

## Eligible and Non-eligible Costs for OHCS Capital Resources

The following is a guideline for the use of sponsors and developers who have received capital resources (either grants or loans) through Oregon Housing and Community Services (OHCS). This document discusses eligible and non-eligible costs for each funding program. If you are unable to determine by using this resource if a specific cost is eligible, please contact the OHCS production analyst responsible for your project.

Please note: To be eligible for payment, costs must have been incurred no more than six months prior to the date of the OHCS Reservation Letter. **This does not include HOME and HTF.**

Eligible costs incurred prior to application include:

- Costs for legal services, consulting, environmental and other studies
- Engineering, design, and zoning approvals
- Inspections
- Testing for hazards
- Site options
- Predevelopment or bridge loans

Regarding pre-development or bridge loans (temporary financing), OHCS considers the payment due date of the pre-development or bridge loan to be the qualifying date for this purpose, rather than the date on which the loan became effective. Predevelopment costs eligible for reimbursement under the HOME Program and Article XI-Q Bond Programs are more restricted. Please consult with the assigned OHCS Production Analyst.

### Eligible Costs

The following costs are generally eligible for payment with OHCS resources. Please also see specific program guidelines.

- New construction, rehabilitation, or acquisition of affordable rental units
- Contracted third party construction manager or inspector may be an eligible cost (requires pre-approval from OHCS production analyst after submission of contract),
- Staff architect time dedicated to the specific project (requires pre-approval from OHCS)
- Energy related improvements
- Lead based paint hazard treatment including testing, mitigation, remediation
- Costs associated with accessibility for persons with disabilities, as part of project rehabilitation or construction
- Laundry or community facilities which are located within the same complex as the housing and used only by residents and their guests
- Engineering or feasibility studies, appraisals, and/or architectural plans
- Origination fees, credit reports, title reports, recordation fees

- Attorney fees related to the project
- Loan fees (approved on a deal-by-deal basis and HOME cannot pay for OHCS loan fees)
- Developer fees
- Accounting costs associated with the project
- Building permits and impact fees or system development charges
- On-site infrastructure (ex. onsite road, sewer and water lines)
- Off-site infrastructure costs (approved on a deal by deal basis)
- Costs associated with affirmative marketing and fair housing strategies
- Utilities during rehabilitation and/or construction
- Relocation costs for tenants who are temporarily or permanently displaced by the project (please note: LIFT and PSH resources cannot cover this expense)
- Furniture in an on-site community building or space at a project housing a special needs population or seniors may be an eligible cost (advanced approval of production analyst required)

### **Developer Fee**

OHCS will consider Developer fees in the aggregate. Developer fees shall be deemed to include all consultant fees (other than arm's length architectural, engineering, appraisal, market study and syndication costs), and all other fees paid in connection with the Project for services that would ordinarily be performed by a developer, as determined by OHCS.

The Developer Fee will be set at the time of the construction/equity closing based on the project's final budget after construction bids have been accepted and final sources and uses have been balanced. The fee presented in the Placed-in-Service documentation may not exceed the percentage approved at closing.

### **Release of Developer fee**

Funding of a developer fee with OHCS grant resources is an eligible expense. OHCS may release up to 50% of the developer fees upon 50% of construction completion. OHCS will not release the balance of the developer fees until a Certificate(s) of Occupancy has been issued.

### **Release of consultant fees**

OHCS may release consultant fees in accordance with the legally binding contract between the consultant and the developer. Consultant fees must be preapproved by the project production analyst to be eligible for payment.

### **Ineligible Costs**

The following costs are **not** eligible for payment with OHCS resources:

- Off-site storage costs
- Materials stored off-site
- Late fees
- OHCS application fees and recipient fees
- Site costs incurred prior to applicant owning the property
- Operating reserve accounts and lease-up reserve accounts
- Operating costs that are normal and typical costs of business operation, including but not limited to:
  - Lawn mowing and maintenance of the land and other land-holding costs that were incurred before six months prior to the date of the first application for funding for the specific project
  - Office utility bills
  - Staff salaries
  - Office equipment and supplies
  - Cleaning equipment, supplies, and tools
  - Overnight mail fees
  - Postage costs
  - Copying
  - Telephone and office rental costs
  - Tuition and travel expenses for staff training and seminars
  - Groundbreaking and open house expenses
  - Furniture that is easily 'portable', unless pre-approved by the Department
  - Food for promotional events, including grand openings and other marketing events
- Construction Management and project administration by on-staff payroll employees
- Vehicles of any kind
- Kitchen or household supplies for individual apartments
- Landscaping equipment
- Television and computers and related equipment for individual apartments

### **Cost eligibility for specific resources**

#### **Housing Development Grant Program (HDGP), and General Housing Assistance Program (GHAP)**

- LIHTC Reservation Fee paid to OHCS
- Property taxes during development if there is no other source for payment
- Replacement Reserve Account funding when there is no other source of funding and it is pre-approved by the OHCS production analyst

### **HOME and HTF Programs**

Do not enter into any agreements or contracts to be paid with HOME funds until a grant agreement has been executed. No choice limiting actions which have any effect on the land can



occur until after OHCS has completed the Part 58 Environmental Review and the project site has received environmental clearance. No construction contracts can be entered into until after the HOME Agreement is legally executed.

No draws, including draws at escrow, can occur until after the HOME Agreement is legally executed and the HOME or HTF Declaration of Restrictive Covenants are recorded.

#### *Eligible HOME and HTF Costs*

HOME and HTF funds may pay for reasonable and necessary soft costs, such as:

- Appraisals
- Attorney fees
- Loan fees (except for OHCS programs)
- Developer fees
- Architectural and engineering costs
- Building permits and impact fees or system development charges
- Affirmative fair marketing and fair housing expenses

HOME and HTF funds may pay for usual and customary development hard costs, such as:

- Rehabilitation and construction costs
- Essential improvements
- Energy related improvements
- Lead-based paint hazards and abatement
- Accessibility for persons with disabilities
- Correction or replacement of major housing systems
- Repairs and general property improvements of a non-luxury nature
- Appliances (those typically found in rental housing, i.e., stoves and refrigerators)
- Site acquisition
- Relocation
- Laundry or community facilities which are located within the same building as residential housing and used only by residents and their guests

#### *Ineligible HOME and HTF Costs*

HOME and HTF funds cannot be used to pay for:

- a project reserve account for replacement, a project reserve account for unanticipated increases in operating costs, or operating subsidies
- application or loan fees of other OHCS program off-site improvements such as sidewalks, aprons, roadways, and sewer lines
- a project reserve account for replacement, a project reserve account for unanticipated increases in operating costs, or operating subsidies

- application or loan fees of other OHCS programs
- off-site improvements such as sidewalks, aprons, roadways, and sewer lines
- non-predevelopment costs incurred prior to execution of the HOME or HTF Agreement
- OHCS fees such as application fees, monitoring fees, or reservation fees for other OHCS programs
- relocation costs incurred prior to site ownership and/or prior to application for HOME or HTF funding
- furniture of any kind

### **Article XI-Q Bond Funds (LIFT and PSH Capital)**

Article XI-Q bonds are State issued bonds that are to be used to acquire, construct, remodel, repair, equip or furnish real property that is owned or operated by the State of Oregon. The Oregon Legislature has approved the use of Article XI-Q bonds for developing affordable housing for low-income Oregonians.

Article XI-Q Bond Projects are eligible to submit draw requests with invoices for reimbursement of Project expenses upon the recording of the applicable program loan documents. Upon receiving a request for reimbursement, the assigned Production Analyst reviews all invoices to determine eligibility of payment out of the Article XI-Q bond proceeds.

#### *Examples of allowed hard and soft costs:*

- Direct Project Costs
  - Land Costs (including paying acquisition loans)
  - Construction Costs, which can include
    - Minor demolition costs
    - Construction equipment for the project
    - For Modular Projects: Costs necessary to place the asset into its intended location and condition for use. Ex: Freight/Transportation
  - Engineering Costs
  - Architectural Costs
  - Development Contractor Costs
  - Accounting and legal costs
  - OHCS, DOJ, BOLI, DEQ fees and charges
    - Only allowable at construction closing

#### *Examples of unallowed bond costs:*

- Moving Costs (relocation costs)
- Pollution Remediation Costs
- Rent Costs (temporary office space for employees to work)
- Operating Costs (Office supplies, training, meals, etc)
- Indirect or Administrative Costs (operating reserves, replacement reserves, staff payroll, etc)
- Professional Membership Dues
- Expenses incurred prior to site identification or incurred to determine best location of project.

Article XI-Q Bond proceeds cannot fund a project reserve account for replacement, a project reserve account for unanticipated increases in operating costs, or operating subsidies.

