

GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

OFFICE OF AFFORDABLE HOUSING

**CONSTRUCTION CLOSEOUT PROCESS**

General Notes:

- All projects that receive loans from DCA (NSP, HOME, TCAP, or Exchange) must submit a final construction package, including the contractor cost certification, regardless of how the DCA funds were used in the project.
- If requesting DCA funding for the contractor's retainage draw, the documents detailed in the attached Final Construction Closeout Checklist must be submitted in accordance with all of the polices below and is due within 3 months of:
  - date of substantial completion, or
  - date of last certificate of occupancy, whichever is first.
- If 100% of DCA funds were disbursed prior to construction completion, the documents detailed in the attached Final Construction Closeout Checklist must be submitted within 3 months of:
  - date of substantial completion, or
  - date of last certificate of occupancy, whichever is first

**with the exception of:**

  - Cover letter indicating amount of request
  - Exhibit H-Borrower's Affidavit
- 8609s will not be issued until the final construction package is received, DCA has reviewed, and all issues are resolved.
- Provide a paper copy of all documents **except** the as-built drawings. Provide all documents, **including** as-built drawings, on CD. Send all documents via trackable delivery service to:

Attn: Construction Manager  
Office of Affordable Housing  
Georgia Department of Community Affairs  
60 Executive Park South NE  
Atlanta, GA 30329

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**FINAL CONSTRUCTION CLOSEOUT CHECKLIST**

	1. Cover letter indicating amount of request
	2. DCA disbursement template
	3. Exhibit H-Borrower's Affidavit
	4. Final AIA G702/G703 pay request for retainage
	5. Contractor and Subcontractor final lien waivers
	6. Update endorsement of GHFA's title insurance policy.
	7. Certificate(s) of Occupancy
	8. Architect's Punch List & confirmation of completion
	9. Architect's Certificate of Substantial Completion
	10. Satisfactory completion of final construction inspection (comes to DCA under separate cover directly from DCA inspector/consultant)
	11. Accessibility <ul style="list-style-type: none"> <li>a. Ensure DCA has received a copy of the final accessibility inspection with confirmation of resolution of any outstanding issues stemming from the inspection</li> <li>b. Executed Owner Accessibility Certification <b>EXHIBIT A</b></li> </ul>
	12. Letter from the <u>Owner</u> stating: <ul style="list-style-type: none"> <li>a. acceptance of the project</li> <li>b. receipt of all Manufacturers Warranties and Operating Manuals.</li> </ul>
	13. Letter from the <u>Contractor</u> stating construction meets all current codes, federal and local requirements and construction documents
	14. Letter from the <u>Architect</u> stating construction meets all current codes, federal and local requirements and construction documents
	15. Radon Testing Results in accordance with DCA sampling requirements and below EPA recommended limits (Required on all new construction or as required in the Environmental Site Review comments.)
	16. Fulfillment of Carryover Allocation conditions of funding
	17. Green building certifications (where applicable)
	18. As-built drawings (this refers to project record drawings, not the as-built survey; submit on CD; no hard copy of the drawings is required)
	19. Section 3 report and MBE/WBE Data Collection Form
	20. HUD Construction Cost Certification Documents <ul style="list-style-type: none"> <li>a. Auditor opinion letter</li> <li>b. Certification of Independent Certified Public Accountant <b>EXHIBIT B</b></li> <li>c. General Contractor Certification <b>EXHIBIT C</b></li> <li>d. Multifamily Loan Contractors' Cost Certification of Actual Project Costs <b>EXHIBIT D</b></li> <li>e. Contractor's Cost Certification <b>EXHIBIT E</b> <ul style="list-style-type: none"> <li>i. Line item analysis and explanation <b>EXHIBIT F</b></li> <li>ii. Complete change order log</li> <li>iii. A copy of all signed change orders</li> <li>iv. Complete subcontractor log</li> </ul> </li> </ul>

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**GUIDELINES FOR COMPLETING THE CONTRACTOR COST CERTIFICATION**

The owner/developer should check the auditor and contractor's submissions before submitting the contractor cost certification with the checklist below and ensure explanations have been provided where required:

1. Verify that all forms have been submitted:
  - a. Auditor opinion letter
  - b. Certification of Independent Certified Public Accountant
  - c. General Contractor Certification
  - d. Multifamily Loan Contractor's Cost Certification of Actual Project Costs
  - e. Contractor's Cost Certification
2. Verify that the "General Contractor Certification" document has the correct box checked. If there is an identity of interest, you must provide an additional sheet explaining the relationship.
3. Regarding the "Contractor's Cost Certification"
  - a. **Is the total in the "Budgeted Amount" column equal to the original contract amount as stated in the contract incorporated in the closing documents?**
  - b. Is the total in the "Budgeted Amount" column equal to the beginning contract sum on the AIA G702/703?
  - c. Does the total in the "Actual Amount" column equal the final contract amount per the AIA G702/703? If not, provide an explanation.
  - d. Do the overhead (2%), profit (6%), or general requirements (6%) line items exceed DCA limits?
4. Verify the supplemental material has been provided by the contractor:
  - a. Explanation of changes in the line items from the budget to actual column that exceeds 10% and \$10,000.
  - b. Completed change order log and a copy of each signed change order
  - c. Finalized subcontractor log

\* Note that DCA may require additional information such as copies of subcontracts or general ledgers to verify information presented in the certification.

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**CONTRACTOR COST CERTIFICATION POLICY**

Contractors will be required to execute a Cost Certification as to the actual costs incurred in construction of the project. A Certified Public Accountant must perform the audit and issue an opinion letter in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards* issued by the comptroller general of the United States and execute the CPA Certification Form. The Cost Certification will include an audit opinion letter from a CPA certifying the contractor's actual costs. The DCA Cost Certification and audit opinion letter will be required prior to release of final retainage. The Certification and Audit will be reviewed by DCA staff who will determine the total actual allowable cost for construction.

If the Cost Certification and Audit of the actual construction costs find that the Contractor's actual costs are more than budgeted costs and DCA concurs with that finding, no further action is necessary. If the audit finds that the Contractor's actual allowable costs for construction are less than budgeted costs or DCA staff determines that the Contractor's actual allowable costs for construction are less than budgeted costs, HUD and DCA have determined that DCA has some flexibility in determining the appropriate corrective actions that should be taken in order to ensure that a project's feasibility is maintained, but that the Contractor does not receive a windfall and that the project is not over subsidized. This flexibility includes the following actions which may be taken by DCA to meet the above referenced goals:

- A. DCA has the ability under its change order process to approve legitimate cost increases to the property up to the original budgeted amount. Legitimate costs increases would include (but are not limited to):
  - (i) Material upgrades;
  - (ii) Amenities that provide security such as lightning, fencing, smoke detectors etc.;
  - and
  - (iii) Amenities designed to enhance the quality of life.
  
- B. If the Difference between the budgeted costs and the actual costs are significant or extraordinary, DCA may determine that change orders cannot be utilized to correct the problem. In that event, the following actions may be taken by DCA to meet the above referenced goals:
  - (i) DCA may determine that the reduction in costs will reduce the eligible basis and will decrease the amount of tax credits by an amount sufficient to ensure that sources will continue to equal uses.
  - (ii) DCA may determine that the project loan will be reduced by an amount sufficient to ensure that sources will continue to equal uses. (DCA loan documents will be revised to reflect DCA's ability to make this revision subsequent to closing).
  - (iii) DCA may also approve an exception to its policy to only fund a portion of hard costs and fund all hard costs or a portion of the soft costs if necessary, provided that the final sources and uses remain equal.

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- C. The Director of the Office of Affordable Housing and the Assistant Commissioner for Housing will review staff recommendations prior to release of retainage to ensure that goals of preventing Contractor windfall profits and that sources equal uses are met. DCA shall limit the sum total of all payments from all sources to the Contractor to the lesser of: (1) the construction contract price as adjusted for change orders or (2) the total actual allowable cost for construction as determined by DCA.
- D. HUD (where applicable) and/or DCA shall have the right to audit the Contractor Cost Certification for a period of five years from project completion and require the return of an overpayment from the owner/borrower.
- E. Each construction contract between the General Contractor and the Developer of a project shall at a minimum contain the following:
  - (i) The sum total of all payments from all sources to the contractor shall not exceed the actual allowable cost for Construction as determined by DCA;
  - (ii) HUD (where applicable) and/or DCA shall have the right to audit the Contractor's Certificate of Actual costs for a period of five years from project completion; and
  - (iii) HUD (where applicable) and DCA shall have access to the Contractor's records for the project and for his/her cost certification for five years after project completion in order to conduct audits of project costs.