



CONSTRUCTION FINANCE FOR HOUSING PROJECTS

INTRODUCTION

The National Housing Trust (NHT) welcomes applications from Public and Private sector real estate Developers for construction financing to facilitate the development of affordable housing solutions for its contributors in all income groups. To be eligible for consideration, Developers must be a registered entity under the laws of Jamaica with a positive and acceptable net worth and a good track record in housing development and have the ability to fund at least 25% of the total development costs.

The NHT will provide funding for the construction cost of the development at concessionary interest rates. This concession must be reflected in the base selling prices of the housing solutions which will be subject to changes based on certified escalation from the agreed base date. The final selling prices – **base selling price plus certified escalation** - must be approved by the NHT and penalties will apply for any breaches.

The Developer is required to demonstrate the viability of their housing development by providing acceptable evidence that the housing solutions being proposed have an excellent probability of being sold when complete. Acceptable evidence may include copies of Agreements for Sale that have been signed with potential purchasers prior to the start of construction, and/or an acceptable market demand survey of the target market indicating that there is demand for the proposed housing solutions.

Project proposals for loan application must be submit based on the guidelines contained in this document. Please note that appraisal of the project will include a risk assessment as outlined in **Appendix IV**. This will be used to determine the project risk classification and the required loan security instrument. Final approval of the construction loan application will be based on the decision of the NHT's Board of Directors.

Please direct proposals to:

SENIOR GENERAL MANAGER
Construction & Development Division
National Housing Trust,
4 Park Boulevard, Kingston 5
Email – dmoore@nht.gov.jm
Telephone 876 929 6500-9;
Toll Free: 1 888 225 5648

Project proposals will not be considered accepted until all the items required are submitted in a professional manner in one document. Two (2) copies of the document are to be submitted.

1. DEVELOPERS' ELIGIBILITY

Developers, who have defaulted on a loan from any financial institution, including the NHT, will not be eligible.

To be eligible for consideration the Developer must be able to meet the following conditions:

- A Company registered under the Laws of Jamaica – Company Registration Certificate
- Good Standing Certificate.
- Valid Tax Compliance Certificate (TCC).
- Be a member of the Jamaica Developer's Association..
- Demonstrate a satisfactory track record in housing development.
- Demonstrate acceptable financial operations by submitting Company's audited financial statements for the immediate past three (3) years prior to date of submission. For new development companies, bank credit references must be provided for the directors.

Documents Required for Assessment of Developer

- Completed NHT Developer's Pre-qualification Document, incorporating track record, personnel, equipment and financial status. **This document is available from the NHT's web site or the Construction & Development Division of the NHT.**
- Detailed project proposal incorporating the considerations outlined in this document and summarized in the checklist in **Appendix I.**

2. THE CONSTRUCTION LOAN - LEVELS OF FINANCING AVAILABLE

The NHT will consider the provision of financing for up to **100%** of the construction costs which may consist of the following items: (see Development Budget format at **Appendix II**):

- a. Housing construction cost.
- b. On-site infrastructure construction cost including street signs, streetlights, water and sewer connection fees, non-refundable deposit paid to the Jamaica Public Service (JPS) for the electrical distribution system, Parish Council take-over fees and garbage collection fees.
- c. Off-site infrastructure construction cost.
- d. Professional fees during construction phase of the development.

The NHT construction loan to Developers of between 80% - 100% of construction costs will be based on an assessment of the overall risk rating of the project as follows:-

- | | | | |
|----------------------------|------------------|------------------------|-----------------------------------|
| ▪ <input type="checkbox"/> | High Risk | 0 - 40 Points | 80% of Construction Costs |
| ▪ <input type="checkbox"/> | Medium | 41 - 70 Points | 90% of Construction Costs |
| ▪ <input type="checkbox"/> | Low Risk | 71 - 100 Points | 100% of Construction Costs |

The construction loan commitment will be fixed and any additional funding required to cover increased costs, due to escalation, will require a new loan application with the relevant supporting documentation.

The following will be applicable for all loans under the Interim Finance Loan Program

a. Commitment Fee:

The construction loan will attract a commitment fee of **1% of the loan amount**. This sum is to be paid on signing of the Loan Agreement prior to the start of the disbursement of the loan.

b. Interest Rate:

The interest rate applicable to the NHT's construction loan disbursements is 5% per annum for housing solutions with selling prices equal to or less than our recommended selling prices or 9% per annum for housing solutions with selling prices exceeding our recommended selling prices. (See **Appendix III** for recommended selling prices)

The maximum selling prices of housing solutions for which the NHT will give consideration for construction financing are as follows:

- **Studio/One bedroom Unit/Apartment** **\$10,000,000**
- **Two Bedroom Unit/Apartment** **\$15,000,000**
- **Three Bedroom Unit/Apartment** **\$18,000,000**
- **Serviced Lots** **\$ 3,000,000**

Interest on the loan disbursements will be computed daily on the basis of a 365 day year and compounded monthly. The developer will be required to pay the interest on the loan disbursements at periods to be stipulated in the Loan Agreement. The period for the payment of interest can be monthly, quarterly, half yearly, annually or at the end of the loan period. **Late payment of interest and principal will attract a penalty interest.**

Please note that the interest charged is below market interest rates and as such, the final selling prices of the housing solutions must reflect these interest rates and are to be approved by the NHT. The selling prices may be subjected to changes based on certified escalation from the agreed base date. The NHT, based on a condition to be included in the loan agreement, will apply a penalty to any developer who borrows construction funds at these subsidized interest rates then seeks to sell at higher than agreed prices or to repay the loan after utilizing the funds.

NB: Interest Rates applicable under the Interim Finance Loan Program are reviewed and adjusted by the NHT's Board of Directors on a periodic basis.

c. Loan Duration:

The duration of the construction loan will be based on the construction duration plus a period not exceeding 12 weeks after the end of construction or issuance of Practical Completion Certificate of the housing solutions. The NHT will give consideration for the extension of the loan duration based the on terms and conditions in the Loan Agreement. The developer will be required to submit application with supporting documentation for extension of the loan duration.

NB: Approval of an extension of the time for construction/repayment will not result in an increase in the construction loan commitment to offset any cost incurred by the Developer.

d. Loan Security

The NHT requires that the construction loan disbursements and interest be fully secured to its satisfaction. A **financial exposure limit** will be set by the parties based on the net difference between loan disbursements – payment of construction certificates – and loan and interest repayment. The peak financial exposure will be used as the basis for the registration of the loan security.

The instruments presently being used by the NHT for loan security are:

- Registration of first legal mortgage over the project lands. The project lands must be free and clear without encumbrances, mortgage or caveats.
- Bank guarantee from an institution to be approved by the NHT.
- Assignment of the Joint Venture and/or Land Sale Agreement for projects where the land is owned by the Government of Jamaica and a first legal mortgage cannot be registered.

In addition to the foregoing, one of the following will be required for each project:

- Personal guarantee from the directors of the development company, or
- Corporate guarantee from the parent company, if the development company is a subsidiary company.

The required security instrument or mix of instruments will be determined by the NHT based on the risk assessment of the project and the credit rating of the Developer. See Appendix IV for *Project Risk Assessment guidelines*

In addition to the security for the construction loan, all Developers will be required to provide the following:

- 1. Performance Bond.** A bond in the amount of 10% of the construction cost is required in cases where the Developer employs a third party Contractor for the implementation of the Works. The Performance Bond in the format provided by the NHT is to be provided by the Contractor and must be in the joint names of the NHT and the Developer. **No Performance Bond is required where the Developer is the contractor.**
- 2. Loan Advance Guarantee.** The NHT may consider payment of a Loan Advance not exceeding 10% of the construction cost. An appropriate guarantee in the format provided by the NHT is to be provided by the Developer prior to the payment of the Loan Advance. In the preparation of the cash flow, note that the repayment of the Loan Advance will be based on deductions from approved construction certificates and the amount is to be fully repaid no later than seventy-five percent (75%) of the loan duration.

3. Insurance of the Works. During the loan period, the Developer shall in the joint names of the Trust and the Developer maintain Contractors All Risk Insurance to cover damage due to perils and other incidents. In addition, Public Liability and Employers Liability insurances are to be provided, for limits of indemnity to be agreed with the Trust.

e. Loan Disbursement

Loan disbursement will be based on the payment of approved construction certificates for the work completed. The payments will be based on the ratio of loan to equity. No loan disbursement will be made for Developer's equity, which includes land purchase, design fees, Developer's costs, Developer's construction funding, finance charges, marketing expenses, legal costs and profit.

f. Loan Repayment:

The Developer is required to repay the loan disbursements and interest in accordance with the provisions of the Loan Agreement within a period not exceeding 12 weeks after the end of the construction duration based on the following options:

- At practical completion of the housing solutions, the proceeds of approved NHT mortgage loans to purchasers who are contributors will be set-off against the developer's Loan Account provided the purchasers have accepted the units and the Developer satisfies the conditions in the NHT's Letter of Undertakings for each loan.
- Also at practical completion, the developer will make payments from proceeds of cash sales or other institutions' mortgage loan proceeds to purchasers
- Any other payment arrangement to be agreed between NHT and the Developer.

3. LOAN APPLICATION AND PROJECT PROPOSAL

The Developer's submission must include all the technical information and specifications with respect to the planning, subdivision/housing unit designs, statutory approvals, permits and licenses for the infrastructure and housing units to be constructed in the development. It must also include the social infrastructure which will be required to support and sustain the development.

The following is the information that must be included in the project proposal and loan application:

a. Development Data

This should include:

- Development name, location, description and zoning of site, proximity to existing communities, town centre and social amenities, access to utilities, special site features etc.
- Description of the development – number and type of housing solutions, and

- Project implementation plan – phasing, duration, environmental and other issues affecting implementation etc.

b. Development Budget

The Development Budget is to be submitted in the format shown in **Appendix II**. The Developer may add or delete items as required. The viability of the project must be demonstrated based on statements of income and expenditure. Cash flow projections for the development must also be submitted. **The Developer will be required to submit the detail bills of quantity including base prices for materials, labour and equipment used in arriving at the construction cost.**

c. Project Land Documentation

The Developer must provide proof of land ownership/possession in the form of a copy of the following documents, in the name of the Developer:

- Registered Certificate of Title;
- Signed Agreement for Sale.
- Surveyor’s Identification Report completed within six (6) months of submission;
- Certificate of Payment of Land Taxes;
- Valuation Report completed within six (6) months of submission.

NB: The NHT will not commence appraisal of a construction loan application where there is no Registered Certificate of Title for the project land.

d. Project Management Team

The developer must engage the services of a Project Management Team and Contractor. The members of the team must be professionally qualified, experienced and have a track record in the implementation of similar projects, acceptable to the NHT. Any subsequent changes in the team must be approved by the NHT.

Resumes for the members of the Project Management Team must be submitted. The main Contractor should preferably be registered with the NCC and is required to complete and submit an NHT pre-qualification document.

e. Development Design & Specifications

All designs, for infrastructure and housing units, must be approved by the relevant statutory agencies and the required permits and licenses obtained. Design & specifications for infrastructure and housing units must be in accordance with requirements of the statutory agencies and the National Building Code of Jamaica. Copies of the approved architectural and engineering designs including location plan, site layout, boundary, sub-division and topographic survey plans, and housing unit design must be submitted along with Soils Investigations Report and an Environmental Impact Assessment Report, if required by NEPA.

All infrastructure Works such as the water supply system, sewage disposal system, roadways and storm water drains must be handed over to the relevant statutory agencies

and hand-over certificates presented to the NHT as part of the completion of development.

The housing solutions must be designed to meet market demand and preferences, efficiently utilizing the positive features of the project land while minimizing negative aspects, so as to create optimum value. The solutions must be structurally sound to withstand the hazards of the physical environment, environmentally friendly and harmoniously placed within the existing communities where applicable. Housing units should be designed with a minimum design life of not less than 50 years. Developers should ensure that they provide each purchaser with a Maintenance Manual, which highlights the required maintenance to be undertaken by the purchasers over the life of their housing solutions.

The following are important considerations that Developers should bear in mind in the designing of their housing solutions:

- All starter units, e.g. studio units, should be designed for ease of expansion, with features such as flat reinforced concrete slab roofs designed as a floor for vertical expansion.
- Pre-approved expansion plans should be provided to purchasers with two expansion options: one horizontal and one vertical design. It is recommended that the Developer construct a model of the expansion options for the benefit of their customers.
- Minimum of ten (10) year warranty is recommended on all roofs, walls and joints for leaks and structural defects.
- The normal defects liability required is twelve (12) months for housing units and eighteen (18) months for infrastructure. Developers are responsible indefinitely for the quality and performance of the housing solutions after the defects liability period, if it can be demonstrated that the defects are as a result of faulty design and/or faulty construction.
- Serviced lots must be bushed, cleared of debris, boulders and large trees and be generally graded.

f. Marketing Plan

The NHT will only fund housing developments that have the relevant statutory approvals and have been demonstrated to be marketable. The location of the proposed housing development should be in keeping with the guidelines of the relevant statutory agencies. Some of these agencies have Development Orders, which provide guidelines with respect to the types of development allowed on lands in the respective parishes.

Developers must note that they will bear the market risk, and therefore must always plan their housing developments with a view to selling all the solutions directly to the marketplace.

The Developer's marketing plan must consider the response to housing projects already under construction within the parish or region, as well as those housing projects scheduled for implementation within one year of the planned start of their own development. The Developer's submission must cover the following information related to marketing and sales:

- **Target Market**

The target market must be specified and an affordability analysis, based on the proposed selling prices and mix of housing solutions completed. This must show the minimum income, deposit and closing cost required to purchase the proposed housing solutions.

- **Market Demand**

A market survey acceptable to the Trust, with information demonstrating the demand for the proposed housing solutions must be submitted. In addition, the NHT may require that the developer submit copies of signed sales agreements prior to the start of the loan disbursement. These documents will demonstrate that the housing solutions in the development have a high probability of being sold before the completion of construction.

- **Approach to Marketing**

The developer will be required to outline the planned marketing and sales approach, including the marketing channels, methods of advertising and deposit requirements. In planning the implementation of the development and preparing the marketing plan, the developer should consider the following approaches:

- **Incremental Approach:** Build a model unit, start the marketing to get customer's response and collect deposits prior to the start of construction. Units are constructed based on committed sales.
- **Phasing:** Divide the development into a number of phases, constructing and marketing the housing solutions based on the phases. Each phase is completely sold prior to the start of marketing and construction in subsequent phases.
- **Total:** Build and sell off the entire project at once, based on a strong market demand and/or pre-sale of the housing solutions.

- **Selling Prices**

The mix of housing solutions is specific to each development site and will be assessed based on demand, selling prices and the ability of the intended target market to afford the units. The NHT will readily support housing developments where the demand exists. The sizes and selling prices of the housing solutions should be so structured to be affordable to the intended target market.

g. Community Facilities and Plans

The NHT will support projects that have been comprehensively planned with social amenities and operational plans to sustain and support family life. The items listed below must either

be in the development, within close proximity, or easily accessible. They do not have to be constructed prior to the housing solutions being sold but must be planned and programmed for implementation in collaboration with the residents who will be using them.

Community facilities must be developed on a rational basis and be derived from the planning standards of the Town Planning Department's Manual for Development. The necessary research on existing amenities in relation to the project must have been undertaken.

4. CONSTRUCTION IMPLEMENTATION

In cases where the Developer employs a third party contractor, the NHT requires that all construction documentation be completed before the start of work and the clauses of the construction contract should be in keeping with the NHT Loan Agreement. Further, the construction contract should be assignable to the NHT in case of a default by the developer. A standard form of construction contract is preferred such as the FIDIC or JCC form of contract. [The documents required are:](#)

- Copy of the construction contract including the bills of quantities, specifications, and approved design drawings.
- Construction program and delivery schedules and a phasing plan. All large projects should be developed in phases with matching delivery schedules submitted.

5. DEVELOPER'S EQUITY

The Developer's equity in the project includes the cost for the project land, design fees, marketing costs, financing costs, Developer's overheads, legal costs and the portion of the construction cost not financed by the NHT.

Information regarding the source of funding for the Developer's equity must be provided in the project submission. In addition, any other loan for the project must be declared so that the NHT can assess the debt to equity ratio of the venture.

The Developer's equity to loan ratio should be at least 25%. Typically, the Developer will have financed pre-construction activities such as land acquisition, design and approval fees prior to seeking construction funding.

6. SPLINTER TITLES

On completion of the housing solutions, splinter titles must be available in order for the NHT and other mortgage institutions to execute security for mortgage loans to purchasers prior to disbursement of the loan proceeds. A programme for the delivery of the individual titles must be submitted along with the construction program before the start of construction.

NB: A monthly report on the procurement of splinter titles for the housing solutions will be required.

7. PROJECT RISK ASSESSMENT

A risk assessment score will be used to classify the project risk as high, medium and low. Generally, the related loan security instrument will be determined based on this classification. The NHT reserves the right to modify the general requirements to deal with specific risks identified. See *Appendix IV for Risk Assessment Approach*.

i. Low Risk – Private or Public Developer

Registration of a legal mortgage over the project land is the security instrument to be used, in addition to personal or corporate guarantees, when the project risk is considered to be low. In the event of a default, the NHT would have the ability, through the loan agreement and the mortgage, to take over the project and sell it as is, or complete the project, sell it and use the proceeds to recover the outstanding loan balance.

ii. Low Risk – Ministry of Water & Housing (MOWH)

Legal advice has indicated that the Ministry of Water & Housing cannot offer a mortgage on lands which it owns, but can assign the benefits under an Agreement of Sale. An assignment of land sale agreement and registration of caveat are therefore proposed for use when the project is being developed by MOWH or as a joint venture with the MOWH and the selling prices of the housing solutions are within the range that the NHT would consider for direct marketing.

For developments under the MOWH Facilitation Agreement, where the developer is the owner of the project land but the land is transferred to the Minister for the purpose of the development, the registration of legal mortgage is acceptable.

iii. Medium Risk

The security instrument for housing projects classified as medium risk will comprise of:

- a. Registration of legal mortgage over the project land, personal or corporate guarantees
- b. Developer's Equity of at least 40% of development cost.

iv. High Risk

The security instrument for housing projects classified as high risk is a bank guarantee for the full loan amount. In addition, the developer will be required to:

- a. make monthly payments of the interest accruing on the loan disbursements and
- b. submit copies of sales agreement for the housing solutions prior to the start of the loan disbursements.

CHECK LIST

DOCUMENTS/INFORMATION FOR SUBMISSION OF PROJECT PROPOSAL

The Project Proposal will not be considered complete until all relevant items on the checklist are submitted in a single document.

		YES	NO
1.	<u>DEVELOPER'S ELIGIBILITY</u>		
a.	Completed NHT Pre-qualification Document		
	➤ Certificate of Incorporation		
	➤ Articles of Association		
	➤ Memorandum of Association		
	➤ Valid Tax Compliance Certificate (TCC)		
	➤ Good Standing Certificate from Registrar of Companies		
	➤ Track record in housing development		
b.	Developer's Financial Affairs		
	➤ Audited Financial Statements for three (3) years prior to loan application		
	➤ Bank reference for Directors of new companies.		
c.	Jamaica Developer's Association		
	➤ Evidence of membership		
2.	<u>PROJECT INFORMATION</u>		
a.	Development Data		
	➤ Name, location, description and zoning of site, utilities, social amenities etc		
	➤ Description of development – mix of solutions, specification of housing and infrastructure,		
	➤ Project Implementation Plan – construction duration, phasing, Contractor, Construction		
b.	Development Budget		
	➤ Base date, base selling price, construction cost, interest rate, etc.		
	➤ Bills of quantities, construction estimate, specification and construction contract		
	➤ Cash flow projections – income expenditure		
	➤ Financial exposure limit		
c.	Project Land Documentation		
	➤ Proof of ownership – Certificate of Title, Land Sale Agreement/JV Agreement		
	➤ Surveyor's Identification Report - within six (6) months of submission		
	➤ Location plan		

	➤ Site layout plan		
	➤ Topographic and boundary survey plans		
	➤ Programme for delivery of splinter titles		
	➤ Valuation Report - within six (6) months of submission		
	➤ Certificate of Payment of Taxes		
	➤ List of encumbrances – mortgages, caveat		
	➤ Evidence of Real Estate Board Registration		
	➤ EIA report or NEPA requirements		
	➤ Soils Investigation Report		
d.	Project Management Team		
	➤ Resumes of Project Management Team members		
	➤ Information for selected Contractor and proposed contract.		
3.	<u>MARKETING PLAN</u>		
	➤ Target market defined – minimum income, affordability etc.		
	➤ Selling prices – deposit requirement, mortgage loans etc		
	➤ Market demand survey submitted		
	➤ Approach to Marketing/selling – phasing, pre-sale		
	➤ Selling price with-out NHT Financing		
	➤ List of current and future Development planned by Others in next year - competition		
4.	<u>THE CONSTRUCTION LOAN</u>		
	➤ NHT Loan required – up to 100% of construction cost		
	➤ Developer’s equity – source of funding		
	➤ Interest rate & Loan period		
	➤ Loan repayment proposal		
	➤ Loan Security proposal		
	➤ Loan Advance Guarantee – optional		
	➤ Performance Bond – where third party Contractor is employed		
5.	<u>DEVELOPMENT DESIGN & SPECIFICATION</u>		
	➤ Housing Act /Subdivision Approval		
	➤ NEPA Subdivision Permit		
	➤ NEPA Permit/Licence for sewerage treatment & disposal		
	➤ Water Supply Approval – NWC or Other		
	➤ Sewerage Treatment & Disposal Approval – MOH/NWC/Other		
	➤ Infrastructure Design Approval – NWA		

	➤ Housing Unit Design Approval – Parish Council		
	➤ JPS Electrical Distribution		
	➤ Social infrastructure – green area; community facility etc.		
	➤ Approved architectural and engineering designs		
	➤ Solid waste disposal plan		
6.	<u>OTHER</u>		

**ABC HOUSING DEVELOPMENT
FORMAT OF DEVELOPMENT BUDGET**

BASE DATE:

- | | |
|---|--------------------------------------|
| 1. <u>LAND</u> | 3% - 8% of Total Cost (B) |
| Land Value - to be confirmed by valuation | |
| 2. <u>HOUSING UNIT CONSTRUCTION</u> | 45% - 65% of Total Cost (B) |
| 3. <u>ON-SITE INFRASTRUCTURE</u> | 14% - 22% of Total Cost (B) |
| a. Preliminaries | |
| b. Site clearance, earth works and grading of site | |
| c. Roads including sidewalks and curbs | |
| d. Water supply distribution system | |
| e. Water storage tank | |
| f. Sewerage collection system | |
| g. Storm water drains | |
| h. Electricity - JPS non-refundable deposit | |
| i. Sewage Plant – construction of treatment system or connection fee for existing plant | |
| j. NWC – water supply connection fee | |
| k. Street lights installation – payment to Parish Council | |
| l. Street signs – street names, stop signs etc. | |
| m. Parish Council hand-over fees | |
| n. Garbage collection – NSWMA | |
| o. Construction contingency | |
| 4. <u>OFF-SITE INFRASTRUCTURE</u> | 1.0% - 2.0% of Total Cost (B) |
| a. Access Roads to project site | |
| b. Electricity – JPS infrastructure to site | |
| c. Storm water – external to site | |
| d. Water main | |
| e. Sewer trunk main | |
| f. Other | |
| 5. <u>PROFESSIONAL FEES</u> | 1.50% - 4.0% Total Cost (B) |
| a. Project management | |
| b. Civil engineering | |
| c. Electrical engineering | |
| d. Architect | |
| e. Quantity surveying | |
| f. Land surveying – to prepare design and pre-check plans | |

- g. Attorney fees – loan agreement, procurement of titles etc
- h. Soil investigation
- i. Environmental Impact Assessment – if required by NEPA
- j. Other

6. FINANCIAL COSTS 2.0% - 5.50% of Total Cost (B)

- a. Commitment fees – 1% of loan commitment
- b. Interest on construction cost,
- c. Interest on professional fees, etc
- d. Other

7. ADVERTISING COSTS 0.5%- 1.5% of Total Cost (B)

- a. Promotion and advertising
- b. Selling

8. DEVELOPER'S COST 0.5% - 1.5% of Total Cost (B)

- a. Parish Council approval
- b. Real Estate Board
- c. NEPA fees for permits and licenses
- d. NWC application fees
- e. Site security cost - if applicable
- f. Project contingency
- g. Other

SUB-TOTAL COSTS (A)

9. LEGAL COSTS 0.5% - 4.0% of Total Cost (B)

- a. Stamp duty – developer's portion only
- b. Transfer tax
- c. Registration fee – developer's portion only
- d. Attorneys' fees – transfer, sales etc.
- e. Ministry of Housing fees – joint venture and facilitation agreement
- f. Registration of NHT loan securities – developer to pay to the relevant bodies

SUB-TOTAL COST (B)

10. DEVELOPER'S MARK-UP 10% - 15% of Total Cost (B)

TOTAL COSTS (C)

BASE SELLING PRICES OF HOUSING SOLUTIONS:

- 1) The base selling price is the selling price of the housing solution to the purchaser at the base date and will be subject to certified escalation.
- 2) Any item left incomplete will be deemed to have been priced
- 3) Legal costs must be supported by statement from Developer's Attorney.

RECOMMENDED SELLING PRICES

The recommended housing solution sizes and selling prices to purchasers are listed below:

		HOUSING SOLUTIONS	SIZE sq.m. (sq.ft.)	RECOMMENDED SELLING PRICE ⁽³⁾
1		Serviced Lot ⁽¹⁾	557 (6,000)	\$1,500,000
2		Serviced Lot ⁽²⁾	372 (4,000)	\$2,200,000
3	Type 100	Studio	23 (250)	\$4,200,000
4	Type 100S	Super Studio	33 (350)	\$4,800,000
5	Type 201	2 Bedrooms	54 (577)	\$7,500,000
6	Type 201C	2 Bedrooms	72 (774)	\$8,500,000
7		2 Bedrooms Apartment/Townhouse	54 (580)	\$9,800,000

Note:

The loan interest rate of **5%** per annum will apply to projects where the selling prices for the housing solutions are equal to or less than the NHT recommended selling price.

Adjustments to the base selling prices will be allowed based on escalation in materials, labour and equipment rental rates from the base date and variations resulting from changes mandated by statutory agencies after their approval of the development. **No other increase will be allowed for variations, overheads, profit and risk.**

1. On-site sewage disposal
2. Centralized sewage disposal
3. Base date of Recommended Selling Prices – **2013 October 1**

The maximum selling prices of housing solutions for which the NHT will give consideration for construction financing are as follows:

- Studio/One bedroom Unit/Apartment \$10,000,000
- Two Bedroom Unit/Apartment \$15,000,000
- Three Bedroom Unit/Apartment \$18,000,000
- Serviced Lots \$ 3,000,000

RISK ASSESSMENT APPROACH

The risk classification of a housing project will determine the level of loan security required as indicated in Project Risk Assessment in Section 8. The key elements of housing risk would be scored on a basis of 0 - 100 points. A high score indicates low risk and a low score indicated high risk.

- High Risk 0 - 40 points
- Medium 41 - 70 points
- Low Risk 71 - 100 Points

QUALITATIVE RISK ASSESSMENT ELEMENTS:

POINTS SCORECARD

Effective Market Demand (45 Points)

- | | | |
|--|----|--------|
| ▪ Market Survey Information | 10 | Points |
| ▪ Location | 10 | “ |
| ▪ Site Assessment | 5 | “ |
| ▪ Affordability of Target Market | 8 | “ |
| ▪ Proposed Selling Price to Target Market | 7 | “ |
| ▪ House/Lot aesthetics & function/grade 7 access | 5 | “ |

The Developer’s Competence (25 Points)

- | | | |
|----------------------------|----|---|
| ▪ Track Record | 15 | “ |
| ▪ Developer’s Project Team | 10 | “ |

Project Viability (30 Points)

- | | | |
|--|----|---|
| ▪ NHT’s assessment of the development budget | 5 | “ |
| ▪ Developer’s Equity | 10 | “ |
| ▪ Financial Affairs | 5 | “ |
| ▪ Loan Repayment | 10 | “ |

TOTAL	100	Points
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