

# AHIC Risk Rating Guidelines: **DEVELOPMENT PHASE**

2026

RISK RATING	A	B	C	D	F
<b>CONSTRUCTION SCHEDULE</b>	<ul style="list-style-type: none"> <li>Construction is on schedule or ahead of schedule, with <b>no material impact</b> on tax credit delivery, or delays are temporary with potential for acceleration</li> </ul>	<ul style="list-style-type: none"> <li>Construction is ≤ 90 days delayed <b>and / or</b> ≥ 1x coverage of equity paid developer fee holdback to equity downward adjuster</li> </ul>	<ul style="list-style-type: none"> <li>Estimated construction completion is &gt; 90 days delayed <b>and / or</b> &lt; 1x dev fee equity and additional source(s) to cover forecasted equity downward adjuster</li> </ul>	<ul style="list-style-type: none"> <li>Construction is &gt; 180 days delayed</li> </ul>	<ul style="list-style-type: none"> <li>Construction has halted, and the GP is unable to remediate</li> </ul>
<b>LEASE-UP (LU)</b>	<ul style="list-style-type: none"> <li>LU on / ahead of schedule, with <b>no material impact</b> on tax credit delivery, or delays are temporary with potential for acceleration</li> <li>Rental rates/expenses are in line with projections</li> </ul>	<ul style="list-style-type: none"> <li>LU is ≤ 90 days delayed <b>and / or</b> ≥ 1x coverage of equity paid dev fee holdback to equity downward adjuster</li> <li>Rental rates/expenses are in line with projections, or temporary concessions are being used</li> </ul>	<ul style="list-style-type: none"> <li>Estimated LU completion is greater than 90 days delayed, <b>and / or</b> &lt; 1x dev fee equity and additional source(s) to cover the forecasted equity downward adjuster</li> <li>Rental rates/expenses are in line with projections, or temporary concessions are being used</li> </ul>	<ul style="list-style-type: none"> <li>LU is greater than 180 days delayed</li> <li>Rental rates / expenses deviate from projections, raising concerns about meeting the required DSC</li> </ul>	<ul style="list-style-type: none"> <li>Leasing activity halted before 100% Qualified Occupancy, and the GP / Guarantor cannot remediate</li> </ul>
<b>CONSTRUCTION BUDGET</b>	<ul style="list-style-type: none"> <li>Sources and Uses (S&amp;U) are in balance</li> <li>Change Orders are ≤ 5% of the original contract, and there are sufficient sources to cover shortfalls</li> <li>Contingency utilization exceeds completion percentage by between 60 and 80 percentage points, but is considered sufficient.</li> </ul>	<ul style="list-style-type: none"> <li>S&amp;U are out of balance, but other source(s) identified and committed</li> <li>Change Orders are between 5%-10% of the original contract, and there are sufficient sources to cover shortfalls</li> <li>Contingency utilization exceeds completion percentage by &gt; 80 percentage points, but still sufficient</li> <li>Mechanics liens exist, and GP is able to mitigate with a bond / deposit</li> </ul>	<ul style="list-style-type: none"> <li>S&amp;U are out of balance with no identified sources, and dev fee equity earmarked as available without acceleration</li> <li>Change Orders are between 10%-15% of the original contract, and sources have been identified to cover shortfalls</li> <li>Contingency has been or will be depleted, but GP/Guarantor can fund</li> <li>Mechanics liens filed and not satisfied within 30 days or cure period</li> </ul>	<ul style="list-style-type: none"> <li>S&amp;U are out of balance with no identified sources to cover shortfalls; LP funding is likely to occur</li> <li>Change Orders are between 15%-20% of the original contract with no identified source to cover shortfalls</li> <li>Contingency has been depleted without the Borrower's ability to fund</li> </ul>	<ul style="list-style-type: none"> <li>S&amp;U are out of balance with no identified source to cover shortfalls; Investment is impaired with a negative yield</li> <li>Change Orders exceed 20% of the original contract with no identified source to cover shortfalls</li> <li>Contingency has been depleted without the Borrower's ability to fund</li> </ul>
<b>CONSTRUCTION LOAN</b>	<ul style="list-style-type: none"> <li>Construction loan is anticipated to be paid down according to original projections</li> </ul>	<ul style="list-style-type: none"> <li>Construction loan payoff will miss original maturity, but built-in extension is available, or a new extension has been secured</li> </ul>	<ul style="list-style-type: none"> <li>Construction loan is not anticipated to be paid down by first extension, and second extension is being pursued</li> </ul>	<ul style="list-style-type: none"> <li>Construction loan is not anticipated to be paid down by any agreed extension</li> <li>Debt restructuring is needed / process</li> </ul>	<ul style="list-style-type: none"> <li>Risk of Foreclosure</li> <li>Expired LOC</li> </ul>
<b>PERMANENT LOAN / LPA STABILIZATION TEST</b>	<ul style="list-style-type: none"> <li>Permanent loan conversion / Stabilization test is on track according to original projections</li> </ul>	<ul style="list-style-type: none"> <li>Permanent loan conversion / Stabilization test is delayed ≤ 6 months from original projections</li> </ul>	<ul style="list-style-type: none"> <li>Permanent loan conversion / Stabilization test is delayed &gt; 6 months from original projections</li> <li>Notice of Default has been issued</li> <li>Conversion hurdles are required to be modified for conversion</li> </ul>	<ul style="list-style-type: none"> <li>Permanent loan conversion / Stabilization test may be in jeopardy and/or delayed &gt; a year from original projections</li> <li>Original loan terms have changed unfavorably</li> </ul>	<ul style="list-style-type: none"> <li>Permanent source of loan is lost, and no other source has been identified</li> <li>Gap to convert and no identified source of gap filler</li> </ul>
<b>PROGRAM COMPLIANCE</b>	<ul style="list-style-type: none"> <li>Property is anticipated to be complete by the PIS deadline or has received a carryover extension from the Allocating Agency</li> <li>No material compliance issues</li> </ul>	<ul style="list-style-type: none"> <li>Correctable compliance issues with no financial impact</li> </ul>	<ul style="list-style-type: none"> <li>Delayed receipt of 8609s</li> <li>Concerns achieving minimum set-aside qualification</li> <li>Material non-compliance, including issuance of 8823s</li> <li>Annual Compliance Cert not submitted</li> <li>Potential 15-year credit ≥ 10% of units</li> </ul>	<ul style="list-style-type: none"> <li>Property is not expected to be complete by the PIS deadline, and tax credit delivery is in question</li> <li>Unresolved 8823s</li> </ul>	<ul style="list-style-type: none"> <li>Loss or Recapture of all tax credits</li> <li>Property will not reach the minimum set-aside qualification date</li> <li>Expected loss of credits due to uncorrectable 8823s</li> </ul>
<b>GENERAL CONTRACTOR (GC)</b>	<ul style="list-style-type: none"> <li>GC is in place, and work is on track with original projections</li> </ul>	<ul style="list-style-type: none"> <li>GC removed, but a replacement GC is in place, and work is on track</li> <li>GC capacity issues and/or occasionally delayed reporting</li> </ul>	<ul style="list-style-type: none"> <li>GC has been removed for 30+ days, and a replacement GC has not been identified</li> <li>Consistently delayed and/or staled reporting</li> </ul>	<ul style="list-style-type: none"> <li>GC has been removed for 60+ days, and a replacement GC has not been identified</li> </ul>	<ul style="list-style-type: none"> <li>Significant misappropriation of funds and/or construction defects due to GC mismanagement</li> </ul>
<b>GP / GUARANTOR / MANAGEMENT (GGM)</b>	<ul style="list-style-type: none"> <li>GGM is operationally/financially secure and able to meet all obligations and has demonstrated a willingness and capacity to fund any shortfalls</li> </ul>	<ul style="list-style-type: none"> <li>GGM is financially secure and able to meet all obligations and has demonstrated a willingness and capacity to fund any shortfalls</li> <li>Minor operational concerns may exist</li> </ul>	<ul style="list-style-type: none"> <li>GGM has modest financial capacity, and liquidity has been identified as an issue</li> <li>Operational concerns could lead to replacement</li> </ul>	<ul style="list-style-type: none"> <li>GGM lacks the ability or willingness to cover guarantee obligations</li> <li>Bankruptcy is a potential risk</li> <li>GGM not meeting Partnership obligations, replacement likely</li> <li>Default has been issued</li> </ul>	<ul style="list-style-type: none"> <li>GGM Bankruptcy</li> <li>Foreclosure</li> <li>GP removal</li> </ul>
<b>RECAPTURE</b>	<ul style="list-style-type: none"> <li>No recapture</li> </ul>	<ul style="list-style-type: none"> <li>No recapture</li> </ul>	<ul style="list-style-type: none"> <li>Actual or expected loss or recapture of tax credits, but closing yield maintained</li> </ul>	<ul style="list-style-type: none"> <li>Actual or expected loss or recapture of tax credits, yield below closing</li> </ul>	<ul style="list-style-type: none"> <li>Recapture event</li> </ul>

Please see the AHIC Risk Ratings Instructions & Guidelines at [www.ahic.org](http://www.ahic.org) for additional information in employing this Grid.

*The best practices described in AHIC guidelines represent the collective views of knowledgeable AHIC volunteers committed to improving the effectiveness of the LIHTC program. AHIC guidelines are not intended to be a substitute for professional (legal or accounting) advice. Outcomes are not guaranteed, and AHIC is not liable for damages relating to the use or application of AHIC guidelines or best practices.*