CONSTRUCTION DISBURSEMENT GUIDE MHDC 2400

MISSOURI HOUSING DEVELOPMENT COMMISSION
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Effective May 1, 2012
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**Construction Disbursement**

The information contained in this document is intended to be used as a resource and form of instruction for the mortgagor/owner and the general contractor to request and process payment for construction loans administered by MHDC. All disbursements will be made in accordance with Capital Advance Agreement, Disbursing Agreement, Construction Contract, various escrow agreements; and other documents related to MHDC’s multifamily housing loan programs and the low-income tax credit programs.

The mortgagor/owner and the general contractor are responsible for providing MHDC with the appropriate designated forms and supporting documentation to ensure all disbursements are verifiable and legitimate. The utilization of MHDC forms will be required to process request for payments for any disbursements related to the MHDC developments.

**FAILURE TO MEET**

Failure to comply with the time frames and requirements established by this guide may result in the disapproval of the principals of the mortgagor entity or the general contractor from participating in future MHDC multifamily housing programs.

**IDENTITY OF INTEREST**

For purposes of this guide, Identity of Interest is any financial interests or family relationships which exist between the mortgagor/owner, officers, stockholders or general partners of the mortgagor, developer, sponsor; and the general contractor, a subcontractor, equipment lessor or material supplier.

**Submission Requirements**

The General Contractor is responsible for the submission of lien waivers in a timely manner to the Title Company in accordance with the Disbursing Agreement. MHDC may require copies of the lien waivers and supporting documentation for proof of payments.

All documents submitted must have live signatures and must be completed in their entirety. Incomplete documents or documents without live signatures will be returned to the mortgagor for correction.

The Owner/Mortgagor must submit an updated construction draw schedule with each draw request, reflecting the actual costs processed to-date with revised projections of future payment requests.

The following Construction Disbursement forms should be used to request payments of MHDC funds and all other sources of funding for the expenses incurred for new construction or rehabilitation of any MHDC development.
CONSTRUCTION DISBURSEMENT FORMS

a) Application for Advance of Mortgage Proceeds (MHDC Form 2420)

b) Application and Certification for Payment (AIA Document G702)

c) Continuation Sheet (AIA Document G703)

d) Disbursement Schedule (MHDC Form 2430)

e) Contractor’s Advance (MHDC Form 2440)

f) Contractor’s Prevailing Wage Certificate (MHDC Form 2450)

g) Request for Release of Escrow Funds (MHDC Form 2460)

h) Master Subcontractor List (MHDC 2502)

Application for Advance of Mortgage Proceeds (MHDC Form 2420)

The MHDC disbursement process starts with the submission of the initial construction draw on the Application for Advancement of Mortgage Proceeds MHDC- form #2420. This form will be used to provide directions of payment for the Disbursing Agent identified in the MHDC Disbursing Agreement. The MHDC- form #2420 must include all pertinent MHDC development information associated with the request for payment. A minimum of two sets of the Application for Advancement of Mortgage Proceeds must be submitted and certified by the owner/mortgagor for each requested disbursement. The mortgagor must provide the designated payee in the appropriate payee column for each amount requested on the MHDC form #2420.

Application and Certification for Payment (AIA Document G702-703)

The Application and Certification for Payment is the AIA form used to request payment by General Contractor for work performed in accordance with the Construction contract signed by Owner and General Contractor.

The G702 must contain the original amount of construction contract and any increase or decrease to the contract. Any changes to the construction must be in accordance with the approved Change Orders and should be submitted on the AIA document G701. The G702 must be submitted with the MHDC #2420 and contain certification from the Inspecting Architect and the General Contractor. The G702 must clearly identify the amount of funds being requested for the existing pay application.

The G703 is a continuation of the G702 and should contain the list of individual trade categories utilized to perform the scope of work identified in the construction documents.
The individual trade categories and schedule of values must be identical to the amounts and categories contained on MHDC FIN 115.

Disbursement Schedule (MHDC Form 2430)

The disbursement schedule MHDC #2430 represents the scheduled values agreed upon by MHDC and the Owner/mortgagor and must be identical to the amounts contained on MHDC 2013. The disbursement schedule will be used to track the expenditures related to the hard and soft cost of project. The MHDC #2430 must include the various types and amounts of funding sources for the entire construction period.

Contractors Advance (MHDC Form 2440)

The contractor’s advance MHDC #2440 will be used to provide detail tracking of the information contained on the G702-703 submitted by the General Contractor. The General Contractor will be responsible for the submission of the required detailed documentation (invoices) for each amount requested on the G702-703, if required by MHDC. MHDC may require copies of the construction contracts signed by the General Contractor and the Subcontractor for any work being performed on construction site. The required construction contracts may also include contracts signed between second tier subcontractors. MHDC may also require the General Contractor to submit copies of each subcontract and monitor the monthly payments to the subcontractors. The Contractor Advance will allow the General Contractor to identify the individual subcontractors under each trade category.

Contractors Prevailing Wage Certificate (MHDC Form 2450)

The Contractor’s Prevailing Wage Certificate MHDC #2450 is the form used to certify the work performed on the current Application for Certificate Payment G702-703) was made in accordance with the requirements of Prevailing Wage. The certification must be certified by the General Contractor and the Inspecting Architect.

Master Subcontractor’s List (MHDC Form 2502)

The Master Subcontractor’s List will be utilized to list all subcontractors and suppliers participating on the construction of the development. The General Contractor will be responsible for maintaining updated and accurate information on a monthly basis and should be included in the submission packet.

Request for Release of Escrow Funds (MHDC Form 2460)

The Request for Release of Escrows MHDC #2460 is the form used to request payment from a funded escrow. The escrows will be released in accordance with the Escrow Agreement signed by Owner/Mortgagor and must be submitted with the required supporting back up documentation.

Supporting Documentation for amounts requested on the MHDC #2420
All disbursement requests related to soft cost must include supporting documentation that clearly identifies:

1. The Vendor
2. The Amount
3. The Date of the Activity
4. The Project
5. The Type of Activity

The mortgagor/owner must provide proof of payment and a copy of the invoice for any amount being requested for reimbursement.

The initial disbursement application must be submitted five days prior to the date of initial closing for all construction loans. The following items must be included on the first draw or proof must be provided that the items have previously been paid:

1. All Insurance Invoices
2. The Invoice for Title & Disbursing
3. Building Permits
4. Letter of Credit

The initial draw request must contain the following forms signed by the Mortgagor/Owner or General Contractor:

a) Application for Advance of Mortgage Proceeds (MHDC Form 2420)

b) Application and Certification for Payment (AIA Document G702)

c) Continuation Sheet (AIA Document G703)

d) Disbursement Schedule (MHDC Form 2430)

e) Subcontractor List (MHDC Form 2502)

The Monthly draws process is the same process for the initial draw with the addition of MHDC forms #2440 and #2450 and all required supporting backup documentation. The amount requested for hard construction disbursements must be approved by an MHDC designated inspector.

Contractors Fees and Retainage

The monthly construction amount requested for contractor's builder’s profit, general requirements and overhead should not exceed the percentage of completion of development.
• The Contractor Fees should never exceed the percentage of construction amount established on the MHDC 2013.
• MHDC will withhold 10 percent of the construction/rehabilitation cost as retainage during the construction period. The retainage may be reduced at 50 percent completion to five percent of the construction if approved by Owner and MHDC.
• The remaining retainage will be released at project completion with the submission of the Contractor’s Cost Certification and Letter of Credit for Latent Defects.
• Latent Defects Escrow - Contractor must establish escrow of 2.5 percent of Construction Contract. The escrow will be held for 15 months from the established cutoff date.
• Incomplete Work Escrow - Must be established prior to the release of the final retainage and must be equal to 150 percent of the cost of the remaining work to be completed.

Change Orders

Any adjustments made to the previously approved Contractor’s/Mortgagor’s Cost Breakdown Form (FIN115), the construction contract, or line items must be made by a Change Order AIA Document G701™-2001 "Change Order." Please submit two Change Orders with original Signatures in blue ink, along with copies of drawings, specifications or other supporting documentation.

Change Orders involving MHDC construction loans must be submitted with the draw on the AIA G701 form with the following original signatures:

- Inspecting Architect
- Owner
- Contractor
- Change Orders with Permanent MHDC Financing should also include supporting documentation.

All Change Orders must be approved by the designated MHDC inspector and may require the submission of supporting documentation for MHDC review and approval. In addition all Change Orders must be submitted prior to final paid application to Contractor.

Absolutely no work may commence relating a Change Order until the proper execution and approval of that particular Change Order.

Any changes in the Line Items of the Schedule of Values as they appear on FIN 115 must also be accompanied by a properly executed Change Order (as indicated above) G701, showing how each and every Line Item will be changed if the change order is approved. Because this Change Order does not affect the total cost of the project, it is referred to as a "Zero Cost Change Order." This request may be submitted as a part of any other Change Order or as a standalone document, but it must be approved and executed by the required parties as with a Change Order for cost (increases/decrease) or time (increases/decreases).
Savings in line items after the final advance of mortgage proceeds is calculated will not be advanced to the mortgagor. At the discretion of MHDC, any savings in line items may result in a reduction of tax credits, the mortgage note amount or an increase in property reserves. HOME program regulations require any undisbursed funds be returned to HUD.

**Stored Materials**

Any construction items requiring storage must be approved in advance by MHDC staff prior to the purchase. The stored materials should be held on site in a secured trailer or bonded warehouse within a 50 mile radius from the site. The stored materials must have appropriate insurance coverage.

**Monthly Interest**

MHDC will calculate and issue a monthly interest billing statement for each funding source secured by MHDC mortgages. The statements will be based on the outstanding principal on a monthly basis and will be issued on the 20th of each month. The interest rate will be based on the interest rate established on the Deed Trust Note. The monthly interest may be billed in advance depending on the timing of your monthly draws. All outstanding interest invoices must be paid in full prior to loan conversion.

**Cutoff Dates**

**Date of Substantial Completion** is the date certified by the architect and confirmed by MHDC’s construction inspector of when the scope of work or a designated portion of work has been sufficiently completed, in accordance with construction contract and the drawing and specs. The date of Substantial Completion for the entire development establishes the start date of the warranty / latent defects period for the General Contractor. In addition, the date of Substantial Completion Certificate will establish the cutoff date for the Contractor’s Cost Certification. The AIA document G704 is used to confirm the actual date and must be signed by all required parties.

The **Final Inspection Date** is the date determined from the approval of the Owner, Architect and the MHDC representative of the completion of the final punch list items. All items must be completed to the satisfaction of Owner, Architect and MHDC representative. In addition any remaining items from the punch list must be identified and an incomplete work escrow established. The final inspection date should be the cutoff date for the Mortgagor’s/Tax Credit Cost Certifications.
Exhibits

1. Application for Advance of Mortgage Proceeds (MHDC #2420)

2. Application and Certification for Payment (AIA Document G702)

3. Continuation Sheet (AIA Document G703)

4. Disbursement Schedule (MHDC #2430)

5. Contractor’s Advance (MHDC #2440)

6. Contractor’s Prevailing Wage Certificate (MHDC #2450)

7. Request for Release of Escrows Funds (MHDC #2460)

8. Master Subcontractor List (MHDC #2502)


10. Change Order (AIA Document G701)