



## PROGRAM BULLETIN

**Date:** February 13, 2019

**To:** Developers

**From:** Eric Shorter, Director of Development

**Subject:** Limitations on Contingency Budget Withdrawals for RIHousing Financed Developments

**Bulletin #:** 2019-01

An important part of project planning is developing an accurate budget. A component of the development budget is a contingency reserve. Generally, RIHousing recommends that a new construction and rehabilitation development budget have a 10% contingency reserve. RIHousing reserves the right to reduce the contingency reserve amount for certain situations on a case-by-case basis.

RIHousing will limit contingency reserve withdrawals to unexpected costs incurred during the construction process and project betterments that in RIHousing's sole discretion will result in more efficient operations, sustainability and quality of life for residents.

RIHousing will not approve contingency reserve withdrawals for expenses that should, as a normal business practice, be included within the development budget. These expenses include but are not limited to: preconstruction services; planning expenses; cost of permits; and other costs that were known or should have been known by the developer prior to the closing of financing.

Any contingency reserve remaining at project closeout will be used by RIHousing to retire subordinate RIHousing financing including federal and state program loans.