

Tab 18 Developments with Commercial Space - Commercial Income and Costs

All developments reflecting commercial income in the Annual Operating Budget must provide copies of the commercial leases or letters of intent to enter into a lease to confirm the projected rental income. The Agency may require additional documentation to demonstrate the lessee's financial capacity as a tenant of the commercial space.

Developments which include both residential and commercial space must separate the estimated costs. All construction and soft costs (i.e. architectural, legal, engineering, survey, soils report, structural report, environmental audit, environmental remediation, energy testing, property appraisal, utility tap-in, hook-up, municipal fees) associated with both the commercial and residential areas must be included in Total Development Costs in the Development Budget. A narrative of the anticipated use of the commercial space, including an exact square footage, must also be provided so that the Agency can evaluate the impact of the commercial space on the development. It is recommended that commercial income should not constitute more than 10% of the effective gross income. An exception would apply if the proposed owner guarantees the income for the tax credit compliance period via cash or a letter of credit.

Developments including commercial space must provide the following information:

- An explanation of the ownership structure (i.e. owned by the limited partnership or condominium structure). (If the commercial space is not owned by the limited partnership the costs cannot be included in total project cost or eligible basis, but verification of the commercial cost and associated funding source is required if the space is part of the building.)
- An explanation of the use of the space (i.e., used by the tenants, open to the general public, true commercial space, etc.).
- An explanation of the work included in the development budget for this space (cost of the work is part of the budget, or cost of work is the responsibility of the commercial tenant).
- A sources and uses statement if the commercial space has a condominium structure and costs are paid outside of the LIHTC budget.
- An itemized hard cost estimate, showing the cost of the residential space construction, the commercial space construction, and the combined cost.