



**TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS**
Building Homes. Strengthening Communities.



**Texas Neighborhood Stabilization Program
Construction and Rehabilitation Draws
January 19, 2011**



Presentation Overview

- ❖ Interim Construction Loans
 - ❖ Closing
 - ❖ Budgets and Change Orders
 - ❖ Single-Family and Multi-Family Projects
- ❖ TDHCA Housing Contract System
 - ❖ Entering Draws
 - ❖ Documents
 - ❖ Approval Process



Housekeeping

- ❖ Webinar Format
 - ❖ All Attendees are muted
 - ❖ Please use the GoToMeeting system to ask questions
- ❖ Some questions may be answered via email



Interim Construction Loans

- ❖ All Construction or Rehabilitation expenses will be paid as draws on an Interim Construction Loan
- ❖ Construction Loan Agreement (CLA)
 - ❖ Construction Amount
 - ❖ Draw Structure
 - ❖ Construction Completion Date
 - ❖ Documents required for Draws



Interim Construction Loans

- ❖ Loan amount will include contingency budget
- ❖ Activity Delivery
 - ❖ Included in loan amount for multifamily projects
 - ❖ Not included in loan for single-family projects
- ❖ Demolition
 - ❖ Included in loan amount for multifamily projects
 - ❖ Generally not included in loan for single-family projects



Interim Construction Loans

- ❖ Payoff amount will depend on amount drawn:

Acquisition	\$100,000
Rehab Budget	<u>\$50,000</u>
Loan Amount	\$150,000
Drawn for Rehab	\$40,000
Payoff Amount	\$140,000

Interim Construction Loans

- ❖ The amount available for construction or rehabilitation is based on the budget provided at activity setup

Budget Itemization

BUDGET							
Project	Total Budgeted	State Original	Amended	Funded	Refunds	Itemized	Unitemized
	\$86,230.00	\$86,230.00	\$113,794.74	\$113,794.74	\$0.00	\$113,794.74	\$0.00

ITEMIZED BUDGET			
Item #	Budget Category	Percent	Amount
	Purchase and Rehabilitation	100.02%	\$113,794.74
1	Acquisition **RHD ONLY**	60.32%	\$68,640.00
2	Site Prep	0.94%	\$1,065.00
3	Plumbing	1.2%	\$1,360.00
4	Electrical	1.68%	\$1,915.00
5	Framing	1.08%	\$1,225.00
6	Interior Surface	0.7%	\$800.00
7	HVAC	5.4%	\$6,150.00
8	Finish Carpentry	0.7%	\$800.00
9	Cabinets	3.08%	\$3,500.00
10	Appliances	0.62%	\$700.00
11	Flooring	0.6%	\$680.00
12	Interior Paint	1.78%	\$2,028.00
13	Exterior Paint	2.07%	\$2,350.00
14	Finishing Details	0.18%	\$200.00
15	Contingency Cost	3%	\$3,415.95
16	Miscellaneous	16.67%	\$18,965.79
	Demolition	0%	\$0.00



Interim Construction Loans

- ❖ Change Orders may be used to move funds between budget line items, or from contingency
 - ❖ Used to cover unforeseen costs
 - ❖ Limited to the total amount of the loan
- ❖ Change Orders may require a loan modification or contract amendment



Interim Construction Loans

❖ Change Orders must be approved prior starting work

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Neighborhood Stabilization Program

Change Order Request			
Contract Administrator		Contract #	Activity #
Contract Start/End Date		Service Date(s)	
Property Address			
Item	Original Cost	New Cost	Funds to be transferred from/to budget item:
1	\$	\$	
Description of item and reason for change			
Description of attached supporting documents			
Item	Original Cost	New Cost	Funds to be transferred from/to budget item:
2	\$	\$	
Description of item and reason for change			
Description of attached			



Interim Construction Loans

- ❖ Single Family properties – Homebuyer
 - ❖ Application and Certificate for Payment (CLA Exhibit C)
 - ❖ Affidavit of Completion (CLA Exhibit D)
 - ❖ Waiver and Subordination of Mechanic’s Lien Claims (CLA Exhibit E)
- ❖ Multi-Family and Rental properties
 - ❖ Request for Disbursement (CLA Exhibit A)
 - ❖ Affidavit of Completion (CLA Exhibit B)
 - ❖ Lien Waiver (CLA Exhibit C for loans after 1/15/2011)



Interim Construction Loans

- ❖ 3 kinds of Construction or Rehabilitation Draws
 - ❖ Interim Draws – during the course of construction
 - ❖ Final Draw – when all construction is complete
 - ❖ Retainage Draw – at least 31-days after completion
- ❖ 10% of each Interim and Final Draw will be held as Retainage
 - ❖ Retainage may be drawn 31 days after Final Inspection, Certificate of Occupancy (if applicable) and Affidavit of Completion
- ❖ Activity Delivery Draws – for soft costs



Interim Construction Loans

- ❖ 5-Draw Schedule for New Construction or Reconstruction – only completed work will be reimbursed (CLA Exhibit A)

Draw number	Items eligible for payment per specific draw
First(1) Draw	Acquisition of property (closing costs paid at closing; predevelopment cost reimbursement; initial builder soft costs
Second(2)Draw	Site preparation; underground utilities to property; slab;
Third(3) Draw	Framing; rough carpentry; exterior walls sheathed; roof; rough plumbing; electrical; HVAC
Fourth(4)Draw	Doors; windows; drywall installed; taped; float and finish; exterior siding; stone; and brick
Fifth(5) Draw	Paint interior and exterior; interior trim, cabinets; countertops; plumbing; electrical; and HVAC trim; HVAC equipment installed; house cleaning; appliances; landscaping
Final Draw	Driveway; parking; project close-out; retainage; release retainage after successful inspection and occupancy permits issued



Interim Construction Loans

- ❖ Draws for Rehabilitation may be requested as work progresses or as a lump sum at completion
- ❖ Activity Delivery Draws may be requested as needed
- ❖ All Draw Requests must include supporting documentation

Housing Contract System

- ❖ Draws are entered at the Activity level for available funds

DRAWS FOR PROJECT					
Item #	Category	Budgeted Amount	Drawn To Date	Available Balance	This Draw Amount
	Financing Mechanism	\$0.00	\$0.00	\$0.00	
	Purchase and Rehabilitation	\$113,794.74	\$70,159.00	\$43,635.74	
1	Acquisition **RHD ONLY**	\$68,640.00	\$68,640.00	\$0.00	<input type="text"/>
2	Site Prep	\$1,065.00	\$0.00	\$1,065.00	<input type="text"/>
3	Plumbing	\$1,360.00	\$0.00	\$1,360.00	<input type="text"/>
4	Electrical	\$1,915.00	\$0.00	\$1,915.00	<input type="text"/>
5	Framing	\$1,225.00	\$0.00	\$1,225.00	<input type="text"/>
6	Interior Surface	\$800.00	\$0.00	\$800.00	<input type="text"/>
7	HVAC	\$6,150.00	\$0.00	\$6,150.00	<input type="text"/>
8	Finish Carpentry	\$800.00	\$0.00	\$800.00	<input type="text"/>
9	Cabinets	\$3,500.00	\$0.00	\$3,500.00	<input type="text"/>
10	Appliances	\$700.00	\$0.00	\$700.00	<input type="text"/>
11	Flooring	\$680.00	\$0.00	\$680.00	<input type="text"/>
12	Interior Paint	\$2,028.00	\$0.00	\$2,028.00	<input type="text"/>
13	Exterior Paint	\$2,350.00	\$0.00	\$2,350.00	<input type="text"/>

Housing Contract System

- ❖ Interim Draw Requests use the top portion of the Draw Request Checklist

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Neighborhood Stabilization Program**

DRAW REQUEST Checklist for Construction Activities		
Contract Administrator		Contract # Activity #
<input type="checkbox"/> Interim Draw	<input type="checkbox"/> Final Draw	<input type="checkbox"/> Retainage Draw Draw Amount \$
Contract Start/End Date		Service Date(s)
CA	SECTION 1 - Interim Draws	NSP
	Application and Certificate for Payment or Request for Disbursement	
	Lien Waiver Affidavit (for each invoice presented for reimbursement)	
	Itemization of costs incurred (invoice, billing, time sheet, etc) <i>Note: maximum 90% of actual costs will be reimbursed for each draw; final 10% is released 30-days following construction completion.</i>	
	Progress Inspection (signed and dated - indicating "construction completed to" date)	
	"Progress" photos of work completed to date (interior and exterior) (indicate addresses on all photos)	



Housing Contract System

- ❖ All Interim Draw Requests must include
 - ❖ Application and Certificate for Payment or Request for Disbursement forms (CLA)
 - ❖ Lien Waivers for each contractor/subcontractor invoice presented (CLA)
 - ❖ Invoices
 - ❖ Progress Inspection – indicating that work included in invoices has been completed
 - ❖ Progress Photos



Housing Contract System

- ❖ Final Draw Request uses the second section of the Draw Request Checklist

CA	SECTION 2 – Final Draw Request	NSP
	Application and Certificate for Payment or Request for Disbursement	
	Lien Waiver Affidavit (for each invoice presented for reimbursement)	
	Affidavit of Completion	
	Itemization of costs incurred (invoice, billing, time sheet, etc) <i>Note: maximum 90% of actual costs will be reimbursed for each draw; final 10% is released 30-days following construction completion.</i>	
	Final Inspection (signed and dated – this date initiates the 30 day period for Retainage requirements)	
	"After" photos of work performed (interior and exterior) (indicate addresses on all photos)	



Housing Contract System

- ❖ All Final Draw Requests must include
 - ❖ Application and Certificate for Payment or Request for Disbursement forms (CLA)
 - ❖ Lien Waivers for each contractor/subcontractor invoice presented (CLA)
 - ❖ Affidavit of Completion (CLA)
 - ❖ Invoices
 - ❖ Final Inspection – indicating that all work has been completed
 - ❖ Final Photos
 - ❖ Some projects may have additional requirements



Housing Contract System

- ❖ Affidavit of Completion
 - ❖ Exhibit D for Single-Family CLA
 - ❖ Exhibit B for Rental CLA
- ❖ Must be recorded at completion of construction
- ❖ Starts the 30-day clock for eligibility to collect the Retainage Draw
- ❖ Dated and recorded concurrent to, or after, the Final Inspection or Certificate of Occupancy



Housing Contract System

- ❖ The type of inspection is determined by the Draw Requested
 - ❖ Must support the reimbursement request
 - ❖ Inspector may not be hired by the Contractor
- ❖ Type of activity will determine the inspection requirement
 - ❖ Single v. Multi-family projects

Housing Contract System

- ❖ Retainage Draw Requests use the third section of the Draw Request Checklist

CA	SECTION 3 – Retainage Draw Request				NSP
	30 days have elapsed since completion of construction, as evidenced by				
	<input type="checkbox"/> Final Inspection <input type="checkbox"/> Certificate of Occupancy		<input type="checkbox"/> Affidavit of Completion		
	Calculation of Retainage Draw				
	Draw #	Expense Amount	Draw Amount Paid	Retainage	
	1				
	2				
	3				
	4				
	5				
	Total				



Housing Contract System

- ❖ Retainage Draw Requests must be supported by evidence that 30 days have elapsed since the completion of construction
 - ❖ Final Inspection
 - ❖ Certificate of Occupancy (if applicable)
 - ❖ Affidavit of Completion – recorded
- ❖ Calculation of Retainage Draw section to verify amounts



Housing Contract System

- ❖ Activity Delivery Draw Requests for soft costs tied directly to addresses

Preparation of work write-ups, work specifications, and cost estimates
Architectural, engineering or professional services required to prepare plans, drawings or specifications directly attributable to a particular project
Inspections for lead-based paint, asbestos, termites or septic systems
Interim and final inspections by the construction inspector
Financing fees, credit reports, title binders and insurance
Recording fees, transaction taxes
Legal and accounting fees
Appraisal fees
Architectural and engineering fees, including specifications and job progress inspections
Relocation costs
Site specific environmental reviews
Lead or asbestos hazard evaluation and reduction costs
Other – describe



Housing Contract System

- ❖ Draws are processed in the order received
- ❖ Exception for Closing Draw funds that are wired to Title – take priority
- ❖ Funds are generally deposited within 10-days of approval
- ❖ Look at the Draw Status, Notes, or check email if a Draw has been disapproved



Housing Contract System

- ❖ To speed the approval process
 - ❖ If drawing for multiple invoices, scan and attach them as one document
 - ❖ Attach a spreadsheet summary of multiple invoices
 - ❖ Scan and attach lien waivers with the corresponding invoices
 - ❖ Attach only the documents that are needed – no extras unless requested



Housing Contract System

- ❖ To speed the approval process
 - ❖ Make sure any Change Orders have been approved prior to requesting the draw
 - ❖ Use the forms attached to your Construction Loan Agreement
 - ❖ Copy photos into a single document and attach
 - ❖ Do not attach .jpg .gif or .tif documents



Contact Information

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