

OREGON HOUSING AND COMMUNITY SERVICES

ELIGIBLE AND NON-ELIGIBLE COSTS FOR OHCS GAP RESOURCES

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The following is a guideline for the use of sponsors and developers who have received grants through OHCS. This document discusses eligible and non-eligible costs which can and cannot be paid by each funding program. If you are unable to determine by using this resource if a specific cost is eligible, please contact the OHCS loan officer responsible for your project.

In order to draw OHCS grant resources, please utilize the Draw Request Form located at along with third party invoices (not statements or bids) as verification of the expense incurred for the project. Construction draw requests must be verified by an AIA Statement that is approved and signed by the project architect.

Please note: To be eligible for payment, costs must have been incurred no more than six (6) months prior to the date of the first application for funding for the specific project. For HOME projects, costs must have been incurred no more than six (6) months prior to the date of the awarded application for funding.

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,
- Loans.

Regarding pre-development or bridge loans (temporary financing with no more than a two-year term), OHCS considers the payment due date of pre-development or bridge loan to be the qualifying date for this purpose, rather than the date on which the loan became effective. Pre-development costs eligible under the HOME Program are more restricted. Please consult with the OHCS loan officer responsible for your project.

Eligible Costs

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

- New construction, rehabilitation, or acquisition of low and very low-income housing units;
- Contracted third party construction manager or inspector may be an eligible cost (requires pre-approval from OHCS loan officer after submission of contract),
- Staff architect time dedicated time to the specific project (requires pre-approval from OHCS),
- Essential improvements,
- Energy related improvements,
- Lead based paint hazard treatment,
- Costs associated with accessibility for persons with disabilities, as part of project rehabilitation or construction;

- Appliances typically found in rental housing,
- 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 (although HOME cannot pay for OHCS fees)
- Developer fees,
- Building permits and impact fees or system development charges,
- On-site road, sewer and water lines;
- Off-site infrastructure costs,
- Affirmative marketing and fair housing costs,
- Utilities during rehabilitation and/or construction,
- Relocation costs for tenants who are temporarily or permanently displaced by the project,
- Hard-costs related to providing resident services to tenants (but only in certain circumstances so check with your loan officer),
- Fixtures, if permanently attached or installed in a manner that removal would damage the property or the fixture,
- Furniture in an on-site community building or space at a project housing a special needs population or seniors may be an eligible cost if there is no other source of funding to pay for it (advanced approval of loan officer required).

Release of Developer Fee

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

The Department will consider Developer fees in the aggregate, up to 15% of Total Project Costs less reserves, and less the requested developer fee amount. For this purpose, 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 the Department.

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 amount finalized at closing.

Release of consultant fees

OHCS may release consultant fees in accordance with the legally binding contract between the consultant and the developer (submit copy of contract to loan officer). The contract must detail a disbursement schedule tied to the completion of specific development mileposts.

Ineligible Costs

Please note: OHCS does not pay for stored construction or rehabilitation materials in any case. Requests for reimbursement of stored materials should occur upon installation of the materials.

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

- 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 (6) 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;;
- Ground breaking and open house expenses;
- Furniture that is easily 'portable', unless pre-approved by the Department;
- Meals (e.g. lunches, pizza feeds)and promotional events even for marketing purposes;
- Construction Management and project administration by on-staff payroll employees;
- Van or vehicle of any kind;
- Kitchen or household supplies;
- Landscaping equipment;
- Television and Computers and related equipment.

**COST ELIGIBILITY SPECIFIC TO EACH FUNDING PROGRAM
(in addition to what is previously listed above)**

Housing Development Grant Program (Trust Fund) (HDGP),
General Housing Assistance Program (GHAP),
and HELP Program

- Sponsors may draw up to 50% of each programs award prior to completion of all conditions of reservation. This is subject to written pre-approval by the OHCS loan officer responsible for your project. A Project Use Agreement or grant agreement must either be recorded, or be executed by the grant recipient and held in escrow for recording at closing.
- 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 loan officer.

HOME Program

Do not enter into any agreements or contracts to be paid with HOME funds until a grant agreement has been executed.

No site-limiting actions which have any effect on the land can occur until after OHCS has completed the NEPA Environmental Review and the project site has received environmental clearance.

No construction contracts can be entered into until after the HOME Grant Agreement is legally executed.

No draws can occur until after the HOME Grant Agreement is legally executed and the HOME Declaration Restrictive Covenants is either: 1) recorded, or 2) signed by the sponsor and held in escrow with instructions to record at closing.

Eligible Costs

Soft Costs: HOME 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.

Hard Costs: HOME 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;
- accessibility for persons with disabilities;
- correction or replacement of major housing systems;
- repairs and general property improvements of a non-luxury nature;
- appliances (only 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 Costs

HOME funds cannot fund a project reserve account for replacement, a project reserve account for unanticipated increases in operating costs, or operating subsidies.

HOME funds cannot be used to pay for application or loan fees of other OHCS programs.

HOME funds cannot be used to pay for off-site improvements such as sidewalks, aprons, roadways, and sewer lines.

Specific pre-development costs incurred up to six (6) months prior to the awarded application may be eligible for payment based upon pre-approval by OHCS , such as:

- Legal,
- Consulting,
- Environmental,
- Engineering and design costs,
- Zoning approvals,
- Inspections and testing for hazards,
- Costs relating to obtaining site options.

Note: None of the above can have a physical impact on the HOME project site.

HOME funds are not an eligible source for non-predevelopment costs incurred prior to execution of the HOME Grant Agreement.

HOME funds are not an eligible source for OHCS fees such as application fees, monitoring fees, or reservation fees for other OHCS programs.

HOME funds are not an eligible source of funds for Relocation Costs incurred prior to site ownership and/or prior to application for HOME funding.

Low Income Weatherization Program (LIWP)

LIWP Funds support energy conservation measures in affordable housing projects. Applicants may apply to LIWP Funds to upgrade existing eligible areas of rehabilitation projects or to exceed energy codes on new construction.

Funds may pay only for the cost involved in energy conservation measures that are upgrades to exceed those required by building codes.

Eligible Activities

The cost of energy audits and pre and post-rehabilitation energy inspections is an eligible cost.

Rehabilitation Projects: Funds may pay for labor and materials on all or part of the following activities for existing projects that involve rehabilitation and repair work:

Only if the development is electrically heated can LIW funds pay for:

- installation of attic, floor and wall insulation on existing structures (shell measures)
- repair of air leakage or air flow through the dwelling (including chase ways) that may cause structural damage
- upgrading windows from single pane to double pane. (Windows are generally not sufficiently cost effective to justify their entire expense unless packaged with other weatherization measures on a project)
- installation of electric heating systems, including heat pumps
- installation of Energy Star-rated Compact Fluorescent Light (CFL) fixtures

New Construction Projects

- cost of new energy-efficient appliances
- installation of electric heating systems
- green building technology such as solar additions and heat recovery systems with verifiable energy savings

Ineligible activities

OHCS does not allow the use of LIW for the purchase and installation of oil or gas-fired devices (or for work related to those devices).