within a reasonable time, the Government will assist the Family in finding a suitable dwelling unit and require the Family to move to such a unit as soon as possible. The Owner may receive housing assistance payments for the vacated unit if he complies with the requirements of Section 1.6c(1).

1.8 RENT ADJUSTMENTS.

- a. **Funding of Adjustments.** Housing assistance payments will be made in increased amounts commensurate with Contract Rent adjustments under this Section, up to the maximum amount authorized under Section 1.5a of this Contract.
- b. **Automatic Annual Adjustments.**
 - (1) Automatic Annual Adjustment Factors will be determined by the Government at least annually; interim revisions may be made as market conditions warrant. Such Factors and the basis for their determination will be published in the Federal Register. These published Factors will be reduced appropriately by the Government where utilities are paid directly by the Families.
 - (2) On each anniversary date of the Contract, the Contract Rents shall be adjusted by applying the applicable Automatic Annual Adjustment Factor most recently published by the Government. Contract Rents may be adjusted upward or downward, as may be appropriate; however, in no case shall the adjusted Contract Rents be less than the Contract Rents on the effective date of the Contract.
- c. **Special Additional Adjustments.** Special additional adjustments shall be granted, when approved by the Government, to reflect increases in the actual and necessary expenses of owning and maintaining the Contract Units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs (i.e., assessments, and utilities not covered by regulated rates), but only if and to the extent that the Owner clearly demonstrates that such general increases have caused increases in the Owner's operating costs which are not adequately compensated for by automatic annual adjustments. The Owner shall submit to the Government financial statements which clearly support the increase.
- d. **Overall Limitation.** Notwithstanding any other provisions of this Contract, adjustments as provided in this Section shall not result in material differences between the rents charged for assisted and comparable unassisted units, as determined by the Government; provided, that this limitation shall not be construed to prohibit differences in rents between assisted and comparable unassisted units to the extent that such differences may have existed with respect to the initial Contract Rents.
- e. **Incorporation of Rent Adjustment.** Any adjustment in Contract Rents shall be incorporated into Exhibit A by a dated addendum to the exhibit establishing the effective date of the adjustment.
- ~~f. **Adjustment to Reflect Actual Cost of Permanent Financing.** This paragraph shall apply if the project is not permanently financed until after the effective date of the Contract. After the project is permanently financed, the Financing Agency shall submit a certification to the Government as to the actual financing terms. If the actual debt service under the permanent financing is lower than the anticipated debt service on which the Contract Rents were based, the Contract Rents currently in effect shall be reduced commensurately, and the amount of the savings shall be credited to the Project Account. The maximum Contract commitment shall not be reduced. If the actual debt service is higher, the Contract Rents shall not be increased.~~

1.9 MARKETING AND LEASING OF UNITS.

- a. **Compliance with Equal Opportunity.** Marketing of units and selection of Families by the Owner shall be in accordance with the Owner's Government-approved Affirmative Fair Housing Marketing Plan, shown as Exhibit D, and with all regulations relating to fair housing advertising.
- b. **Security and Utility Deposits.**
 - (1) The Owner may require Families to pay a security deposit in an amount equal to one month's Gross Family Contribution. If a Family vacates its unit, the Owner, subject to State and local law, may utilize the deposit as reimbursement for any unpaid rent or other amount owed under the Lease. If the Family has provided a security deposit, and it is insufficient for such reimbursement, the Owner may claim reimbursement from the Government, not to exceed an amount equal to the remainder of one month's Contract Rent. Any reimbursement under this Section shall be applied first toward any unpaid rent. If a Family vacates the unit owing no rent or other amount under the Lease or if the amount owed is less than the amount of the security deposit, the Owner shall refund the full amount or the unused balance, as the case may be, to the Family.
 - (2) In those jurisdictions where interest is payable by the Owner on Security deposits, the refunded amount shall include the amount of interest payable. All security deposit funds shall be deposited by the Owner in a segregated bank account, and the balance of this account, at all times, shall be equal to the total amount collected from tenants then in occupancy, plus any accrued interest. The Owner shall comply with all State and local laws regarding interest payments on security deposits.
 - (3) Families shall be expected to obtain the funds to pay security and utility deposits, if required, from their own resources and/or other private or public sources.

¹ Delete this paragraph unless the project is subject to 24 CFR, Section 880.125.

c. Eligibility, Selection and Admission of Families

- (1) The Owner shall be responsible for determination of eligibility of applicants, selection of families from among those determined to be eligible, and computation of the amount of housing assistance payments on behalf of each selected Family in accordance with schedules and criteria established by the Government. In the initial renting of the Contract Units, the Owner shall lease at least 30 percent to Very Low-Income Families (determined in accordance with the Government-established schedules and criteria) and shall thereafter exercise his best efforts to maintain at least 30 percent occupancy of the Contract Units by Very Low-Income Families as determined in accordance with such schedules and criteria.
- (2) The Lease entered into between the Owner and each selected Family shall be on the form of Lease approved by the Government.
- (3) The Owner shall make a reexamination of Family Income, composition, and the extent of medical or other unusual expenses incurred by the Family, at least annually (except that such reviews may be made at intervals of no longer than two years in the case of elderly Families), and appropriate redeterminations shall be made by the Owner of the amount of Family contribution and the amount of housing assistance payment, all in accordance with schedules and criteria established by the Government. In connection with the reexamination, the Owner shall determine what percentage of Families in occupancy are Very Low-Income Families. If there are fewer than 30 percent Very Low-Income Families in occupancy, the Owner shall report the fact to the Government and shall adopt changes in his admission policies to achieve, as soon as possible, at least 30 percent occupancy by such Families.
- d. Rent Redetermination after Adjustment in Allowance for Utilities and Other Services. In the event that the Owner is notified of a Government determination making an adjustment in the Allowance for Utilities and Other Services applicable to any of the Contract Units, the Owner shall promptly make a corresponding adjustment in the amount of rent to be paid by the affected Families and the amount of housing assistance payments.
- e. Processing of Applications and Complaints. The Owner shall process applications for admission, notifications to applicants, and complaints by applicants in accordance with applicable Government requirements and shall maintain records and furnish such copies or other information as may be required by the Government.
- f. Government Review; Incorrect Payments. In making housing assistance payments to Owners, the Government will review the Owner's determinations under this Section. If as a result of this review, or other reviews, audits or information received by the Government at any time, it is determined that the Owner has received improper or excessive housing assistance payments, the Government shall have the right to deduct the amount of such overpayments from any amounts otherwise due the Owner, or otherwise effect recovery thereof.

1.10 TERMINATION OF TENANCY. The Owner shall be responsible for termination of tenancies, including evictions. However, conditions for payment of housing assistance payments for any resulting vacancies shall be as set forth in Section 1.6c.

1.11 REDUCTION OF NUMBER OF CONTRACT UNITS FOR FAILURE TO LEASE TO ELIGIBLE FAMILIES.

- a. After First Year of Contract. If at any time, beginning six months after the effective date of this Contract, the Owner fails for a continuous period of six months to have at least 80 percent of the Contract Units leased or available for leasing by Families, the Government may on 30 days notice reduce the number of Contract Units to not less than the number of units under lease or available for leasing by Families, plus 10 percent of such number if the number is 10 or more, rounded to the next highest number.
- b. At End of Initial and Each Renewal Term. At the end of the initial term of the Contract and of each renewal term, the Government may, by notice to the Owner, reduce the number of Contract Units to not less than (1) the number of units under lease or available for leasing by Families at that time or (2) the average number of units so leased or available for leasing during the last year, whichever is the greater number, plus 10 percent of such number if the number is 10 or more, rounded to the next highest number.
- c. Restoration of Units. The Government will agree to an amendment of the Contract to provide for subsequent restoration of any reduction made pursuant to paragraph a or b of this Section if the Government determines that the restoration is justified as a result of changes in demand and in the light of the Owner's record of compliance with his obligations under this Contract and if annual contributions contract authority is available; and the Government will take such steps authorized by section 8(c)(6) of the Act as may be necessary to carry out this assurance (see Section 1.5).

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

OWNER, HOUSING FACILITIES OF MONTICELLO

By [Signature]
(Official Title)

Date 11-20, 1979

United States of America
Secretary of Housing and Urban Development

By [Signature]
ACTING AREA MANAGER
(Official Title)

Date 12-10, 1979

[If the project is to be completed and accepted in stages, execution of the Contract with respect to the several stages appears on the following pages of this Contract.]

Managing Multifamily HAP Contracts

Case Study 2

EXECUTION OF CONTRACT WITH RESPECT TO CONTRACT UNITS COMPLETED AND ACCEPTED IN STAGES

STAGE 1

This Contract is hereby executed with respect to the units described in Exhibit A-1.

EFFECTIVE DATE. The effective date of this Contract is August 28, 1979.
[Insert date which shall be no earlier than the date of Government acceptance of the project.]

OWNER HOUSING FACILITIES OF MONTICELLO

By Richard Cherven
General Manager
(Official Title)

Date 11-20, 1979

United States of America
Secretary of Housing and Urban Development

By Thomas M. Jensen
ACTING AREA MANAGER
(Official Title)

Date 12-10, 1979

EXECUTION OF CONTRACT WITH RESPECT TO CONTRACT UNITS COMPLETED AND ACCEPTED IN STAGES

STAGE 2

This Contract is hereby executed with respect to the units described in Exhibit A-2.

EFFECTIVE DATE. The Effective date of this Contract is October 2, 1979.
[Insert date which shall be no earlier than the date of Government acceptance of the project.]

OWNER HOUSING FACILITIES OF MONTICELLO

By Richard Cherven
General Manager
(Official Title)

Date 11-20, 1979

United States of America
Secretary of Housing and Urban Development

By Thomas M. Jensen
ACTING AREA MANAGER
(Official Title)

Date 12-10-79

EXECUTION OF CONTRACT WITH RESPECT TO CONTRACT UNITS COMPLETED AND ACCEPTED IN STAGES

STAGE 3

This Contract is hereby executed with respect to the units described in Exhibit A-3.

EFFECTIVE DATE. The effective date of this Contract is _____, 19____.
[Insert date which shall be no earlier than the date of Government acceptance of the project.]

OWNER _____

By _____
(Official Title)

Date _____, 19____

United States of America
Secretary of Housing and Urban Development

By _____
(Official Title)

Date _____, 19____

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM
NEW CONSTRUCTION

PART II OF THE
HOUSING ASSISTANCE PAYMENTS CONTRACT
PRIVATE-OWNER OR PHA-OWNER PROJECT

HAP CONTRACT LIST NUMBER AND DATE:
C-79-255; March 22, 1979

PROJECT NUMBER:
WI39-0040-027

2.1 NONDISCRIMINATION IN HOUSING

- a. The Owner shall not in the selection of Families, in the provision of services, or in any other manner, discriminate against any person on the grounds of race, color, creed, religion, sex, or national origin. No person shall be automatically excluded from participation in, or be denied the benefits of, the Housing Assistance Payments Program because of membership in a class such as unmarried mothers, recipients of public assistance, etc.
- b. The Owner shall comply with all requirements imposed by Title VIII of the Civil Rights Act of 1968, and any rules and regulations pursuant thereto.
- c. The Owner shall comply with all requirements imposed by Title VI of the Civil Rights Act of 1964, Public Law 88-352, 78 Stat. 241; the regulations of the Department of Housing and Urban Development issued thereunder, 24 CFR, Subtitle A, Part 1, Section 1.1, et seq.; the requirements of said Department pursuant to said regulations; and Executive Order 11063 to the end that, in accordance with that Act, the regulations and requirements of said Department thereunder, and said Executive Order, no person in the United States shall, on the grounds of race, color, creed, religion or national origin, be excluded from participation in, or be denied the benefits of, the Housing Assistance Payments Program, or be otherwise subjected to discrimination. This provision is included pursuant to the regulations of the Department of Housing and Urban Development, 24 CFR, Subtitle A, Part 1, Section 1.1, et seq.; issued under Title VI of the said Civil Rights Act of 1964, and the requirements of said Department pursuant to said regulations; and the obligation of the Owner to comply therewith inures to the benefit of the Government and the said Department, either of which shall be entitled to invoke any remedies available by law to redress any breach thereof or to compel compliance therewith by the Owner.

2.2 TRAINING, EMPLOYMENT, AND CONTRACTING OPPORTUNITIES FOR BUSINESSES AND LOWER-INCOME PERSONS.³

- a. The project assisted under this Contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given lower-income residents of the project area and contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- b. Notwithstanding any other provision of this Contract, the Owner shall carry out the provisions of said section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR, Part 135 (published in 38 Federal Register 29220, October 23, 1973), and all applicable rules and orders of the Secretary issued thereunder prior to the execution of this Contract. The requirements of said regulations include, but are not limited to, development and implementation of an affirmative action plan for utilizing business concerns located within, or owned in substantial part by persons residing in, the area of the project; the making of a good faith effort, as defined by the regulations, to provide training, employment, and business opportunities required by section 3; and incorporation of the "section 3 clause" specified by section 135.20(b) of the regulations and paragraph d of this Section in all contracts for work in connection with the project. The Owner certifies and agrees that he is under no contractual or other disability which would prevent him from complying with these requirements.
- c. Compliance with the provisions of section 3, the regulations set forth in 24 CFR, Part 135, and all applicable rules and orders of the Secretary issued thereunder prior to approval by the Government of the application for this Contract, shall be a condition of the Federal financial assistance provided to the project, binding upon the Owner, his successors and assigns. Failure to fulfill these requirements shall subject the Owner, his contractors and subcontractors, his successors, and assigns to the sanction specified by this Contract, and to such sanctions as are specified by 24 CFR, Section 135.135.
- d. The Owner shall incorporate or cause to be incorporated into any contract or subcontract for work pursuant to this Contract in excess of \$50,000 cost, the following clause:

"EMPLOYMENT OF PROJECT AREA RESIDENTS AND CONTRACTORS

- "A. The work to be performed under this Contract is on a project assisted under a program providing direct Federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given lower-income residents of the project area and contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- "B. The parties to this Contract will comply with the provisions of said section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR, Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- "C. The contractor will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- "D. The contractor will include this section 3 clause in every subcontract for work in connection with the project and will, at the direction of the applicant for or recipient of Federal financial assistance, take appropriate action pursuant to the subcontract upon a finding that the subcontract is in violation of regulations issued by the Secretary of Housing and Urban Development, 24 CFR, Part 135. The contractor will not subcontract with any subcontractor where it has notice or knowledge that the latter has been found in violation of regulations under 24 CFR, Part 135, and will not let any subcontract unless the subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.

³Strike this Section if the Contract Rents on the effective date of this Contract, over the maximum term of this Contract, are \$500,000 or less.

- "E. Compliance with the provisions of section 3, the regulations set forth in 24 CFR, Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of the Contract, shall be a condition of the Federal financial assistance provided to the project, binding upon the applicant or recipient for such assistance, its successors, and assigns. Failure to fulfill these requirements shall subject the applicant or recipient, its contractors and subcontractors, its successors, and assigns to those sanctions specified by the grant or loan agreement or contract through which Federal assistance is provided, and to such sanctions as are specified by 24 CFR, Section 135.135."
- e. The Owner agrees that he will be bound by the above Employment of Project Area Residents and Contractors clause with respect to his own employment practices when he participates in federally assisted work.
- 2.3 **COOPERATION IN EQUAL OPPORTUNITY COMPLIANCE REVIEWS.** The Owner shall cooperate with the Government in the conducting of compliance reviews and complaint investigations pursuant to all applicable civil rights statutes, Executive Orders, and rules and regulations pursuant thereto.
- 2.4 **FLOOD INSURANCE.** If the project is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and if the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, the Owner agrees that the project will be covered, during its anticipated economic or useful life, by flood insurance in an amount at least equal to its development or project cost (less estimated land cost) or to the maximum limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less.
- 2.5 **CLEAN AIR ACT AND FEDERAL WATER POLLUTION CONTROL ACT.**⁴ In compliance with regulations issued by the Environmental Protection Agency ("EPA"), 40 CFR, Part 15, 39 F.R. 11099, pursuant to the Clean Air Act, as amended ("Air Act"), 42 U.S.C. 1857, et seq., the Federal Water Pollution Control Act, as amended ("Water Act"), 33 U.S.C. 1251, et seq., and Executive Order 11738, the Owner agrees that:
- Any facility to be utilized in the performance of this Contract or any subcontract shall not be a facility listed on the EPA List of Violating Facilities pursuant to section 15.20 of said regulations;
 - He will promptly notify the Department of Housing and Urban Development field office director of the receipt of any communication from the EPA indicating that a facility to be utilized for the Contract is under consideration to be listed on the EPA List of Violating Facilities;
 - He will comply with all the requirements of section 114 of the Air Act and section 308 of the Water Act relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in section 114 and section 308 of the Air Act and the Water Act, respectively, and all regulations and guidelines issued thereunder; and
 - He will include or cause to be included the provisions of this Section in every nonexempt subcontract, and that he will take such action as the Government may direct as a means of enforcing such provisions.
- 2.6 **REPORTS AND ACCESS TO PREMISES AND RECORDS.**
- The Owner shall furnish such information and reports pertinent to the Contract as reasonably may be required from time to time by the Government.
 - The Owner shall permit the Government or any of its duly authorized representatives to have access to the premises and, for the purpose of audit and examination, to have access to any books, documents, papers and records of the Owner that are pertinent to compliance with this Contract, including the verification of information pertinent to the housing assistance payments.
- 2.7 **DEFAULT BY THE OWNER UNDER CONTRACT.**
- A default by the Owner under this Contract shall result if:
 - The Owner has violated or failed to comply with any provision of, or obligation under, this Contract or of any Lease; or
 - The Owner has asserted or demonstrated an intention not to perform some or all of his obligations under this Contract or under any Lease.
 - Upon a determination by the Government that a default has occurred, the Government shall notify the Owner of (1) the nature of the default, (2) the actions required to be taken and the remedies to be applied on account of the default (including actions by the Owner to cure the default, and, where appropriate, abatement of housing assistance payments in whole or in part and recovery of overpayments), and (3) the time within which the Owner shall respond with a showing that he has taken all the actions required of him. If the Owner fails to respond or take action to the satisfaction of the Government, the Government shall have the right to terminate this Contract in whole or in part or to take other corrective action to achieve compliance.
 - The availability of any remedy under this Contract shall not preclude the exercise of any other remedy available under this Contract or under any provisions of law, nor shall any action taken in the exercise of any remedy be deemed a waiver of any other rights or remedies. Failure to exercise any right or remedy shall not constitute a waiver of the right to exercise that or any other right or remedy at any time.
- 2.8 **DISPUTES.**
- Except as otherwise provided herein, any dispute concerning a question of fact arising under this Contract which is not disposed of by agreement between the Department of Housing and Urban Development field office and the Owner may be submitted by the Owner to the Secretary of Housing and Urban Development. The decision of the Secretary or duly authorized representative for the resolution of such disputes shall be final and conclusive, unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any proceeding under this Section, the Owner shall be afforded an opportunity to be heard and to offer evidence in support of his position.
 - This Section does not preclude consideration of questions of law in connection with the decision rendered under paragraph a of this Section; Provided, however, that nothing herein shall be construed as making final the decision of any administrative official, representative, or board, on a question of law.
- 2.9 **INTEREST OF MEMBERS, OFFICERS, OR EMPLOYEES OF PHA, MEMBERS OF LOCAL GOVERNING BODY OR OTHER PUBLIC OFFICIALS.** No member, officer, or employee of the PHA, no member of the governing body of the locality (city and county) in which the project is situated, no member of the governing body of the locality in which the PHA was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the project, during his tenure or for one year thereafter, shall have any interest, direct or indirect, in this Contract or in any proceeds or benefits arising therefrom.

⁴Strike this Section if the Contract Rents on the effective date of this Contract, over the maximum total term of this Contract, are \$100,000 or less.

2.10 INTEREST OF MEMBER OF OR DELEGATE TO CONGRESS. No member of or delegate to the Congress of the United States of America or resident commissioner shall be admitted to any share or part of this Contract or to any benefits which may arise therefrom.

2.11 ASSIGNMENT, SALE OR FORECLOSURE.

- a. The Owner agrees that he has not made and will not make any sale, assignment, or conveyance or transfer in any other form, of this Contract or the project or any part thereof or any of his interest therein, without the prior consent of the Government; Provided, however, that in the case of an assignment as security for the purpose of obtaining financing of the project, the Government shall consent in writing if the terms of the financing have been approved by the Government.
- b. The Owner agrees to notify the Government promptly of any proposed action covered by paragraph a of this Section. The Owner further agrees to request the written consent of the Government in regard thereto.
- c. (1) A transfer by the Owner, in whole or in part, or a transfer by a party having a substantial interest in said Owner, or transfers by more than one party of interests aggregating a substantial interest in said Owner, or any other similarly significant change in the ownership of interests in the Owner, or in the relative distribution thereof, or with respect to the parties in control of the Owner or the degree thereof, by any other method or means (e.g., increased capitalization, merger with another corporation or other entity, corporate or other amendments, issuance of new or additional ownership interests or classification of ownership interests or otherwise) shall be deemed an assignment, conveyance, or transfer for purposes of this Section 2.11. An assignment by the Owner to a limited partnership, in which no limited partner has a 25 percent or more interest and of which the Owner is the sole general partner, shall not be considered an assignment, conveyance, or transfer.

(2) The term "substantial interest" means the interest of any general partner, any limited partner having a 25 percent or more interest in the organization, any corporate officer or director, and any stockholder having a 10 percent or more interest in the organization.

(3) The Owner, and the party signing this Contract on behalf of said Owner, represent that they have the authority of all of the parties having ownership interests in the Owner to agree to this provision on their behalf and to bind them with respect thereto.
- d. In the event of foreclosure, including foreclosure by the Government, and in the event of assignment or sale agreed to by the Government or made to the Government, housing assistance payments shall continue in accordance with the terms of the Contract.

[If the project is subject to 24 CFR, Section 880.125, paragraph d above shall be stricken and the following shall be used instead:

d. In the event of foreclosure, or assignment or sale to the financing agency in lieu of foreclosure, or in the event of assignment or sale agreed to by the financing agency and approved by the Government (which approval shall not be unreasonably delayed or withheld), housing assistance payments shall continue in accordance with the terms of the Contract.]

HOUSING ASSISTANCE PAYMENTS CONTRACT

EXHIBIT A

SCHEDULE SHOWING THE NUMBER OF UNITS BY SIZE
AND THEIR APPLICABLE RENTS

<u>CONTRACT UNITS</u>	<u>CONTRACT RENTS</u>	<u>GROSS RENTS</u>
20 - 1 BR	\$291.00	\$291.00

HOUSING ASSISTANCE PAYMENTS CONTRACT

EXHIBIT A - 1

SCHEDULE SHOWING THE NUMBER OF UNITS BY SIZE
AND THEIR APPLICABLE RENTS

<u>CONTRACT UNITS</u>	<u>CONTRACT RENTS</u>	<u>GROSS RENTS</u>
5 - 1 BR	\$291.00	\$291.00

HOUSING ASSISTANCE PAYMENTS CONTRACT

EXHIBIT A - 2

SCHEDULE SHOWING THE NUMBER OF UNITS BY SIZE
AND THEIR APPLICABLE RENTS

CONTRACT UNITS

15 1 BR

CONTRACT RENTS

\$291.00

GROSS RENTS

\$291.00

FINANCIAL STATEMENTS

Balance Sheet

Current Year 06/30/2017

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	5,691.06
Accounts Receivable - Tenant	849.00
Prepaid Expenses	497.41
Total Current Assets	<u>7,037.47</u>
FUNDED RESERVES	
Tax Escrows	27,891.72
Insurance Escrows	5,025.51
Reserves for Replacements	18,507.00
Operating Reserve	37,097.40
Total Funded Reserves	<u>88,521.63</u>
PROPERTY & EQUIPMENT	
Land	50,000.00
Buildings/Bldg Impr/Land Impr	980,569.00
Equipment/Furnishings	21,211.00
Accum. Depr. PP&E	(74,148.84)
Net Property & Equipment	<u>977,631.16</u>
OTHER ASSETS	
Loan Fees/Accum Amtz	1,907.49
Tenant Security Deposits	5,268.24
Total Other Assets	<u>7,175.73</u>
TOTAL ASSETS	<u>\$ 1,080,365.99</u>

LIABILITIES and NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	2,486.53
Accounts Payable - Intercompany	978.08
Accrued Interest	58,540.08
Accrued Property Taxes	26,958.45
Prepaid Tenant Rent	522.00
Accrued Payables	
Accrued Management Fee Payable	522.00
Accrued Payables	2,736.48
Payroll Liabilities	881.22
Total Current Liabilities	<u>93,624.84</u>
LONG-TERM LIABILITIES	
Long-Term Debt	
First Mortgage (or Bond) Payable - Principal Paydown	(2,468.09)
First Mortgage (or Bond) Payable	436,719.98
Loan Fees	(4,375.63)
Loan Fee Amortization	927.76
Long-Term Debt	<u>430,804.02</u>
Long-Term Notes Payable	345,166.80
Tenant Security Deposits	4,601.00
Total Long-Term Liabilities	<u>780,571.82</u>
NET ASSETS	
Distributions/Contributions	314,117.57
Net Assets - Beginning of Year	(94,175.68)
Current Year Additions	(13,772.56)
Total Net Assets	<u>206,169.33</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,080,365.99</u>

Case Study 2

Statement of Activities & Changes in Net Assets

	This Month 06/30/2017	Actuals YTD 06/30/2017	% to Rental Revenue	Budget YTD 06/30/2017	% to Rental Revenue	Variance to Budget YTD	Prior YTD 06/30/2016	% to Rental Revenue	Variance to Prior YTD
			Actual		Budget			Actual	
REVENUES									
Rental Income - Tenant	6,170.00	34,207.00	43.09	35,148.00	45.92	(941.00)	35,250.00	45.99	1,043.00
Rental Income - Assistance	7,390.00	46,353.00	58.39	45,012.00	58.80	1,341.00	43,470.00	56.71	(2,883.00)
Vacancies - Residential	(678.00)	(2,172.00)	(2.74)	(4,008.00)	(5.24)	1,836.00	(2,901.00)	(3.78)	(729.00)
Total Rental Revenue	12,882.00	78,388.00	98.74	76,152.00	99.48	2,236.00	75,819.00	98.92	(2,569.00)
Laundry/Vending Receipts	191.13	758.77	0.96	396.00	0.52	362.77	509.40	0.66	(249.37)
Tenant Charges	50.00	244.00	0.31	0.00	0.00	244.00	320.00	0.42	76.00
Total Other Revenue	241.13	1,002.77	1.26	396.00	0.52	606.77	829.40	1.08	(173.37)
Total Revenues	13,123.13	79,390.77	100.00	76,548.00	100.00	2,842.77	76,648.40	100.00	(2,742.37)
OPERATING EXPENSES									
Adv. / Merchant Promotions	917.41	2,266.45	2.85	1,350.00	1.76	(916.45)	1,943.70	2.54	(322.75)
Other Rent Expense	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	1.00
Payroll-Administrative	1,778.45	11,591.46	14.60	12,606.00	16.47	1,014.54	6,993.14	9.12	(4,598.32)
Office Expense	31.20	368.63	0.46	330.00	0.43	(38.63)	175.84	0.23	(192.79)
Property Management Fee	880.69	5,184.75	6.53	5,082.00	6.64	(102.75)	4,878.73	6.37	(306.02)
Legal	0.00	169.50	0.21	78.00	0.10	(91.50)	94.50	0.12	(75.00)
Tax Credit Fees	50.00	300.00	0.38	300.00	0.39	0.00	325.00	0.42	25.00
Auditing	0.00	1,272.00	1.60	1,817.64	2.37	545.64	2,092.00	2.73	820.00
Bookkeeping Fees	257.71	1,629.78	2.05	1,680.00	2.19	50.22	1,658.09	2.16	28.31
Telephone	275.92	1,707.61	2.15	1,566.00	2.05	(141.61)	1,503.94	1.96	(203.67)
Bad Debt Expense	(319.00)	912.28	1.15	0.00	0.00	(912.28)	0.00	0.00	(912.28)
Resident Activities	24.32	510.33	0.64	348.00	0.45	(162.33)	187.15	0.24	(323.18)
S/D Interest Expense	0.00	32.91	0.04	18.00	0.02	(14.91)	5.32	0.01	(27.59)
Miscellaneous Administrative	0.00	0.00	0.00	0.00	0.00	0.00	175.00	0.23	175.00
Total General and Administrative	3,896.70	25,945.70	32.68	25,175.64	32.89	(770.06)	20,033.41	26.14	(5,912.29)
Electricity	1,790.49	10,465.85	13.18	10,300.00	13.46	(165.85)	9,875.04	12.88	(590.81)
Water & Sewer	1,320.00	7,893.13	9.94	7,290.00	9.52	(603.13)	6,818.61	8.90	(1,074.52)
Gas	58.78	477.36	0.60	474.00	0.62	(3.36)	424.60	0.55	(52.76)
Total Utilities	3,169.27	18,836.34	23.73	18,064.00	23.60	(772.34)	17,118.25	22.33	(1,718.09)
Payroll - Maintenance	0.00	0.00	0.00	0.00	0.00	0.00	6,000.00	7.83	6,000.00
Supplies / Cleaning	106.55	291.09	0.37	252.00	0.33	(39.09)	183.00	0.24	(108.09)
Exterminating	95.00	581.34	0.73	588.00	0.77	6.66	570.00	0.74	(11.34)
Contracts	63.59	224.39	0.28	402.00	0.53	177.61	427.80	0.56	203.41
Garbage & Trash Removal	200.39	1,154.94	1.45	1,080.00	1.41	(74.94)	1,021.24	1.33	(133.70)
Security Expense	17.93	638.09	0.80	318.00	0.42	(320.09)	396.41	0.52	(241.68)
Grounds & Landscape	89.76	467.34	0.59	170.00	0.22	(297.34)	86.49	0.11	(380.85)
Appliance Maint & Repair	0.00	9.07	0.01	0.00	0.00	(9.07)	0.00	0.00	(9.07)
Plumbing Expense	27.68	204.29	0.26	372.00	0.49	167.71	854.40	1.11	650.11
Elevator Expense	111.05	792.58	1.00	1,200.00	1.57	407.42	2,228.47	2.91	1,435.89
Snow Removal	0.00	858.39	1.08	545.00	0.71	(313.39)	539.55	0.70	(318.84)
Decorating Supplies	0.00	254.27	0.32	360.00	0.47	105.73	432.89	0.56	178.62
Carpeting/Vinyl Expense	388.24	504.29	0.64	750.00	0.98	245.71	920.44	1.20	416.15
Electrical Expense	0.00	276.22	0.35	450.00	0.59	173.78	524.02	0.68	247.80

Case Study 2

Statement of Activities & Changes in Net Assets

	This Month 06/30/2017	Actuals YTD 06/30/2017	% to Rental Revenue Actual	Budget YTD 06/30/2017	% to Rental Revenue Budget	Variance to Budget YTD	Prior YTD 06/30/2016	% to Rental Revenue Actual	Variance to Prior YTD
Vehicle Usage & Maint	0.00	54.57	0.07	384.00	0.50	329.43	278.97	0.36	224.40
Total Operating and Maintenance	1,100.19	6,310.87	7.95	6,871.00	8.98	560.13	14,463.68	18.87	8,152.81
Real Estate Taxes	1,404.88	8,429.28	10.62	8,682.00	11.34	252.72	5,049.90	6.59	(3,379.38)
Property Insurance	368.15	2,209.00	2.78	2,364.00	3.09	155.00	2,111.52	2.75	(97.48)
Total Taxes and Insurance	1,773.03	10,638.28	13.40	11,046.00	14.43	407.72	7,161.42	9.34	(3,476.86)
Total Operating Expenses	9,939.19	61,731.19	77.76	61,156.64	79.89	(574.55)	58,776.76	76.68	(2,954.43)
NET OPERATING INCOME	3,183.94	17,659.58	22.24	15,391.36	20.11	2,268.22	17,871.64	23.32	212.06
INVESTMENT INCOME									
Int. Income Operations	0.72	3.86	0.00	30.00	0.04	(26.14)	3.61	0.00	(0.25)
Int. Income Op. Deficit Rsrve	16.65	33.11	0.04	0.00	0.00	33.11	31.75	0.04	(1.36)
Int. Income Security Deposits	0.37	2.19	0.00	0.00	0.00	2.19	1.84	0.00	(0.35)
Net Investment Income	17.74	39.16	0.05	30.00	0.04	9.16	37.20	0.05	(1.96)
NET OPERATING AND INVESTMENT INCOME	3,201.68	17,698.74	22.29	15,421.36	20.15	2,277.38	17,908.84	23.36	210.10
OTHER INCOME AND EXPENSES									
Mortgage Interest	1,942.42	11,431.93	14.40	11,430.00	14.93	(1.93)	11,618.95	15.16	187.02
Note Payable Related Party Interest	941.88	5,682.69	7.16	0.00	0.00	(5,682.69)	8,759.35	11.43	3,076.66
Amortization	24.31	145.86	0.18	0.00	0.00	(145.86)	0.00	0.00	(145.86)
Misc. Financial Expense	1.68	3.36	0.00	0.00	0.00	(3.36)	0.00	0.00	(3.36)
Asset Management Fee - Investor	87.00	522.00	0.66	522.00	0.68	0.00	0.00	0.00	(522.00)
Total Other Income and Expenses	2,997.29	17,785.84	22.40	11,952.00	15.61	(5,833.84)	20,378.30	26.59	2,592.46
NET INCOME Before Depreciation	204.39	(87.10)	(0.11)	3,469.36	4.53	(3,556.46)	(2,469.46)	(3.22)	(2,382.36)
Depreciation and Amortization	2,280.91	13,685.46	17.24	13,830.00	18.07	144.54	13,831.49	18.05	146.03
NET INCOME with Depreciation	(2,076.52)	(13,772.56)	(17.35)	(10,360.64)	(13.53)	(3,411.92)	(16,300.95)	(21.27)	(2,528.39)

Notes