

Vermont Housing Finance Agency  
MULTIFAMILY HOUSING - OPERATING EXPENSE  
GUIDELINES

November 2018

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It's VHFA's policy to support the provisions from the Qualified Allocation Plan.

“As part of the compliance monitoring reporting requirements, each property owner (or syndicator) will be required to submit annual operating statements showing property income and expenses in a format acceptable to VHFA.”

VHFA tracks per unit per month operating expenses (PUMO) using recent audited financials. PUMO exclude reserve deposits and debt service payments.

In 2018, VHFA conducted an in-depth analysis of project operating expense data to provide guidelines as to the range of PUMOs to be expected, based on project features. The 2018 analysis included more than twice as many projects as previously considered. The 2018 analysis was also expanded to include 14 potential project feature predictors, with a total of approximately 40 variations examined.

This updated analysis provides new information about the way project features interact and whether and by how much they are related to a project's PUMO. These results will help to generate a range of expected PUMOs for each project, based on features such as total units that were determined to significantly impact operating costs.

It is recognized that operating expenses submitted by projects at the time of application to VHFA for loans and/or tax credits may have compensating factors that could cause a variance from the expected range including but not limited to project characteristics such as tenant paid utilities versus project paid utilities, heat plant and fuel types, elevators versus no elevators, services, among many other variables. For preservation projects doing significant energy efficiency work we would expect documentation of revised utility costs. If VHFA is unable to identify the reason for the variance, the project sponsor will be asked to provide further explanation.

The plan is to analyze operating expense and project feature data regularly in the future to further refine the statistical model resulting from the 2018 analysis as the number of projects in the data set increases.