



# MSHDA Preconstruction Manual

THIS MANUAL AND FORMS ARE AVAILABLE AT [WWW.MICHIGAN.GOV/MSHDA](http://WWW.MICHIGAN.GOV/MSHDA)

EFFECTIVE DECEMBER 2, 2024

MSHDA Contact Information			
<u>Name</u>	<u>Position</u>	<u>Phone #</u>	<u>Email</u>
Nick Shattuck	Chief Construction Manager	(517) 388-6771	<a href="mailto:ShattuckN1@michigan.gov">ShattuckN1@michigan.gov</a>
Maryanne Vukonich	Architect	(517) 335-9807	<a href="mailto:VukonichM@michigan.gov">VukonichM@michigan.gov</a>
Dennis Graham	Building Construction Specialist	(517) 242-6457	<a href="mailto:GrahamD9@michigan.gov">GrahamD9@michigan.gov</a>
Brett Churchill	Building Construction Specialist	(517) 927-2933	<a href="mailto:ChurchillB1@michigan.gov">ChurchillB1@michigan.gov</a>
Adnan Saraya	Building Construction Specialist	(517) 420-6802	<a href="mailto:SarayaA2@michigan.gov">SarayaA2@michigan.gov</a>
Steven Walker	Building Construction Specialist	(517) 230-0916	<a href="mailto:WalkerS@michigan.gov">WalkerS@michigan.gov</a>
James Flanagan	EEO Program Reporting Specialist	(517) 335-5186	<a href="mailto:FlanaganJ@michigan.gov">FlanaganJ@michigan.gov</a>
Kristopher Downing	Labor Relations Specialist	(517) 897-2182	<a href="mailto:DowningK@michigan.gov">DowningK@michigan.gov</a>
Likwa Williams	Section 3 Coordinator	(517) 643-4932	<a href="mailto:WilliamsL91@michigan.gov">WilliamsL91@michigan.gov</a>

MSHDA Pre-Construction Meetings should be attended by:

1. Representatives of the Sponsor/Owner
2. The Architect and inspecting staff members.
3. Administrative/Accounting Personnel of the General Contractor, Subcontractors, and Suppliers

The purpose of this preconstruction manual is to provide a quick reference to the Owner, Contractor and Subcontractors, and Supervisory Architect in various aspects of the construction, disbursement, and completion process for MSHDA financed housing, including the preservation and modified pass-through programs.



Equal Housing Lender



<b>Requirements of the Contractor</b>	<b>3 - 6</b>
1. Progress Schedule (4.2.3 of General Conditions)	3
2. Contractors Letter of Construction Start (Section 401 of Construction Contract)	3
3. Superintendent (4.7 of General Conditions)	3
4. Extended Trade Payment Breakdown (pp 3 and 4 of PSD 10:001–CD 260)	3
5. Notice of Testing (18.5 of General Conditions)	3
6. Disputes (14.1 of General Conditions)	3
7. Subcontractors (6.2 of General Conditions)	4-5
8. Reporting Requirements for Prevailing Wage Developments	5
9. EEO Reporting	5
10. Construction Project Sign	6
<b>Requirements of the Architect</b>	<b>7</b>
1. Field Reports	7
2. Certification for Disbursement (PSD 10:001-CD260)	7
3. Change Orders (MF Con. 001)	7
4. Warranty Inspections	
<b>Requirements of the Owner</b>	<b>8</b>
1. Initial Survey	8
2. Notice of Commencement	8
<b>MSHDA Inspections</b>	<b>9</b>
1. Purpose	9
2. Inspection Types	9
3. Manufactured Housing	9
<b>Disbursement Process</b>	<b>10-11</b>
1. Required Documents	10
2. Survey Requirements	10
3. Payment for Materials Stored On-Site	10-11
4. Contract Retainage	11
<b>Change Order Process</b>	<b>12-13</b>
1. Correction Orders	12
2. Field Orders	12
3. Change Orders	12-13
<b>Occupancy Procedures</b>	<b>14-15</b>
1. Items Required By MSHDA for Occupancy	14
2. Procedure for Obtaining MSHDA Occupancy Approval (PSD 10:006)	15
<b>Final Closing/Final Payment/Final Survey</b>	<b>16-17</b>
1. Participants	16
2. Process	16
3. Specific Responsibilities of Participants	16
4. Documents Required for Final Disbursement Checklist	17
<b>Warranty Inspection Guidelines</b>	<b>18</b>
<b>MSHDA Forms</b>	<b>19-29</b>
1. Application for Disbursement of Mortgage Loan Proceeds (PSD 10:001 – CD 260)	19-23
2. Surveyor's Certificate of Facts (Legal 025)	24-25
3. Request for Construction Changes (MF Con. 001)	26
4. Inventory Sheet for Stored Materials (MF Con. 002)	27
5. Permission to Occupy (PSD 10:006)	28
6. Establishment of Date of Substantial Construction Completion (PSD 12:002A)	29
7. Construction Cost Trade Payment Breakdown	30

## REQUIREMENTS OF THE CONTRACTOR

### 1. **PROGRESS SCHEDULE (Sec. 4.2.3 of General Conditions)**

The Contractor shall prepare and submit to the Architect and the MSHDA Construction Specialist an estimated progress schedule for the Work, for their approval. The progress schedule shall be related to the entire Development to the extent required by the Contract Documents. This schedule shall indicate the dates for the starting and completion of the various stages of construction and shall be revised as required by the conditions of Work, subject to approval of the Architect and the MSHDA Construction Specialist.

### 2. **CONTRACTOR'S LETTER OF CONSTRUCTION START (Sec. 401 of Construction Contract)**

The Contractor is required to submit a written notice, prior to or at the time of initiating construction work, to the Owner, Architect, and the MSHDA Construction Specialist, indicating the actual date of beginning of work of any nature on the development site or the date it is anticipated to commence. This notice is separate from the Owner's required posting of a Notice of Commencement in compliance with Michigan construction lien law. The actual start of construction cannot commence until the Owner has notified the Contractor that MSHDA's lien has been recorded and the posting of the Owner's Notice of Commencement has taken place. Construction may begin with an early start agreement.

### 3. **SUPERINTENDENT (Sec. 4.7 of General Conditions)**

A competent Superintendent and necessary assistants are to be present at the development site during the progress of the work. The Superintendent represents the Contractor and will be the primary liaison with MSHDA during construction. MSHDA will assign a Construction Specialist responsible for the development. Communications given by the MSHDA Construction Specialist to the Superintendent will be binding as if given to the Contractor and will be confirmed in writing at the request of the Superintendent.

### 4. **EXTENDED COST TRADE PAYMENT BREAKDOWN (MSHDA Form PSD 10:001-CD 260)**

The Contractor must provide an extended cost trade payment breakdown to MSHDA prior to the commencement of construction, detailing items and amounts sufficient to depict accurate percentages of completion and material usage. This extended cost trade payment breakdown will be submitted as part of the monthly Application for Disbursement. A separate line shall be used for each trade or item and the compiled report shall be submitted to MSHDA Construction Specialist. The Contractor will use the main headings and item numbers used on the approved MSHDA trade payment breakdown.

### 5. **NOTICE OF TESTING (Sec. 18.5 of General Conditions)**

If the contract documents, laws, ordinances, rules, regulations or orders of any public authority having jurisdiction require any work to be inspected, tested or approved, the Contractor will give the Architect and MSHDA timely notice of its readiness and of the date arranged so the Architect and MSHDA representatives may observe such inspection, testing or approval. The Contractor bears all costs of such inspections, tests and approvals unless the Contract Documents indicate otherwise.

### 6. **DISPUTES (Sec. 14.1 of General Conditions)**

In the event of a claim, dispute, or any other question arising out of, or relating to the Construction Contract, the Contractor will carry on the Work and maintain the progress schedule during any proceedings to settle the dispute, unless otherwise agreed by the Contractor and the Owner in writing and approved in writing by MSHDA.

### 7. **SUBCONTRACTORS (Sec. 6.2 of General Conditions)**

A Subcontractor or lower tier Subcontractor is a person or organization that has a direct or indirect contract with the Contractor to perform any of the Work at the site.

The Contractor is responsible to the Owner for the acts and omissions of those employed by the Contractor, including all Subcontractors, their agents and employees, and all other persons performing any of the Work.

The Contractor must pay each Subcontractor an amount equal to the percentage of completion allowed to the Contractor on account of such Subcontractor's work in accordance with the approved MSHDA construction disbursement. The Contractor shall also require each Subcontractor to make similar payments to their Subcontractors.

It is advised that subcontractors review final approved construction documents and addendums prior to signing their contracts. All contractor and subcontractor work must comply with the **MSHDA Standards of Design** located on the MSHDA website.

#### **8. REPORTING REQUIREMENTS FOR PREVAILING WAGE DEVELOPMENTS**

Developments with more than 11 HOME-assisted units trigger the use of federal prevailing wage rates and rules in relation to subcontractors. A separate set of instructions is available and must be followed for these developments. For information about MSHDA's reporting requirements related to federal prevailing wages, please contact Etta Henderson at (313) 456-3605 or by email at [hendersone@michigan.gov](mailto:hendersone@michigan.gov).

#### **9. EEO REPORTING (Sec. 15.3 of General Conditions)**

The Contractor will include EEO language from Section 15.3 in all subcontracts and must assure all Subcontractors use the same language in their contracts. The Contractor will maintain employment records using *MSHDA's Monthly Utilization form (MF EEO 004 or a substantially comparable form with MSHDA approval)* to compile information on its own employees, and all Subcontractors, second tier Subcontractors, and material suppliers.

EEO performance is evaluated in determining future eligibility to participate in MSHDA financing programs. MSHDA reviews a Contractor's EEO performance in relation to the approved EEO plan for each development, assessing whether all feasible steps were taken to achieve the goals of the plan and documentation of a good faith effort.

The Contractor will be responsible for reporting on workforce and Subcontractor utilization and will certify actual accomplishments in relation to the achievement of equal opportunity goals at 50% of contract completion and within 30 days after final completion.

MSHDA will audit the Contractor's employment records and documentation of Subcontractor/material supplier workforce utilization maintained by the Contractor to confirm the Contractor's EEO accomplishments.

More frequent EEO performance reporting by the Contractor is encouraged, especially if the Contractor is seeking approval to work on other MSHDA-financed developments prior to the completion of existing contracts.

MSHDA will provide timely review of Subcontractors and material suppliers to confirm their status as a Minority-owned Business Enterprise (MBE) or Women-owned Business Enterprise (WBE). EEO Forms 008-M and 008-W must be submitted to Haywood Edwards or James Flanagan at MSHDA's Lansing Office, 735 East Michigan Avenue, P.O. Box 30044, Lansing, MI 48909. Please contact James Flanagan at (517) 335-5186 or by email at [flanaganj@michigan.gov](mailto:flanaganj@michigan.gov).

## **10. CONSTRUCTION PROJECT SIGN**

A construction project sign shall locate at the entrance of the project site.

The construction project sign shall be constructed of  $\frac{3}{4}$ " AB-exterior grade 4'-0" x 8'-0" plywood or better, painted 2 coats all sides.

The construction project sign shall contain at minimum the following information, with letters at the sizes listed:

1. Development name and MSHDA number (4" min.)
2. MSHDA logo (6" min.)
3. Equal Opportunity Employer or EEO (6" min.)
4. Equal Housing Opportunity logo (6" min.)
5. MSHDA EEO phone number (2" min.)
6. Fair Housing Barrier free logo (6" min.)
7. Owner (LDHA-LP) (2" min.)
8. General Contractor (2" min.)
9. Architect (2" min.)

## REQUIREMENTS OF THE ARCHITECT

### 1. FIELD REPORTS

Site field visits should be conducted as frequently as needed related to the phase of construction.

Reports are to be submitted to the Owner and to MSHDA's Construction Specialist. **Failure to provide reports will result in withheld payment of fees.** A report of each construction site visit shall record relevant and important observations of the Architect, including:

- Development name and MSHDA number.
- Date, temperature, and weather conditions.
- Purpose of visit.
- Presence of Superintendent.
- Estimate of manpower.
- General description of construction progress.
- Items checked for conformance to plans and specifications.
- A detailed description of items of non-conformance, including the effect such nonconformance might have on the development.
- At least monthly, the computed overall percentage of construction completion.
- An evaluation of progress in relation to the construction schedule, with any observed or known reasons for lack of adequate progress.
- Problems or unusual site conditions, with solutions as appropriate.
- Prior to occupancy of buildings, the Architect must inspect each building to determine substantial completion and complete a punch list to be submitted to MSHDA with the *Permission to Occupy form (PSD 10:006)*.

### 2. CERTIFICATION FOR DISBURSEMENT (PSD 10:001 – CD260)

The Supervisory Architect reviews the *Contractor's Application for Disbursement (PSD 10:001 – CD260)* and certifies to the following:

- All work and materials to be paid for in the Application for Disbursement are satisfactory and conform to the Contract Documents.
- The percentage of completion for items included in the Application for Disbursement.

### 3. CHANGE ORDERS (MF Con. 001)

The Architect has responsibility for determining the need for and the processing of changes to the plans and specifications in conjunction with direct communications with the owner and contractor. See MSHDA Change order processing described later in this manual.

### 4. WARRANTY INSPECTIONS

The Architect, Contractor, Owner, and Management Representative will conduct an inspection of the Development at or about the ninth month after completion for purposes of discovering defective materials incorporated into the development or deficiencies in the work not in compliance with the Contract Documents. MSHDA Construction Specialist should be scheduled to participate in this inspection. The Architect will identify to the Owner and MSHDA all defects or deficiencies not less than ten (10) months after commencement of the warranty period and ensure a complete and detailed punch list. Attendance by MSHDA Construction Specialist will not be required on Rehabilitation and Preservation projects.

**The Architect will conduct an inspection of the developments:**

- Heating system during November, December, or January of the first winter following completion of the development.
- Cooling system during July or August of the first summer following completion of the development.
- Landscaping during the first growing season after the completion of the development.
- Structural Engineer Field Report – For structures over 3 stories in new construction and structural renovation, structural engineer needs to provide a final inspection report at rough-in and substantial completion.

## **REQUIREMENTS OF THE OWNER**

### **1. INITIAL SURVEY**

The Owner will supply an initial survey describing the physical characteristics of the site, legal description, easements, boundaries, and utility locations. The boundaries of the site shall be clearly identified on site, all construction activities shall take place within those boundaries.

### **2. NOTICE OF COMMENCEMENT**

The Owner will notify the Contractor when MSHDA mortgage has been recorded and the Owner has posted a Notice of Commencement in compliance with Michigan construction lien law. The Owners Notice of Commencement is to be issued, recorded, and posted on the site before the Contractor begins work.



## **MSHDA INSPECTIONS**

MSHDA has assigned a Construction Specialist to be the main point of interaction between the Contractor and MSHDA. The MSHDA Construction Specialist is generally responsible for all construction inspections, and for the processing of draws and change orders.

### **1. PURPOSE**

The purpose of the MSHDA construction inspection process is to:

- Review the development for conformance to the plans, specifications, and program requirements.
- Review the development for conformance with the construction contract and schedule, and to recommend the disbursement of construction funds.
- Review all work for acceptable quality.
- Discuss any unusual or unanticipated condition that might adversely affect the quality of work or the schedule.

Proper MSHDA construction oversight requires that the frequency and intensity of inspections vary with various phases of work within the construction process. Preservation loans may require only disbursement inspections, depending on the scope of rehabilitation. Modified Pass- Through loans will not be inspected.

### **2. INSPECTION TYPES**

The following types of inspections normally will be conducted during the construction of a development:

- Random Standard Inspection – Examination of construction for conformance with contract documents (plans, specifications, construction schedule, and MSHDA Standards of Design).
- Disbursement Inspection – Examination of construction to accurately determine percentage of completion for the purpose of accurately determining proper disbursement (generally monthly).
- Special Inspection/Testing – Review of problems and observation of mechanical equipment or other specialized systems required by the Contract Documents, which cannot be carried out in the random standard inspections.
- Occupancy Inspections – Examination of living units to confirm substantial completion and to prepare a punch list of items of work uncompleted or in need of correction.
- Final Inspection – Review of the development to confirm completion of construction and conformity to Contract Documents.
- Nine-month Warranty Inspection – Examination of the development after occupancy for latent defects, including landscape inspections after one complete growing season.
- 1 Year Inspection – Verifying correction of all deficiencies noted in the 9 Month Warranty Inspection, including any deficiencies that have developed since the 9 Month Inspection.
- Labor Reports – Examination of number of workers on site that are minority and women.

### **3. MANUFACTURED HOUSING**

Developments which incorporate factory built components or modular construction will be inspected more frequently during the delivery and setting of the units. Contractors must notify the MSHDA Construction Specialist of any variances in the Schedule.

## DISBURSEMENT PROCESS

The Contractor is responsible for initiating *Application for Disbursement of Mortgage Loan Proceeds (PSD 10:001 – CD 260)* and submitting all required documentation to the MSHDA Construction Specialist. Disbursement dates for the entire construction period are generally established at the start of construction, in negotiation with the MSHDA Construction Specialist.

Electronic Application for Disbursement (PSD 10:001 – CD 260) Process

- Contractor to provide (1) hard copy for review / signature (in lieu of 4) of the MSHDA *Disbursement of Mortgage Loan Proceeds (PSD 10:001 – CD 260)* along with all necessary backup (extended trade payment breakdown, stored materials detail form (MF Con. 002), soft cost invoices, etc.) at the Draw meeting.
- Contractor will email the scanned signed *Disbursement of Mortgage Loan Proceeds (PSD 10:001 – CD 260)* and all additional backup to MSHDA Building Construction Specialist for processing.

### 1. REQUIRED DOCUMENTS

- *Disbursement of Mortgage Loan Proceeds (PSD 10:001 – CD 260)* completed and signed by owner, architect, and contractor.
- Test reports from independent testing laboratories for tests performed during the construction period of the Application for Disbursement for items such as soil and concrete.
- Copy of title endorsement ensuring the development for the total amount disbursed including the amount of the current Application for Disbursement (to be obtained by contractor or owner as jointly agreed).
- A Site Survey and *Surveyor's Certificate (Legal 025)* by a Land Surveyor registered in the State of Michigan, as needed to reflect new building locations.
- Underground Utilities - If payment is requested for underground utilities not visible to the Land Surveyor, provide Contractor's or utility company's drawings. At final payment for an underground utility installed by the utility company, a copy of the utility company's as-built drawings must be attached to the site survey.
- Stored Materials - If payment is requested for materials stored on-site, documentation, such as invoices for materials delivered to the site during the time period covered in the current disbursement request and *Inventory Sheet for Stored Materials (MF CON. 002)* must be attached.
- Request for *Reduction of Retainage (MF CON. 003)*.

### 2. SURVEY REQUIREMENTS

A *Surveyor's Certificate (Legal 025)* and a Survey of the property by a registered Land Surveyor acceptable to MSHDA Construction Specialist showing all improvements, including structures and utilities, must be included in the Application for Disbursement submission to MSHDA when new foundations are evident. The Contractor will furnish the survey and the *Surveyor's Certificate (Legal 025)* at the Contractor's expense, to the Owner, MSHDA, and the title insurance company insuring the interest of MSHDA. If payment is requested for underground and/or overhead utilities, the Contractor must obtain as-built drawings from the installer or installers. A copy of their as-built drawings should be attached and submitted with the Site Survey to the Owner, MSHDA, and the title insurance company insuring the interest of MSHDA.

### 3. PAYMENT FOR MATERIALS STORED ON-SITE

The processing of payments for materials stored on-site requires that the Contractor maintain records for review and approval by the MSHDA Construction Specialist. The *Inventory Sheet for Stored Materials (MF CON. 002)* is used for this purpose.

Payments for materials stored on-site are subject to the following conditions:

- Request for payments must be included in *Application for Disbursement (PSD 10:001 - CD 260)*.
- Payment is limited to items designed, manufactured, and/or supplied for a particular MSHDA development. Complete invoices and/or bills of lading must accompany such request and show delivery to the subject site. The invoices must be from the initial supplier in the net amount less any discounts. Copies of the invoices or other documentation must be available for review by the MSHDA Construction Specialist at the disbursement meeting/inspection.
- Proper storage for such materials must be provided for on the construction site, subject to the approval of the MSHDA Construction Specialist.
- Approval of payments for materials stored on-site is subject to the MSHDA Construction Specialist's satisfaction that materials have been delivered in an orderly, sequential manner as required by the construction progress.
- Payment of stored materials is intended for items that must be purchased and stored for more than one month before use.
- Payment for services, tools, and operating supplies or for invoices of less than \$500.00 will not be approved.

***As a matter of general policy, disbursement for material stored off-site is not allowed.***

### 4. CONTRACT RETAINAGE

An initial disbursement of mortgage loan proceeds may be paid to the Contractor. All subsequent disbursements will equal no more than 90% of the value of the construction improvements completed at the time of the request for disbursement.

This 10% retainage will be released, subject to the following conditions:

- Construction is progressing on schedule.
- The undisbursed balance of the Contract exceeds, by a reasonable amount, the Owner's and MSHDA's estimate of the cost to complete the work.
- The marketability of the buildings turned over to the Owner is not impaired because of uncompleted adjacent site work or ongoing construction activities disruptive to prospective tenants.
- The Contractor is in compliance with the Contract and with the Contract Documents in all other respects.

If the above conditions are satisfied, the Contractor shall be entitled to a reduction of the retainage based on the following work being completed:

#### **For New and Preservation Projects, Structures and Non-Structure Items (Lines 1-43 of Trade Payment Breakdown)**

- Upon completion of 90% of each line item of the approved trade payment breakdown, Contractor is entitled to receive up to one half of the amount previously retained for such work, provided that the holdback is not reduced below 5% of the estimated value. When these items are 100% complete, retention may be reduced to 2.5%. Further reduction will not be permitted until the entire job is 100% complete and verification is submitted indicating that all provisions contained within Article 7: Final Payment of the Construction Contract have been met.

#### **Reduction of Subcontractor's Retainage**

- The retainage for Subcontractors will be reduced by the Contractor if their work is incorporated in and attributable to buildings for which the Contractor's retainage has been reduced, subject to claims or offsets the Contractor may have against a Subcontractor. The Contractor will disburse the retainage to Subcontractors who have satisfactorily completed performance under their contracts. Amounts remaining will be distributed on a pro rata basis to other Subcontractors whose work retainage has been withheld, in an amount which reflects the relative amount of the work performed by that Subcontractor for which retainage funds have been disbursed.

## CHANGE ORDER PROCESS

### 1. CORRECTION ORDERS

When work has been inadequately performed and/or where certain materials installed do not comply with the requirements and/or intent of the Contract Documents, as determined by the MSHDA Construction Specialist or the Architect, a Correction Order may be executed. Such corrections do not qualify for adjustments of contract amount or date of completion. Signatures on the executed document indicate concurrence in the evaluation of work that requires correction. The execution of a Correction Order is coordinated by the Architect.

### 2. FIELD ORDERS

The Architect shall have authority to order minor changes in the work not involving an adjustment in the Total Contract Sum or an extension of the Contract Time and not inconsistent with the intent of the Contract.

The Architect shall issue written Field Orders, using the standard AIA form or any similar form approved by the Owner and the MSHDA, prior to the performance of the related work. The Owner and MSHDA shall be immediately furnished with copies of such orders. The Contractor shall carry out such orders promptly.

The following items may warrant a Field Order:

Interpretation of the Contract Documents necessary for the proper execution or progress of the work.

- Such interpretations shall be consistent with, and reasonably inferable from, the Contract Documents.
- Minor changes in the work consistent with the intent of the Contract Documents.
- Changes to facilitate installation or servicing of mechanical equipment.
- Approval of acceptable types of similar and equal methods and materials. ▪ Emergency changes to protect integrity of property.

Such changes do not modify the amount, time, or intent of the Contract Documents. Upon receipt, Owner and Contractor shall immediately sign the Field Order, acknowledging concurrence, and **forward a copy to MSHDA's Construction Specialist.**

### 3. CHANGE ORDERS

A Change Order is a written order to the Contractor, issued after the execution of the Contract, which authorizes a change in the work or an adjustment in the Total Contract Sum or the Contract Time. A Change Order must be signed by the Owner, Architect, and Contractor, and approved in writing by MSHDA. A Change Order is the only means of changing the Total Contract Sum or the Contract Time. MSHDA approval is required prior to implementation of a Change Order.

#### The Change Order Process

- The Architect determines the needed changes and executes the *Request for Construction Changes (MF Con. 001)*, obtains the required signatures, and forwards the documents to MSHDA.
- Change Orders are to be numbered consecutively, and five (5) copies of each must be submitted to MSHDA's Construction Specialist. One (1) signed copy is returned to the Owner, Architect, and Contractor, if approved.
- The Architect submits a statement of the necessity or desirability of the modification and a description of the proposed work including necessary drawings and specifications. These documents should describe the proposed changes in work directly and concisely.  
Documentation must include references to specifications by divisions and paragraphs and to plans by sheet numbers. New drawings should be attached, if necessary, and should show what is already covered by contract and the added or deleted work.
- The Contractor submits a proposal complete with Subcontractor's breakdowns, itemized to show a complete estimate of all quantities of materials, unit cost, total costs of materials, materials suppliers

and addresses, hours of labor, hourly rates, and total labor costs. This information must accompany the Change Order, and no action will be taken by MSHDA unless it is complete.

- The Contractor shall not implement proposed changes in Contract Documents prior to written approval from MSHDA. The only exception is construction changes of an emergency nature or required to be accomplished immediately by local building inspectors.
- With the initial notification of an upcoming change, whether in writing or verbally, the Contractor must submit the change order request within thirty (30) calendar days. The change order request shall include all necessary forms, an itemized breakdown, and all other pertinent and supportive information.
- Any change order request and all supporting documentation must be submitted not more than sixty (60) days after the work is in place and identified as being that which constitutes a change to the original scope of work contained within the approved construction documents. Should the information not be received in the office of the assigned MSHDA Construction Specialist within the sixty (60) day period, the Construction Specialist will either stop payment on that particular item of work or create an escrow equal to an amount of 150% of the estimated costs directly related to the change(s).
- ***MSHDA reserves the right to disapprove a Change Order for lack of timely submission as stipulated in the construction contract.***

## OCCUPANCY PROCEDURES

### 1. ITEMS REQUIRED BY MSHDA FOR OCCUPANCY

MSHDA Construction Specialist must approve the following items before the release of units for occupancy. The lack of, or the incompleteness of, an incidental item that the Contractor had unusual difficulty obtaining or completing, may be approved with the recommendation of the MSHDA Construction Specialist.

- Interior of Units:

- Completion of construction, cleanup, and punch list and approved by the Architect. ▪

- Exterior of Units:

- Substantially complete construction with safe access and egress without inconvenience to occupants.
- Corridors, access ways, and Common Areas:
  - Completion of construction or approved safe access to and egress from all units and exit ways.
- Porches, Steps, and Entrance Walks:
  - Completion of construction or approved safe access to and egress from all units and exit ways.
- Drives, Parking and Site Lighting:
  - Suitable permanent or temporary facilities to provide safe and reasonable access and lighting without causing inconvenience to the occupants.
- Site and Landscaping:
  - Construction as complete as possible, including rough grading; removal of construction debris, materials, and equipment; completion of special safety items (protected fences, retaining walls, etc.). Must be safe and causing no inconvenience to occupants.
- Required Systems and Services:

The following systems and services must be completed, tested, approved, and properly operating, or, in special cases, an approved temporary substitute:

  - Heating, ventilating, water/sewer and electrical systems.
  - Fire alarm systems.
  - Smoke detectors and fire extinguishers.
  - Sprinkler and fire pump systems.
  - Emergency generator systems.
  - Any type of life safety item or system.
  - Fire doors, fans, and dampers.
  - Elderly emergency call systems.
  - Elevators.
  - Mail service systems.
  - Trash disposal systems.
  - Services for residents provided for by the loan agreement.

Partial occupancy of units while construction is in progress will require willingness of Owner, Contractor, Subcontractors, suppliers, workers, and Management to assure units, buildings, walks, parking areas, drives, and all occupied areas are free of inconveniences or hazards to occupants.

## 2. PROCEDURE FOR OBTAINING MSHDA OCCUPANCY APPROVAL (PERMISSION TO OCCUPY – PSD 10:006)

MSHDA must issue a *Permission to Occupy (MSHDA Form PSD 10:006)* prior to the occupancy of each building, or portion thereof. The following steps describe the procedure for obtaining MSHDA approval for the release of completed units & common areas from the Contractor to the Owner.

- The Contractor completes the interior of the units & common areas, performs his/her own “Punch Out” inspections and corrects all noted deficiencies.
- The Contractor informs the Owner, Architect & MSHDA Construction Specialist that he has completed the work necessary for “Occupancy Inspections”.
- The Stakeholders communicate to schedule the “Occupancy Inspection(s)”, with an effort to have all parties in attendance to perform the inspections and develop a punch list of any additional items & deficiencies requiring correction. NOTE: A recommendation is made to the Owner/Sponsor to invite Management Staff to participate in the inspection process.
- A re-inspection of the units & common areas is performed to verify that the deficiencies have been corrected, again preferably attended by all Stakeholders.
- Once corrections have been made and inspections have been performed to the satisfaction of the Stakeholders, the Contractor generates the MSHDA *Permission to Occupy (MSHDA Form PSD 10:006)*, with dated signatures of the Contractor, Architect & Owner/Sponsor. NOTE: Attached to the Permission to Occupy form is the Governing Code Authority's Certificate of Occupancy, the Owners Liability Insurance Coverage Certificate and the Architects signed final “Punch List(s)” for the areas covered under the Permission to Occupy.
- *Permission to Occupy (PSD 10:006)*, with required attachments, is submitted to MSHDA Construction Specialist for review and approval.
- MSHDA Construction Specialist submits signed and dated *Permission to Occupy (PSD 10:006)* to MSHDA's Design and Construction Manager for dated signature.
- Completed forms, with all necessary dated signatures, are filed with MSHDA with return submissions to all Stakeholders; the Contractor, the Architect and the Owner/Sponsors.

## **FINAL CLOSING/FINAL PAYMENT/FINAL SURVEY**

### **Participants:**

Contractor, Architect, Owner, and MSHDA Construction Specialist.

#### **1. Process:**

- Contractor notifies Owner, Architect, and MSHDA Construction Specialist that construction is complete.
- Participants set date of inspection.
- Architect and MSHDA Construction Specialist perform inspection. If inspection reveals work still to be completed, the Contractor is given written notice specifying items. Upon completion of items, restart process.
- If the inspection reveals that no further work remains to be done at the site, the date of inspection is established as the date of final completion by completing *Establishment of Date of Substantial Construction Completion (MSHDA Form PSD 12:002A)*.
- MSHDA Construction Specialist provides other participants with a list of Documents required for final payment.
- Participants proceed with preparation for final closing.

#### **2. Specific Responsibilities of Participants:**

##### **Contractor**

- Complete construction according to Contract Documents.
- Notify Architect, Owner, and MSHDA Construction Specialist that construction is complete and request final inspection.
- If uncompleted items are noted during inspection, Contractor must complete or correct them and request a re-inspection.
- Prepare Application for Disbursement for 100% payment less retainage and escrow amounts.
- Sign the *Establishment of Date of Substantial Construction Completion (PSD 12:002A)* establishing date of final completion.

##### **Architect**

- Inspect development with MSHDA Construction Specialist to assure that construction is completed and in conformance with the Contract Documents.
- Review inspection log for unresolved items and make special note of these items during the inspection.
- Review site work items such as landscaping, grading, roads, and walks for conformance with the Contract Documents.
- Inspect items of work not completed at the time of previous inspection and perform at least a spot check of all buildings, or all floors of three or more story buildings.
- Prepare a list of uncompleted items of work for the Contractor.
- In the event there are no uncompleted items or if the items are minor, date of inspection shall be indicated on the *Establishment of Date of Substantial Construction Completion (PSD 12:002A)* establishing that as the date of final completion.



#### **Documents Required for Final Disbursement Checklist:**

- A completed *Establishment of Date of Substantial Construction Completion (PSD 12:002A)* indicating the date of construction completion, including Exhibit A (a list of uncompleted items or items requiring correction with cost breakdown information and a time schedule for completing the work).
- Local occupancy permits, Architect's final punch list inspection reports, completion signoff sheets, and MSHDA's *Permission to Occupy forms (PSD 10:006)* for each building.
- A letter from the local or state fire marshal indicating approval of the buildings, or a letter from the governing agency that the building occupancy permits include this approval.
- A final ALTA Survey and Surveyor's Certificate. The survey must show all grades, improvements constructed on the property, and the location of utilities such as water, sewer, gas and electrical lines and mains, and all existing easements and/or right of ways. The survey is to be prepared by a registered land surveyor.
- Certification of carpets for compliance with UM-44d and for carpet cushion with UM-72 and letter from carpet and cushion installer indicating which items were installed.
- KCMA certification of the cabinets. Certification that countertop complies with flame spread requirements of at least a "Class C" finish.
- Certificates of approval for systems such as elevators, boilers, electrical, fire alarm, sprinkler and other mechanical systems, and emergency call systems.
- A letter signed by the Owner showing receipt of a set of As-built Drawings, all manufacturer's warranties, and serial numbers of all removable items, such as stoves, refrigerators, dishwashers, microwaves, air conditioners, washers, and dryers incorporated into the development during construction.
- Contractors approved Certification of Cost to be submitted to MSHDA's Construction Specialist within 90 days of final completion.
- A copy of the Michigan Department of Community Health Operation Permit for the swimming pool installation.
- A letter from the local governing agency indicating their approval and acceptance of the water and sewer systems.
- A Sworn Statement from the Contractor listing all Subcontractors, the amount of subcontracts, the amount paid each Subcontractor, and a Waiver of Lien from each Subcontractor.
- On preservations, a letter from the management company stating that they accept all buildings and units are completed as well as all punch list items.

***MSHDA will hold 2.5% retainage until everything is received, including Contractor's Cost Certification.***

## **WARRANTY INSPECTION GUIDELINES**

The Contractor is required to correct construction defects due to faulty materials or workmanship which appear during the warranty period.

The purpose of the warranty inspection and the ensuing report is to document the construction defects due to faulty materials or workmanship and to provide the Contractor with instructions for correcting them during the warranty period.

The following warranty inspection procedures will be followed:

- The MSHDA Construction Specialist and the supervising Architect will schedule and conduct an inspection with the Contractor, Owner, and Management Representative approximately nine (9) months from the date of substantial completion or as per Construction Contract warranty period.
- The warranty inspection will be conducted and include a complete inspection of the exterior of all buildings, site work, and landscaping. Special emphasis should be placed on reviewing the grading at the buildings for settling, loose or missing roof shingles and siding, settled concrete walks or asphalt paving, and dead plants. The specific locations of problem areas must be noted.
- At least 5% of the living units must be inspected. The units inspected must be a representative sampling of units in the development. The interior inspection will include an evaluation of mechanical systems such as heating and air conditioning.
- All interior common areas will be inspected.
- The Architect will compile a detailed item-by-item Inspection Report, outlining the problems and their location, and provide the recommended corrective measure to be taken by the Contractor. The report is to be compiled as soon as possible after the warranty inspection to allow the Contractor sufficient time to correct the items during the warranty period.
- Normal maintenance items and defects resulting from inadequate maintenance must not be included in the report as construction defects.
- A copy of the Inspection Report will be forwarded to the Contractor, Owner, and the MSHDA Construction Specialist.
- Before expiration of the 1 Year Warranty Period, a re-inspection of the corrected work will be scheduled for verification of all work being completed, with all Stakeholders present.
- MSHDA Construction Specialist is not required to attend for Rehabilitation and Preservation projects.