



# Multifamily Housing Development Programs Cost Certification Guide

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Maryland Department of Housing and Community Development  
Community Development Administration  
7800 Harkins Road  
Lanham, Maryland 20706  
(301) 429-7854 Phone  
(800) 543-4505 Toll Free  
(800) 735-2258 TTY  
[www.mdhousing.org](http://www.mdhousing.org)

Wes Moore, Governor  
Aruna Miller, Lt. Governor  
Jacob R. Day, Secretary  
Owen McEvoy, Deputy Secretary



## TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>2</b>	<b>DEFINITIONS.....</b>	<b>3</b>
2.1	CHANGE ORDER.....	3
2.2	COMPLETION DATE .....	3
2.3	CUT-OFF DATE .....	3
2.4	DRAW REQUEST .....	3
2.5	DRAW SCHEDULE .....	3
2.6	FIELD PROGRESS MEETING.....	4
2.7	FINAL CLOSING .....	4
2.8	INITIAL CLOSING.....	4
2.9	LOAN DOCUMENTS.....	4
2.10	NOTE.....	4
2.11	SOFT-COST .....	4
2.12	SUBSTANTIAL COMPLETION.....	4
<b>3</b>	<b>COST CERTIFICATION REQUIREMENTS.....</b>	<b>5</b>
3.1	PURPOSE.....	5
3.2	COST CERTIFICATION .....	5
3.3	AUDIT AUTHORIZATION.....	6
3.4	AUDIT SCOPE AND COVERAGE .....	6
3.5	AUDIT STANDARDS .....	6
3.6	BOND FINANCING .....	7
3.7	GENERAL.....	7
<b>4</b>	<b>FORMAT OF COST CERTIFICATION PACKAGE .....</b>	<b>8</b>
4.1	COST CERTIFICATION PACKET .....	8
4.2	REFERENCE MATERIALS .....	8
4.3	ELIGIBLE COSTS.....	8
<b>5</b>	<b>CONTRACTOR’S COST CERTIFICATION .....</b>	<b>10</b>
5.1	REQUIREMENTS .....	10
<b>6</b>	<b>MORTGAGOR’S COST CERTIFICATION.....</b>	<b>11</b>
6.1	REQUIREMENTS .....	11
6.2	MORTGAGOR’S CERTIFICATE OF ACTUAL COST.....	11
6.3	BALANCE SHEET .....	11
6.4	OPERATING STATEMENT.....	12
<b>7</b>	<b>IDENTITY OF INTEREST RELATIONSHIPS .....</b>	<b>13</b>
7.1	DEFINITION.....	13
7.2	APPROVAL FOR IDENTITY OF INTEREST SUBCONTRACTORS .....	13
7.3	ELIGIBLE COSTS FOR IDENTITY OF INTEREST RELATIONSHIP .....	14
	<b>APPENDIX A: PLACE HOLDER FOR CDA FORM 406 .....</b>	<b>I</b>

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**APPENDIX B: CDA FORM 101 ..... II**

**APPENDIX C: EXAMPLE OF MORTGAGOR'S COST CERTIFICATION ..... III**

**APPENDIX D: EXAMPLE OF INDEPENDENT AUDITOR'S REPORT .....XVII**

**APPENDIX E: CDA FORM 202.....XXIII**

**APPENDIX F: CDA FORM 212..... XXIV**

**APPENDIX G: CDA FORM 215 ..... XXV**

## 1 Introduction

The Department of Housing and Community Development (DHCD) administers a variety of State and federal programs that finance the development of affordable rental housing. These programs include, but are not limited to, the Low Income Housing Tax Credit (LIHTC), the Rental Housing Program (RHP), Rental Housing Works (RHW), the Partnership Rental Housing Program (PRHP), the HOME Investment Partnerships Program (HOME), and the Multifamily Bond Program (MBP).

While there are variations between these programs based on the underlying source of funds, State and federal requirements applicable to specific funding sources, and State policy goals, DHCD seeks to align many of the administrative processes that accompany these programs. This alignment makes these programs more user-friendly and contributes to operating efficiencies for DHCD and its partners, including owners, investors, and managers of properties financed by DHCD resources.

This document is one of three (3) publications that specifically address policies and procedures for disbursing and tracking funding for affordable rental housing developments financed by DHCD. The three (3) documents are:

- 1) Guide to Project Development Costs
- 2) Guide to Draw Procedures
- 3) **Cost Certification Guide**

Together, these documents were developed to provide borrowers/mortgagors, general contractors, and certified public accountants with important information to assist them in the preparation and submission of draw requests and cost certifications following completion of multifamily rental projects. These documents serve as a complement to the Multifamily Rental Financing Program Guide (the “Guide”) and Qualified Allocation Plan for Low Income Housing Tax Credits (the “QAP”). Additionally, these documents complement but are not a substitute for federal and state laws and regulations.

**Because of the complexity of the rules governing DHCD’s multifamily rental financing programs, all participants are urged to seek appropriate legal and accounting advice regarding construction-related matters, draw requests, cost certifications and other matters associated with the disbursement of DHCD funding. Borrowers/mortgagors and general contractors may engage accounting and legal representation of their**

**choice without DHCD approval, and are urged to do so at an early stage in the processing/underwriting of DHCD financing.**

All questions regarding this document should be directed to Alvin Lawson, Multifamily Construction Finance Team Leader via email at [Alvin.Lawson@Maryland.gov](mailto:Alvin.Lawson@Maryland.gov), via phone at 301-429-7718, or by mail to DHCD at 7800 Harkins Road, Lanham MD 20706.

## 2 Definitions

The Department classifies project development costs into seven (7) primary categories, which are listed below. These categories are used in the Department's underwriting and financial review, and various Departmental forms (i.e. Forms, 202, 406 and 101) are organized accordingly. The 7 categories are:

1. Construction or Rehabilitation Costs
2. Fees Related to Construction or Rehabilitation
3. Financing Fees and Charges
4. Acquisition Costs
5. Developer's Fee
6. Syndication Related Costs
7. Guarantees and Reserves

Definitions of key terms used throughout this document are provided below.

### 2.1 Change Order

A "hard cost" change order is any amendment or modification of the Construction Contract Documents approved by DHCD and occurring after the Initial Closing. A "soft cost" change order amends or modifies any other item in the approved development budget.

### 2.2 Completion Date

Means the Completion Date specified in the Construction Contract.

### 2.3 Cut-off Date

Means 120 days from Substantial Completion.

### 2.4 Draw Request

Means a request for disbursement of the Loan proceeds and/or any other funds the Project prepared by Borrower and delivered to CDA.

### 2.5 Draw Schedule

Means a schedule prepared by Borrower and delivered to CDA at initial closing showing the amount Borrower anticipates drawing and the anticipated date of each draw during the Construction of the Project.

## **2.6 Field Progress Meeting**

Means the monthly meetings among CDA, Borrower, General Contractor, Architect and such other parties.

## **2.7 Final Closing**

Means the date on which the final principal amount of the Loan(s) is finally accepted and approved by DHCD.

## **2.8 Initial Closing**

Means the date of the initial closing of the Loan(s).

## **2.9 Loan Documents**

Means the Note, the Deed of Trust, the Regulatory Agreement and any other instrument or agreement evidencing or securing the CDA/DHCD Loan(s), including any certificate or other document executed and delivered in connection with the Loan.

## **2.10 Note**

Means the Borrower's Deed of Trust Note to CDA/DHCD in the principal amount of the CDA/DHCD Loan, secured by the Deed of Trust, evidencing Borrower's obligation to repay the CDA/DHCD Loan and specifying the terms of repayment.

## **2.11 Soft-Cost**

Means "Fees Related to Construction or Rehabilitation" & "Financing Fees and Charges."

## **2.12 Substantial Completion**

Means the date when (a) the rehabilitation or construction and equipping of the Project has been fully completed in a good and workmanlike manner and according to the Construction Contract Documents, in full compliance with all applicable Legal Requirements of any Legal Authority, except for punch list items approved by DHCD; (b) all certificates of use and occupancy have been issued by all appropriate Legal Authorities for every unit in the Project; and (c) the Inspecting Consultant or Architect has issued an AIA Form G-704 (Architect's Certificate of Substantial Completion).

## 3 Cost Certification Requirements

### 3.1 Purpose

This Guide sets forth (a) the standards to be followed in the preparation of Cost Certifications and in the conduct of the audits, and (b) the minimum scope of audit and report format acceptable to DHCD. It does not provide detailed audit procedures nor is it intended to supplant the Certified Public Accountant's (CPA's) judgment as to the work required. This Guide is applicable to audits of mortgagors', contractors', and subcontractors' cost certifications as required for multi-family housing developments financed by DHCD.

The purpose of the cost certification is to establish the total costs incurred by the mortgagor and the contractor to complete the project so that DHCD may determine at Final Closing the total development cost of the project, the final principal amount of the DHCD loan(s) and the mortgagor's equity in the development.

Adequate records must be maintained for three years following Substantial Completion for the purpose of verifying costs, and all books and records, contracts, invoices, receiving reports, particulars of material, labor and equipment entering into the construction of the project, and other records appropriate to such accounts, must be made available to DHCD for inspection and copying upon request.

### 3.2 Cost Certification

Within 180 days of Substantial Completion (60 days past cut-off date), Borrower, the General Contractor and all subcontractors with an identity of interest with the Borrower or the General Contractor shall submit to CDA, a cost certification of the actual costs for construction and development of the Project. The cost certification shall be performed by a CPA. DHCD may, at its option, audit and inspect Borrower's and General Contractor's books and records for the purpose of verifying Borrower's certification of costs.

Consistent with Section 42(m)(2) of the Internal Revenue Code and industry best practices, DHCD limits the award of LIHTC and other State controlled resources to the funding gap necessary to make a transaction viable. Even if a specific line item is not being paid with LIHTC equity or DHCD funds, any excessive cost, regardless of the source of financing, increases the gap and affects the public subsidy needed by a transaction. As a result, DHCD reserves the right to require a justification of any development cost line item.



### 3.3 Audit Authorization

The CPA must be independent within the meaning of the code of professional ethics of the American Institute of Certified Public Accountants (AICPA). The audit engagement letter or arrangement for audit must provide that the CPA shall satisfy the requirements of DHCD and all other lenders.

The audit engagement letter or arrangement for audit between the CPA and mortgagor, contractors and any subcontractors required to cost certify must allow duly authorized agents of DHCD to examine the CPA's working papers supporting the required Cost Certifications.

Where Government Auditing Standards apply, the CPA must meet the auditor qualifications of Auditing Standards, including the qualifications of Independence and continuing professional education.

### 3.4 Audit Scope and Coverage

The objectives of the audit are to determine whether the project costs incurred are eligible under the terms of the applicable contracts and in accordance with DHCD policies as identified in this Guide.

The audit work must be sufficiently comprehensive in scope to permit the expression of an opinion on the certificates of actual cost and the required financial statements and must be performed in accordance with generally accepted auditing standards and audit requirements. The opinion submitted by the CPA should be an unqualified opinion addressed to DHCD. If either a qualified or adverse opinion is expressed or if an opinion is disclaimed, such opinion shall not be acceptable to DHCD unless the reasons therefore are fully explained in the audit report to the satisfaction of DHCD and unless DHCD is otherwise satisfied that the certificates of actual cost and the financial statements comply with this Guide.

Sufficient audit work must be performed for the CPA to conclude whether the costs incurred were eligible under the terms of the contracts and this guide and are reasonable, ordinary and necessary expenses and directly related to the construction and development of the project.

### 3.5 Audit Standards

The audit work must be performed in accordance with auditing standards established by the General Accounting Office in its publication, Standards for Audit of Governmental Organizations, Programs, Activities and Functions as such standards pertain to financial and compliance examinations and the generally accepted auditing standards established by the AICPA.

The certification of actual costs must be based on an audit made in accordance with generally accepted auditing standards and include tests of the accounting records and such other auditing procedures considered necessary by the auditor.

### **3.6 Bond Financing**

In the event that the project is financed in whole or in part with the proceeds of tax exempt bonds issued pursuant to Section 142 of the IRC, certain restrictions and limitations apply with respect to the costs or the portions thereof which are includable in the total development cost. Such restrictions and limitations shall control in the event of any conflict or inconsistency with any other provisions of this Guide.

### **3.7 General**

The CPA may encounter instances of apparent fraudulent reports or statements to DHCD concerning the project, or irregularities such as defalcations related to the project, the payment of gratuities to federal, state or city employees, or statements otherwise in violation of applicable federal or state law. In such instances, the CPA shall advise the highest possible official of the mortgagor or contractor (or subcontractor) entity of the possible irregularity, and shall obtain documented assurance, prior to issuance of the audit report, that the mortgagor or contractor as appropriate has fully disclosed the particulars of the possible irregularity to DHCD, and shall confirm with DHCD that such disclosure has been made.

## 4 Format of Cost Certification Package

### 4.1 Cost Certification Packet

A complete packet consists of the following:

- A. Mortgagor's Cost Certification prepared by the CPA, which includes:
  1. Independent Auditor's Report/Cover Letter
  2. CDA Form 101: Mortgagor's Certification of Actual Cost (See **Appendix B**)
  3. A detailed schedule of Costs to support CDA Form 101
  4. Balance Sheet
  5. Operating Statement
- B. Independent Auditor's Report/Calculation of LIHTC, if applicable
- C. Contractor's Cost Certification
- D. Identity of Interest Subcontractor's Cost Certification, if applicable (See section 7 for more information)

All of the above items must be audited and/or prepared by an independent CPA.

A sample Mortgagor's Cost Certification is included in **Appendix C** for reference. A sample Independent Auditor's Report is included in **Appendix D** for reference.

### 4.2 Reference Materials

The following documents should be reviewed by the CPA in conjunction with the cost certification review:

1. CDA Form #406, Draw Request and Supporting Documentation
2. CDA Form #202, Financial Analysis
3. CDA Form #212, Summary Construction Cost Estimate
4. CDA Form #215, Detailed Construction Cost Estimate
5. Construction Contract
6. CDA Form #404, Request for Construction changes (approved Change Orders)
7. Commitment Letter(s) for DHCD Loan(s)
8. Building Loan Agreement(s) for DHCD Loan(s)
9. Regulatory Agreement(s) for DHCD Loan(s)
10. Owner/Architect Agreement
11. Multifamily Rental Financing Program Guide
12. Any other documents considered relevant by the CPA

### 4.3 Eligible Costs

Eligible costs are those approved costs that have been or will be incurred within 120 days after the date of Substantial Completion. These costs are determined after deduction of all kickbacks, rebates, adjustments, discounts, and promotional or advertising allowances.

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

The eligible costs may include all costs paid in cash under the terms of the construction contract. The contract price may be amended for approval change orders, and reduced for liquidated damages as required by the contract. In addition, the eligible costs may include various Fees, Finance and Carrying Charges, and other cost categories as identified in the CDA Form #202, Financial Analysis and CDA Form #406, Form of Draw Requests. The various cost categories are controlled by fee schedules, contracts, and in some cases, are based solely on actual cost.

The eligible cost categories are defined more specifically in DHCD's Guide to Project Development Costs. Draw procedure requests are discussed in detail in DHCD's Guide to Draw Procedures.

## 5 Contractor's Cost Certification

The Contractor's Cost Certification shall include all costs incurred in the performance of the construction contract that have been paid for in cash by the contractor or will be paid for within 120 days from Substantial Completion. The allowable costs include trade items, general requirements, builder's overhead, builder's profit, bond premium, miscellaneous labor and materials. All costs are reported for actual amounts paid or to be paid exclusive of kickbacks, rebates, credits, trade or cash discounts or other similar payments received or to be received by the contractor.

### 5.1 Requirements

The Contractor's cost certification packet consists of Contractor's Certificate of Actual Cost, the auditor's statement, and schedule of payees.

The Contractor's Certificate of Actual Cost is used to summarize trade item costs within the construction contract. The various trade items are identical to those that comprised the Detail Cost Estimate and Trade Payment Breakdown as approved during the underwriting phase (see CDA Forms 212 and 215). The CPA must enter the total costs for each trade item paid or to be paid in cash up to 120 days from Substantial Completion, which will be considered the cut-off date for costs permitted by CDA. The CPA must prepare a schedule of payees for each trade item. The schedule must summarize the actual costs paid or to be paid for labor, materials, and subcontracts that compose the total cost for a particular line item.

The CPA's statement or certification must represent that appropriate examinations of the books and records have been made which will allow the CPA to form an independent opinion as to whether the costs are reasonable and necessary.

The statement must indicate that the examination was made in accordance with generally accepted auditing standards and procedures considered necessary.

The statement must state the amounts that fairly represent the actual cost, and that the amounts paid and to be paid are stated as of a particular cut-off date.

The auditor must state that there is no financial interest existing between them and the contractor other than the practice of their profession.

The certified costs will be reviewed by DHCD to determine that they are reasonable and necessary in terms of the contract documents and conform to DHCD's lending practices.

## 6 Mortgagor's Cost Certification

The mortgagor's cost certification shall include all costs incurred in the development of the project that have been paid for in cash by the mortgagor or will be paid for up to 120 days from Substantial Completion. All costs are reported for actual amounts paid or to be paid exclusive of kickbacks, rebates, credits, trade or cash discounts, or other similar payments made to the mortgagor or any related financial interest of the mortgagor.

### 6.1 Requirements

The mortgagor's cost certification package consists of the items listed in Section 4.1 above.

The CPA's statement or certification must represent that appropriate examinations of the books and records have been made which will allow the CPA to form an independent opinion as to whether the costs are reasonable and necessary.

The statement must indicate that the examination was made in accordance with generally accepted auditing standards on procedures considered necessary.

The statement must state the amounts that fairly represent the actual cost, and that the amounts paid and to be paid are of a particular cut-off date.

The auditor must state that there is no financial interest existing between them and the mortgagor other than the practice of their profession.

The certified costs will be reviewed by DHCD to determine that they are reasonable and necessary in terms of the contract documents and conform to DHCD's lending practices.

### 6.2 Mortgagor's Certificate of Actual Cost

The CDA Form #101, Mortgagor's Certificate of Actual Cost is used to summarize the various Fees, financing and Carrying Charges associated with the development in addition to the construction costs and other costs to develop the project. The format utilizes the same cost categories as the CDA Form #202 and 406. The CPA must enter the actual total costs for each line item paid or to be paid within 120 days of Substantial Completion. The CPA must provide a schedule of payees for each cost category. The schedule must summarize the cost breakdowns for each category.

### 6.3 Balance Sheet

An audited Balance Sheet for the mortgagor entity must be submitted.

The Balance Sheet must state short term liabilities which must be reconciled with the payables shown in CDA Form 101: Mortgagor's Certificate of Actual Cost. The mortgage payable must agree with the amount of advances.

#### **6.4 Operating Statement**

If there has been occupancy during the construction period, an audited operating statement is required. All income generated from the project's operations including residential and commercial income must be reported on an accrual basis.

The period covered is from first occupancy to no more than 120 days after Substantial Completion. In rehabilitation projects where occupancy is continuous, the income stream would start at Initial Closing and close at no more than 120 days after Substantial Completion.

The Operating Statement must show the actual dates reflected and it must identify all sources of income, such as residential, commercial laundry facilities, and other miscellaneous income.

Normal operating expenses should be categorized as Administrative, Maintenance, and Utilities in accordance with the CDA Form #202, Financial Analysis. Any expenses attributable to debt service, such as, interest, taxes, and/or property insurance, and mortgage insurance premium are not allowable as an operating expense. In addition, depreciation cannot be treated as an expense and is not to be included in the statement.

Any net interim income is treated as a source of funds in the Mortgagor's Cost Certification.

## 7 Identity of Interest Relationships

### 7.1 Definition

An identity of interest relationship exists where: (a) any financial interest exists between two or more entities; (b) an officer or director of one entity is also an officer or director of another entity; (c) one entity advances funds to another entity; (d) there exists any side deals, agreements, or contracts other than those contained in the loan documents; (e) a family relationship exists between the entities.

### 7.2 Approval for Identity of Interest Subcontractors

If there is an identity of interest between the mortgagor and general contractor, then any subcontractor, supplier, or lessor having an identity of interest with the general contractor is considered as having an identity of interest with the mortgagor.

Identity of interest subcontractors must seek written approval from CDA during the underwriting phase prior to initial closing. For identity of interest subcontractors to be acceptable for cost certification the following criteria must be satisfied:

**(a)** The subcontract approval must be obtained in writing from CDA, including any percentages or amounts for profit and overhead. There must be a separate contract for profit and overhead. There must be a separate contract for each trade. The subcontract must clearly identify the work to be performed and must be on a cost-plus basis with a maximum upset price;

**(b)** The subcontractor must demonstrate experience and capability in the appropriate trade;

**(c)** The subcontracts must not be higher than the best prices which could be obtained from outside sources, if available. When other sources are not available, the price must not exceed that which is considered reasonable under the circumstances, in which case the price is judged as if the builder performed the work for the actual cost, and a reasonable fee was added;

**(d)** The subcontractor must demonstrate that it operates as a subcontractor according to the customs of the particular trade. It must show control of its labor force, payroll maintenance, use of tools and equipment. It cannot merely be a paper conduit for performance by others;

**(e)** All identity of interest subcontractors must submit a cost certification for CDA's review and approval in the same format used by the General Contractor.



### 7.3 Eligible Costs for Identity of Interest Relationship

The approved cost for identity of interest contracts is the lesser of (1) the actual cost of the subcontract plus an approved percentage allowance for profit and overhead, or (2) the maximum contract upset price as approved by CDA. No profit and overhead for identity of interest subcontract will be permitted without prior written approval from CDA. Any costs for equipment owned by identity of interest subcontractors may not be included as an actual cost of the subcontract.

All identity of interest material suppliers and equipment lessors must certify to their costs in the same manner.

The CPA performing the audit is required to notify CDA if he becomes aware of any identity of interest relationship that was not previously disclosed. Any such relationship must be disclosed in the Mortgagor's and/or Contractor's Cost Certifications.

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Appendix A: CDA Form 406

Item	A	B	C	D	E	F	G	H
Development Budget	Change Orders	Revised Budget	Previous Draws	This Request	Total To Date	Percent Complete	Amount Approved	
<b>Construction or Rehabilitation Costs</b>								
Total Construction Cost				\$0	\$0	# DIV/0!	\$0	
Construction Contingency	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other					\$0	# DIV/0!		
<b>Fees Related to Construction or Rehabilitation</b>								
Architect's Design	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Arch Supervision & Reimb	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Architect's Reimbursables	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Real Estate Attorney	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Boundary/Topo Survey	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Engineering	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Appraisal	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Market Study	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Environmental	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Zoning/Site Plan Fees/PNA	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
FF&E	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other			\$0		\$0	# DIV/0!		
<b>Financing Fees and Charges</b>								
Construction Interest	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Construction Inspection Fees	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Green Building Consultant	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Title and Recording	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Financing (Soft Cost) Cont.	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
CDA Administrative Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
CDA Closing Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Permanent Loan Fees	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Permanent Loan Legal	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other			\$0		\$0	# DIV/0!		
<b>Acquisition Costs</b>								
Relocation Costs	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Land & Building Acquisition	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Acquisition Legal	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other			\$0		\$0	# DIV/0!		
<b>Developer's Fee</b>								
Developer's Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other			\$0		\$0	# DIV/0!		
<b>Syndication Related Costs</b>								
Syndication Legal/Due Dil	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Additional Syndication Legal	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Partnership Organizational Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Partnership Management Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Tax Credit Application Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Tax Credit Allocation Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Tax Credit Reservation Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Accounting/Auditing Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other			\$0		\$0	# DIV/0!		
<b>Guarantees and Reserves</b>								
Lease Up/Marketing Reserve	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Operating Reserve	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
O & M Holdback Reserve	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Services Escrow	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Real Estate Taxes Paid at Closing	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Guarantee Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Other			\$0		\$0	# DIV/0!		
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b># DIV/0!</b>	<b>\$0</b>	
<b>SOURCES</b>								
Equity RJTCF	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
CDA HOME	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Bonneville Mortgage 538 Loan	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Deferred Developer's Fee	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Dev Equity RH Holdback & OM Res	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Income from Operations	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
Services Escrow	\$0		\$0	\$0	\$0	# DIV/0!	\$0	
							\$0	
<b>TOTAL FUNDING SOURCES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b># DIV/0!</b>	<b>\$0</b>	

BY: \_\_\_\_\_

CDA: \_\_\_\_\_

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Appendix B: CDA Form 101

Maryland Department of Housing and Community Development

Community Development Administration  
Multifamily Housing Development Programs

CDA Form 101: Mortgagor's Certification of Actual Costs					
To:	Construction Finance Manager Community Development Administration Maryland Department of Housing and Community Development 7800 Harkins Rd. Lanham, MD 20706			CDA Project Number:	
				Project Name:	
				Address:	
<p>This CDA Form 101 is completed pursuant to the provisions of the "Building Loan Agreement" between CDA and <b>(**insert Name of Mortgagor**)</b> dated <b>(**insert date of Building Loan Agreement**)</b> and in order to induce CDA to have the "Final Closing" of the above referenced project as defined in the "Building Loan Agreement".</p> <p>The actual cost to the Mortgagor of the subject project are detailed below, after deduction of all kickbacks, rebates, adjustments, discounts, promotional or advertising allowances made or to be made to the Mortgagor, sponsor or any corporation, trust, partnership, joint venture or other legal entity in which they or any of them hold any interest.</p> <p>This CDA Form 101 has been prepared by <b>(**insert Name of Certified Public Accounting Firm**)</b>, which is an independent Certified Public Accountant (CPA), in accordance with the above referenced "Building Loan Agreement".</p> <p>In preparing this CDA Form 101, the CPA has completed "Column B: Approved Budget Line Item" and "Column C: Approved Budget as Amended" by referencing the most recent approved CDA Form 406 for the Project. The CPA has completed "Column D: Total Certified (Paid and To-Be Paid) Costs as Determined By CPA" after a completion of the CPA's "Cost Certification" of the Project as defined in the "Building Loan Agreement".</p> <p>This CDA Form 101 will be incorporated into the full "Cost Certification" completed by the CPA, and Submitted for "Final Closing" of the Project with CDA.</p>					
Uses of Funds					
A	B	C	D	E	F
Line	Approved Budgeted Line Item	Approved Costs As Amended Through Draw No. _____	Total Certified (Paid And To Be Paid) Costs As Determined by	Variance Between Approved Cost And Total Certified Costs	Notes
Add additional rows as necessary					
Line items should match CDA Form 406					
Total					
Sources of Funds					
A	B	C	D	E	F
Line	Approved Budgeted Line Item	Approved Costs As Amended Through Draw No. _____	Total Certified (Paid And To Be Paid) Costs As Determined by	Variance Between Approved Budget And Total Certified	Notes

For actual forms, please visit the following link:  
<http://mdhousing.org/Website/Programs/rhf/Draw.aspx>

## Appendix C: Example of Mortgagor's Cost Certification

\_\_\_\_\_ LLLP  
CDA Project No.: XX.XXX.XXXX

**Mortgagor's Certificate of Actual Costs  
and Independent Auditor's Report**

\_\_\_\_\_, 20XX

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Independent Auditor's Report

CDA PROJECT NO.: XX.XXX.XXXX

PROJECT NAME: \_\_\_\_\_

LOCATION: \_\_\_\_\_

To the Partners  
\_\_\_\_\_ LLLP

Report on the Mortgagor's Certificate of Actual Costs and Financial Statements

We have audited the accompanying Mortgagor's Certificate of Actual Costs (CDA Form 101) as of \_\_\_\_\_, 20XX, of \_\_\_\_\_ LLLP for the development of \_\_\_\_\_, CDA Project No.: XX.XXX.XXXX, the schedule to support CDA Form 101, the schedule of noncertifiable development costs and the schedule of sources and uses as of \_\_\_\_\_, 20XX (the Schedules), and the statement of assets, liabilities and partners' equity as of \_\_\_\_\_, 20XX and the related statement of revenue and expenses (the Financial Statements) for the period from \_\_\_\_\_, 20XX (date of initial residential occupancy) through \_\_\_\_\_, 20XX.

*Management's Responsibility for the Mortgagor's Certificate of Actual Costs and Financial Statements*

The Mortgagor's Certificate of Actual Costs, the Financial Statements and the Schedules are the responsibility of the management of \_\_\_\_\_ LLLP. Management is also responsible for presentation of the Financial Statements and Schedules in accordance with the basis of accounting described below. Our responsibility is to express an opinion on the Mortgagor's Certificate of Actual Costs, the Financial Statements and the Schedules based on our audit.

*Auditor's Responsibility*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying Mortgagor's Certificate of Actual Costs, the Financial Statements and the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying Mortgagor's Certificate of Actual Costs, the Financial Statements and the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements and Schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

*Opinion*

In our opinion, the Mortgagor's Certificate of Actual Costs, the Financial Statements and the Schedules referred to above present fairly, in all material respects, the actual costs of \_\_\_\_\_ LLLP through \_\_\_\_\_, 20XX, the financial position as of \_\_\_\_\_, 20XX, and the results of its operations for the period \_\_\_\_\_, 20XX (date of initial residential occupancy) through \_\_\_\_\_, 20XX on the basis of accounting described below.

*Basis of Accounting*

The Mortgagor's Certificate of Actual Costs, the Financial Statements and the Schedules have been prepared on the basis of accounting and reporting practices prescribed by the Maryland Department of Housing and Community Development (DHCD) and Community Development Administration (CDA). These prescribed practices are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of management and for filing with the lender and DHCD and is not intended to be and should not be used by anyone other than these specified parties.

We certify that we have no financial interest in the mortgagor other than in the practice of our profession and have met the licensing requirements of the State of Maryland.

\_\_\_\_\_, Maryland  
REPORT DATE

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

\_\_\_\_\_ LLLP  
CDA Project No.: XX.XXX.XXXX

**Mortgagor's Certification**

I certify that I have examined the Mortgagor's Certificate of Actual Costs (CDA Form 101), the statement of assets, liabilities and partners' equity, the schedule to support CDA Form 101 and the schedule of noncertifiable development costs as of \_\_\_\_\_, 20XX, and the related statement of revenue and expenses for the period from \_\_\_\_\_, 20XX (date of initial residential occupancy) through \_\_\_\_\_, 20XX, and that to the best of my knowledge and belief, the Mortgagor's Certificate of Actual Costs (CDA Form 101), the statement of assets, liabilities and partners' equity, the schedule to support CDA Form 101, the schedule of noncertifiable development costs and the statement of revenue and expenses are correctly stated therein.

\_\_\_\_\_ LLLP  
By: \_\_\_\_\_ LLLP, its General  
Partner  
By: \_\_\_\_\_, LLC, its General  
Partner

Date: \_\_\_\_\_ By: \_\_\_\_\_

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

MARYLAND DEPARTMENT OF COMMUNITY DEVELOPMENT ADMINISTRATION ECONOMIC & COMMUNITY DEVELOPMENT		DEVELOPMENT FINANCE PROGRAM		
MORTGAGOR'S CERTIFICATE OF ACTUAL COSTS				
TO: Assistant Director for Development Finance Community Development Administration State of Maryland 100 Community Place Crownsville, Maryland 21032		Re: CDA Project Number: _____ Project Name: _____ Address: _____, Maryland		
This Certificate is made pursuant to the provisions of that Agreement and Certification of _____ (Mortgagor) dated _____, 20XX, and in order to induce CDA to have the final closing of the above referenced project				
The actual cost to the owner of labor and materials and necessary services for the construction of the physical improvements in connection with the subject project, after deduction of all kickbacks, rebates, adjustments, discounts promotional or advertising allowances made or to be made to the mortgagor sponsor or any corporation, trust, partnership, joint venture or other legal entity in which they or any of them hold any interest is set forth below. The cost of construction is not supported by CDA Form 101A, Contractor's Certification of Actual Cost. CDA Form 101A must be submitted on all loans.				
		Column A Paid in Cash	Column B To be paid cash w/in 120 days from Sub Completion	Column C Total
1.	Amount due under the Construction Contract (as adjusted)	\$ 1,995,440	\$ 263,157	\$ 2,258,597
2a.	Architect's Fee - Design	82,099	-	82,099
2b.	Architect's Fee - Supervision	38,361	14,188	52,549
3.	Interest During Construction	136,791	15,666	152,457
4.	Taxes During Construction	-	2,523	2,523
5.	Property Insurance	-	-	-
6.	Mortgage Insurance Premium	47,000	-	47,000
7.	CDA Examination Fee	-	-	-
8.	MHF Examination Fee	-	-	-
9.	Title and Recording Fee	121,161	200	121,361
10.	Financing	299,436	-	299,436
11.	Legal and Cost Certification Audit Fee	90,000	14,000	104,000
12.	Offsite Costs	-	-	-
13.	Other (exclusive of items required by the Construction Contract)	173,389	41,581	214,970
	SUBTOTAL	2,983,677	351,315	3,334,992
14.	Profit and Risk Allowance (if applicable)	-	-	-
	SUBTOTAL	2,983,677	351,315	3,334,992
15.	Reduction (if any) resulting from operating statement attached Attach itemized schedules and copies of bills and/or receipts where applicable	(327,624)	-	(327,624)
	TOTAL	\$ 2,656,053	\$ 351,315	\$ 3,007,368



MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The undersigned hereby certifies, that, except as noted on the back of this form, there has not been and is not now any identity of interest between mortgagor and general contractor and/or any subcontractors, material supplier or equipment lessors. It is further certified that, except as noted, there are not and have not been any such relationships between the sponsor(s) of this project and general contractor and/or subcontractor, material supplier or equipment lessor.

All references to "Identity of Interest" are herein made in the context of the definition printed on the back of this form, which has been read by the undersigned.

(Signature) \_\_\_\_\_

By: \_\_\_\_\_ LLLP, its General Partner  
By: \_\_\_\_\_, LLC, its General Partner  
(Mortgagor)

(Date) \_\_\_\_\_

NOTICE

Section 266DD-7, Article 41, Annotated Code of Maryland provides in part:

A person who knowingly makes or causes false statements for the purpose of influencing the action of the Administration "... is subject to a fine not exceeding \$50,000 or imprisonment not exceeding five years or both."

Identity of Interest between the mortgagor and/or sponsor as parties of the first part and general contractors, subcontractors, material suppliers or equipment lessors as parties of the second part will be construed as existing under any of the following conditions:

- When there is any financial interest of the party of the first part in the party of the second part;
- When one or more officers, directors or stockholders of the party of the first part is also an officer, director or stockholder of the party of the second part;
- Where any officer, director or stockholder of the party of the first part has any financial interest whatsoever in the party of the second part;
- When the party of the second part advances any funds to the party of the first part;
- When the party of the second part promises and pays on behalf of the party of the first part the cost of any architectural services or engineering services other than those of a surveyor, general superintendent or engineer employed by a general contractor in connection with his/her or its obligations under the construction contract;
- When the party of the second part takes stock or any interest in the party of the first part as part of the consideration to be paid them;
- When there exists or come into being any side deals, agreements, contracts or undertakings entered into or contemplated, thereby altering, amending or canceling any of the required closing documents except as approved by the Commissioner.

The following identities of interest exist (IF NONE, SO STATE):

NONE

By: \_\_\_\_\_ LLLP, its General Partner  
By: \_\_\_\_\_, LLC, its General Partner  
(Mortgagor)  
By: \_\_\_\_\_  
Date: \_\_\_\_\_

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

\_\_\_\_\_ **LLLP**  
**CDA Project No.: XX.XXX.XXXX**

**Schedule to Support CDA Form 101**

Initial closing date:			
Substantial completion date:			
Cost cut-off date:			
	<b>Paid</b>	<b>To be Paid</b>	<b>Total</b>
<u>Line 1 - Amount due under the Construction Contract (as adjusted)</u>	\$ 1,995,440	\$ 263,157	\$ 2,258,597
(a) Original contract sum			\$ 2,002,417
Plus approved change orders #1 - #69			271,573
Adjusted upset price			\$ 2,273,990
(b) Cost per CDA Form 101A (includes savings incentive of \$15,393)			\$ 2,258,597
*Amount certified as equal to the lesser of (a) or (b) above.			
<u>Line 2a - Architect's Fee - Design</u>			
Hord Coplan Macht, Inc.	\$ 82,099	\$ -	\$ 82,099
<u>Line 2b - Architect's Fee - Supervision</u>			
Hord Coplan Macht, Inc.	\$ 38,361	\$ 14,188	\$ 52,549
<u>Line 3 - Interest During Construction</u>			
Maryland Department of Housing and Community Development	\$ 136,791	\$ 15,666	\$ 152,457

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

\_\_\_\_\_  
**LLLP**  
**CDA Project No.: XX.XXX.XXXX**

**Schedule to Support CDA Form 101**

	Paid	To be Paid	Total
<u>Line 4 - Real Estate Taxes</u>			
Howard County	\$ -	\$ 2,523	\$ 2,523
<u>Line 6 - Mortgage Insurance Premium</u>			
Maryland Department of Housing and Community Development	\$ 47,000	\$ -	\$ 47,000
<u>Line 9 - Title and Recording</u>			
Continental Title Group	\$ 121,161	\$ 200	\$ 121,361
<u>Line 10 - Financing</u>			
Maryland Department of Housing and Community Development			
Commitment fee	\$ 70,500	\$ -	\$ 70,500
Cost of issuance	188,236	-	188,236
Closing fee	25,000	-	25,000
Assignment of debt	10,000	-	10,000
Maryland Housing Fund			
Risk share application fee	4,700	-	4,700
Risk share closing fee	1,000	-	1,000
	\$ 299,436	\$ -	\$ 299,436

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

\_\_\_\_\_  
**LLLP**  
**CDA Project No.: XX.XXX.XXXX**

**Schedule to Support CDA Form 101 - Continued**

	Paid	To be Paid	Total
<u>Line 11 - Legal and Cost Certification Fee</u>			
<u>Legal</u>			
Gallagher Evelius & Jones LLP	\$ 90,000	\$ -	\$ 90,000
<u>Cost Certification and Accounting</u>			
CohnReznick LLP	-	14,000	14,000
	<u>\$ 90,000</u>	<u>\$ 14,000</u>	<u>\$ 104,000</u>
<u>Line 13 - Other</u>			
<u>Architect Reimbursables</u>			
ARC MBC Precision Imaging, Inc.	\$ 959	\$ -	\$ 959
ABC Imaging, Inc.	653	-	653
Colbert Matz Rosenfelt, Inc.	48	-	48
Kessler McGuinness & Associates, LLC	1,974	-	1,974
	<u>3,634</u>	<u>-</u>	<u>3,634</u>
<u>Marketing</u>			
Peachtree Business	217	-	217
PCA	377	-	377
Can You Imagine	-	603	603
HD Supply	750	-	750
	<u>1,344</u>	<u>603</u>	<u>1,947</u>
<u>Surveys/Engineering</u>			
Colbert Matz Rosenfelt, Inc.	16,275	4,947	21,222
Hardin Kight Associates, Inc.	4,437	1,063	5,500
	<u>20,712</u>	<u>6,010</u>	<u>26,722</u>

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

\_\_\_\_\_ LLLP  
 CDA Project No.: XX.XXX.XXXX

Schedule to Support CDA Form 101 - Continued

	Paid	To be Paid	Total
<u>Line 13 - Other (Continued)</u>			
<u>Energy Improvement Report</u>			
Century Engineering	1,800	-	1,800
<u>Construction Period Testing</u>			
Jaffe & Associates	2,275	-	2,275
Doubledge Design, LLC	2,125	-	2,125
Wolfman & Associates	3,050	150	3,200
	7,450	150	7,600
<u>Appraisal</u>			
Maryland Department of Housing and Community Development	7,010	-	7,010
<u>Market Study</u>			
Real Property Research Group	6,820	-	6,820
<u>Environmental Reports</u>			
ATC Associates, Inc.	475	-	475
ECS Mid-Atlantic, LLC	4,075	-	4,075
	4,550	-	4,550
<u>Tap Fees/Permits/Connection Fees</u>			
Howard County	1,427	-	1,427

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

\_\_\_\_\_  
**LLLP**  
**CDA Project No.: XX.XXX.XXXX**

**Schedule to Support CDA Form 101 - Continued**

	Paid	To be Paid	Total
<u>Line 13 - Other (Continued)</u>			
<u>Furniture, Fixtures &amp; Equipment</u>			
Aumen Asner, Inc.	27,111	13,076	40,187
InterSign National, LLC	12,316	5,218	17,534
NuStep	4,114	-	4,114
HD Supply Facilities	2,923	400	3,323
Techmark Corporation	1,034	-	1,034
Cabling Solutions	779	92	871
Ingolds's Hico, Inc.	2,036	-	2,036
Dell Marketing LP	-	2,697	2,697
Price Modern	51,493	-	51,493
Carroll Awning	901	-	901
Wilhide Draperies	5,903	-	5,903
CDW Direct, LLC	70	-	70
Mach Ten Computers	499	-	499
Fitness Resource Retail, LLC	-	7,323	7,323
Staples Advantage	-	581	581
Otis Elevator	-	852	852
Debbie Reilly - Expense Reimbursement	402	3,953	4,355
In-Line Irrigation, LLC	-	320	320
	<u>109,581</u>	<u>34,512</u>	<u>144,093</u>
<u>Building Evaluation Report</u>			
Connor	2,740	-	2,740
<u>Hospitality Expense</u>			
Beefalo Bobs, Inc.	4,939	-	4,939
American Furniture	1,028	-	1,028
Comcast	338	-	338
BGE	16	-	16
Staples	-	306	306
	<u>6,321</u>	<u>306</u>	<u>6,627</u>
	<u>\$ 173,389</u>	<u>\$ 41,581</u>	<u>\$ 214,970</u>

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

\_\_\_\_\_ LLLP  
 CDA Project No.: XX.XXX.XXXX

Statement of Assets, Liabilities and Partners' Equity

\_\_\_\_\_, 20XX

Assets		
Cash - development		\$ 34,726
Cash - operations		76,753
Cash - security deposits		48,011
Accounts receivable		1,568
Prepaid MIP		23,500
Prepaid other		6,645
Prepaid insurance		839
Prepaid licenses		3,506
Reserve		20,626
Development costs per CDA Form 101	\$ 3,007,368	
Interim income	327,624	
Noncertifiable development costs	1,305,201	4,640,193
Acquisition costs		3,803,035
		<u>8,659,402</u>
Total assets		<u>\$ 8,659,402</u>
Liabilities and Partners' Equity		
Liabilities		
Accounts payable		
Development cost - per CDA Form 101		
Column B	\$ 351,315	
Noncertifiable costs	1,075,341	\$ 1,426,656
Account payable trade		1,542
Mortgages payable		6,502,515
Security deposit liability		45,412
Deferred revenue		19,220
Accrued expenses		31,330
Prepaid rent		1,042
		<u>8,027,717</u>
Partners' equity		
Contributions	304,061	
Excess of revenue over expenses	327,624	631,685
		<u>\$ 8,659,402</u>

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

\_\_\_\_\_ LLLP  
 CDA Project No.: XX.XXX.XXXX

Statement of Revenue and Expenses

Period from \_\_\_\_\_, 20XX (date of initial residential occupancy) through \_\_\_\_\_, 20XX

Revenue	
Rental income	\$ 701,340
Other income	10,275
Total revenue	711,615
Expenses	
Office expense	24,469
Management fee	51,620
Administrative	31,795
Utilities	27,368
Repairs and maintenance	54,804
Payroll	163,000
Audit	15,533
Miscellaneous	7,026
Taxes and insurance	4,742
Advertising	3,634
Total expenses	383,991
Excess of revenue over expenses	\$ 327,624



MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Sources		
Equity		\$ 1,583,707
DHCD Tax Exempt Bonds		4,700,000
DHCD RHPP Loan		273,434
CDA HOME Loan Assumption		423,193
Howard County HOME Loan Assumption		320,567
Shelter Eldercare Loan Assumption		586,642
Rental Housing Works Loan		250,000
Contribution of seller's reserves		296,965
Interim income		327,624
Potential Additional Equity - Upward Basis Adjuster*		508,329
Potential Loan Reduction		(506,768)
		<b>\$ 8,763,693</b>
Uses		
Subtotal - Development costs per CDA 101		\$ 4,640,193
Acquisition costs - building		3,803,035
Prepaid MIP		23,500
Acquisition costs - reserves		296,965
		<b>\$ 8,763,693</b>

\*

The amount of "Potential Additional Equity - Upward Basis Adjuster" included in Sources is based upon the low-income housing tax credits on qualified basis. The contribution of this amount to the partnership by the investor limited partner is contingent upon the receipt of signed Form 8609s from DHCD with total credits of \$XX and the terms of the partnership agreement. The partnership agreement currently provides for a ceiling in the upward adjuster that the investor limited partner will contribute to the partnership in the amount of \$XX. The investor limited partner has discretion to waive this ceiling and agree to an upward adjuster as shown in the Sources above in the amount of \$XX. However, the investor limited partner has not yet decided whether it will waive the upward adjuster ceiling amount.

## Appendix D: Example of Independent Auditor's Report

Independent Auditor's Report and Schedule  
of Sources and Uses of Funds, Calculation  
of Eligible Low-Income Housing Tax Credit  
Basis and Annual Tax Credit and the  
Calculation of 50% Test

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Index

	Page
Independent Auditor's Report	3
Schedule of Sources and Uses of Funds, Calculation of Eligible Low-Income Housing Tax Credit Basis and Annual Tax Credit, and the Calculation of 50% Test	5

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Independent Auditor's Report

To the Partners

We have audited the accompanying Schedule of Sources and Uses of Funds, Calculation of Eligible Low-Income Housing Tax Credit Basis and Annual Tax Credit and the Calculation of 50% Test (the Schedule) of \_\_\_\_\_, (the Partnership) related to the development of \_\_\_\_\_ as of \_\_\_\_\_

*Management's Responsibility for the Schedule*

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the requirements specified by the Maryland Department of Housing and Community Development (DHCD). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatements, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule.

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Schedule presents fairly, in all material respects, the sources and uses of funds, eligible basis and annual tax credit, and the calculation of 50% test of the Partnership for the Project as of \_\_\_\_\_ on the basis of accounting described below.

*Basis of Accounting*

We draw attention to the requirements specified by DHCD, which require the Partnership to account for total costs and eligible basis costs in accordance with the provisions of DHCD's qualified allocation place, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Restriction on Use*

This report is intended solely for the information and use of management and the partners and for filing with DHCD and is not intended to be and should not be used by anyone other than these specified parties.

Maryland

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**Schedule of Sources and Uses of Funds, Calculation of Eligible  
Low-Income Housing Tax Credit Basis and  
Annual Tax Credit and the Calculation of 50% Test - Continued**

Sources				
Equity	\$ 1,583,707			
DHCD Bonds	4,700,000			
DHCD RHPP (Assignment of Existing Loan)	273,434			
DHCD HOME Loan (Assignment of Existing Loan)	423,193			
Howard County HOME Loan (Assignment of Existing Loan)	320,567			
Shelter Eldercare (Assignment of Existing Loan)	586,642			
Rental Housing Works Loan	250,000			
Contribution of Seller's Reserves	296,955			
Interim Income	327,624			
Potential Additional Equity - Upward Basis Adjuster *	508,329			
Potential Loan Reduction	<u>(508,768)</u>			
<b>Total sources</b>	<b>\$ 8,763,693</b>			
		Eligible		
Uses	Total	Acquisition Tax Credit Basis	Rehabilitation Tax Credit Basis	Nonqualified Tax Credit Basis
Construction - contract	\$ 2,258,597	\$ -	\$ 2,258,597	\$ -
Architect design	82,099	-	82,099	-
Architect supervision	52,549	-	52,549	-
Architect reimbursables	3,634	-	3,634	-
Legal	90,000	977	743	88,280
Marketing	1,947	-	-	1,947
Surveys and engineering	36,122	-	36,122	-
Appraisal and market study	13,830	-	6,820	7,010
Environmental reports	7,290	-	7,290	-
Tap fees/permits/connection fees	1,427	-	1,427	-
Furniture, fixtures & equipment	144,093	-	144,093	-
Interest during construction	152,457	-	-	152,457
Taxes during construction	15,137	-	-	15,137
Mortgage insurance premium	70,500	-	-	70,500
Title and recording	121,361	121,361	-	-
Financing	299,436	-	5,106	294,330
Acquisition cost	4,100,000	3,709,579	-	390,421
Hospitality expense	6,627	-	6,627	-
Developer fee	911,674	410,000	501,674	-
Syndication legal	13,000	-	-	13,000
Organization cost	720	-	-	720
Tax credit fees	8,539	-	-	8,539
Accounting	29,800	-	8,000	21,800
Letter of credit fees	1,614	-	-	1,614
Operating reserve	191,000	-	-	191,000
Replacement reserve	100,000	-	-	100,000
Tax and insurance escrow	<u>50,240</u>	<u>-</u>	<u>-</u>	<u>50,240</u>
<b>Total uses</b>	<b>\$ 8,763,693</b>	<b>4,241,917</b>	<b>3,114,781</b>	<b>\$ 1,406,995</b>
Low-income portion		<u>100%</u>	<u>100%</u>	
Eligible basis		4,241,917	3,114,781	
Credit rate		<u>3.16%</u>	<u>3.16%</u>	
Annual tax credit		<u>\$ 134,045</u>	<u>\$ 98,427</u>	

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Schedule of Sources and Uses of Funds, Calculation of Eligible  
Low-Income Housing Tax Credit Basis and  
Annual Tax Credit and the Calculation of 50% Test - Continued

<u>Calculation of 50% Test</u>		
Tax Exempt Bonds	<u>4,700,000</u>	
Aggregate Basis	<u>7,356,698</u>	63.89%

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Appendix E: CDA Form 202

Date: \_\_\_\_\_

**USES OF FUNDS**

**TOTAL DEVELOPMENT COSTS**

**Construction or Rehabilitation Costs**

Type of Uses	Percentage	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
01 Net Construction Costs					\$
02 General Requirements					
03 Builder's Profit					
04 Builder's General Overhead					
05 Bond Premium					
06 Other					
07 Total Construction Contract		\$	\$	\$	
08 Construction Contingency					
<b>09 Total Construction Costs</b>		\$	\$	\$	\$

**Fees Related to Construction or Rehabilitation**

Type of Uses	Percentage	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
10 Architect's Design Fee			\$	\$	\$
11 Architect's Supervision Fee					
12 Architect Reimbursable Additional Design					
13 Real Estate Attorney					
14 Civil Engineering Fee					
15 Marketing					
16 Surveys					
17 Soil Borings					
18 Appraisal					
19 Market Study					
20 Environmental Report					
21 Top Fees					
22 Other:					
<b>23 Total Fees</b>		\$	\$	\$	\$

**Financing Fees and Charges**

Type of Uses	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
24 Construction Interest		\$	\$	\$
25 Real Estate Tax				
26 Insurance Premium				
27 Mortgage Insurance Premium				
28 Title and Recording				
29 Financing (soft cost) Contingency				
30 CDA Administrative Fee				
31 CDA Closing Fee				
32 Other Lenders' Origination Fees (non-syndication only)				
33 Other Lenders' Legal Fees (non-syndication only)				
34 Bond Issuance Costs				
35 Other:				
<b>37 Total Financing Fees and Charges</b>	\$	\$	\$	\$

\* Complete for Tax Credit Applications Only

**Acquisition Costs**

Type of Uses	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
38 Building Acquisition		\$		\$
39 Land Acquisition				
40 Special Assessment				
41 Carrying Charges				
42 Relocation Costs				
43 Off-Site Improvements				
44 Other:				
<b>45 Total Acquisition Costs</b>	\$	\$	\$	\$
<b>46 Total Development Costs (TDC)</b>	\$	\$	\$	\$

**OTHER USES OF FUNDS**

**Developer's Fee**

Type of Uses	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
47 Fee on Non-Acquisition Costs (calculate below)	\$			\$
48 Fee on Acquisition Costs (calculate below)				
<b>49 Total Developer's Fee (\$2.5 million maximum)</b>	\$	\$	\$	\$

**Syndication Related Costs**

Type of Uses	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
50 Syndication Fee		\$	\$	\$
51 Legal (syndication only)				
52 Bridge Loan Fees				
53 Bridge Loan Interest				
54 Organizational Costs				
55 Tax Credit Application Fee				
56 Tax Credit Allocation Fee				
57 Tax Credit Reservation Fee				
58 Accounting and Auditing Fee				
59 Partnership Management Fee				
60 Other:				
<b>61 Total Syndication Related Costs</b>	\$	\$	\$	\$

**Guarantees and Reserves (funded amounts only)**

Type of Uses	Total Budgeted Cost	Acquisition Basis*	Construction Basis*	Not in Basis*
62 Construction Guarantee				
63 Operating Reserve				
64 Rent-up Reserve				
65 Negative Arbitrage				
66 Other:				
<b>67 Total Guarantees and Reserves</b>	\$			\$
<b>68 Total Uses of Funds</b>	\$	\$	\$	\$

\* Complete for Tax Credit Applications Only

**MAXIMUM DEVELOPER'S FEE**

	Fee on Costs Over \$10 Million	Fee on Costs \$10 Million or Less	
<b>Fee on Non-acquisition Costs</b>			
Total Development Costs (from line 46 above)	\$		
Less Acquisition Costs (from line 45 above)			
Less Construction Contingency (from line 08 above)			
Less Financing (Soft Cost) Contingency (from line 28 above)			
Non-acquisition Costs			
Lesser of \$10,000,000 or Non-acquisition Costs (enter on both lines)			
Non-acquisition Fee Basis			
Fee Percentage	10%	15%	
Fee on Non-acquisition Costs	\$	\$	Total = \$
<b>Fee on Acquisition Costs</b>			
Acquisition Costs (from line 45 above)	\$		
Lesser of \$10,000,000 or Acquisition Costs (enter on both lines)			
Acquisition Fee Basis			
Fee Percentage	5%	10%	
Fee on Acquisition Costs	\$	\$	Total = \$
<b>Total Developer's Fee (Fee on Non-acquisition Costs + Fee on Acquisition Costs)</b>			\$

See Guide, Section 4.8.8.3 for Limitations on Developer's Fees



Appendix F: CDA Form 212



**SUMMARY COST ESTIMATE**

**FORM  
212**

Project:		Date:	
Location:			
Contractor:			
Number of Units in Project:			
Gross Square Footage in Project:			

<i>Description of Work</i>		<i>Average Cost Per GSF</i>	<i>Average Cost Per Unit</i>	<i>Total Cost</i>
<i>Code</i>	<i>Item</i>			
010-00	Total General Requirements			
021-00	Total Earth Work			
022-00	Total Site Utilities			
023-00	Total Roads And Walks			
024-00	Total Site Improvements			
025-00	Total Lawns and Planting			
026-00	Total Unusual Site Conditions			
027-00	Total Underground Construction			
028-00	Total Demolition			
029-00	Total Off-Site Improvements			
030-00	Total Concrete			
040-00	Total Masonry			
050-00	Total Metals			
060-00	Total Carpentry			
071-00	Total Waterproofing			
072-00	Total Insulation			
073-00	Total Roofing			
074-00	Total Sheet Metal			
081-00	Total Doors			
082-00	Total Windows			
083-00	Total Miscellaneous			
091-00	Total Lath And Plaster			
092-00	Total Drywall			
093-00	Total Tile Work			
094-00	Total Acoustical			

Appendix G: CDA Form 215



**DETAILED COST ESTIMATE**

**FORM  
215**

FORM 215 DOES NOT NEED TO BE COMPLETED FOR THE APPLICATION SUBMISSION KIT PHASE

Project:						Date:		
Location:								
Contractor:								

<i>Description of Work</i>		<i>Estimated Units (Quantity)</i>	<i>Estimated Cost (Material and Labor)</i>	
<i>Code</i>	<i>Item</i>		<i>Per Unit</i>	<i>Total</i>
010-00	<b>Total General Requirements</b>			
010-01	Supervision			
010-02	Engineering and Layout			
010-03	Soil Testing			
010-04	Concrete Test			
010-05	Temporary Heat			
010-06	Temporary Electric			
010-07	Temporary Water			
010-08	Temporary Toilets			
010-09	Field Office			
010-10	Field Telephone			
010-11	Field Storage			
010-12	Temporary Roads			
010-13	Temporary Walls and Barricades			
010-14	Temporary Fences			
010-15	Cleanup Hauling			
010-16	Cleanup Labor			
010-17	Small Tools and Supplies			
010-18	Theft and Damage			
010-19	Temporary Fire Protection			
010-20	Hoist Foundation			
010-21	Hoist Rental			
010-22	Hoist Labor			
010-23	Trucks and Cars			
010-24	Final Cleanup			
010-25	Window Washing			
010-26	Re-glazing			
010-27	Watchmen			