ELIGIBLE/REASONABLE COSTS:

Line A.3. General Requirements - Allowance includes, but is not limited to, supervision, field engineering, state/area office expense (including clerical employee's wages), temporary sheds, toilets, tool storage and shops, temporary heat, water, light and power for construction, equipment rental (it not included in trade item costs), clean-up and rubbish disposal, building permit, watchmen's wages and/or theft and vandalism insurance (or allowances for such losses), medical and first-aid facilities, temporary walkways and fences, sidewalk and street rental, temporary roads, sidings and docking facilities. Items will vary due to project type, location and site conditions.

Line A.4. Builder's General Overhead - Allow up to two percent (2%) of the sum of Lines A.1. (Land Improvements); A.2. (Total Structures); and A.3. (General Requirements). May be claimed only once.

Line A.5. Builder's Profit - Enter the amount (not the percentage) approved in the HUD-90031, (Section G., Line 5.) at the time of preparation of the HUD/Grantee Grant Agreement. Builder's profit may be claimed only once. HUD does not recognize as "builders profit", profit claimed by an identity of interest contractor if that contractor has subcontracted a majority of the work to one subcontractor.

Line A.7. Other Fees - Allowance includes, but is not limited to, site and topographic surveys, test borings, subsurface explorations, soil testings and utility tap fees (other than those included in subcontracts). Some of these expenses may be borne by architects; exercise care to prevent duplication of cost allowances.

Line A.11. Construction Interest - Allowance for construction interest will run, no longer than 60 days after the date of substantial completion. For project with FHA mortgage insurance or coinsurance, "the cut-off" date used for the HDG program shall be the same as that used for purposes of the insured or coinsured loan.

Line A.12. and A.13. Taxes and Insurance - The time frame for these items should be consistent with Line A.11. above. Insurance for fire, windstorm extended coverage, liability and other risks customarily insured in the community during construction is permitted. It does not include worker's compensation and public liability insurance, which are usually included in the contractors costs.

Line A.15. Examination Fee - Include fees charged by the construction and permanent lender for the examination and processing of the project loan application and mortgage insurance processing fees. If the Owner has paid for an appraisal, engineering or cost analysis, such fees may be reflected. No fee may be claimed by the Grantee.
Line A.1 6. Inspection Fee - Enter amount charged by mortgage insurer or construction lender as a condition of making the loan. No fee may be claimed by the Grantee. Where the Grantee delegates program administrative responsibilities to the State Housing Financing Agency (HFA), an inspection fee may be claimed by the HFA.

Line A.17. Financing Fee - Amount charged by the construction and permanent lender(s) for making the loan. Fee may not exceed three and one-half percent (3.5%) of the amount of the permanent loan. Any fees in excess of 3.5% should be reflected on Line B.4., Discounts up to the maximum permitted.

Line A.18. Title and Recording - Allowance includes recording costs for all loans and mortgages, mortgage and stamp taxes, and the cost of survey and title policies in connection with construction and permanent loans.

Line A.19. Legal - Include expenses incurred by the Owner for legal services required in connection with the Project. The sum of legal and organizational line items, Lines A.19. and A.20., may not exceed two percent (2%) of the Total Development Cost or $90,000, whichever is less. If an amount greater than $90,000 was negotiated and approved on the HUD-90031, the amount approved will be permitted.

Line A.20. Organization - Includes expenses incurred by an Owner to initiate a project, its planning, financing, construction, and control and management of the construction of the project through final closing of the permanent loan. See HDG Application Packet, Part M-1, for discussion of "Organization" activities. The sum of legal and organizational line items, Line A.19. and A.20., may not exceed two percent (2%) of the total Development Cost or $90,000, whichever is less. If an amount greater than $90,000 was negotiated and approved on the HUD-90031, the amount approved will be permitted.

Line A.21. Cost Certification Audit Fee - Includes amount paid by Owner for cost certification of project. If project is cost certified for mortgage insurance pursuant to the National Housing Act, exercise care to prevent duplication of this charge.

Line A.22. Contingency Reserve - Reflect actual amount drawn from contingency reserve.

Line A.23. Relocation - Include costs incurred as a result of relocation activities described in Part I of the approved application or as amended by the Grant Agreement. Do not include funds held in escrow to subsidize rents for very low-income tenants remaining in the project.

Line A.24. Other - Non-profits, cooperatives and mutuals, may claim up to three percent (3%) of the Total Development Costs for marketing expenses. Consultant fees, up to one percent (1%), may also be claimed. Profit motivated Owner entities may claim a historic preservation consultant fee only; no other consultant fees are permitted for profit-motivated entities.

Line A.25. Land Acquisition - Land held by the Owner for three years or more, at the time of application submission, shall be valued by using the appraised value at the time of application submission, plus carrying charges incurred...
from time of application submission to construction start, minus existing
debt. Land owned less than three years prior to, or optioned at the time of
application submission shall be valued by using the contract price, plus
carrying charges incurred from time of application submission to construction
start, minus existing debt. Land involving a long term leasehold shall be
valued by determining the amount of initial lease payment and the lease fee
paid during construction. Annual lease fees paid after construction will be
considered operational expense and will not be permitted as a settlement
cost.

Line B.3. Initial Operating Deficit Reserve - Enter the amount covered by a
letter of credit or in an escrow account for this purpose. Amounts in the
"Owner's" and "Actual" cost columns may not exceed the "Approved" column.

Line B.4. Discounts - Enter any amounts paid for financing in excess of the
3.5% allowed on Line A.17 provided the sum of the amounts on Line A.17 and
B.4 do not exceed four percent of the bond issue used to fund the loan, or in
the absence of bond financing four percent of the mortgage.

Line B.5. Interest Yield Costs - If tax-exempt financing is to be used for
permanent financing, enter the amount paid by the Owner to cover the
difference between interest paid on the proceeds and interest earned on the
proceeds where a shortfall in earnings occurred.

Line B.6. Working Capital - Allowance permitted in column "Approved HUD-
90031" cannot exceed 2.5% of debt financing or the amount required by the
mortgage insurer. In the column "Actual HUD-90031" enter only the amount of
funds expended toward this eligible purpose. Do not enter the amount covered
by a letter of credit or tied up in an escrow account.

ATTACHMENT

Line B.7. Offsite Construction Costs - Enter only the amount not accounted
for in Line A.1., and paid for by the Owner. If off-site improvements were
paid for from public sources, no claim may be made.

Line C. Initial Operating Deficit Costs - Enter any amount of Owner's funds
expended to date to cover project operating deficits prior to sustaining
occupancy up to the amount of Line B.3 approved.

INELIGIBLE COSTS:

BSPRA (Builder/Sponsor's Profit and Risk Allowance) - Though normally
permitted for HUD mortgage insured and coinsured project if the builder and
sponsor have an identity of interest - BSPRA is not allowed by the HDG
program. An amount for Builder's Profit as described above under Line A.S.,
however, is permitted.

Developer's fees other than the builder's profit and organizational fees.
Such fees may not be considered in the grant amount, project costs or owners
equity requirement. However, they may be included in a loan secured by the
project if the lender is a State housing finance agency, or the loan is
funded by bonds issued by a State housing finance agency or similar local
entity. The amount of any developer's fee shall not be counted in calculating
the maximum grant amount.

EXAMPLE: An Identity of Interest company (Company A) claims that they
are general contractor. Company B, named as sub contractor, completes
the majority of the work and may also supervise other subcontractors. At settlement, Company A claims profit and overhead. Company B receives contract amount including profit, overhead and general requirements.

Company A may not claim builders profit or overhead, which has already been included in the amount paid to Company B. Builders Profit may be paid only once and only to the general contractor with responsibility for construction of the project.

No fees may be claimed by the Grantee for grant administration in that capacity. Standard building permit and similar regulatory fees, property tax payments (or the equivalent) and financing fees for CDBG or other non-HDG loans to the project, may all be considered in costs. However, all Grantee staff time is donated to the project. The Grantee may reimburse itself for any HDG program expenses incurred from any Program Income that may be collected after construction completion.