



FEDERAL HOME LOAN BANK
OF INDIANAPOLIS

Building Partnerships. Serving Communities.

Affordable Housing Grant Tools & Tips



Contracts & Cost Validation

Cost Validation

Generally, at the time an AHP application is submitted, costs are estimated by an architect, contractor, or based upon a comparable project.

As the project moves into the construction phase, these costs are specified or become “hard” costs versus estimates. The regulatory requirement to continuously monitor the need for the AHP subsidy through the physical construction process requires verification that the costs are represented accurately on the Uses of funds (Attachment 2 of the financial workbooks)

Through the disbursement reviews, you will be required to submit this cost validation. The type of documentation that affirms these costs can vary by project.

Cost validation may include:

- HUD -1 settlement statements affirming acquisition costs
- Purchase agreements
- Architect contracts
- Construction contracts
- Developer agreements
- Consultant agreements
- Invoices
- Contractor’s sworn statement
- Contractor’s request for payment – forms AIA G702 and AIA G703
- Cancelled checks or evidence of payment

Cost Certification

At the completion of a construction project, many housing providers include an independent review of all of the projects costs referred to as an accountant’s cost certification. Projects funded with low income housing tax credits are generally required to provide this independent cost review. Placed in Service LIHTC applications are required as part of the completion review.

For projects that are not engaging a separate accounting of the project, final invoices from the contractor are needed including evidence of payment such as a lien waiver or lien release. Typically, in this scenario documentation supporting the project costs for at least 80% of the total development costs is needed. On a case by case basis, one hundred percent of the costs may require independent support or evidence of costs.