

Connecticut Housing Finance Authority

CHFA Developer Training Seminars

Final Closing

prepared by the

Technical Services Department





Welcome to CHFA

- This seminar is the fifth presentation for a series of five seminars defining the Technical Services procedures for multifamily developments
- This series will highlight each phase of the Technical Services review process in succession:
 1. Phase I - Pre-Application (Pre-Design/Site Analysis) – 4/24/07
 2. Phase II - Pre-Application Review Process (Feasibility/Concept) – 6/19/07
 3. Phase III – Full Application (Design Development/Construction Development) – 8/14/07.
 4. Phase IV - CHFA Approval/Initial Closing – 11/13/07
 - 5. Phase V - Final Closing – 1/15/08**
- This seminar outlines Technical Services' expectations and requirements for the Final Closing Process





CHFA Technical Services

- CHFA Technical Services Staff:
 - Mark Hirsch – Manager, Architectural & Construction Development
 - August Sarno – Senior Architect/Environmental Reviewer
 - Charles Emerson – Architect
 - Orrie Vardar – Field Observer
 - Robert Ottiano – Development Cost Analyst
- The goal for Technical Services is to facilitate the development of quality affordable multifamily housing at the most reasonable cost
- Housing units must be constructed to last the term of the mortgage (typically 40 years) – plus any extended use terms (up to 15 years)



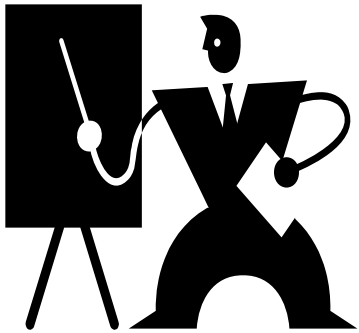


What Technical Services Does

- Implements the CHFA Standards of Design and Construction through:
 - Development Team Review
 - Design/Construction Documents Review
 - Development/Construction Cost Review
 - Construction Observation

- Review Considerations
 - Utility
 - Convenience
 - Health and Safety
 - Accessibility
 - Comfort
 - Indoor Air Quality
 - Quality Materials
 - Durable Details
 - Energy Efficiency
 - Sustainability/Resource Conservation





Seminar Outline

- As-Built A-2 Survey
- As-Built Plans and Specifications
- Lien Waivers
- Warranties
- Statement of Compliance from the Environmental Consultant
- Identified Environmental Compliance Issues
- Bonding Company
- Certification of General Contractor Form
- Cost Certification Requirements



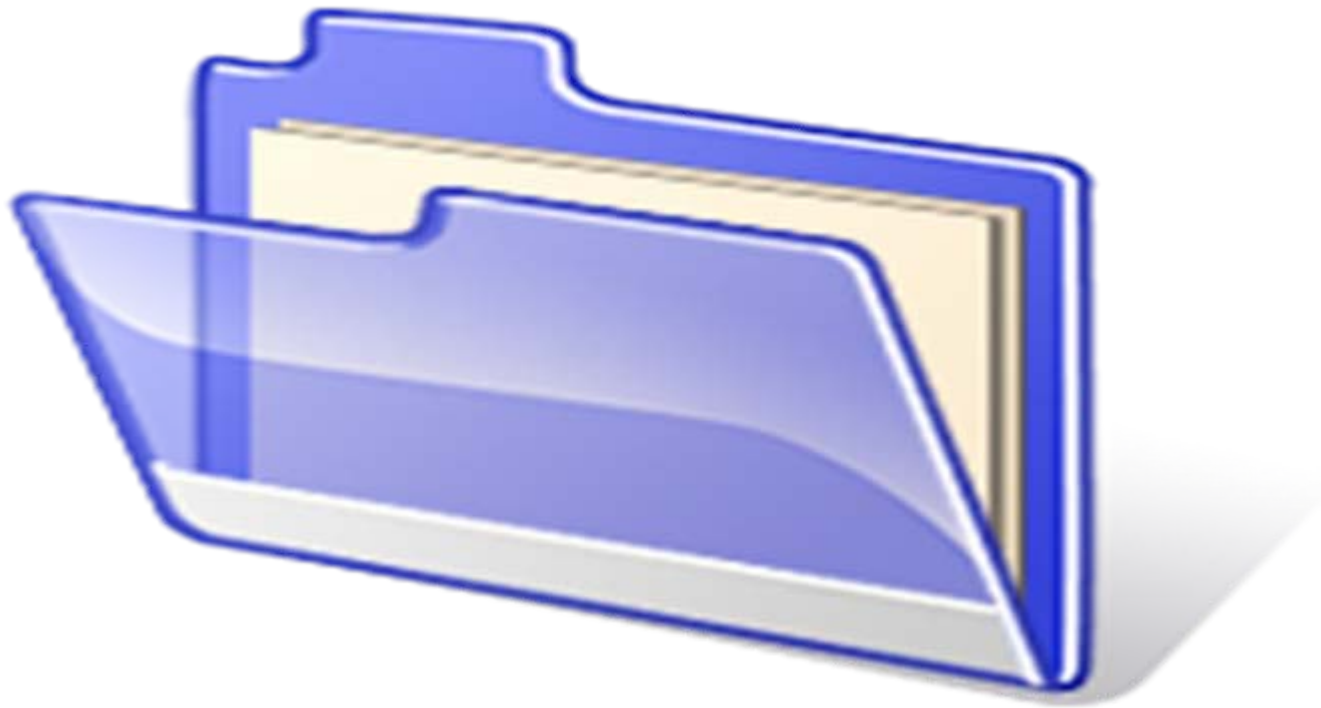


Seminar Outline

- CHFA Certification Methodology
- Certification Linkages
- Contractor's Cost Certification
- Mortgagor's Cost Certification
- Maximum Mortgage Letter
- Mortgagor's Supplemental Cost Certification
- Carryover Allocation Agreement Certification Information
- LIHTC Cost Certification



FINAL CLOSING DOCUMENTS

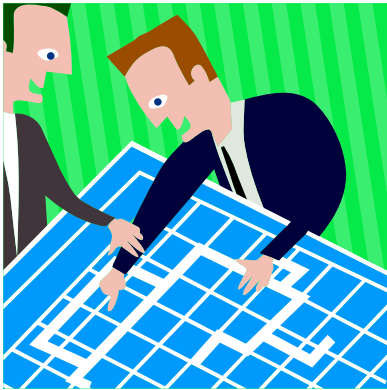




As-Built A-2 Survey

- Prepared by Licensed Surveyor
- Verified by Title Company
- Metes and Bounds
- Utilities – Sizes & Locations
- Catch Basins – Locations & Inverts
- Telephone Poles – Locations & Numbers
- Legal Description – CHFA Language (See Handout)
- Signed, Dated & Embossed Seal of Surveyor
- Easement Location & Description
- Two (2) copies with Original Signatures to be submitted to CHFA.





As-Built Plans & Specifications

- Prepared by the Architect from information submitted by the General Contractor (“GC”)
- GC information to be verified by the Architect
- Plans & Specifications labeled “As-Built” by the Architect, with an original signature & date
- One (1) copy of each to be submitted to CHFA

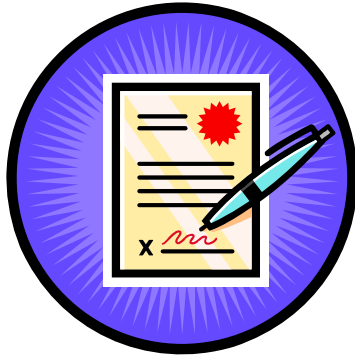




Lien Waivers

- General Contractor to submit final lien waivers from subcontractors and material suppliers
- Form shall be typical CHFA Form (see handout)
 - <http://www.chfa.org/Multifamily/LIENTRAC.xls>

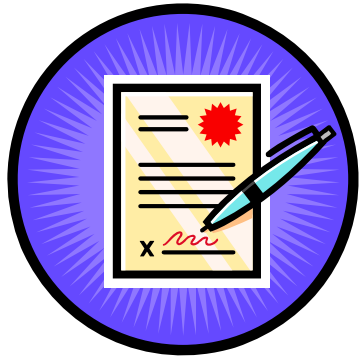




Warranties

- Warranties shall be submitted for all items specified in the Project Manual
- Minimum & extended material and labor warranty requirements shall comply with CHFA Standards of Design and Construction





Required CHFA Warranties

- General Contractor – 1-year warranty
- Roof Shingles – 30 year material, 10 year labor (no dollar limit)
- Vinyl Siding–20 years material and labor (no dollar limit)
- Exterior Insulation and Finish System – 10 years material and labor (no dollar limit)
- Membrane Roofing – 15 years material and labor (no dollar limit)
- Windows and Exterior Doors – 10 year minimum on the entire assembly (window units and installation)
- HVAC – 5 years on equipment

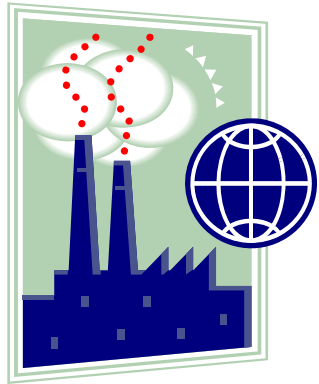




Additional Warranties

- Miscellaneous warranties as provided by the manufacturers for specified products and equipment
- Miscellaneous labor warranties as provided by manufacturer's trained/approved installers, in conjunction with the manufacturers of specified products and equipment

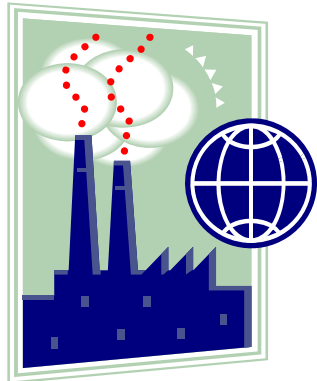




Statement of Compliance from the Environmental Consultant

- The Owner's Environmental Consultant shall provide a Statement of Compliance indicating that, based on the review of documents, the required abatement and/or site remediation work was completed and the property is in compliance with Federal State & Local Regulations





Identified Environmental Compliance Issues

- Environmental Site & Building Issues identified in Phase I, II and III Environmental Site Assessment Reports shall be noted in the Consultant Statement of Compliance. Issues requiring the Statement may be:
 - Underground/Above Ground Storage Tanks
 - Contaminated Soil and/or Groundwater
 - Lead Paint Removal/Disposal/Abatement
 - Asbestos Abatement
 - PCB, Drinking Water, Mold, Urea Formaldehyde Insulation
 - Radon Mitigation & Testing
 - Hazardous Material/Chemical/Waste Removal/Disposal
 - Environmental Land Use Restriction (ELUR)





Bonding Company

- Bonding company shall provide written consent to release of retainage
- Consent shall include CHFA as dual obligee
- Document shall be original document, signed & sealed





Certificate of General Contractor

- Shall be CHFA Certificate of General Contractor Form (See Handout)
 - <http://www.chfa.org/Multifamily/CertOfGenContractor.doc>





Cost Certification Requirements *(Why Certifications are Required)*

- Mandated by Internal Revenue Code Section 42 and CHFA Procedures
- Mandated by the Terms and Conditions of the Carryover Allocation Agreement for 9% credits as signed by the Limited Partnership and CHFA
- To compute the final 4% Tax Credit Allocation for projects with Tax-Exempt Bond funding using final qualified basis and recalculation of the 50% test





CHFA Certification Methodology

- All sponsor submitted certifications are reviewed and examined using the final, Underwritten Total Development Budget, and final recognized listing of Funding Sources as templates in both the Mortgagor's & the LIHTC Cost Certifications
- Regarding the Contractor's Cost Certification, the total cost amount(s) as determined by CHFA Form 2328, or Schedule of Values, and reflected in the Total Development Budget, plus CHFA Approved Change Order(s) totals will be used as a template for review and examination
- See Handout
- <http://www.chfa.org/Multifamily/CertificationReviewMethodology.pdf>





Certification Linkages

- The CHFA recognized Contractor's Cost Certification amount fixes Recognized Cost in both the Mortgagor's Cost Certification and the LIHTC Cost Certification
- The Mortgagor's Cost Certification fixes the upper limits of recognized costs in the LIHTC Cost Certification
- The Mortgagor's Cost Certification review does not determine eligible basis or provide a gap analysis
- The LIHTC Cost Certification review determines final eligible basis, gap analysis and determines the final Tax Credit Allocation as represented on IRS Form(s) 8609





Contractor's Cost Certification

- Must be prepared by an independent, Certified Public Accountant
- Required to be submitted within 60 days of substantial completion
- Shall certify to costs actually paid and costs to be paid within 45 days of final payment
- Certification shall include costs of approved change orders





Contractor's Cost Certification

- Prepared by Accountant using Construction Divisions 1-16
- Change Orders listed separately
- See handout
- <http://www.chfa.org/Multifamily/CHFA-Form2330A-MR07.xls>





Mortgagor's Cost Certification

- Mortgagor's Cost Certification is required within sixty (60) days of the project's substantial completion date
- Mortgagor's Cost Certification shall be prepared by an independent Certified Public Accountant
- Cost Certification shall cover development costs paid & costs to be paid by the Mortgagor within forty-five (45) days of Final Closing
- Format of Cost Certification shall follow signed development budget, approved and signed at Initial Closing or subsequently amended, approved and signed
- See Handout
- <http://www.chfa.org/Multifamily/CHFA-Form2330-MR05B.doc>





Maximum Mortgage Letter

- Maximum Mortgage Letter (“MML”) is prepared by CHFA after completion of the Mortgagor’s Cost Certification Review
- MML is prepared by staff & submitted to President-Executive Director for signature and then sent to Mortgagor for signature
- Once signed by Mortgagor and returned to CHFA, the CHFA Legal Department is notified and the Final Closing procedure commences
- See Handout





Mortgagor's Supplemental Cost Certification

- Certification is required within 60 days of Final Closing
- Certification shall cover only those items paid after Final Closing
- Certification shall be on CHFA Form (see handout)
 - <http://www.chfa.org/Multifamily/CHFA-Form2330SUPP-MRO7B.doc>
- Certification is required to be submitted and accepted by CHFA before any reduction in the Good Faith and Working Capital Escrow will be considered



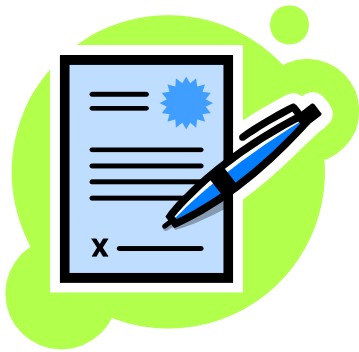
Carryover Allocation Agreement Certification Information



- Defines the terms under which the Tax Credit Allocation is awarded relative to the 24 month period ending in the “Placed in Service Date(s)”
- Iterates: “The Owner’s covenants that each Building in the Project will be ‘placed in service’ by...”
- Iterates: The Internal Revenue Service (the “IRS”) determines the final eligibility of the credit allocated
- See Handout



Carryover Allocation Agreement Certification Information



- Determines “procedures for analysis of cost until the issuance of IRS Form(s) 8609...(as determined by ...) the final analysis of eligible basis and gap analysis”
- Determines penalties for failure to satisfy the Terms and Conditions of the Carryover Allocation Agreement and reduction in the credit allocation due to reduction in eligible basis or a gap analysis determination of over-funding.





LIHTC Cost Certification

- Must be prepared to an Audit Standard by an independent Certified Public Accountant
- The following documentation must accompany the LIHTC Cost Certification
 - Final Certificate(s) of Occupancy
 - Documentation of financing, i.e., executed copies of the final Mortgage Notes and/or Mortgage Deeds
 - Copy of all Environmental Report(s) and documentation from environmental consultant evidencing remediation of all hazardous materials
 - Amended and Restated Limited Partnership Agreement



LIHTC Cost Certification



- For multiple building projects, each building is certified on a per building basis
- See Handout
- <http://www.chfa.org/Multifamily/LIHTC-CostCertificationSubmissionForm.doc>



QUESTIONS?

