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AFFORDABLE HOUSING INVESTORS COUNCIL

AHIC Permanent Supportive Housing Guidance

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AHIC PSH Guidance: Why?

Why This?

PSH is more complex than traditional LIHTC, requiring additional thought and due diligence

Current AHIC underwriting guidelines do not cover PSH specifics

Why Now?

Two high-profile PSH sponsor failures

Need to focus on investor underwriting to replace fear with education

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What We Hope to Achieve

Provide investors with framework for assessing PSH projects

Highlight key considerations to more effectively assess risks

Identify opportunities and contribute to the development of high-quality PSH

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How AHIC Developed the Guidance

- Put together a task force of experienced PSH underwriters
- Solicited feedback from developers, syndicators, allocators and service providers
- Incorporated extensive feedback and integrated various points of view into content
- Approved by the AHIC Board Fall 2025

Key Attributes of the Guidance

Flexible Criteria	Qualitative Factors	Investor Customization	Supplemental Guidance
Avoid rigid set of requirements	Focus on understanding issues and considerations rather than prescriptive guidelines	Allow investors to determine risk mitigants based on risk tolerance and investment criteria	Intended to be used WITH AHIC's general underwriting and operating subsidy guidance

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Three Main Components

1

Special Considerations for PSH

2

Due Diligence for PSH Deals

3

Underwriting Guidance for Investors

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1 Unique Considerations for PSH

- Development Team Capacity and Experience
- Needs and Characteristics of Tenant Populations
- Rental Subsidies and Other Revenue Sources
- Operating Expenses
- Coordination Among Partners
- Tenant Referral Processes
- Services Funding and Stability
- Security and Insurance Costs
- Staffing Levels and Training
- Regulatory Financing Restrictions
- Design Considerations

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2

Due Diligence for PSH

This section outlines deal-specific due diligence issues to help investors understand and evaluate risks in a PSH transaction.

- Detailed questions for “key differences” supplement standard LIHTC underwriting by focusing on elements unique to PSH
- Comprehensive guidance with understanding not all elements or questions apply to all PSH deals
- Allows investors to tailor their diligence and risk tolerance and investment criteria
- Covers targeted population; sponsor, property manager and service provider evaluation, tenant referral process, services and rental subsidy funding, security and legislative/regulatory concerns

3 Investor Underwriting Guidelines

Guidelines provide recommended approaches and questions for underwriting PSH investments and recognize there may be less debt, more restrictions, different costs, or need for other reserves.

Unit-level Guidelines for Integrated Housing Model

- Set-asides
- Tenant subsidies
- Vacancy allowance
- Lease-up
- Reserves

Project-level Guidelines for Projects with Majority PSH Units

- Debt service or expense coverage
- Income and rent restrictions
- Insurance, security, turnover
- Resident services requirements and funding
- Loan and regulatory agreement restrictions
- Reserves

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Appendices

I. **Brief History** of Permanent Supportive Housing

II. **Underwriting the Market** – understanding supply and demand for both the real estate asset and the operating profile of the PSH

III/IV. **PSH Service Funding Loss: Underwriting and Transition Considerations** – includes sample service provider funding loss regulatory relief language.

V. **Understanding Tenant Referral Networks** – including tenant identification and outreach, referrals, application processes, and case management

VI. **Design Considerations for PSH Properties** – building and unit design impact resident safety, health and comfort while reducing maintenance and operational risks

VII. **Checklist for Site Visits** – with questions regarding subsidies, set-asides, service providers, referral agencies, resident screenings, lease compliance, vacancy loss, and operating expenses

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Thank You

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