



Multifamily Housing Development Programs Guide to Project Development Costs

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1 Introduction

The Department of Housing and Community Development (DHCD) administers a variety of State and federal programs that finance the development of affordable rental housing. These programs include, but are not limited to, the Low Income Housing Tax Credit (LIHTC), the Rental Housing Program (RHP), Rental Housing Works (RHW), the Partnership Rental Housing Program (PRHP), the HOME Investment Partnerships Program (HOME), and the Multifamily Bond Program (MBP).

While there are variations between these programs based on the underlying source of funds, State and federal requirements applicable to specific funding sources, and State policy goals, DHCD seeks to align many of the administrative processes that accompany these programs. This alignment makes these programs more user-friendly and contributes to operating efficiencies for DHCD and its partners, including owners, investors, and managers of properties financed by DHCD resources.

This document is one of three (3) publications that specifically address policies and procedures for disbursing and tracking funding for affordable rental housing developments financed by DHCD. The three (3) documents are:

- 1) **Guide to Project Development Costs**
- 2) Guide to Draw Procedures
- 3) Guide to Cost Certification

Together, these documents were developed to provide borrowers/mortgagors, general contractors, and certified public accountants with important information to assist them in the preparation and submission of draw requests and cost certifications following completion of multifamily rental projects. These documents serve as a complement to the Multifamily Rental Financing Program Guide (the “Guide”) and Qualified Allocation Plan for Low Income Housing Tax Credits (the “QAP”). Additionally, these document complement but are not a substitute for federal and state laws and regulations.

Because of the complexity of the rules governing DHCD’s multifamily rental financing programs, all participants are urged to seek appropriate legal and accounting advice regarding construction-related matters, draw requests, cost certifications and other matters associated with the disbursement of DHCD funding. Borrowers/mortgagors and general contractors may engage accounting and legal representation of their

choice without DHCD approval, and are urged to do so at an early stage in the processing/underwriting of DHCD financing.

All questions regarding this document should be directed to Alvin Lawson, Multifamily Construction Finance Team Leader via email at Alvin.Lawson@Maryland.gov, via phone at 301-429-7718, or by mail to DHCD at 7800 Harkins Road, Lanham MD 20706.

2 Definitions

The Department classifies project development costs into seven (7) primary categories, which are listed below. These categories are used in the Department's underwriting and financial review, and various Departmental forms (i.e. Forms, 202, 406 and 101) are organized accordingly. The 7 categories are:

1. Construction or Rehabilitation Costs
2. Fees Related to Construction or Rehabilitation
3. Financing Fees and Charges
4. Acquisition Costs
5. Developer's Fee
6. Syndication Related Costs
7. Guarantees and Reserves

Definitions of key terms used throughout this document are provided below.

2.1 Change Order

A "hard cost" change order is any amendment or modification of the Construction Contract Documents approved by CDA and occurring after the Initial Closing. A "soft cost" change order amends or modifies any other item in the approved development budget.

2.2 Completion Date

Means the Completion Date specified in the Construction Contract.

2.3 Cut-off Date

Means 120 days from Substantial Completion.

2.4 Draw Request

Means a request for disbursement of the Loan proceeds and/or any other funds for the Project prepared by Borrower and delivered to CDA.

2.5 Draw Schedule

Means a schedule prepared by Borrower and delivered to CDA at initial closing showing the amount Borrower anticipates drawing and the anticipated date of each draw during the Construction of the Project.

2.6 Field Progress Meeting

Means the monthly meetings among CDA, Borrower, General Contractor, Architect and such other parties.

2.7 Final Closing

Means the date on which the final principal amount of the Loan is finally accepted and approved by CDA.

2.8 Initial Closing

Means the date of the initial closing of the Loan.

2.9 Loan Documents

Means the Note, the Deed of Trust, the Regulatory Agreement and any other instrument or agreement evidencing or securing the CDA/DHCD Loan(s), including any certificate or other document executed and delivered in connection with the Loan.

2.10 Note

Means the Borrower's Deed of Trust Note to CDA/DHCD in the principal amount of the CDA/DHCD Loan, secured by the Deed of Trust, evidencing Borrower's obligation to repay the CDA/DHCD Loan and specifying the terms of repayment.

2.11 Soft-Cost

Means "Fees Related to Construction or Rehabilitation" & "Financing Fees and Charges."

2.12 Substantial Completion

Means the date when (a) the rehabilitation or construction and equipping of the Project has been fully completed in a good and workmanlike manner and according to the Contract Documents, in full compliance with all applicable Legal Requirements of any Legal Authority, except for punch list items approved by CDA; (b) all certificates of use and occupancy have been issued by all appropriate Legal Authorities for every unit in the Project; and (c) the Inspecting Consultant or Architect has issued an AIA Form G-704 (Architect's Certificate of Substantial Completion).

3 Eligible Costs

3.1 Construction or Rehabilitation Costs

3.1.1 Building Permits and Fees

If the Contractor is responsible for obtaining permits, the cost of all permitting shall be included in construction costs.

3.1.2 Builder's Fees

Builder's fees, including profit, overhead, and general requirements, are subject to both aggregate and individual limits. In all cases, these limitations are described as a percentage of Net Construction Costs. Net construction costs (shown in the Department's Form 212 – Summary Cost Estimate and Form 215 – Detail Cost Estimate) are construction costs that do not include a builder's general requirements, builder's profit, general overhead, bond premium, construction contingency or other fees.

Summary of Professional Fee Limitations		
	<i>Large Projects</i>	<i>Small Projects*</i> <i>*Small projects = 40 units or less</i>
Builder's Fees—Aggregate limit % of net construction costs	New construction: 15% Rehabilitation: 17%	20%
Builder's Profit	10%	
Builder's Overhead	3%	
General Requirements	10%	

3.1.3 Bond Premiums

Bond premiums include the actual premium paid for performance and payment bonds or the actual cost paid to a lending institution for letters of credit to assure construction completion.

3.1.4 Total Construction Costs

If a lump-sum contract is utilized, the amount to be reported is the amount of the contract sum as adjusted for approved change orders, liquidated damages, or incentive payments.

If a cost-plus contract is utilized, the amount to be reported is the lesser of the actual cost or the contract amount as adjusted for approved change orders and/or liquidated damages.

All adjustments to the contract amount for change orders or liquidated damages must be disclosed in the final cost certification.

3.1.5 Construction Contingency

A percentage up to 5% for new construction and up to 10% for rehabilitation based on the cost of buildings, site work, general requirements and contractor's overhead and profit.

3.2 Fees Related to Construction or Rehabilitation

3.2.1 Appraisal

Costs associated with the appraisal for land and the project and updates to appraisals.

Appraisals are typically ordered by banks participating in the financing and must meet specific banking requirements and DHCD approval.

3.2.2 Market Study

Costs associated with the market study for land and the project. Market studies must comply with DHCD's requirements. Generally, only one appraisal and market study will be eligible as a project expense, but an update is an allowable expense.

3.2.3 Architect's Fees

Architect's Fees for design and supervision are allowable in the amounts set forth in CDA's fee schedule as detailed in the Multifamily Rental Financing Guide (see table below) and approved on the CDA Form 202. These amounts are determined during the underwriting process and cannot be increased unless approved by CDA in writing in the form of a contract amendment during the construction phase for additional services. As referenced in the Cost Certification Guide, CDA will consider master planning and other design costs for multi-phased projects that were incurred prior to the initiation of each phase on multi-phased projects. The master planning costs will be allocated to each phase as follows: 5 year look back period, proportion to the # of phases and will be subject to the cap.

Summary of Architect Fee Limitations		
	<i>Large Projects</i>	<i>Small Projects</i>
Architect – Design % of construction contract	5%	7%
Architect – Administration % of construction contract	3%	4%

3.2.4 Architect Reimbursables

Costs associated with reimbursing the architect for copying, printing, delivery, etc.

3.2.5 Architect's Supervision

Costs associated with the architect's administration of the construction work and sub-consultants.

3.2.6 Engineering Fees

The allowable civil engineer's fee for projects of more than forty (40) units may not exceed 5% of Net Construction Costs. For projects of forty (40) units or less, the civil engineering fee may not exceed 7% of Net Construction Costs (See table below).

Summary of Engineer Fee Limitations		
	<i>Large Projects</i>	<i>Small Projects</i>
Civil Engineering % of net construction costs	5%	7%

3.2.7 Engineer's Reimbursables

Costs associated with reimbursing the engineer for copying, printing, delivery, etc.

3.2.8 Environmental Audit/Site Assessment

Costs associated with the third party consultant (where the cost was not included in the architect's fees) to perform Environmental Site Assessment. (e.g. Phase I, Phase II, reliance letters, remediation if contracted by the Borrower, etc.)

3.2.9 Furniture, Fixtures and Equipment

Furniture and equipment will be limited in total development cost to \$2,000 per unit. For developments with 40 or less units, SRO units, elderly 62+ developments, and other developments with significant community space, an amount greater than \$2,000 per unit may be permitted if an itemized breakdown of the costs is provided for DHCD's review and approval. Items include model apartment furnishings and/or interior decoration; community space

decoration and/or furnishings; and interior design fees. Furnishings and equipment for commercial space will not be recognized.

3.2.10 Historic Consultant

For developments utilizing historic rehabilitation tax credits, DHCD will allow a reasonable historic consultant fee in both total development cost and eligible basis. The historic consultant fee may not exceed the lesser of 0.75% of the eligible basis for the historic rehabilitation tax credit or \$30,000.

3.2.11 Marketing

The maximum amount for marketing is determined during the underwriting process. The usual marketing expenses are for such items as logo; design' brochure design and printing expenses; newspaper and media ads; signs and on-site marketing staff expenses. Unless otherwise approved by DHCD, the Department expects that marketing expenses should be significantly less than the per unit maximum of \$1,000. Expenses for staff other than those performing marketing duties, i.e., maintenance staff, will not be included.

3.2.12 Other Permit & Fees

Fees for Fire Marshal review, if any, utility tap, certificate of occupancy, municipal plans/review/inspection and impact fees. Do not include Building Permit Fees paid by the General Contractor. (See 3.1.1 above)

3.2.13 Survey/Soil Boring/Environmental/Sub-consultants/Civil Engineering/Geotech

Costs associated for initial and final surveys (ALTA), site layout, subdivision design, actual soil borings and reports, lead/asbestos or environmental testing, geotech consultants, testing and inspections (including inspections by a third party) and flood plain and wetland delineation reports.

3.3 Financing Fees and Charges

3.3.1 Bond Issuance

Costs associated with the issuance of tax-exempt bonds (including DHCD fees).

3.3.2 Bond Legal

Costs associated with legal expenses and fees as it relates to tax-exempt bond transactions.

3.3.3 Construction Financing Fees

Financing fees charged by lenders in connection with origination and closing of the construction loan, including extension fees as approved by CDA.

3.3.4 Construction Interest

Interest is allowable in the amount paid on all construction mortgage loans, from the date of initial closing until permanent loan closing. Construction interest is calculated on the funds disbursed during the construction loan period.

3.3.5 Construction Legal

Legal expenses are generally those incurred for construction closing, legal costs for zoning, local approval issues and the financing attorneys, tax advice, set up fees, and performing the title examination, preparation of documents for construction and final closing, title bringdowns during construction, and for performing other customary legal services at the construction and final closings and during the construction period.

3.3.6 Cost Certification and Accounting

The costs associated with the preparation of the Mortgagor's and Contractor's Certification of Actual Costs. The contractor shall separately certify its costs incurred in the performance of the work under the construction contract. The costs associated with the annual audit and tax returns as required by any lender or syndicator or any periodical reports during the construction period. Cost to prepare the basis report that shows the calculation of the tax credits generated by a project. Also covers the 50% and 95-5 testing that are required by bond deals as well as certification costs for the 10% test for Low Income Housing Tax Credits.

3.3.7 Soft Cost Contingency

A Soft Cost Contingency of up to 2.5% of the Soft Cost may be allowed with CDA approval. Generally, this allowance is used to offset unanticipated financing costs.

3.3.8 DHCD/CDA Application and Financing Fees

The CDA Financing Fees are computed as a percentage of the mortgage. All CDA Financing Fees are allowable for cost certification in the amount actually paid to CDA. See exhibits A and B.

3.3.9 Insurance

Builder's risk and property and casualty insurance costs are allowable in the amount paid and accrued from construction closing to permanent closing.

3.3.10 Letter of Credit Fees

The fees associated with all letters of credit required under DHCD loan documents as well as letters of credit required by any lender or local jurisdiction.

3.3.11 Mortgage Insurance Premiums (MIP)

The amount of premiums allowed for MIP is prorated from the initial closing date to the cut-off date to determine the earned premium for the construction period. In addition, any other portion of the MIP that is considered earned by the lender will be an allowable cost.

3.3.12 Other Fees

This category is used for those items that do not apply to the above cost categories. All costs in this category must be identified and approved by CDA during the Underwriting phase. All costs must be fully documented for CDA approval.

3.3.13 Permanent Financing Fees

Financing fees charged by lenders in connection with permanent closing.

3.3.14 Pre-Development Loans

Interest and origination fees up to \$25,000 on pre-development loans as approved by CDA.

3.3.15 Real Estate Taxes

The allowable amount paid or accrued for real estate taxes during the period of the construction loan through cut-off date.

3.3.16 Title & Recording

Amounts to be paid by the mortgagor for the title search, title insurance, policy, transfer taxes and recording fees at the time of construction and permanent closing, exclusive of any fees paid out of legal fees. Fees associated with monthly title updates required by lenders to release draw funds.

3.3.17 Credit Report

Charges for a credit report will be limited to \$500.

3.4 Acquisition Costs

3.4.1 Acquisition (Land and/or Building)

The cost of improvements of the land which includes buildings, site improvements, roads, water/sewer, and site lighting thereon. Price must be supported by an appraisal and approved by DHCD. Reserves will be considered part of the acquisition costs upon transfer and must be reflected in the sales agreement price. If the site includes existing buildings, allocate the cost between land and buildings.

In all cases and regardless of which proposed funding source will pay for the acquisition price, an appraisal will be used to assess the reasonableness of the acquisition price in the project budget. In most cases, independent professional appraisers under contract with DHCD will perform the appraisal and the applicant will pay the costs of any required appraisals. However, DHCD, in its sole discretion, may accept an appraisal that is required by another lender and prepared by an independent professional appraiser for that lender. For LIHTC transactions involving acquisition credits, DHCD may, as a condition of a reservation, and at its discretion, request an opinion from an independent CPA or tax attorney confirming that the planned acquisition conforms with §42(d)(2)(B) of the Code (i.e. the Ten-Year Rule).

The acquisition price is defined as the consideration offered for the transfer of title and legal ownership. The acquisition price does not include:

- Reasonable and necessary soft costs related to the acquisition, such as legal expenses associated with zoning, title expenses, relocation costs, and engineering fees; or
- Off-site improvements, such as extensions of infrastructure necessary to prepare the site for its intended use, provided that the absence of such improvements is clearly noted and accounted for within the appraisal's estimate of "as is" value.

In general, the acquisition price must meet the following requirements:

- In the case of an Arms-Length Transaction, the acquisition price must be less than or equal to the "as is" appraised value of the property.
- In the case of a transaction involving a change of use, the acquisition price must not exceed the lesser of the "as is" appraised value or the "as completed" appraised value based on the project's projected end use.
- In the case of a Related Party Transaction where the property was acquired less than two years before the application date, the acquisition price must not exceed the lesser of the "as is" appraised value or the applicant's original acquisition price plus carrying costs acceptable to DHCD.
- In the case of a Related Party Transaction where the property was acquired two or more years before the application date, the acquisition price does not exceed the "as is" appraised value of the property.

For purposes of this section, an Arms-Length Transaction is one between parties made freely and independently of each other, and without a special relationship such as family relationship, other business relationship, or the existence of a controlling interest between the parties. In contrast, a Related Party Transaction includes one between parties where familial, business, controlling interests, or other close ties exist prior to the transaction.

Any portion of the acquisition price in excess of the "as is" value may not be financed or reimbursed by RHF or other project sources, may not be used in calculating the developer fee, and may not be reimbursed from cost savings at final closing. The excess must be paid with non-project sources such as proceeds of the developer fee. For a family housing project located in a Community of Opportunity, the acquisition price may be up to 120% of the "as-is" value before being subject to the limitations outlined in this paragraph.

Exceptions to the acquisition price standards may be submitted to DHCD on a case by case basis under the waiver process. Waivers to the acquisition price limitations will be in DHCD's sole

discretion, and DHCD expects the approval of such excess acquisition prices to be extremely limited.

Additionally, DHCD loan funds may not be used directly to purchase schools or school sites owned by local governments or religious institutions for conversion to housing, except as permitted by waiver.

DHCD will allow real estate taxes and other carrying costs associated with owning the site during the period after acquisition and application to be counted towards the acquisition of the property.

3.4.2 Off Site Costs

DHCD expects the General Contract to include all off site cost. However, the costs paid under any supplemental contract between the mortgagor and any party other than the G.C. in connection with off-site improvements are eligible, subject to approval by DHCD of such supplemental contract. However, such amount shall not include any off-site expenses which are not recognized in, or which are in excess of the amount allowed in, the mortgage loan commitment and shall not include any off-site expenses included within the construction costs.

3.4.3 Relocation

Costs attributable to the relocation of tenants as a result of the construction or rehabilitation of the project are eligible. Mortgagors, contractors and vendors must follow the Uniform Relocation Act procedures when relocating tenants.

3.5 Developer's Fees

Constitutes the developer's compensation for services rendered exclusively in connection with coordinating and overseeing the planning, construction and completion of the development.

The developer's fee is calculated as a percentage of total development costs. A fee of up to 15% is allowed on the first \$10 million of total development costs (less acquisition-related costs construction and soft cost contingencies) and up to 10% on total development costs (less acquisition-related costs and construction and soft cost contingencies) over \$10 million. A fee of up to 10% is allowed on the first \$10 million of acquisition-related costs and up to 5% on acquisition-related costs over \$10 million. Generally, the total developer's fee may not exceed \$2.5 million. Construction and soft cost contingency utilized during the construction or rehabilitation of a project may be eligible for developer's fee if used to cover qualified development costs.

The Developer's Fee is inclusive of all fees paid to the Developer, processing agents, and development consultants, and includes deferred fee. The range of allowable developer's fees is

from 10% to 15% of total development costs as approved by DHCD based on the table below. For purposes of this calculation, total development costs include the following: expenses related to the actual construction or rehabilitation of the project; fees related to the construction or rehabilitation such as architecture, engineering and legal expenses; financing fees and charges such as construction interest, taxes, insurance and lender fees; and acquisition related costs which may include master planning costs. Total development costs do not include the following: hard or soft cost contingencies; syndication related costs; funded guarantee and reserve accounts that are required by lenders or investors; and the Developer's Fee.

The Developer's Fee may not exceed \$2.5 million and is further limited on a percentage basis as follows:

Developer's Fee Limits		
	<i>Fee on Development Costs</i>	<i>Fee on Acquisition Costs</i>
First \$10 million	15%	10%
Amount in excess of \$10 million	10%	5%

Sponsors may request up to an additional five (5) percent above the calculated Developer's Fee (i.e. up to 20% of Development Costs and up to 15% of Acquisition Costs) if 80% of the entire additional fee is escrowed with DHCD or another lender to fund a rent subsidy for Targeted Population units set aside for persons at or below 20% of area median income for the initial 15 year LIHTC compliance period. The remaining 20% of the additional fee will be made available to the project sponsor as an incentive for providing units to Targeted Populations. Funds deposited in the rent subsidy will be used to fund the difference between the 20% AMI rent and 60% AMI rent. DHCD will work with sponsors to determine the exact mechanism necessary and appropriate to ensure funding on the subsidy. Additionally, during the initial fifteen (15) year LIHTC compliance period, DHCD will review, approve and monitor use of the rental subsidy. Provisions for the rent subsidy will be incorporated into DHCD's loan documents, as appropriate. The additional five (5) percent above the calculated Developer's Fee will not be subject to the \$2.5 million limit stated above.

3.6 Syndication and Organizational Related Costs

3.6.1 Bridge Loan Interest

Developments requiring bridge loan financing to cover equity installments must supply verification of the anticipated interest amount from the financial institution providing the financing. Bridge loan interest, through the construction period only, may be included in Tax Credit eligible basis.

3.6.2 Bridge Loan Fees and Expenses

Verification of these costs from the financial institution providing the financing must be provided. If the bridge loan extends beyond the construction completion date the bridge loan expenses must be pro-rated as to what is basis eligible.

3.6.3 Organizational

Organizational costs are related to the formation of the ownership entity of the development and may include such costs as legal, filing, and registration fees.

3.6.4 Syndication Legal

Costs associated with legal expenses and fees as it relates to LIHTC transaction.

3.6.5 Syndication Related Costs

These are costs incurred when syndicating a project with historic tax credits or Low-Income Housing Tax Credits.

3.7 Guarantees and Reserves

3.7.1 Guarantees and Reserves

Guarantees and reserves should include only funded amounts required by the Department, other lenders or syndication firms. Refer to the Multifamily Rental Financing Program Guide for the Department's requirements for Guarantees and Reserves.

3.7.2 Operating Reserves

As part of the development budget, each project must establish an operating reserve equal to between three and six months of underwritten operating expenses, debt service payments, and required deposits to reserves. At a minimum, capitalized operating reserves must remain in place until the project has achieved a minimum 1.15 debt service coverage ratio, economic break-even operations for one complete fiscal year as confirmed by the project's annual audit, and reached and sustained 90% occupancy for twelve (12) consecutive months. In the discretion of DHCD, the operating reserve may be released over the next three (3) years

provided the project continues to achieve economic break-even operations and sustains 90% occupancy.

3.7.3 Rent-Up/Lease Up Reserves

For new construction or unoccupied rehabilitation developments, rent-up costs incurred should be limited to pre-operational expenses incurred during the 120 day period prior to initial occupancy and shall not exceed \$1200 per unit. The Department expects that rent-up expenses should be significantly less than the per unit for buildings with a history of sustained occupancy, unless permanent displacement is anticipated. If including rent-up cost in the budget, an itemized, detailed breakdown must be included in the application. Examples of costs include management fee, utilities, staff costs, landscaping.

4 Ineligible Costs

The following costs may not be included in the project budget and are considered ineligible by DHCD.

4.1.1 Administrative Service Fees

Late fees, penalties, service charges, re-inspection fees, maintenance fees or other similar fees are ineligible.

4.1.2 Broker Fees

Fees associated with the sale of the property except for normal real estate commissions paid by the seller are ineligible. Broker fees paid by the buyer are eligible if when added to the acquisition costs it does not exceed the “as is” appraisal.

4.1.3 Cash Working Capital Escrow

An escrow funded with cash or a letter of credit for a working capital escrow is an ineligible expense unless a dedicated source of developer capital is identified to fund the escrow and any cost associated with the letter of credit.

4.1.4 Consultant Fees

Fees associated with development or technical assistance consultants are ineligible but may be paid from the developer’s fee. See section 3.5 above.

4.1.5 Salaries or other Administrative Fees

Fees of the owner or related entity not identified as eligible herein. Related management companies can still earn fees.

4.1.6 Travel, Food, Lodging or Similar Fees

4.2 Ineligible Costs by Program

4.2.1 Rental Housing Program

In accordance with program regulation (COMAR 05.05.01) Loan funds may not be used for:

- (1) Work-out financing for troubled projects;
- (2) Refinancing of existing debt;
- (3) Financing for a project for which the application is received after:
 - (a) Acquisition;

- (b) Assumption by the sponsor of the liability for the costs of acquisition or rehabilitation; or
- (c) Completion of rehabilitation intended to be financed in whole or in part by the loan;
- (4) Financing only minor improvements which are not required to make the housing decent, safe, and sanitary in accordance with applicable State and local codes;
- (5) Transaction costs and fees associated with the offering and syndication of a project; or
- (6) Developer fees.

4.2.2 Multifamily Bond Program

In accordance with program regulation (COMAR 05.05.02), if CDA is providing a loan funded in whole or in part with the proceeds of bonds the interest on which is not included in gross income for federal income tax purposes under Section 142 of the Internal Revenue Code of 1986 ("Tax Exempt Bonds"). Certain restrictions and limitations apply with respect to the costs or the portions thereof which are eligible for inclusion in the total development cost. Such restrictions and limitations shall control in the event of any conflict or inconsistency with any other provisions of this guide. Please consult with your accountant and/or legal counsel to ensure you are familiar with these requirements, which are detailed in section 142 of the Internal Revenue Code.

4.2.3 Partnership Rental Housing Program

In accordance with program regulation (COMAR 05.05.05) Program funds may not be used for:

- (1) Acquisition of the site, except as permitted in §A(2) of the program regulation; or
- (2) Off-site improvements.

4.2.4 Rental Housing Works

In accordance with State Treasurer guidelines regarding the expenditure of State General Obligation (GO) Bonds, the following project-related costs should not be paid for with RHW funds unless approved by CDA:

- Developer's Fees
- Project Reserves, including reserves for replacement
- Syndication Fees

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- Interest Expenses
- Legal Fees