



Connecticut Housing Finance Authority

Pre-Construction &
Advance Preparation
Guidelines

2017

These Guidelines are effective December 2016

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PART A:
Pre-Construction
Guideline

I. GENERAL INFORMATION

Attendance at the Pre-Construction and Advance Preparation meeting is important to the construction of the project and the efficient payment of all advance requests for payment. Attendees at the meeting should include the owner/developer, architect, general contractor, and CHFA staff including the Technical Services staff member, Field Observer, underwriter, and the advance processor. In addition, it is important for anyone representing the owner/developer and general contractor to attend who will be responsible for preparing and submitting the GC requisitions and owner's advance package to CHFA. The requisition and advance process will be discussed in detail, so all representatives involved in this function should make every effort to attend.

A. Payment and Performance Bonds, Permits and Construction Period

The GC shall provide Payment and Performance Bonds for the full (100%) value of the Construction Contract. For reimbursement at Initial Closing, the Contractor shall provide proof of payment such as a paid receipt or paid invoice. The GC shall provide a Building Permit from the city or town where the development is being constructed. For reimbursement at Initial Closing, the GC shall provide verification that the permit has been paid for with a paid receipt or invoice detailing the amount paid for the permit.

The construction period is XX months as agreed in the General Contractor's (GC) contract. CHFA requires that the contractor divide the total amount of general requirements by the number of months expected for construction. The contractor is permitted to include one month's general requirements in each requisition. Overhead and profit shall be calculated using the percent complete for the construction project.

B. Construction Progress

Each development has an assumed monthly contractor requisition draw amount. As the project progresses, CHFA will compare the actual requisition amounts against the assumed monthly construction cash flow. If a large enough difference begins to appear between the two amounts, the development team (developer/owner, GC, and architect) will be asked to explain the construction delay and to generate a recovery plan or a schedule to get the project back on the originally expected completion path. Note: The completion/occupancy date becomes very important for projects that use tax credits as part of their funding source.

II. JOB MEETINGS

- A. The CHFA Field Observer will travel with his/her office supplies (laptop computer, etc. if necessary). It is expected that the CHFA Field Observer will have a place to sit (a table or desk) when they make their site visits.

- B. Job meetings conducted by the architect, and attended by the project manager, job superintendent and developer/owner, shall be held weekly, or more frequently as required by the field conditions. The CHFA Field Observer will attend job meetings bi-weekly or as otherwise may be required by CHFA. Notice of job meeting dates and times shall be forwarded to the Field Observer and CHFA Technical Services at least one week prior to each meeting, and any changes shall be communicated promptly to all team members.

- C. Job meetings shall be conducted according to an agenda prepared by the architect, who will record and distribute meeting minutes to all attendees, the CHFA Field Observer and CHFA Technical Services. It is expected that this meeting will occur in a job trailer located on the construction site or in a room or area that is used as a contract field office in an existing building on site.

- D. It is expected that job meetings will also be held weekly between the contractor and their subcontractors. Meeting minutes for these meetings should be kept by the GC/construction manager. These minutes are not required to be distributed to CHFA or the rest of the project team but should be available to CHFA, if requested.
- E. The architect and GC shall adhere strictly to the contracted 5-party stamped and signed plans and specifications, as well as federal, state, and municipal codes and regulations. Changes to the contract drawings and specifications shall occur only through the change order process. The contract drawings and specifications that the team initialed as part of the initial closing serve as the basis for the contract scope, including any stamped/signed addenda.
- F. The architect shall conduct a weekly field inspection and send an observation report to the CHFA Field Observer and CHFA Technical Services. The architect's field observations/inspections can be noted in the weekly project meeting minutes that are distributed to the development team.
- G. The project superintendent will maintain daily logs in the field office, which shall be available to the CHFA Field Observer during working hours. Logs shall include a list of subcontractors, on-site manpower, quantities of materials delivered, work performed, light and heavy equipment in operation on the job (scaffolding, hoists, etc.). The GC's standard format for this information is acceptable to CHFA.
- H. Copies of all communications concerning project construction shall be given to the CHFA Field Observer and CHFA Technical Services. All architects' field orders shall be reviewed by the CHFA Field Observer prior to submission to CHFA. The development team is required to keep the CHFA Field Observer in the loop with issues that can potentially affect the contract scope, contract time, contract amount or adherence to the CHFA Multifamily Design, Construction and Sustainability Standards.
- I. Types of Communications may include:
 - 1) Architect's Supplemental Instructions (ASI's);
 - 2) Construction Change Directives (CCD's);
 - 3) Proposal Requests (PR's);
 - 4) Requests for Information (RFI's) and RFI Logs;
 - 5) Proposed Change Orders (PCOs) and PCO logs; and,
 - 6) E-mails that relate to the above.

III. CHANGE ORDERS

There are two types of Change Orders: Typical Proposed Change Orders and Owner's Change Orders. An Owner's Change Order (OCO) is used for work proposed to be done by an entity other than the contracted GC for the project which is also outside of the GC's Contracted scope of work. The funding source for this work may be different, or it may still be CHFA funding. Therefore, the GC will NOT include the cost of this work in their Cost Certification since they did not perform the work or receive payment for it. The Mortgagor can include the cost of this work on their Cost Certification, however.

The Owner should still sign the Owner's Change Order form; however, the entity performing the work shall also sign, as well as the architect, unless the architect is not involved with the Change Order.

If the Owner requests that additional work be done by the GC, and this work is outside of the contracted scope of work, this is considered a typical Change Order and is NOT considered an Owner's Change Order. The cost of this work will be included in the GC's Cost Certification since they performed the work and was paid for it.

All owner's change orders (OCO) should be noted as such on the CHFA Change Order Form. The typical designation of PCO would be changed to OCO and be numbered separately from the PCOs.

- A. CHFA may consider PCOs to the contract documents. PCOs will be prepared on CHFA's "Construction Change Order Request – Form 2437". A copy of all back-up information shall be submitted to CHFA with the form. **ONE** original of each change order is to be submitted to CHFA. **NO ELECTRONIC VERSION WILL BE ACCEPTED.**
- B. The project architect is required to provide a cover letter stating his/her opinion on the acceptability of the PCO, which shall include an explanation as to the necessity of the work and why the work was excluded from the original plans and specifications.
- C. CHFA will only fund that portion of the PCO that would be the expected cost, as if the proposed changes were originally scheduled and bid. Any costs in excess of that amount will be funded by the developer/owner.
- D. All PCOs regarding construction design or substitution of specified materials shall be accompanied by sketches and appropriate back-up information to include quantities, sizes, unit prices, subcontractor and/or material suppliers' quotes. Labor costs shall be shown as number of hours times rate as shown on payroll forms. The percentage for overhead & profit and general requirements shall be at or below the amount accepted in the original contract as shown on the exploded trade payment breakdown.

- E. Additional payment and performance bond and building permit costs that have been incurred through the Change Order process may be funded with each PCO request. The GC is to provide proof of payment of these items; must be attached as part of the required PCO backup material. If the backup material does not include adequate proof of payment, CHFA will remove the bond and building permit costs from the PCO and continue with the review of the PCO. Additional payment and performance bond and building permit costs may be funded once, at the completion of construction. CHFA will require proof of payment of these costs before the PCO will be accepted and funded.
- F. A copy of the approved change order will be forwarded to the owner upon approval by CHFA. The owner shall note that only the front page of the change order form is required to be forwarded to the GC.
- G. No work on a proposed construction change will be approved for funding by CHFA unless an executed CHFA approved PCO is obtained PRIOR to the commencement of the work. In addition, a PCO may not be accepted for review and funding if submitted following completion of 95% of the work (any exceptions to be solely determined by CHFA).**
- 1) Each PCO must be reviewed, approved and signed by the entire development team, including the CHFA Field Observer, before submittal to CHFA Technical Services. Once submitted to CHFA, each PCO will be reviewed by the following:
 - a. CHFA Technical Services (who signs the form); and,
 - b. CHFA Underwriter or Asset Manager (who signs the form).
 - 2) All calculations must be shown on a PCO summary page that precedes the backup information. The GC must show the costs for each subcontractor as well as the calculations for the overhead and profit proposed in the proposed change.
 - 3) The GC must make sure the backup information is complete and clear:
 - a. If multiple costs are shown on backup material, mark or highlight the cost being carried in the PCO; and,
 - b. Make sure each subcontractor's backup cost is on their letterhead and is signed by someone who represents the company. If the signature is not legible, ask that they print their name under their signature.
 - 4) When the PCO is citing unit prices that were part of the original contract, please attach a copy of the page from the original contract that shows the unit price. CHFA review time will be expedited if CHFA does not have to retrieve the original contract to research the validity of each unit price.
 - 5) CHFA Construction Change Order Request – Form 2437 is a one page form located on the CHFA website.
 - 6) Technical Services should be provided the contact names and information of the Development Team members who should receive change order information once approved or denied.

IV. PROJECT SIGN

The GC shall post a sign as required by CHFA prior to or upon the start of construction. Any other construction signs, including the municipality's, should be separate from the CHFA sign. The specific sign requirements and specifications can be obtained from CHFA Technical Services.

V. TESTING OF MATERIALS

- A. Tests of materials used in construction shall be conducted by an approved testing laboratory. If deemed necessary by the CHFA Field Observer, additional tests may be required. Test results must be mailed directly from the testing laboratory to the CHFA Technical Services assigned to the construction phase project review, the CHFA Field Observer, the architect, and the engineer. Third party testing is usually outlined in the statement of special inspections as required by the State of Connecticut building code. Third party testing that may be required by CHFA, but not by the local Connecticut building departments, may include but are not limited to: window air and water infiltration tests and blower door tests of select apartments.
- B. It is expected that the GC will comply with safety regulations and housekeeping requirements as set forth in the contract general conditions and according to industry standards.
- C. The GC shall provide a complete list of subcontractors to CHFA Technical Services, prior to the start of construction. This list must be updated throughout construction if there are any changes or substitutions in subcontractors or vendors.
- D. Copies of all approved shop drawings shall be made available to the CHFA Field Observer at the field office. A copy of transmittal sheets for shop drawings shall also be provided to the CHFA Field Observer, as requested.

VI. STORED MATERIALS

- A. Stored materials may be funded by CHFA only if there is a long lead-time. Site-specific items include precast concrete, structural steel, elevators, and large project-specific mechanical equipment. Acceptable storage space with appropriate security measures must be available on-site. Off-site storage anywhere other than a manufacturer's facility is unacceptable. Such funding is not meant to finance contractors for materials easily obtained and readily incorporated into the work. The development team must submit a request noting the list of items and a rationale for specific items to be considered for funding as stored materials prior to the start of construction. CHFA will consider such requests on a case-by-case basis.

Upon acceptance by CHFA, the GC shall provide the following:

- 1) Insurance, including, but not limited to, casualty and theft for the stored materials and the storage facility (if the materials are stored anywhere other than the manufacturer's facility). Please check CHFA's website for insurance requirements;
- 2) Bonding company's consent to the off-site storage;
- 3) UCC-1's for the stored materials creating a security interest for CHFA;
- 4) The CHFA Field Observer's report which approves the storage environment and confirms acceptable delivery to the facility of the subject items; and,
- 5) All materials must be readily available for inspection by the CHFA Field Observer and CHFA. Once the stored materials request is approved by CHFA and construction commences, a "Contractor's On-site Inventory Requisition – Form 5372 MR11" must be completed and attached to each monthly requisition. This form captures the listing of all stored materials and charts how much has been installed from month to month. Once this form starts being used in the

construction phase, it must continue to be included until all the stored materials have been installed even if there was not a change from the previous month. This form must be signed by the same team who sign the GC's requisition.

VII. PERMISSION to OCCUPY

In the case of new construction, gut or substantial rehabilitation, Permission to Occupy (PTO) forms shall be accompanied by the signed Certificate of Substantial Completion and the Final Certificate of Occupancy from the jurisdiction, in addition to all completed punch lists. Temporary Certificates of Occupancy are NOT acceptable.

- A. The PTO site visit will be conducted by the assigned CHFA Field Observer after items on the architect's and GC's punch-lists have been amended and the units are cleaned.
- B. The CHFA Field Observer will conduct a site visit of each completed apartment and check items as outlined on the CHFA punch list inspections report. The CHFA Field Observer may generate another punch list based upon the site visit that will have to be addressed before the PTO paperwork can be signed off. The CHFA Field Observer may discontinue the site visit at any time when the items on the list are too long or repetitive in nature.
- C. When the project is ready for occupancy, after all punch-list items have been completed, the architect shall assist the developer/owner in preparing and executing a CHFA PTO form which shall be signed by the owner/developer, GC, architect and CHFA Field Observer. The PTO form and all associated backup documents shall be submitted to CHFA Technical Services for review and approval.
- D. In cases of minor or moderate rehabilitation when residents do not vacate units during the renovation work, Permission to Occupy forms shall not be required. However, the Certificate of Substantial Completion is still required for the project. Also, the jurisdiction may issue an inspection notification letter in lieu of the typical Certificate of Occupancy if the residents did not vacate the units during the construction. A notification from the jurisdiction indicating a final inspection is required in lieu of a Certificate of Occupancy.

VIII. REDUCTION/RELEASE of RETAINAGE

After the PTO request has been submitted, reviewed and approved by CHFA, the GC may request a reduction in retainage from 5% to 2½%, subject to CHFA's approval.

The following items need to be obtained before the PTO request will be considered:

- 1) Certification from the GC of its current list of payables;
- 2) Certification from the GC stating that sub-contractor and suppliers will share in the reduction of retainage on a pro-rata basis;
Written consent from the bonding company to the reduction of retainage (consent form must include CHFA as dual obligee). The consent shall be an original document signed and sealed;

- 3) 100% lien waivers from all subcontractors and suppliers (this is the same requirement as for the monthly requisitions);
Certificate of Substantial Completion issued by the architect (AIA Form G704) and signed by the developer/owner, architect and GC);
Final Certificate of Occupancy or inspection report issued by the governing building department for moderate rehab projects where residents remained in place during construction;
- 4) Statement of Compliance from the mortgagor's CT-licensed environmental professional stating that all remediation work has been performed according to all local, state and federal regulations. This includes statements from CT licensed asbestos and lead-based paint contractors, and in addition, shall include radon testing results at all ground level units after substantial completion has been achieved;
- 5) Certificate of Actual Cost from the GC, which has been certified to by an independent certified accountant; and,
- 6) The GC and owner/developer shall be in compliance with all CHFA procedures and policies including the CHFA VLI policy requirements and all affirmative action requirements.

IX. FINAL CLOSING

When the project is ready for final closing and the GC has requested the reduction and/or release of the balance of the retainage, the following documents shall be submitted:

- 1) Certificate of GC confirming final payments to subcontractors and suppliers;
- 2) Bonding company consent to the release of retainage (original signed, sealed consent form, with CHFA noted as obligee);
- 3) 100% final lien waivers from all subcontractors, vendors and suppliers;
- 4) Statement of Compliance from the mortgagor's CT-licensed environmental professional which includes radon testing results at all ground level units;
- 5) Certificate of Substantial Completion issued by the architect (AIA Form G704 and signed by the developer/owner, architect and GC);
- 6) One (1) electronic copy (CD or ShareFile upload) of the owner's operating and maintenance manuals, warranties for labor, material and equipment for building components identified in the project manual;
- 7) One (1) signed and sealed copy and (1) electronic copy (CD or ShareFile upload) of the As-Built A-2 Survey, including the specific survey certification statement language that can be found in the latest CHFA "Construction Guidelines: Project Planning and Technical Review Process";
- 8) One (1) electronic copy (CD or ShareFile upload) of the as-built drawings and specifications prepared by the GC, as verified and approved by the architect; and,
- 9) Any other documents required pursuant to the construction contract or as may be required by CHFA.
- 10) The GC and owner/developer shall be in compliance with all CHFA procedures and policies including the CHFA VLI policy requirements and all affirmative action requirements.

X. PUNCH LIST ITEMS

The CHFA Field Observer may review items including but not limited to those listed on this summary. This list is not intended to be "all inclusive" for every type of project. It is

intended to serve as guideline for what types of things the CHFA Field Observer will be looking for during the final punch list phase of the project.

In general, the CHFA Field Observer will be looking to ensure that the items outlined in the contract documents have been installed in the project. The workmanship and quality must be consistent with the contract documents and that of the construction industry.

Below are specific items that will be reviewed.

I. Bathrooms:

1) Toilet:

- a. Check that the toilet is seated firmly on the floor with no movement.
- b. Check that the toilet is caulked to the floor (and the wall if appropriate) all the way around the toilet base.
- c. Check toilet operation – flush three times to make sure the toilet tank fills in a reasonable amount of time and shuts off automatically.
- d. Check inside the toilet tank to see that components appear in order and that “cold” water is used for the toilet. (In the past, we have seen the hot water was mistakenly piped to the toilet).
- e. Check that seat is installed and securely attached.
- f. Check that the water supply stop is functional and that it does not leak when shut off and turned back on.

2) Shower:

- a. Check operation of the shower control/diverter. Make sure hot water comes out when set to hot (check for anti-scald operation) and cold water comes out when set to cold. Exercise diverter tub fill to shower operation.
- b. Check and exercise tub stopper function and let the tub fill (when checking the water temperature) to make sure the stopper works properly.
- c. Check that the drain assembly is caulked to the tub/shower.
- d. Check that all grab bars are secure and do not move.
- e. Check the top of the shower surround to ensure that it is clean and free of drywall compound, dried paint drips and most importantly, caulked to the wall.
- f. Check the face of the shower/tub enclosure to make sure it is caulked to the walls and the floor.

3) Lavatory:

- a. Check that the hot and cold water are piped to the correct faucet.
- b. Check that the hot water gets hot and that anti-scald operation keeps the water from getting too hot.
- c. Check the function of the stopper and the overflow – let the lavatory fill when testing the water faucet function.
- d. Check under the cabinet when the lavatory is draining for leaks. Check waste trap for leaks when water is draining from the lavatory.
- e. Exercise both water supply stops to make sure they hold and do not leak.
- f. Check top of lavatory:
 - i. Make sure sink is caulked to the counter/wall.
 - ii. Make sure back and side splashes are caulked to the walls and the counter.
- g. Check to make sure that escutcheon plates are properly installed around the supplies and the waste line so there are no openings in the wall under the sink.

4) Exhaust Fan/Light:

- a. Turn on light and fan - check for proper operation.

- b. If the unit has a heating lamp – check operation.
 - c. If there is central system toilet exhaust, place a piece of toilet paper over the grille to make sure it is drawing air. (Also obtain a copy of the final testing and balance report if required by the contract documents).
- 5) Medicine Cabinet:
- a. Make sure the light functions (if attached).
 - b. Make sure shelves are included and in good condition (contractor must replace broken or chipped shelves and mirror glass).
 - c. Test function of door to make sure it opens and closes easily and latches closed.
 - d. Check mounting height in accessible units.
- 6) Receptacles:
- a. Check that there is a GFI near the lavatory.

II. Kitchen:

- 1) Range:
- a. Check to make sure the racks are included in the storage drawer under the range.
 - b. Check to see that the owner's manual is included in the nearest base cabinet drawer.
 - c. Check that the anti-tip bracket is installed so the unit will not tip forward if weight is applied to the open oven door.
 - d. Check operation of all burners and the oven.
 - e. Check that the oven light comes on.
- 2) Microwave:
- a. Check that the glass revolving platter is included.
 - b. Check that the owner's manual is located in the nearest base cabinet drawer.
 - c. Check that the clock function works properly.
 - d. Check that the unit is functional and that the light comes on when the door is opened.
- 3) Refrigerator:
- a. Check to make sure all the drawers and shelves are included in the refrigerator and the freezer.
 - b. Check that the unit is functional (cold inside) and that the light comes on when the door(s) are opened.
 - c. Wheel out the unit and view the rear of the unit to make sure the coils are not bent and damaged.
 - d. View the gasket around both doors and make sure it is in good condition.
 - e. View the surfaces of the refrigerator to make sure it is not dented, scratched or damaged.

- 4) Exhaust/Range Hood:
 - a. Check operation of light and fan.
 - b. Make sure the filter is included in the unit (and that the filter is clean and free of construction dust).
 - c. Check the exhaust duct as it rises through the upper cabinet – make sure it is connected and the duct is sealed around the opening through the cabinet.
- 5) Kitchen cabinets:
 - a. Check operation of all drawers and doors. All must be plumb, level and secure.
 - b. Check for Lazy Susan unit in the corner if specified.
 - c. Check that shelves are included in each cabinet unit. Check that they are properly supported with minimum of four clips per shelf. Longer shelves have an intermediate shelf support behind the center cabinet post.
 - d. Check that vinyl base is installed in the kick space.
 - e. Check that the kick is continuous in the corner where the base cabinet units come together.
 - f. Check counter surface for defects and flaws.
 - g. Check that counter backsplash and side splash is caulked to the wall (and counter if appropriate).
 - h. Check that GFI receptacles have been installed above the backsplash (check for code required spacing).
- 6) Kitchen Sink:
 - a. Check operation of the faucet – hot/cold water on the proper side - make sure water gets hot (check anti-scald to make sure water does not get too hot).
 - b. Check to make sure stopper functions and the water fills.
 - c. Check the underside of the cabinet as the water drains for leaks and that the waste line is secure.
 - d. Check the operation of the disposal unit (if provided).
 - e. Look under the sink to ensure there at least two hold down clips per side of the sink unit and that the unit is sealed to the counter with plumber's putty.

III. Doors:

- 1) Hardware:
 - a. Check the function of the passage/locksets. Make sure the doors close and latch freely. Make sure strike plate is installed.
 - b. Check that all hinges have screws installed and that hinge pins are fully seated.
 - c. Make sure a floor or wall stop is installed to protect adjacent walls from door lever/handle.
- 2) Doors and frames:
 - a. For wood doors, make sure top, bottom and edges of each door are finished as well as the faces.
 - b. On the top and side corners of the door frame trim, make sure the factory staple/nail holes are filled and sanded then painted. These holes should not be visible after the frame is finished.
 - c. Make sure stops are continuous and secure.
 - d. Check for trim on the inside of the closet door frame.
 - e. Check for weather stripping on exterior doors.
 - f. Check that the exterior doors close tightly to the bottom threshold.

3) Bi-fold Closet doors:

- a. Bi-fold closet door must sit square in the cased opening. The space between the door and the cased opening must be uniform.
- b. The door must have a pull placed such that the doors can be easily opened.
- c. The top track must be set level and square in the cased opening.

IV. Closets:

- 1) Must have a coat rod and shelf. Brackets need to be able to support hanging clothes so should not be spaced more than two stud spaces apart.

V. Windows:

- 1) Check operation of each window.
- 2) Make sure each window unit can lock/unlock freely.
- 3) Check that insect screens are installed in all windows.
- 4) Check that all window glass units are clean, not damaged, cracked or clouded (broken seals).
- 5) Check operation of the window treatments – blinds, curtains, etc. Make sure all wands are included.
- 6) Make sure the window sill is caulked to the window.
- 7) Check the paint around the window unit to ensure paint stops on the trim and does not get on the window unit (if factory finished window units are used).

VI. Receptacles and switches:

- 1) All wall receptacles and switches must be square and plumb.
- 2) Receptacles and switches must not have any paint on them.
- 3) Cover plates must completely cover the hole in the wall.
- 4) Screws in the cover plates should all be facing the same direction.
- 5) Receptacles and switches must be flush with the cover plate and secured in the workbox.
- 6) Receptacle and switch cover plates must be flush with the wall. The corners cannot be away from the wall such that a resident can cut their fingers on the cover plates.
- 7) Randomly test receptacles with plug in tester (test the GFI function as well).

VII. Carpet/Vinyl Tile/Sheet Goods/Base:

- 1) Make sure flooring is free of defects.
- 2) Make sure there are no foreign objects under the flooring that create a visible bump or tripping hazard.
- 3) See that the base is straight and is tight to the flooring.
- 4) Check each corner to make sure the base is tight inside the corner. Rounded base installations in a square corner will need to be corrected.
- 5) Vinyl base must be tight to all door frames, millwork, etc. Spaces between the end of the base and an adjoining material or surface are not acceptable and will need to be corrected.

VIII. Walls and ceilings:

- 1) Nail/screw pops are an unacceptable condition. Walls and ceilings must be free of these defects, smooth and evenly painted.
- 2) Wall surfaces must be straight and free of “bows” and “bulges”.
- 3) There cannot be dried paint drips on any painted finish.
- 4) All drywall seams and patches must be smooth and blend into the wall finish – visible seams are not acceptable.

IX. Light Fixtures:

- 1) Lenses and/or globes must be clean.
- 2) Must have bulbs of the correct wattage for the fixture.

X. Clean Project:

- 1) The project must be completely clean and ready for occupancy when the CHFA Field Observer makes his/her inspection. This applies to the apartments, common spaces, building exterior and site.

END OF PUNCH LIST

XI. CHFA FIELD OBSERVER SCOPE OF SERVICES

- 1) Attend the Pre-Construction Project Meeting:
 - a. Assist CHFA by distributing the project forms to the owner and GC and explaining how they are to be filled out.
- 2) Visit the job site bi-weekly (or other agreed-upon interval):
 - a. Meet with the owner/developer, architect and GC to review project progress; and,
 - b. Monitor any issues that have arisen that may impact the construction quality or scheduling while keeping CHFA Technical Services staff updated.
- 3) Tour the construction site to observe:
 - a. Project progress as compared to the original construction schedule;
 - b. Project quality;
 - c. Conformance with the construction documents; and,
 - d. Conformance with the current CHFA Multifamily Design, Construction and Sustainability Standards and Guidelines.
- 4) Track the construction progress, and for projects with multiple buildings, review CHFA Site Tracking sheets prepared by the GC.
 - a. Distribute the Site Tracking sheets to CHFA so the construction completion percentage is accurately recorded.
- 5) Review all applicable reports from independent testing agencies, which may include:
 - a. Concrete compression tests;
 - b. Soils compaction tests;
 - c. Soil/rock anchor pull out test reports;
 - d. Spray fireproofing density tests;
 - e. Steel weld infrared test results; and,
 - f. Reinforcing steel reports prior to concrete pours.
- 6) Review the proposed contractor's requisition each month to ensure the amount requested does not exceed the amount of work that is in place.
- 7) Review PCOs and determine whether the PCO is legitimate. PCOs submitted due to errors and omissions to the Contract Documents should NOT be approved for payment.
- 8) Deliver and prepare (each site visit):
 - a. A field report documenting the above items;
 - i. Report shall be the property of CHFA;
 - ii. Report is not prepared for general distribution;
 - b. Photographic portion of the field report and distribute to CHFA; and,
 - c. A report which shall include overall construction progress and specific items that may need attention or correction, including any on-site issues or concerns.
- 9) For final completion shall:
 - a. Tour each apartment after the architect's punch list has been completely addressed by the GC; and,
 - b. Create a new punch list (if necessary) for use by the GC.
- 10) At the completion of all punch lists, assist in the completion of the PTO, which shall be submitted to CHFA with Final CO, and Certificate of Substantial Completion.

XII. ACKNOWLEDGEMENT AND ACCEPTANCE

The undersigned hereby acknowledges receipt and acceptance of the above CHFA-required terms and conditions, and agrees to fully comply with all such requirements throughout the construction development period for [Development Name] – CHFA #**[XX-XXXX]**

ACKNOWLEDGED and ACCEPTED this **[XX]** day of **[Month]**, **[Year]**.

For: **[Contracting Owner/Development Entity]:**

By:

Title: _____

For: **[Contracted General Contracting Firm]:**

By:

Title: _____

For: **[Contracted Architectural Firm]:**

By:

Title: _____

XIII. CHFA FIELD OBSERVER LIMIT OF AUTHORITY GUIDELINES

The CHFA Field Observer **will**:

- 1) Observe and provide a general oversight of construction progress; and,
- 2) Be the representative of CHFA only, and will not participate in resolution of construction issues.

The CHFA Field Observer **will not**:

- 1) Offer opinions, make judgments or characterizations on any owner or contractor comments or discussions undertaken during the project meeting. The Field Observer shall provide only factual statements without any personal commentary;
- 2) Render opinions on construction means and methods;
- 3) Provide direction on construction means and methods;
- 4) Be responsible for issues or decisions which are the responsibility of the architect of record or other design team members;
- 5) Be responsible for responding to development team questions on the Multifamily Design, Construction and Sustainability Standards (“Standards”), or for resolving conflicts or issues between the Construction Documents and the Standards. All such issues will be forwarded to CHFA Technical Services assigned to construction phase project review and CHFA’s Assistant Director – Multifamily Housing (Technical Services) for resolution;
- 6) Provide approval for changes to the Construction Documents. Resolution will be through the Proposed Change Order process with final acceptance by the CHFA’s Assistant Director – Multifamily Housing (Technical Services); and,
- 7) Provide counsel to development team members.

PART B:
Advance Preparation
Guideline

XIV. 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. Original lien waivers shall be submitted with the monthly requisition from all subcontractors and vendors paid on the prior month's requisition. Submitted lien waivers will be reconciled with the prior month's requisition. Each lien waiver must be signed and notarized. If 100% of the lien waivers for the prior months requisition are not submitted, the monthly **requisition will not be paid**.
- 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.

XV. 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.

Lien Waiver Form (Material and Labor)
FOR GENERAL CONSTRUCTION

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

Lien Waiver Summary Sheet

XVI. 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 Status Report

VLI - Section 3 Summary Report - Economic Opportunities for Low and VLI Persons

XVII. 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 either electronically or by mail. Advances are due by the 5th of each month, any funds requested after the 5th of the month may risk being delayed until the following 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) (1) “Application for Advance of Mortgage Proceeds, Equity & Grant Funds” form signed by the Mortgagor;
- 2) (1) Advance detail;
- 3) (1) Set of soft cost invoices clearly categorized to correspond with amounts requested for each line item;
- 4) (1) GC’s requisition signed by 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) (1) GC’s change order requisition signed by 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) (1) Accounting of on-site inventory (if applicable) signed by the GC, architect and CHFA Field Observer and any new material invoices;
- 7) (1) GC’s multiple building-construction cost breakdown form signed by the GC (if applicable);
- 8) (1) Total of Lien Waiver Summary sheet signed by the GC and all lien waivers; **all original lien waivers are to be submitted within three (3) business days of electronic submission of the Advance;**
- 9) (1) Copy of the project’s subcontractor/supplier list (with date and requisition #) to assist in reconciling the lien waivers;
- 10) (1) Set of original progress photos (monthly, with job name, requisition #, description); and,
- 11) (1) Very Low-Income Construction Employment Status Report signed by the Mortgagor and/or the GC.

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

XVII. COMMON ISSUES WHEN SUBMITTING A GC'S REQUISITION

- 1) Lien waivers must be submitted from **ALL** subcontractors and vendors that equal 100% of the amount paid from the previous requisition.
 - a. Blanket lien waivers are not acceptable; and,
 - b. A lien waiver summary sheet must also be submitted.
- 2) There should be no editing formulas in the contractor's requisition; any numbers input should be rounded down to the nearest whole dollar.
 - a. Formulas are put in place in the template to auto-calculate when needed.
- 3) Change orders must be approved by CHFA Technical Services before requisitioning for them.
- 4) The latest Excel workbooks should be used
 - a. The developer should be sending the latest, updated Excel workbooks which include changes, if any, that were made on the last requisition; and,
 - b. 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.
- 5) General requirements monthly requisition amount is a calculation which is based off of months of construction per the GC contract.
- 6) 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 should need to be contacted immediately by Mortgagor regarding the issue.

XVIII. 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
CONSTRUCTION	
<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"> • Building permit fees paid by the owner; • Property, Plant and Equipment (PP&E) paid by the owner; Security System paid by the owner. 	<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&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"> • Building permits fees paid the owner; • Utility connection charges paid by the owner; • Property, Plant and Equipment (PP&E a/k/a Furniture, Fixtures and Equipment (FF&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&E. Security system is paid by the owner; • Environmental remediation paid by the owner, etc.
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>Note: Construction Contingency funds are allocated from change orders approved by CHFA.</p>
ARCHITECTURAL and ENGINEERING:	
<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 (Min. 35% of contract 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"> • Landscape architect; • Printing and reimbursable expenses; • Peer review; • Green building consultants; • Historic preservation; • Soil borings/testing, etc.
FINANCE and INTERIM COSTS:	
<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</p>	<p>The applicant must provide back-up demonstrating how the</p>

Line Item Cost/ Costs to be Excluded	Costs Included
Portion of interest rate that exceeds market rate.	amount budgeted was determined. The interest rate must be a 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"> • Builder’s risk insurance • Liability insurance • Property insurance during lease-up.
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.
SOFT COSTS FEES and EXPENSES:	
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	For mortgagee’s title insurance policy - these are the mortgagor’s costs of obtaining title insurance for the benefit of

Line Item Cost/ Costs to be Excluded	Costs Included
If there are mortgagor's title insurance costs, such costs are to be itemized as part of entity and syndication cost/other.	the mortgagee (CHFA, etc.) insuring that the mortgagor has clear title to the mortgaged premises at initial closing. These 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 is may be found in HUD Handbook 1378 by clicking on the below link http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/library/relocation/policyandguidance/handbook1378
Soft cost contingency (5% max.)	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.

Line Item Cost/ Costs to be Excluded	Costs Included
<p>DEVELOPER ALLOWANCE /FEE (up to 15%)</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"> • 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; • Fees paid to an accountant for housing consultant services (are not considered syndication fees) and must be reimbursed from developer allowance/fee; • 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 • 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; • 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, • Appraisal/market study fees unrelated to closing the financing transaction are reimbursable from the developer allowance/fee. <p>Note: 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>SITE ACQUISITION</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</p>

Line Item Cost/ Costs to be Excluded	Costs Included
	of a re-development, then the site acquisition costs may be included in the development budget. However, the total amount 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.
CAPITALIZED RESERVES:	
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).
ENTITY and SYNDICATION COSTS/OTHER:	
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	<p>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.</p> <p>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.</p>
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.