PHB Underwriting Metrics Guidelines

Effective January 2026

PHB will use the following quantitative standards ("**Underwriting Metrics**" or "**Metrics**") to evaluate projects for financial feasibility and sustainability. These Metrics are based on PHB-funded projects and current industry standards. PHB will refer to these Metrics for all projects applying for funds through a PHB solicitation.

These guidelines are generally for rental housing. Specific metrics are applicable to homeownership; such metrics are noted below. PHB anticipates that most, but not all, projects will conform to these guidelines. If non-conforming, it is expected that the proposer will provide a detailed explanation of the rationale. These Metrics are subject to periodic review and revision as needed. Interpretation of all terms is at PHB's sole discretion.

Assumptions for Pro Forma (Excel)

- Construction (hard) costs contingency in line with State requirements of a minimum of 5% for new construction and 10% for acquisition/rehabilitation (applies to both rental and homeownership projects)
- Construction price escalation at minimum 5% per annum of hard construction costs based on estimated construction start date (applies to both rental and homeownership projects).
    - For example, if cost estimates are in 2026 dollars and construction is slated to start in 2028, then a minimum 10% hard cost escalation would be expected
- Income (rent) escalation at 2% per annum
- Expense escalation at 3% per annum
- PHB compliance fee of $25/per unit per annum for units supported by PHB funding is required as an expense above the Net Operating Income ("**NOI**") calculations line.
    - Fee escalation 3% per annum
- Affordable housing residential vacancy rate: 5% - 7% per annum
- Interest rate and terms for senior loan financing assumptions consistent with Letters of Interest
- Low Income Housing Tax Credit ("**LIHTC**") assumptions consistent with Letters of Interest, if any, or based on developer's recent transaction and/or current market conditions
- Include, as applicable, System Development Charges ("**SDC"**), Commercial Activity Tax

(“**CAT”**), and Construction Excise Tax (“**CET”**) as costs in the pro forma exemption and non-profit tax exemption, if applicable. For homeownership projects, applicant should apply for Homebuyer Opportunity Limited Tax Exemption (“**HOLTE”**).

Debt Service Coverage Ratio

- The minimum debt service reflects the amount of debt coverage typically found in successful, sustainable projects.
  - Year 1 minimum: 1.2x (a lower DSCR is subject to PHB's discretion and must be in line with the senior lender's requirements)
  - Year 15 minimum: 1.15x

Developer Fee

Maximum Total Developer Fee

- The Total Developer Fee Percentage is calculated as follows:

  Total Developer Fee divided by Adjusted Total Development Cost ("**Adjusted TDC**") (see definitions).

- The fee percentage limits for New Construction and Acquisition/Rehab are as follows:
  - New Construction: PHB's Maximum Total Developer Fee (including capitalized and deferred) for new construction is 15% of ***Adjusted TDC***.

  - Acquisition/Rehabilitation: PHB's Maximum Total Developer Fee (including capitalized and deferred) for acquisitions/rehabilitation is a percentage of ***Adjusted TDC*** + $4,000/unit. The applicable percentage per project is listed below based on the total number of units.
    - 20% for project 1-75 units or
    - 18% for projects 76-100 units or
    - 16% for projects over 100 units.
  - Homeownership Projects: Refer to the Homeownership Underwriting Metrics for the Maximum Total Developer Fee guidelines.

Maximum Capitalized Developer Fee

The table below shows the range of Capitalized (Cash) Developer Fee as a percentage of Adjusted Total Development Cost. More complex projects based on population served, financing, structure and development considerations are expected to have a Capitalized Developer Fee at the top of the range and less complex projects nearer the minimum. The remaining balance of the Total Developer Fee is expected to be deferred.

Project Size	Minimum Capitalized Developer Fee	Maximum Capitalized Developer Fee*
1-30 units	8%	12%
31-75 units	6%	9%
76 -100 units	3%	6%
100+ units	2%	5%

*For projects awarded Metro Bond funds, the maximum Capitalized Developer Fee, or Net Cash Fee if applicable, is lesser of $3 million or percentages indicated in the table above.

Contributed Developer Fee

In order to maximize LIHTC, proposers may seek an exemption to increase the total and capitalized developer fees above PHB indicated maximums above, if the proposal clearly shows that any "excess" developer fees are being contributed to the project as a source of funds under Contributed Developer Fee. Such contributed developer fee may be structured as a sponsor loan repaid from the Sponsor's share (50%) of excess cash flow. After subtracting the amount of contributed fee, the Net Cash Fee must remain within PHB's limits for Maximum Capitalized Developer Fee.

Definitions

- ***Adjusted Total Development Cost (TDC):*** Total Project Costs minus Total Developer Fee, Acquisition Costs, Capitalized Reserves, and PHB's Program Delivery Fee. Capitalized Reserves include operating reserves, capitalized replacement reserves, or other reserves that will be funded by project sources (rather than by cash flow during operation).

- ***Capitalized Reserves*** include operating reserves, capitalized replacement reserves, or other reserves that will be funded by project sources (rather than by cash flow during operation).

- ***Total Developer Fee*** includes any capitalized and/or deferred fees paid to the sponsor and certain third-party fees that pay for tasks historically undertaken by developers, including but not limited to payments to a development consultant, LIHTC or financial consultant, community engagement consultant, and construction manager or consultant. Payments to a relocation consultant, envelope consultant, traffic engineer, historic tax credit consultant, or LEED certification consultant are not included within PHB developer fee caps.

- ***Deferred Developer Fee*** is the portion of the Total Developer Fee that is paid over time from project cash flow after priority debt service payments, typically within 15 years. The amount of Deferred Developer Fee should be listed as a project source.

- ***Capitalized (Cash) Developer Fee*** is the portion of the Total Developer Fee that is paid by project sources to the sponsor during the course of the development project. It is equal to the Total Developer Fee minus the Deferred Fee.

- If applicable, the ***Net Cash Developer Fee*** is equal to the Total Developer Fee minus the Deferred Fee minus any contributed developer fee.

Replacement Reserves

- PHB will underwrite projects so that the capitalized replacement reserves and the ongoing contributions to replacement reserves can be expected to sustain the project without recapitalization for approximately twenty years. This reflects PHB's long term interest in project sustainability and tenant stability. A capital needs assessment for existing projects or projects involving rehabilitation providing sufficient information for PHB to make that determination is required for all projects at application.

- PHB recognizes that projects may require greater or lesser ongoing deposits based on the condition of the building after rehab, a building's physical characteristics, the tenant profile, and the amount of capitalized reserves.

- The balance of the replacement reserve account is not capped at a specific dollar amount, and reserves are available for any long-term capital investment in the asset.

- Replacement reserve accounts are subject to PHB annual reporting requirements.

- PHB will enter into a reserve account agreement with the owner. The balance in account will remain intact and with the property when the limited partner exits the partnership in syndicated projects.

- PHB has a minimum guideline of $375 per unit per year, $325 for senior projects. Amounts in excess may be considered if reasonably justified by Capital Needs Assessment and / or lender conditions.

Property Management, Asset Management and Administrative Expense

- The maximum standard for a project's combined budgets for off-site property management, asset management, compliance and administrative expenses is 40% of operating expenses ("**Admin Cap**"). On site property management staff is exempt from the Admin Cap.

    - Total Operating Expenses for purposes of this calculation include ongoing contributions to operating and replacement reserves, but do not include expenses paid "below the line" as allowed priority payments or paid from the owner's share of cash flow.

Expenses included in the combined cap: off-site management expenses; organizational overhead and administrative costs; management and administrative payroll, taxes and benefits; tenant screening, marketing and promotion; postage; office supplies; staff training; dues and subscriptions; software; bank charges, telephone; asset management (if in operating budget); and all similar off-site management, overhead and administrative expenses.

- Expenses *excluded* from the cap: site manager, resident services, maintenance payroll, legal or third-party accounting.

Resident Services

- A Resident Services Plan ("**RSP**") must be submitted when the cost of resident services is an operating expense.

- The RSP will outline the proposed services, specify the FTEs required to provide the services, and provide data supporting the plan.

- The appropriate plan for the delivery of services and the appropriate expense is determined on a case-by-case basis. The allowed expense will be subject to PHB underwriting based on the submitted RSP. Generally, per unit expense levels should be in line with PHB portfolio norms. While PHB supports borrowers/owners in delivering services over and above those sustainable by PHB's allowed expenses, borrowers/owners should expect to fund such services through other sources/techniques.

- Funding these services "below the line," as a priority payment after the debt service ratio calculation and ahead of any cash flow split payment to PHB, will not generally be permitted.

Supportive Housing

Operating Expenses related to Supportive Housing ("**SH**") should NOT be included in the operating budget tab of the Excel pro forma workbook. If a funding source specifically covers rent assistance for the SH tenant (e.g., OHCS Supportive Housing Rent Assistance or Multnomah County Homeless Services Department ("**HSD**") Regional Local Rent Assistance) it must be described in the rents and incomes section of the pro forma, along with an explanation of the award status in the project narrative.

The OHCS pro forma workbook includes a separate tab for proposers to list uses and sources related to the provision of SH services. Proposers may provide as much detail as needed to provide clarity to their SH Service Plan Narrative.

Operating Reserves

PHB requires all projects to fund an operating reserve, typically 4-6 months of operating expenses and amortized debt service. The operating reserve is for the designated project only and may not be applied to other projects in the sponsor's portfolio. PHB will enter into an Operating Reserve Agreement with the owner. The balance in the reserve account will remain with the project for the length of the most restrictive affordability period even after the LIHTC investor (if applicable) has exited. Sponsors will provide annual reporting to PHB on the operating reserve account.

Priority Payments

Priority payments are defined in the PHB Promissory Note as payments allowed before calculating the payment to PHB under a cash flow split formula. PHB's classification of which payments are priority payments is listed below as a guideline.

- Priority payments allowed ahead of the excess cash flow calculation include:

- Investor Services Fee
- Deferred Development Fee
- Operating Reserve
- Unpaid credit adjusters
- GP Asset Management fees (if applicable)
- Project Asset Management fee escalating 3% annually (if applicable)
- Repayment of partner loan for excess project development costs
- Operating Deficit Guaranty and Tax Credit Guaranty
- Replenishment of project reserves.

- Payments classified as non-priority and paid from the Sponsors share of excess cash flow include:
  - Partnership Management Fee
  - Payments on Contributed Developer Fee and/or Sponsor Loan (typically grants assembled by sponsor and used as a loan to the project)
  - Any Incentive Management Fee.

Cost Savings

Cost Savings will be determined by assigned PHB Senior Construction Coordinator.

- Hard Costs Savings
  - 50% to PHB; 50% to Developer
  - Portion to Developer to reduce the outstanding deferred developer fee
- Soft Costs Savings:
  - 100% to PHB

PHB may revise cost savings allocations if the project has additional gap funders (e.g., OHCS LIFT).