

AHIC Risk Rating Guidelines: **DEVELOPMENT PHASE**

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