

IHCDA- Annual Owner Certification of Compliance

Exhibit D Asset Management

This form is mandatory for all properties except CDBG funded shelters and farmworker housing. If you are a CDBG funded shelter or farmworker housing, leave the questions in blank and jump to the next Exhibit.

To ensure accuracy of data, IHCDA strongly recommends that this form be completed by an agent of the owner with access to property financial records.

Please provide the following information:

- (i) **Average physical vacancy rate of development (%)** _____

A vacancy is a multifamily unit that is not occupied at a particular time. Monthly vacancy rate is the number of vacant units in the given month ÷ total number of units. For the average vacancy rate of the development, please calculate by taking the sum of each monthly vacancy rate ÷ 12 months.

If vacancy rate is high, is the property currently in lease up? Yes ____ No ____

- (ii) **Amount in operating reserves as of 12/31** _____

These are savings accounts in reserves for unexpected but necessary expenses or a sudden loss of income and to build up money for long term goals and future plans.

- (iii) **Amount in replacement reserves as of 12/31** _____

An amount of money set aside because building components or equipment will eventually wear out and need to be replaced.

Did the property deposit the required contributions into the reserve account? Yes _____ No _____

- (iv) **Net Operating Income / Net Operating Loss as of 12/31** _____

A property's operating income after operating expenses are deducted, but before deduction of interest payments, depreciation, amortization, and taxes (property tax, partnership tax, etc.). (NOTE money moved to reserve accounts is considered an expense and deducted from operating income). If this is a positive value, it is referred to as net operating income (NOI), while a negative value is called a net operating loss (NOL). Net operating loss occurs when expenses exceed the income or total revenue produced for a given period of time.

$$\text{NOI} = \text{Operating income} - \text{Operating expense} - \text{reserve contributions}$$

- (v) **Debt coverage ratio as of 12/31** _____

Money owed in proportion to money available for use, calculated by taking net operating income ÷ total debt service (includes principle and interest). The ratio measures the ability to use cash flow to make payments. Total debt service does not include cash flow note or deferred debt.

$$\text{DCR} = \text{NOI} \div \text{Hard Debt Principle and Interest}$$

(vi) **Total accounts payable as of 12/31** _____

Money owed to vendors for products and services purchased on credit. This can be found on the company's balance sheet as a current liability.

(vii) **Total accounts receivable as of 12/31** _____

Money owed to the property. This is treated as a current asset on your balance sheet.

Please mark the appropriate certification:

(viii) Property Taxes

☐ Property taxes are paid up-to-date.

☐ Property taxes are not paid up-to-date. A narrative explanation is attached.

(ix) Property Insurance

☐ Property insurance is up-to-date.

☐ Property insurance is not paid up-to-date or there is no property insurance coverage. A narrative explanation is attached.

(x) Changes in Ownership

☐ No anticipated change in property ownership over the next twelve months.

☐ There is an anticipated change in property ownership over the next twelve months. The mandatory IHCD form entitled "Property Ownership Change Form" along with all support documents will be submitted when change is finalized.

(xi) Changes in Management

☐ No anticipated change in property management over the next twelve months.

☐ There is an anticipated change in property management over the next twelve months. The mandatory IHCD form entitled "Property Management Change Form" will be submitted when change is finalized.

(xii) Status with other funding sources

☐ Development is in good standing with other funding sources, investors, etc.

☐ Development is on a watch-list or considered out of compliance with requirements of other funding sources, investors, etc. A narrative explanation is attached.

(xiii) Program Noncompliance

☐ Owner/management did not identify any noncompliance for the previous year.

☐ Owner/management identified issues of noncompliance and has made appropriate corrections. A narrative explanation is attached.

☐ Owner/management identified issues of noncompliance, but has not yet made appropriate corrections. A narrative explanation is attached.

(xiv) Provide any comments on additional financial or noncompliance issues of which you would like to make IHCDA aware. Attach additional documentation as necessary.
