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IHAPP Technical Assistance

Construction and Asset Management

Dave Rose
Director of Real Estate Development

Topics: Construction Management

- ▶ General Contractor Selection
- ▶ Construction Contracts
- ▶ Contingency
- ▶ Lien Laws
- ▶ Construction Draws
- ▶ Sworn Statements and Waivers
- ▶ Change Orders
- ▶ Permits and Inspections
- ▶ Utility Coordination
- ▶ Insurance
- ▶ Site Security
- ▶ Relationship Management

General Contractor Selection

- ▶ Soliciting Quotes / Bids
 - Clearly define project scope
 - Identify qualifications and requirements
 - Set expectations
 - Provide as much information as possible
- ▶ Comparing Quotes / Bids
 - Review carefully for differences in scope
 - Verify credentials and references
 - Don't be afraid to ask questions
 - You get what you pay for... sometimes.

Debarment Checks

- ▶ Required for any project that involves federal funding
- ▶ Confirms that the contractor has not been barred from working on government contracts
- ▶ SAM.gov
- ▶ UEID (Unique Entity ID)

The screenshot shows the SAM.gov Exclusions page for the entity COMMUNITY HOUSING NETWORK, INC. The page is titled "Exclusions" and includes a sidebar with navigation options: Entity Registration, Exclusions (selected), Active Exclusions, and Responsibility / Qualification. The main content area displays the entity's information, including its Unique Entity ID (KPK3G4MH1JE6), CAGE/NCAGE (3RRV5), and Expiration Date (Jun 10, 2027). It also shows the Physical Address (5505 Corporate DR, # 300, Troy, Michigan 48098-2614, United States) and Mailing Address (5505 Corporate DR, Suite 300, Troy, Michigan 48098-2614, United States). The Purpose of Registration is listed as "All Awards" and the Version is "Current Record". Below this, there is a section titled "EXCLUSIONS" which contains a warning message: "There may be instances when an individual or firm has the same or similar name as your search criteria, but is actually a different party. Therefore, it is important that you verify a potential match with the excluding agency identified in the exclusion's details. To confirm or obtain additional information, contact the federal agency that took the action against the listed party. Agency points of contact, including name and telephone number, may be found by navigating to the Agency Exclusion POCs page within Help." At the bottom, there is a section titled "Active Exclusions" which states: "There are no active exclusion records associated to this entity by its Unique Entity ID."

SAM.GOV®

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Home Search Data Bank Data Services Help

< Exclusions Actions

Entity Registration

Entity Information

COMMUNITY HOUSING NETWORK, INC. • Active Registration

Unique Entity ID: KPK3G4MH1JE6 CAGE/NCAGE: 3RRV5 Expiration Date: Jun 10, 2027

Physical Address: 5505 Corporate DR, # 300, Troy, Michigan 48098-2614, United States

Mailing Address: 5505 Corporate DR, Suite 300, Troy, Michigan 48098-2614, United States

Purpose of Registration: All Awards

Version: Current Record

EXCLUSIONS

There may be instances when an individual or firm has the same or similar name as your search criteria, but is actually a different party. Therefore, it is important that you verify a potential match with the excluding agency identified in the exclusion's details. To confirm or obtain additional information, contact the federal agency that took the action against the listed party. Agency points of contact, including name and telephone number, may be found by navigating to the Agency Exclusion POCs page within Help.

Active Exclusions

There are no active exclusion records associated to this entity by its Unique Entity ID.

Construction Contracts

▶ Design-Build

- Single contract covering both design and construction
- Design and construction teams work together to develop plans
- Faster delivery
- Easier value engineering
- Relies on trust

▶ Plan & Spec

- Separate contract with architect for design work
- Supports competitive bidding
- Better cost control
- Slower timeline
- Requires hands-on coordination
- Higher change order risk

Construction Contracts

▶ GMP

- Guaranteed Maximum Price
- Easier to manage for owner
- Cost overrun risk falls on GC
- GC Profit and Overhead is built into the contract price
- Less transparency
- Better for projects with fixed scope

▶ Cost-Plus

- Owner pays for all actual costs for labor/materials/equipment, plus an agreed upon fee for GC profit and overhead
- More complicated to manage
- Cost overrun risk falls on owner
- More transparency
- Better for projects with evolving scope

Construction Contracts: Pay Attention!

- ▶ Scope of Work
- ▶ Contingency
- ▶ Cost Savings
- ▶ Who pays for permits and other fees?
- ▶ Completion Timeline
 - What happens if there are delays?
- ▶ Subcontracting
- ▶ Retainage
- ▶ How are change orders submitted and approved?
- ▶ Insurance/Bond Requirements
- ▶ Funder requirements
- ▶ Talk to your attorney

Construction Contingency

- ▶ “Everyone has a plan until they get punched in the mouth.”
- ▶ Developer Contingency
 - 3-10% of Hard Costs
- ▶ Contractor Contingency
- ▶ Contingency Accounting
 - Move contingency to other budget lines as it is used
 - Be proactive when contingency runs low

Lien Laws

- ▶ Construction Lien Act (Act 497 of 1980)
 - Establishes the right of contractors to secure payment for labor and materials by placing a lien on private property
- ▶ Notice of Commencement
 - Public notice that construction has started, tells contractors where to send information related to liens
- ▶ Notice of Furnishing
 - Notice provided by a contractor that they have supplied materials or labor to the project

Lien Laws

▶ Lien Waivers

- Document acknowledging that lien rights are waived after contractor is paid for their work
- Can be conditional or unconditional

▶ Notice of Lien

- Formal notice that a contractor is claiming they have not been paid and is asserting their lien rights
- Time to call your lawyer

Construction Draws

- ▶ The process by which contractors request payment for work that has been performed or completed
- ▶ Specific procedure can be defined in the construction contract OR dictated by the construction lender's policy
- ▶ Holding draws in person, on site, and at regular monthly intervals is a best practice

Construction Draws: Documentation

- ▶ Pay Application (AIA G702/G703)
 - Copy of construction budget, showing original contract amount, change orders, adjusted contract amount, amount previously paid, current request, retainage, and amount remaining for all line items
- ▶ Sworn Statements
 - Detailed accounting of each subcontractor and supplier for every budget line item, and notarized statement that the GC has paid them for their labor and/or materials
 - Amounts listed on sworn statements should match the cumulative total of lien waivers from each subcontractor

Construction Draws: Documentation

- ▶ Partial Conditional Lien Waivers
 - Applies to work items on current pay application
 - Subcontractors retain lien rights until they are paid in full
- ▶ Partial Unconditional Waivers
 - Applies to work items on the previous pay application
 - Subcontractors partially waive their lien rights in the amount that they were paid, retain lien rights for work that has not yet been paid
 - Unconditional waivers should always add up to the amount paid on previous draws

Construction Draws: Documentation

▶ Change Orders

- Documentation of any changes to the project scope that require a change in the contract amount

▶ Full Unconditional Waivers

- Provided after project completion
- Contractors, subcontractors, and suppliers acknowledge that they have been paid in full and waive their lien rights with no conditions
- If you don't have full unconditional waivers when construction is over, you have a problem

Change Orders

- ▶ Reason for change to contract scope
- ▶ Amount of change to budget
- ▶ Documentation of direct costs
- ▶ Calculation of changes to profit and overhead
- ▶ Can be positive (cost increase) or negative (cost decrease)
- ▶ Must be approved by owner

Pay Application (G702)

Application and Certificate of Payment

TO OWNER:	PROJECT:	APPLICATION NO:	13	Distribution to:
Larry the Landlord	Affordable Towers	PERIOD TO:	8/31/2026	OWNER ☐
2100 Woodward Ave	500 2nd Street	CONTRACT FOR:		ARCHITECT ☐
Detroit, MI	Detroit, MI	CONTRACT DATE:		CONTRACTOR ☐
		PROJECT NOS:		FIELD ☐
				OTHER ☐
FROM CONTRACTOR:	VIA ARCHITECT:			
Bob the Builder	Theodore Mosby			
123 Sesame Street	316 114th St			
New York, NY	New York, NY			

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown above, in connection with the Contract.
The Continuation Sheet is attached.

1 ORIGINAL CONTRACT SUM.....	\$	8,604,610
2 NET CHANGE BY CHANGE ORDERS.....	\$	597,046
3 CONTRACT SUM TO DATE.....	\$	9,201,656
(Add lines 1 & 2 above)		
4 TOTAL COMPLETED AND STORED TO DATE.....	\$	7,018,482
(Column G on Continuation Sheet)		
5 RETAINAGE:		
a. 10% of Completed Work		
(Column D + E on Continuation Sheet)		701,855
b. 10% of Stored Material		
(Column F on Continuation Sheet)		-
c. retainage released		132,831
Total Retainage (Lines 5a + 5b - 5c, or Total in Column I of Cont. Sheet)	\$	569,024
6 TOTAL EARNED LESS RETAINAGE.....	\$	6,449,458
(Line 4 minus Line 5 Total Retainage)		
7 LESS PREVIOUS CERTIFICATES OF PAYMENT.....	\$	5,793,160
(Line 6 from prior Certificate for Payment)		
8 CURRENT PAYMENT DUE.....	\$	656,298
9 BALANCE TO FINISH, INCLUDING RETAINAGE.....	\$	2,752,198
(Line 3 minus Line 6)		

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	586,935	
Total approved this month	181,969	171,858
TOTAL	768,904	171,858
NET CHANGES by Change Order		597,046

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certifications for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____ Date: _____
State of: Michigan
County of Ingham
Subscribed and sworn to before me this _____ day of _____, 2024
Notary Public:
My commission expires:

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information, and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED.....
(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: _____ Date: _____

This certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



Pay Application (G703)

A	B	C		D	E	F	G	H	I	J	K		M
ITEM NUMBER	DESCRIPTION OF WORK	BUDGET	Change Orders	ADJUSTED BUDGET	PREVIOUS APPLICATION	CURRENT APPLICATION	STORED MATERIALS	TOTAL STORED/ COMPLETED TO DATE	BALANCE TO COMPLETE	% COMPLETE	CURRENT RETENTION	CURRENT TOTAL RETENTION	CURRENT PAYMENT
PERMIT PLANS													
30100	PLANS COMPLETE	2,150		2,150	123			123	2,027	6%	-	12	-
30150	SOIL BORINGS/REPORT	N/A		N/A				-	-	0%	-	-	-
30200	SITE PLAN - ENGINEERING	N/A		N/A				-	-	0%	-	-	-
30802	WATER METER FEES	N/A		N/A				-	-	0%	-	-	-
30902	SEWER USE FEE	N/A		N/A				-	-	0%	-	-	-
30904	STORMWATER DISCHARGE PERMIT FEE	N/A		N/A				-	-	0%	-	-	-
30920	ARCHITECTURAL FEES	N/A		N/A				-	-	0%	-	-	-
30995	ELECTRIC/GAS METER FEE - ALLOWANCE	N/A		N/A				-	-	0%	-	-	-
31000	BUILDING PERMIT FEES	18,803		18,803	18,803			18,803	-	100%	-	1,880	-
31500	PLAN REVIEW	7,507		7,507	3,160			3,160	4,347	42%	-	316	-
31676	UTILITY INSPECTIONS/MISC PERMITS	1,850		1,850	146			146	1,704	8%	-	15	-
31949	GRADING PERMIT FEE	750		750				-	750	0%	-	-	-
31952	PERFORMANCE, BID & PAYMENT BOND	68,491		68,491	57,811			57,811	10,680	84%	-	5,781	-
32025	BLUEPRINTS	4,500		4,500	4,500	-		4,500	-	100%	-	450	-
32050	WINTER CONDITIONS	-	14,926	14,926		14,926		14,926	-	100%	1,493	1,493	13,433
32075	ARCHITECT INSPECTION FEES	N/A		N/A				-	-	0%	-	-	-
32080	CONSTRUCTION SURVEY	N/A		N/A				-	-	0%	-	-	-
32083	AS-BUILT PHYSICAL SURVEY	N/A		N/A				-	-	0%	-	-	-
32085	ALTA SURVEYS	N/A		N/A				-	-	0%	-	-	-
33461	ENVIRONMENTAL STUDIES	N/A		N/A				-	-	0%	-	-	-
33500	COST CERTIFICATION	7,500		7,500				-	7,500	0%	-	-	-
33550	TAP FEES	6,800		6,800	-			-	6,800	0%	-	-	-
33650	GENERAL LIABILITY & BUILDER'S RISK	N/A		N/A				-	-	0%	-	-	-
	SUBTOTAL	118,351	14,926	133,277	84,543	14,926	-	99,469	33,808	75%	1,493	9,947	13,433



Sworn Statements

A	B	C	D	E	F	G	H	I
ITEM NUMBER	DESCRIPTION	TOTAL CONTRACT PRICE	CHANGE ORDERS +/-	ADJUSTED CONTRACT AMOUNT	AMOUNT ALREADY PAID	CURRENT REQUEST	RETAINAGE	BALANCE TO COMPLETE
49000	GYPCRETE	32,000	5,714	37,714				37,714
	Connie's Construction LLC	27,000		27,000	24,300		2,700	-
50000	ROUGH FRAMING MATERIAL - ALLOWNACE	-	10,650	10,650				10,650
	Bill's Building Supply	19,517	3,526	23,043	18,220	4,823		-
	Linda's Lumber	314,120	2,005	316,125	314,120	2,005		-
	Bob the Builder	2,005	197	2,202	(27,981)	(3,955)	34,138	-
50100	LUMBER - ALLOWANCE	15,000	-	15,000				15,000
50125	BASEMENT LVL'S	7,300	-	7,300				7,300
50150	LUMBER - CORNICE REPAIRS - ALLOWANCE- LABOR	7,500	-	7,500				7,500
50200	TRUSSES	4,000	5,370	9,370				9,370
	Linda's Lumber	108,554		108,554	108,554			-
	Bob the Builder			-	(10,855)		10,855	-
50250	CAULKING	7,023	-	7,023				7,023
	BAPI	1,477		1,477	1,477			-
	Bob the Builder			-	(148)		148	-
50350	FRAME & CORNICE - LABOR - ALLOWANCE	14,653	(2,750)	11,903				11,903
	Connie's Construction LLC	386,034	13,150	399,184	347,431	11,835	39,918	-
	Frank's Framing	4,745		4,745	4,270		475	-
	Bill's Building Supply	2,175		2,175	2,175			-
	Bob the Builder	2,073		2,073	1,648		425	-
50360	FRAME LABOR	1,300	-	1,300				1,300
	Frank's Framing	1,600		1,600		1,600		-
	Bob the Builder	9,600		9,600	8,640	(160)	1,120	-
50370	FRAME REPAIR - CORNICE - ALLOWANCE	15,000	-	15,000				15,000
50500	BULKHEADS	38,171	-	38,171				38,171
	Connie's Construction LLC	3,829		3,829	3,829			-
	Bob the Builder			-	(383)		383	-

Lien Waivers

MICHIGAN

PARTIAL CONDITIONAL WAIVER

(M.C.L.A. 570.1115(9)(b))

Bob the Builder(name of contractor/supplier/laborer)has a contract with CHN Malcolm Limited Patnership (*Name of Owner or General Contractor*) to provide labor and materials for the improvement to the property described as:

(See attached Notice of Commencement and/or Legal Description)

and hearby wavies its construction lien to the amount of \$ 656,298 for services,labor and/or materials provided through the 31 day of August , 2024

This waiver, together with all of the previous waivers, if any, does/does not(circle one) cover all amounts due to Bob the Builder for the contract improvements provided through the date shown above. **This waiver is conditioned on the actual payment of the amount shown above.**

If the improvement is provided to the property that is a residential structure and if the owner or lessee of the property or the owner's or lessee's designee has received a notice of furnishing from me/one of us or if I/we are not required to provided one, and the owner, lessee, or designee has not received this waiver directly from me/one of us, the owner, lessee, or designee may not rely upon it without contacting me/one of us, either in writing, by telephone, or personally to verify that it is authentic.

Dated: 8/31/2026

By:/s/ _____

Name: Bob

Title: CEO

Address 123 Sesame Street
New York, NY

Owner's Representative

- ▶ Licensed Architect or Builder who is contracted to represent the owner/developer during the construction process
- ▶ Helps to level the playing field and close knowledge gap
- ▶ Inspects work prior to approving draws
- ▶ Reviews paperwork to mitigate risk for owner/developer
- ▶ Validates whether change orders are necessary and appropriate
- ▶ One of the best soft cost investments a developer can make

Relationship Management

- ▶ Maintaining a good relationship between all members of the development team is paramount to success
- ▶ Conflicts are inevitable, but must be managed tactfully
 - Contractor vs. Architect
 - Owner vs. Contractor
 - Contractor vs. Inspector
- ▶ It's about problem solving
- ▶ We're all on the same team

Permits and Inspections

- ▶ Pre-construction meeting with Building Department
- ▶ Never allow unpermitted work
- ▶ Contractor and Owner attend all inspections
- ▶ Set clear timelines for corrections and hold GC accountable
- ▶ Inspector is not your enemy, but isn't your ally either
- ▶ Retain copies of all permits and close-outs
- ▶ Certificate of Occupancy

Utility Coordination

- ▶ Early engagement is critical to success
- ▶ Utility connections can result in unanticipated costs
- ▶ Ensure plans and specs are approved
- ▶ Don't rely solely on contractor to coordinate and plan
- ▶ Issues with timing can cause major delays

Insurance

- ▶ Builder's Risk
 - Protects against loss during construction
- ▶ Liability
 - Protects against liability for damages
- ▶ Make sure your general contractor is insured
- ▶ Don't rely solely on your general contractor's insurance

Site Security

- ▶ Theft can be a serious problem during construction
- ▶ Keep buildings locked once enclosed
- ▶ Minimize stored materials to limit risk
- ▶ Kitchen appliances and HVAC are often targets
- ▶ Wireless camera/alarm systems may be worth the expense
- ▶ Develop good relationships with local police

Questions?

Topics: Asset Management

- ▶ Property Managers
- ▶ Self-Management
- ▶ Insurance
- ▶ Operating Budgets
- ▶ Repairs and Maintenance
- ▶ Tenant Relations
- ▶ Security Deposits

Property Managers & Their Role

- ▶ Manage the day-to-day operations of the property
- ▶ Collect rent and pay bills
- ▶ Schedule and coordinate maintenance and repairs
- ▶ Keep records and maintain compliance
- ▶ Primary point-of-contact for tenants
- ▶ Manage new leases and renewals
- ▶ Market vacant units to prospective tenants

Self-Management vs. Agency

▶ Self-Management

- Owner or direct employee acts as property manager
- More control, more effort
- Owner bears full liability risk
- Lower cash costs, more time costs

▶ Management Agent

- Professional property manager is contracted as agent for a pre-determined fee
- Less direct effort, less control
- Agent bears some liability risk
- Owner must remain involved at a high level

Insurance

- ▶ Property Insurance
 - Protects against loss due to property damage
- ▶ General/Excess Liability
 - Protects against liability for damages to tenants or third parties that occur on the property
- ▶ Business Income / Employee Dishonesty
 - Protects against loss of rental income due to property damage
 - Protects against liability for acts of employees

Operating Budgets

- ▶ Make sure to consider all operating and maintenance costs
- ▶ Be conservative when estimating, include inflation
- ▶ Assume 7-10% vacancy rate
- ▶ Debt service coverage
- ▶ Reserves for future expenses

Repairs and Maintenance

- ▶ Be proactive to keep property in good working condition
- ▶ Plan ahead for routine maintenance and replacement
- ▶ Obsolete equipment can be a liability
- ▶ Routine inspections can prevent expensive repair bills
- ▶ Utility providers can offer rebates for energy efficient upgrades

Security Deposits

- ▶ Act 348 of 1972
- ▶ Security deposit cannot exceed 1.5x monthly rent
- ▶ Must keep deposits in a regulated financial institution
- ▶ Must provide deposit bank information and move-in checklist within 14 days of move-in
- ▶ Landlords have 30 days after move-out date to return deposit or send itemized list of damages

Tenant Relations

- ▶ Be kind, but be professional
- ▶ Communicate everything in writing
- ▶ Address maintenance issues and complaints promptly
- ▶ Be proactive about lease renewals and rent increases
- ▶ Provide timely notice for non-payment or lease violations

Questions?