

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**



**Office of the Director**

**MEMORANDUM**

**JAN 23 2013**

**TO:** Michael Kelly – Director *MK*  
Jessica Haynes-Franklin – Chief of Staff *JHF*  
Robert Trent – Chief Administrative Officer *RT*  
Andre Chan Mann – Agency Fiscal Officer *ACM*  
Oke Anyaegbunam – Development Finance Manager *OAM*  
Georgette Benson – Portfolio Asset Manager *GB*  
Vonda Orders – Agency Attorney General *VO*  
Thomas Stanback – Property Acquisition Manager *TS*

**FROM:** Nathan F. Simms *NFS*  
Chief Program Officer / Acting Housing Compliance Officer  
Office of Program Monitoring

**CC:** Lesley Edmond – Section 3 Coordinator

**DATE:** January 8, 2013

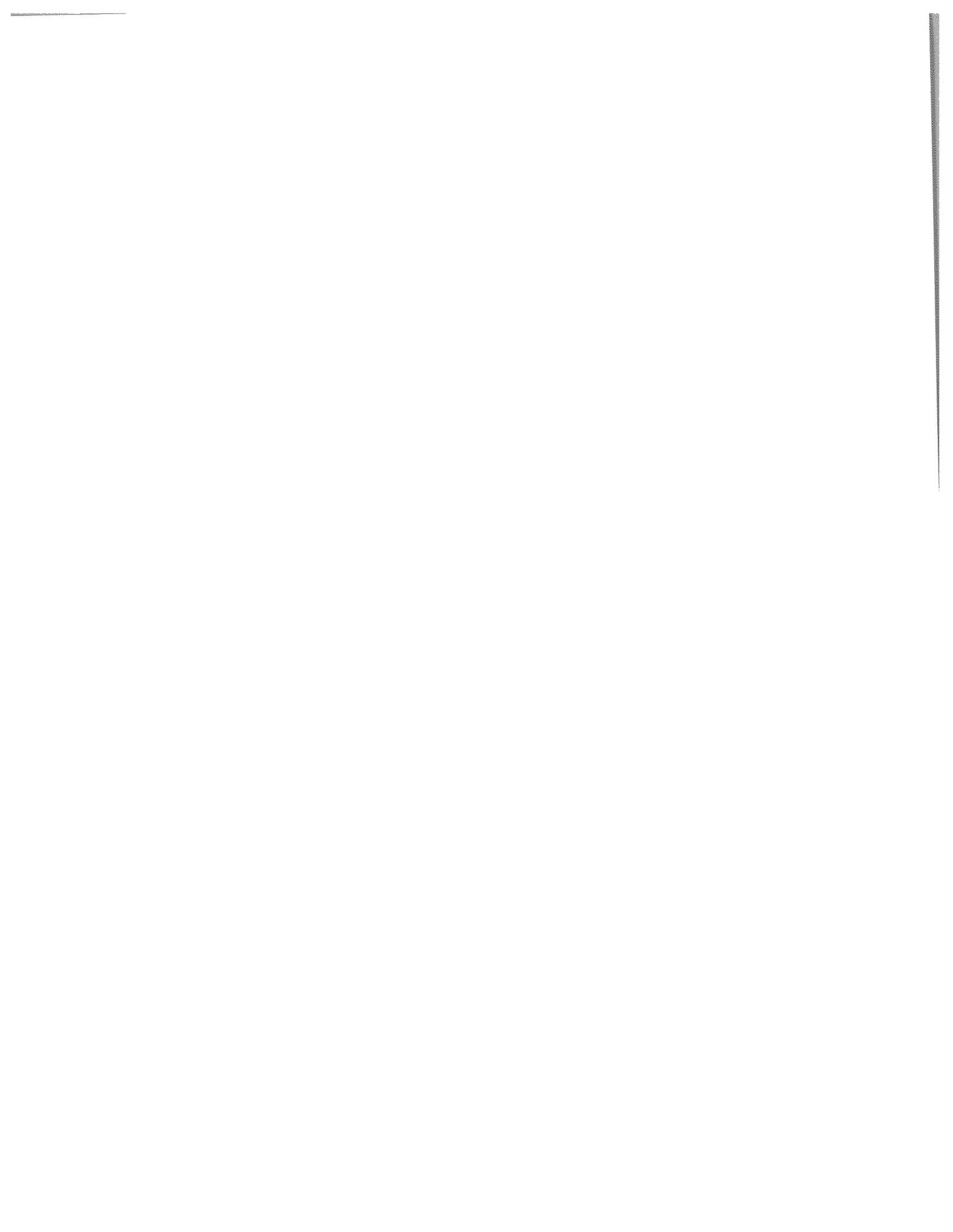
**SUBJECT:** Post-Closing Administrative Instruction

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Please find attached the Post Closing Administrative Instruction (AI). This AI formalizes the existing processes and establishes new policies for the divisions engaged in managing and monitoring multifamily projects once they have closed. These processes will protect DHCD's interest in these projects by monitoring construction completion, establishing the post-closing meeting, establishing marketing plan requirements as well as lease-up and sales plans. These processes will ensure recipient compliance with the agency's program guidelines.

Additionally, you will find attached the Loan Transmittal Checklist, Post-Closing Flow Chart and Post-Closing Meeting Agenda.

Please sign at the designated signature markers by your title.





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## ADMINISTRATIVE INSTRUCTION

Series: 3200  
No.: 001

SUBJECT: Post Closing Multifamily Project Monitoring

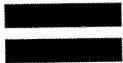
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### I. PURPOSE AND OBJECTIVES

This Administrative Instruction (AI) is issued to establish procedures for monitoring multifamily housing rehabilitation and construction after closing for the Development Finance Division (DFD).

### II. POLICY

- A. It is the policy of the Department of Housing and Community Development that all multifamily housing construction projects, including projects that the agency does not fund for construction, be effectively monitored during the construction process and after closing.
- B. Roles and Responsibilities
1. Division Manager, DFD: ensures the implementation of the multifamily housing post-closing construction monitoring process.
  2. Project Manager, DFD: closes the loan or grant, monitors the construction schedule and compliance, ensures applicable monitoring requirements are met, reviews payment requests and coordinates the post-closing meeting per the procedural steps enumerated below.
  3. Construction Inspector, DFD: conducts physical inspections of DFD projects, reviews payment requests and attends post-closing meeting.
  4. OPM Specialist(s): provides compliance information updates as requested by the DFD Project Manager, may review payment requests and attends post-closing meeting.
  5. PAMD Manager: provides requested asset management information to Project Manager as requested, attends post-closing meeting, ensures loan is submitted to loan servicer and is booked.
  6. OAG Attorney(s): ensures closing documents are recorded and transferred to PAMD, attends post-closing meeting.
  7. CDBG and Home Funding Source Specialist: (if applicable) ensures applicable laws and regulations related to funding sources are being met during the construction process, attends post-closing meeting.
  8. Project Manager, LIHTC: (if applicable) provides LIHTC requested information as requested by the Project Manager, monitors LIHTC requirements and attends post-closing meeting.



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## ADMINISTRATIVE INSTRUCTION

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### SUBJECT: Post Closing Multifamily Project Monitoring

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9. OCFO Staff: submits loan closing documents to the loan servicer and provides Project Manager with updates regarding payment requests.

### III. PROCEDURES

#### A. Non-Construction, pre-development loans

1. DHCD will work with the developer and other lenders to monitor the progress and construction of projects that the agency has an interest in but is not funding for construction. DHCD will ensure that the intercreditor agreement incorporates DHCD's construction monitoring procedures.

#### B. Loan Document Transmittal

1. Prior to loan closing, the Project Manager will complete the Loan Transmittal Checklist (see attached) and provide a copy to OAG at loan closing. This document is to be transmitted with all loan files to OAG.
2. OAG provides PAMD with copies of the loan files which are scanned and filed on the shared DHCD "G" drive.
3. PAMD provides OCFO with the loan documents to be submitted to the servicer.
4. OCFO submits the loan documents to the servicer, within ten (10) days of receipt.
5. PAMD contacts OCFO to confirm loan documents are with the servicer.

#### C. Marketing Plans

1. All multifamily projects must have an approved marketing plan, for either rental or for sale units.
2. Draft marketing plans must be submitted to DHCD within 30 days of loan closing for DHCD review.
3. Once received by DHCD, draft marketing plans are reviewed by the agency and will be returned to the project sponsor within 15 days.
4. Final marketing plans addressing any concerns that DHCD may have should be received within 15 of receipt of DHCD's comments for final approval.

#### D. OPM Monitoring

1. After loan or grant closing, DFD Project Managers schedule a Pre-Construction Meeting with OPM Specialists (Davis-Bacon, Fair Housing, Section 3, Relocation, Affirmative Action) within five (5) business days.
2. At the Pre-Construction Meeting a Notice to Proceed is issued.



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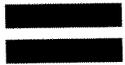
## ADMINISTRATIVE INSTRUCTION

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**SUBJECT: Post Closing Multifamily Project Monitoring**

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3. OPM Specialists begin monitoring the project for compliance.
- E. Non-compliance
1. If during the post-closing construction process DHCD becomes aware of any uncured non-compliance, DHCD may withhold payment.
  2. Non-compliance includes but is not limited to violations of DHCD's program administration, loan agreement documents, and federal and local requirements such as Davis-Bacon, Section 3, Fair Housing, Relocation or Lease-up.
  3. DHCD will notify the appropriate parties of the non-compliance violation in writing and provide an opportunity for the non-compliance violation to be cured. If the non-compliance is not cured within that time period, payment requests may be delayed.
- F. Payment Requests
1. DFD Project Manager reviews payment requests (3-in-1 forms and supporting documentation) received and confirms construction progress with the DFD construction inspector.
  2. Payment requests are then submitted to OPM for a compliance review and are signed off by the Housing Compliance Officer.
  3. Payment requests are returned to DFD and then submitted to OCFO for payment processing.
- G. Construction Monitoring
1. DFD Project Managers will complete monthly construction progress reports throughout the project term. When this feature becomes available in the HDS system reported will be completed in the system.
  2. DFD Project Managers will meet with project lenders and construction representatives regularly.
  3. DFD Division Manager will schedule monthly construction/rehab pipeline meetings to discuss construction progression.
  4. DFD Project Manager and the DFD Construction Inspector conduct construction inspections at a minimum frequency of 25%, 50%, 75% and 100% of construction completion intervals.
- H. Post-Closing Meeting
1. When the project reaches 50% construction completion the DFD Project Manager and DFD Construction Inspector conduct a physical inspection.



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### SUBJECT: Post Closing Multifamily Project Monitoring

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2. DFD Project Manager contacts OPM information technology staff to confirm the expenditure of 50% of DHCD funds and that the funds have been drawn down in IDIS in accordance with the loan documents.
  3. OPM provides DFD Project Manager with IDIS information as requested regarding expenditures and drawdowns.
  4. At 50% construction, DFD Project Manager schedules a post-construction meeting with DFD Construction Inspector, Developer, Property/Management Agent, OPM reps, PAMD reps, OAG, CDBG or Home Specialist, Green Building Specialist, and other parties as necessary.
  5. This meeting is to be scheduled within 10 days of IDIS expenditure confirmation.
  6. All DHCD requested parties attend the post-construction meeting and address pertinent issues regarding construction monitoring, payment request status, compliance issues, regulatory requirements and lease-up or unit sales. (See attached agenda)
  7. DFD Project Manager determines if developer has met lease-up or pre-sale targets.
- I. Lease up
1. PAMD staff set up project files for program funding when the loan file is received from OAG.
  2. Once the project reaches 50% of construction, PAMD will schedule an on-site review of the tenant files. (Income and tenant eligibility will be reviewed). Other applicable eligibility program requirements that are being incorporated include:
    1. Home Investment Partnerships Program (HOME) AI, Series 3100 No. 02.
    2. The District of Columbia Low Income Housing Tax Credit Qualified Allocation Plan (LIHTC QAP)
  3. At 50% construction rental status updates (rent rolls) should be submitted to PAMD on a monthly basis.



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4. Tenant files will be reviewed electronically or on site. A lease-up email mailbox has been established (state mailbox name here) for sites to send their tenant files for review. No more than five (5) files per property can be placed in the lease-up mailbox. Properties submitting more than five (5) files must schedule an appointment with PAMD staff to review the files on site.
  5. Within (48) forty-eight hours of the review by DHCD, the property will receive approval (via email) to lease to the new tenant.
  6. If the household is not approved for occupancy, the property will receive a "proposed" corrective action letter to cure leasing violations and re-submit within five (5) days.
  7. If the household is "still" denied, a final status letter must be sent to the household within seventy-two (72) hours.
  8. At 75% of lease-up completion, rent rolls should be received for approval.
  9. At 100% lease-up completion, a request is made to receive the final rent roll.
  10. At 100% construction completion, the Certification of Occupancy should be received and final payment requests submitted.
- J. Homeownership Eligibility Review
1. The project developer or representative submits marketing plans to PAMD (DHCD) within two (2) weeks of project closing. The documentation must include the target Homeowner's AMI and building prices in accordance with the loan or grant Agreement.
  2. The developer or representative certifies each homeowner and submits copies of documentation to DHCD (PAMD) for approval. DHCD will review the documentation within five (5) business days and approve or reject the application and inform the Sponsor. The approval process does not begin until all required documents are received by DHCD. Sales cannot occur without prior approval of DHCD.
  3. Homeowner files will be reviewed electronically or on site. An email mailbox has been established for sites to send their homeowner files for review. No more than five (5) files per property can be placed in the mailbox. Properties submitting more than five (5) files must schedule an appointment with PAMD staff to review files on site.
  4. PAMD sends approved applications to OAG with the required loan documents. OAG reviews and approves the legal documents including the deed of trust notes, subordination agreements, and new covenants including the release of the initial covenant entered into with the Developer.



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5. After OAG approves the loan documents for legal sufficiency, the documents are submitted to the Director for signature.
  6. Subsequent to Director approval, the documents will be returned to the developer or representative in preparation for loan settlement.
  7. Following the settlement process, the loan documents will be recorded by the title company at the DC Recorder Deeds and then returned to DHCD OAG.
  8. OAG forwards recorded loan documents to PAMD.
  9. PAMD files documents in the Portfolio and Asset Management Division Electronic Project File folders on the "G": drive.
  10. OCFO submits the loan documents to the servicer, within ten (10) days of receipt.
  11. PAMD contacts OCFO to confirm loan documents are with the servicer.
  12. PAMD prepares loan transmittal form for loan document transfer to OCFO.
- K. Conversion of Sale Units to Rental Units
1. For sale units must be sold within six (6) months of receiving the Certificate of Occupancy (COI).
  2. If the units have not been sold within six months of receiving the certification of occupancy, the units must be converted into rental units.
- L. Budget/Payment Close Out
1. Project Manager requests from the developer/representative copies of the Certificate of Occupancy (COI) and final approved inspections.
  2. A request for final payment is received by DFD.
  3. A request is made that mechanics liens are released to DHCD.
  4. A request is made that the retainage is released.



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No.: 001

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**Approvals:**

  
Development Finance Division

1/14/13  
Date

  
Portfolio and Asset Management Division

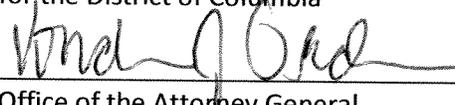
1-14-13  
Date

  
Office of Program Monitoring

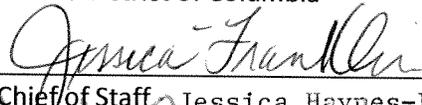
1/9/13  
Date

  
Office of the Chief Financial Officer  
for the District of Columbia

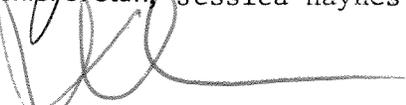
1/18/13  
Date

  
Office of the Attorney General  
for the District of Columbia

1/10/13  
Date

  
Chief of Staff, Jessica Haynes-Franklin

1/23/13  
Date

  
Director, Michael P. Kelly

1/23/13  
Date



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## ADMINISTRATIVE INSTRUCTION

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M. Definitions/Acronyms:

1. DHCD – Department of Housing and Community Development
2. DFD – Development Finance Division
3. PAMD- Portfolio Asset Management Division
4. OPM- Office of Program Monitoring
5. OAG- Office of the Attorney General
6. CDBG- Community Development Block Grant- a program sponsored by the Department of Housing and Urban Development which funds nationwide community development programs
7. HOME-Home Investment Partnerships Program- Federal block grant program to state and local governments designed exclusively to create affordable housing for low income households
8. LIHTC- Low Income Housing Tax Credits
9. OCFO- Office of the Chief Financial Officer
10. IDIS- Integrated Disbursement and Information System- provides the Department of Housing and Urban Development (HUD) with current information regarding the program activities underway across the nation.
11. HDS-Housing Development Software- data management system used by DHCD
12. AMI- Area Median Income



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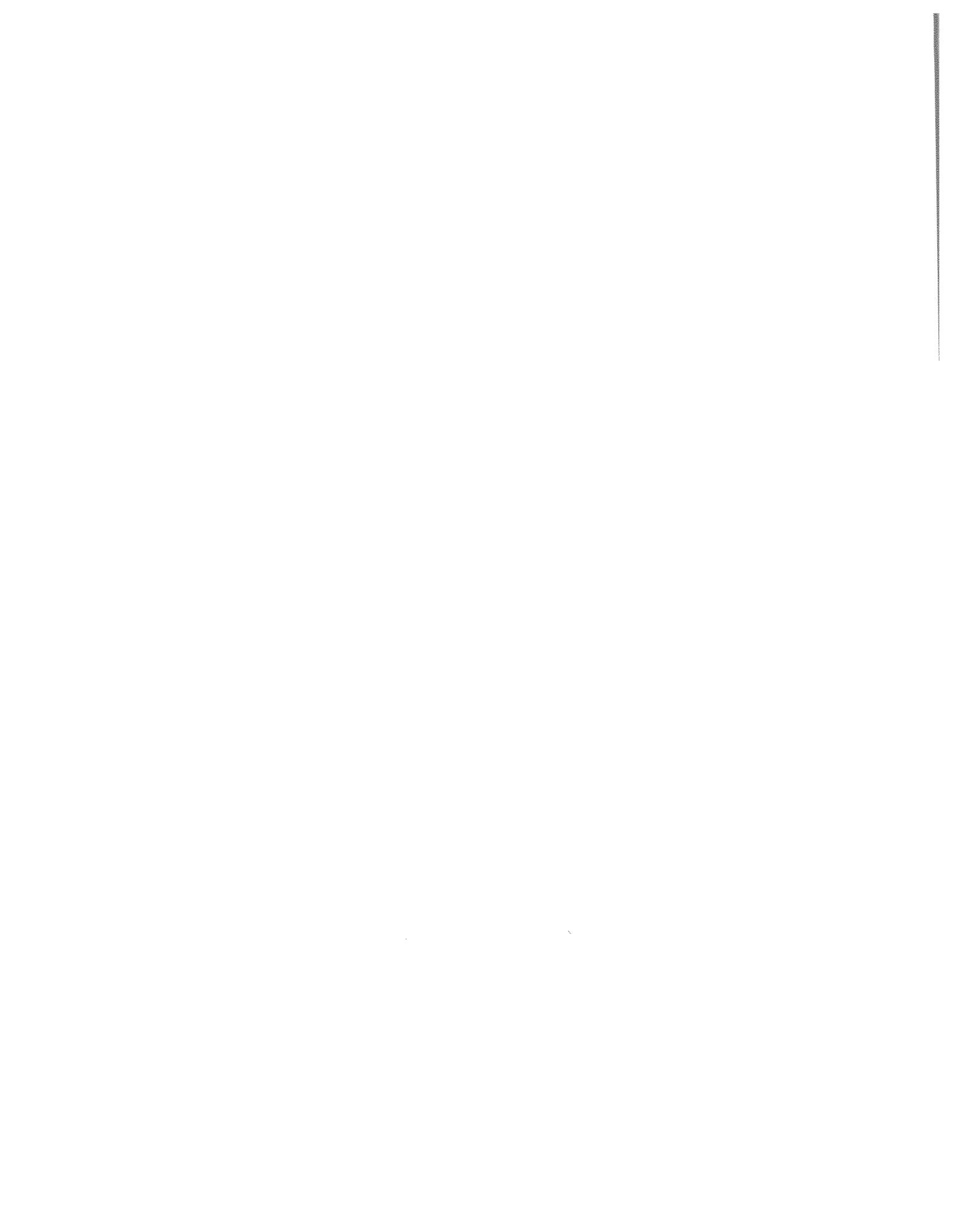
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### Attachments

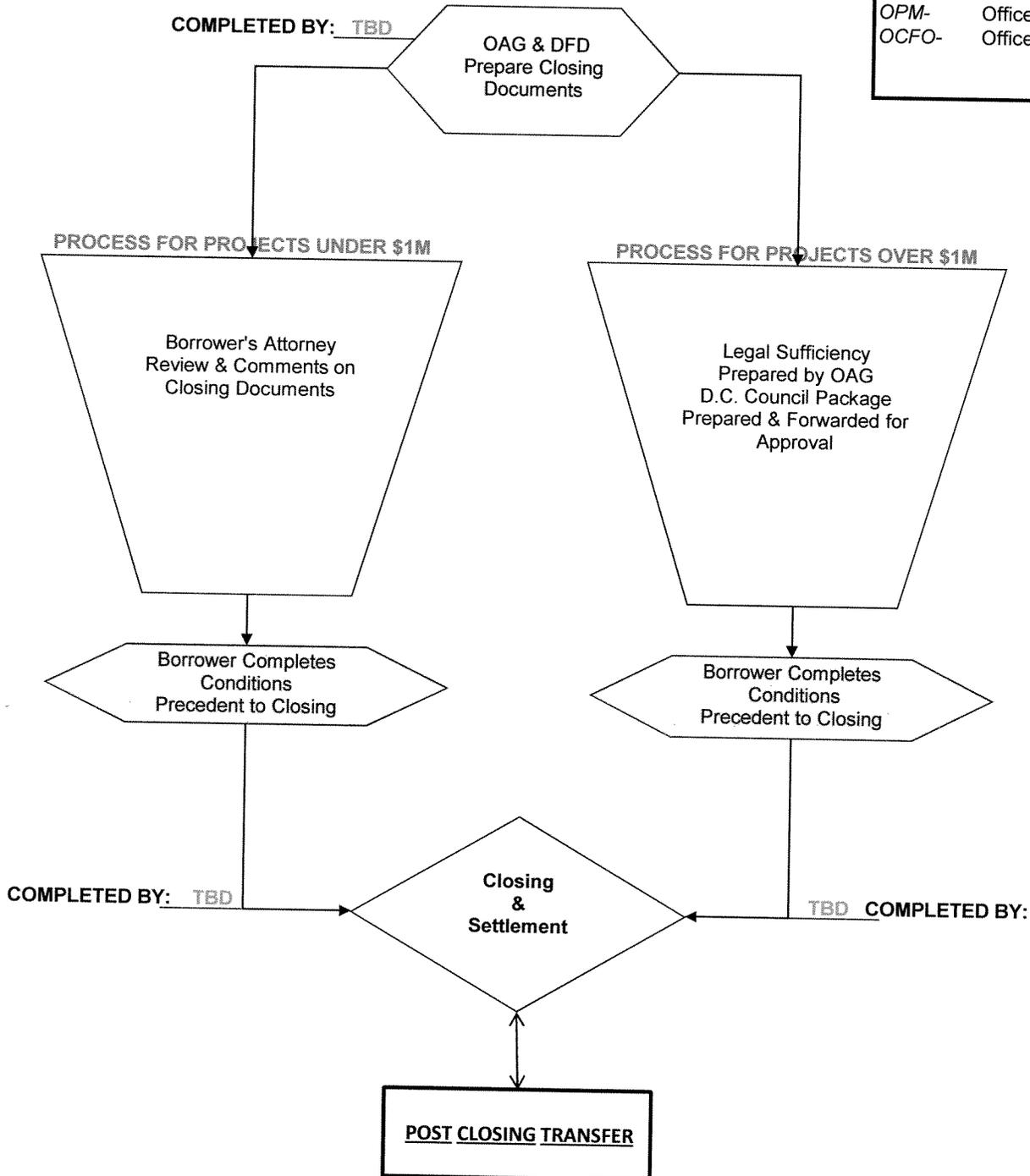
Loan Transmittal Checklist  
Post-Closing Flow Chart  
Post-Closing Meeting Agenda

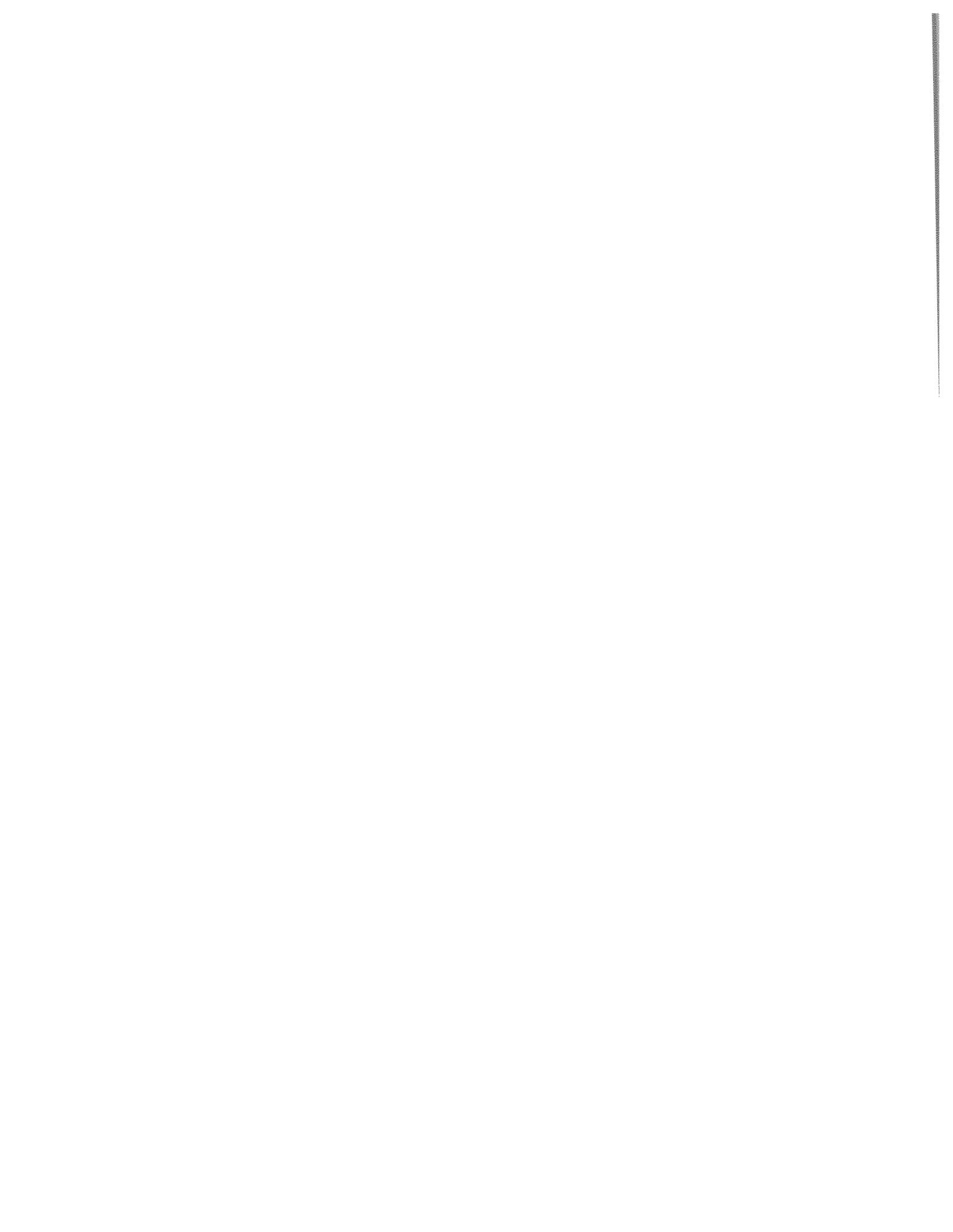


# DFD Post Closing Transfer Flow-Chart

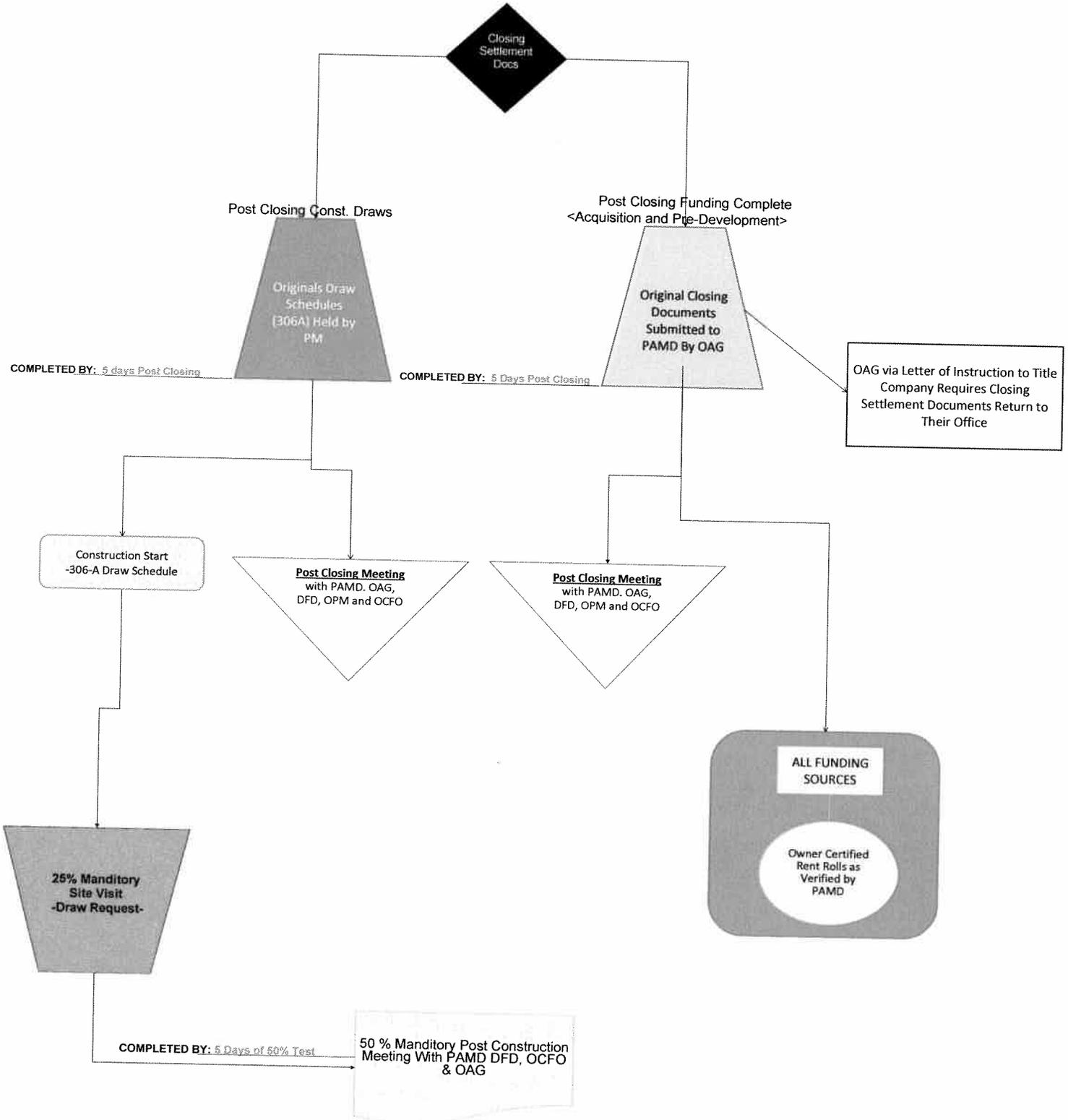
## Draft - 1/8/2013

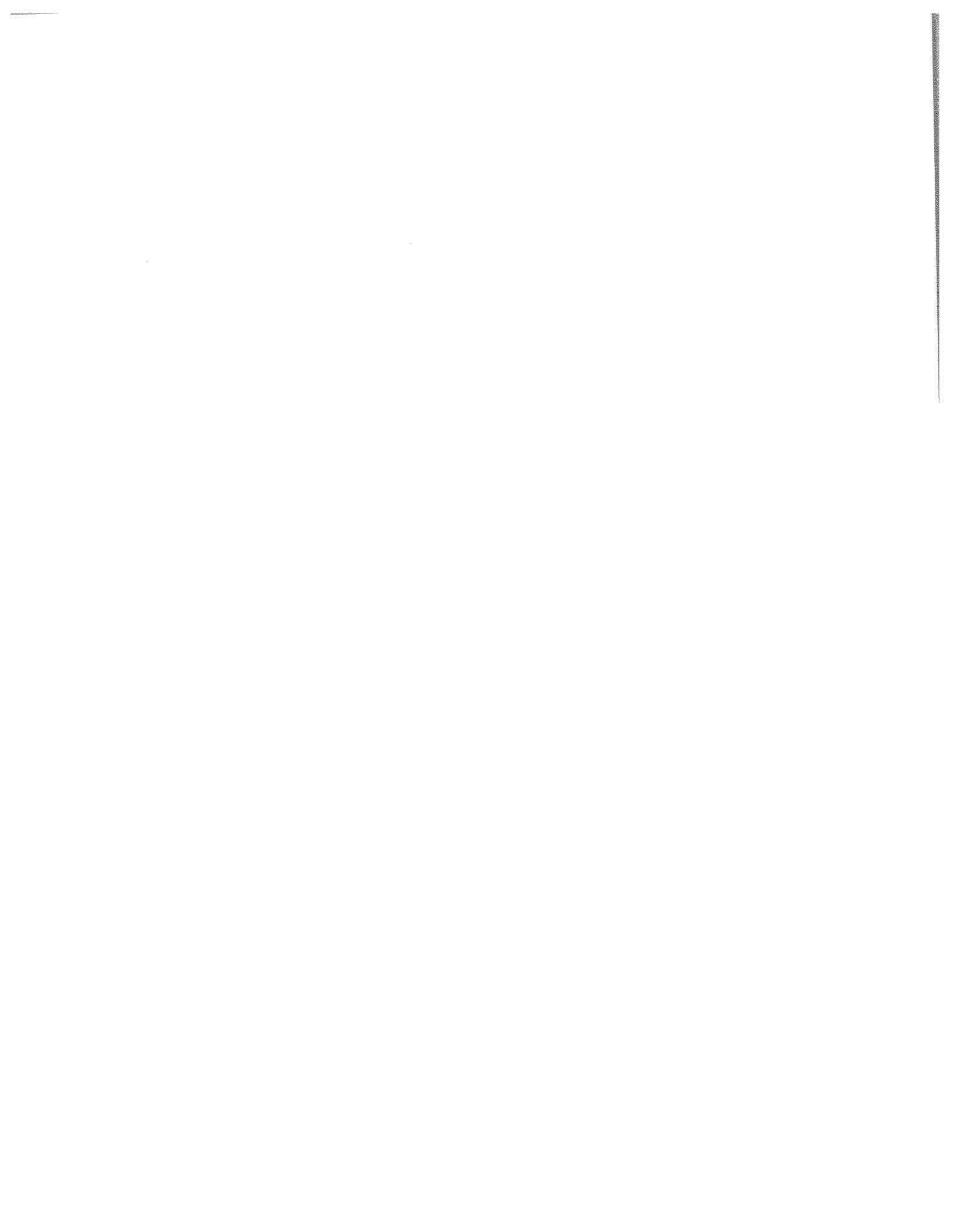
<u>Legend</u>	
PAMD-	Portfolio Asset Mgmt Div.
OAG-	Office of Attorney Gen.
DFD-	Development Finance Div.
OPM-	Office of Program Monitoring
OCFO-	Office Chief Finance Office



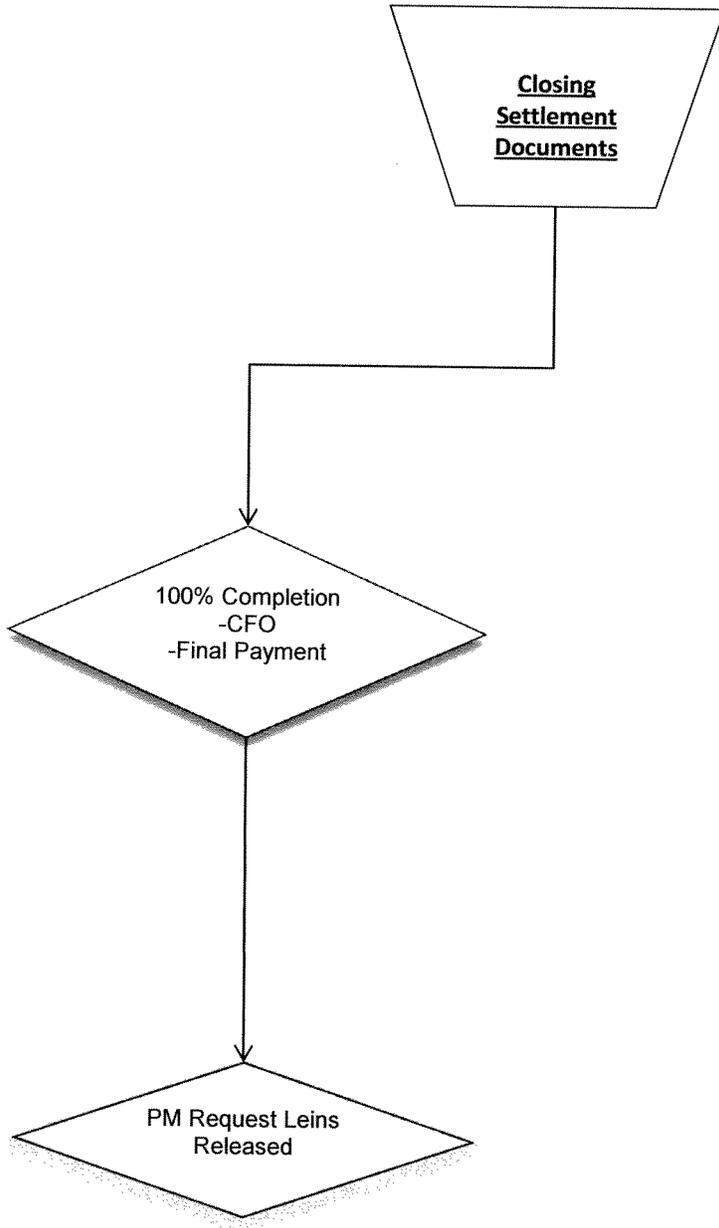


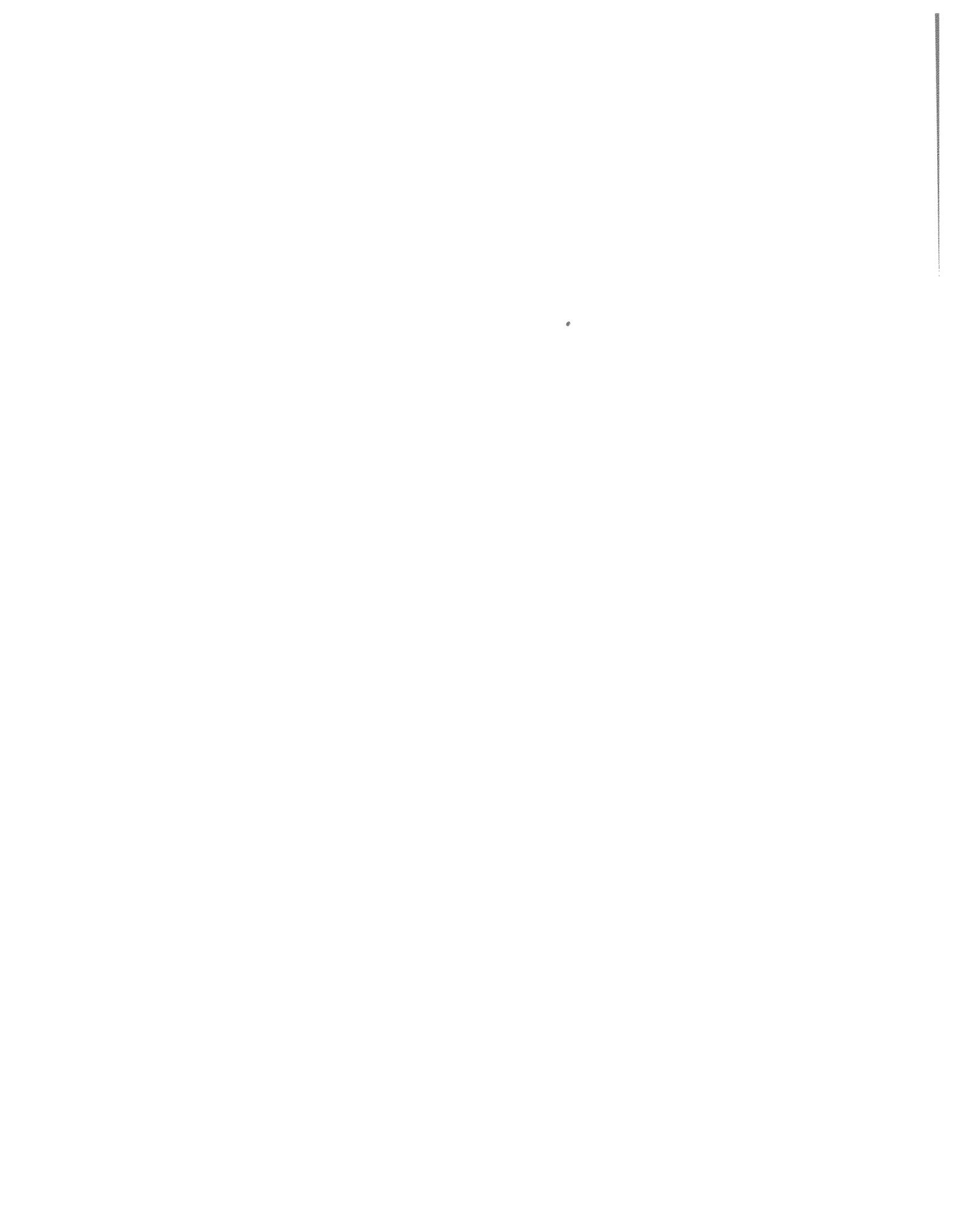
**DFD POST CLOSING TRANSFER FLOW-CHARTS  
DRAFT - 1/8/2013**





**DFD POST CLOSING TRANSFER FLOW-CHART  
DRAFT - 1/8/2013**

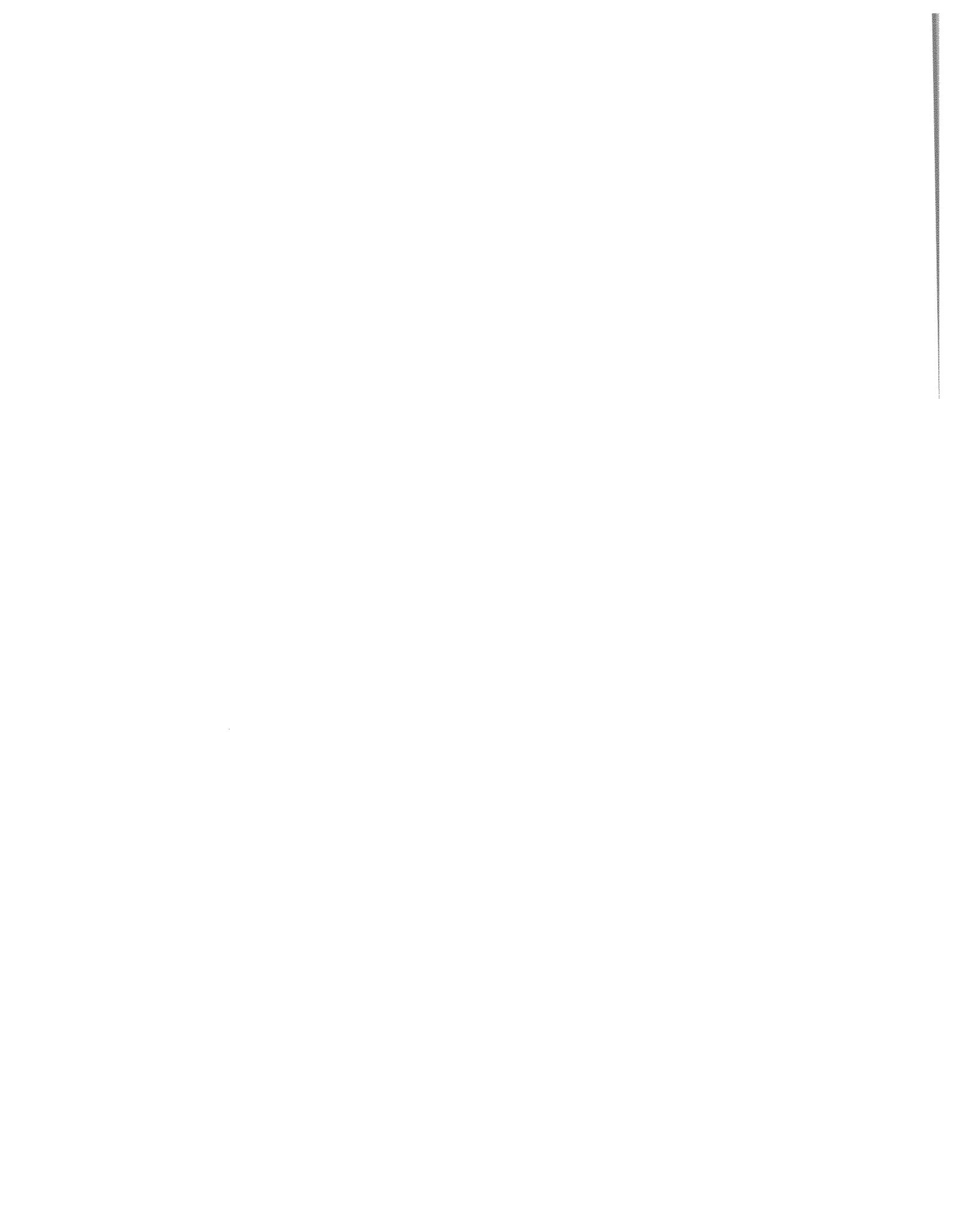




# 50% CONSTRUCTION COMPLETION MEETING

## Agenda

- I. Development Finance Division - Project Manager, Architect, DFD
  - Circulate a Sign-In Sheet
  - Know the players of the project
  - Review Terms and Conditions of LOC
  - Discuss payment of retainage and required documentation
  - Obtain additional financials (if required by LOC)
  - Request an initial rent roll at 75% of Lease-up
- II. Asset Management – Division Chief
  - Provide and Discuss Asset Management Reporting Requirements
- III. Office of Program Monitoring (OPM)
  - Discuss the lease-up process
  - Provide the borrower with a sample file
  - Discuss the pre-approval process for a HOME-funded project



Project Name: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_  
Contract Number: \_\_\_\_\_

**Checklist/REQUIRED Information  
For ALL Loans Transmitted for Servicing**

**I Information Needed for Transmittal**

- Funding Source: \_\_\_\_\_
- Loan Program (Multi-Family, HPTF, Etc.) \_\_\_\_\_
- Type of Loan (Amortized or Deferred) \_\_\_\_\_
- Terms (Interest rate, # of payment, Payment frequency, Percent and Amount of Late charge – if applicable, Grace period, Maturity date, etc.) \_\_\_\_\_
- First Payment Due Date: \_\_\_\_\_
- Periodic Payment Amount: \_\_\_\_\_
- Federal Tax ID Number or SSN: \_\_\_\_\_
- Borrower's Contact Person: \_\_\_\_\_
- Contact Person's Title & Phone Number: \_\_\_\_\_
- Mailing Address (if different from property address) \_\_\_\_\_

\_\_\_\_\_  
Project Manager Signature

\_\_\_\_\_  
Date Submitted to OAG

**II Handoff from PM to OAG**

\_\_\_\_\_  
OAG Signature

\_\_\_\_\_  
Date Received

**III Documents Needed for Servicing/Booking**

- Deed of Trust
- Deed of Trust Note Outlining Specific Payment Terms; with Repayment Schedule Attached
- Loan and Security Agreement
- Financing Statement (if applicable)
- ALL Modifications Executed (if applicable)
- Letter of Commitment
- Copy of Hazard Insurance
- Title Insurance Policy (if applicable)
- HUD 1
- Home Agreement (if applicable)
- All other applicable loan documents and/or Exhibits

\_\_\_\_\_  
PAMD Signature

\_\_\_\_\_  
Date Received

**IV Servicing/Booking**

\_\_\_\_\_  
CFO Signature

\_\_\_\_\_  
Date Received

**NOTE: If all of the applicable documents/information are not received with the loan package that is transmitted for servicing, the entire package will be returned immediately to the Project Manager.**

