

Eligible project costs (13 CFR §120.882)

1. Land and Necessary Land Improvements -- (For example, grading, new streets including curbs and gutters, parking lots, utilities and landscaping.)
 - a. No matter how long the land has been owned;
 - b. The value of the land will be:
 - i. Only counted at cost if it was bought less than 2 years prior to the date of the application; and
 - ii. Fair market value based upon an appraisal if held for 2 years or more;
2. Building and Building Improvements -- Integral costs for improvements to the building such as facade expenditures, heating, electrical, plumbing and roofing costs;
3. Machinery and Equipment –
 - a. All costs associated with the purchase, transportation, dismantling or installation of machinery and equipment;
 - b. The machinery and equipment has to have a useful life of at least 10 years;
 - c. If the borrower owns equipment that is heavy or highly calibrated (such as a large printing press) that must be moved as an essential part of the Project then any special moving costs (including dismantling and installation) may be included in the project costs;
4. Furniture and Fixtures - If essential to and a minor part of the Project which will not affect the weighted average maturity (13 CFR §120.884(d)(1));
5. Professional Fees – Directly attributable and essential to the Project with the exception of attorney’s fees incurred in closing the Interim and Third Party Loans. Examples of project-related costs that may be included in this section are: title insurance, title searches and abstract costs, surveys and zoning matters.
6. Expenditures for any of the costs listed in subparagraphs 1 through 10 above incurred by the Borrower (with its own funds or from a Short Term Debt) prior to the date of application that are directly attributable to the Project, provided such expenditures (net of Borrower’s contribution) are reimbursed by the Interim Lender;
7. Short Term Debt (“Bridge Financing”) the purpose of which was to provide financing until longer term financing could be obtained for any of the costs listed in subparagraphs 1 through 4 or in subparagraph 6 above that are directly attributable to the Project, provided that the financing is for a term of 3 years or less;
8. Interim financing – Repayment of interim financing including points, fees and interest; and
9. Contingency Fund - May not exceed 10% of the Project construction costs:
 - a. If the residual contingency amount does not exceed 2% of the debenture just prior to closing, it may be refunded to the small business at the time the debenture is funded.
 - b. If the contingency residual is in excess of 2%, the debenture has to be reduced by the excess amount.
10. “Do-it-yourself” construction and/or installation of machinery and equipment, or situations where the borrower acts as its own contractor have proven to be generally

unsatisfactory and can cause problems with lien waivers and mechanics liens, causing potential losses to lender and/or SBA.

“Do-it-yourself” construction and/or installation of machinery and equipment, or situations where the borrower acts as its own contractor may be permitted, if the CDC can justify and document in the loan file that:

- a. The borrower/contractor is experienced in the type of construction and has all appropriate licenses;
- b. The cost is the same as, or less than, what an unaffiliated contractor would charge as evidenced by 2 bids on the work; and
- c. The borrower/contractor will not earn a profit on the construction.