

Documenting Costs

Every penny of the total development cost must be substantiated with documentation.

Acquisition Costs: Submit the closing statement from your acquisition of the property to document acquisition costs

Hard Costs: Hard costs should tie to your sworn construction statement and reflect all material and labor costs related to the improvement of the property. Any deviation from the sworn construction statement is considered a change order **and must have approval from the CPED construction manager**. To prove hard costs were fully disbursed you must provide:

- **Sworn Construction Statement, AIA G702, and AIA G703:** the sworn construction statement should be the basis for line item entries on the AIA G703. Any variations should be reflected as additional change order items at the bottom of the AIA G703 document. A summary of the AIA G703 is entered on the AIA G702 and becomes the basis for draw requests.
- **Change orders** substantiating that deviation from the sworn construction statement was approved by the CPED construction manager. Any change order that has not received prior approval runs the risk of not being paid or being determined to be an eligible expense
- **Lien waivers** from material suppliers, subcontractors, and general contractor totaling the hard costs on your AIA G702 and AIA G703.

Soft Costs: All costs paid for professional fees, maintenance, utilities, or similar expenses that are reflected on your proforma must be documented for your project address. **Documentation provided should clearly indicate what line item on the proforma it is documenting.** To prove costs were incurred the following are acceptable:

- **Checks demonstrating payment**, either the check must show the project address or it must be accompanied by an invoice showing the project address
- **Account ledgers** showing costs incurred and payments made
- **Closing statements** showing costs incurred and payments made
- **Invoices**, must be marked as PAID by the vendor or be accompanied with a check demonstrating payment

Submitting a draw for disbursement

The following documents must be submitted to the Project Coordinator with documentation of payment. PC will review all documents submitted and send authorization to the title company to disburse funds. Draws may be processed no more than once every 30 days.

- **Draw Requisition Form**, must show all costs being disbursed and sources used for payment, including soft costs, acquisition costs, and hard costs. Amounts should tie to your contract budget on the proforma.
- **AIA G702 and G703 Document**, fully approved by CPED Construction Manager. Contract amount on G702 should match total from sworn construction statement, G703 should reflect sworn construction statement as amended by approved change orders.
- **Change orders**, must be approved by the construction manager. All change orders must receive prior approval from a construction manager, otherwise there is risk they will not be eligible costs during final reconciliation.
- **Documentation of soft costs** – see the final requisition section for appropriate proof of payment
- **Disbursement Request (only needed if CPED is paying any portion of the draw)**, showing who CPED funds should be distributed to

If you are self-funding a portion of project costs, demonstrate the cost on the draw requisition form and attach documentation of payment.

Property Sale: Determination of Affordability Gap

Developers must submit income documentation for their eligible buyer to the Project Coordinator, along with a calculation of the amount of affordability gap needed by their eligible buyer.

Final Reconciliation: Determination of Project Gap

If draw process outlined above is followed, final reconciliation should simply be providing a final draw, including a draw requisition form, AIA G702 and G703 document, change orders, and documentation of soft costs. In addition a proforma should be provided showing a “Final Budget” – total costs per line item in the final budget must exactly match the amount shown on the draw requisition form and match with financing documentation provided.

Escrow

If there are items that cannot be completed, those items will be escrowed at title at a minimum rate of 1.5 times cost. If final reconciliation documents are properly submitted, CPED will allow release of net proceeds of sale even when there are escrow items for weather related work. In final reconciliation it will be assumed that escrow items are actual costs that will be incurred on the project and escrow items will be included in the calculation of project gap. When escrow items are completed they must be accompanied with a lien waiver for the full amount of the escrow in order for escrow release to be processed.

Release of net proceeds of sale

When a property is sold, funds from the sale will be applied first to a senior loan and then to closing costs incurred at the sale to an end homebuyer. All remaining proceeds will be held by title until Final Reconciliation is complete. Once Final Reconciliation documents are received, CPED staff will analyze, determine the actual amount of project gap, and provide direction to title about disbursement of net proceeds. When less project gap and/or affordability gap is needed, then a portion of net proceeds will be disbursed to the City as repayment of the development assistance loan. If you purchased land from the City of Minneapolis for your project, the good faith deposit will also be released when Final Reconciliation is complete.