



# **Delaware State Housing Authority**

## **Cost Certification and Draw Guide 2020 – 2022 Allocations**

Effective as of July 1, 2020

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## FOREWORD

The Delaware State Housing Authority (DSHA) is the agency responsible for the financing of low- to moderate-income housing development through the Housing Development Fund (HDF), HOME Program, National Housing Trust Fund (NHTF), Affordable Rental Housing Program (ARHP), and the administration and allocation of Low Income Housing Tax Credits (LIHTC) for the State of Delaware.

This Cost Certification and Draw Guide (“Guide”) was developed to assist mortgagors, contractors, and Independent Certified Public Accountants (ICPA) with DSHA’s housing development process including the underwriting, construction, and cost certification stages of a multi-family project. This manual is intended to be a guide for the LIHTC, HDF, HOME, NHTF, and/or ARHP programs and to inform mortgagors, contractors, and ICPAs of the requirements implemented by this agency to facilitate compliance with the state, federal, and IRS regulations. This manual is not a substitute for federal and state laws and regulations.

Because of the complexity of the LIHTC regulations, HDF, HOME, NHTF, ARHP, and other state housing programs, mortgagors are urged to seek appropriate legal and accounting advice regarding cost certification and construction issues.

**ICPAs are required to contact DSHA prior to the start of the cost certification process to determine any abnormalities in the costs being certified that may not be disclosed by standard audit procedures.** DSHA strongly recommends that engagement of the ICPA be completed prior to construction closing for periodical (quarterly) review of the draws and other information needed to perform the cost certification. The Developer and General Contractor may engage the ICPA of their choice; though not required, it is strongly encouraged that the mortgagor and contractor utilize the same ICPA for the cost certification process.

All questions concerning this Cost Certification Guide should be directed to Stephanie Griffin via e-mail at [StephanieG@destatehousing.com](mailto:StephanieG@destatehousing.com) or via phone at (302) 739-4263 or by mail to the Delaware State Housing Authority, 18 The Green, Dover, DE, 19901.

*All Developer fee changes are effective 07/01/2020. Tax Credit Allocations and/or HDF/ARHP/HOME/NHTF loans made prior to 07/01/2020 will continue to use the previous fee schedule.*

## GENERAL DEFINITIONS

**Contract Price:** The contract price for labor, materials, and necessary services after the deduction of all rebates, adjustments, discounts, promotional, or advertising allowances made or to be made to the mortgagor, developer, any corporation, joint venture, partnership, or other legal entity in which any of them hold an interest in the project. All costs are subject to cost certification in accordance with this Guide and the contract documents.

**Conversion Date:** The date in which the construction debt is converted to permanent debt.

**Cost Certification Cut-Off Date:** The cost certification cut-off date is the date to which the mortgagor is permitted to attribute its costs for interest, taxes, and property and mortgage insurance premiums, if any, towards eligible basis costs. This date may be either (a) the last day of the month in which the earlier of the issuance of DSHA "Permission to Occupy" approval(s) on the last building, issuance of all TCOs, or issuance of all final COs occurs, (b) the last day of the month following the month in which the earlier of the issuance of DSHA "Permission to Occupy" approval(s) on the last building, issuance of all TCOs, or issuance of all final COs occurs, or (c) such other date as the ICPA may determine after consultation with DSHA. The date chosen as the cut-off date and the date to which the operating statement and balance sheet are computed must be the same unless otherwise approved or directed by DSHA.

**Identity of Interest:** An identity of interest means any relationship, written or implied, that would give the mortgagor, developer, consultant, or contractor control or influence over the prices paid to subcontractors, equipment lessors, vendors, material suppliers, architect, attorney, engineer, surveyor, consultant, advisor, or any other individual or entity receiving compensation in connection with the development. The identity of interest relationship is usually created by a financial interest, but could be other means such as a familial relationship. An identity of interest shall be construed to exist under any of the following conditions:

- a. When there is any familial or financial interest of the mortgagor, developer, consultant, or the contractor with any subcontractor, vendor, or material supplier or when the contractor uses its own materials or employees to complete or perform a portion of the work required by the contract documents (other than charges attributable to the General Requirements);
- b. When one or more of the officers, directors, partners, or stockholders of the mortgagor, developer, consultant, or contractor is also an officer, director, partner, or stockholder of any subcontractor, vendor, material supplier, architect, attorney, engineer, surveyor, consultant, advisor, or any other individual or entity receiving compensation in connection with the development;
- c. When any officer, director, partner, or stockholder of the mortgagor, developer, consultant, or contractor has any financial interest in any subcontractor, vendor, or material supplier;
- d. When any subcontractor, vendor, or material supplier advances any funds to the contractor or mortgagor;
- e. When any subcontractor, vendor, or material supplier provides and pays, on behalf of the mortgagor, developer, consultant, or contractor, the cost of any architectural services or engineering services or any other costs for which the subcontractor is not responsible under its subcontract;
- f. When any subcontractor, vendor, or material supplier takes stock or any interest in the mortgagor, developer, consultant, or contractor entity as part of the consideration to be paid;

- g. When there exists or comes into being any agreements, contracts, or undertakings entered into or contemplated, thereby altering, amending, or canceling any of the required closing documents, except as approved by DSHA; and
- h. When there exists or comes into being any familial relationship between the officers, directors, stockholders, or partners of the mortgagor, developer, consultant, or contractor entity and officers, directors, stockholders, or partners or any subcontractor, vendor, or material supplier entities which could cause or results in control or influence over prices paid.

Although somewhat synonymous with the term “Related Party” as defined by the AICPA in its Statement on Auditing Standards No. 18, DSHA’s definition of an identity of interest relationship is broader and more inclusive. It is not anticipated that DSHA’s position concerning identities of interest will place additional burden or responsibility upon the ICPA; however, DSHA expects the accountant to be alert for relationships that are, or appear to be, identities of interest as described above.

If the Developer, member of the Development Team (inclusive of the General Contractor), and/or Applicant have related party and/or identity of interest subcontractor firms, they may not bid on the construction work or perform work on the development. If the General Contractor directly employs a trade, then the General Contractor may self-perform the work (i.e. if the General Contractor directly employs a licensed plumber, the GC may self-perform plumbing trades on the job). However, the General Contractor must obtain three competitive bids and cannot charge any more than the lowest bid. (See *General Contractor Self-Perform Requirements* for additional information.)

**Mortgagor:** The borrowing entity (typically the owner).

**Subcontractor:** Shall include material and labor suppliers and equipment lessors.

**Substantial Completion:** Substantial completion is typically defined as the date that all parties acknowledge through written documentation that 100% of the units are completed and ready for occupancy or the date of the certificate of occupancy for the last completed building, whichever is earlier.

**Gross Equity Contribution:** All LIHTC, Historic Tax Credit, energy, or solar tax credit equity contributions made for the benefit of or to the development, including equity contributions used to fund the construction hard costs, development soft costs, syndicator legal and accounting costs, tax credit monitoring fee, tax credit allocation fee, operating reserve, transitional subsidy reserve, replacement reserve, tax escrow, insurance escrow, and any other costs as approved by DSHA.

All equity contributions made in excess of the Gross Equity Contribution before or after the Conversion Date will be:

- i. Allocated to the payment of DSHA loans in the order and priority set in the DSHA Regulatory Agreement;
- ii. If no such document exists, allocated to development costs or development accounts as approved by DSHA as the LIHTC allocating agency for the State of Delaware; or
- iii. In the event of insufficient funds to pay for eligible development costs (as determined by DSHA), and no other available monies related to the development previously approved for use

by DSHA and all other development secured lenders, and such eligible development costs could otherwise only be paid through the Developer's Fee, the excess equity contribution may be used to pay such eligible development costs at DSHA's sole discretion. Any equity contribution remaining after paying such eligible development costs must be allocated to the payment of the DSHA loans in the order and priority set forth in the DSHA Regulatory Agreement. If no such document exists, to development costs or accounts as approved by DSHA as the LIHTC allocating agency for the State of Delaware. In no case may the Developer's Fee exceed the Developer Fee approved by DSHA.

In the event the final equity contributions are less than the projected Gross Equity Contribution, then such equity shortfall shall be the sole responsibility of the Developer. No monies in any of the funds, accounts, or reserves related to the development may be used to pay any such shortfall.

## **GENERAL DEVELOPMENT REQUIREMENTS PRIOR TO AND DURING CONSTRUCTION**

All developments must adhere to DSHA's underwriting criteria, Design and Construction/Rehabilitation Standards, construction process (draws, progress meetings, inspections, etc.), and cost certification process, regardless of financing source(s), including tax-exempt bond financing, DSHA amortized permanent financing, or LIHTC projects with no DSHA financing. All units in a development must receive the same upgrades, modifications, and/or rehabilitation work and be brought up to the same standards. The developer is responsible for complying with DSHA's Design and Construction/Rehabilitation Standards along with all rules, ordinances, and laws of all legal entities and authorities having jurisdiction over the development, and the construction and/or alteration of the development, whether or not such requirements are specifically addressed in the plans and specifications or by DSHA's review.

DSHA recognizes that circumstances may vary from development to development depending on the size, scope, and financing arrangements, and will consider changes or variations as circumstances warrant. All information will be reviewed in detail at DSHA's construction kick-off meeting, and will apply throughout the construction period. Please refer to the project's construction kick-off meeting minutes for more information.

1. **Construction Kick-off Meeting:** A preconstruction kick-off meeting will be held at DSHA's offices within 10 days of construction closing. The architect, developer, development consultant (if applicable), and contractor must attend. The meeting may also be coordinated to include engineers, lenders, or syndicators, and/or management company representatives.
2. **Notice to Proceed:** The notice to proceed date will be determined at the preconstruction kick-off meeting and issued by the architect. The notice must be issued no later than 30 days after construction closing, and a copy of the notice must be sent to all parties.
3. **Draw and Progress Meetings:** DSHA requires that one progress and one draw meeting be held on-site each month. The dates and times of these meetings will be established at the preconstruction meeting.
4. **Draw Submission:** Draws requests may be submitted once a month. Either a complete draw package or a pencil copy for review must be provided at the draw meeting. If a pencil copy is provided, the complete draw package must be submitted no later than one week after the draw meeting. DSHA will not process draws received later than one week after the draw meeting; such draws must be combined with the following month's draw. Please refer to the Mortgagor's Draw Requisition and Contractor's Draw Requisition sections of this guide for more information.
5. **Attestation Package:** Attestation statements, state business licenses, local municipality business licenses (if applicable), and fully executed subcontractor contracts must be provided for each subcontractor prior to the subcontractor's initial payment request for labor and/or materials. An

updated attestation statement reflecting the final subcontract amount must be submitted prior to permanent closing.

6. **Releases of Liens:** The General Contractor Releases of Liens is required after the first draw for monies paid with the prior draw (i.e. Draw request #4 must contain a release for all amounts paid out on Draw #3).

Final Release of Liens for all subcontractors and material suppliers (regardless of Identity of Interest) must be submitted no later than 15 business days after release of final retainage funds. The release must state the total sum paid to the subcontractor or material supplier. Releases are required for all labor and materials supplied to the project whether or not such costs are payable by the owner under the construction contract.

Project specific releases will be provided at construction closing and are to be utilized for the duration of the project.

7. **Retainage:** A ten percent (10%) holdback will be required until 50% construction completion. The holdback may be reduced to five percent (5%) at 50% construction completion with written request from the contractor and with the approval of all lenders and syndicator. The holdback may be reduced to two and a half percent (2.5%) upon submission of the draft contractor's and mortgagor's cost certifications. Final holdback may be released once **all** the following conditions are satisfied:
  - a. Approval of both the Contractor's and Mortgagor's cost certifications.
  - b. Working Capital LOC must be equal to or greater than the remaining 2.5% retainage. Note: this may require the LOC to be increased **or** if DSHA has no financing in the development, a new LOC may be required to release the retainage.
  - c. Written approval of all lenders, syndicator, and bonding company.

Final releases of liens must be provided within 15 business days of the final release of retainage funds. Failure to submit these within the required time will result in a \$500 penalty for every day the releases are delinquent. Permanent conversion will not be scheduled until 30 days after all releases are submitted and approved.

8. **Permits and Third-Party Inspection/Clearance Reports:** Copies of all permits and third-party inspection and/or clearance reports (engineering, abatement, radon, Temporary Certificates of Occupancies (TCO), Certificate of Occupancies (CO), etc.) issued in relation to the project must be provided to DSHA.
9. **DSHA Inspections and Permission to Occupy Approvals:** A building may not be occupied until DSHA has issued a letter stating that the building is ready for occupancy regardless of any other approvals issued by governmental agencies. When work is completed on a building or designated area, DSHA will perform a punch list inspection and will compile a written list of corrections to be completed by the contractor. The second inspection (re-walk) of a given area must be completed within thirty (30) days of the initial walk. **A \$500 fee will be charged for every seven (7) days the re-walk is not completed after the initial 30-day window.** DSHA will charge a \$500 re-inspection

fee for every additional inspection required after the initial punch and re-walk inspections on a given area. DSHA may choose to waive these fees at their sole discretion.

A one-year warranty inspection will be conducted by DSHA staff approximately one year from substantial completion, certificate of occupancy, or final DSHA occupancy approval date, whichever the case may be. If the General Contractor does not successfully complete warranty items from on-going or previous Developments within forty-five (45) days of inspection, the General Contractor will be ineligible to bid on, or to be chosen as the General Contractor on, future projects until such corrective actions are completed.

10. **Relocation:** All state- and/or federally-financed, state- and/or federally-subsidized, or conversion properties must follow the more stringent of all Federal Uniform Relocation Act regulations as applicable, DSHA's Residential Anti-Displacement and Relocation Plan, and or DSHA's Relocation Policy. Relocation assistance must be included as part of construction costs. DSHA must approve all relocation plans and correspondence to residents. Please refer to the DSHA Relocation Policy (and applicable forms) of this guide for more information.
11. **10% Test:** The 10% Test is a requirement of the Carryover Allocation to demonstrate progress toward project completion. The Owner must meet the 10% Test of the reasonably expected total basis for the development within twelve (12) months from the date of the Carryover Allocation or as otherwise outlined in the Carryover Allocation.

The 10% Test should be completed by an Independent Certified Public Accountant and submitted to the Housing Project/Loan Manager and/or Development Project Specialist for review and approval. Samples of the required DSHA 10% Test forms are provided with this guide. Fillable Microsoft Excel versions of the forms will be provided upon request.

**NOTE:** The 10% is required for 9% LIHTC deals only.

12. **50% Test:** The 50% Test is a requirement of all projects financed with Tax-Exempt Bonds (4% LIHTC projects). The owner must meet the 50% Test, meaning that a minimum of 50% of the Aggregate Basis must be financed by Bond Proceeds. Failure to meet the 50% Test will reduce the project's credit allocation to that which is eligible under the 50% Test determined ratio.

An estimated 50% Test is due prior to construction closing. The final 50% Test should be completed by an Independent Certified Public Accountant and submitted to the Housing Project/Loan Manager and/or Development Project Specialist for review and approval with the Cost Certification. DSHA Bond Counsel may also review and approve the 50% Test for purposes of conversion.

**NOTE:** The 50% Test is required for 4% LIHTC deals only.

13. **95/5 Test:** The 95/5 Test is a requirement of all projects financed with Tax-Exempt Bonds (4% LIHTC projects). The project must meet the 95/5 Test, meaning that 95% of all costs financed by

bond proceeds must be considered a “good” cost, while up to 5% of all costs financed by bond proceeds can be considered “bad” costs.

The 95/5 Test should be completed by an Independent Certified Public Accountant and submitted to the Housing Project/Loan Manager and/or Development Project Specialist for review and approval with the Cost Certification. DSHA Bond Counsel may also review and approve the 95/5 Test for purposes of conversion.

**NOTE:** The 95/5 Test is required for 4% LIHTC deals only.

14. **Cost Certification – 9% LIHTC Projects:** The complete draft Contractor’s Cost Certification is due sixty (60) days after the earlier of the following: DSHA “Permission to Occupy” approval(s) on the last building, issuance of all TCOs, or issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the contractor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

The complete draft Mortgagor’s Cost Certification is due ninety (90) days after the earlier of the following: DSHA “Permission to Occupy” approval(s) on the last building, issuance of all TCOs, or issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the mortgagor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

**NOTE:** It is the mortgagor’s responsibility to ensure the Contractor’s cost certification is submitted in a timely manner. Failure by the contractor to submit the cost certification in a timely manner will not warrant an extension of the deadline to the Mortgagor Cost Certification submission or a waiver of the applicable penalty fees.

DSHA will complete one review and provide comments on the Contractor’s and Mortgagor’s draft cost certification submissions. A \$500 review fee will be charged for each additional review that is required. DSHA has thirty (30) days from the date of the receipt of latest of all submissions to review and provide comments on draft cost certifications submitted for review.

Conversion will be scheduled a minimum of thirty (30) days after the cost certifications are fully approved. Conversion will not be scheduled until all final, fully executed cost certifications are submitted to DSHA and all assessed penalty fees are paid. Any penalty fees assessed in relation to the cost certification(s) cannot be paid from any development source, including loan(s), equity proceeds, or the project operations. Failure to pay these fines will result in DSHA withholding the issuance of IRS Form 8609 Low Income Housing Credit Allocation Certification for all buildings.

Please refer to the Cost Certification section of this guide for additional information.

15. **Cost Certification – 4% LIHTC Projects:** The complete draft Contractor’s Cost Certification is due sixty (60) days after the issuance of all final COs. If the complete draft cost certification is submitted

after the deadline date, the contractor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

The complete draft Mortgagor's Cost Certification is due ninety (90) days after the issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the mortgagor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

**NOTE:** It is the mortgagor's responsibility to ensure the Contractor's cost certification is submitted in a timely manner. Failure by the contractor to submit the cost certification in a timely manner will not warrant an extension of the deadline to the Mortgagor Cost Certification submission or a waiver of the applicable penalty fees.

DSHA will complete one review and provide comments on the Contractor's and Mortgagor's draft cost certification submissions. A \$500 review fee will be charged for each additional review that is required. DSHA has thirty (30) days from the date of the receipt of latest of all submissions to review and provide comments on draft cost certifications submitted for review.

Conversion will be scheduled a minimum of thirty (30) days after the cost certifications are fully approved. Conversion will not be scheduled until all final, fully executed cost certifications are submitted to DSHA and all assessed penalty fees are paid. Any penalty fees assessed in relation to the cost certification(s) cannot be paid from any development source, including loan(s), equity proceeds, or the project operations. Failure to pay these fines will result in DSHA withholding the issuance of IRS Form 8609 Low Income Housing Credit Allocation Certification for all buildings.

Please refer to the Cost Certification section of this guide for additional information.

16. **Engagement of an Independent Certified Public Accountant (ICPA):** In order to streamline the cost certification process, it is recommended that engagement of the ICPA, for the contractor and mortgagor, be completed prior to construction closing. Engagement may include periodic (quarterly) reviews of the draws and other information at the ICPA's discretion. Though not required, it is strongly encouraged that the contractor and mortgagor utilize the same ICPA.
17. **Income from Operations:** No operating funds may be used for construction costs (hard or soft) without the written approval of DSHA. The contingency line item must be fully exhausted prior to approval of operating funds to pay construction or permanent closing expenses. Prior to permanent closing, the operations account balance of the property must contain a minimum of two months of operations expenses and two debt service payments prior to releasing operating funds for other uses. DSHA will require a copy of the operations bank statement from the prior month before closing to confirm an appropriate balance in operations.
18. **Insurance and Tax Escrows:** As a regulatory requirement of the mortgagor, DSHA is required to collect funds for insurance and taxes for all properties financed by the HDF, ARHP, NHTF, or the HOME Program. An initial tax escrow and insurance escrow will be established at conversion from

Gross Equity based on the amounts included in the Estimated Income and Expense Pro Forma as certified at construction closing. At least thirty (30) days prior to permanent closing, the mortgagor must submit to DSHA invoices for the insurance premium for 12 months of coverage after permanent closing and either invoices for county/local taxes or an estimate based on a reassessed value of the property. DSHA will then calculate the estimated amount of ongoing monthly installments to be collected for the escrows after permanent closing.

19. **Insurance Requirements:** Prior to permanent closing, DSHA will require a revised insurance policy/certificate. The insurance coverage requirements should convert when occupancy occurs and should adhere to DSHA's insurance policy requirements. Please refer to the Insurance section of this guide for more information.
20. **Operating Budgets:** A revised operating budget must be submitted sixty (60) days prior to permanent closing. The operating budget should be consistent with the first year of the Estimated Income and Expense Pro Forma as certified at construction closing and consistent with DSHA underwriting.
21. **Operation and Maintenance Manuals:** Two complete sets of operations and maintenance manuals are to be provided by permanent closing; one for the management agent and one for DSHA records (Note: DSHA's copy should be provided in an electronic format). The manuals shall contain all manufacturers' information on all mechanical equipment placed within units (i.e. furnace, hot water heater, dishwasher, etc.).
22. **Other Requirements:** When DSHA HOME or NHTF Program funds are involved in a project, Section 3 and minority, women, and veteran owned businesses (MBE/WBE/VBE) certifications must be completed prior to the start of construction and updated as necessary at project completion. Good faith efforts should be made to employ and utilize persons and businesses which are economically and/or socially disadvantaged and within the project area.

## ARCHITECT INFORMATION

The architect is responsible for, and has complete oversight of, the project and must be the lead entity on all construction issues during the construction phase. The architect's responsibilities include, but are not limited to, the following:

- a. Attend all draw and progress meetings;
- b. Record and distribute the minutes of those meetings to all parties (field reports should be incorporated in all minutes);
- c. Receive and approve all product submittals from the contractor. DSHA must approve any product substitution;
- d. Establish a contractual relationship between the engineer(s) and surveyor and coordinate the work of the engineer(s), surveyor, or other sub-consultants;
- e. Determine which tests (i.e. compaction for footings, under slab, concrete) are required by the plans/specifications and advise contractor (test results must be reviewed by DSHA);
- f. Initiate all change orders<sup>1</sup> using DSHA's standard format with signature lines for DSHA, the architect, owner, contractor, and all lenders. **NOTE:** Field changes costing less than \$2,500 that are emergencies, or are otherwise immediately required may be made prior to approval of a change order, but DSHA must be notified immediately of such changes, and a change order must be approved for the work;
- g. Any code requirements that are missed, neglected, or were due to changes required by code authorities can be considered for a change order as part of the project costs at the option of DSHA. Costs above and beyond the customary charge if the work had been included in the original scope (ex: opening a wall to install an additional necessary outlet) due to the error may not be approved and will be the responsibility of the architect. DSHA reserves the right to determine if approval of a change order is warranted and each request will be reviewed on a case-by-case basis; and
- h. Complete as-built drawings and coordinate information for engineer(s) or surveyor for the final ALTA survey due upon completion of the project.

The Architect, Engineer(s), Surveyor and any other consultants to the Architect must be registered in Delaware and maintain registration in Delaware until project conversion. Any engineers, surveyor, or subconsultant **must** have a contractual relationship to the Architect through an AIA consultant agreement.

All documents/specifications shall be prepared by, or under the direction of, an architect registered in the State of Delaware, stamped with the design professional's registration seal, and accompanied by a statement signed by the professional certifying compliance with DSHA's Design and Construction/Rehabilitation Standards.

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<sup>1</sup> **All material changes in the plans and specifications require a change order, regardless of the cost.** DSHA will not approve change orders where there is no record in the meeting minutes of the requested change or where the work was performed more than 90 days before the change order was received by DSHA. (See Attachment A - Change Order Policy section for more details). Incomplete change orders will be returned unprocessed and will require resubmission and a **\$250.00** administrative service fee for each document being reprocessed. The administrative fee is not an eligible project cost.

## GENERAL CONTRACTOR INFORMATION

Any General Contractor (GC) involved with DSHA-financed projects and/or projects receiving Low Income Housing Tax Credits (LIHTC) must be pre-approved through DSHA's General Contractor Certification and Questionnaire Process.

In order to be considered qualified by DSHA, GCs must complete the DSHA Contractor's Certification and Questionnaire process and provide information on all of the required attachments and be approved by DSHA thirty (30) days prior to invitation to bid or DSHA's application deadline. Previously approved GCs can submit the information to DSHA for approval on an annual basis.

### **GC Selection/Bidding Requirements**

The Developer/Owner of the development may determine the GC at application and shall disclose the GC as part of the Development Team or the Developer/Owner may opt to competitively bid the work after application and award. Regardless, the contractor will be subject to the following requirements:

- a. The GC will agree to a maximum of 10% General Requirements of construction hard costs for new construction and rehabilitation projects, including all change orders.
- b. The GC will agree to a maximum of 7% Builders Overhead and Profit of construction hard costs for new construction and rehabilitation projects, including all change orders.
- c. There will be no increase to the Overhead and Profit or General Requirements other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase Overhead and Profit or General Requirements. At project completion, the Overhead and Profit and General Requirements percentages may not exceed the percentages submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages.
- d. DSHA shall review and approve plans and specifications for construction work prior to release for bidding.
- e. If the Developer, Development Team, and/or Applicant have related party and/or Identity of Interest ("IOI") subcontractor firms, they may not bid on the construction work or perform work on the development unless such arrangement has been reviewed and approved by DSHA at their sole discretion. The GC may be required to obtain three (3) competitive bids for the identity of interest work and cannot charge any more than the lowest bid.
- f. If the GC directly employs a trade, the GC may self-perform the work (i.e. if the GC directly employs a licensed plumber, the GC may self-perform plumbing trades on the job). The GC may also self-perform other non-licensed trade line items; however, the GC may be required to obtain three (3) competitive bids in all cases and cannot charge any more than the lowest bid. (See General Contractor Self-Perform Requirements for additional information.)
- g. The GC must provide fully-executed subcontractor contracts/agreements for all subcontractors (including IOI subcontractors) to DSHA before any work is commenced prior to any payments being made to the subcontractor.
- h. The Developer/Owner may not pre-bid certain aspects of the work and require the GC to use those subcontractors, unless reviewed and approved by DSHA at their sole discretion.

If the GC is not part of the Development team at application, they must be chosen through a competitive bid process after an award of credits or approval of DSHA financing, and the following additional conditions will apply:

- a. Developer/Owners shall invite all firms on DSHA's LIHTC Approved General Contractor List to bid and obtain a minimum of three (3) bids from the approved list of GCs that will provide bid estimates for the proposed projects;
- b. No additional bidder requirements may be added without written approval from DSHA, which may be withheld in their sole discretion (examples include, but are not limited to, additional payment and performance bond requirements, letter of credit for contractors, unrealistic timing demands, construction schedule, liquidated damage requirements, etc.). DSHA shall review and provide written approval of bid documents prior to release for bidding; and
- c. The bids shall be sent to the architect of record in a sealed envelope, clearly marked with the project name and date stamped. Faxed or e-mailed bids shall not be accepted. The bids shall be privately opened, tallied, and the results forwarded to DSHA and Developer.

**NOTE:** For any funding sources that require bidding of the construction costs (i.e. USDA, HUD), the bidding requirements of those funding source(s) will control.

**NOTE:** DSHA only establishes maximum mark-up percentages. The owner and contractor may agree to lesser mark-up percentages as a term of their contract. This must be decided and documented as part of the construction contract signed at construction closing. These established percentages will apply for the duration of the project, including on all approved change orders. DSHA reserves the right to disallow all mark-ups on change orders.

### **GC Self-Perform Requirements**

The GC may be permitted to self-perform work as part of the base original contract or for change orders as long as the trade is directly employed by the GC (*i.e. if the GC directly employs a licensed plumber, the GC may self-perform plumbing trades on the job*). Identity of Interest subcontractors do not qualify as a GC self-performing work and are still prohibited. The GC cannot self-perform trade items where a third party subcontractor is already under contract; if the GC provides supplemental labor to the third party subcontractor already under contract, the GC cannot charge their time/costs to the project. DSHA must approve all GC self-perform proposals prior to construction closing. DSHA reserves the right to require the GC obtain three (3) competitive bids and cannot charge any more than the lowest bid as part of the base contract pricing. When self-performing trades, the GC is required to follow guidelines for subcontractors, including, but not limited to:

- a. Must provide fully-executed contracts/agreements inclusive of the detailed bid breakdown to DSHA before any work is commenced and prior to any payments being made to the GC acting in a subcontractor capacity;
- b. Must provide a complete attestation package prior to submitting the first draw request;
- c. Must provide all required draw and change order backup;
- d. Must provide releases of liens as required; and
- e. Any and all base bid adjustments made during the value engineering process must be submitted for review and final approval. DSHA reserves the right to require additional backup and third-party pricing as part of the review process.

Change orders will not be permitted for self-perform trade items where a third party subcontractor is already under contract. Change orders will not be permitted for self-performed licensed trade line items completed by non-licensed individuals and/or contractors. Change orders for self-performed licensed trade line items will be permitted with the following conditions:

- a. Labor rates will be limited to the lesser of the calculated rate per the cost certification guide, the DOL prevailing rates, or certified payrolls if required by Davis Bacon. DSHA, at its sole discretion, may approve a higher rate if certified payrolls and paystubs are provided to substantiate said higher rate;
- b. Work is limited to a single mark-up of 12%;
- c. The General Contractor is permitted a general requirements mark-up of 6% and an overhead and profit mark-up of 6% or the maximum percentages as established at construction closing, whichever is less;
- d. DSHA reserves the right to disallow all markup for both the self-performed subcontractor work and the GC;
- e. DSHA will not accept any change orders with second-tier subcontractors or lower as defined in the change order policy; and
- f. DSHA reserves the right to require the GC obtain three (3) competitive bids for any CO work and cannot charge any more than the lowest bid.

The cost of equipment necessary to perform the work of the base bid and change order(s) may be included provided that:

- a. The equipment is not already on site for another purpose;
- b. The equipment is not being leased or charged to the site on a longer-term basis already; and
- c. Where the equipment is owned by the general contractor or subcontractor, the rate charged is no more than the local rental rates as evidenced by two bids or estimates.

A separate cost certification for each self-performed trade must be completed and must provide detailed information regarding all costs, including, but not limited to, any shared general requirement costs with the GC (office supplies, insurance, etc.), labor by employee/task (i.e. laborer, driver, equipment operator, etc.), equipment costs, and material costs by supplier and/or vendor. Each self-performed trade is required to certify to the entire cost charged to the project, so information regarding the self-performing subcontractor's overhead and profit must also be included in the report. The cost certification may be performed by the same accountant that performs the GC cost certification as long as s/he meets the eligibility requirements as outlined. Costs associated with said cost certification(s) are not project eligible.

### **GC Reporting Requirements**

1. Contractors shall obtain a minimum of two competitive bids for all subcontracted construction work on the Development. However, where the Contractor proposes to perform any work with his/her own employees, the Contractor shall obtain three bids for the work and may not charge more than the lowest bid for the work. All bids are subject to the review and approval of DSHA. In addition to requirements established in accordance with DSHA's bidding protocol, no bid or price will be considered responsive unless the prospective contractor/bidder discloses its reasonable, good faith determination of:
  - a. The number of employees reasonably anticipated to be employed on the project;

- b. The number and percentage of such employees who are bona fide legal residents of the State;
  - c. The total number of employees of the bidder; and
  - d. The total percentage of employees of such bidder who are bona fide residents of the State.
2. All contractors awarded contracts using DSHA funds shall submit a report to the DSHA Director of Housing Development setting forth the actual number and percentage of employees of such contractor who are bona fide legal residents of the State. To the extent subcontractors are employed in connection with any such contractor, the contractor shall further disclose the actual number and percentage of employees of such subcontractor who are bona fide legal residents of the State. Such report shall be due on December 31 of each calendar year during the construction period and thirty (30) days after the completion of the project prior to conversion.

## CONTRACTOR'S DRAW REQUISITION POLICIES

**Draw Submission Terms:** All draws must be signed and dated by the owner, contractor, and architect. The completed Contractor's Draw should be submitted to the Mortgagor, who will submit the combined Mortgagor's and Contractor's Draw to DSHA. All draws shall adhere to the following:

### A. Timeline

1. First Contractor's Draw Requisition:
  - a. Submitted at construction closing. If there are no eligible and/or approved construction costs incurred by construction closing, a zero dollar (\$0) construction draw will be included in the construction closing draw package.
  - b. No release of liens will be necessary, unless work on Development has started with DSHA's approval; then such work must be covered by the Release of Liens and Title Policy.
  
2. All Subsequent Contractor's Draw Requisitions:
  - a. Submitted once per month, at the monthly draw meeting.
  - b. A complete and fully executed electronic (PDF) copy of the draw will be acceptable to DSHA, or one original, complete, and fully executed hard copy may be submitted to DSHA along with one hard copy to each additional construction lender. Complete copies include the mortgagor and contractor draw requisitions, all supporting information, invoices, releases, etc.
  - c. If there are no eligible and/or approved construction costs incurred during the identified draw period, a zero dollar (\$0) construction draw will be submitted to the mortgagor to be included in the draw package.
  - d. Incomplete draws will be returned unprocessed, and a \$250 administrative fee will be charged for reprocessing.
  - e. General Contractor Partial Releases of Liens<sup>2</sup> is required verifying payment of the previously approved draw amount. For example, the releases submitted with Draw Requisition #2 must substantiate the amount drawn on Draw Requisition #1.
  - f. Attestation Packages including DSHA Draw Form D105, all state business licenses, municipality business licenses (if applicable), and fully executed subcontracts are required for all vendors, material suppliers, and subcontractors prior to first payment being made to said entity. At DSHA's discretion, payment of draw may be withheld until proper documentation is provided.
  
3. Final Contractor's Draw Requisition:
  - a. Submitted to DSHA two weeks prior to permanent closing, or earlier if possible.
  - b. Should consist of all payables under the Contractor's Draw Requisition, prepaid interest amounts, and other expenses needed for closing.

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<sup>2</sup> Contractors must use DSHA's Release of Liens form provided at construction closing. A sample can be found in this guide.

**B. Required Documentation**

1. All construction costs drawn must be based on actual expenses incurred and documented by invoices and/or an AIA G702/703 from the subcontractors, vendors, and material suppliers.
2. All costs drawn must be paid within 5 days of receipt of check from DSHA and/or other lenders.
3. Invoices should not be more than ninety (90) days old (with exception of the construction closing and second draw requests). DSHA and/or other lenders may elect to not process payment requests containing invoices over ninety (90) days old. However, requests for payment of invoices over ninety (90) days may be approved provided the other lenders and/or parties approve the invoice prior to submission to DSHA.

**C. Contingency**

1. Funds from contingency cannot be drawn or transferred without prior DSHA approval. If contingency funds are limited, it is at DSHA's discretion to release and approve requests.
2. The contingency is bifurcated with 80% of the total contingency allocated for hard costs and 20% (up to \$200,000) of the total contingency allocated for soft costs. Funds may not be reallocated between the hard cost and soft cost contingencies until construction reaches 75% completion. All contingency reallocations require DSHA approval
3. Balance of the contingency line item must be exhausted prior to approval of funds to pay for any construction expense from the Development's operations account.

**D. Reallocation of Budget**

1. The contractor must provide an explanation when reallocating amounts between line items without an approved change order.
2. All reallocations need to be supported by proof of cost savings in the line item (i.e. construction buyout vs. original budget amount) or a reallocation of funds to comply with DSHA requirements (i.e. the movement of labor for cabinet installation from carpentry and the cabinet line).
3. DSHA reserves the right to require large line reallocations be documented as official change orders, whether it be a cost savings deduct CO to return funds to the contingency or a zero-dollar change order between two lines.

**E. Ineligible Costs**

1. All costs associated with materials not used in the building are not eligible. This includes materials ordered incorrectly, restocking fees for unused materials, and any associated labor.
2. No charges may be made for duplicate work or work rejected as not meeting the requirements of contract documents and the ICPA shall be alerted for and report all such charges.

3. Costs associated with off-site storage of materials, such as off-site storage trailers, rental of storage space, transportation of stored materials to the job site, and loading/unloading materials, are not eligible.
4. Costs associated with improvements off-site are generally ineligible; however, DSHA may approve such costs at its sole discretion. Prior to commencement of off-site work, the owner must obtain written approval from DSHA for the work to be included and provide evidence of the funding source for the work.

**F. Change Orders**

Please refer to Attachment A – Change Order Policy section of this guide.

### Contractor's Draw Requisition Line Items

The following line items appear on the Contractor's Draw Requisition (D-101 and D-102 Forms), as well as the Contractor's Certificate of Actual Costs. Other line items may be added at DSHA's sole discretion.

1. **Sitework Utilities:** Costs include all underground utilities (cable, water lines, gas lines, sewer lines, electric lines, telephone lines) and site lighting. Related layout or engineering work for all site work (not just this category) and buildings is not included, but may be part of General Requirements;
2. **Sitework:** Costs include complete storm water management system (SWM), erosion and sediment controls, forestry lanes, fire lanes, cutting of new roads, and SWM perimeter fencing. Site grading and costs that include stripping top soil, stock piling and grading, rough and finish grading, and imported fill material should be included in this line item;
3. **Site Recreation:** Costs associated with any playground equipment (turf material, playground border, perimeter playground fencing, and ADA accessible route), trash cans, bike racks, gazebo, walking trails, miscellaneous benches, or other DSHA approved on-site designated recreation areas;
4. **Landscaping:** Costs include required plantings, grass/sod/mulch/weed blocker, decorative stone, landscaping timbers, underground irrigation systems, permanent fencing, dumpster enclosures, and a permanent project sign. (See DSHA Minimum Construction Standards in the QAP);
5. **Roads/Parking:** Costs include construction of roadway/parking areas, striping, resurfacing, seal coating, parking bumpers, and required signage;
6. **Site Environmental Remediation:** Cost associated with the removal (including disposal fees) or remediation of environmentally hazardous substances from the site, such as underground storage tanks, contaminated soils, and miscellaneous exterior hazards. Environmental clearance tests are included under General Requirements;
7. **Bus Stop/Shelter Improvements:** Includes all costs associated with bus stop improvements (shelter, benches, sidewalks, trash receptacles, planters, etc.);
8. **Misc. Site:** Site costs not defined by DSHA. All miscellaneous costs must be pre-approved by DSHA;
9. **Misc. Site:** Site costs not defined by DSHA. All miscellaneous costs must be pre-approved by DSHA;
10. **Demolition:** Costs include wrecking, deconstructing, or tearing down of non-essential buildings or structures. For rehabilitation projects, costs include demolishing existing walls, floors, ceilings, roofs, non-essential buildings, etc., and disposal fees (including dumpsters) directly related to the demolition;

11. **Building-Environmental Remediation:** Cost associated with the removal (including disposal fees) or remediation of asbestos, lead-based paint, or other environmentally-hazardous substances. Environmental clearance tests are included under General Requirements;
12. **Concrete:** Costs associated with any concrete sitework (curbs, sidewalks, etc.), and/or concrete building components (foundation work, porches, patios, slabs, floor decks, stairs), and/or miscellaneous gypcrete work;
13. **Masonry:** Costs associated with any block, brick, or stonework, including foundation footings, parging, restoration/power washing, re-pointing, and acid washing;
14. **Exterior Siding:** Costs associated with all exterior siding, including, but not limited to, vinyl, concrete plank, stucco, moisture and thermal protection (TyVek), all associated trim, fypons, and architectural millwork;
15. **Rough Carpentry:** Costs associated with all framing, additions, setting trusses, and roof, wall, or floor sheathing (including materials and labor);
16. **Finished Carpentry:** Costs associated with the installation of trim, window sills, baseboards, and casework;
17. **Kitchen and Bathroom Cabinets:** Costs associated with the materials and installation of kitchen cabinets (including all base and wall cabinets, countertops, and side/wall splash guards) and bathroom vanities;
18. **Joint Sealant:** Costs associated with interior and exterior caulking, including, but not limited to, all bathroom areas, kitchen areas, trim, baseboards, fire-stopping, and all exterior areas;
19. **Insulation:** Costs associated with all insulation types (batt, blown-in, spray-on, fire stopping, rigid, etc.) located at slabs/footers, walls, floors, and attic areas;
20. **Roofing:** Costs associated with all roofing including, but not limited to, shingles, vents, metal flashing, underlayment, ice shields, and rubber roofs. Miscellaneous items associated with the roofing system such as drip edges, fascias, and gutters may also be included;
21. **Misc. Metals:** Costs associated with structural metal elements such as headers, columns, beams, and steel stairs, as well as miscellaneous metals such as interior and exterior metal railings;
22. **Doors and Frames:** Costs associated with the materials and installation of interior and exterior doors, patio doors, screen doors, metal or wood frames, hardware for doors and lock systems, hinges, and doorstops;
23. **Windows:** Costs associated with the materials and installation of all windows, including screens;

24. **Drywall:** Labor and material costs associated with gypsum board, spackling, tape, and finishing work;
25. **Vinyl (VCP, VCT, etc.):** Costs associated with the materials and installation of vinyl plank, engineered flooring, sheet goods, VCT, and any underlayments for the property;
26. **Carpeting:** Costs associated with materials and installation of all carpet and/or carpet tiles, padding, and special underlayment for the property;
27. **Ceramic Tile:** Costs associated with materials and installation of all ceramic tile, including flooring, tub surrounds, and backsplashes;
28. **Painting:** Costs associated with all interior and exterior painting as defined in the specifications and manufacturer's recommendations;
29. **Window Treatments (Blinds, Curtains, Etc.):** Costs associated with any window treatments (blinds, curtains, etc.) on the property;
30. **Specialties:** Costs include fire extinguishers, handicap accessibility requirements, mailboxes, unit and building identification numbers, closet shelving and vinyl coated components;
31. **Toilet Accessories:** Costs associated with shower rods, grab bars, towel bars, toilet paper holders, mirrors, and medicine cabinets for the units;
32. **Appliances:** Costs associated with all kitchen appliances, including refrigerators, microwaves, ranges/stoves, micro-hoods, and dishwashers (if applicable, washers/dryers);
33. **Elevators:** Costs associated with elevator materials and installation;
34. **Plumbing:** Costs associated with all rough and finished plumbing, including, but not limited to, hot and cold water supplies, sanitary connections, venting, and the purchase and setting of fixtures (toilets, tubs, sinks, showers, dishwashers, garbage disposals, water heaters, hose bibs, laundry rooms);
35. **Sprinklers:** Costs associated with code compliant fire protection sprinkler system and all associated pertinent equipment;
36. **HVAC:** Costs associated with materials and installation of heating and air conditioning systems for the units and common areas (must be code compliant systems);
37. **Electrical:** Costs associated with all wiring for the interior and exterior of the buildings, including, but not limited to, devices, electrical boxes, switches, paddle and exhaust fans, light fixtures, outlets, cable and phone lines, and parking area lighting;

38. **Fire Alarms/Security Systems:** Costs associated with close circuit/security cameras, fire alarms/annunciation panels, electronic entry systems, and nurse/emergency calls;
39. **Energy/Solar:** All costs associated with the energy system shall be included in this line item such as photovoltaic panels, free standing solar panels/solar field (if located on the property), fencing, and/or all associated electrical connections. Energy generated shall benefit the property, community building, parking lot, and common areas directly.

DSHA encourages all Owners to utilize the Delaware Sustainable Energy Utility (SEU) program to utilize alternate energy sources when possible. If selected by the SEU, all costs associated with the energy package may be included in the project/construction costs, but sufficient funds must be available to cover these costs.

40. **Termite Protection/Pest Control:** Costs associated with all soil or other treatments for new construction and rehabilitation and/or the continuation of existing bait and pest control systems;
41. **Misc. Building:** Building costs not defined by DSHA. All miscellaneous costs must be pre-approved by DSHA;
42. **Misc. Building:** Building costs not defined by DSHA. All miscellaneous costs must be pre-approved by DSHA;
43. **Separate Community Building:** All costs associated with the construction of the community building if it is a separate building that does not contain any residential units (aside from the manager and/or maintenance unit). Sitework costs should be included in the appropriate lines.
44. **General Requirements:** Maximum of 10% of construction hard costs for new construction and rehabilitation projects. There will be no increase to the General Requirements other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase the General Requirements. At project completion, the General Requirements percentages may not exceed the percentages submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages.

All costs that are eligible under General Requirements cannot be charged against any other trade line items, unless specifically allowed by DSHA. General Requirements will be drawn based on percentage of construction completion and will no longer require backup documentation to be submitted with the draws. However, the definition of eligible general requirements will still apply and all costs charged must be verified as appropriate by the ICPA at cost certification. DSHA reserves the right to request additional information and/or backup documentation at any time during the Contractor's Draw Requisition process and/or prior to cost certification for expenses charged to the General Requirements.

Costs associated with general trade items (i.e. carpentry, plumbing, HVAC, etc.), particularly employees of the General Contractor, are NOT eligible under General Requirements. However, costs for punch items may be allowable under General Requirements with prior approval of DSHA.

All of the costs listed below must be incurred for labor or materials supplied at the job site except as otherwise noted herein. The items will vary due to project type, location and site conditions. All charges for material or labor must be at cost, with no mark-up and no indirect costs.

General Requirements costs may include:

- **Salaries of the Contracting Firm:**

- **Project Superintendent:** No more than one supervisor (hereby defined as the person who is responsible for and performs the direct on-the-job supervision and coordination of the construction work) and two assistant supervisors and/or foremen on the job site during any time period. No overtime or bonus pay may be included as part of the charged time. Temporary lodging costs for site superintendent (hotel/motel costs) where the project is more than 50 miles from the contractor's main or branch office where the employee normally would be based.
- **Project Management:** The salary of a project manager and related employment costs (which include taxes, insurance and health benefits only) whose responsibilities include the development covered by the construction contract, and whose work related to the development may be either on or off site, provided that the following conditions are met:
  - The project manager is not an officer or executive of the contractor and his/her normal responsibilities are construction project management;
  - The project manager's time is documented by a timekeeping system approved by DSHA and personally verified by the ICPA as accurate and complete as part of the Cost Certification process; and
  - No overtime or bonus pay may be included as part of the charged time.
- **Home Office Salaries:** Clerical and/or accounting nature only and as directly related to the project. No overtime or bonus pay may be included as part of the charged time.
- **Officers or Executives of the Contracting Firm:** These salaries are eligible only if, and to the extent:
  - The officer or executive performed the duties and responsibilities of a supervisor, and there is no supervisor on the job site during the time period that the executive performs such duties and responsibilities;
  - The salary paid was in line with the going rates for the duties performed by supervisors in the area of the job site; and
  - The time spent at the job site exclusively on the construction of the project by an officer or eligible executive (defined above) or by a supervisor who is generally retained by the contractor and who is assigned to a specific job or jobs for the purpose of supervising and coordinating the work may be charged to the cost of general requirements based upon the portion of his total employment represented by such time so spent on the project. The time spent by such officer, executive or supervisor must be supported by a record keeping system approved by DSHA prior to commencement of construction for determining his actual time at the job site and cannot be based on an allocation of his time. Failure to

obtain such approval shall result in the disallowance by DSHA of the cost of the time spent by such supervisor, officer or executive.

- **Vehicle Expenses:** Truck or car expense of site supervisor on a pro rata basis. Vehicle expense of a project manager to and from the job site only may be charged, provided the ICPA verifies the charges as part of the Cost Certification process.
- **Fire Marshal Fees:** Costs may include permit, review, and inspection fees.
- **Field Testing:** Costs such as soil testing, concrete testing, etc. Site and topographic fees, soil borings, subsurface explorations, soil and material testing and environmental testing of hazardous materials, provided that such fees were not included on DSHA Form CC-101 or part of the architect's contract or any subcontract.
- **Lay-Out and Engineering:** Site and engineering layout, building permits not otherwise included on the DSHA Form CC-101.
- **Site/Field Inspections:** Any site/field inspections as required by OSHA, DNREC, and/or DelDOT. Such inspections include, but are not limited to, stormwater and sediment control (CCR), entrance review and approvals, and site safety.
- **Drawing Reproduction:** Blueprint copies and photos
- **Field Office Supplies:** Field office expense and minor field office supplies (not to exceed \$500).
- **Temporary Toilets:** Costs of temporary toilets.
- **Temporary Heat, Water, and Electric:** Temporary heat, water, light, telephone and power for construction, and utility tap fees.
- **Storage Trailers:** Costs of temporary office and storage trailers.
- **Small Tools:** Small tools and supplies.
- **Safety Supplies:** Watchmen's wages or other security, medical and first-aid facilities, temporary walkways and fences, barricades, sidewalks and streets or temporary roads.
- **Equipment Rental:** Equipment rental costs (if not applicable to trade items) including fuel and maintenance. If Equipment is owned by General Contractor, costs charged must be at the local rental rates.
- **Site Signage:** Temporary signs and/or photographs.
- **Contractors Liability Insurance:** Costs that can be allocated solely to the development.
- **Contractors Workers Comp Insurance:** Costs that can be allocated solely to the development.
- **Material Handling:** Labor for material movement on site.
- **Cleanup and Trash Removal:** Cleanup labor and rubbish disposal.
- **Final Cleaning:** Final unit cleanup including window washing.
- **Dumpster/Dump Fees:** Costs of dumpsters and dump fees used for construction debris only.
- **Other:** Costs may include the following:
  - Theft and vandalism if supported by a police report and not covered by insurance.
  - State of Delaware and local municipal licenses, bonds, taxes or other fees attributable solely to the project.
  - Gross Receipts taxes to the extent such costs can be allocated solely to the development
  - A fee paid to employment agencies/head hunters to secure staff or personnel for the project.
  - Costs to recycle used building materials including labor to move or store recycled materials, transportation and special container fees. DSHA strongly supports the recycling of building materials and encourages all owners, developers and contractors to adopt practices promoting

recycling to the greatest extent possible. If the contractor incurs verifiable costs to recycle materials exceeding the original general requirements budget, DSHA will allow the transfer of surplus funds from other contractor line items to pay the recycling costs exceeding the budgeted general requirements. Verification would include detailed invoices from recycling centers and transporters or payroll information for labor.

*Additional Notes on General Requirements:*

- Costs normally associated with the operation of a contractor's main office or any branch office or with carrying on a contractor's trade or business are not eligible even if such costs are incurred with respect to activities taking place at the job site. These ineligible costs include: salaries of a project manager (except as allowed in prior paragraphs) or other administrative, secretarial, and supervisory personnel not otherwise expressly eligible under this section; salaries of any other employees where activities are principally confined to work in the main office or any branch office; legal fees, except those incurred as a result of legal difficulties arising during construction; accounting charges other than for cost certification; consultant fees; computer expenses; bookkeeping; office supplies and equipment, except those necessary for the site supervisor to perform his duties and functions; entertainment expenses; and travel and subsistence expenses and allowances, except those of the site supervisor (and officers and executives satisfying the requirements of this section) and his assistants directly and exclusively related to the performance of their duties on the job site and except travel and subsistence expenses for the project manager of the contractor to and from the site and the contractor's home office, but in no event shall eligible travel and subsistence expenses and allowances exceed \$12,000 per employee per year.
- Contractor owned equipment costs, which are not applicable to trade items, but which are otherwise eligible under this section, may only be claimed in accordance with the requirements of the paragraphs herein.
- A fee for the contractor's cost certification is eligible under this category; however, the fee cannot include any amount applicable to an identity of interest subcontractor's certification.
- In the event that the mortgagor or contractor shall enter into a contract with any other party (other than their own employees) for the performance of some or all of the duties and functions (such as subcontracting, coordinating or supervising the work) normally performed by the contractor under the construction contract, such other party and the amount and terms of such contract shall be subject to the review and approval of DSHA prior to the execution thereof and prior to the commencement of work. Any fee, profit, or overhead paid to such other party and any costs incurred by such other party for the performance of duties and functions also performed by the contractor shall be ineligible for inclusion in the mortgagor's and contractor's certificates of actual cost. Such other party shall be included within the term "contractor" as used in this guide, shall certify to costs on a separate DSHA Form CC-101 in the same manner as the contractor, and shall comply with and be subject to all of the terms and requirements herein applicable to the contractor, except to the extent otherwise provided in this subparagraph or waived by DSHA in writing.

45. **Builder Overhead and Profit:** Maximum of 7% of construction costs including site work and buildings will be applied. There will be no increase to the Overhead and Profit other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase the Overhead and Profit. At project completion, the Overhead and Profit percentage may not exceed the percentage submitted at application or approved at construction closing (whichever is less), but may be less than the approved percentages;
46. **Performance and Payment Bond:** Costs associated with obtaining and maintaining the P&P Bond for the duration of the construction period. Must be approved by DSHA to be included;
47. **Cost Certification:** Costs associated with completing the Contractor's Cost Certification only. IOI cost certifications are not eligible. Must be approved by DSHA to be included;
48. **Materials Stored On-Site:** Any materials for the project securely stored on site. DSHA must inspect all materials stored on-site prior to release of payment. Costs associated with stored materials, such as storage trailers and loading/unloading materials, are eligible costs but only under general requirements;
49. **Materials Stored Off-Site:** DSHA does not require that off-site materials stored be paid by the contractor, but if any material purchased in bulk for project is stored off-site and allowed by the contractor, invoices for the materials and proof of insurance is required with DSHA listed as co-insured. DSHA must inspect all materials stored off-site prior to release of payment. DSHA reserves the right to refuse to pay for off-site stored materials that cannot be inspected due to the location of storage facility. Costs associated with off-site storage of materials, such as off-site storage trailers, rental of storage space, transportation of stored materials to the job site, and loading/unloading materials are not eligible costs; and
50. **Retainage:** Please see the Retainage definition for additional information.

## **Contractor's Draw Requisition Forms**

The following forms must be completed and submitted with each draw. Examples of each form are available at the end of this section.

1. Contractor's Draw Reconciliation Form (DSHA Form D-102)
  - a. This form is completed first and when originally budgeted specific cost or trade line item amount has changed (increased or decreased). The total revised amount will appear in the Current Revised Budget column and auto-update on the Budgeted Cost (Cost Breakdown) column on the DSHA Form D-101.
  - b. When a line item cost reallocation is necessary, a corresponding zero dollar (\$0) change order with the back-up documentation/information must be approved prior to reallocating the funds on the D-102.
2. Contractor's Draw Requisition Form (DSHA Form D-101)
  - a. The Contractor's Draw Requisition is completed monthly. The requisition must include all actual costs to be drawn for the period covered by the draw less prior requests.
  - b. The form should be updated to reflect the requisition submission date, requisition number, and the time period covered by the current requisition. The Previous Draw Requests column should be updated to reflect the Total Requests to Date of the previously approved draw.
  - c. If there are no eligible construction costs for the period covered by the draw, a zero-dollar request must be submitted as part of the complete draw package on the established draw request submission date.
3. Stored Materials (Attachment to DSHA Form D-101)
  - a. This form must be completed for all stored materials, on-site and off-site and must list all current and previously stored materials.
4. Schedule of Subcontractor's and Material Supplier's Terms (DSHA Form D-104A, D-104B, and D-104C)
  - a. The D-104A lists the contract number, if any, name and address of subcontractor or material supplier, state or municipality, license, if there is an identity of interest, contract discounts, trades or other credits, contract amount, payment to-date, amount of this request, MBE/WBE, and retainage. When a contract is executed with a subcontractor, their information should be added to this form and remain for the duration of the project.
  - b. The D-104B must be completed by the contractor for all draws where subcontractors have requested funds. Please note, an Attestation Statement (DSHA Form D-105) and business license(s) must be completed and on file with DSHA and the General Contractor prior to release of the first payment for a subcontractor.

5. Subcontractor's and Material Supplier's Attestation Statement (DSHA Form D-105)
  - a. This form is to be completed by each subcontractor and material supplier that is used by the contractor. If the contract changes or is amended at any time during the construction period, the subcontractor or material supplier must submit an amended attestation statement prior to permanent closing and the release of the final 2.5% retainage.
  - b. The form will confirm the contract amount, date of service, description of service or job to perform, payment method, and identity of interest relationship, and serves as a supplement to the contract signed by the subcontractor or material supplier.
6. Schedule of Material Suppliers and/or Vendors (DSHA Form D-106)
  - a. This schedule should be completed and list all the vendors included to be paid with the proceeds of the current draw request that are not included in the DSHA Form D-104B.
  - b. Any material supplier or vendor contracts of purchases exceeding \$2,500 are required to complete this form.
7. Miscellaneous Information Requests from DSHA
  - a. DSHA may request additional information and/or documentation at any time during the Contractor's Draw Requisition process and/or prior to cost certification. This includes, but is not limited to, backup documentation for General Requirements.

## **MORTGAGOR'S DRAW REQUISITION POLICIES**

**Draw Submission Terms:** All draws must be signed and dated by the owner, contractor, and architect. All draws shall adhere to the following:

### **A. Timeline**

1. First Mortgagor's Draw Requisition:
  - a. Submitted at construction closing. A draft draw should be provided two weeks prior to construction closing or earlier if possible.
  - b. Only soft costs and land acquisition costs may be submitted for reimbursement at construction closing, unless prior approval has been obtained from DSHA. Even in the event of no eligible/approved hard costs, a zero dollar (\$0) construction draw must be included in the construction closing draw.
  - c. No release of liens will be necessary, unless work on Development has started with DSHA's approval; then such work must be covered by the Release of Liens and Title Policy.
2. All Subsequent Mortgagor's Draw Requisitions:
  - a. Submitted once per month, at the monthly draw meeting.
  - b. A complete and fully executed electronic (PDF) copy of the draw will be acceptable to DSHA, or one original, complete, and fully executed hard copy may be submitted to DSHA, along with one hard copy to each additional construction lender. Complete copies include the mortgagor and contractor draw requisitions, all supporting information, invoices, releases, etc.
  - c. Incomplete draws will be returned, unprocessed, and a \$250 administrative fee will be charged for reprocessing.
  - d. The second draw may include costs incurred at construction closing (i.e. additional legal, interest expense, etc.) and construction costs that have been incurred.
  - e. Prior to final approval and the release of draw funds, DSHA will obtain a signed concurrence from all lenders.
3. Final Mortgagor's Draw Requisition:
  - a. Submitted to DSHA two weeks prior to permanent closing, or earlier if possible.
  - b. Should consist of all payables under the Mortgagor's and Contractor's Draw Requisition, prepaid interest amounts, and other expenses needed for closing.

### **B. Required Documentation**

1. All construction costs drawn must be based on actual expenses incurred and documented by invoices and/or an AIA G702/703 from the subcontractors, vendors, and material suppliers. If there are no eligible construction costs for the period covered by the draw, a zero-dollar construction draw request must be submitted as part of the complete draw package.
2. All costs drawn must be paid within five (5) days of receipt of check from DSHA and/or other lenders.

3. All soft costs drawn for payment must have backup invoices and/or copies of canceled checks and receipts. DSHA reserves the right, at any time, to request canceled checks or check registers as proof of payment for any invoice.
4. Invoices should not be more than ninety (90) days old (with exception of the construction closing and second draw requests). DSHA and/or other lenders may elect to not process payment requests containing invoices over ninety (90) days old. However, requests for payment of invoices over ninety (90) days may be approved provided the other lenders and/or parties approve the invoice prior to submission to DSHA.

**C. Loan in Balance**

1. All DSHA loans must remain in balance at all times. Loans are out of balance when the development cost, as estimated by DSHA, exceeds the funds available to construct the Development.
2. If at any time during the construction period the loan(s) is out of balance, the developer must fund any shortfalls, and DSHA's funds may be withheld until assurances are made that the Development can be completed as anticipated.

**D. Contingency**

1. Funds from contingency cannot be drawn or transferred without prior DSHA approval. If contingency funds are limited, it is at DSHA's discretion to release and approve requests.
2. Balance of the contingency line item must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the Development's operations account.

**E. Change Orders**

Please refer to Attachment A – Change Order Policy section of this guide.

## **Mortgagor's Draw Requisition Line Items**

The following line items appear on the Mortgagor's Draw Requisition, as well as the Mortgagor's Certificate of Actual Costs. Other line items may be added at DSHA's sole discretion.

### **DSHA Eligible Costs**

1. **Construction Cost:** The total amount of the buildings, site work, builder's overhead and profit, and general requirements.
  - a. The eligible amount is the lesser of (i) the actual cash (including any builder's overhead and profit) paid and to be paid at final closing or (ii) the contract price under the construction contract (as adjusted for the net effect of all DSHA approved change orders and including builder's overhead and profit, if any). The amount of actual cash paid or to be paid as described in (i) above shall be reduced by DSHA to the extent such amount includes any costs disallowed by DSHA in its review of the contractor's certificate of actual cost.
  - b. All adjustments made to the original contract price shown in the mortgage loan commitment must be disclosed by the mortgagor in the Reconciliation to the Last Draw and Certificate of Actual Costs. Lack of such disclosure should be considered a deviation and commented on by the ICPA in his report.
  - c. No charges may be made for duplicate work or work rejected as not meeting the requirements of contract documents and the ICPA shall be alert for and report all such charges. Such ineligible costs are usually documented in change orders of the contractor to the subcontractor, which have not been approved by the owner, architect, lenders, and DSHA. Where the contractor has elected to correct, repair, or complete all or a portion of the work of a subcontractor, charges by the contractor for such work is not an eligible project cost, unless the contractor makes a corresponding deduction in the amount paid the subcontractor and the ICPA verifies the deduction.
2. **Developer's Fee:** Constitutes the developer's compensation for services rendered exclusively in connection with coordinating and overseeing the construction and completion of the development. No portion of the developer's fee may compensate the general partner to render any other services including, but not limited to, services in connection with the organization or syndication of the mortgagor.
  - 9% competitive tax credit awards
    - For developments of up to seventy (70) units:
      - The developer fee is limited to the lesser of \$1,000,000 or 15% of the Total Development Costs, excluding the developer fee, transferred reserves, relocation and/or operating deficit reserves, site environmental remediation costs, DSHA assumed debt and land costs.
      - Where there is an identity of interest acquisition of either land or existing rental properties, the fee is limited to the lesser of \$1,000,000 or 12% of the Total Development Cost excluding developer fee, transferred reserves, bond

prepayment penalty, relocation and/or operations deficit reserve, site environmental remediation costs, assumed DSHA debt, and all land and acquisition costs *plus* 5% of the acquisition cost.

- Deferred developer fee, if any, may not exceed 50% of the total calculated fee.
- For developments between 71-100 units the developer fee limit will be raised to \$1.15 million. The change in the limit does not impact the method for calculation of developer fee and any deferred fee cannot exceed 50% of the total calculated fee.
- For developments of 101 or more units the developer fee limit will be raised to \$1.3 million. The change in the limit does not impact the method for calculation of developer fee and any deferred fee cannot exceed 50% of the total calculated fee.
- Tax-Exempt Bond Projects (4%)
  - For developments up to seventy (70) units:
    - The developer fee is limited to the lesser of \$1,500,000 or 15% of the Total Development Costs, excluding the developer fee, transferred reserves, relocation and/or operating deficit reserves, site environmental remediation costs, DSHA-assumed debt, and land costs.
    - Where there is an identity of interest acquisition of either land or existing rental properties, the Developer Fee is limited to the lesser of \$1,500,000 or 12% of the Total Development Cost excluding developer fee, transferred reserves, bond prepayment penalty, relocation and/or operations deficit reserve, site environmental remediation costs, assumed DSHA debt, and all acquisition costs and land costs *plus* 5% of the acquisition cost.
    - Any amount in excess of \$1,000,000 must be deferred and paid only from cash flow as defined by DSHA (“cash flow fee”). Of the \$1,000,000 not paid from cash flow, the deferred developer fee cannot exceed \$500,000 or 50% of the non-cash flow fee, whichever is less.
  - For developments between 71-100 units the developer fee limit will be raised to \$1.65 million, of which any amount in excess of \$1.15 million must be paid from cash flow and will utilize the same method for calculation of developer fee. Of the \$1.15 million not paid from cash flow, the deferred developer fee cannot exceed \$575,000 or 50% of the non-cash flow fee, whichever is less.
  - For developments for 101 or more units the developer fee limit will be raised to \$1.8 million, of which any amount in excess of \$1.3 million must be paid from cash flow and will utilize the same method for calculation of developer fee. Of the \$1.3 million not paid from cash flow, the deferred developer fee cannot exceed \$650,000 or 50% of the non-cash flow fee, whichever is less.
- For the purposes of calculating developer fee *only*, identity of interest limitations will not apply when the acquisition of either land or existing rental properties occurred in a bona fide arms-length transaction within three (3) years of the date of application. This three-year look back does not apply to other areas impacted by identity of interest status, including but not limited to calculation of applicable acquisition credit.

Applications from contiguous properties in the same LIHTC funding round using a combination of 9% and 4% credits will be subject to a reduction in the developer fee, unless each application is for a development of 80 units or more, reduction pro rata up to 80 units per application.

The developer's fee shall be payable as follows:

- a. Fifty percent (50%) of the non-deferred developer's fee shall be paid from the construction loan proceeds funded by DSHA and any other lenders and shall be disbursed twenty-five percent (25%) at fifty percent (50%) completion of the construction of the Development and twenty-five percent (25%) at construction completion.
- b. The remaining fifty percent (50%) of the total non-deferred fee shall be paid from the total equity contribution as provided in the Partnership/Operating Agreement.
- c. Regardless of the sources, in no case shall the developer be allowed to receive greater than fifty percent (50%) of the non-deferred developer's fee prior to the conversion date.

DSHA reserves the right to hold back any portion of the developer's fee funded from its construction loan(s) in the event monies are needed, which are not otherwise available to complete the development, or to complete the closing on the conversion date.

3. **Performance and Payment Bond Fees:** Payment and performance bond fees are calculated on the combined cost of buildings, site work, general requirements and contractor's overhead and profit. Payment bond must stay in place for at least one (1) year after substantial completion, and performance bond stays in place at least two (2) years after substantial completion. The bond typically costs 1-2% of the construction costs. Other bonds required from the owner by state or municipal agencies in connection with the project may be eligible.

DSHA requires a minimum surety rating of "A-" or better by AM Best Co. in Best's Rating Guide; unless another construction lender requires a greater rating.

4. **Architect's Design Fee:** Costs associated with the Architect's fees for design, plans and specifications by the architect of record including all engineering and subconsultants under the architect's contract (engineer/sub-consultants to include mechanical, electrical, structural, civil engineers, environmental, energy certification/HERS rating, etc.). No portion of the fees paid to any affiliated or identity of interest companies may be considered part of the allowable costs; however, such a transaction must be disclosed.
5. **Architect's Supervision:** Costs associated with the architect's administration of the construction work and sub-consultants. No portion of the fees paid to any affiliated or identity of interest companies or in stock may be considered part of the allowable costs; however, such a transaction must be disclosed.
6. **Survey/Soil Boring/Environmental/Sub-consultants:** Costs associated for initial and final surveys (ALTA), site layout, subdivision design, actual soil borings and reports, environmental assessments or site reports, environmental audits, lead/asbestos or environmental testing, and flood plain and wetland delineation reports. **NOTE: All costs associated with the engineers, surveyor, or**

**subconsultant covered by the contractual relationship to the Architect through an AIA consultant agreement should be included under the Architect's Design Fee (Line 4) unless approved by DSHA.**

7. **Construction Legal/Organization:** Legal expenses are generally those incurred for construction closing, tax advice and set up fees only during organization of the ownership entity, and the preparation of the legal documents and representation for and during organization of the ownership entity. Syndication fees are not financeable, but may be paid from gross equity. Initial deposits to open the owner's banking account, courier fees, postage costs, and copy fees directly related to the project (at cost) of the owner only. The total amount of legal fees, excluding DSHA legal fees, for any single development (including both construction and permanent closing) shall not exceed \$150,000. Any costs in excess of this limit must be paid from Developer Fee or other non-project sources.
8. **Permanent Legal/Organization:** Legal expenses are generally those incurred for permanent closings, tax advice, preparation/review of the legal documents and representation for and during organization of the ownership entity. Courier fees, postage costs, and copy fees directly related to the project (at cost) of the owner only. The total amount of legal fees, excluding DSHA legal fees, for any single development (including both construction and permanent closing) shall not exceed \$150,000. Any costs in excess of this limit must be paid from Developer Fee or other non-project sources.
9. **Capital Needs Assessment/Appraisal/Market Study:** Costs associated with the market study and appraisal for land and the project. Only one physical or capital needs assessment or energy audit will be eligible as a project expense, but an update may be an allowable cost. Appraisals are typically ordered by banks participating in the financing and must meet specific banking requirements and DSHA approval. Market studies must comply with DSHA's requirements.
10. **Environmental Audit/Energy Audit/Site Assessment:** Costs associated with the third party consultant (where the cost was not included in the architect's fees) to perform the Phase I Environmental Site Assessment, which shall be prepared in accordance with ASTM E-1527-05, and/or Phase I Audit for properties with existing buildings in accordance with both State and Federal Regulations, and energy audit.
11. **Permits & Fees:** Fees for Fire Marshal review, if any, building permits, utility tap, certificate of occupancy, municipal plans/review/inspection and impact fees. State Fire Marshal review fees are typically waived with letter approval from DSHA.
12. **Letter of Credit (LOC) Fees:** The fees associated with all letters of credit required under DSHA loan documents. The working capital LOC total amount is based on 2.5% of the combined construction mortgages (excluding rolled debt) at construction closing. The working capital LOC or escrow will be released at permanent closing or soon after assuming there are no outstanding financial concerns. The LOC is to be provided by the developer, sponsor, general partner, and/or other entity approved by DSHA. No portion of the Development be used as security for the working capital LOC

or any other LOC issued in connection with the Development. The LOC fee should be paid entirely by construction funds and should be paid up front for the full term. Operational funds cannot be used to pay any portion of the LOC fees.

13. **Inspection Fees:** Amounts paid to an inspection agency, usually required by the lenders or syndicator.
14. **Marketing:** Marketing costs include advertising, temporary office rental expenses, office supplies and other marketing costs, such as brochures, business cards, temporary signs, and flyers. No salaries may be included in the marketing costs.
15. **Rent-Up Fees:**
  - a. Management companies can charge a rent-up fee of up to \$500 per unit for new construction or unoccupied rehabilitation developments.
  - b. Management companies can charge a rent-up fee of up to \$250 per unit for occupied rehabilitation developments.
  - c. This fee is only allowed if it is included in the budget at construction closing. This line item cannot be increased after construction closing. No other management costs related to rent-up (office supplies, salaries, travel expenses, etc.) are allowed. **Note:** rent-up fees are not eligible for basis purposes.
16. **Furniture, Fixtures and Equipment (FFE):** Furnishings for management office, and/or community room, exercise/gym equipment furnishings, office equipment and computer software/hardware. FFE fees cannot exceed \$800 per unit for preservation projects and must be a minimum of \$800 per unit for all new construction/new creation projects.
17. **Construction Interest:** Interest is allowable in the amount paid on all construction mortgage loans, from the date of initial closing until permanent loan closing. For eligible basis purposes, DSHA will apply 50% of the interest as expensed. Please contact the ICPA for guidance.
18. **Real Estate Taxes:** The allowable amount for real estate taxes during the period of the construction loan. For eligible basis purposes, DSHA will apply 50% of the interest as expensed. Please contact the ICPA for guidance.
19. **Transfer Tax and State Improvement Tax:** Transfer Tax is based on a percentage of the sales price (currently 4%) that is split between the borrow and seller. State Improvement Tax is required on all properties with construction activity taking place within one year of acquisition. The tax is calculated based on 1% of construction costs exceeding \$10,000 and is typically paid prior to issuance of a building permit. For rehabilitated properties, alterations, or additions to existing buildings, the tax applies only if the cost of the rehab exceeds 50% of the value of the property on which the construction is to occur.

20. **Insurance:** Builder's risk and property and casualty insurance costs are allowable in the amount accrued from construction closing to permanent closing. For eligible basis purposes, DSHA will apply 50% of the insurance as expensed. Please contact the ICPA for guidance.
21. **Construction Financing Fees:** Financing fees charged by lenders in connection with construction closing.
22. **Permanent Financing Fees:** Financing fees charged by lenders in connection with permanent closing.
23. **Title & Recording:** Amounts paid in cash or to be paid by the mortgagor for the title search, title insurance, policy, and recording fees at the time of construction and permanent closing.
24. **Cost Certification and Accounting:** The costs associated with the preparation of the Mortgagor's and/or Contractor's Certificate of Actual Costs. The contractor shall separately certify its costs incurred in the performance of the work under the construction contract – the Owner is responsible for this cost as part of the mortgagor's costs. 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 certification and accounting fees cannot exceed \$30,000 combined.
25. **Land:** The cost of the raw land, price must be supported by an appraisal.
26. **Acquisition:** 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 DSHA. For eligible basis purposes, transferred operational accounts cannot be considered part of the acquisition costs (security deposits, tax/insurance escrows, operations accounts etc.). Reserves will be considered part of the acquisition costs upon transfer and must be reflected in the sales agreement price.
27. **Relocation:** The actual cost that is required to relocate tenants including temporary storage costs. The Uniform Relocation Act is typically used for cost calculations. The following will apply:
  - a. All state and federally financed, federally and state subsidized, or conversion properties must follow all Federal Uniform Relocation Act regulations, as applicable, and DSHA's Relocation Policy. Relocation assistance must be included as part of construction costs. DSHA must approve all relocation plans and correspondence to residents.
  - b. At the time of application, the applicant may assume the risk for over-income residents and apply for the full amount of credits needed. However, at the carry-over allocation, verifications/certifications of current residents' income must be analyzed for eligibility. If the applicable fraction from application to construction closing/carryover allocation changes due to over-income residents that result in a loss of credits, the difference in any equity reduction will be the responsibility of the owner, not DSHA.
  - c. Relocation expenses include resident moving expenses, utility deposits, off-site rents, management administration beyond normal management duties (as documented by detailed timesheets and invoices), unaffiliated outside personnel hired specifically to perform relocation

work only and other relocation expenses allowed under the URA. **Note:** rents associated with any off-site units that have been vacant for three months will not be eligible for reimbursement.

- d. Relocation costs cannot be included in eligible basis.
- e. There is no cap to relocation costs. However, in the event that relocation is deemed to be basis eligible, DSHA will allow up to \$3,000 per unit to be included in basis. Any per unit cost in excess of that amount will not be permitted in basis.
- f. Where there is a written agreement between the seller and buyer (or prior approval has been obtained from DSHA) to hold units vacant prior to transfer of the property in order to facilitate construction or relocation, the relocation line item may be used to pay uncollected “normal rents” on the units held vacant for a period not to exceed sixty (60) days.

28. **Relocation Operating Deficit Reserve:** DSHA allows up to \$1,500 per unit for a relocation operating deficit reserve for operating deficits caused by off-site relocation. This line item cannot be included in eligible basis. Any funds remaining will be applied to DSHA’s loans, if applicable, and cannot be applied to any other line items. Funding of an approved reserve from interim income will not be considered to have caused a deficit in operations due to off-site relocation. Additionally, interim income may not be used as collateral for any loan (other than a standard assignment of rents and leases), operating deficit guarantee, or letter of credit.

29. **Hard Cost Contingency:** A percentage, maximum of 5% for new construction and 10% for rehabilitation based on the cost of buildings, site work, general requirements and contractor’s overhead and profit. Balance of contingency must be exhausted prior to approval of funds to pay for construction interest or any other construction expense from the development’s operations account.

For the purposes of contingency only, rehabilitation will be defined as follows:

- a. Seventy-five percent (75%) or more of the existing external walls of the building are retained in place as internal or external walls; and
- b. Seventy-five percent (75%) or more of the existing internal structural framework of the building is retained in place.

All other projects will be defined as new construction.

Contingency is bifurcated with 20% of the total required contingency dollar amount allocated to soft costs up to \$200,000 (“Soft Cost Contingency”). The remaining contingency funds will be allocated to hard costs (“Hard Cost Contingency”). Funds may not be reallocated between the hard cost and soft cost contingencies until construction reaches 75% completion. All contingency reallocations require DSHA approval.

30. **Soft Cost Contingency:** See Hard Cost Contingency for additional information.

31. **Bond Legal:** Costs associated for legal expenses as it relates to tax-exempt bond transactions. Bond Legal costs do not count toward the legal fee cap.

32. **Bond Issuance:** Costs associated with the issuance of tax-exempt bonds (including DSHA fees). Bond prepayment and broker fees shall be included as part of the seller's costs and included in the acquisition price provided such payment is supported by an appraisal.
33. **Tax Credit and DSHA Application Fees:** The LIHTC application fee is \$1,250 per project and must be paid to DSHA at the time of application. DSHA financing application fees are \$1,850 due to DSHA at the time of application.
34. **Asset Management Fee:** DSHA charges a \$250 per unit asset management fee for performing asset management service for an LIHTC project. Asset management services include, but are not limited to, administrative oversight of the financing requirements, management of escrow accounts and other reserves, review and approval of releases from such accounts, and any other reporting requirements specified in the financing documents.
35. **Other:** Additional mortgagor line items pre-approved by DSHA.
36. **Other:** Additional mortgagor line items pre-approved by DSHA.

**DSHA Non-Eligible Costs:** The costs/fees listed below may not be paid from DSHA funds. However, these costs are part of the total development cost of the project and are required to be cost certified.

1. **DSHA 4% Bond Application Fees:** The 4% Bond application fee is \$500, due to DSHA at time of application.
2. **Working Capital Cash Reserve:** A Working Capital Cash Reserve (WCR) in the amount of two and one-half percent (2.5%) of the combined construction mortgages to be escrowed with DSHA at construction closing. Amount will be released at permanent closing assuming there are no financial or construction issues. The reserve cannot be funded by any project source and cannot be included in the TDC. A LOC may be issued to meet this requirement, see *Letter of Credit* for more information.
3. **LIHTC Monitoring Fees:** DSHA charges a monitoring fee on Tax-Credit eligible units for performing compliance monitoring for the IRS. DSHA will charge \$600 per LIHTC unit. This fee must be paid prior to receiving an allocation of Tax Credits at the issuance of IRS Form 8609 or the Carryover Agreement, whichever is issued first.
4. **LIHTC Allocation Fees:** DSHA charges an allocation fee upon reservation of Tax Credits, including Volume Cap Credits. 1.50% of the carryover allocation amount x ten (10) years is required.
5. **Operating Reserve:** Reserve required by investors or lenders, typically six (6) months of operating expenses (four (4) months for projects with federal subsidy on greater than 75% of the total project units), including debt service and replacement reserves. For acquisition/rehabilitation developments, the operating reserve must be funded at construction closing. For new construction developments, the

reserve must be funded by permanent closing. The operating reserve cannot be used to guarantee any obligations of other lenders or syndicators. The operating reserve must be funded from gross equity.

6. **Replacement Reserve:** All projects must establish a replacement reserve by permanent closing of \$1,500 per unit. Once the project reaches conversion, the annual ongoing replacement reserve per unit cost will reduce to \$500 per unit.

If carpets are utilized, an additional \$150 per unit in replacement reserve funds is required by permanent closing (\$1,650/unit total). Once the project reaches conversion, the annual ongoing replacement reserve per unit cost will reduce to \$550 per unit. The replacement reserve must be funded from gross equity, unless otherwise approved by DSHA.

7. **Transition/Subsidy Reserves:** A reserve that is usually required by the syndicator for anticipated non-renewal of the subsidy contract. This reserve is not an eligible basis cost and cannot be paid from DSHA funds, but it may be funded from gross equity and included in the net equity calculation. The term of the reserve is in accordance with the investor's partnership or lender requirements. At the end of the transition term, funds are returned to the development. If an agreement combines transitional and operating reserves, the escrow accounts must still be separated. All reserves must be funded by permanent closing.
8. **Syndication Legal and/or Accounting:** Legal fees and/or accounting fees associated with syndicator.
9. **Tax Escrow:** All projects must establish an initial tax escrow by permanent closing equal to the estimated annual tax liability per the underwritten annual operating budget. The escrow will be established from equity per the net equity calculation. Escrow funds cannot be counted toward eligible basis
10. **Insurance Escrow:** All projects must establish an initial insurance escrow by permanent closing equal to the estimated annual insurance premium per the underwritten annual operating budget. The escrow will be established from equity per the net equity calculation. Escrow funds cannot be counted toward eligible basis.
11. **Other:** Additional mortgagor line items pre-approved by DSHA. May include other reserves required by lenders, syndicators, or contract administrators. These costs may not be paid from DSHA funds.

**Additional Non-Eligible Project Costs:** The costs and fees listed below are not eligible project costs and cannot be included in eligible basis or paid by project sources or equity. Loans or Notes against the project in connection with these fees are prohibited.

1. **Broker Fees:** Fees associated with the sale of the property, except for normal real estate commissions paid by the seller, are ineligible.

2. **Consultant Fees:** Fees associated with development or technical assistance consultants are ineligible, but may be paid from the developer's fee. **NOTE:** DSHA will allow up to \$35,000 for a historic consultant fee and/or RAD consultant (also must meet consultation definition) in both Total Development Cost and eligible basis for developments utilizing historic rehabilitation tax credits or RAD Conversion subsidy. A contract to provide historic and/or RAD consultant services must be submitted with the Application and the consultant(s) must be a certified expert.
3. **Administrative Service Fees:** Late fees, penalties, service charges, re-inspection fees, maintenance fees or other similar fees are ineligible.
4. **Misc. Fees:** Fees in excess of limits established herein and duplicate fees for the same work are ineligible.
5. **Salaries or other Administrative Fees:** Fees of the owner or related entity not identified as eligible herein.
6. **Travel, Food, Lodging or Similar Fees:** Fees of the owner or related entity not identified as eligible herein.

## Mortgagor's Draw Requisition Forms

The following forms must be completed and submitted with each draw. Examples of each form are available at the end of this section.

1. Mortgagor's Draw Reconciliation Form (DSHA Form D-102)
  - a. This form is completed first and when originally budgeted specific cost or trade line item amount has changed (increased or decreased). The total revised amount will appear in the Current Revised Budget column and auto-update in the Budgeted Costs column on the Form D-100.
  - b. When a line item cost reallocation is necessary, and with approval from DSHA, the back-up documentation/information must be submitted indicating the changes and amounts must be attached to this form.
2. Mortgagor's Draw Requisition Form (DSHA Form D-100)
  - a. The Mortgagor's Draw Requisition is completed monthly. The requisition must include all actual costs to be drawn for the period covered by the draw less prior requests.
  - b. The form should be updated to reflect the requisition submission date, requisition number, and the time period covered by the current requisition. The Previous Draw Requests column should be updated to reflect the Total Requests to Date of the previously approved draw.
  - c. The Current Draw Request column should be populated to reflect all soft costs being drawn with the current requisition. All checks and invoices for soft costs must be attached for all mortgagor requisition requests. DSHA reserves the right to request a check register at any time during the draw and/or cost certification process.
  - d. The Mortgagor's Draw Requisition (D-100) has three sections:
    1. DSHA Eligible Costs: These are the approved costs noted in the Estimated Income and Expense Pro Forma as certified at construction closing. The total of this section is DSHA's approved Total Development Cost. (Note: The D-102 should always be completed first, as it auto-populates certain fields in the D-100 form.)
    2. Non-DSHA Eligible Costs: These costs are primarily costs that are involved with the syndication of Tax Credits, application fees and Operating Reserve.
    3. Sources: This section lists all of the sources that are necessary to complete a project.
  - e. Total Sources **must** equal DSHA TDC (Uses), plus non-eligible costs at all times.

### 3. On-Site Relocation Form

The on-site relocation reimbursement form must be completed for each relocation reimbursement request. Resident information should be entered upon initial relocation and applicable expenses updated for the duration of the relocation on a monthly basis. When a resident is relocated to the permanent unit, the resident information shall remain on the sheet with the permanent unit and transfer dated noted in applicable columns. All backup documentation must be submitted with each relocation request.

### 4. Off-Site Relocation Form

The off-site relocation form must be completed for each relocation reimbursement request. Temporary off-site unit information should be entered upon lease up and remain on the form until the lease is terminated. Resident information should be entered upon initial relocation to the unit and applicable expenses updated for the duration of the relocation on a monthly basis. When a resident is relocated to the permanent unit, the resident information shall remain on the sheet with the permanent unit and transfer date noted in the applicable column until such time as a new resident is temporarily relocated to the off-site unit. All backup documentation must be submitted with each relocation request.

### 5. Contractor's Draw

Mortgagor's Draw must also include the completed Contractor's Draw. Please refer to the Contractor's Draw Requisition section of this guide.

### 6. Miscellaneous Information Requests from DSHA

DSHA may request additional information and/or documentation at any time during the Mortgagor's Draw Requisitions process.

**COST CERTIFICATION GUIDE  
FOR CERTIFYING AND AUDITING DEVELOPMENT COSTS  
OF DSHA FINANCED MULTIFAMILY PROPERTIES**

**Purpose**

This guide sets forth the standards to be followed in the certification of actual cost, conduct of the audits, and the minimum scope of audit and report format acceptable to DSHA. It does not provide detailed audit procedures, nor is it intended to supplant the accountant's judgment as to the work required. This guide is applicable to audits and cost certifications of the mortgagor, contractor, and subcontractor(s) as required for multi-family housing projects financed by DSHA. One electronic, signed PDF copy and one (1) original signed copy should be submitted to DSHA.

**General**

The purpose of cost certification is to establish the total costs incurred by the mortgagor and the contractor to complete the project so that DSHA may determine the total development cost of the project, the final principal amount of the mortgage loan and the mortgagor's equity in the development for final closing.

This guide is intended to carry out the purposes set forth above. This guide is not intended, and shall not be construed, to benefit or protect any person or entity other than the parties expressly made subject to the terms of this guide and their successors and assigns, or to provide any such other person or entity with any rights or remedies against the parties subject hereto, or to otherwise entitle any such other person or entity to rely on the implementation or enforcement of any term or provision of this guide. Nothing contained herein shall be construed to create any contractual or other legal relationship that does not otherwise exist under contract or by operation of law.

Adequate records must be maintained for a minimum of five (5) years after permanent loan closing for the purpose of verifying costs, and all books and records, contracts, invoices, receiving reports, particulars of material, labor and equipment entering into the construction of the project, and other records appropriate to such accounts, must be made available to DSHA for inspection and copying upon request.

All Mortgagors and General Contractors are required to complete and submit a cost certification. All parties determined to be an Identity of Interest (IOI) per the DSHA definition are required to complete and submit a cost certification.

If the Developer, member of the Development Team (inclusive of the General Contractor), and/or Applicant have related party and/or identity of interest subcontractor firms, they may not bid on the construction work or perform work on the development. If the General Contractor directly employs a trade, then the General Contractor may self-perform the work (i.e. if the General Contractor directly employs a licensed plumber, the GC may self-perform plumbing trades on the job). However, the General Contractor must obtain three competitive bids and cannot charge any more than the lowest bid. A

contractor self-performing a trade in the capacity of a subcontractor is required to complete and submit a cost certification and these bids must be included in the cost certification.

For all 9% tax credit projects, a complete draft Contractor's Cost Certification is due sixty (60) days after the earlier of the following: DSHA "Permission to Occupy" approval(s) on the last building, issuance of all TCOs, or issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the contractor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

The complete draft Mortgagor's Cost Certification is due ninety (90) days after the earlier of the following: DSHA "Permission to Occupy" approval(s) on the last building, issuance of all TCOs, or issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the mortgagor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

For all 4% tax credit projects, a complete draft Contractor's Cost Certification is due sixty (60) days after the issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the contractor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

The complete draft Mortgagor's Cost Certification is due ninety (90) days after the issuance of all final COs. If the complete draft cost certification is submitted after the deadline date, the mortgagor will be assessed a \$2,500 penalty fee plus an additional \$500 penalty fee for each additional week that the cost certification remains outstanding.

**NOTE:** It is the mortgagor's responsibility to ensure the Contractor's cost certification is submitted in a timely manner. Failure by the contractor to submit the cost certification in a timely manner will not warrant an extension of the deadline to the Mortgagor Cost Certification submission or a waiver of the applicable penalty fees.

DSHA will complete one review and provide comments on the Contractor's and Mortgagor's draft cost certification submissions. A \$500 review fee will be charged for each additional review that is required. DSHA has thirty (30) days to review and provide comments on all draft cost certifications submitted for review.

Conversion will be scheduled a minimum of thirty (30) days after the cost certifications are fully approved. Conversion will not be scheduled until all final, fully executed cost certifications are submitted to DSHA and all assessed penalty fees are paid. Any penalty fees assessed in relation to the cost certification(s) cannot be paid from any development source, including loan(s), equity proceeds, or the project operations. Failure to pay these fines will result in DSHA withholding the issuance of IRS Form 8609 Low Income Housing Credit Allocation Certification for all buildings.

DSHA Cost Certification Forms must be used for the Mortgagor's Certification of Actual Costs, the Contractor's Certification of Actual Costs, and any IOI cost certifications as required by DSHA. These

forms may not be recreated or altered. Failure to utilize these forms will result in DSHA rejecting the cost certification submission(s) and all applicable penalties will be assessed.

The cost certification format should always match the line items on the Mortgagor's and Contractor's Draw Requisition forms. If adjustments are necessary, the responsible Housing Project/Loan Manager or Development Project Specialist must be notified prior to the submission of the complete draft for review. Failure to notify DSHA of necessary changes to the form(s) is not an acceptable reason to miss the submission deadline or receive an additional review without penalty.

If there are any payables or estimates reflected in the certificates of actual cost, supplemental certificates of cost are required to be submitted. DSHA requires the supplemental certifications to verify payment of amounts shown as payable or estimated on original certifications to be submitted prior to final closing. Once a completed cost certification is submitted by the ICPA, no additional costs may be submitted to increase eligible basis. It is the ICPA's and Mortgagor's and General Contractor's responsibility to submit and collect all information during the cost certification process. Once the cost certification is submitted to DSHA for approval, DSHA will not accept additional or increased costs. However, documentation to clarify any costs can be submitted at DSHA's request.

Any reductions in the mortgagor's or contractor's actual costs realized subsequent to final closing will be paid to, or retained by, DSHA for (i) an application to reduction of the principal amount of the mortgage loan, (ii) deposit in the Operating Reserve Account or such other reserve account as determined by DSHA, or (iii) other purposes benefiting the development as approved by DSHA; provided, however, that to the extent that such reductions the mortgagor and/or contractor remains entitled to such sums for the payment of other costs under the terms of the loan documents, construction contract, and this guide, DSHA shall pay such sums to, or permit the retention of such sums by, the mortgagor and/or contractor, as the case may be. In the event of any reductions in cost, DSHA shall have the right to re-determine the total development cost, the final mortgage loan amount, and the mortgagor's equity in the development as may be necessary as a result of such reductions. Such reductions of cost may arise from refunds, rebates, or discounts; the excess of escrows over the actual costs of incomplete construction items; adjustments of payables or cost estimates shown on the certificates of actual cost; and any receipts from the settlement of claims against bonding companies or others which might arise in connection with the completion of the project.

**Note:** ICPAs are required to contact the responsible DSHA Housing Project/Loan Manager or Development Project Specialist to determine any abnormalities in the development costs that may not be disclosed by standard audit procedures and to establish a cut-off date.

### **Reference Material**

The ICPA should be familiar with the following DSHA documents and forms as they pertain to the audit engagement. The completed forms pertaining to the project should be available in the mortgagor's or contractor's office:

- Loan Agreement Commitment
- Building Loan Agreement
- Mortgage and Note

- Construction Contract
- General Conditions of the Contract for Construction
- Mortgagor and/or Contractor Draw Requisitions
- Trade Payment Breakdown
- Approved Construction Change Orders
- Owner-Architect Agreement
- DSHA Permission to Occupy/Certificate of Occupancy
- Regulatory Agreement
- Management Agreement
- Limited Partnership/Operating (LLC) Agreement
- Estimated Income and Expense Pro Forma as certified at construction closing

### **Audit Authorization**

In the Building Loan Agreement and Construction Contract, the mortgagor and general contractor agree to submit to DSHA, prior to the receipt of the final advance under the mortgage, the following:

- A fully completed and executed Mortgagor's Certificate of Actual Cost on DSHA Form CC-100;
- A fully completed and executed Contractor's Certificate of Actual Cost on DSHA Form CC- 101; and
- The mortgagor further agrees that each of the certificates of actual cost shall be supported by the opinion of an ICPA in a form acceptable to DSHA.

The accountant must be alert for any contractual relationship, as described in this guide, under the definition of Identity of Interest. If such relationship is noted, it should be considered a deviation by the ICPA and commented on in the report.

To be acceptable, an ICPA must be a certified public accountant or a public accountant licensed by a regulatory authority of a state or other political subdivision of the United States and must have a Delaware business license. As required by the American Institute of Certified Public Accountants (AICPA) standards, the ICPA must be independent within the meaning of the code of professional ethics. The audit engagement letter or arrangement for audit must provide that the ICPA shall satisfy the requirements of DSHA and all other lenders.

The audit engagement letter or arrangement for audit between the ICPA and mortgagor and contractor(s) must allow duly authorized agents of DSHA, upon request, to examine the ICPA's working papers supporting the required cost certifications. For this purpose, the ICPA should retain the working papers for at least five (5) years.

The ICPA selected to complete the cost certification(s), 10% test, and/or 50% test (as applicable) cannot have an Identity of Interest relationship with the mortgagor or contractor as defined by DSHA. An ICPA contracted to perform manual or automated bookkeeping, auditing, and/or accounting services or maintain the accounting records on behalf of the mortgagor or contractor within the previous 5 years from the date of LIHTC application is strictly prohibited from completing the cost certification(s), 10% test, and/or 50% test (as applicable) involving LIHTC and/or DSHA-financed projects. In the event that an Identity of

Interest exists between the mortgagor and/or contractor and any subcontractors or material suppliers, the aforementioned restrictions will apply.

Where Government Auditing Standards apply, the ICPA must meet the auditor qualifications of Auditing Standards, including the qualifications of Independence and continuing professional education. Additionally, the audit organization must meet the quality control standards of Government Auditing Standards.

### **Audit Scope and Coverage**

The objectives of the audit are to determine whether the project costs incurred are eligible under the terms of the applicable contracts and in accordance with DSHA policies as identified in this guide.

The audit work must be sufficiently comprehensive in scope to permit the expression of an opinion on the certificates of actual cost and the required financial statements and must be performed in accordance with generally-accepted auditing standards and audit requirements as set forth in this guide. The opinion submitted by the ICPA should be an unqualified opinion addressed to DSHA in a form acceptable to DSHA. If either a qualified or adverse opinion is expressed or if an opinion is disclaimed, such opinion shall not be acceptable to DSHA unless the reasons therefore are fully explained in the audit report to the satisfaction of DSHA and unless DSHA is otherwise satisfied that the certificates of actual cost and the financial statements comply with this guide.

Sufficient audit work must be performed for the ICPA to conclude whether, based on the criteria set forth in the “Eligibility of Costs and Compliance Requirements” section of this guide, the costs incurred were eligible under the terms of the contracts and this guide and are reasonable, ordinary, and necessary expenses and directly related to the construction of the project.

### **Audit Standards**

The audit work must be performed in accordance with auditing standards established by the General Accounting Office in its publication, Standards for Audit of Governmental Organizations, Programs, Activities and Functions (as amended) as such standards pertain to financial and compliance examinations and the generally-accepted auditing standards established by the AICPA.

The certification of actual costs must be based on an examination made in accordance with generally-accepted auditing standards and include tests of the accounting records and such other auditing procedures considered necessary in the circumstances. The Supplemental Certifications shall be based on reviews made in accordance with standards established by the AICPA.

### **Eligibility of Cost and Compliance Requirements**

The following paragraphs provide comments and information concerning the eligibility of costs or allowances, which may be included in cost certifications. Costs shall be determined in accordance with generally-accepted accounting principles, except as modified by eligibility criteria described in this guide. The actual cost of construction (as defined in the construction contract and this guide) shall be the sum of the contractor’s costs approved by DSHA as eligible hereunder. The total development cost (as defined

in the Building Loan Agreement) shall be the sum of the mortgagor's costs approved by DSHA as eligible hereunder.

In several instances, comments in this section only describe line items which appear on mortgagor's and contractor's certificates of actual cost. The audit coverage and extent of tests will be determined by the ICPA in accordance with generally-accepted auditing standards and should be shown in the audit working papers. The ICPA must disclose to DSHA any noncompliance with DSHA requirements as described in this guide and identified during the course of the audit. Certain types of noncompliance, if identified, must be disclosed by the ICPA in the audit report, and are mentioned in the following text. Although only certain noncompliance items are discussed, it is intended that all significant noncompliance with DSHA requirements be reported by the ICPA.

As a general rule, only the costs which have been or will be paid in cash at final closing, which are escrowed with DSHA, are eligible for inclusion on the mortgagor's or contractor's certificates of actual cost. The mortgagor's and contractor's certificates of actual cost must be on DSHA Form CC-100 and CC-101 respectively. Samples of these forms are attached to this guide; however, the ICPA should check with DSHA for the most current forms, as they are updated from time to time.

The certificates of actual cost are to exclude the amount of any rebates, allowances, trade or cash discounts, or other similar sums received or to be received by the mortgagor, contractor, or subcontractor in connection with the construction.

A separate itemized schedule of all line items must be part of the certified actual costs. The schedule should list all payees, cost amounts, and any costs that are to be paid. DSHA will also require the ICPA to complete and certify to the following:

- Applicable Building Fraction (DSHA Form CC-102);
- Eligible Basis by Credit Type (DSHA Form CC-103);
- Sources of Funds (DSHA Form CC-104);
- Project/Owner General Information (DSHA Form CC-105);
- Rehab/New Construction and Acquisition 8609 Worksheets (DSHA Forms CC-106);
- Bond Financing (DSHA Form CC-107) if applicable; and
- Residential/Commercial Costs (DSHA Form CC-109) if applicable. **NOTE:** ICPA must reach out to DSHA to obtain this form.

### **Bond Financing**

In the event that the project is financed in whole or in part with the proceeds of bonds, certain restrictions and limitations apply with respect to the costs or the portions thereof, which are includable 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. Compliance shall be exclusively determined by DSHA acting with the advice of its bond counsel at the time of application. A separate schedule for projects financed with bonds will also be required and is included in the attached forms (DSHA Form CC-107).

### **Eligible Mortgagor Costs (DSHA FORM CC-100)**

All costs must be supported by schedules that list all payees, dates paid, cost amounts, and amounts to be paid and must be attached to DSHA Form CC-100, as stated on the DSHA Form CC-100. Only costs which have been or will be paid in cash upon the release of the balance of mortgage loan proceeds are eligible for inclusion as certified costs. The cost certification must include the total sources and uses of funds (DSHA Form CC-104), including disbursement of gross syndication proceeds. As for uses of funds, the certification should clearly denote all syndication costs or fees.

#### *Rehabilitation Expenses*

For rehabilitation expenditures to be treated as a separate new building eligible for the tax credit, the expenditures must be allocable to one or more low-income units or substantially benefit such units, and the amount of such expenditures during any 24-month period must meet the greater of the following requirements: the amount is not less than 10 percent of the adjusted basis of the building; or the qualified basis attributable to such expenditures, when divided by the number of low-income units in the building, is \$6,700 (or current amount as defined by Section 42) or more.

Rehabilitation expenditures are treated as placed in service at the close of a 24-month period, and only those rehabilitation expenses incurred within the 24-month period prior to placing the project in service are eligible for Tax Credits. Note, however, that incidental costs (as defined by the IRS) incurred after the placement in service date up to the end of the first year of the credit period may also be included.

A separate schedule or column of eligible and ineligible costs for Tax Credit eligible basis purpose must be part of the certified actual costs. Eligible costs must also be separated by acquisition and rehabilitation costs. Schedules should also list all payees, cost amounts, and any costs that are to be paid. The sources of funds should state the total equity proceeds. DSHA requires payment of all eligible costs prior to or at permanent closing. (Please see additional definitions in Section II of this guide.)

#### *Eligibility of Line Items*

For details and definitions of each line item on the DSHA CC-100, please refer to the Mortgagor's Draw Requisition Line Items in the Mortgagor's Requisition section. The following information provides additional clarification on the basis eligibility of certain items:

1. Construction Costs
  - a. The eligible amount is the lesser of (i) the actual cash (including any builder's overhead and profit) paid and to be paid at final closing, or (ii) the contract price under the construction contract (as adjusted for the net effect of all DSHA approved change orders and including builder's profit, if any). The amount of actual cash paid or to be paid as described in (i) above shall be reduced by DSHA to the extent such amount includes any costs disallowed by DSHA in its review of the contractor's certificate of actual cost.
  - b. All adjustments made to the original contract price shown in the mortgage loan commitment must be disclosed by the mortgagor in the Reconciliation to the Last Draw and Certificate of Actual Costs or notes thereto. Lack of such disclosure should be considered a deviation and commented on by the ICPA in his report.

## 2. Architect's Design and Supervision Fees

- a. Architect's fees are limited to amounts paid or to be paid in cash for architectural design and supervision services, but not to exceed the fees for such services provided in the owner-architect agreement or agreements without the prior approval of DSHA. No portion of the architect's fee paid for by means other than cash (e.g., stock subscriptions, notes, or other considerations), and no part of the architect's fee, which accrues to the benefit of principals in the mortgagor entity (e.g., rebates) is eligible. Any part of the architect's fees refunded to the contractor is also ineligible. A schedule listing payees, amounts, nature of expenditures and dates paid must accompany DSHA Form CC-100.
- b. Fees paid to an identity of interest architect for supervision services are not eligible. When it is determined at cost certification that an identity of interest architect performed architectural design and supervision services, the eligible fee cannot exceed the design services fee, which is set forth in the owner-architect agreement.
- c. Identity of interest situations concerning architects include the following:
  - i. When the architect has any financial interest in the project other than the fee for professional service;
  - ii. When the mortgagor or contractor or any officer, director, stockholder, or partner of such mortgagor, contractor or subcontractor has any financial interest in the architectural firm;
  - iii. When the architect has stock or any financial interest in the mortgagor, contractor or subcontractor;
  - iv. When the mortgagor, contractor or subcontractor, any officer, director, stockholder, or partner of such mortgagor, contractor, or subcontractor provides any of the required architectural services; and
  - v. When there exists (or comes into being) any side deals, agreements, contracts, or undertakings, thereby altering, amending, or canceling any of the required closing documents.
- d. Any payments received by the mortgagor, contractor, or subcontractor from the architect must be disclosed in the Certification of Actual Costs or notes thereto. Lack of such disclosure should be considered a deviation and commented on by the ICPA in his report. Any relationship that the ICPA becomes aware of that may constitute an undisclosed identity of interest between the architect and the mortgagor, contractor, or subcontractor shall be disclosed to DSHA so that a determination can be made as to the eligibility of architect's fees. In making these reviews, the ICPA should be guided by auditing procedures contained in the AICPA Statement on Auditing Standards on Related Party Transactions as amended.

## 3. Legal/Organizational Expenses

Amounts ordinarily limited to expenses incurred in organizing the mortgagor entity, performing the title examination, preparation of documents for construction and final closing, title bring downs during construction, and for performing other customary legal services at the construction and final closings and during the construction period. A schedule listing payees, amounts, purpose of expenditures and dates paid must accompany DSHA Form CC-100. Legal expenses should not include costs incurred in connection with obtaining zoning, the sale or ground

breaking ceremonies, or entertainment. Syndication legal fees incurred by the investor are not eligible costs.

4. Appraisal/Market Study

The appraisal fee and market study fee are eligible to be claimed under this category.

5. Taxes and Property Insurance

Eligible taxes and property insurance are the amounts paid or accrued during the same time period as is used for interest accrual, provided that the amounts were paid in cash or will be deposited in escrow with DSHA at final closing. A schedule supporting the computation of taxes and insurance (including payees, amounts, dates paid, period covered and the type of coverage) must accompany DSHA Form CC-100.

6. Insurance

Builder's risk, property and casualty insurance costs are allowable in the amount accrued during the initial closing to permanent loan closing.

7. Title and Recording Expenses

Amounts paid or to be paid for title policy premiums and recording fees incurred at the time of construction closing, during construction and at final closing. Legal fees for examination of title shall not be included in this category, but may be included in Legal/Organizational Expenses. A schedule listing payees, amounts, nature of expenditures and dates paid must accompany DSHA Form CC-100.

8. Cost Certification/Accounting

The mortgagor's cost certification fee and costs for periodical reports or audits required by any lender or syndicator during construction are eligible costs, which can be claimed under this category. It should be noted, however, that when the same ICPA performs an audit of both the mortgagor's and contractor's costs, the amount of the fee applicable to the contractor's cost should be claimed on DSHA Form CC-100 under "Cost Certification/Accounting." Fees for an audit of an identity of interest subcontractor's cost are not an eligible cost.

9. Land/Acquisition

The mortgagor is permitted to claim the least of (i) the fair market value (as determined by DSHA on the basis of an independent real estate appraisal prior to the construction closing of the mortgage loan) of the land and any improvements, which were then located on the land and were retained and will be used as part of the development after completion of construction, (ii) the purchase price paid by the mortgagor (or, if the mortgagor did not acquire such land and improvements in an arm's-length transaction as determined by DSHA, then by the last party to acquire such land and improvements in an arm's-length transaction) and any carrying charges, such as taxes and interest on a purchase money deed of trust, incurred by the mortgagor or by such party and its successors in interest, or (iii) the amount for such land and improvements shown in the mortgage loan commitment. Notwithstanding the foregoing, if the above-described

last arms-length transaction occurred at least four (4) years prior to the filing of the mortgage loan application with DSHA and if the property was then acquired without intent to apply for and obtain a mortgage loan from DSHA, the eligible amount for such land and improvements shall be the lesser of the fair market value of the property, as described above or the amount for land and improvements shown in the mortgage loan commitment.

#### 10. Relocation

Costs attributable to the relocation of tenants as a result of the construction or rehabilitation of the project are eligible up to \$3,000 per unit. Mortgagors, contractors and vendors must follow the Uniform Relocation Act procedures when relocating tenants.

#### 11. Other Costs

- a. Under this section of the DSHA Form CC-100, the mortgagor is permitted to claim costs not provided for elsewhere on the mortgagor's certificate of actual cost. However, such costs must not have been part of the work done under either the construction contract or the architect's contract, and cannot include any costs claimed on DSHA Form CC-101.
- b. Liquidated damages in the amount specified by the terms of the construction contract must be deducted from the mortgagor's eligible costs.
- c. Fees paid to renew an expired or terminated commitment or to extend an existing commitment are not eligible.

All costs, including the developer's fee, must be itemized on an attachment to DSHA Form CC-100 listing payees, amounts, purpose of expenditures and dates paid. All other costs must be clearly attributable to the construction of the project and are subject to DSHA approval.

#### **Eligible Contractor Costs (DSHA FORM CC-101)**

The contractor's certificate of actual cost can include all reasonable, ordinary, and necessary costs, which are eligible under the construction contract and this guide, and which are directly related to the construction of the project. Such costs must have been paid or will be paid in cash (or escrowed) as of the date of permanent closing. All such costs must exclude any return on, or cost of, the contractor's working capital and must be net of any rebates, credits, trade or cash discounts, or other similar payments which the contractor received or may be entitled to receive in connection with the construction contract.

Costs shall not be allowed for duplication of work if it is the result of improperly placed work, failure to take proper precautions to protect completed work, failure to comply with plans and specifications, failure to supervise the work properly, or any other reason within the control or responsibility of the contractor. In such instances, the DSHA estimate for the original work shall be allowed. The ICPA must be alert for any possible duplication of work and must comment in the report on any such possible duplication of work noted by him/her.

In the event that the actual cost of any item (including, without limitation, General Requirements) shown on the Trade Payment Breakdown exceeds the amount allocated (the amount without approved change orders) for such item in the Trade Payment Breakdown, the contractor shall explain the reason for such excess and shall provide such supporting information as DSHA shall require. If DSHA is not satisfied

that such excess is justified by an unforeseeable change in facts and circumstances subsequent to the date of construction loan agreement or by any other unforeseeable extenuating circumstances, DSHA shall have the right to approve such lesser cost as DSHA shall determine to be reasonable and necessary. Such approval shall not be construed as an approval of an increase in the contract price. The ICPA must identify all such items of cost which exceed the amount allocated in the Trade Payment Breakdown and must comment in his report on any failure by the contractor to explain the reason for such excess.

#### *Trade Items*

For details and definitions of each line item on the DSHA CC-101, please refer to the Contractor's Draw Requisition Line Items in the Contractor's Requisition section.

Each trade item should include the subcontract costs for all labor (including payroll taxes), material and equipment rentals provided to complete the work in such trade. Each trade item should also include the costs of equipment, materials and supplies applicable to such trade item and not furnished under a subcontract. DSHA Draw Forms D-100 and D-101 contain a breakdown of trade items. The following information provides additional details applicable to trade items:

1. Payments made to the subcontractors should be the same as provided for in original subcontracts. Any differences should be covered by change orders which require the prior written approval of DSHA. If any such difference is not so covered, the contractor must submit an attachment to DSHA Form CC-101 explaining the reasons for such differences and such absence of any change order. The comparison of claimed costs to the subcontract prices will also aid the ICPA in evaluating whether chargebacks were properly accounted for by the contractor;
2. The contractor may claim self-owned equipment costs at a reasonable rate of depreciation for the time actually in use for the construction, and may include additional costs for fuel, lubricants, maintenance and liability insurance where required by law. Costs for self-owned equipment must be allocated to the appropriate trade item for which it was used and must be itemized on an attachment to DSHA Form CC-101. When leasing self-owned equipment to the project, the contractor shall certify and agree in the manner required as stated below with respect to Identify of Interest equipment lessors;
3. During the course of the examination, the ICPA may become aware of relationships that may constitute an identity of interest under this guide. In the event such relationships are noted, the ICPA should discuss the possible Identity of Interest with the mortgagor, contractor and subcontractor and with representatives of DSHA, if necessary, in order that a determination can be made as to whether an identity of interest exists. Such relationships must be disclosed in the certificates of actual costs or notes thereto. If such relationships are noted but disclosure is not made, it must be considered a deviation by the ICPA and commented on in his report. The ICPA should be guided in this review by the auditing procedures contained in AICPA Statements on Auditing Standards on Related Party Transactions as amended;
4. Where more than one subcontractor performs work on a trade item or where the contractor uses his own labor force within one trade item, the costs should be itemized as an attachment to DSHA Form CC-101;

5. Some material suppliers of items such as refrigerators or stoves give rebates or promotional allowances for quantity purchases. Some utility companies also give promotional allowances for certain types of construction, i.e., all electric project or gas air conditioned project. The ICPA should discuss with the contractor whether such rebates and allowances are a prevailing practice in the area where the project is located, and consider such information in confirming payments to supplies and utility companies. Rebates, discounts and promotional allowances received or to be received by the contractor or subcontractor should be treated as reduction to cost;
6. When escrows are to be established for items of incomplete work, which are the responsibility of a subcontractor, the full amount of the subcontract shall be reported, unless the subcontract is cost plus fixed fee with a guaranteed upset price. In such cases, the contractor shall claim the lesser of (a) the cost of the completed work (including the fee), plus the DSHA-estimated cost for the incomplete work, or (b) the upset price as adjusted by DSHA cumulative estimate of cost of any approved construction changes relating to the trade item;
7. If the amount of any payables due a subcontractor represents a percentage of the subcontract price, which is higher than the percentage of retainage held by DSHA with respect to the total contract price under the construction contract, a statement must be attached to the contractor's certificate of actual cost explaining the reason for such amount of payables and demonstrating that such payables are eligible costs hereunder. If a higher percentage other than the amount held by DSHA is noted but disclosure is not made, it must be considered a deviation by the ICPA and commented on in his/her report. Furthermore, such additional information (including an update of the status of such payable), as DSHA may request, shall be provided. Such payables will be disallowed to the extent that DSHA is not satisfied that such payables will in fact be paid at final closing and, when paid, will represent eligible costs under this guide.

#### *General Requirements*

For details and definitions of General Requirements, please refer to the Contractor's Draw Requisition Line Items in the Contractor's Requisition section.

All General Requirements costs (maximum of 10% of construction hard costs for new construction and rehabilitation projects) must be itemized on an attachment to DSHA form CC-101 listing payees, amounts, purpose of expenditures, and dates paid. The following information also applies to General Requirements:

1. Tap Fees: The actual costs of utility tap fees are eligible, provided that such fees were not included on DSHA Form CC-100 or part of any subcontract;
2. Building Permit: The actual costs of the building and other permits are eligible, provided that such costs were not included on DSHA Form CC-100 or part of any subcontract; and
3. Miscellaneous Labor and Materials: Miscellaneous disbursements by the contractor of less than \$100 each may be aggregated by line item without disclosing the payee.

### *Builder's Overhead and Profit*

For details and definitions of Builder's Overhead and Profit, please refer to the Contractor's Draw Requisition Line Items in the Contractor's Requisition section.

The eligible Builder's Overhead and Profit cost is the amount shown in the Estimated Income and Expense Pro Forma as certified at construction closing. Itemization of Overhead and Profit is not required since it is not a direct cost item, but a percentage allowance. A maximum of 7% of construction costs including site work and buildings will be applied.

### **Additional Requirements**

#### **Statement of Assets, Liabilities, and Capital**

A statement of assets, liabilities, and capital as of the cutoff date for interest is required in all cases and shall adhere to the following:

1. Construction cost liabilities should be in agreement with the payables shown in Column B of DSHA form CC-100/101, or reconciling information should be provided;
2. The mortgage payable as shown on the statement should equal the total of all advances on the mortgage loan. If it does not, an explanatory comment should be furnished; and
3. A schedule of all other notes or accounts payable, if any related to the project must be attached to the statement of assets, liabilities, and capital.

#### **Statement of Income and Expense**

If there has been income from project operations during the construction period, a statement of income and expense is required. All income generated from residential occupancy, if any, during the construction period and from any commercial uses of the mortgaged premises subsequent to construction closing shall be included in the statement. The period covered is to be from first residential or commercial occupancy (or date of construction closing in rehabilitated or refinanced projects where residential occupancy is continuous) to the cut-off date for inclusion of interest (see definitions). The following shall also apply:

1. The schedule must show the actual dates covered and income from all sources, including residential and commercial rents, laundry facility receipts, and other miscellaneous income from concessions. Operating expenses may include advertising expense, rental commissions customary for the type of project, reasonable management fees, utility expenses, and other expenses incidental to the operation and maintenance of the project. Charges by financial institutions for the issuance of letters of credit and fees relating to or arising from the sale of limited partnership interests in the mortgagor may not be included;
2. Depreciation, interest, taxes, property insurance, mortgage insurance premiums, and any other expenses claimed as costs on the mortgagor's and/or contractor's certificates of actual costs are not to be included in the statement of income and expense; and

3. Net operating income, whether generated during the period covered by the statement of income and expense or thereafter, may not be applied to the payment of construction costs except with the prior written approval of DSHA.

### **Reporting Requirements**

The ICPA is retained to examine and express their opinion on the fairness of the mortgagor's and/or contractor's certificates of actual cost in conformity with this guide. The opinion should state whether the certificates of actual cost present fairly the cost of the project at the cut-off date with consideration to the requirements recited in this guide.

In addition, with respect to the mortgagor, the ICPA must express their opinion as to whether the basic financial statements present fairly the project's financial position and the results of project operations at the cut-off date in conformity with the accounting and reporting practices prescribed in this guide. Financial statements to be submitted to DSHA are a statement of assets, liabilities and capital, a statement of income and expense, if necessary, and notes to the financial statements.

The ICPA may encounter instances of apparent fraudulent reports or statements to DSHA concerning the project, or irregularities such as defalcations related to the project, the payment of gratuities to federal, state or city employees, or statements otherwise in violation of applicable federal or state law. In such instances, the ICPA shall advise the highest possible official of the mortgagor or contractor (or subcontractor) entity of the possible irregularity, and shall obtain documented assurance, prior to issuance of the audit report, that the mortgagor or contractor as appropriate has fully disclosed the particulars of the possible irregularity to DSHA, and shall confirm with DSHA that such disclosure has been made.

## Attachment A – CHANGE ORDER POLICY

### General Information

1. These requirements are in effect for all DSHA-financed and/or LIHTC developments. All change orders must receive written approval from DSHA prior to the initiation of work described in the change order. Change orders must also be approved by all lenders, architects, contractors, and owners. All signatures must be completed prior to sending to DSHA.
2. Field changes costing less than \$2,500 that are emergencies, or are otherwise immediately required because of an imminent threat to health and safety, may be made prior to approval of a change order, but DSHA, other lenders, the architect, and the owner must be notified immediately of any such changes, and a change order must be approved for the work.
3. If the change order is approved by DSHA, the increased cost resulting from a change order may be funded within the total development cost; otherwise, monies must be deposited with DSHA by the mortgagor. If DSHA approves the increased cost, the lenders will disburse such funds for the change order's increased cost.
4. All material changes to the plans and specifications require a change order regardless of the cost. DSHA will not approve change orders where there is no record in the meeting minutes of the requested change or where the work was performed more than 90 days before the change order was received by DSHA.
5. DSHA will return all incomplete and/or incorrect change orders and charge a \$250 reprocessing fee.
6. No change orders are allowable for an Identity of Interest subcontractor (as defined in the General Definitions section of this guide). A general contractor may use his own employees to perform the work of a change order subject to the restrictions contained herein.
7. All code or regulatory agency requirements that were missed or neglected in the plans and specifications issued at construction closing or were due to changes required by code authorities after closing may be considered for a change order at DSHA's sole discretion. This does not include items omitted in the plans and specifications where the owner, architect, or consultants of the architect were aware of the potential change order or where there was negligence in the design that may be covered by errors and omissions insurance. DSHA may not approve additional or increased costs above and beyond the customary charge (as if the work had been properly included in the original scope) and such additional costs will be the responsibility of the architect or the architect's consultants. DSHA reserves the right to determine if approval is appropriate on all change orders for missed or neglected items and each request will be reviewed on a case-by-case basis.
8. No change order will be allowed for items that are included in the DSHA Minimum Construction/Rehabilitation Standards.

9. No change order will be written for an increase in the cost of materials, labor, or equipment from the time of the start of construction to the time the material is installed, the labor was performed, or the equipment was used. Change orders may only be written for a material change in the plans and specifications and not for an increase in the cost of materials.

10. Weather Delays and Time Extensions: All extensions to the contract time will be made by change order. Where weather delays are appropriately documented and actually cause a delay in the performance of the contract, an extension to the contract time may be approved. Failure by the contractor or a subcontractor to order materials in a timely manner, adequately man the site, resolve disputes between themselves or regulatory agencies, schedule the work or to make payments quickly (or similar circumstances) will not be considered a reason for an extension of the contract time.

Change orders to escalate the schedule (i.e. hire additional personnel or work extra hours/overtime) are not eligible.

11. Minimum change order amounts: Contractors are encouraged to bundle small change orders for submission. Except for the last contract change order or a change order to extend the contract time, DSHA will not process a change order for an increase or decrease of less than \$2,500.

12. Change orders for theft and vandalism not covered by the contractor's or owner's insurance are not allowable; however, the contractor may charge his losses to general requirements as detailed in that section. The owner and contractor are expected to adequately secure the site and materials. If DSHA determines additional security is necessary, DSHA will consider allowing contingency to be reallocated to an appropriate soft cost line item (as determined by DSHA) to secure the site. This determination will be made at DSHA's sole discretion.

13. There will be no increase to the General Requirements or Overhead and Profit other than what is approved by change orders during the course of the project. There will be no change orders approved solely to increase General Requirements and/or Overhead and Profit. At project completion, the General Requirements and Overhead and Profit percentages may not exceed the percentages submitted at application or approved at construction closing (whichever is less).

**NOTE:** DSHA only establishes maximum mark-up percentages for change orders. The owner and contractor may agree to lesser mark-up percentages as a term of their contract. This must be decided and documented as part of the construction contract signed at construction closing. DSHA reserves the right to disallow all mark-ups on change orders.

## General Contractor Responsibilities and Requirements

2. If a contractor determines that items of work not covered in the contract documents must be done, a request must be made by the contractor to the architect (with copies to the Owner and DSHA) within fifteen (15) calendar days after discovery. The architect must respond to all Requests for Information (RFIs) within fifteen (15) calendar days (with copies to the Owner and DSHA). If a request for a change order or RFI is not submitted within this time, the changes may be disapproved by DSHA.
3. Except for work of an emergency nature, all proposed changes to the scope of contract work must be discussed during the progress/draw meetings prior to that work commencing. All such changes in scope of work must be agreed upon by all lenders, architects, contractors, and owners.
4. It is the responsibility of the general contractor to provide all documentation required. A detailed breakdown of all materials, equipment, labor, and mark-up must be provided for all change orders and **submitted to the architect** for review prior to initiation of the change order. This allows DSHA, the architect, contractor, owner, and other lenders to quickly determine if the appropriate charges are included in the change order. PDF submissions are acceptable.
5. Materials: All materials must be billed at cost and supported by actual invoices. In the event that actual invoices cannot be provided because materials have not yet been purchased, a certified, signed, and notarized estimate from the material supplier may be submitted as material pricing backup. The estimate must include detailed material information for third-party price verification. The certification must state that the estimate for the materials is the actual price that would normally be charged to the contractor or subcontractor and includes all discounts and rebates.

All materials must be new, unused, and procured for the development. DSHA will not accept estimates or invoices for materials purchased for another job or phase (if a multi-phase project) or stored at a subcontractor's or contractor's facility.

6. Equipment Rentals: Equipment necessary to perform the work of the change order may be included provided that:
  - a. The equipment is not already on site for another purpose;
  - b. The equipment is not being leased or charged to the site on a longer term basis already; and
  - c. Where the equipment is owned by the general contractor or subcontractor, the rate charged is no more than the local rental rates as evidenced by two bids or estimates.
7. Labor:
  - a. All labor must be billed at cost. Labor cost is the actual hourly wage rate paid to the workers and hourly costs for fringe benefits/labor burden and may include only the following items actually paid by the employer:
    - i. Social Security and Medicare taxes;
    - ii. Health benefits;
    - iii. Welfare benefits;
    - iv. Retirement benefits;

- v. Vacation and holiday pay;
- vi. Sick leave pay;
- vii. Education benefits relating to apprenticeship and training programs;
- viii. Worker's compensation insurance; and
- ix. Unemployment compensation insurance.

Fringe benefits/labor burden may not exceed 65% of the hourly rate.

The previously defined labor costs shall not include any profit and overhead. **Charges for mobilization, minor tools and equipment expenses, estimators, office personnel, or supervisors and project/other managers are not eligible costs.** DSHA may request certified payrolls to substantiate labor costs and may interview workers on site. If DSHA determines the labor costs are not accurately represented in the change order request, the labor costs will be disallowed from the change order.

- b. Labor costs may not exceed the **lesser** of:
  - i. The actual hourly rate as computed in this paragraph (6.);
  - ii. The prevailing wages in effect at the time of contract execution for the locality and trade classification as established by the State of Delaware Department of Labor, Division of Industrial Affairs, Office of Labor Enforcement (DE DOL); or
  - iii. The stated wages in the certified payrolls as submitted for compliance with Davis Bacon.

The contractor/subcontractor may not use the DE DOL rates without first showing the computed hourly rate.

- c. For subcontractors that are required to perform additional work that is not in the original scope of work and change orders are submitted, DSHA may establish trade labor rates that are mutually acceptable to all parties at construction closing or at other times during the construction period.
8. Specific amounts of materials and labor must be shown on the proposal from the subcontractor. The maximum subcontractor mark-up is 12%. If a general contractor performs the work himself (with prior approval of DSHA), then the general requirements mark-up is 6% and profit and overhead is 6% mark-up or the General Requirements and Overhead and Profit percentages as approved at construction closing, whichever is less.
  9. A subcontractor providing professional services (for example, termite treatment) need not provide the above-required breakdown. Always check with DSHA before assuming the work is a professional service.
  10. Any work performed by a second-tier subcontractor ("sub-subcontractors") must be attached to the proposal of the first-tier subcontractor and must also list values for material, labor (including labor rates), and mark-ups. Work performed by second-tier subcontractors is limited to a single mark-up of up to 12%. The first-tier subcontractor is allowed a single mark-up of up to 12% of the second-tier subcontractor's proposal amount. The General Contractor is allowed an overhead and profit mark-up

of 7%. DSHA will not accept any change orders from subcontractors lower than second-tier subcontractors (i.e. third-tier subcontractors or “sub-sub-subcontractors”).

11. Change Order **Maximum** Overhead and Profit Calculations:

- Second-Tier Subcontractor Overhead and Profit (sub-subcontractor performing work)

Second-tier Subcontractor Cost x 1.12 (maximum markup) = Subtotal 1  
Subtotal 1 x 1.12 (maximum subcontractor markup) for Subcontractor Markup = Subtotal 2  
Subtotal 2 x 1.10 for General Contractor’s General Requirements = Subtotal 3  
Subtotal 2 x 1.07 for General Contractor’s Overhead and Profit = Subtotal 4  
Subtotal 1 + Subtotal 2 + Subtotal 3 + Subtotal 4 = **Grand Total**

- Subcontractor Overhead and Profit (subcontractor performing work)

Subcontractor Cost x 1.12 (maximum subcontractor markup) = Subtotal 1  
Subtotal 1 x 1.10 for General Contractor’s General Requirements = Subtotal 2  
Subtotal 1 x 1.07 for General Contractor’s Overhead and Profit = Subtotal 3  
Subtotal 1 + Subtotal 2 + Subtotal 3 = **Grand Total**

- General Contractor Overhead and Profit (GC self-performing work)

Subcontractor Cost x 1.12 (maximum subcontractor markup) = Subtotal 1  
Subtotal 1 x 1.06 for General Contractor’s General Requirements = Subtotal 2  
Subtotal 1 x 1.06 for General Contractor’s Overhead and Profit = Subtotal 3  
Subtotal 1 + Subtotal 2 + Subtotal 3 = **Grand Total**

## **Architect Responsibilities**

1. The architect shall maintain a change order log. Beginning at the first inference that a change order is eminent, it shall be numbered and recorded on the change order log with an estimated cost. When changes are approved, they shall be renumbered and entered into the approved side of the log. The log shall be updated and submitted to the DSHA project manager at each draw/progress meeting and attached to the meeting minutes.
2. The architect must respond to all contractor RFIs within fifteen (15) calendar days (with copies to the Owner and DSHA). If the RFI response is not received within this time, the associated changes may be disapproved by DSHA.
3. Change orders must be submitted on standard AIA forms and must be initiated by the architect at the request of the owner/contractor/mortgagor.
4. When there is a “credit” change order, all credit change orders must also show profit and overhead and general requirements taken on the original work.
5. Back-up invoices of material costs and labor breakdown (see General Contractor Responsibilities and Requirements for more detail) to support the change order must be submitted for each change order. Change orders must have a project site designation on all back-up invoices.

## **Owner Responsibilities**

1. The owner, with written approval of DSHA, may request extra work or request changes by altering, adding, or deducting from the contract work. All such changes will be processed in accordance with DSHA’s change order procedures. If the change order is an ‘add’ and the contingency has been expended, a check in the amount of the change order must be attached to the change order request.
2. DSHA reserves the right to require the owner to fund from sources other than the contingency amount, any/all change orders for the provision of work, which may have been previously removed from the contract via addendum, value engineering, or similar agreements. This stipulation is true regardless of the contingency balance.
3. DSHA reserves the right to require the owner to fund from sources other than the contingency amount any/all change orders for provision of work, for fees, for permits, for design costs, or similar items required to satisfy utility providers and/or governing municipalities. Design and/or review fees associated with additional utility work, hook-up fees, service extensions, etc., also fall under this stipulation. This stipulation is true regardless of the contingency balance.

## Procedures

1. The general contractor shall prepare and submit the draft change order documentation to the architect indicating the following:
  - a. Nature and extent of work added, deleted, or changed.
  - b. Supplementary drawings, specification, and other pertinent documentation as required.
  - c. Reason for change.
  - d. Detailed cost breakdown (labor and materials, supporting invoices) or lump sum as required by contract documents and DSHA requirements.
  - e. The effect the change order will have on the construction schedule indicated as the number of additional or fewer days required to complete the contract work.
  - f. If required by the owner, DSHA, or other lenders and in order to expedite processing of change orders, the contractor may secure documentations from his/her bonding company at the start of the contract work indicating the bonding company's intent and dollar value limit to which they will provide coverage. Such documentation must be on official bonding company letterhead and must bear the seal of that bonding company, along with appropriate signatures. A copy of such document may be affixed to each change order request in lieu of the bonding company's individual approvals/signatures.
2. The architect, upon receipt of the general contractor's draft change order and after review as indicated below, shall forward his/her recommendations to the owner, along with all proper documentation, which shall include the AIA change order form. The architect shall:
  - a. Review the change for technical correctness and comment;
  - b. Review the change for reasonable cost and DSHA requirements;
  - c. Include a statement explaining why modification to the contract documents is required;
  - d. Recommend acceptance, rejection, cost revisions, or alternate solutions; and
  - e. Prepare and sign the final change order and forward it to the owner.
3. The owner will review the change order and suggestions received from the architect and accept or reject it. If accepted, the change order shall be signed by the owner, general contractor, bonding company (if required), DSHA, any/all other lenders, and other required governing agencies. If the contingency fund is exhausted, or if DSHA requests owner funding, the owner shall attach a check to the change order in a sufficient amount to cover the cost.
4. Upon receipt of the above, and the check from the owner (if applicable), DSHA shall:
  - a. Review the entire package;
  - b. Accept, reject, or suggest modifications. DSHA will return all incomplete and/or incorrect change orders and charge a \$250 reprocessing fee; and
  - c. Execute and return a copy of the change order to the owner, architect, contractor, and any/all other lenders.

## **Attachment B - INSURANCE POLICY REQUIREMENTS**

Delaware State Housing Authority (DSHA), as mortgagee, requires all properties in receipt of HDF, HOME, NHTF, ARHP, or DSHA tax-exempt bond financing to be properly insured at all times. DSHA has insurance requirements for all owners, general contractors, management agents, and professionals (Architects and Engineers).

DSHA has the discretion to amend the insurance requirements as deemed appropriate, based on type and size of the project and/or in keeping with current insurance industry standards and practices.

### **General Requirements**

- The certificate holder must be listed as “Delaware State Housing Authority, Attn: Housing Director, 18 The Green, Dover, DE 19901”.
- Certificates of Insurance must include the following cancellation language: “*Should any of the above-described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions or as required by law.*”
- All certificates must include the project name and physical location under “Description of Operations, Locations.”
- In the event of a loss, all settlement claim checks for Builder’s Risk and Commercial Property must be made payable to the insured, Delaware State Housing Authority, and any other additional mortgagees. Upon receipt, all loss claim checks must be forwarded to all payees for endorsement. In addition, a casualty loss form must be completed and submitted to DSHA providing details of the incident and/or loss.
- All insurance companies must be rated by AM Best as “A-” or higher and be qualified to conduct business in the State of Delaware with the Delaware Department of State, including being foreign qualified by the Delaware Department of State where appropriate.
- All insurance companies and agents authorized to act/or execute on behalf of any such insurance companies must be authorized companies and agents by the Office of the Insurance Commissioner of the State of Delaware.
- All required insurance coverage must remain in full effect from the time construction begins until the time all DSHA loans have been paid in full.

## **During The Construction Period**

The limits set forth are minimums required by DSHA. All parties must individually determine if higher limits are appropriate to protect their interests.

### **A. Owner**

#### **1. Builder's Risk (Inland Marine Form)**

Builder's Risk insurance protects the insured's insurable interest in materials, fixtures and/or equipment being used in the construction or renovation of a building or structure should those items sustain physical loss or damage from a covered cause. This type of coverage is designed to provide coverage for buildings while under construction.

It is the Owner's responsibility to notify their insurance company at the time construction of a building is complete and a certificate of occupancy has been issued. The owner must then provide DSHA with a new certificate of insurance (ACORD 28) evidencing Commercial Property Insurance for each building as it is completed. (Refer to Permanent Insurance, Commercial Property requirements).

In addition, the contract between the Owner and the General Contractor must include the following language: (Article 10, AIA Construction, Insurance and Bonds)

*Owner and Contractor acknowledge, accept, and agree that the Builders Risk policy the Owner has purchased and placed on the development is adequate and covers all construction and rehab work to be completed under this Contract. Owner and Contractor acknowledge and agree that this policy has no more than a \$5,000 deductible and this policy, along with any and all liability policies carried by the Contractor, covers all costs for claims and/or damages during the construction/rehab process. Under no circumstances shall any claims or uninsured costs (except to the extent that the DSHA cost certification guidelines allow certain non-covered costs to be charged to the general conditions of the construction contract) be paid out of the proceeds of any of the project funding sources and are the sole responsibility of the Owner and Contractor.*

### **Policy Requirements:**

#### **ALL PROJECTS (New Construction and Acquisition/Rehabilitation)**

##### **a. General**

- Coverage must apply to "property of every kind and description intended to become a permanent part of the construction, installation or erection of the project." Including, but not limited to, materials, supplies, fixtures, machinery, temporary structures, scaffolding, construction forms, cribbing, foundations, underground work, sidewalks, and paving.
- The policy must include coverage for all work incorporated in the contract documents with no exclusions.
- Completed Value (Non-Reporting Form)
- Coverage must equal the expected completed value of the project, including soft costs.
- Valuation Method: 100% Full Replacement Cost.  
All claims are to be made on a replacement cost basis without any deduction for depreciation.

- Deductibles: \$5,000 maximum policy deductible, \$25,000 maximum Wind/Hail deductible.
- b. **Covered Causes of Loss/Endorsements**
- “Special Causes of Loss” Form including coverage for vandalism, malicious mischief, and theft.
  - Wind/Hail (\$25,000 maximum deductible)
  - Fungus
  - Ordinance and Law (Coverage A, B, C; B & C may be a combined limit)  
Coverage A: Should equal 100% of the anticipated replacement cost of all buildings  
Coverage B and C: Should equal 20% of Coverage A
  - Soft Costs
  - Permission to Occupy
  - Flood, Earthquake, and Equipment Breakdown (If applicable)
  - Property in Transit and Stored Off-Site (If applicable)
  - Terrorism (Optional)
- c. **Evidence of Coverage**
- ACORD 28
  - Named Insured: The owner (entity name) must be the first named insured. The General Contractor must also be listed as a named insured to protect their insurable interest in the project.
  - Policy Type: Builders Risk
  - Perils Covered: Special
  - In Location/Description area, reference the project’s name and physical address
  - List DSHA as both “Mortgagee” (Standard Mortgagee Clause) and “Lenders Loss Payable”
  - List all applicable coverage limits, deductibles, endorsements or extensions of coverage. Use a separate sheet if necessary.
  - Include the following language when listing coverage details:  
*Coverage applies to “property of every kind and description intended to become a permanent part of the construction, installation or erection of the project.” Including, but not limited to, materials, supplies, fixtures, machinery, temporary structures, scaffolding, construction forms, cribbing, foundations, underground work, sidewalks, and paving.*

## ACQUISITION/REHABILITATION

- a. In addition, the Builders Risk policy must provide coverage for:
- Existing buildings and structures plus the value of improvements
  - In certain situations, a Commercial Property policy may be used to cover existing buildings and structures, however, DSHA must approve the use of a Commercial Property policy for this purpose, fifteen (15) days prior to closing.

2. **Comprehensive Commercial General Liability**

This insurance provides coverage against certain risks such as personal injury, bodily injury, death, property damage, medical expenses, and liability assumed by the contract.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- \$1,000,000 Each Occurrence
- \$100,000 Damage to Rented Premises
- \$5,000 Medical Expenses
- \$1,000,000 Each Personal and Advertising
- \$2,000,000 General Aggregate
- \$2,000,000 Products/Completed Operations Aggregate

b. **Additional Insured**

- Delaware State Housing Authority

c. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits and deductibles
- Additional Insured box must be checked to indicate DSHA is an "Additional Insured"

3. **Umbrella/Excess Liability**

This coverage allows the insured to increase general liability aggregate limits.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- 1-3 Stories: \$3,000,000 Min. Limit      \* *Garden Style Apts are considered one story*
- 4-10 Stories: \$5,000,000 Min. Limit
- 11-20 Stories: \$10,000,000 Min. Limit

b. **Additional Insured**

- Delaware State Housing Authority

c. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits
- Additional Insured box must be checked to indicate DSHA is an "Additional Insured"

4. **Flood Insurance (If Applicable)**

If property is located in a 100-year flood zone, flood insurance must be purchased.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Coverage should be the maximum amount available from the Federal government's flood insurance program or as commercially available as approved by DSHA.

b. **Evidence of Coverage**

- ACORD 28
- In Location/Description area, reference the project's name and physical address

- List all applicable coverage limits

5. **Equipment Breakdown, also known as Boiler and Machinery (If Applicable)**

This insurance provides coverage against damage caused by steam boilers, pipes, turbines, engines, or other pressure vessels that are in operation on the property.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Coverage should equal the total value of the building(s) that house the equipment
- Repair and/or Replacement
- Loss of Rents with Mechanical Breakdown

b. **Evidence of Coverage**

- ACORD 28
- In Location/Description area, reference the project’s name and physical address
- List all applicable coverage limits

**B. General Contractor**

1. **Comprehensive Commercial General Liability**

This insurance provides coverage against certain risks such as personal injury, bodily injury, death, property damage, medical expenses, and liability assumed by the contract.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- \$1,000,000 Each Occurrence
- \$100,000 Damage to Rented Premises
- \$5,000 Medical Expenses
- \$1,000,000 Each Personal and Advertising
- \$2,000,000 General Aggregate
- \$2,000,000 Products/Completed Operations Aggregate

b. **Additional Insured**

- Delaware State Housing Authority

c. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project’s name and physical address
- List all applicable coverage limits and deductibles
- Additional Insured box must be checked to indicate DSHA is an “Additional Insured”

2. **Umbrella/Excess Liability**

This coverage allows the insured to increase general liability aggregate limits.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- 1-3 Stories: \$3,000,000 Min. Limit      \* *Garden Style Apts are considered one story*
- 4-10 Stories: \$5,000,000 Min. Limit
- 11-20 Stories: \$10,000,000 Min. Limit

b. **Additional Insured**

- Delaware State Housing Authority

c. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits
- Additional Insured box must be checked to indicate DSHA is an "Additional Insured"

3. **Commercial Automobile Liability**

This insurance provides coverage for owned, hired, borrowed, and non-owned employee vehicles operated in relation to the project.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- \$1,000,000 Combined Single Limit (each accident)
- Must include coverage for hired and non-owned vehicles
- Coverage for body injury and property damage

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

4. **Worker's Compensation/Employer's Liability**

This insurance provides coverage for workers injured on the job.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Worker's Comprehensive: Statutory
- Employer's Liability: \$500,000 Each Accident/\$500,000 Disease Each Employee and \$500,000 Disease Policy Limit

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

C. **Architects, Engineers, Surveyors, and Other Professionals**

1. **E & O Professional Liability**

Insurance that protects professionals against negligence and other claims initiated by their clients. It is required by professionals who have expertise in a specific area because general liability insurance policies do not offer protection against claims arising out of business or professional practices such as negligence, malpractice, or misrepresentation.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- \$1,000,000 per occurrence

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

#### D. Management Company

The management company is required to carry insurance during the construction phase, if any tenants occupy any of the buildings during construction.

##### 1. Comprehensive Commercial General Liability

This insurance provides coverage against certain risks such as personal injury, bodily injury, death, property damage, medical expenses, and liability assumed by the contract.

###### Policy Requirements:

###### a. Minimum Coverage Limits:

- \$1,000,000 Each Occurrence
- \$100,000 Damage to Rented Premises
- \$5,000 Medical Expenses
- \$1,000,000 Each Personal and Advertising
- \$2,000,000 General Aggregate
- \$2,000,000 Products/Completed Operations Aggregate

###### b. Additional Insured

- Delaware State Housing Authority

###### c. Evidence of Coverage

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits and deductibles
- Additional Insured box must be checked to indicate DSHA is an "Additional Insured"

##### 2. Commercial Automobile Liability

This insurance provides coverage for owned, hired, borrowed, and non-owned employee vehicles operated in relation to the project.

###### Policy Requirements:

###### a. Minimum Coverage Limits:

- \$1,000,000 Combined Single Limit (each accident)
- Must include coverage for hired and non-owned vehicles
- Coverage for body injury and property damage

###### b. Evidence of Coverage

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

##### 3. Worker's Compensation/Employer's Liability

This insurance provides coverage for workers injured on the job.

###### Policy Requirements:

###### a. Minimum Coverage Limits

- Worker’s Comprehensive: Statutory
  - Employer’s Liability: \$500,000 Each Accident/\$500,000 Disease Each Employee and \$500,000 Disease Policy Limit
- b. **Evidence of Coverage**
- ACORD 25
  - In Location/Description area, reference the project’s name and physical address
  - List all applicable coverage limits

4. **Fidelity Bond**

This insurance provides coverage against employee theft or dishonesty.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Coverage equal to 2 month’s rent, plus 2 month’s security deposits, plus 2 month’s non-housing income.

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project’s name and physical address
- List all applicable coverage limits

**Permanent Insurance**

The limits set forth are minimums required by DSHA. All parties must individually determine if higher limits are appropriate to protect their interests.

A. **Owner (Partnership)**

1. **Commercial Property Insurance**

Commercial property insurance protects commercial property from such perils as fire, theft, and natural disaster.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- 100% Full Replacement Cost
- All claims to be made on a replacement cost basis without any deduction for depreciation

b. **Covered Causes of Losses/Endorsements**

- “Special Causes of Loss” Form including coverage for vandalism, malicious mischief, and theft.
- Wind/Hail (\$25,000 maximum deductible)
- Ordinance and Law (Coverage A, B, C; B & C may be a combined limit)  
Coverage A: Should equal 100% of the anticipated replacement cost of all buildings  
Coverage B and C: Should equal 20% of Coverage A
- Permission to Occupy
- Flood, Earthquake, and Equipment Breakdown (If applicable)
- Fungus (Optional)
- Terrorism (Optional)

c. **Deductibles**

- \$5,000 maximum policy deductible

- \$25,000 maximum Wind/Hail deductible
- d. **Certificate Requirements**
- ACORD 28
  - Perils covered must be “Special”
  - In Location/Description area, reference the project’s name and physical address
  - DSHA must be listed as both “Mortgagee” (Standard Mortgagee Clause) and “Lenders Loss Payable”.
  - List all applicable coverage limits, deductibles, endorsements or extensions of coverage. Use a separate sheet if necessary.

2. **Comprehensive Commercial General Liability**

This insurance provides coverage against certain risks such as personal injury, bodily injury, death, property damage, medical expenses, and liability assumed by the contract.

**Policy Requirements:**

- a. **Minimum limits:**
- \$1,000,000 Each Occurrence
  - \$100,000 Damage to Rented Premises
  - \$5,000 Medical Expenses
  - \$1,000,000 Each Personal and Advertising
  - \$2,000,000 General Aggregate
  - \$2,000,000 Products/Completed Operations Aggregate
- b. **Additional Insured**
- Delaware State Housing Authority
- c. **Evidence of Coverage**
- ACORD 25
  - In Location/Description area, reference the project’s name and physical address
  - List all applicable coverage limits
  - Additional Insured box must be checked to indicate DSHA is an “Additional Insured”

3. **Umbrella/Excess Liability**

This coverage allows the insured to increase general liability aggregate limits.

**Policy Requirements:**

- a. **Minimum Coverage Limits:**
- 1-3 Stories: \$3,000,000 Min. Limit      \* *Garden Style Apts are considered one story*
  - 4-10 Stories: \$5,000,000 Min. Limit
  - 11-20 Stories: \$10,000,000 Min. Limit
- b. **Additional Insured**
- Delaware State Housing Authority
- c. **Evidence of Coverage**
- ACORD 25
  - In Location/Description area, reference the project’s name and physical address
  - List all applicable coverage limits
  - Additional Insured box must be checked to indicate DSHA is an “Additional Insured”

4. **Flood Insurance (If Applicable)**

If property is located in a 100-year flood zone, flood insurance must be purchased.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Coverage should be the maximum amount available from the Federal government's flood insurance program or as commercially available as approved by DSHA.

b. **Evidence of Coverage**

- ACORD 28
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

5. **Equipment Breakdown, also known as Boiler and Machinery (If Applicable)**

This insurance provides coverage against damage caused by steam boilers, pipes, turbines, engines, or other pressure vessels that are in operation on the property.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Coverage should equal the total value of the building(s) that house the equipment
- Repair and/or Replacement
- Loss of Rents with Mechanical Breakdown

b. **Evidence of Coverage**

- ACORD 28
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

**B. Management Company**

1. **Comprehensive Commercial General Liability**

This insurance provides coverage against certain risks such as personal injury, bodily injury, death, property damage, medical expenses, and liability assumed by the contract.

**Policy Requirements:**

a. **Minimum Coverage Limits:**

- \$1,000,000 Each Occurrence
- \$100,000 Damage to Rented Premises
- \$5,000 Medical Expenses
- \$1,000,000 Each Personal and Advertising
- \$2,000,000 General Aggregate
- \$2,000,000 Products/Completed Operations Aggregate

b. **Additional Insured**

- Delaware State Housing Authority

c. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project's name and physical address
- List all applicable coverage limits

- Additional Insured box must be checked to indicate DSHA is an “Additional Insured”

2. **Commercial Automobile Liability**

This insurance provides coverage for owned, hired, borrowed, and non-owned employee vehicles operated in relation to the project.

**Policy Requirements:**

a. **Minimum Coverage Limits:**

- \$1,000,000 Combined Single Limit (each accident)
- Must include coverage for hired and non-owned vehicles
- Coverage for body injury and property damage

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project’s name and physical address
- List all applicable coverage limits

3. **Worker’s Compensation/Employer’s Liability**

This insurance provides coverage for workers injured on the job.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Worker’s Comprehensive: Statutory
- Employer’s Liability: \$500,000 Each Accident/\$500,000 Disease Each Employee and \$500,000 Disease Policy Limit

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project’s name and physical address
- List all applicable coverage limits

4. **Fidelity Bond**

This insurance provides coverage against employee theft or dishonesty.

**Policy Requirements:**

a. **Minimum Coverage Limits**

- Coverage equal to 2 month’s rent, plus 2 month’s security deposits, plus 2 month’s non-housing income.

b. **Evidence of Coverage**

- ACORD 25
- In Location/Description area, reference the project’s name and physical address
- List all applicable coverage limits

**Attachment C – 10% Test Forms**

**DELAWARE STATE HOUSING AUTHORITY**

**10% TEST - CONTACT INFORMATION**

TO: Housing Director  
 Delaware State Housing Authority  
 18 The Green  
 Dover, DE 19901

DSHA Development Number \_\_\_\_\_  
 Development Name \_\_\_\_\_  
 Development Address \_\_\_\_\_

NOTE: Complete and submit one fully executed original and one electronic PDF copy to DSHA. Substitute ten percent (10%) test forms or any changes made to these forms will NOT be accepted by DSHA. Failure to use these forms may jeopardize the project's allocation of Housing Credits.

Owner Information			
1	Owner Name		
2	Owner Address		
3	Owner Federal Tax Identification Number		
4	Owner Social Security Number		
5	Contact Person		
6	Contact Phone Number		
7	Contact E-Mail		
8	Contact Fax Number		
Partnership Information			
1	Limited Partner/Investor Partner	Ownership Percentage	
2(a)	General Partner/Managing Member	Ownership Percentage	
2(b)	GP/MM Parent Organization (if applicable)		
3(a)	General Partner/Managing Member	Ownership Percentage	
3(b)	GP/MM Parent Organization (if applicable)		
4(a)	General Partner/Managing Member	Ownership Percentage	
4(b)	GP/MM Parent Organization (if applicable)		
Independent Certified Public Accountant Information			
1	Accounting Firm		
2	Accountant Name		
3	Accountant Address		
4	Accountant Phone Number		
5	Accountant Email		
Owner Certification Statement			
<i>To be completed by the owner's representative of the housing development:</i>			
Under penalty of perjury, I certify to the Delaware State Housing Authority ("DSHA") that the project costs, eligible basis, financing, and other information listed on the Carryover Certification (ten percent [10%] test) forms are true and correct and meet the requirements of Section 42(1)(E)(ii) of the Internal Revenue Code and Treasury Regulation 1.42-6. The Owner has incurred more than ten percent (10%) of its reasonably expected basis in the project by the date indicated in the Carryover Allocation Agreement or as otherwise extended by DSHA.			
Owner Representative's Signature		_____	Date _____
Owner Representative's Name		_____	
Accountant Certification Statement			
<i>To be completed by the attorney/accountant certifying costs:</i>			
I certify to Delaware State Housing Authority ("DSHA") that I have examined all eligible costs incurred with respect to the project described on the attached DSHA certification forms, and based on that examination, it is my belief that the owner has incurred more than ten percent (10%) of its reasonably expected basis in the project by the date indicated in the Carryover Allocation Agreement or as otherwise extended by DSHA.			
Authorized Representative's Signature		_____	Date _____
Authorized Representative's Name		_____	
Certified Public Accountant's Firm		_____	

**DELAWARE STATE HOUSING AUTHORITY**

**10% TEST - INCURRED COSTS**

TO: Housing Director  
 Delaware State Housing Authority  
 18 The Green  
 Dover, DE 19901

DSHA Development Number \_\_\_\_\_  
 Development Name \_\_\_\_\_  
 Development Address \_\_\_\_\_

**DIRECTIONS:** Enter all costs incurred as of \_\_\_\_\_. Substitute cost certification forms or any changes made to these forms will NOT be accepted by DSHA and failure to use these forms may jeopardize the project's allocation of Housing Credits.

Project Costs	Total Development Costs	Reasonably Expected Basis (Acquisition)	Reasonably Expected Basis (Rehab/New Const)	Total Reasonably Expected Basis	Incurred Costs To Date
<b>DSHA ELIGIBLE COSTS</b>					
1 Construction Costs				\$ -	
2 Developer's Fee				\$ -	
3 Performance & Payment Bond Fees				\$ -	
4 Architect's Design Fee				\$ -	
5 Architect's Supervision				\$ -	
6 Survey/Soil Boring/Engineering/Sub-consultants				\$ -	
7 Construction Legal/Organizational				\$ -	
8 Permanent Legal/Organizational				\$ -	
9 Appraisal/Market Study/Cap Needs Assessment				\$ -	
10 Environmental/Energy Audit/Site Assessment				\$ -	
11 Permits & Fees				\$ -	
12 Letter of Credit Fees				\$ -	
13 Inspection Fees				\$ -	
14 Marketing				\$ -	
15 Rent Up Fees				\$ -	
16 Fixtures, Furniture, & Equipment (FFE)				\$ -	
17 Construction Interest				\$ -	
18 Real Estate Taxes				\$ -	
19 Transfer Tax and State Improvement Tax				\$ -	
20 Insurance				\$ -	
21 Construction Financing Fees				\$ -	
22 Permanent Financing Fees				\$ -	
23 Title & Recording				\$ -	
24 Cost Certification & Accounting				\$ -	
25 Land				\$ -	
26 Acquisition				\$ -	
27 Relocation				\$ -	
28 Relocation Operating Deficit Reserve				\$ -	
29 Contingency				\$ -	
30 Bond Legal				\$ -	
31 Bond Issuance				\$ -	
32 Tax Credit and DSHA Application Fees				\$ -	
33 Asset Management Fee				\$ -	
34 Other (Specify Here)				\$ -	
35 Other (Specify Here)				\$ -	
<b>DSHA NON-ELIGIBLE COSTS</b>					
DSHA 4% Bond Application Fees				\$ -	
Cash Working Capital Escrow				\$ -	
LIHTC Monitoring Fees				\$ -	
LIHTC Allocation Fees				\$ -	
Operating Reserve				\$ -	
Replacement Reserve				\$ -	
Transition/Subsidy Reserves				\$ -	
Syndication Legal and/or Accounting				\$ -	
Tax Escrow				\$ -	
Insurance Escrow				\$ -	
Other (Specify Here)				\$ -	
Other (Specify Here)				\$ -	
<b>TOTAL DEVELOPMENT COSTS</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>PERCENTAGE OF BASIS INCURRED AT CARRYOVER</b>					<b>0%</b>

**DELAWARE STATE HOUSING AUTHORITY**  
**INDEPENDENT ACCOUNTANT CERTIFICATION**

TO:     Housing Director Delaware State Housing Authority 18 The Green Dover, DE 19901	DSHA Development Number _____ Development Name _____ Development Address _____ _____
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NOTE: Complete and submit one fully executed original and one electronic PDF copy to DSHA. Substitute ten percent (10%) cost certification forms or any changes made to these forms will NOT be accepted by DSHA. Failure to use these forms may jeopardize the project's allocation of Housing Credits.

The 10% Test is the responsibility of the Owner. Our responsibility is to express an opinion of the 10% Test based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining on a test basis, evidence supporting the 10% Test and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying 10% Test was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Delaware State Housing Authority ("DSHA"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

The 10% Test includes an estimate prepared by the Owner of total development costs and reasonably expected basis, as defined in Treasury Regulation Section 1.42-6. We have not examined or performed any procedures in connection with such estimated total development costs and reasonably expected basis and accordingly, we do not express any opinion or any other form of assurance on such estimates. Furthermore, even if the Project is developed and completed there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In our opinion, and on the basis of accounting described above, the 10% Test referred to above presents fairly, in all material respects, costs incurred for the Project as of \_\_\_\_\_.

In addition to examining the costs and the 10% Test, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the Owner, were performed to assist you in determining whether the Project has met the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures:

- We calculated, based on estimates of total development costs provided by the Owner, the Project's Total Reasonably Expected Basis, as defined in Treasury Regulation Section 1.42-6, to be \_\_\_\_\_.
- We calculated the Incurred Costs To Date to be \_\_\_\_\_.
- We calculated the percentage of the developer fee incurred by the Owner to be \_\_\_\_\_ of the total development fee.
- We compared the project's Incurred Costs To Date to the Total Reasonably Expected Basis, and calculated \_\_\_\_\_ has been incurred.
- We determined that the Owner uses the accrual method of accounting, and has not included any costs that have not been properly accrued.

We were not engaged to, and did not, perform an audit of the Owner's financial statements or of the Project's total reasonably expected basis. Furthermore, even if the Project is developed and completed there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Owner and for filing with DSHA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Authorized Representative's Signature _____	Date _____
Authorized Representative's Name _____	
Certified Public Accountant's Firm _____	

**Attachment D – Contractor’s Draw Requisition Forms**

**DELAWARE STATE HOUSING AUTHORITY**

18 The Green, Dover, Delaware 19901  
 Phone (302) 739-4263 Fax (302) 739-1118

**REQUISITION RECONCILIATION (D-102)**

Contractor: \_\_\_\_\_  
 Development: \_\_\_\_\_  
 Location: \_\_\_\_\_

Date: \_\_\_\_\_  
 Requisition No.: \_\_\_\_\_  
 DSHA Development No.: \_\_\_\_\_

Contractor's Reconciliation

Instructions: This reconciliation shall be completed when a budgeted line item amount increases or decreases from its original estimate. All budget adjustments must be explained and are subject to final review and approval by all lenders.

**This form needs to be completed first.** For the initial draw only, enter budget costs under both the column labeled "Original Budget" and the column labeled "Revised Budget from Previous Draw."

Line #	Trade Item/Cost	Original Budget	Budget From Previous Draw	Budget Changes this Draw (+/-)	Current Revised Budget	Budget Adjustment Explanation
1	Sitework Utilities	\$0.00			\$0.00	
2	Sitework	\$0.00			\$0.00	
3	Site Recreation	\$0.00			\$0.00	
4	Landscaping	\$0.00			\$0.00	
5	Roads/Parking	\$0.00			\$0.00	
6	Site Environmental Remediation	\$0.00			\$0.00	
7	Bus Stop/Bus Shelter	\$0.00			\$0.00	
8	Misc Site: <i>Specify Here</i>	\$0.00			\$0.00	
9	Misc Site: <i>Specify Here</i>	\$0.00			\$0.00	
10	Demolition	\$0.00			\$0.00	
11	Building Environmental Remediation	\$0.00			\$0.00	
12	Concrete	\$0.00			\$0.00	
13	Masonry	\$0.00			\$0.00	
14	Exterior Siding	\$0.00			\$0.00	
15	Rough Carpentry	\$0.00			\$0.00	
16	Finished Carpentry	\$0.00			\$0.00	
17	Kitchen and Bathroom Cabinetry	\$0.00			\$0.00	
18	Joint Sealant	\$0.00			\$0.00	
19	Insulation	\$0.00			\$0.00	
20	Roofing	\$0.00			\$0.00	
21	Misc. Metals	\$0.00			\$0.00	
22	Doors and Frames	\$0.00			\$0.00	
23	Windows	\$0.00			\$0.00	
24	Drywall	\$0.00			\$0.00	
25	Vinyl (VCP, VCT, etc.)	\$0.00			\$0.00	
26	Carpet	\$0.00			\$0.00	
27	Ceramic Tile	\$0.00			\$0.00	
28	Painting	\$0.00			\$0.00	
29	Window Treatments (Blinds, Curtains, Etc.)	\$0.00			\$0.00	
30	Specialties	\$0.00			\$0.00	
31	Toilet Accessories	\$0.00			\$0.00	
32	Appliances	\$0.00			\$0.00	
33	Elevators	\$0.00			\$0.00	
34	Plumbing	\$0.00			\$0.00	
35	Sprinklers	\$0.00			\$0.00	
36	HVAC	\$0.00			\$0.00	
37	Electrical	\$0.00			\$0.00	
38	Fire Alarms/Security Systems	\$0.00			\$0.00	
39	Energy/Solar	\$0.00			\$0.00	
40	Termite Protection/Pest Control	\$0.00			\$0.00	
41	Misc Bldg: <i>Specify Here</i>	\$0.00			\$0.00	
42	Misc Bldg: <i>Specify Here</i>	\$0.00			\$0.00	
43	Separate Community Building	\$0.00			\$0.00	
	<b>SUBTOTAL</b>	\$0.00	\$0.00	\$0.00	\$0.00	
44	General Requirements %	\$0.00			\$0.00	
45	Builder Overhead & Profit %	\$0.00			\$0.00	
46	Performance and Payment Bond	\$0.00			\$0.00	
47	Cost Certification	\$0.00			\$0.00	
	<b>TOTAL</b>	\$0.00	\$0.00	\$0.00	\$0.00	

**DELAWARE STATE HOUSING AUTHORITY**

18 The Green, Dover, Delaware 19901  
 Phone (302) 739-4263 Fax (302) 739-1118

**CONTRACTOR'S DRAW REQUISITION (D-101)**

Contractor: \_\_\_\_\_  
 Development: \_\_\_\_\_  
 Location: \_\_\_\_\_

Date: \_\_\_\_\_  
 Requisition No.: \_\_\_\_\_  
 DSHA Development No.: \_\_\_\_\_

In accordance with the Construction Contract dated \_\_\_\_\_ and the Contractor's and/or Mortgagor's Schedule of Values attached thereto, this Contractor's Draw Requisition is submitted for the amount \$0.00 due for Work performed up to (date) \_\_\_\_\_ and as itemized below by the trades listed in the Schedule of Values.

Line Item #	DIV	Trade Item/Cost	Budgeted Cost (Cost Breakdown)	Previous Draw Requests	Current Draw Request	Total Requests to Date	% Estimated Costs Used	Remaining Balance
1	0	Sitework Utilities	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
2	0	Sitework	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
3	0	Site Recreation	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
4	0	Landscaping	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
5	0	Roads/Parking	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
6	0	Site Environmental Remediation	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
7	0	Bus Stop/Bus Shelter	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
8	0	Misc Site: <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
9	0	Misc Site: <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
10	0	Demolition	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
11	0	Building Environmental Remediation	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
12	0	Concrete	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
13	0	Masonry	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
14	0	Exterior Siding	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
15	0	Rough Carpentry	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
16	0	Finished Carpentry	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
17	0	Kitchen and Bathroom Cabinetry	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
18	0	Joint Sealant	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
19	0	Insulation	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
20	0	Roofing	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
21	0	Misc. Metals	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
22	0	Doors and Frames	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
23	0	Windows	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
24	0	Drywall	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
25	0	Vinyl (VCP, VCT, etc.)	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
26	0	Carpet	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
27	0	Ceramic Tile	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
28	0	Painting	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
29	0	Window Treatments (Blinds, Curtains, Etc.)	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
30	0	Specialties	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
31	0	Toilet Accessories	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
32	0	Appliances	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
33	0	Elevators	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
34	0	Plumbing	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
35	0	Sprinklers	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
36	0	HVAC	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
37	0	Electrical	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
38	0	Fire Alarms/Security Systems	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
39	0	Energy/Solar	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
40	0	Termite Protection/Pest Control	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
41	0	Misc Bldg: <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
42	0	Misc Bldg: <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
43	0	Separate Community Building	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
		<b>SUBTOTAL OF BREAKDOWN ITEMS</b>	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00
(2)		General Requirements %	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00
(2)		Builder Overhead & Profit %	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00
(2)		Performance and Payment Bond	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00
(2)		Cost Certification	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00
		<b>TOTAL OF COST BREAKDOWN ITEMS</b>	\$0.00	\$0.00	\$0.00	\$0.00	0%	\$0.00
(4)		Materials Stored On-Site (Attach itemized list of quantity/cost)		\$0.00	\$0.00	\$0.00		
(5)		Materials Stored Off-Site (Attach itemized list of quantity/cost)		\$0.00	\$0.00	\$0.00		
(6)		Cost Breakdown Items plus Inventories of Materials		\$0.00	\$0.00	\$0.00		
(7)		Less Retainage (10%)				\$0.00		
(8)		Balance: Total amount due to date on Construction Contract				\$0.00		
(9)		Less Previous Payments				\$0.00		
(10)		Net Amount of this Requisition				\$0.00		

I certify that work included in this requisition was completed in accordance with the Contract Documents and that I have actually received for Work performed and materials purchased up to \_\_\_\_\_ (date of previous requisition).

Contractor Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

<b>FOR DSHA USE ONLY</b>	
Date _____	Net Amount Approved for payment _____
Reviewed and Approved by Director of Housing Development _____	Reviewed by Project Manager _____

**DELAWARE STATE HOUSING AUTHORITY**

18 The Green, Dover, Delaware 19901  
Phone (302) 739-4263 Fax (302) 739-1118

**CONTRACTOR'S DRAW REQUISITION (D-101)**

Contractor \_\_\_\_\_  
Development \_\_\_\_\_  
Location \_\_\_\_\_

Date \_\_\_\_\_  
Requisition Number \_\_\_\_\_  
DSHA Development Number \_\_\_\_\_

**INSPECTION CERTIFICATE** (Not Required if this request does not include a payment on account of construction cost.)

I certify that I or my authorized representative have visited the Development within \_\_\_\_\_ days of the date of this Certificate to determine the true basis of cost upon which I certify this payment. I further certify that all prior work and the work, labor and materials to be paid for under this Draw Requisition is satisfactory and in accordance with the Contract Drawings and Specifications.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Project Architect  
Title

## **GENERAL UNDERSTANDING**

1. All subcontractors are to receive payment within **10** days of receipt of the draw proceeds by the mortgagor/contractor, unless otherwise indicated by their contract, noted on this schedule.
2. All documents, contracts, Subcontractor Attestation Statements and bid replies, and all supplemental information must be retained by the contractor for a period of three years (five years for HOME financed developments) after development completion and must be made available for review by DSHA and its designee, independent auditors, and federal/state agencies as applicable.

### **NOTE A: Identity of Interest (IOI)**

Any relationship, written or implied, that would give the mortgagor or contractor control or influence over the prices paid to subcontractors, equipment lessors, vendors, material suppliers, architect, attorney, engineer, surveyor, consultant, advisor, or any other individual or entity receiving compensation in connection with the development. The IOI relationship is usually created by a financial interest but could be other means such as a familial relationship. Transactions with IOI relationships occur when there are common controlling equity interests and/or management control between entities. Such a relationship should be construed to exist when the parties may not be the same person but the owner or officer or any person who directly or indirectly controls at least 10% of the voting rights or directly owns 10% or more of the other party(s). For purposes of this definition, the term party includes any individual, member of board of directors, partnership, corporation, or other business entity. Any ownership or control of interest held or possessed by a person's spouse, parent, child, grandchild, brother, sister, or other familial relationship is attributed to that person. Please refer to the DSHA Cost Certification Guide for more information.

### **NOTE B: DSHA and Independent Audit Uses**

DSHA use prior to releasing the draw:

1. Verify subcontractor information and payment terms and compare to the draw requests.
2. If there is an IOI, ensure proper bidding procedures were performed and documented.
3. Ensure proper licensing for the work they were hired to perform.
4. Ensure the funding for this development is not supporting work performed on other developments.

DSHA use for cost certification:

1. Utilize this supporting documentation to reconcile the cost certification to the draw documents.

Cost certification preparation and audit use:

1. Can be used as source documents by the independent CPA when preparing the cost certification, or by the independent auditors for attribute testing.
2. Can be used for additional testing as required by DSHA.
3. Send out confirmations using the Subcontractor's Attestation Statement.
4. Additional attribute testing as needed.





DELAWARE STATE HOUSING AUTHORITY
SUBCONTRACTOR ATTESTATION STATEMENT (D-105)

Contractor
Development

Date
DSHA Development Number

1 Contractor's Name and Address

2 Subcontractor's Name and Address

3 General Description of Job to be Performed

4 Beginning/Ending Dates of Service FROM TO

5 Payment Total Contract Amount

Itemized Payments by Amount and Date or Point of Payment
Identify if there is a contractual agreement to make progress payments for completed work at set dates. Must provide a copy of the contract as backup.

6 Does the subcontractor have an identity of Interest with the contractor and/or developer (owner)?

Identity of Interest - Any relationship, written or implied, that would give the mortgagor or contractor control or influence over the prices paid to subcontractors, equipment lessors, vendors, material suppliers, architect, attorney, engineer, surveyor, consultant, advisor, or any other individual or entity receiving compensation in connection with the development. The identity of interest relationship is usually created by a financial interest but could be other means such as a familial relationship. Transactions with identity of interest relationships occur when there are common controlling equity interests and/or management control between entities. Such a relationship should be construed to exist when the parties may not be the same person but the owner or officer or any person who directly or indirectly controls at least 10% of the voting rights or directly owns 10% or more of the other party(s). For purposes of this definition, the term party includes any individual, member of board of directors, partnership, corporation, or other business entity. Any ownership or control of interest held or possessed by a person's spouse, parent, child, grandchild, brother, sister, or any other familial relationship is attributed to that person. Please refer to the DSHA Cost Certification Guide for more information.

7 Did the subcontractor submit a bid?

**DELAWARE STATE HOUSING AUTHORITY**  
**SUBCONTRACTOR ATTESTATION STATEMENT (D-105)**

8 Is the subcontractor working on other jobs for the contractor and/or developer (Owner)?

Yes  No

A. If yes, list the job(s) as DSHA or Non-related DSHA jobs.

DSHA  Non-DSHA

DSHA  Non-DSHA

DSHA  Non-DSHA

B. If yes, is there an agreement, either written or implied, that payment from this job will pay for the other job(s) in part or whole?

Yes  No

9 Does the subcontractor have an agreement with the contractor and/or developer (owner) to either give or receive discounts, trades and/or other credits? *This also applies to identity of interest for all parties to the contract(s).*

Yes  No

If yes, list each item separately, giving the value (including the market value of the trade and current value of future transactions).

Amount	Type of Credit

10 Did you agree to a retainage clause, either written or implied?

Yes  No

If yes, list the amount/percent and date(s) or point(s) of payment(s).

Amount	Date or Point of Payment

SIGNATURES:

\_\_\_\_\_  
Signature of Contractor

\_\_\_\_\_  
Signature of Subcontractor

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Signature of Developer/Owner (If identity of interest with contractor or subcontractor.)

\_\_\_\_\_  
Signature of Developer/Owner

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date



**DELAWARE STATE HOUSING AUTHORITY**

**STORED MATERIALS (Attachment to D-101)**

Contractor \_\_\_\_\_  
 Development \_\_\_\_\_  
 Location \_\_\_\_\_

Date \_\_\_\_\_  
 Requisition Number \_\_\_\_\_  
 DSHA Development Number \_\_\_\_\_

**Stored Materials, On-Site**

Vendor	Previous Stored Materials		Current Stored Materials		Total Stored
Name	Description	Amount	Description	Amount	Amount
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
		\$0.00		\$0.00	\$0.00

**Stored Materials, Off-Site**

Vendor	Previous Stored Materials		Current Stored Materials		Total Stored
Name	Description	Amount	Description	Amount	Amount
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
		\$0.00		\$0.00	\$0.00

**Attachment E – Mortgagor’s Draw Requisition Forms**

**DELAWARE STATE HOUSING AUTHORITY**

18 THE GREEN, DOVER, DELAWARE 19901  
Phone (302) 739-4263 Fax (302) 739-1118

**REQUISITION RECONCILIATION FORM (D-102)**

Mortgagor \_\_\_\_\_  
Development \_\_\_\_\_  
Location \_\_\_\_\_

DSHA Development Number \_\_\_\_\_  
Requisition Number \_\_\_\_\_  
Date \_\_\_\_\_ FROM: \_\_\_\_\_ TO: \_\_\_\_\_

Mortgagor's Reconciliation

Instructions: This reconciliation shall be completed when a budgeted line item amount increases or decreases from its original estimate. If a line item increased or decreased and the difference has been added or subtracted from another line item, a separate statement indicating the changes must be attached to this form. **This form needs to be completed first** since cells in this form are linked to cells in the D-100 Mortgagor's Draw Requisition form. For the initial draw only, enter budget costs under both the column labeled "Original Budget" and the column labeled "Revised Budget from Previous Draw".

Item of Cost	Original Budget	Revised Budget From Previous Draw	Change in Budget this Requisition (+/-)	Current Revised Budget
<b>DSHA ELIGIBLE COSTS</b>				
1 Construction Cost	\$0.00	\$0.00	\$0.00	\$0.00
2 Developer's Fee	\$0.00	\$0.00	\$0.00	\$0.00
3 Performance and Payment Bond Fees	\$0.00	\$0.00	\$0.00	\$0.00
4 Architect's Design Fee	\$0.00	\$0.00	\$0.00	\$0.00
5 Architect's Supervision	\$0.00	\$0.00	\$0.00	\$0.00
6 Survey/Soil Boring/Engineering/Sub-consultants	\$0.00	\$0.00	\$0.00	\$0.00
7 Construction Legal/Organizational	\$0.00	\$0.00	\$0.00	\$0.00
8 Permanent Legal/Organizational	\$0.00	\$0.00	\$0.00	\$0.00
9 Capital Needs Assessment/Appraisal/Market Study	\$0.00	\$0.00	\$0.00	\$0.00
10 Environmental Audit/Energy Audit/Site Assessment	\$0.00	\$0.00	\$0.00	\$0.00
11 Permits and Fees	\$0.00	\$0.00	\$0.00	\$0.00
12 Letter of Credit Fees	\$0.00	\$0.00	\$0.00	\$0.00
13 Inspection Fees	\$0.00	\$0.00	\$0.00	\$0.00
14 Marketing	\$0.00	\$0.00	\$0.00	\$0.00
15 Rent-Up Fees	\$0.00	\$0.00	\$0.00	\$0.00
16 Fixtures, Furniture, and Equipment (FFE)	\$0.00	\$0.00	\$0.00	\$0.00
17 Construction Interest	\$0.00	\$0.00	\$0.00	\$0.00
18 Real Estate Taxes	\$0.00	\$0.00	\$0.00	\$0.00
19 Transfer Tax and State Improvement Tax	\$0.00	\$0.00	\$0.00	\$0.00
20 Insurance	\$0.00	\$0.00	\$0.00	\$0.00
21 Construction Financing Fees	\$0.00	\$0.00	\$0.00	\$0.00
22 Permanent Financing Fees	\$0.00	\$0.00	\$0.00	\$0.00
23 Title and Recording	\$0.00	\$0.00	\$0.00	\$0.00
24 Cost Certification and Accounting	\$0.00	\$0.00	\$0.00	\$0.00
25 Land	\$0.00	\$0.00	\$0.00	\$0.00
26 Acquisition	\$0.00	\$0.00	\$0.00	\$0.00
27 Relocation	\$0.00	\$0.00	\$0.00	\$0.00
28 Relocation Operating Deficit Reserve	\$0.00	\$0.00	\$0.00	\$0.00
29 Hard Cost Contingency	\$0.00	\$0.00	\$0.00	\$0.00
30 Soft Cost Contingency	\$0.00	\$0.00	\$0.00	\$0.00
31 Bond Legal	\$0.00	\$0.00	\$0.00	\$0.00
32 Bond Issuance	\$0.00	\$0.00	\$0.00	\$0.00
33 Tax Credit and DSHA Application Fees	\$0.00	\$0.00	\$0.00	\$0.00
34 Asset Management Fee	\$0.00	\$0.00	\$0.00	\$0.00
35 Other <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00
36 Other <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00
<b>SUBTOTAL DSHA ELIGIBLE COST (DSHA TDC)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>DSHA NON-ELIGIBLE COSTS</b>				
DSHA 4% Bond Application Fees	\$0.00	\$0.00		\$0.00
Cash Working Capital Escrow	\$0.00	\$0.00		\$0.00
LIHTC Monitoring Fees	\$0.00	\$0.00		\$0.00
LIHTC Allocation Fees	\$0.00	\$0.00		\$0.00
Operating Reserve	\$0.00	\$0.00		\$0.00
Replacement Reserve	\$0.00	\$0.00		\$0.00
Transition/Subsidy Reserves	\$0.00	\$0.00		\$0.00
Syndication Legal and/or Accounting	\$0.00	\$0.00		\$0.00
Insurance Escrow	\$0.00	\$0.00		\$0.00
Tax Escrow	\$0.00	\$0.00		\$0.00
Other <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
<b>SUBTOTAL DSHA NON-ELIGIBLE</b>	<b>\$0.00</b>	<b>\$0.00</b>		<b>\$0.00</b>
<b>TOTAL USES</b>	<b>\$0.00</b>	<b>\$0.00</b>		<b>\$0.00</b>
<b>SOURCES</b>				
Developer's Fund/Non-Eligible Costs	\$0.00	\$0.00		\$0.00
Equity for Non-Eligible Costs	\$0.00	\$0.00		\$0.00
Reserves Transferred with Property	\$0.00	\$0.00		\$0.00
Cash Flow Only Developer Fee	\$0.00	\$0.00		\$0.00
Deferred Developer Fee	\$0.00	\$0.00		\$0.00
Unpaid Developer Fee During Construction	\$0.00	\$0.00		\$0.00
Req'd Construction LIHTC Equity <i>15% Const. Clsg</i>	\$0.00	\$0.00		\$0.00
Add'l Construction LIHTC Equity <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
Add'l Construction LIHTC Equity <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
Bank/Construction Loan <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
DSHA Loan <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
DSHA Loan <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
DSHA Loan <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
Other Source <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
Other Source <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
Other Source <i>Specify Here</i>	\$0.00	\$0.00		\$0.00
<b>TOTAL SOURCES</b>	<b>\$0.00</b>	<b>\$0.00</b>		<b>\$0.00</b>

**DELAWARE STATE HOUSING AUTHORITY**

18 THE GREEN, DOVER, DELAWARE 19901  
 Phone (302) 739-4263 Fax (302) 739-1118

**MORTGAGOR'S DRAW REQUISITION (D-100)**

Mortgagor \_\_\_\_\_  
 Development \_\_\_\_\_  
 Location \_\_\_\_\_

DSHA Development Number \_\_\_\_\_  
 Requisition Number \_\_\_\_\_  
 Date: FROM \_\_\_\_\_ TO \_\_\_\_\_

The undersigned Mortgagor herby requests a payment in the sum of **\$0.00** covering advances provided for by the Building Loan Agreement hereto executed on \_\_\_\_\_, as indicated by the total of the individual payments set forth below.

Trade Item/Cost	Budgeted Cost	Previous Draw Payments	Current Draw Request	Total Requests to Date	% Estimated Costs Used	Remaining Balance
<b>DSHA ELIGIBLE COSTS</b>						
1 Construction Cost	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
2 Developer's Fee	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
3 Performance and Payment Bond Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
4 Architect's Design Fee	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
5 Architect's Supervision	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
6 Survey/Soil Boring/Engineering/Sub-consultants	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
7 Construction Legal/Organizational	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
8 Permanent Legal/Organizational	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
9 Capital Needs Assessment/Appraisal/Market Study	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
10 Environmental Audit/Energy Audit/Site Assessment	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
11 Permits and Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
12 Letter of Credit Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
13 Inspection Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
14 Marketing	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
15 Rent-Up Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
16 Fixtures, Furniture, and Equipment (FFE)	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
17 Construction Interest	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
18 Real Estate Taxes	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
19 Transfer Tax and State Improvement Tax	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
20 Insurance	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
21 Construction Financing Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
22 Permanent Financing Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
23 Title and Recording	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
24 Cost Certification and Accounting	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
25 Land	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
26 Acquisition	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
27 Relocation	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
28 Relocation Operating Deficit Reserve	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
29 Hard Cost Contingency	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
30 Soft Cost Contingency	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
31 Bond Legal	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
32 Bond Issuance	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
33 Tax Credit and DSHA Application Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
34 Asset Management Fee	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
35 Other <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
36 Other <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
<b>SUBTOTAL DSHA ELIGIBLE COST (DSHA TDC)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>\$0.00</b>
<b>DSHA NON-ELIGIBLE COSTS</b>						
DSHA 4% Bond Application Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Cash Working Capital Escrow	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
LIHTC Monitoring Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
LIHTC Allocation Fees	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Operating Reserve	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Replacement Reserve	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Transition/Subsidy Reserves	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Syndication Legal and/or Accounting	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Insurance Escrow	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Tax Escrow	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Other <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
<b>SUBTOTAL DSHA NON-ELIGIBLE</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>\$0.00</b>
<b>TOTAL USES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>\$0.00</b>

**DELAWARE STATE HOUSING AUTHORITY**

18 THE GREEN, DOVER, DELAWARE 19901  
 Phone (302) 739-4263 Fax (302) 739-1118

**MORTGAGOR'S DRAW REQUISITION (D-100)**

SOURCES	Budgeted Cost	Previous Draw Payments	Current Draw Request	Total Requests to Date	% Estimated Costs Used	Remaining Balance
Developer's Fund/Non-Eligible Costs	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Equity for Non-Eligible Costs	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Reserves Transferred with Property	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Cash Flow Only Developer Fee	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Deferred Developer Fee	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Unpaid Developer Fee During Construction	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Req'd Construction LIHTC Equity <i>15% Const. Clsg</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Add'l Construction LIHTC Equity <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Add'l Construction LIHTC Equity <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Bank/Construction Loan <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
DSHA Loan <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
DSHA Loan <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
DSHA Loan <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Other Source <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Other Source <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
Other Source <i>Specify Here</i>	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
<b>TOTAL SOURCES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>\$0.00</b>
<b>THIS REQUEST- DSHA FUNDS</b>			\$0.00			

**MORTGAGOR'S CERTIFICATE**

The undersigned hereby certifies that to the best of the Mortgagor's knowledge, information and belief, the Work covered by this Draw Requisition has been completed in accordance with the Contract Documents, that all amounts have been paid by Mortgagor for Work for which previous Draw Requisitions were issued and payments received from Mortgagee and that the current payment shown herein is due. We hand you herewith full receipts and the Contractor's Draw Requisition certified by the supervising architect covering such items enumerated. With respect to any item of interest enumerated above, we herewith authorize you to advance the same and charge our account herewith.

\_\_\_\_\_  
 Mortgagor Authorized Signature

\_\_\_\_\_  
 Print Name

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Title:

**ACCEPTED BY RURAL HOUSING SERVICE/USDA/HUD**

The review and acceptance of this estimate does not attest to the correctness of the quantities shown or that the work has been performed in accordance with the contract documents.

\_\_\_\_\_  
 Authorized Signature

\_\_\_\_\_  
 Print Name

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Title:

**OTHER APPROVALS**

\_\_\_\_\_  
 Authorized Signature

\_\_\_\_\_  
 Print Name

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Title:

**FOR DSHA USE ONLY**

Date _____	Net Amount Approved for payment _____	Reviewed by Project Manager _____
Reviewed and Approved by Director of Housing Development _____		

**DELAWARE STATE HOUSING AUTHORITY**

18 The Green, Dover, Delaware 19901  
Phone (302) 739-4263 Fax (302) 739-1118

**MORTGAGOR'S DRAW REQUISITION (D-100)**

Mortgagor \_\_\_\_\_  
Development \_\_\_\_\_  
Location \_\_\_\_\_

DSHA Development Number \_\_\_\_\_  
Requisition Number \_\_\_\_\_  
Date \_\_\_\_\_

**CERTIFICATION OF MORTGAGEE** (For DSHA Use Only)

A payment in the amount of \_\_\_\_\_ \$0.00 \_\_\_\_\_ is approved covering advances from Mortgage proceeds in accordance with the above requisition and with the provisions of the Building Loan Agreement, and this amount, when advanced, will thereupon constitute the principal of that certain Mortgage executed by \_\_\_\_\_ dated \_\_\_\_\_ covering certain property located at \_\_\_\_\_ . The Mortgagee hereby certifies that the payment pursuant to this requisition, together with all prior advances and withdrawals from the Mortgage Loan Account on account of the Mortgage Loan does not exceed the aggregate amount of the Mortgage Loan Commitment for the Development; that, under the terms and provisions of the Mortgage is not in default under any of the terms or provisions of the Mortgage.

**DELAWARE STATE HOUSING AUTHORITY**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

**CERTIFICATION RECOMMENDED**

\_\_\_\_\_  
Signature

Director of Housing Development \_\_\_\_\_

Title





**Attachment F – Contractor’s Cost Certification Forms**

**DELAWARE STATE HOUSING AUTHORITY  
CONTRACTOR'S CERTIFICATE OF ACTUAL COSTS (CC-101)**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

This Certificate is made pursuant to the provisions of the Construction Contract, entered into by and between us as of \_\_\_\_\_ and it is understood and agreed by the undersigned that this Certificate is to be submitted to the Housing Director of the Delaware State Housing Authority (DSHA). Upon approval, but not less than 30 days after said approval, DSHA will proceed to final closing. The actual cost incurred in the completion of construction under the Construction Contract and accepted construction changes, but exclusive of any rebates and/or discounts, received in connection with the construction of the project as of Draw # \_\_\_\_\_ dated \_\_\_\_\_ is itemized below (please attach itemized list of the payees for each line item).

**NOTE:** This certificate must be supported by certification as to actual costs by an Independent Certified Public Accountant.

Trade Item/Division	Original Budget Amount	Current Budget Amount	Paid in Cash	To Be Paid in Cash	Certified Total Actual Costs	Eligible Basis Rehab/New Construction	Line Item Adjustment
<b>DSHA ELIGIBLE COSTS</b>							
1 Sitework Utilities					\$0.00		\$0.00
2 Sitework					\$0.00		\$0.00
3 Site Recreation					\$0.00		\$0.00
4 Landscaping					\$0.00		\$0.00
5 Roads/Parking					\$0.00		\$0.00
6 Site Environmental Remediation					\$0.00		\$0.00
7 Bus Stop/Bus Shelter					\$0.00		\$0.00
8 Misc Site: (Specify Here)					\$0.00		\$0.00
9 Misc Site: (Specify Here)					\$0.00		\$0.00
10 Demolition					\$0.00		\$0.00
11 Building Environmental Remediation					\$0.00		\$0.00
12 Concrete					\$0.00		\$0.00
13 Masonry					\$0.00		\$0.00
14 Exterior Siding					\$0.00		\$0.00
15 Rough Carpentry					\$0.00		\$0.00
16 Finished Carpentry					\$0.00		\$0.00
17 Kitchen and Bathroom Cabinetry					\$0.00		\$0.00
18 Joint Sealant					\$0.00		\$0.00
19 Insulation					\$0.00		\$0.00
20 Roofing					\$0.00		\$0.00
21 Misc. Metals					\$0.00		\$0.00
22 Doors and Frames					\$0.00		\$0.00
23 Windows					\$0.00		\$0.00
24 Drywall					\$0.00		\$0.00
25 Vinyl (VCP, VCT, etc.)					\$0.00		\$0.00
26 Carpet					\$0.00		\$0.00
27 Ceramic Tile					\$0.00		\$0.00
28 Painting					\$0.00		\$0.00
29 Window Treatments (Blinds, Curtains, Etc.)					\$0.00		\$0.00
30 Specialties					\$0.00		\$0.00
31 Toilet Accessories					\$0.00		\$0.00
32 Appliances					\$0.00		\$0.00
33 Elevators					\$0.00		\$0.00
34 Plumbing					\$0.00		\$0.00
35 Sprinklers					\$0.00		\$0.00
36 HVAC					\$0.00		\$0.00
37 Electrical					\$0.00		\$0.00
38 Fire Alarms/Security Systems					\$0.00		\$0.00
39 Energy/Solar					\$0.00		\$0.00
40 Termite Protection/Pest Control					\$0.00		\$0.00
41 Misc Bldg: (Specify Here)					\$0.00		\$0.00
42 Misc Bldg: (Specify Here)					\$0.00		\$0.00
43 Separate Community Building					\$0.00		\$0.00
44 General Requirements					\$0.00		\$0.00
45 Builder Overhead & Profit					\$0.00		\$0.00
46 Performance and Payment Bond					\$0.00		\$0.00
47 Cost Certification					\$0.00		\$0.00
<b>SUBTOTAL ELIGIBLE COSTS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>NON-ELIGIBLE COSTS</b>							
Other: (Specify Here)					\$0.00		
Other: (Specify Here)					\$0.00		
Other: (Specify Here)					\$0.00		
Other: (Specify Here)					\$0.00		
<b>SUBTOTAL NON-ELIGIBLE COSTS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

The undersigned hereby certifies that: (Check one)

There has not been and is not now any identity of interest between the mortgagor and/or the contractor or the contractor and subcontractors, material suppliers, equipment lessors or other entities contracted for this project:

Yes  No

Attached to and part of this certificate is a signed statement fully describing any identities of interest as set forth in the previous sentence.

All amounts shown have been reduced to give effect of the amount(s) of any rebates, adjustments, discounts or any other devices which had the effect of reducing the actual costs.

Contractor Signature \_\_\_\_\_ Print Name \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

DELAWARE STATE HOUSING AUTHORITY

**CONTRACTOR'S CERTIFICATION AND IDENTITY OF INTEREST DISCLOSURE (CC-102)**

Project Name \_\_\_\_\_  
DSHA No. \_\_\_\_\_  
Date \_\_\_\_\_

Now, therefore, the undersigned certifies that \_\_\_\_\_ has been paid  
\_\_\_\_\_ in connection with the construction of the project, that no rebates, have been or will be  
paid, and that the price paid was not in excess of the going rate in the locality for similar work or materials.

ATTEST: \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Witness \_\_\_\_\_  
Title

Whereas, in accordance with the provisions of the Delaware State Housing Authority regulations, as amended, the Delaware  
State Housing Authority has determined that there is an identity of interest between the Contractor and the following entities  
(underline all that apply): Mortgagor, Subcontractor, Material Supplier, Equipment Lessor, Other: \_\_\_\_\_

The undersigned certifies that it has received \_\_\_\_\_ in payment for work performed and/or materials supplied  
in connection with construction of the project, that no rebates have been or will be paid, and the amount received was not in  
excess of the going rate in the locality for similar work or materials.

\_\_\_\_\_  
Entity Name \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Witness \_\_\_\_\_  
Title

The undersigned certifies that it has received \_\_\_\_\_ in payment for work performed and/or materials supplied  
in connection with construction of the project, that no rebates have been or will be paid, and the amount received was not in  
excess of the going rate in the locality for similar work or materials.

\_\_\_\_\_  
Entity Name \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Witness \_\_\_\_\_  
Title

The undersigned certifies that it has received \_\_\_\_\_ in payment for work performed and/or materials supplied  
in connection with construction of the project, that no rebates have been or will be paid, and the amount received was not in  
excess of the going rate in the locality for similar work or materials.

\_\_\_\_\_  
Entity Name \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Witness \_\_\_\_\_  
Title

The undersigned certifies that it has received \_\_\_\_\_ in payment for work performed and/or materials supplied  
in connection with construction of the project, that no rebates have been or will be paid, and the amount received was not in  
excess of the going rate in the locality for similar work or materials.

\_\_\_\_\_  
Entity Name \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Witness \_\_\_\_\_  
Title

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>1 Sitework Utilities</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Sitework Utilities</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>2 Sitework</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Sitework</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>3 Site Recreation</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Site Recreation</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>4 Landscaping</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Landscaping</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>5 Roads/Parking</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Roads/Parking</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>6 Site Environmental Remediation</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Site Environmental Remediation</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>7 Bus Stop/Bus Shelter</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Bus Stop/Bus Shelter</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>8 Misc Site: (Specify Here)</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal (Specify Here)</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>9 Misc Site: (Specify Here)</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal (Specify Here)</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>10 Demolition</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Demolition</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>11 Building Environmental Remediation</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Building Environmental Remediation</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>12 Concrete</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Concrete</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>13 Masonry</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Masonry</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>14 Exterior Siding</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Exterior Siding</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>15 Rough Carpentry</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Rough Carpentry</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>16 Finished Carpentry</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Finished Carpentry</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>17 Kitchen and Bathroom Cabinetry</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Kitchen and Bathroom Cabinetry</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>18 Joint Sealant</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Joint Sealant</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>19 Insulation</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Insulation</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>20 Roofing</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Roofing</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.:		Project Address:	
Mortgagor:			
Contractor:			
Project Name:			

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>21 Misc. Metals</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Misc. Metals</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>22 Doors and Frames</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Doors and Frames</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>23 Windows</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Windows</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>24 Drywall</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Drywall</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.:		Project Address:	
Mortgagor:			
Contractor:			
Project Name:			

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>25 Vinyl (VCP, VCT, etc.)</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Vinyl (VCP, VCT, etc.)</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>26 Carpet</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Carpet</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>27 Ceramic Tile</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Ceramic Tile</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>28 Painting</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Painting</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>29 Window Treatments (Blinds, Curtains, Etc.)</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Window Treatments (Blinds, Curtains, Etc.)</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>30 Specialties</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Specialties</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>31 Toilet Accessories</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Toilet Accessories</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>32 Appliances</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Appliances</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.: \_\_\_\_\_ Project Address: \_\_\_\_\_  
 Mortgagor: \_\_\_\_\_  
 Contractor: \_\_\_\_\_  
 Project Name: \_\_\_\_\_

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>33 Elevators</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Elevators</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>34 Plumbing</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Plumbing</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>35 Sprinklers</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Sprinklers</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	
<b>36 HVAC</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal HVAC</b>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	

**DELAWARE STATE HOUSING AUTHORITY  
CC-101 SUPPLEMENTAL SCHEDULE**

DSHA No.:		Project Address:	
Mortgagor:			
Contractor:			
Project Name:			

Trade Item/Division	Paid	To Be Paid	Total	Expenditure Description
<b>37 Electrical</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Electrical</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>38 Fire Alarms/Security Systems</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Fire Alarms/Security Systems</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>39 Energy/Solar</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Energy/Solar</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	
<b>40 Termite Protection/Pest Control</b>				
(Specify Subcontractor/Vendor)				
<b>Subtotal Termite Protection/Pest Control</b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>	







**Attachment G – Mortgagor’s Cost Certification Forms**

DELAWARE STATE HOUSING AUTHORITY

**MORTGAGOR'S CERTIFICATE OF ACTUAL COSTS (CC-100)**

TO: Housing Director  
 Delaware State Housing Authority  
 18 The Green  
 Dover, DE 19901

DSHA Development Number  
 Mortgagor  
 Development Name  
 Development Address

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

This certificate is made pursuant to the provisions of the Building Loan Agreement between DSHA and \_\_\_\_\_ dated \_\_\_\_\_ . Upon approval, but not less than 30 days after said approval, the Delaware State Housing Authority will proceed to final closing. The actual cost to the owner of labor, materials, and necessary services for the construction of the physical improvements in connection with the subject project, after the deduction of rebates, adjustments, discounts, promotional or advertising allowances made or to be made to the mortgagor, sponsor, or any corporation, trust partnership, joint venture, or other legal entity in which they or any of them hold any interest as attached, if any. Reported mortgagor costs are as of draw \_\_\_\_\_ dated \_\_\_\_\_ and cost of construction is supported by DSHA Form CC-101, Contractor's Certificate of Actual Cost. **Please attach an itemized list of the payees and amounts for each line item.**

Cost Category	Original Budget Amount	Current Budget Amount	Paid in Cash	To Be Paid in Cash	Certified Total Actual Costs	Line Item Adjustment
<b>DSHA ELIGIBLE COSTS</b>						
1 Construction Cost					\$ -	\$ -
2 Developer's Fee					\$ -	\$ -
3 Performance & Payment Bond Fees					\$ -	\$ -
4 Architect's Design Fee					\$ -	\$ -
5 Architect's Supervision					\$ -	\$ -
6 Survey/Soil Boring/Engineering/Sub-consultants					\$ -	\$ -
7 Construction Legal/Organizational					\$ -	\$ -
8 Permanent Legal/Organizational					\$ -	\$ -
9 Appraisal/Market Study/Cap Needs Assess					\$ -	\$ -
10 Environmental Audit/Energy Audit/Site Assess					\$ -	\$ -
11 Permits & Fees					\$ -	\$ -
12 Letter of Credit Fees					\$ -	\$ -
13 Inspection Fees					\$ -	\$ -
14 Marketing					\$ -	\$ -
15 Rent-Up Fees					\$ -	\$ -
16 Fixtures, Furniture, & Equipment (FFE)					\$ -	\$ -
17 Construction Interest					\$ -	\$ -
18 Real Estate Taxes					\$ -	\$ -
19 Transfer/State Improvement Tax					\$ -	\$ -
20 Insurance					\$ -	\$ -
21 Construction Financing Fees					\$ -	\$ -
22 Permanent Financing Fees					\$ -	\$ -
23 Title & Recording					\$ -	\$ -
24 Cost Certification & Accounting					\$ -	\$ -
25 Land					\$ -	\$ -
26 Acquisition					\$ -	\$ -
27 Relocation					\$ -	\$ -
28 Relocation Operating Deficit Reserve					\$ -	\$ -
29 Contingency					\$ -	\$ -
30 Bond Legal					\$ -	\$ -
31 Bond Issuance					\$ -	\$ -
32 Tax Credit and DSHA Application Fees					\$ -	\$ -
33 Asset Management Fee					\$ -	\$ -
34 Other: <i>Specify Item Here</i>					\$ -	\$ -
35 Other: <i>Specify Item Here</i>					\$ -	\$ -
<b>SUBTOTAL DSHA ELIGIBLE COST (DSHA TDC)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DSHA NON-ELIGIBLE COSTS</b>						
36 DSHA 4% Bond Application Fees					\$ -	\$ -
37 Cash Working Capital Escrow					\$ -	\$ -
38 LIHTC Monitoring Fees					\$ -	\$ -
39 LIHTC Allocation Fees					\$ -	\$ -
40 Operating Reserve					\$ -	\$ -
41 Replacement Reserve					\$ -	\$ -
42 Carpeting Replacement Reserve					\$ -	\$ -
43 Transition/Subsidy Reserves					\$ -	\$ -
44 Syndication Legal and/or Accounting					\$ -	\$ -
45 Tax Escrow					\$ -	\$ -
46 Insurance Escrow					\$ -	\$ -
47 Other: <i>Specify Item Here</i>					\$ -	\$ -
<b>SUBTOTAL DSHA NON-ELIGIBLE</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL DEVELOPMENT COSTS</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**DELAWARE STATE HOUSING AUTHORITY**

**MORTGAGOR'S CERTIFICATE OF ACTUAL COSTS (CC-101)**

TO: Housing Director	DHSA Development Number	_____
Delaware State Housing Authority	Mortgagor	_____
18 The Green	Development Name	_____
Dover, DE 19901	Development Address	_____
		_____

The undersigned hereby certifies that except as noted in the appropriate part of this form, there has not been and is not now any identity of interest between the Mortgagor and the Contractor and/or any Subcontractors, Material, Suppliers, or Equipment Lessors. It is further certified, that except as noted, there are not and have not been any such relationships between the sponsor(s) of this project and the contractor and/or subcontractor, material supplier, or equipment lessor.

All references to "Identify of Interest" as defined below, has been read by the undersigned. Identity of interest between the Mortgagor and/or Sponsor as parties of the first part and Contractor, Lessors as parties of the second part will be construed as existing under any of the following conditions: Subcontractors, Material Suppliers, or Equipment.

Any relationship that would give the mortgagor or contractor control or influence over the prices paid to subcontractors is considered an identity of interest. The identity of interest relationship is usually created by a financial interest but could be other means such as a family relationship. When there is any financial interest of the mortgagor or the contractor in any subcontractor; When one or more of the officers, directors, partners, or stockholders of the mortgagor or contractor is also an officer, director, partner or stockholder of any subcontractor; When any officer, director, partner or stockholder of the mortgagor or contractor has any financial interest in any subcontractor; When any subcontractor advances any funds to the contractor or mortgagor; When any subcontractor provides and pays, on behalf of the mortgagor or contractor, the cost of any architectural services or engineering services or any other costs for which the subcontractor is not responsible under its subcontract; When any subcontractor takes stock or any interest in the mortgagor or contractor entity as part of the consideration to be paid; When there exists or comes into being any agreements, contracts or undertakings entered into or contemplated, thereby altering, amending or canceling any of the required closing documents, except as approved by DSHA; When there exists or comes into being any family relationship between the officers directors, stockholders or partners of the mortgagor or contractor entity and officers, directors, stockholders or partners or any subcontractor entities which could cause or results in control or influence over prices paid. Although somewhat synonymous with the term "Related Party" as defined by the AICPA in its Statement on Auditing Standards No. 6, DSHA's definition of an identity of interest relationship is broader and more inclusive. It is not anticipated that DSHA's position concerning identities of interest will place additional burden or responsibility upon the public accountant; however, DSHA expects the accountant to be alert for relationships which are or appear to be identities of interest as described above.

Identity of interest subcontracts will be approved, provided the following conditions are met:

- a. Approval by DSHA of the subcontract price and all other terms and conditions therein must be obtained prior to execution of the subcontracts and prior to the subcontractor's commencement of work or furnishing of materials or equipment. DSHA Form #D-105 to construction closing. In addition, DSHA Form #D-104 must be completed at each draw requisition where a subcontractor will be paid. There must be a separate contract for each trade in which there is an identity of interest. The subcontract must clearly identify the work to be done (either specifically or by reference to the general contract) and must specify the extent to which the work will be performed by (a) its own labor force and (b) its subcontractors. The subcontract must not be in excess of any applicable amount shown on the Trade Payment Breakdown.
- b. The subcontractor has demonstrated experience and capability in the specific trade covered by the subcontract.
- c. The subcontracts are no higher than the best prices which could be obtained from outside sources, where outside sources are available. Where not available, the price must not exceed that which is considered reasonable under the circumstances, and such price will be judged as if the party contracting with such subcontractor performed the work for his own account without a formal subcontract and a reasonable fee were added.
- d. While not mandatory or conclusive, some important factors are: whether the subcontractor does a significant portion of its business in the specific trade with persons or firms having no identity with it; and whether the subcontractor is established in the project area or is national in scope. The subcontractor should demonstrate that it will perform the subcontract as a "subcontractor" according to the customs of the particular trade, i.e., use and control of its own labor force, maintenance of payrolls, use of tools and equipment. It should perform the construction work by utilizing its own labor force to the extent customary in the particular trade and should not merely be a "paper" conduit subcontracting for the performance of work by others.
- e. In the event that the mortgagor or contractor shall enter into a contract with any other party (other than their own employees) for the performance of some or all of the duties and functions (such as subcontracting, coordinating or supervising the work) normally performed by the contractor under the construction contract, such other party and the amount and terms of such contract shall be subject to the review and approval of DSHA prior to the execution thereof and prior to the commencement of work. Any fee, profit or overhead paid to such other party and any costs incurred by such other party for the performance of duties and functions also performed by the contractor shall be ineligible for inclusion in the mortgagor's and contractor's certificates of actual cost. Such other party shall be included within the term "contractor" as used in this guide, shall certify to costs on a separate DSHA Form #CC-101 in the same manner as the contractor, and shall comply with and be subject to all of the terms and requirements herein applicable to the contractor, except to the extent otherwise provided in this subparagraph or waived by DSHA in writing.

DELAWARE STATE HOUSING AUTHORITY

**MORTGAGOR'S CERTIFICATE OF ACTUAL COSTS (CC-101)**

TO: Housing Director  
Delaware State Housing Authority  
18 The Green  
Dover, DE 19901

DSHA Development Number \_\_\_\_\_  
Mortgagor \_\_\_\_\_  
Development \_\_\_\_\_  
Development Address \_\_\_\_\_  
\_\_\_\_\_

f. When there is any financial interest of the party of the first part in the party of the second part; When one or more officers, directors, or stockholders of the party of the first part is also an officer, director, or stockholder of the party of the second part; Where any officer, director, or stockholder of the party of the first part has any financial interest whatsoever in the party of the second part; When the party of the second part advances any funds to the party of the first part: When the party of the second part promises and pays on behalf of the party of the first part the cost of any architectural services or engineering services, other than those of the surveyor, or general superintendent or engineer employed by the contractor in connection with his/her or its obligation under the construction contract; When the party of the second part takes stock or any interest in the party of the first part as part of the consideration to be paid to them; When there exists or comes into being any side deals, agreements, contracts, or undertakings, entered into or contemplated, thereby altering, amending, or canceling any of the required closing documents except as approved by the Housing Director of the Delaware State Housing Authority.

Sponsor(s)

\_\_\_\_\_  
(Mortgagor Name)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print)

\_\_\_\_\_  
(Title)

The following identities of interest exist (if NONE exist, check box):

\_\_\_\_\_  
(Mortgagor Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Management Company)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Equipment Lessor Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Contractor Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Subcontractor Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Material Supplier Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)



**DELAWARE STATE HOUSING AUTHORITY**  
**ELIGIBLE BASIS BY CREDIT TYPE (CC-103)**

DEVELOPMENT	TAX CREDIT ELIGIBLE BASIS CALCULATION
	NEW CONSTRUCTION/REHAB
<b>Total Development Costs (Total from CC-100)</b>	\$ -
<b>Less: Ineligible Basis Items</b>	
Land Value/Acquisition Costs	
Transfer Taxes not in Acquisition	
Demolition Costs/Fees to Ready Land for New Construction	
Transferred Reserves/Escrows	
Federal Below Market Loans or Grants/Other Grants	
Permanent Loan Financing Fees	
Legal Related to Permanent Loans	
Title and Recording	
Relocation Operating Deficit Reserve	
Relocation	
Rent Up Fees	
Marketing Fees	
Real Estate Taxes Expensed	
Construction Interest Expensed	
Insurance Expensed	
Cost Certification & Accounting Fees	
Working Capital/Other LOC Fees	
Bond (4%) Issuance Costs	
Bridge Loan Interest or Fees	
Non-residential/Commercial Costs	
Contingency	
Historic Tax Credits (Federal)	
<b>Non-Eligible DSHA Costs</b>	\$ -
DSHA 4% Bond Application Fees	\$ -
Cash Working Capital Escrow	\$ -
LIHTC Monitoring Fees	\$ -
LIHTC Allocation Fees	\$ -
Operating Reserve	\$ -
Replacement Reserve	\$ -
Carpeting Replacement Reserve	\$ -
Transition/Subsidy Reserves	\$ -
Syndication Legal and/or Accounting	\$ -
Tax Escrow	\$ -
Insurance Escrow	\$ -
Other: <i>Specify Item Here</i>	\$ -
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
<b>Subtotal Ineligible Basis Items</b>	\$ -
<b>Plus: Eligible Basis Items not in DSHA TDC</b>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
<b>Subtotal Other Eligible Basis Items</b>	\$ -
<b>Adjusted Basis</b>	\$ -
Times QCT or DDA Adjustment (if applicable up to 130%)	
<b>Total Eligible Basis</b>	\$ -
Times Applicable Fraction (lessor of project's unit or floor space fraction)	
<b>Total Adjusted Eligible Basis</b>	
Times LIHTC Monthly Rate (as required by Section 42(b)(2))	
<b>Total Rehab/New Construction LIHTC Eligibility</b>	
Plus Acquisition Credit (if applicable)	\$ -
<b>Total Combined LIHTC Eligibility</b>	
<b>Total LIHTC Requested/Reserved</b>	

**DELAWARE STATE HOUSING AUTHORITY**  
**ELIGIBLE BASIS BY CREDIT TYPE (CC-103)**

DEVELOPMENT	TAX CREDIT ELIGIBLE BASIS CALCULATION
	ACQUISITION
<b>Total Land/Acquisition Costs (Total from CC-100)</b>	\$ -
<b>Less: Ineligible Basis Items</b>	
Land Value	
Transfer Taxes Related to Acquisition	
Transferred Reserves/Escrows in Acquisition	
Title and Recording Related to Acquisition	
Bridge Loan Interest or Fees Related to Acquisition	
Bond Prepayment Penalty	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
<b>Subtotal Ineligible Basis Items</b>	<b>\$ -</b>
<b>Plus: Eligible Basis Items not in DSHA TDC</b>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
Other: <i>Specify Here</i>	
<b>Subtotal Other Eligible Basis Items</b>	<b>\$ -</b>
<b>Adjusted Basis</b>	<b>\$ -</b>
Times Applicable Fraction (lessor of project's unit or floor space fraction)	
<b>Total Adjusted Eligible Basis</b>	
Times LIHTC Monthly Rate (as required by Section 42(b)(2))	
<b>Total Acquisition LIHTC Eligibility</b>	<b>\$ -</b>

**DELAWARE STATE HOUSING AUTHORITY**  
**SOURCES OF FUNDS (CC-104)**

DEVELOPMENT NAME: \_\_\_\_\_

For Residential Portion Only

List all sources of actual and anticipated funds. Your list must include all federal, state, and local subsidies you have received or expect to receive with respect to the Project.

**A. CONSTRUCTION AND BRIDGE FINANCING (ALL SOURCES)**

Source of Funds / Name of Lender	Amount	Interest Rate	Term (Mths)
Deferred Developer Fee			
\$ -			

**B. PERMANENT FINANCING - AMORTIZING AND DEFERRED DEBT**

Source of Funds / Name of Lender	Amount	Interest Rate	Term / Call (Years)	Annual Debt Service Cost
\$ -				\$ -

**C. PERMANENT FINANCING - GRANTS AND SUBSIDIES**

Source of Funds / Name of Lender	Type of Grant or Subsidy	Amount
		\$ -
		\$ -
		\$ -
		\$ -
		\$ -
		\$ -
		\$ -
		\$ -

**D. PERMANENT FINANCING - OTHER** (General Partner Loans, LIHTC Equity, Reserves, etc.)

Source of Funds / Name of Lender	Description	Amount
Developer Funds (4% Bond Fees)	Paid Prior to Construction Closing	\$ -
LIHTC Gross Equity	(Investor Name)	\$ -
		\$ -

**TOTAL PERMANENT SOURCES (B, C, AND D ONLY)**

Sources	Amount
B. Permanent Financing	\$ -
C. Grants and Subsidies	\$ -
D. Other Sources	\$ -
<b>Total Permanent Sources</b>	<b>\$ -</b>

**GROSS EQUITY CALCULATION**

Sources	Amount
A. Tax Credit Allocation	\$ -
B. Equity Pricing	
C. Investor Member Percentage	
<b>Total Gross Equity</b>	<b>\$ -</b>

**DELAWARE STATE HOUSING AUTHORITY**  
**PROJECT/OWNER INFORMATION - 8609 WORKSHEET (CC-105)**

The information provided below will be used when preparing the 8609(s).

DEVELOPMENT NAME

OWNER ENTITY

OWNER ADDRESS

City

State

Zip

TIN/EIN

TAX ALLOCATION DATE

PROJECT SUBSTANTIAL COMPLETION DATE





**DELAWARE STATE HOUSING AUTHORITY**

**BOND FINANCING (CC-107)**

**DEVELOPMENT NAME:** \_\_\_\_\_

Complete the information below. List the items and amounts from CC-100 (Mortgagor's Actual Certification of Cost) for the Total Development Costs that are included in the aggregate basis of the Building(s) and Land in the Project that is financed with tax-exempt bonds.

**Is taxable bond financing used?**                       Yes                       No                      Amount: \_\_\_\_\_

**Is tax-exempt financing used?**                       Yes                       No                      Amount: \_\_\_\_\_

**If tax-exempt financing is used, complete the following:**

**A.**    Amount of Aggregate basis of the Building(s) and Land in the Project financed with tax-exempt bonds                      \_\_\_\_\_

**B.**    Amount of Aggregate basis of the Building(s) and Land                      \_\_\_\_\_

**C.**    Percentage of aggregate that is financed with tax-exempt bonds                      0.00%

**D.**    At least 50% of the Project's aggregate basis is financed with tax-exempt bonds?                       Yes                       No  
*Must provide ICPA completed 50% test for confirmation.*

**E.**    Name of issuer of tax-exempt financing                      \_\_\_\_\_

**F.**    Bond closing date                      \_\_\_\_\_

**Attachment H – 50% Test**

**DELAWARE STATE HOUSING AUTHORITY**

**50% TEST - AGGREGATE BASIS**

TO: Housing Director  
 Delaware State Housing Authority  
 18 The Green  
 Dover, DE 19901

DSHA Development Number  
 Development Name  
 Development Address

\_\_\_\_\_  
 \_\_\_\_\_  
**See Individual Site Aggregate Basis Tab**

**DIRECTIONS:** Enter all project costs incurred as of \_\_\_\_\_ by site on the appropriate tab starting with (Site 1 Name) tab.  
 The aggregate of all costs will be calculated on the TOTAL AGGREGATE BASIS TAB. Each site must meet the 50% test and the aggregate of all sites must also meet the 50% test. Substitute forms or any changes made to these forms will NOT be accepted by DSHA and failure to use these forms may jeopardize the allocation of Low Income Housing Tax Credits.

Project Costs	Total Development Costs	Aggregate Basis (Acquisition)	Aggregate Basis (Rehab/New Construction)	Total Aggregate Basis
<b>DSHA ELIGIBLE COSTS</b>				
1 Construction Costs	\$ -	\$ -	\$ -	\$ -
2 Developer's Fee	\$ -	\$ -	\$ -	\$ -
3 Performance & Payment Bond Fees	\$ -	\$ -	\$ -	\$ -
4 Architect's Design Fee	\$ -	\$ -	\$ -	\$ -
5 Architect's Supervision	\$ -	\$ -	\$ -	\$ -
6 Survey/Soil Boring/Engineering/Sub-consultants	\$ -	\$ -	\$ -	\$ -
7 Construction Legal/Organizational	\$ -	\$ -	\$ -	\$ -
8 Permanent Legal/Organizational	\$ -	\$ -	\$ -	\$ -
9 Appraisal/Market Study/Cap Needs Assessment	\$ -	\$ -	\$ -	\$ -
10 Environmental/Energy Audit/Site Assessment	\$ -	\$ -	\$ -	\$ -
11 Permits & Fees	\$ -	\$ -	\$ -	\$ -
12 Letter of Credit Fees	\$ -	\$ -	\$ -	\$ -
13 Inspection Fees	\$ -	\$ -	\$ -	\$ -
14 Marketing	\$ -	\$ -	\$ -	\$ -
15 Rent Up Fees	\$ -	\$ -	\$ -	\$ -
16 Fixtures, Furniture, & Equipment (FFE)	\$ -	\$ -	\$ -	\$ -
17 Construction Interest	\$ -	\$ -	\$ -	\$ -
18 Real Estate Taxes	\$ -	\$ -	\$ -	\$ -
19 Transfer and State Improvement Tax	\$ -	\$ -	\$ -	\$ -
20 Insurance	\$ -	\$ -	\$ -	\$ -
21 Construction Financing Fees	\$ -	\$ -	\$ -	\$ -
22 Permanent Financing Fees	\$ -	\$ -	\$ -	\$ -
23 Title & Recording	\$ -	\$ -	\$ -	\$ -
24 Cost Certification & Accounting	\$ -	\$ -	\$ -	\$ -
25 Land	\$ -	\$ -	\$ -	\$ -
26 Acquisition	\$ -	\$ -	\$ -	\$ -
27 Relocation	\$ -	\$ -	\$ -	\$ -
28 Relocation Operating Deficit Reserve	\$ -	\$ -	\$ -	\$ -
29 Contingency	\$ -	\$ -	\$ -	\$ -
30 Bond Legal	\$ -	\$ -	\$ -	\$ -
31 Bond Issuance	\$ -	\$ -	\$ -	\$ -
32 Tax Credit and DSHA Application Fees	\$ -	\$ -	\$ -	\$ -
33 Asset Management Fee	\$ -	\$ -	\$ -	\$ -
34 Other (Specify Here)	\$ -	\$ -	\$ -	\$ -
35 Other (Specify Here)	\$ -	\$ -	\$ -	\$ -
<b>DSHA NON-ELIGIBLE COSTS</b>				
DSHA 4% Bond Application Fees	\$ -	\$ -	\$ -	\$ -
Cash Working Capital Escrow	\$ -	\$ -	\$ -	\$ -
LIHTC Monitoring Fees	\$ -	\$ -	\$ -	\$ -
LIHTC Allocation Fees	\$ -	\$ -	\$ -	\$ -
Operating Reserve	\$ -	\$ -	\$ -	\$ -
Replacement Reserve	\$ -	\$ -	\$ -	\$ -
Transition/Subsidy Reserves	\$ -	\$ -	\$ -	\$ -
Syndication Legal and/or Accounting	\$ -	\$ -	\$ -	\$ -
Tax Escrow	\$ -	\$ -	\$ -	\$ -
Insurance Escrow	\$ -	\$ -	\$ -	\$ -
Other (Specify Here)	\$ -	\$ -	\$ -	\$ -
Other (Specify Here)	\$ -	\$ -	\$ -	\$ -
<b>TOTAL DEVELOPMENT COSTS</b>	\$ -	\$ -	\$ -	\$ -
<b>TOTAL TAX EXEMPT BOND FINANCING:</b>				\$ -
<b>AGGREGATE BASIS FINANCED WITH TAX EXEMPT BONDS:</b>				