Underwriting Standards and Development Policies for Multifamily Finance
Attachment A: Eligible Project Development Costs

INTRODUCTION
This attachment provides a streamlined reference to eligible project development costs for multifamily housing financed through NH Housing programs. It is intended to help developers, lenders, and project partners quickly identify eligible costs by funding source and understand limitations.

All costs, regardless of program or funding source, must be directly related to the approved project, reasonable in amount, and supported by appropriate documentation (e.g., invoices, contracts). **While this guide summarizes general eligibility, certain funding sources impose additional requirements related to timing, use of funds, and federal regulations, as outlined in the table and described further in this attachment (see <u>Detailed Information Summary</u>).** Where multiple requirements apply, the most restrictive standard will govern. This document is intended to be a practical tool for project planning and underwriting and should be used in conjunction with the Underwriting Standards and Development Policies for Multifamily Finance and other rules and policies. *It does not replace formal program rules, federal regulations, or guidance from legal and accounting professionals.*

<u>Legend</u>
✓ = Eligible
✗ = Not Eligible
⚠ = Eligible with Conditions – *for questions, discuss with NH Housing staff before finalizing your application, budget, or requisition.*

Cost Category	HOME / HOME-ARP / HOME-LIKE	HTF	AHF / InvestNH-NHH / LIHTC / Supportive Housing OUD	Tax-Exempt Bond
Land Acquisition & Demo	✓	✓	✓	⚠ ≤25% of net proceeds
Building Acquisition	✓	✓	✓	✓
Hard Construction Costs	✓	✓	✓	⚠ Only costs incurred during construction
Soil – Testing	✓	✓	✓	⚠ ≤20% of aggregate bond
Furniture, Fixtures & Equipment	✗	✗	✓	⚠ Must be capitalized & have a useful life at least equal to the term of the loan
Remediation (lead, asbestos, etc.)	✓	✓	✓	✓
Performance & Payment Bonds	✓	✓	✓	⚠ Must be capitalized

Cost Category	HOME / HOME-ARP / HOME-LIKE	HTF	AHF / InvestNH-NHH / LIHTC / Supportive Housing OUD	Tax-Exempt Bond
Architectural and Engineering	⚠ ≤24 months prior to financing commitment	⚠ ≤24 months prior to financing commitment	✓	⚠ Must be capitalized & ≤20% of aggregate bond
Specialized Consultants (HTC, Solar etc.)	✗	✗	✓	⚠ Must be capitalized
Owner's Representative (formerly Clerk of the Works)	✓	✓	✓	⚠ Must be capitalized
Construction Origination & Loan Fees	⚠ Private lender only	⚠ Private lender only	✓	⚠ ≤5% of bond proceeds
Construction Loan Interest	✓	✓	✓	⚠ Through PIS only
Property Insurance & Taxes During Construction	✓	✓	✓	⚠ Through PIS only
Permitting Fees	⚠ ≤24 months prior to financing commitment	✓	✓	⚠ Through PIS only
Impact Fees	✓	✓	✓	⚠ Must be capitalized
Utility Usage During Construction	✓	✓	✓	⚠ Through PIS only
Utility Connection Fees	✓	✓	✓	⚠ Through PIS only
Long-Term Debt Origination and Loan Fees	✗	✗	✓	⚠ ≤5% of bond proceeds
Credit Enhancement Fees/MIP	✗	✗	✓	✗
Bond Loan Fees	✗	✗	✓	⚠ ≤5% of bond proceeds
Cost of Issuance	✗	✗	✓	⚠ ≤2% of bond proceeds
Affordable Housing Fund (AHF) Origination Fee	✗	✗	✓	⚠ ≤5% of bond proceeds
Bridge Loan Fees	✗	✗	✓	⚠ ≤5% of bond proceeds
Bridge Loan Interest	✗	✗	✓	⚠ Through PIS only
Pre-Development Loan Repayment	⚠ Only if the loan paid eligible costs	⚠ Only if the loan paid eligible costs	⚠ Only if the loan paid eligible costs	⚠ Only if the loan paid eligible costs
Pre-Development Loan Interest	✗	✗	✓	⚠ Must be capitalized
Financing Application Fees	✗	✗	✓	✗
LIHTC Allocation & Monitoring Fees	✓	✓	✓	✗
Capital Subsidy (HOME, HTF, AHF etc.) Monitoring Fees	✓	✓	✓	✗

Cost Category	HOME / HOME-ARP / HOME-LIKE	HTF	AHF / InvestNH-NHH / LIHTC / Supportive Housing OUD	Tax-Exempt Bond
Lender's Legal Fees	⚠ ≤24 months prior to financing commitment	✓	✓	✗
Title Insurance & Recording Fees	✓	✓	✓	⚠ Until PIS only
Transfer Taxes	✓	✓	✓	✓
Appraisal Report	⚠ ≤24 months prior to financing commitment	✓	✓	✓
Market Study	⚠ ≤24 months prior to financing commitment	⚠ ≤24 months prior to financing commitment	✓	✓
Environmental Reports	⚠ ≤24 months prior to financing commitment	⚠ ≤24 months prior to financing commitment	✓	✓
Site Survey	⚠ ≤24 months prior to financing commitment	⚠ ≤24 months prior to financing commitment	✓	⚠ ≤20% of aggregate bond
Marketing & Lease-up Costs – Through Construction Loan Pay-Off	⚠ Advertisement Materials Only	⚠ Advertisement Materials Only	✓	✗
Relocation Costs (Residential & Commercial)	✓	✓	✓	✗
Borrower Legal Fees – Project Representation	✓	✓	✓	✗
Accounting Fees – Related to Project and Cost Certifications	✓	✓	✓	✓
NH Housing Construction Administration Services (Inspections, Plan Reviews)	✓	✓	✓	✓
Developer Fee	✓	✓	✓	✗
Consultants - Developer	✗	✗	✓	⚠ Discuss with NH Housing – limited use
Syndication Fees	✗	✗	✓	✗
Initial Funding of Reserves & Escrows: • Operating • Replacement Reserve • Property Insurance & Taxes • Other Approved Reserves	✗	✗	✓	✗

Cost Category	HOME / HOME-ARP / HOME-LIKE	HTF	AHF / InvestNH-NHH / LIHTC / Supportive Housing OUD	Tax-Exempt Bond
FFB Trustee Fees and FFB Operating Reserves	✗	✗	✓	✗

<u>DETAILED INFORMATION SUMMARY</u>

If you have any questions, please contact NH Housing for clarification. Program rules and funding source regulations supersede this document.

- **All Funding Sources – Ineligible – examples include, but are not limited to:**
  - Partnership organizational costs, including limited partnership tax return preparation.
  - Property management costs incurred after initial lease-up and after the construction loan is paid in full (unless a rent-up escrow has been funded and approved by NH Housing to pay these costs).
  - Purchase of heavy construction equipment.
  - Late payment fees on past-due invoices, unless extenuating circumstances demonstrate the delay was not attributable to the developer/borrower.

- **HOME / HOME-ARP / HOME-LIKE / HTF:**
  - Primarily used for acquisition, construction, environmental studies, architectural, engineering, and other professional services related to preparation of plans and specifications.
  - If funding is limited, <u>after</u> these costs are paid, additional eligible costs may include impact fees, developer fee, relocation costs, and legal fees (project/loan closings only, excludes organizational and ownership entity cost).
  - Certain soft costs are eligible if incurred not more than 24 months prior to the date of financing commitment approved by NH Housing's Board of Directors (Board) - all other eligible soft costs must be incurred after Board approval.

- **TAX-EXEMPT BONDS:**
  - *All costs are subject to review and approval by NH Housing's bond counsel.*
  - At least 95% of bond proceeds must be used to pay eligible ("good") project costs.
    - Costs must not be paid more than 60 days prior to:
      - Board-approved Official Intent Resolution, or
      - If there is no resolution, the Board's financing commitment approval (final action resolution).
    - Eligible costs may be reimbursed up to 18 months after the later of when the cost is paid or when the project is placed in service (PIS), but in no case more than 3 years after the cost is paid.
    - Certain costs must be capitalized as part of the project and treated as a capital asset.
    - Certain costs are eligible only until the project has placed in service
    - Architectural, engineering, surveying, and soil testing costs may not exceed 20% of aggregate bond amount.

    - Project costs that do not meet the tax-exempt bond requirements, will be considered ineligible ("bad") costs and may not exceed 5% of total bond proceeds. Within this 5%, cost of issuance may not exceed 2% of total bond proceeds (issuance costs in excess of 2% must be paid with non-bond funds).

- **LOW-INCOME HOUSING TAX CREDITS (LIHTC):**
    - Costs listed reflect general project eligible costs only and do not define eligible or qualified basis; final determinations should be made by the project's tax accountant or legal counsel in accordance with applicable program requirements.

- **InvestNH-NHH:**
    - Only costs incurred on or after May 4, 2022 are eligible.