



---

# Connecticut Housing Finance Authority

---

Advance Preparation  
Guidelines

2020

---

**These Guidelines are effective August 2019**

**TABLE OF CONTENTS**

I. APPLICATIONS FOR REQUISITIONS .....3

II. LIEN WAIVER – MATERIAL AND LABOR .....4

III. VERY LOW-INCOME POLICY STATEMENT AND STATUS REPORT .....4

IV. INSTRUCTIONS FOR SUBMITTING APPLICATIONS FOR ADVANCE OF  
MORTGAGE PROCEEDS, EQUITY & GRANT FUNDS .....4

V. APPROVAL DOCUMENTS DURING CONSTRUCTION .....5

VI. COMMON ISSUES WHEN SUBMITTING A GC’s REQUISITION .....6

VII. APPENDIX – CAPITAL COSTS.....7

## I. APPLICATIONS FOR REQUISITIONS

- A. The GC will maintain an achievable construction progress schedule posted in the construction field office. An up-to-date schedule will be required as part of the GC's requisition package. The development team will prepare a project schedule which must include: start date and completion date that align with the construction contract; time durations shown for punch list activities and expected occupancy date(s); and, start and end dates for the major construction activities necessary to realize project completion. The project schedule shows the progress of each of the major construction activities and illustrates an overall summary completion percentage of all activities. This percentage is also noted on the monthly requisitions.
- B. Pencil-copies of all requisitions for payment will be made available to the CHFA Field Observer a week prior to submission. This requirement is designed to enable the CHFA Field Observer to review, question and comment on the proposed requisition, and determine whether the job completion percentage represented on the requisition is reasonable, before it is prepared in final form.
- C. Requisitions for completed work shall consist of one original copy, signed by the architect, GC and developer/owner. If a formal request for stored materials has been accepted by CHFA, a request for payment for on-site inventory must be made through the CHFA form entitled "Contractor's On-site Inventory Requisition".
- D. Paid invoices showing quantities and dollar amounts must be provided as back up for inventory.
- E. Requisition for approved change orders may be submitted after the related work has been completed.
- F. The requisition number of a change-order requisition shall match the one on the regular construction.
- G. The typical GC requisition will include three CHFA forms:
  - 1. CHFA "**General Contractor's Requisition**" – with architect's certification on the back of the same page;
  - 2. CHFA "**General Contractor's Change Order Requisition**" - with architect's certification on the back of the same page; and,
  - 3. CHFA "**Contractors On-site Inventory Requisition**" – signature spaces are at the bottom of the form.
- H. Lien waivers will be required upon reaching and/or exceeding the following construction percent completions: 25%, 50%, 75%, and prior to release of retainage. Percent completion is reflected on the Contractor's Requisition. Lien waivers must reflect work completed by all subcontractors and vendors paid since the prior submission of lien waivers. A list of subcontractors/suppliers should be submitted with the lien waivers. Submitted lien waivers will be reconciled with the prior months' requisitions. Each lien waiver must be signed and notarized. If 100% of the lien waivers for the prior months are not submitted, the monthly **requisition will not be paid**. If hard cost savings has been realized and submitting 100% lien waivers for the prior months requisition is not possible, a credit change order documenting this savings is recommended so this savings can be used in the project for additional betterments. Otherwise, the contractor should submit a lien waiver for this differential to document the profit received.

- I. Progress photographs shall be submitted to CHFA each month, with the monthly requisition. Photographs shall be representative of the work completed throughout the project for that month. Photographs shall also be identified (location and type of work), dated and organized in sheets. The photographs shall be printed on 8-1/2" x 11" paper. All photos must be taken and printed with a resolution that enables a clear view of the subject matter.

## **II. LIEN WAIVER – MATERIAL AND LABOR**

Please note: there are three Connecticut Housing Finance Authority (CHFA) Lien Waiver-related forms which can be found on the CHFA website [here](#).

Lien Waiver Form (Material and Labor)  
FOR GENERAL CONSTRUCTION

Lien Waiver Form (Material and Labor)  
FOR CONSTRUCTION CHANGE ORDER

Lien Waiver Summary Sheet

## **III. VERY LOW-INCOME POLICY STATEMENT AND STATUS REPORT**

Please note: there are three documents for the Connecticut Housing Finance Authority (CHFA) Very Low-Income (VLI) Policy which can be found on the CHFA website.

[VLI - Construction Employment - Policy Statement](#)

[VLI - Construction Employment Status Report](#)

[VLI - Section 3 Summary Report - Economic Opportunities for Low and VLI Persons](#)

## **IV. INSTRUCTIONS FOR SUBMITTING APPLICATIONS FOR ADVANCE OF MORTGAGE PROCEEDS, EQUITY & GRANT FUNDS**

Owner/developer must forward the "Application for Advance of Mortgage Proceeds, Equity & Grant Funds" form, the GC's Requisition, the Change Order Requisition (with CHFA Field Observer's approval), and all supporting documentation (collectively the "Advance") to CHFA's underwriter or asset manager either electronically or by mail. Advances are due by the 5<sup>th</sup> of each month, any funds requested after the 5<sup>th</sup> of the month may risk being delayed until the following month. CHFA allows only advance per month. CHFA requires a minimum of five (5) business days to process each Advance.

Following is a list of documents that are to be included with each Advance:

1. "Application for Advance of Mortgage Proceeds, Equity & Grant Funds" form signed by duly authorized signatory for the Mortgagor;
2. Advance detail;
3. Set of soft cost invoices clearly categorized to correspond with amounts requested for each line item;
4. GC's requisition signed by duly authorized signatory for the GC, architect, and CHFA Field Observer, including architect's certification statement and CHFA Field Observer's statement, which is on the reverse side of contractor's requisition;
5. GC's change order requisition signed by duly authorized signatory for the GC, architect, and CHFA Field Observer, including architect's certification statement and CHFA Field Observer's statement, which is on the reverse side of the GC's change order requisition; **please upload both sides of the GC's and GC's change order requisitions for electronic submission;**
6. Accounting of on-site inventory (if applicable) signed by duly authorized signatory for the GC, architect and CHFA Field Observer and any new material invoices;
7. GC's multiple building-construction cost breakdown form signed by duly authorized signatory for the GC (if applicable);
8. Updated Construction schedule;
9. Set of original progress photos (monthly, with job name, requisition #, description); and,
10. Very Low-Income Construction Employment Status Report signed by the Mortgagor and/or the GC.
11. Lien Waivers and Lien Waiver summary sheets are to be submitted upon reaching and/or exceeding 25%, 50%, and 75% construction completion, as well as prior to the release of retainage. Lien waivers must be signed and notarized and are to be submitted in color copy via ShareFile.
12. A copy of the project's subcontractor/supplier list should be submitted at the same intervals as lien waivers in order to assist with reconciliation.

**Electronic package must be submitted in color and all signature documents must be executed in blue ink.**

## **V. APPROVAL DOCUMENTS DURING CONSTRUCTION**

On a monthly basis CHFA will send out the approval documents and excel spreadsheets once funds are scheduled to be disbursed. This can be through email and/or the ShareFile site set up for the development.

Upon permission from the Developer/Owner, CHFA will share the approval documents with the GC's and the Developer/Owner's independent third-party Certified Public Accountants (the "accountants") at regular intervals, which will be established in the loan document(s) executed by all parties. The goal for sharing the approval documents with the accountants is to encourage interim audits throughout the construction phase so that when the certificate(s) of occupancy is issued, the final cost certification is virtually complete. Cost certification must be submitted and accepted prior to final closing. Due to the complexity of the rules governing CHFA's Multifamily Rental Housing and the LIHTC programs, all participants are urged to seek appropriate legal and accounting advice regarding construction-related matters, monthly draw requests, cost certifications and other matters associated with the disbursement of CHFA funding. Borrowers/mortgagors and general contractors may engage accounting and legal representation of their choice without CHFA approval, and are urged to do so at an early stage in the processing/underwriting of CHFA financing. (Please see the Cost Certification Guidelines for more information).

## **VI. COMMON ISSUES WHEN SUBMITTING A GC's REQUISITION**

- A. Lien waivers must be submitted from **ALL** subcontractors and vendors that equal 100% of the amount paid from the previous requisitions upon reaching and/or exceeding the following construction completion percentages: 25%, 50%, 75% and at release of retainage.
  - 1. Blanket lien waivers are not acceptable; and,
  - 2. A lien waiver summary sheet must also be submitted.
  - 3. Lien waivers that are not submitted on the official CHFA Lien Waiver form will not be accepted.
- B. There should be no editing formulas in the contractor's requisition; any numbers input should be rounded down to the nearest whole dollar.
  - 1. Formulas are put in place in the template to auto-calculate when needed.
- C. Change orders must be approved by CHFA Technical Services before requisitioning for them.
- D. The latest Excel workbooks should be used
  - 1. The developer should be sending the latest, updated Excel workbooks which include changes, if any, that were made on the last requisition; and,
  - 2. It is important to use the latest version to ensure that if there is an error, it won't be carried through to the next month's requisition.
- E. General requirements monthly requisition amount is a calculation which is based off of months of construction per the GC contract.
- F. It is important that the amount requested for payment per line item is never more than the budgeted amount for that line item. If a line item budgeted amount is not sufficient to cover the amount actually expended, the Mortgagor should be notified. The CHFA underwriter or asset manager should need to be contacted immediately by Mortgagor regarding the issue.
- G. Paid invoices detailing the actual amounts paid for bond premium costs and building permit fees are required for reimbursement.

## VII. APPENDIX – CAPITAL COSTS

Below is a list of costs that may be included on the Development Budget

Line Item Cost/ Costs to be Excluded	Costs Included
<b>CONSTRUCTION</b>	
<p>Site and improvements (Divisions 2-16)</p> <p>Generally, costs paid directly by the owner are excluded from the construction contract. These costs are itemized separately as ‘Other’ costs. Example:</p> <ul style="list-style-type: none"> <li>• Building permit fees paid by the owner;</li> <li>• Property, Plant and Equipment (PP&amp;E) paid by the owner; Security System paid by the owner.</li> </ul>	<p>Itemized site and improvements costs (for construction and/or rehabilitation) must match the Project Cost Summary (PCS) amounts in the application. For example, the line-item budget amount for ‘Site and Improvements’ on the development budget should match line 43 on the PCS.</p> <p>Note: For Board presentations, the line-item amounts for construction costs and the construction sub-total should be reflective of the analysis performed by CHFA.</p> <p>For initial closings, the line-item amounts for construction costs and the construction sub-total should match (1) the PCS signed by CHFA and (2) the construction contract amounts in the construction contract that has been approved by CHFA’s Technical Services department.</p>
General requirements	Amount itemized on the PCS.
Overhead and profits	Sum of amounts itemized on the PCS.
Building permit	Amount itemized on the PCS.
Bond premium/line of credit cost	Amount itemized on the PCS.
Other:	Other itemized amounts to be paid by the GC.
Construction contract Sub-total	
<p>Other:</p> <p>Computers and PP&amp;Es for management agent staff.</p>	<p>Costs paid directly by the owner (excluded from the construction contract with the GC) are itemized separately as ‘Other’ costs. Examples include:</p> <ul style="list-style-type: none"> <li>• Building permits fees paid the owner;</li> <li>• Utility connection charges paid by the owner;</li> <li>• Property, Plant and Equipment (PP&amp;E a/k/a Furniture, Fixtures and Equipment (FF&amp;E)) ; office equipment (e.g., copy machine, fax machine); snow plowing equipment; landscaping equipment, purchased and paid by the owner, furnishings for the management office, community room, gym, etc. In some instances, supportive housing apartments may be furnished; in such instances, cost of such furniture may be included in FF&amp;E. Security system is paid by the owner;</li> <li>• Environmental remediation paid by the owner, etc.</li> </ul>
Construction contingency	<p>A construction contingency is typically budgeted to pay for additional construction costs resulting from unforeseen circumstances arising during construction.</p> <p>Budgeted construction contingency funds are intended to cover reasonable but unforeseen increased construction costs</p>

Line Item Cost/ Costs to be Excluded	Costs Included
	<p>resulting from an increased scope of work, design changes after initial closing (a.k.a. ‘betterments’) and cost overruns for materials and/or labor. They are typically used to cover such things as changes in design or the need to pay overtime because of delays in the shipment of materials or adverse weather.</p> <p><b>Note:</b> Construction Contingency funds are allocated from change orders approved by CHFA.</p>
<b>ARCHITECTURAL and ENGINEERING:</b>	
<p>Architect – Design</p> <p>Outside consultants employed by the architect (if not included in contract).</p>	<p>Project architect costs associated with design of the proposed development.</p> <p>For initial closing, the amount budgeted for “architect – design” should match the amount in the architect contract that has been approved by the technical services department.</p>
<p>Architect – Contract Administration (<b>Min. 35% of contract</b> unless a lower amount is approved by the Manager, Architectural Design and Construction Services)</p>	<p>Costs associated with construction supervision (weekly meetings during loan term, etc.)</p>
<p>Engineering (Civil-Site/Structural/Geo-Technical, etc.)</p>	<p>This includes any mechanical or structural engineering costs not included as part of the architect’s fees in the architect contract. Note that the cost of an environmental survey and soil boring are not included in this amount.</p>
<p>Surveys (A-2 Existing Conditions as As-Built)</p>	
<p>Other: printing and reimbursable or any other cost included in the architect contract</p>	<p>Other architect costs typically not included in the architect contract - examples include:</p> <ul style="list-style-type: none"> <li>• Landscape architect;</li> <li>• Printing and reimbursable expenses;</li> <li>• Peer review;</li> <li>• Green building consultants;</li> <li>• Historic preservation;</li> <li>• Soil borings/testing, etc.</li> </ul>
<b>FINANCE and INTERIM COSTS:</b>	
<p>CHFA interest (Const. period + 2-mos.)</p>	<p>See formula in step 5 on page 1.</p> <p>Note: For final underwriting at initial closing, the CHFA construction loan interest amount should correspond with the amount shown on the development cash flow exhibit to the loan documents (including the supporting schedule).</p>
<p>CHFA Loan Origination and Commitment Fee</p>	<p>Refer to the CHFA Multifamily financing fees schedule to determine the commitment fee.</p>
<p>Interest – Bridge Loan Portion of interest rate that</p>	<p>The applicant must provide back-up demonstrating how the amount budgeted was determined. The interest rate must be a</p>



<b>Line Item Cost/ Costs to be Excluded</b>	<b>Costs Included</b>
exceeds market rate.	market rate of interest. Prior to loan advances, the mortgagor must provide copies of bridge loan notes, which must be reviewed by the underwriter to ensure that a market rate of interest is being charged.
Fees – Bridge Loan  Portion of fees that exceeds market rate.	The applicant must provide verification of these costs from the entity providing the financing. The applicant must provide backup indicating how the amount was determined. Such fees must be chargeable at a market rate.
Real Estate Taxes/Pilots (Construction period+ months lease-up)	Real estate taxes projected to be incurred during the construction and lease-up periods.
Insurance (construction period + lease-up/stabilization)	<ul style="list-style-type: none"> <li>• Builder’s risk insurance</li> <li>• Liability insurance</li> <li>• Property insurance during lease-up.</li> </ul>
Utilities (if owner paid)	Utility costs during construction period + lease-up/stabilization period are to be included here.
Negative Arbitrage on Bonds (if applicable)	<p>Negative Arbitrage is the cost associated with opportunity lost when bond issuers assume proceeds from debt offerings and then invest that money for a period of time until the money is used to fund a project, or to repay investors. The lost opportunity occurs when the money is reinvested and the debt issuer earns a rate or return that is lower than what must actually be paid back to the debt holders.</p> <p>CHFA currently lends bond proceeds at an ‘all-in’ rate and negative arbitrage is typically not budgeted.</p>
CHFA construction observation	These are fees paid to a third-party Field Observer retained by CHFA (paid from the mortgagor’s loan proceeds or other sources of funds). Current practice is to budget approximately \$1,000 bi-weekly during the construction period plus two-months (about nine weeks) to address punch list items.
Credit enhancement premium	HUD or Private Mortgage Insurance.
Other:	Other costs deemed necessary for the transaction.
<b>SOFT COSTS FEES and EXPENSES:</b>	
Legal Counsel – Real Estate  Legal costs incurred prior to the CHFA’s loan commitment.	The mortgagor’s legal fees associated with, initial loan closing. Unless the project has unique circumstances and requires more extensive legal work; legal fees should be comparable in magnitude to similar development projects.
CHFA External Legal Counsel	These are fees to be paid to CHFA’s external counsel for legal services rendered in closing the transaction, etc.
Title Insurance Premiums and Recording costs  If there are mortgagor’s title	For mortgagee’s title insurance policy - these are the mortgagor’s costs of obtaining title insurance for the benefit of the mortgagee (CHFA, etc.) insuring that the mortgagor has clear title to the mortgaged premises at initial closing. These

Line Item Cost/ Costs to be Excluded	Costs Included
insurance costs, such costs are to be itemized as part of entity and syndication cost/other.	costs also include the monthly costs for the title updates obtained prior to loan advances. Additionally, costs related to obtaining title insurance for the equity investor or tax credit syndicator are <u>not</u> included in this line item cost. Such costs are to be itemized as part of entity and syndication cost/other.
Appraisals/Market Study  Predevelopment appraisals and market studies. Additionally, costs of appraisals and market studies for the equity investor or tax credit syndicator are not included in this line-item cost. Such costs are to be itemized as part of the entity and syndication cost/other.	These are costs associated with obtaining appraisals and market study to meet CHFA’s and other lenders’ appraisal and market study requirements and achieve an initial closing. The appraisals help determine the “as-is” value of the development while the market study helps determine the feasibility of the project. CHFA will commission the appraisal and market study; however, the cost is borne by the developer and is a reimbursable itemized cost on the development budget.
Lease-up and marketing  Training costs and equipment costs (computers, etc.) for employees of the management agent are excluded from lease-up and marketing costs.	These are costs incurred by the mortgagor during the project construction and lease-up periods. Such costs can include payroll costs of specifically assigned management agent employees as well as third-party leasing commissions and costs to rent the development. Such costs can also include expenses for a groundbreaking and/or ribbon-cutting ceremony, an open house, utility bills for units not yet rented, advertising costs, etc.
Cost Certifications	These are accounting costs for completing audits or cost certifications required by CHFA or another governmental entity providing funding to the development. Accounting fees are based on actual costs of the accounting firm.
Environmental reports and testing Costs of environmental reports and testing required by the equity investor or tax credit syndicator are to be itemized as part of entity and syndication cost/other.	These are costs associated with items such as soil boring/environmental surveys/reports, and lead-based paint evaluation, etc. that are financing requirements (of CHFA and other lenders).
Other: Relocation  Mortgagor’s overhead costs, such as utility expenses, phone/internet expenses, etc. are not relocation expenses.	These are reimbursements to the tenant for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly rent or utility costs at such housing. Detailed information may be found in the <a href="#">HUD Handbook 1378</a> .
Soft cost contingency ( <b>5% max.</b> )	A soft cost contingency is customarily budgeted to pay for additional costs, other than construction costs, that may result from unforeseen circumstances arising during the development process.

<p><b>DEVELOPER ALLOWANCE /FEE (up to 15%)</b></p>	<p>The developer allowance/fee, which is meant to compensate the developer for time, effort and work involved in the development of the property, includes developer's expenses, overhead, profit and consulting costs incurred or other costs incurred in the development process.</p> <p>The following are examples of costs that are reimbursable from the developer allowance/fee:</p> <ul style="list-style-type: none"> <li>• Consultant fees and organizational costs are required to be paid from the developer's fee. These costs may not be listed as separate line item costs on the development budget. Consultant fees/costs include all fees paid for third-party professional advice and services;</li> <li>• Fees paid to an accountant for housing consultant services (are not considered syndication fees) and must be reimbursed from developer allowance/fee;</li> <li>• Legal or other fees paid to obtain zoning approval and legal fees unrelated to closing the financing transaction are to be reimbursed from the developer allowance/fee</li> <li>• Any development-related expenses not itemized on the CHFA-approved development budget or approved by CHFA for funding from soft cost contingency are to be reimbursed from developer allowance/fee;</li> <li>• Organizational costs such as costs associated with pre-development research related to forming a partnership or other legal entity as well as searching for an equity partners, etc. are organizational expenses that are to be paid from the developer allowance/fee; and,</li> <li>• Appraisal/market study fees unrelated to closing the financing transaction are reimbursable from the developer allowance/fee.</li> </ul> <p><b>Note:</b> Please see the entity and syndication costs section for information on costs that are allowed to be paid and/or recovered from the development budget.</p>
<p><b>SITE ACQUISITION</b></p>	<p>Site acquisition costs are the customary and actual costs paid to acquire land and any existing improvements on the project site based on the purchase price as detailed in the purchase contract. Existing improvements include buildings, infrastructure, or other improvements already located on the land. Site acquisition cost may also include prepaid ground lease rent.</p> <p>In some cases, the land and existing improvements will have already been acquired by the developer or the mortgagor. If the land and existing improvements are being refinanced as a part of a re-development, then the site acquisition costs may be included in the development budget. However, the total amount</p>

	itemized as site acquisition on the development budget should be the amount that is the lesser of the purchase price and the “as-is” appraised value (in an appraisal commissioned by CHFA) of the land and existing improvements.
<b>CAPITALIZED RESERVES:</b>	
CHFA Operating/Debt Service/Coverage	These are reserve funds determined necessary by CHFA’s underwriting to be held by CHFA to cover anticipated operating shortfalls of the development during CHFA’s permanent loan term.
Capital/Replacement	These are development costs itemized on the development budget and which are to be capitalized at initial closing as required by CHFA or other providers of funding (e.g. equity investor and/or tax credit syndicator) to cover capital replacement expenditures or reserve requirements during the early and post-construction years of the development.
Other:	These are other reserve costs deemed necessary by CHFA or another provider of funding (such as HUD or an equity investor/tax credit syndicator).
<b>ENTITY and SYNDICATION COSTS/OTHER:</b>	
Entity organizational and legal	Organization and legal costs associated with forming the mortgagor entity and conducting its business during the construction and lease-up periods of the development.
Syndication fees/commissions	These are fees and/or commissions to be paid to a syndicator(s) for the syndication of the tax credits (LIHTCs, Historic Tax Credits, etc.) during the construction and the lease-up periods of the development. However, if such fees are consulting fees or fees paid for packaging the application, they must be reimbursed from the developer allowance/fee and are not to be itemized as separate costs in the development budget.  Costs relating to the syndication of the development, such as costs for the preparation of financial projections, are to be included as part of syndication fees/commissions.
Equity bridge loan interest and fees	These are interest costs on bridge loan(s) and fees that will be due to equity interests during the construction and lease-up periods of the development.
Tax opinion and entity accounting	These are tax consultants’ costs and the mortgagor’s accounting costs during the construction and lease-up period of the development.
CHFA tax credit fee	8% of annual LIHTC amount.
Tax credit application fee	Please refer to Appendix 2 and/or 3 of the application.