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DEVELOPMENT COMMISSION

CONSTRUCTION DISBURSEMENT



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Title Company Selection



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- must be authorized to do business in the jurisdiction in which the Property is located.
- must be able to perform monthly disbursement.
- must be able to furnish date-down endorsements for each draw process and collect lien waivers



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Initial Disbursement Application

- The Application for Advance of Mortgage Proceeds (MHDC # 2420) must be submitted 5 days prior to the date of Initial closing for all construction loans.



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Initial Disbursement Application



- The Draw must contain the following original forms:
 - » 1. The Application for Advance of Mortgage Proceeds --MHDC # 2420 -*Exhibit **1*
 - » 2.The Disbursement Schedule -- MHDC # 2430 -*Exhibit **2*
 - » 3. The Application and Certification for Payment— AIA Document G702-G703- *Exhibit ** 3*
 - » 4. The Contractor Advance—MHDC# 2440- *Exhibit **4*



Initial Disbursement Application



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- Documentation to support the amounts being requested- (i.e. invoices, statements)

Invoices –must contain the following information for payment and/or reimbursement :

- » Company Name
- » Company address
- » Amount being billed
- » Project information
- » Description of the activity



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Initial Disbursement Application



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- The following items should be included on the first draw or proof the items have previously been paid:
 - All Insurance invoices
 - The Invoice for Title & Disbursing
 - Building Permits
 - Letter of Credit



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Disbursements of G702-703



- **The submission of the Application and Certificate for Payment(G702) must include invoices for each amount requested on the G-703.**
- The construction contract for any subcontractor must be submitted prior to any payments being process to the subcontractor.



Monthly Disbursements



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- The monthly disbursement will require the utilization of the same forms submitted for the initial draw.
- The amount requested for construction must be approved by an MHDC designated inspector.
- The development must be in good standing with the weekly submission of Prevailing Wage Payroll.
- The Application for the Advance of Mortgage Proceeds should include all outstanding MHDC interest invoices.



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Contractors Fees and Retainage



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- The monthly amount requested for contractors Builder's Profit 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 maintain ten percent of the construction/rehabilitation cost as retainage during the construction period.



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Contractors Fees and Retainage



- The retainage **may be** reduced at 90% completion to five percent of the construction if approved by 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



ESCROWS



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- Latent Defects Escrow- Contractor must establish escrow of 2.5% of Construction Contract. The escrow will be held for 15 months from the established cutoff.
- Incomplete Work Escrow –must be established prior to the release of the final retainage



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Change Orders



- Change Orders involving MHDC construction loans must be submitted with the draw on the AIA G701 form with 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.



Change Orders



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- Adjustments to the approved MHDC Form FIN 115 must be processed with a Change Order that has been approved by all required parties.
- All Change Orders must be submitted prior to final paid application to Contractor.



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Questions?

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