

Georgia Department of Community Affairs  
Office of Affordable Housing  
**MONTHLY DRAW PROCESS**

Submit electronic draw requests to:

[ARRA.incoming.files@dca.ga.gov](mailto:ARRA.incoming.files@dca.ga.gov)

Please do not email draw requests to individuals within DCA. There is a 10 MB limit on this email address.

Starting September 1, 2010, all draw requests will have a **deadline for submission which is the close of business on the 14<sup>th</sup> of the month** with the exception of closing draws. DCA reserves the right to hold all draw requests received after the 14<sup>th</sup> of each month until the next month. If the 14<sup>th</sup> of the month falls on a Saturday or Sunday, draw requests are due the preceding Friday.

At closing for all projects with ARRA and/or NSP funds, the Borrower must provide a flow of funds to demonstrate for which budget items DCA funds are anticipated to be requested. See program specific guidelines below.

DCA's goal for disbursement of funds is 10-15 business days from receipt of a complete draw package.

#### **TCAP Reminders**

1. No swimming pool costs are allowed for TCAP funding (such costs can be funded with equity or other financing source).
2. TCAP funds may only be used for capital investments (eligible basis items plus cost of land). If the borrower requests more TCAP funds than are included in the underwritten eligible basis, that amount will show in the DCA template as 'ineligible overruns'.
3. The remaining balance column of the disbursement template will show the total project balance, not necessarily the eligible basis balance, so the eligible basis balance should be noted in the comments column.
4. **Lender Retainage:** DCA will withhold TCAP funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification.

#### **Exchange Reminders:**

1. Exchange funds may be used for most cost items; however, it is strongly encouraged that 2009 round funded projects use these funds for hard costs.
2. Lender Retainage:
  - a. If there are no other types of DCA funding in the project, DCA will withhold Exchange funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification.
  - b. If Exchange funds are combined with HOME funds, DCA will withhold HOME funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification. Exchange funds may be 100% exhausted at any point of choosing by the owner.

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**NSP Reminders:**

1. NSP funds may be used for most cost items; however, it is strongly encouraged that 2009 round funded projects use these funds for hard costs or the purchase of property or land.
2. Lender Retainage:
  - a. If there are no other types of DCA funding in the project, DCA will withhold NSP funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification.
  - b. If Exchange funds are combined with NSP funds, DCA will withhold NSP funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification.

**HOME reminders**

1. HOME funds may only be used for hard construction costs.
2. Lender Retainage:
  - a. If there are no other types of DCA funding in the project, DCA will withhold HOME funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification.
  - b. If any other DCA funds are combined with HOME funds, DCA will withhold HOME funds in an amount equal to 5% of the original hard cost contract sum until all of the requirements for the final construction draw request have been met including the contractor cost certification.

**2008 funding round projects (and 2009-507, 2009-001, 2009-502)**

All draws, including closing draws, and all costs, both hard costs and soft costs, will be reviewed by DCA on a monthly basis regardless of the funding source. Proof of payment will be required for all costs. See below.

**2009 funding round project (except 2009-507, 2009-001, 2009-502)**

All draws, including closing draws, and all costs, both hard costs and soft costs must be submitted to DCA on a monthly basis regardless of the funding source. DCA will review 20% of the submitted draw requests funded by sources outside DCA each month. DCA will review 100% of the submitted draw requests for DCA sources each month. Proof of payment will be required for all DCA funded costs.

**Process:**

3. On or about the 22<sup>nd</sup> of each month, the borrower will receive the DCA Disbursement Template and DCA Invoice Summary Sheet via email from the underwriter assigned to the project. The borrower completes the appropriate "Requested" columns on the template for each draw request. The template tracks the project budget, eligible basis, and the borrower's

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request for funds from each funding source on a line item basis. The borrower also completes the DCA Invoice Summary sheet to detail all invoices, including hard costs, for which funds from all funding sources are requested.

4. Once received, soft costs are reviewed by underwriters; hard costs are reviewed by the Construction Manager; Section 3 documentation and relocation costs are reviewed by the Federal Compliance Officer; proof of previous payments is reviewed by the draw request coordinator.
5. Davis-Bacon payroll reports (where applicable) are submitted separately and on a weekly basis directly to the Federal Compliance Officer.
6. Once the draw is approved, has been forwarded to accounting, and a tentative funding date has been set, the borrower will receive an email regarding the anticipated funding date. Additionally, the email will contain the completed DCA Disbursement Template for the draw indicating the amounts approved for disbursement and an updated DCA Invoice Summary Sheet that summarizes invoices received and proof of payments received to date.
7. DCA's target for disbursement of funds is 10-15 business days from receipt of a complete draw package.

**Guidelines-Soft Costs**

1. Underwriters are directed not to approve anything that they would not feel comfortable seeing their tax dollars pay. If there is any doubt at all, it will not be approved.
2. If an item does not have appropriate backup, it will be removed from the approved draw amount approved and the remainder of the draw will be processed. The disallowed amount can be submitted with the next draw provided sufficient documentation is provided.
3. Only project specific expenses will be paid.
4. Marketing expenses are incurred to assist in lease up. Newspaper ads, brochures etc are examples of marketing expenses. Grand opening costs are not marketing expenses.
5. DCA will not pay marketing expenses such as web site design at the beginning of the project. Costs must be clearly associated with the property and be timely.
6. Under no circumstances will DCA pay or reimburse costs such as food, coffee, catering, entertainment, holiday gifts (to employees or non-employees), ground breaking or grand opening expenses.
7. DCA does not pay developer operating costs or administration fees. Examples would be blackberry, mileage reimbursements, cell phones etc. These are costs that are paid with developer fee. An example of an eligible administration cost might be the cost of preparing the bid specification, having it copied and publishing.
8. DCA will not pay invoices that are generated by the borrower or an affiliate to the (same) borrower for reimbursement. Reimbursements are made by including a copy of the actual third party invoice and a copy of the cancelled check or other evidence of payment by the borrower. All invoices must clearly specify the project, the services and the date performed.
9. Third party invoices must be project specific, have the date the service was provided and a description of the service. If the invoice is being paid under a contract, the invoice should reference the total contract amount and the amount paid to date.
10. Consultant fees will generally be part of the developer fee and not payable through the draw process. This would include application consultants and development consultants.

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11. DCA will not pay for travel, meals, lodging, or entertainment for any owner or development team member to visit the property. DCA will also not pay for mileage for developers, employees or consultants.
12. When a project is part of a multi-phased development, any common costs (such as master-planning or infrastructure costs) must be allocated among the phases based on a reasonable allocating method. Such method must be clearly explained with the cost allocation supported with backup documentation.
13. Eligible Overruns: If the borrower requests more DCA funds than are included in the budget, only the amount in the budget will be approved. The excess will show in the DCA template as “Eligible Overruns”. There will be no negative balance in this case.
14. Overruns with Other Sources: If the borrower exceeds a budgeted line item with funds from other sources, the full amount will be deducted from the budget and leave a negative remaining balance.
15. Developer Fee Requests:
  - (a) Exchange: The borrower is allowed to receive up to 25% of the developer fee (less the deferred portion) at the closing draw or during construction. The borrower is only eligible for an additional 25% of the developer fee (net of the deferred portion) at construction completion. See loan documents for further details.
  - (b) TCAP: The calculation for allowed developer fee for TCAP is 25% (not net of deferred developer fee) at closing, 25% at construction completion, etc. See loan documents for further details.
  - (c) HOME: Borrowers are allowed a flat 50% of developer fee before Conversion; this supersedes TCAP/Exchange rules if HOME funds are combined with TCAP/Exchange.
16. DCA will not sign off on a 1st draw request until all sources of funding have closed and/or property is purchased.
17. DCA related costs that have not been invoiced to the borrower will not be funded, with the exception of Allocation fees, waiver fees and Compliance Monitoring fees. These should be requested on a reimbursement basis only.

**Guidelines-Hard Costs**

1. **Change Orders & Construction Contingency**
  - Construction Contingency—Regardless of how the contingency is funded, DCA must approve all change orders. It benefits the owner/developer to submit the change orders for approval to DCA via email or hard copy prior to inclusion in the draw request. DCA’s goal for return comments on change orders is 5 business days. Developer/owners may rest assured that the scope of change orders of an immediate nature (e.g. unforeseen circumstances such as subsurface conditions or hidden structural damage in rehabs) will be approved while pricing for these change orders may be worked out at a later date. Change orders that are not essential to the immediate progress of the project should be approved by DCA before any action is taken. DCA will not approve change orders that represent a substantial decrease in the scope of work or diminish the quality of the final product.
  - All **material** changes to the contract bid documents must be documented through a change order process. DCA reserves the right to deny approval of any amenities or upgrades that

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DCA determines are excessive. Change orders may be submitted to cover the following issues:

- a. Unforeseen circumstances (hidden subsurface conditions, termite damage on rehabs, etc.)
  - b. Amenities designed to enhance the quality of life
  - c. Amenities that provide security such as lighting, fencing, smoke detectors etc.
  - d. Product upgrades that increase durability and decrease maintenance costs
  - e. Product upgrades or scope additions that increase energy efficiency and decrease operational costs
- Each change order must be submitted with an estimate that includes quantities and subcontractor, labor, materials, and equipment clearly listed and separated; invoices must be provided where available.
  - All change orders and potential change orders must be documented on a change order log and tracked throughout the construction of the project.
2. Subcontractor administration
- General contractor and subcontractor lien waivers must be submitted. General contractors may use their own lien waiver forms, but they must include the following information, at minimum:
    - legible subcontractor names
    - scope of work/trade
    - dollar amount
    - subcontractor signatures
    - applicable date
  - A subcontractor/vendor log that details the name of each subcontractor or vendor over \$5,000, the scope of the subcontractor's work, the amount of the contract, and any change orders issued to the contract must be updated and submitted each month with the draw. The subcontractor's log should include a line item indicating cumulative total amounts for the applicable columns.
  - Lien waivers will be compared to the subcontractor log and the itemized contractor draw request to obtain a reasonable assurance that subcontractors are being paid in a timely manner for the work they perform.
  - DCA will review 1 to 3 (at minimum) executed subcontracts for randomly selected scopes of work on each project.

3. General Contractor Retainage

Please note that the standard DCA Loan Agreement includes the following provision:

*4.01 (c) Retainage. Lender will withhold as retainage an amount equal to 10.0% of the amount approved under any Draw Request for hard costs until the Work is 50% complete, at which time Lender will withhold 5.0% of the approved amount.*

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In addition, the Contractor's Consent also includes the following language:

5. **Retainage.** Contractor acknowledges that Lender is entitled to withhold retainage under the Assistance Agreement. If Borrower defaults and Lender exercises its right to take over construction of the Project, notwithstanding what the Contract may provide, Lender shall be entitled to continue to withhold the retainage set forth in the Assistance Agreement, which retainage will not be released to Contractor until full and final completion of the construction of the Project and satisfaction of the cost certification and audit requirements set forth in the Assistance Agreement and the Addendum to the Contract.

**This means that DCA will require that the AIA G702/703 reflects the following:**

- If the project completion is between 0-50% of the general contractor's contract sum, the AIA G702/703 must show at least 10% retainage on the entire contract sum. No portion of the contract sum shall be exempt (Examples of items that are **not** exempt: stored materials, performance and payment bonds, insurance, general conditions). Adjustments will be made in the disbursement of DCA funds if the AIA G702/703s do not reflect 10% retainage.
- If the project completion is 50.1-100% of the general contractor's contract sum, the AIA G702/703 must show at least 5% retainage on the entire contract sum.