

# TN HOUSING TRUST FUND

## **COMPETITIVE GRANTS PROGRAM PAYMENT REQUEST WORKSHOP**

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COMMUNITY PROGRAMS DIVISION

AUGUST 26, 2021

# DRAW REQUEST COMPONENTS

<b>Contracts/Working Agreements</b>	<b>Interim Draw Requests</b>
<b>Legal Documents</b>	<b>Matching Funds</b>
<b>Start-up Forms &amp; Start-up Forms Checklist</b>	<b>Administrative Funds</b>
<b>Form 5 – Request For Payment Form</b>	<b>Developer Fees</b>
<b>Draw Request Checklist Items</b>	<b>Project Completion</b>

# CONTRACTS & LEGAL DOCUMENTS

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Working Agreements, Legal Documents, & Startup Forms must be in place before grant funds may be drawn down.

- THTF Contracts or Working Agreements are for a 3 year term.
- Working Agreements are composed of 3 parts:
  - Main body of the contract
  - Attachment A – Describes the activities proposed in the grant application
  - Attachment B – Project Budget showing sources and uses including matching funds
- **New!** Executed contracts must be returned within 60 days of the contract start date.

# LEGAL DOCUMENTS

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- Legal documents include a Grant Note, Restrictive Covenants, and Deed of Trust.
- Legal documents must be put in place for each property receiving THTF grant assistance.
- THDA will draw up legal documents upon receipt of the **Legal Documents Request Form (LDRF)**.
- Legal Documents Request Form is the official request to draft legal documents for all THTF projects.
- Submit LDRF Early in the Grant Term!!



# LEGAL DOCUMENTS

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Items to be submitted with the Legal Documents Request Form (if the grantee already owns the property):

- Microsoft Word Version of Property Description
- Current Derivation Clause

If the grantee does not already own the property, the closing attorney will take care of the property description and the derivation clause.

**Property Description** - The property description can be found on the recorded warranty deed. The Word version is needed so that the property description can be incorporated into the legal documents.

# LEGAL DOCUMENTS

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**Derivation Clause** – Usually the last paragraph in the property description area of the recorded warranty deed. The derivation clause describes the property being conveyed from the seller to the buyer.

**Example:** Being the same property conveyed to ABC Housing Authority by ABC, LLC of record at Instrument No. 19000000 in Book W400, Page 300 in the Register's Office for Any County, Tennessee.

# LEGAL DOCUMENTS

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- THDA Attorney will draft the documents and send to grantee for review.
- After the grantee's review, attorney will send final documents to grantee for execution and recording.
- Grantee must execute all documents and record the Restrictive Covenants and Deed of Trust with the County Register of Deeds.
- The Restrictive Covenants must be recorded ***BEFORE*** the Deed of Trust.
- After recording, return the **Original Grant Note** along with the recorded Restrictive Covenants and Deed of Trust back to THDA.

# START UP FORMS & DOCUMENTS

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## Start-Up Forms are as follows:

- **FORM 1**      **Signature Form** – Authorization for at least two, max of four persons authorized to sign off on draw requests. The person providing authorization for others, cannot, him or herself sign off on pay requests.
  
- **FORM 2**      **Authorization for Automatic Deposit (ACH), with voided check** – Allows THDA Accounting Division to deposit checks into the grantee’s bank account.



# START UP FORMS & DOCUMENTS

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- **FORM 3**      **Certification for Reuse of Funds** – Program income (if any) will be used for housing activities assisting low, very low, or extremely low income households.
  
- **FORM 4**      **Non-Discrimination Form** – Post conspicuously so all recipients, job applicants, contractors, subcontractors and interested parties may see it.

# START UP FORMS & DOCUMENTS

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- **W-9 FORM** - Tax payer identification form. Used to process grant payments.
- **Rental Program Policies and Procedures** - Policies and procedures describing the operation of the rental housing program. Sample policies and procedures may be found in the Competitive Grants Manual.
- **Recorded Warranty Deed** (if grantee already owns the property) – Information from the Recorded Warranty Deed is needed for the legal documents.

# START UP FORMS & DOCUMENTS

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- **Legal Documents Request Form** – Form submitted to THDA Legal for drafting of the legal documents.
- **Insurance Certificate** – Insurance requirements are outlined in the contract.

**Start-Up Forms must be returned with in 60 days of the contract start date & must be submitted prior to drawing down on the grant.**

**All Program Forms are available on the Competitive Grants Administrators page of the THDA website.**

# PROGRAM FORMS

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**Request for Payment Forms are the forms to be used when ready to begin drawing down on the grant as follows:**

- **FORM 5 Request for Payment** – Used to request grant funds. Enter all information including beneficiary (if known) and matching funds information. Must be signed by two persons authorized to sign off on draw requests.
- **FORM 6 Interim Draw Certification Form or AIA Payment Application** – Used to request interim draws on individual projects. Large construction projects under the supervision of an architect often use AIA Forms. AIA Forms are provided by the architect or the contractor.

# PROGRAM FORMS

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- **FORM 7**      **Certification of Completion and Final Inspection** - Certifies that the work has been properly inspected and completed in accordance with the contract and work-write up. Submit with the final draw request being sure to fill everything in completely and accurately.
  
- **FORM 8**      **Cost Certification for Materials & Labor or Invoice Summary Sheet** – Both forms are used to list back-up documentation submitted to support the amount requested from the grant.  
  
**Cost Certification Form** - Used for reimbursement for materials or labor. Primarily used when the grantee is serving as its own general contractor or with the use of volunteer labor.

# PROGRAM FORMS

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**Invoice Summary Sheet** - Used to list back-up documentation items submitted with the draw request when the Interim Draw Certification form is used and AIA forms are not used.

- **Form 9**      **Certificate of Administrative Expenses or Developer Fee Invoice**  
If administrative or developer fees were included in the grant proposal, these forms are used to request administrative or developer fee funds from the grant as applicable.

Developer fees may be requested beginning with the 2021 Winter grant round.

# PROGRAM FORMS

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\***Note** - Form 9 is required for Administrative Funds requests.

Form 9 is **not required** for Developer Fee requests.

Developer Fee requests should include a developer fee invoice from the grantee.

Grantees may use their own invoice when requesting developer fees from the grant.

# PROGRAM FORMS

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- **Recorded Notice of Completion** – Document recorded by the County Register of Deeds that notifies potential mechanics' and materialman's lien claimants of project completion.
- **Close Out Form**- Submit upon project completion to close out the grant.



# MATCHING FUNDS

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**The THTF grant requires a 50 % match of development dollars for all projects.**

- The source and amount of matching funds must be indicated on every Form 5 – Request for Payment Form.
- Documentation to support matching funds must be submitted for each payment request.
- If matching funds documentation is submitted on the first draw request and that documentation fulfills the match requirement for the entire grant, it does not need to be submitted again on subsequent draw requests; however notation should be made on each subsequent draw request indicating the previous submission of the matching funds documentation.
- All matching funds documentation included with the draw request should be labeled at 'Match'.

# ADMINISTRATIVE FUNDS

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THTF Competitive Grant program is in transition. Moving from allowing funds for administration to developer fees. During transition period, some grantees will be requesting administrative funds while others will be requesting developer fees.

## **For those requesting administrative funds:**

- Up to 7% of the THTF grant may be used for administrative expenses as long as it is a budget line item in the THTF contract with THDA.
- Administration funds are drawn down in proportion to the draw down of program funds.

# ADMINISTRATIVE FUNDS

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- If contracting for administration, submit an invoice from the administrator as the back-up documentation with the draw request.
- If administering own grant, a copy of the Certification of Administrative Expenses (Form 9) is submitted.
- Back-up Documentation supporting administrative funds requests must be submitted (*ex. for reimbursement for salaries submit time sheets showing time worked and rate of pay and check stubs*).

# ADMINISTRATIVE FUNDS

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- Grantees are strongly encouraged to submit for direct costs.
- If requesting reimbursement for indirect costs – submit copy of the current cost allocation plan approved by your cognizant agency.
- The cost allocation plan must include the indirect cost rate and THDA must be able to clearly determine how costs are allocated to the grant.
- If the THTF grant is not included in the cost allocation plan, documentation must be provided showing how costs are allocated to the grant.

# DEVELOPER FEES

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Applicants may request a developer fee equal to or less than 7 % of the total Competitive Grant request less any fees or costs associated with the developer fee, acquisition, and/or permanent financing.

- If other funds are involved in the project, total developer fee from all sources may not exceed 15 % of total development costs less any fees or costs associated with the developer fee, acquisition, and/or permanent financing.
- Developer fees must be requested in proportion to Competitive Grants project funds until 75 % of the developer fees have been expended.

# DEVELOPER FEES

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- Final 25 % of the developer fee may be requested upon project completion and submission of the Close Out Form, Recorded Notice of Completion, and all applicable Certificates of Occupancy or inspection reports.
- Final 10 % of the overall is grant held until project completion.

# SUBMISSION OF PAY REQUESTS

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- All Requests for payment must be submitted through the **Web Transfer Client System** also known as the **THDA Drop Box**.
- Requests for payment **should not** be sent via email.
- All grantees will be set-up with user names and passwords for drop box submissions.
- Contact the assigned THDA Grant Coordinator for set-up and access to drop box.
- Grantees must log in every 30 days or system lock out will occur and the password will need to be reset.

# ACQUISITION

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**When THTF funds are used toward acquisition of property, the following will apply:**

- Submit LDRF to assigned grant coordinator at least two weeks prior to closing. Submit as early as possible!!!
- THDA Attorney will draft the legal documents and send to the closing agent for the documents to be executed at closing.
- After closing, the Restrictive Covenants and Deed of Trust need to be recorded with the County Register of Deeds.
- Restrictive Covenants must be recorded **before** the Deed of Trust.



# ACQUISITION

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Draw requests for THTF funds to be used toward acquisition of property must include:

- Form 5 Request for Payment form **with two signatures.**
- Source and amount of match noted on each Form 5.
- Documentation confirming the source of matching funds.
- Clearly label matching funds documentation as ‘Match’.
- Preliminary settlement statement if closing has not occurred. Final fully executed settlement statement if closing has already occurred.
- If closing has not occurred, the amount of the THTF grant going into the property must be indicated on the settlement statement.

# ACQUISITION

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Additional items to be included with an acquisition draw request:

- Sales contract
- Appraisal to support acquisition cost
- Name and contact information for the Closing Agent
- Wiring Instructions for the Closing Agent
- Close Out Form - Submit upon project completion.

# ACQUISITION

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**Close Out Form** – If the project is acquisition only, submit Close Out Form after the sale is complete for all assisted properties.

If the project involves acquisition & rehab or construction, submit Close Out Form upon completion of all assisted activities.

**Post Closing** - Submit copy of final fully executed settlement statement, original Grant Note, recorded Restrictive Covenants, recorded Deed of Trust, and Insurance Certificate for the property.

**\*Note** – if THTF funds are requested for reimbursement after the closing has already occurred, the name and contact information for the closing agent and the wiring instructions are not required.

# REHABILITATION OR NEW CONSTRUCTION

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First draw for rehabilitation or new construction projects must include:

- Project Budget showing sources & uses of funds.
- Zoning Letter or other documentation showing proper zoning for the intended use of the property.
- Building Permit.
- Plans & Specs or Work Write-up. Submit plans & specs in electronic format.
- Construction or Rehabilitation Contract.
- If grantee is acting as its own general contractor & there is no construction or rehab contract, submit a memo to that effect.

# REHABILITATION OR NEW CONSTRUCTION

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Additional items to be included with a rehab/new construction draw request:

- Form 5 Request for Payment *with two signatures.*
- Source and amount of match noted on each Form 5.
- Documentation confirming the source of matching funds.
- Clearly label matching funds documentation as 'Match'.
- AIA Payment Application Form - **or** - Form 6 Interim Draw Form.

# REHABILITATION OR NEW CONSTRUCTION

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- Invoices **are not** required if using the AIA Payment Application Form.
- Back-up documentation including invoices &/or receipts **are** required with the Interim Draw Form.
- Invoices and receipts must be clearly legible, indicate line item costs, and clearly describe the work performed or materials purchased.
- Submit Contract Change Orders – if applicable.

# REHABILITATION OR NEW CONSTRUCTION

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- **Invoice Summary Sheet** - List of invoices/receipts serving as back-up documentation for amount requested on the Interim Draw Form. Only items requested for reimbursement should be listed on this form.
- **Cost Certification for Materials** – List of back-up documentation including invoices & receipts supporting materials reimbursement request (*if applicable*). Only items requested for reimbursement should be listed on this form.

# REHABILITATION OR NEW CONSTRUCTION

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- The final 10% of THTF development funds will be paid when the Certificate of Completion and Final Inspection and Certificate of Occupancy & Recorded Notice of Completion are received.



# REHABILITATION OR NEW CONSTRUCTION

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## Items to be submitted with the final draw request:

- Form 7 - Certificate of Completion and Final Inspection.
- Certificate of Occupancy - from the local or state code enforcement office.
- Recorded Notice of Completion – (*recorded by County Register of Deeds*) must be filed at **least 30 days prior** to final draw.
- Close Out Form - Submit with final draw upon completion of all THTF assisted activities.

# REMINDERS

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- **Form 5 & Matching Funds** – Note source of matching funds on the Form 5, include matching funds documentation with the draw request, and clearly label the documentation as ‘Match’.
- **Form 7** – Completely and accurately fill in the entire form especially the last two sections indicating whether codes inspections were required and performed.
- **AIA Forms vs Interim Draw Certification Form** – AIA forms typically used on larger construction projects under the supervision of an architect. Interim Draw Form typically used on smaller projects that are not under the supervision of an architect.
- AIA Forms **do not require** submission of receipts. Interim Draw Forms **do require** receipts.

# REMINDERS

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- **Invoices & Receipts** - Back-up documentation in the form of invoices and receipts should be:
  - Clearly legible
  - Include line item costs
  - Clearly describe the work performed or the materials purchased
- **Cost Allocation Plan** – Grantees are encouraged to submit for direct costs but if indirect costs are requested, documentation must be submitted showing how costs are allocated to the grant.
- **Recorded Notice of Completion** – Submit with final draw request. Contract requires notice of completion be recorded with the County Register of Deeds. Record 30 days prior to submission of final draw request.

# RESOURCES

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Refer to the following checklists to assist with the submission of documents needed for grant reimbursement:

- Start –up Forms Checklist
- Legal Documents Request Form
- Rental Acquisition Checklist
- Rehabilitation – New Construction Checklist
- Invoice Summary Sheet or Cost Certification Form for Materials & Labor

All checklists and Program Forms are on the Competitive Grants page of the THDA website.

# RESOURCES

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Program Descriptions and Competitive Grants Program Manual available online at [www.thda.org](http://www.thda.org)

Click on:

- [Government & Nonprofit Partners](#)
- [Tennessee Housing Trust Fund](#)
- [Competitive Grant Administrators \(right hand side of page\)](#)

**\*Note** – Updated Competitive Grants manual is currently under construction

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# QUESTIONS

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