



## **NATIONAL HOUSING TRUST FUND**

### ***Eligible Project Costs***

HUD’s proposed regulations spell out eligible uses of National Housing Trust Fund (NHTF) dollars to develop projects, including: buying property, relocating displaced people, development hard costs, soft costs, refinancing, and repaying construction loans.

Operating costs are also eligible project costs (see separate article, “Operating Cost Assistance”).

### **Buying Property**

NHTF dollars may be used to buy property for a NHTF-assisted project.

If vacant land is purchased with NHTF money, construction of specific “affordable housing” must be reasonably expected to start within one year.

However, if land is for transit-oriented development, there does not have to be a specific NHTF-assisted housing project until three years after the property is bought. (See separate article, “Transit-Oriented Development” for details.)

### **Development Hard Costs**

Development hard costs are the actual costs of constructing or rehabilitating housing. These include:

- Demolition, but only if construction of specific NHTF-assisted housing can be reasonably expected to start within one year.
- Utility connections.
- Site improvements, including onsite roads, sewer lines, and water lines.
- Complying with various standards such as:
  - State and local codes, ordinances, and zoning requirements;
  - Federal lead-based paint requirements;
  - Federal accessibility standards for people with disabilities;
  - Energy and water efficiency standards; and,
  - Environmental review requirements.

## **Development Soft Costs**

Development soft costs include:

- Architectural, engineering, and related professional services.
- Paying some fees, including builder's or developer's fees, attorney's fees, title fees, building permit fees, and impact fees.
- Audits.
- Affirmative marketing to prospective tenants and homeowners.
- Funding an initial operating reserve to meet any shortfall in project income during an 18-month project rent-up period.
- Staff and overhead of the state or any local subgrantees for activities directly related to carrying out the project, such as loan processing, work specification preparation, inspections, and lead-based paint inspections.
- Meeting environmental and historic preservation standards.

## **Other Eligible Project Costs**

### Refinancing

Existing debt secured by rental housing being rehabilitated with NHTF can be refinanced. However, rehabilitation must be: the primary eligible activity; necessary to reduce cost in order to make the housing more affordable; and, at a level that meets a threshold of rehabilitation set by the state or local subgrantee.

### Relocation

Eligible relocation costs include: replacement housing payments; moving expenses; temporary relocation expenses; and, staff and overhead directly related to providing relocation services to people displaced by the project, such as referrals to comparable homes, counseling, and inspections.

### Costs Relating to Payment of Loans

If NHTF assistance is part of the original project financing, NHTF may also be used to pay principle and interest on construction loans, bridge financing, or guaranteed loans.