# Multifamily Housing Development Programs
# Guide to Draw Procedures

July 1, 2017

EQUAL HOUSING OPPORTUNITY

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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 <u>draw requests</u> and <u>cost certifications</u> 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"). To the extent there is any conflict between these documents and the QAP and Guide, the QAP and Guide shall prevail. 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
Any amendment or modification of the Contract Documents approved by CDA and occurring after the Initial Closing.

## 2.2   Completion Date
The Completion Date specified in the Construction Contract.

## 2.3   Cut-Off Date
One hundred twenty (120) days from Substantial Completion.

## 2.4   Draw Request
A request for disbursement of the Loan proceeds and any other funds held by CDA for Project Construction prepared by Borrower and delivered to CDA.

## 2.5   Draw Schedule
A schedule prepared by Borrower and delivered to CDA showing the amount Borrower anticipates drawing and the anticipated date of each draw during the Construction of the Project.

## 2.6   Field Progress Meeting
The monthly meetings among CDA, the Borrower, General Contractor, Architect and such other parties.

## 2.7  Final Closing

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

## 2.8  Initial Closing

The date of the initial closing of the Loan.

## 2.9  Loan Documents

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

## 2.10 Note

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

## 2.11 Soft-Cost

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

## 2.12 Substantial Completion

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 Overview of the Draw Process

This guide specifies the procedures and requirements applicable to the processing of monthly draw payments for DHCD loans and grants. Submission of a complete and accurate draw package in accordance with these instructions will expedite processing and ensure timely approval and payment of a draw.

Construction draw processing is part of the construction loan administration processing stage. This stage begins with the initial loan closing and continues through Cost Certification and Final Closing. DHCD administers the draw process with the following goals in mind:

1. Ensure that the DHCD loan(s), as well as all other project sources are distributed in accordance with the loan documents, the approved budget, and the intent of the loan underwriting.
2. Ensure that the project sources and uses are kept in balance so that at all times sufficient funds remain to complete the construction and rent-up of the project.
3. Provide for the timely and efficient disbursement of DHCD loan funds.
4. Ensure the efficient review and approval of change orders and budget changes when necessary.

DHCD is committed to the timely processing of draw requests. DHCD will review each submitted draw request for completion and accuracy. Complete draw requests will be processed within ten (10) days (fifteen for initial closing draw) of receipt.

## 3.1 Draw Requirements

### 3.1.1 Documents and Forms

1. A complete draw request will include the forms listed below. Please see Section *IV. Forms – Instruction for Use* for detailed instructions on how to use and complete each form.

    i. Mortgagor's Draw Requisition (CDA Form 406) (**Exhibit A**)
    ii. Coversheet for Support Documentation (detail by budget line item) (**Exhibit B**).
    iii. Invoices and other support documentation (attached to each detail coversheet).
    iv. If applicable, the approved Soft Cost Changes Order Request (CDA Form 407) (**Exhibit C**)
    v. Contractor's Application for Payment (AIA Form G702) (**Exhibit D**)
    vi. The Continuation Sheet (AIA Form G703) (**Exhibit E**)
    vii. If applicable, the approved Change Order (AIA Form G701) (**Exhibit F**)
    viii. If applicable, lien wavers required by CDA.

*Forms and instructions for use are included in the noted Exhibit

2. Draw requests for some loans (i.e., FHA-Insured loans, etc.) may require the submission of forms in addition to those listed above. If this is the case with your particular loan, CDA will provide this information to you at the time the commitment is issued.

### 3.1.2 Additional Policies and Procedures – Draws for Initial Closing (Initial Draws)

1. *Processing Timeframe.* A minimum of fifteen (15) working days is required to process an initial draw. A loan may not go to initial closing without an approved initial draw.
2. *Initial Draw Checklist* – **See Exhibit H**

### 3.1.3 Policies and Procedures – Subsequent Draws

1. *Processing timeframe.* After initial closing, each subsequent draw request shall be submitted at least ten (10) working days prior to the anticipated payment.
2. *Construction Change Orders.* Only construction change orders approved by the CDA Construction staff assigned to the project will be paid as part of a draw. The change order (AIA Form G701) must have the approvals of the architect, contractor and owner before being submitted.
3. *Soft Cost Change Orders*. Soft cost overruns may occur during construction. To document the overrun and request the transfer of soft cost contingency to the

appropriate line item, the Borrower must file CDA Form 407.

4. *Using savings to cover soft cost shortfalls.* Documented savings from soft cost line items may be used to fund soft cost shortfalls in other line items with the prior approval of CDA. Use CDA Form 407 to request approval. The form must include the reason for the savings and an explanation for the overruns.

### 3.1.4 Other Draw Related Issues

#### 3.1.4.1 Loan in Balance

The DHCD loan must remain in balance at all times. The loan is out of balance when the total development cost, as estimated by DHCD, exceeds the funds available to construct the project.

If at any time during the construction period the loan is out of balance, the developer must fund any shortfalls, and DHCD's funds may be withheld until assurances are made that project can be completed as anticipated.

#### 3.1.4.2 Developer Fee Disbursement

For transactions involving Rental Housing Funds (RHF), DHCD may allow up to 25% of the projected non-deferred portion of the budgeted developer's fee to be disbursed at initial closing or through substantial completion, as evidenced by the issuance of an acceptable certification of substantial completion by the project architect. At substantial completion, DHCD may allow an additional 25% of the projected non-deferred portion of the budgeted developer's fee to be disbursed. The remaining non-deferred developer's fee is disbursed only after the project is 100% complete, a cost certification is accepted by DHCD, and DHCD's final closing requirements have been completed.

Developer's fees may be paid only from equity, cash flow, or other non-DHCD sources of funds, if DHCD loans are not in default, and if Developers continually perform satisfactorily.

## 3.2 Submission of a Draw Request to CDA

When your draw request is complete and all support documentation is attached, please bind it together in an orderly fashion and deliver to:

> Construction Finance Team Leader
> Department of Housing and Community Development
> Community Development Administration
> 7800 Harkins Road
> Lanham, MD 20706

The ten (10) (fifteen for initial) working days needed to process a draw will begin when CDA receives the draw package at 7800 Harkins Road**.**

# 4   Final Draw and Final Closing

## 4.1   Final Closing

The final draw and disbursement of DHCD loan funds for the Project will be made in conjunction with Final Closing. Final Closing on a DHCD loan occurs only after the completion, submission, and approval of a Cost Certification Packet in accordance with the requirements outlined in the Cost Certification Guide. (See Exhibit I for Final Draw Checklist)

After DHCD completes its review of the Cost Certification Packet, a final reconciliation of total DHCD loan funds will be completed and the Borrower will be required to execute a Final Determination of Loan Proceeds.

### 4.1.1   Final Draw Issues

At Final Closing, CDA may use any moneys remaining in the construction contingency funds, to pay or reimburse the Borrower for some or all of the increased construction costs due to previously approved Change Orders approved for construction purposes only.

If any landscaping or any other seasonal improvements cannot be completed due to season or weather conditions the Borrower, General Contractor, and CDA will consult and establish the cost of such improvements. An agreed upon amount will be held by CDA for the Borrower until the landscaping or any other seasonal improvements are completed in accordance with the agreement with the General Contractor.

Any cost savings identified in a cost certification approved by CDA, excluding undisbursed construction contingency funds, may be used at CDA's discretion for one or more of the following:

      (a)      Payment of Contracts Change Orders;

      (b)      "Soft" cost overruns;

      (c)      Project betterments approved by CDA;

      (d)      Reduction of the DHCD Loan amount;

      (e)      Escrow, reserve or other accounts established in the manner required by CDA to be used for the benefit of the Project; or

      (f)      To pay any portion of the deferred developer's fee.

# Appendices

# Exhibit A: The Mortgagor's Draw Requisition – CDA Form 406

| Item | A Development Budget | B Change Orders | C Revised Budget | D Previous Draws | E This Request | F Total To Date | G Percent Complete | H Amount Approved |
|---|---|---|---|---|---|---|---|---|
| **Construction or Rehabilitation Costs** | | | | | | | | |
| Total Construction Cost | | | | $0 | $0 | | #DIV/0! | $0 |
| Construction Contingency | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | | | | $0 | #DIV/0! | |
| **Fees Related to Construction or Rehabilitation** | | | | | | | | |
| Architect's Design | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Arch Supervision & Reimb | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Architect's Reimbursables | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Real Estate Attorney | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Boundary/Topo Survey | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Engineering | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Appraisal | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Market Study | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Environmental | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Zoning/Site Plan Fees/PNA | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| FF&E | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | $0 | | | $0 | #DIV/0! | |
| **Financing Fees and Charges** | | | | | | | | |
| Construction Interest | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Construction Inspection Fees | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Green Building Consultant | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Title and Recording | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Financing (Soft Cost) Cont. | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| CDA Administrative Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| CDA Closing Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Permanent Loan Fees | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Permanent Loan Legal | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | $0 | | | $0 | #DIV/0! | |
| **Acquisition Costs** | | | | | | | | |
| Relocation Costs | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Land & Building Acquisition | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Acquisition Legal | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | $0 | | | $0 | #DIV/0! | |
| **Developer's Fee** | | | | | | | | |
| Developer's Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | $0 | | | $0 | #DIV/0! | |
| **Syndication Related Costs** | | | | | | | | |
| Syndication Legal/Due Dil | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Additional Syndication Legal | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Partnership Organizational Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Partnership Management Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Tax Credit Application Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Tax Credit Allocation Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Tax Credit Reservation Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Accounting/Auditing Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | $0 | | | $0 | #DIV/0! | |
| **Guarantees and Reserves** | | | | | | | | |
| Lease Up/Marketing Reserve | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Operating Reserve | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| O & M Holdback Reserve | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Services Escrow | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Real Estate Taxes Paid at Closing | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Guarantee Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Other | | | $0 | | | $0 | #DIV/0! | |
| **TOTAL** | $0 | $0 | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| **SOURCES** | | | | | | | | $0 |
| Equity RJTCF | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| CDA HOME | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Bonneville Mortgage 538 Loan | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Deferred Developer's Fee | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Dev Equity RH Holdback & OM Res | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Income from Operations | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| Services Escrow | $0 | | $0 | $0 | $0 | $0 | #DIV/0! | $0 |
| | | | | | | | | $0 |
| **TOTAL FUNDING SOURCES** | $0 | $0 | $0 | $0 | $0 | $0 | #DIV/0! | $0 |

BY: _____

CDA: _____

## Instructions for Use:

1. Form 406 must accompany each draw request. It will record the current approved development budget, budget adjustments from soft cost change orders, revised budget, previous approvals from last draw, the current costs being requested, the completed to date balance, and the percentage completed by line item. This is to be completed for both the uses and sources sections of the draw request.

2. Provide project name, requisition number, borrower's name, and amount of draw request in the upper section of this form.

3. Column A lists the approved development budget. Copy the **approved development budget** into Column A. The development budget recorded on this document **must be identical, line by line,** to the approved development budget at the time of initial closing. This development budget is commonly referred to as the "202" budget because it is recorded on CDA Form 202. The development budget is to be totaled and the funding sources are to be totaled. **The total budget must equal the total funding sources.** A request for payment is not complete and will not be processed for approval if Column A of the Form 406 does not agree with the Form 202.

4. Column B will only be used to revise the development budget through the soft cost change order process. The increase and decrease are to be recorded on the appropriate line items. Please note that the net effect to the total development cost will be zero. The sources section will not be affected.

5. Column C is the summation of Column A and Column B and equals the Revised Development Budget.

6. Column D will represent the amounts approved to date on the previous draw. This column will be blank on an initial draw but must be completed for all subsequent draws. Only previously approved amounts are to be entered in this column. Both sources (funds) and uses (costs) are to be included in this column. If the amounts in this column do not agree with the previously approved requisition(s), the draw is not complete and will not be processed until the column entries are corrected.

7. Column E lists the costs being submitted for payment in the current requisition. The costs listed for each line item in Column E must be supported by documentation, including invoices, AIA G702/703 forms, or similar support documentation. The support documentation must be indexed and attached to a Coversheet for Support Documentation (Attachment C). A separate Attachment C is required for each line item.

8. Column F shows the costs completed to date and is the sum of Column D and E. The approved costs must always equal the total sources disbursed.

9. Column G shows the percentage of the project complete to date and is completed by dividing column "F" by column "C" for each line item.

10. Column H is for CDA's use only. This column will be used to note the amounts approved by CDA for the particular line item. Do not enter any data into Column H.

11. The 406 must be signed and dated by the owner or the owner's representative. We will not accept a separate signature page. A signed 406 may be submitted by facsimile or electronically with the Department's advance approval.

# Exhibit B: Coversheet for Support Documentation

COVERSHEET FOR SUPPORT DOCUMENTATION

Name of Item: _____    Line No. _____

| VENDER | INVOICE DATE | INVOICE NUMBER | DATE PAID | REQUISITION NO. | INVOICE AMOUNT | CUMMULATIVE |
|--------|--------------|----------------|-----------|-----------------|----------------|-------------|
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |
|        |              |                |           |                 |                | $0 |

# Exhibit C: Soft Cost Change Order Request – CDA Form 407

| Maryland Department of Housing and Commuity Development |
|---|
| Housing Development Programs |
| 7800 Harkins Road |
| Lanham, MD 20706 |

REQUEST FOR SOFT COST CHANGE ORDER

Project Name:
Project Number
Soft Cost Change Order Number:
Date:

We hereby request approval to make the following changes:

| FROM | | | TO | | |
|---|---|---|---|---|---|
| Line Item No. | Description | Amount | Line Item No. | Description | Amount |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

RECAP FOR THIS TRANSFER

| Line Item No. | Description | Amount Per Last Draw | Above Increase or (Decrease) | Revised Amount |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Justification for increase/decrease in line item:

Owner/Developer Signature:
Date:

CDA Approved:
Date:

**Instructions for Use**:

1. This form is used ONLY to change the approved development budget for non-construction categories. It may not change the final mortgage amount but may realign approved non-construction budget costs among line items.
2. Provide the borrower's name, the project's name and loan number, and the date of the request and the number of the request. Use a sequential numbering system separate from that of the hard cost change orders. Please allow fifteen (15) working days for the soft cost change order to be processed.
3. The form must be signed by the borrower and submitted to the assigned Construction Finance Manager. The Construction Finance Manager will obtain the necessary approvals from the loan underwriter and return a copy of the approved form to you.
4. The total of the "Transfers From" column on the form must equal the total of the "Transfer To" column.
5. If savings in a line item are to be used to fund a cost increase in another line item, a justification must be provided for the line item changes. You need only justify the increased cost if drawing from the soft cost contingency. Please provide a clear explanation for the changes.

# Exhibit D: Contractor's Application for Payment – AIA Form G702

**AIA** Document G702™ – 1992
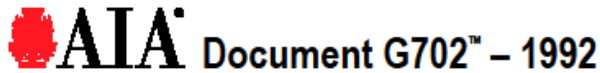
*Application and Certificate for Payment*

| TO OWNER: | PROJECT: | APPLICATION NO: | Distribution to: |
|---|---|---|---|
| | | PERIOD TO: | OWNER ☐ |
| | | CONTRACT FOR: | ARCHITECT ☐ |
| FROM CONTRACTOR: | VIA ARCHITECT: | CONTRACT DATE: | CONTRACTOR ☐ |
| | | PROJECT NOS: / / | FIELD ☐ |
| | | | OTHER ☐ |

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM ............................................... $ _____
2. Net change by Change Orders .................................... $ _____
3. CONTRACT SUM TO DATE (Line 1 ± 2) ......................... $ _____
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703) ...... $ _____
5. RETAINAGE:
   a. _____ % of Completed Work
      (Column D + E on G703)   $ _____
   b. _____ % of Stored Material
      (Column F on G703)   $ _____

   Total Retainage (Lines 5a + 5b or Total in Column I of G703)........ $ _____

6. TOTAL EARNED LESS RETAINAGE ................................ $ _____
   (Line 4 Less Line 5 Total)
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT ..................... $ _____
   (Line 6 from prior Certificate)
8. CURRENT PAYMENT DUE ........................................ $ _____
9. BALANCE TO FINISH, INCLUDING RETAINAGE
   (Line 3 less Line 6)   $ _____

| CHANGE ORDER SUMMARY | ADDITIONS | DEDUCTIONS |
|---|---|---|
| Total changes approved in previous months by Owner | $ | $ |
| Total approved this Month | $ | $ |
| TOTALS | $ | $ |
| NET CHANGES by Change Order | $ | |

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____   Date: _____

State of:

County of:

Subscribed and sworn to before

me this _____ day of _____

Notary Public:

My Commission expires:

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ............................................. $ _____

*(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)*

ARCHITECT:

By: _____   Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract

**Instructions for Use:**

1. The AIA G702 (**Exhibit D**) must include the name and address of the owner, contractor, project, and architect, as well as the application number, period covered, project number and contract date.
2. The AIA G702 must be signed and dated by the contractor and notarized.
3. The architect must sign and date the AIA G702.
4. It is essential that the AIA G702/703 match the approved CDA Form 212/215. If the amounts differ from the approved budget as evidenced by the 212/215, the request for payment will be returned to the borrower.
5. The invoice for the bond premium must be included with the AIA G702/G703. Approval of this cost will be denied until CDA receives the invoice.
6. The approved construction contract amount is to be entered on line 1 of the AIA G702. The total of all change orders approved by CDA is to be entered on line 2 of the form. Line 3 is the total of the original contract plus all approved change orders.
7. Line 4 is  the total completed-to-date from column G of the AIA G703.
8. Retainage (line 5) is to be calculated by multiplying line 4 by the Applicable Retainage percentage.
9. Line 6 is  all work-in-place less retention (line 4 minus line 5).
10. Line 7 lists all previous work approved for payment from the previous application (line 6 from the previously approved AIA G702).
11. Line 8 represents the amount to be approved for payment on the current requisition. (line 6 minus Line 7).
12. Line 9 represents the amount of work to be completed on the contract (line 3 minus line 6).
13. Do not add unapproved change orders to the construction contract amount (AIA G702 and G703).

# Exhibit E: The Continuation Sheet – AIA Form G703

## AIA Document G703™ – 1992

### Continuation Sheet

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT,
containing Contractor's signed certification is attached.
In tabulations below, amounts are stated to the nearest dollar.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO:

APPLICATION DATE:

PERIOD TO:

ARCHITECT'S PROJECT NO:

| A | B | C | WORK COMPLETED | | F | G | | H | I |
|---|---|---|---|---|---|---|---|---|---|
| ITEM NO. | DESCRIPTION OF WORK | SCHEDULED VALUE | FROM PREVIOUS APPLICATION (D + E) | THIS PERIOD | MATERIALS PRESENTLY STORED (NOT IN D OR E) | TOTAL COMPLETED AND STORED TO DATE (D + E + F) | % (G ÷ C) | BALANCE TO FINISH (C – G) | RETAINAGE (OF VARIABLE RATE) |

**Instructions for Use:**

1. The AIA G703 (**Exhibit E**) must include the name and address of the owner, contractor, project, and architect, as well as the application number, period covered, project number and contract date.

2. Columns A, B, and C of the AIA G703 are to be copied from the approved CDA form 212 (approved construction budget).

3. Column D of the AIA G703 is carried forward from the work-in-place on the previously approved AIA G703.

4. Column E represents the current work-in-place or the amount of work completed for this period.

5. Column F is used to account and approve for payment materials that are not in place but have been delivered to the site or are being warehoused. Invoice copies for all stored materials must be attached to the contractor's requisition (AIA G702/G703). If materials are stored off-site, a certificate of insurance must accompany the invoices. The invoices are to be totaled and must equal the amount requisitioned on the AIA G703.

6. Column G is the total of columns D, E, and F.

7. The non-lettered column between G and H represents the percentage of completion. This is computed by dividing Column F by Column C.

8. Column H represents the work that is not in place. This is computed by subtracting Column G from Column C.

9. Column I represents the amount of retainage to be held for each line item. This is computed by multiplying Column G by 10%.

10. CDA will approve calculation of builders' overhead, builders' profit and the general requirements on the AIA G703 based on the percentage of completion. It will be necessary to provide a subtotal line before computing these costs. The builders' fees are calculated by dividing the total construction contract (net of fee) into the work-in-place. That percentage times the budgeted fee is the total amount of the fee that we will approve for payment. The difference between last period's fee and the current fee calculation is the amount to include as work-in-place.

11. Use a separate AIA G703 when requesting payment approval for change orders. A grand total is to be added at the bottom of this page to include all work-in-place.

12. Work-in-place (net of retainage) for this period is to be entered onto the construction line item of the CDA Form 406. Current change orders (net of retainage) are to be entered on the **hard cost contingency line item** of the CDA Form 406.

# Exhibit F: Approved Change Order – AIA Form G701

**AIA Document G701™ – 2001**

**Change Order**

| | | |
|---|---|---|
| PROJECT: *(Name and address)* | CHANGE ORDER NUMBER: | OWNER ☐ |
| | DATE: | ARCHITECT ☐ |
| | ARCHITECT'S PROJECT NUMBER: | CONTRACTOR ☐ |
| TO CONTRACTOR: *(Name and address)* | | FIELD ☐ |
| | CONTRACT DATE: | OTHER ☐ |
| | CONTRACT FOR: | |

The Contract is changed as follows:
*(Include, where applicable, any undisputed amount attributable to previously executed Construction Change Directives)*

The original (Contract Sum) (Guaranteed Maximum Price) was    $ _____

The net change by previously authorized Change Orders    $ _____

The (Contract Sum) (Guaranteed Maximum Price) prior to this Change Order was    $ _____

The (Contract Sum) (Guaranteed Maximum Price) will be (increased) (decreased) (unchanged)

by this Change Order in the amount of    $ _____

The new (Contract Sum) (Guaranteed Maximum Price) including this Change Order will be    $ _____

The Contract Time will be (increased) (decreased) (unchanged) by    ( ) Days

The date of Substantial Completion as of the date of this Change Order therefore is

*(Note: This Change Order does not include changes in the Contract Sum, Contract Time or Guaranteed Maximum Price which have been authorized by Construction Change Directive until the cost and time have been agreed upon by both the Owner and Contractor, in which case a Change Order is executed to supersede the Construction Change Directive.)*

**NOT VALID UNTIL SIGNED BY THE ARCHITECT, CONTRACTOR AND OWNER.**

| ARCHITECT *(Firm name)* | CONTRACTOR *(Firm name)* | OWNER *(Firm name)* |
|---|---|---|
| ADDRESS | ADDRESS | ADDRESS |
| BY *(Signature)* | BY *(Signature)* | BY *(Signature)* |
| *(Typed name)* | *(Typed name)* | *(Typed name)* |
| DATE | DATE | DATE |

**CAUTION: You should sign an original AIA Contract Document, on which this text appears in RED. An original assures that changes will not be obscured.**

**Instructions for Use:**

Construction Change Orders (AIA G701) may only be included on the draw **after** all approvals. Submit the change order for the CDA Construction Administrator's approval after obtaining the approvals of the architect, contractor, and owner. You will receive a copy of the approved change order (face sheet only). Please complete all the information that is requested on this form.

# Exhibit G: Uses of Funds – CDA Form 202

**Date:** _____

### USES OF FUNDS

**TOTAL DEVELOPMENT COSTS**

**Construction or Rehabilitation Costs**

| Type of Uses | Percentage | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 01 Net Construction Costs | | | | | $ |
| 02 General Requirements | | | | | |
| 03 Builder's Profit | | | | | |
| 04 Builder's General Overhead | | | | | |
| 05 Bond Premium | | | | | |
| 06 Other | | | | | |
| 07 Total Construction Contract | | $ | $ | $ | |
| 08 Construction Contingency | | | | | |
| **09 Total Construction Costs** | | $ | $ | $ | $ |

**Fees Related to Construction or Rehabilitation**

| Type of Uses | Percentage | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 10 Architect's Design Fee | | | $ | $ | $ |
| 11 Architect's Supervision Fee | | | | | |
| 12 Architect Reimbursable Additional Design | | | | | |
| 13 Real Estate Attorney | | | | | |
| 14 Civil Engineering Fee | | | | | |
| 15 Marketing | | | | | |
| 16 Surveys | | | | | |
| 17 Soil Borings | | | | | |
| 18 Appraisal | | | | | |
| 19 Market Study | | | | | |
| 20 Environmental Report | | | | | |
| 21 Tap Fees | | | | | |
| 22 Other: | | | | | |
| **23 Total Fees** | | $ | $ | $ | $ |

**Financing Fees and Charges**

| Type of Uses | | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 24 Construction Interest | | | $ | $ | $ |
| 25 Real Estate Taxes | | | | | |
| 26 Insurance Premium | | | | | |
| 27 Mortgage Insurance Premium | | | | | |
| 28 Title and Recording | | | | | |
| 29 Financing (soft cost) Contingency | | | | | |
| 30 CDA Administrative Fee | | | | | |
| 31 CDA Closing Fee | | | | | |
| 32 Other Lenders' Origination Fees (non-syndication only) | | | | | |
| 33 Other Lenders' Legal Fees (non-syndication only) | | | | | |
| 34 Bond Issuance Costs | | | | | |
| 36 Other | | | | | |
| **37 Total Financing Fees and Charges** | | $ | $ | $ | $ |

*\* Complete for Tax Credit Applications Only*

**Acquisition Costs**

| Type of Uses | | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 38 Building Acquisition | | | $ | | $ |
| 39 Land Acquisition | | | | | |
| 40 Special Assessment | | | | | |
| 41 Carrying Charges | | | | | |
| 42 Relocation Costs | | | | | |
| 43 Off-Site Improvements | | | | | |
| 44 Other | | | | | |
| **45 Total Acquisition Costs** | | $ | $ | $ | $ |
| **46 Total Development Costs (TDC)** | | $ | $ | $ | $ |

**OTHER USES OF FUNDS**

**Developer's Fee**

| Type of Uses | | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 47 Fee on Non-Acquisition Costs *(calculate below)* | | $ | | | $ |
| 48 Fee on Acquisition Costs *(calculate below)* | | | | | |
| **49 Total Developer's Fee** *($2.5 million maximum)* | | $ | $ | $ | $ |

**Syndication Related Costs**

| Type of Uses | | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 50 Syndication Fee | | | $ | $ | $ |
| 51 Legal *(syndication only)* | | | | | |
| 52 Bridge Loan Fees | | | | | |
| 53 Bridge Loan Interest | | | | | |
| 54 Organizational Costs | | | | | |
| 55 Tax Credit Application Fee | | | | | |
| 56 Tax Credit Allocation Fee | | | | | |
| 57 Tax Credit Reservation Fee | | | | | |
| 58 Accounting and Auditing Fee | | | | | |
| 59 Partnership Management Fee | | | | | |
| 60 Other | | | | | |
| **61 Total Syndication Related Costs** | | $ | $ | $ | $ |

**Guarantees and Reserves** *(funded amounts only)*

| Type of Uses | | Total Budgeted Cost | Acquisition Basis* | Construction Basis* | Not in Basis* |
|---|---|---|---|---|---|
| 62 Construction Guarantee | | | | | |
| 63 Operating Reserve | | | | | |
| 64 Rent-up Reserve | | | | | |
| 65 Negative Arbitrage | | | | | |
| 66 Other | | | | | |
| **67 Total Guarantees and Reserves** | | $ | | | $ |
| **68 Total Uses of Funds** | | $ | $ | $ | $ |

*\* Complete for Tax Credit Applications Only*

**MAXIMUM DEVELOPER'S FEE**

| Fee on Non-acquisition Costs | Fee on Costs Over $10 Million | Fee on Costs $10 Million or Less | | |
|---|---|---|---|---|
| Total Development Costs *(from line 46 above)* | $ | | | |
| Less Acquisition Costs *(from line 45 above)* | | | | |
| Less Construction Contingency *(from line 08 above )* | | | | |
| Less Financing (Soft Cost) Contingency *(from line 28 above )* | | | | |
| Non-acquisition Costs | | | | |
| Lesser of $10,000,000 or Non-acquisition Costs *(enter on both line* | | | | |
| Non-acquisition Fee Basis | | | | |
| Fee Percentage | 10% | 15% | | |
| Fee on Non-acquisition Costs | $ | $ | Total = | $ |

| Fee on Acquisition Costs | | | | |
|---|---|---|---|---|
| Acquisition Costs *(from line 45 above)* | $ | | | |
| Lesser of $10,000,000 or Acquisition Costs *(enter on both lines)* | | | | |
| Acquisition Fee Basis | | | | |
| Fee Percentage | 5% | 10% | | |
| Fee on Acquisition Costs | $ | $ | Total = | $ |

**Total Developer's Fee** *(Fee on Non-acquisition Costs + Fee on Acquisition Cost)* — $

**See Guide, Section 4.8.8.3 for Limitations on Developer's Fees**

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

## Exhibit H: Initial Draw Checklist
## **Multifamily Initial Draw Checklist**

Project Name: _____

Expected Closing Date: _____

The Multifamily Construction Finance Team has 15 business days to approve and fund the initial closing draw.

The Multifamily Underwriter must work with the borrower to review and assemble the draw packet. The following requirements should be met before passing the draw to the Multifamily Construction Finance Team for processing. The borrower should anticipate a cut in any line item that does not have adequate supporting documentation.

❑ Signed Commitment(s) for Multifamily Loan(s)

❑ Signed and completed CDA Form 406 with required back-up documentation. The CDA Form 406 should be signed by <u>both</u> the borrower/developer <u>and</u> the CDA Multifamily Underwriter responsible for the project before being submitted to the Construction Finance Team.

❑ Copy of estimated settlement sheet and the title company's wiring instructions for the first draw. If a wire is not possible or requested, then payee information and the address of where to send the check should be provided.

❑ Copy of the borrower's W-9.

In preparing for the first draw, the Multifamily Underwriter will have reviewed and/or completed the following documents. These documents will be retained by the Underwriter and, as appropriate, included in the Closing Binder. <u>These documents do not need to be provided to the Multifamily Construction Finance Team</u>.

❑ Anticipated Draw Schedule. The sources and uses on the Draw Schedule must tie out to CDA Form 202. The Draw Schedule must also comply with the Inter-creditor Agreement.

❑ Completed CDA Form 202 .

❑ CDA Forms 212 and 215 Signed by Construction Supervisor. These documents must equal the construction amounts on the CDA Form 202 and CDA Form 406.

❑ Construction Contract---approved by Construction Team. Approval of the Construction Team will be documented by initialing and dating the cover page of the Construction Contract. The contract amount must tie out to the amount included in CDA Form 406.

❑ Architect Agreement and Engineering Agreement (or service engagement letter) is to be approved by the construction staff. Approval will be documented by initialing and dating the cover page of the Architect/Engineering Agreement and all other contracts. The contract amount must agree with the development budget and the approved contract amounts.

❑ Appraisal

## Exhibit I: Final Draw Checklist

Loan Close-Out Documents


Financial Documentation
- ❑ Mortgagor's Cost Certification
- ❑ Contractor's Cost Certification

Construction Documentation
- ❑ Substantial Completion Certificate
- ❑ Final Change Order Summary
- ❑ Supervising Architect's Certification
- ❑ Structural Engineer's Certification
- ❑ Mechanical Engineer's Certification
- ❑ Electrical Engineer's Certification
- ❑ Approved As-Built Drawings
- ❑ Use and Occupancy Permits
- ❑ Final Release of Liens
- ❑ Latent Defect Bond Letter of Credit
- ❑ Finalized Site related permits (if applicable)
- ❑ Inspecting Engineer Certification (if applicable)
- ❑ Final Environmental Clearance Certificate
- ❑ Energy Star Certificate (per the Guide 4.12.2.1)
- ❑ Green Building Certification (per the Guide 5.5.1 & Sponsor's application)
- ❑ Architect's acknowledgment of punch list items
- ❑ Final Survey with appropriate Surveyor's Certification : An Alta/ASCM Survey or boundary survey for approved rehabilitation projects.  The survey must be accompanied by a Surveyor's Report.
- ❑ Certificate of Insurance for Completed Development