

**VERMONT HOUSING AND CONSERVATION BOARD**  
**Procurement Guidelines & Disbursement Procedures during Construction**

*The following suggested procurement and disbursement procedures are intended as guidelines. We believe they reflect generally accepted procurement practices. If you will not be following VHCB's suggested guidelines, we request that you contact a VHCB housing staff person to review your alternative plans.*

**General Bidding Thresholds**

For jobs greater than \$10,000 but less than \$75,000, at least three oral or written quotes shall be solicited. For jobs over \$75,000, bids must be solicited through formal, public advertising. Upon request, VHCB may require documentation of the contractor selection. Jobs less than \$10,000 can be awarded at grantee's discretion.

To document contractor selection, any bid or proposal should be received in writing or received orally and recorded in the agency's file.

Public advertisements should include language that encourages minority and women-owned businesses and small, locally owned businesses to apply.

**Bonding and Insurance**

For contracts greater than \$100,000 but less than \$500,000, a 100% performance and 100% payment bond for the contract price or 25% irrevocable letter of credit is required. For contracts over \$500,000, a 100% performance and 100% payment bond for the contract price is required.

Grantees are responsible for determining the level and type of insurance coverage that they wish to have provided by the contractor, suggested minimum levels include:

- o Comprehensive All Risk Motor Vehicle Liability Insurance, with minimum bodily injury limits of \$100,000 per person, per accident, and property damage limit of \$300,000 per accident.
- o Comprehensive General Liability (CGL) insurance (bodily injury and property damage) with a minimum policy aggregate of \$1,000,000.
- o Any other insurance required by law.

Documentation of insurance may be requested by VHCB.

## **General Construction**

VHCB expects grantees to follow sound and reasonable business practices when selecting contractors. Grantees should ensure that the contractor is qualified to provide the scope of work at a cost consistent with prevailing rates for similar services or products. Contracts should be awarded to contractors who possess ability to perform successfully with consideration given to contractor integrity, past performance, financial and technical resources. General considerations include:

- o All transactions should be open and free competition (this does not preclude prequalifying contractors)
- o Contractors who develop specs should not bid on proposed work
- o Solicitations should be based on clear and accurate work description

### For construction jobs when there is no general contractor

VHCB may permit grantees to be their own general contractor provided that they have a construction professional manage the work (ie: rehab specialist, clerk of works, architect) either on staff or through a contractual arrangement. In those cases where a grantee chooses to be their own general contractor and the sum of all subcontracts for construction work exceeds \$75,000, the project should be publicly advertised. Documentation may be requested by VHCB.

### Retainage

VHCB recommends that grantees retain 10% of the contract amount until the project is substantially complete. In general, disbursements of federal funds for construction costs will only be made for completed work in place and will be based on the percentage of completion of the total amount of work covered by the contract. (for example: Assume that the total contract amount is \$2,000 and the HOME grant is \$1,000. If the total amount of work covered by the contract is 50% completed on the date of a particular requisition, the maximum amount of HOME funds that can be disbursed at that time will be \$500 less 10% retainage.)

### Escrowing work remaining and punchlist items

For construction work remaining due to seasonal or other considerations, VHCB recommends holding in escrow at least 100% of the value of that work, as certified by the architect/engineer. For punchlist items, VHCB recommends holding a punchlist escrow of at least 200% of the value of that work. Retainage should be adequate to ensure that the contractor will return to complete the job in a timely manner.

### Final title opinion

Please be advised that a standard condition of VHCB grant agreements requires a final title opinion upon project completion.

### **Disbursement Procedures for Construction**

*Although the above materials are guidelines, the following section is required.*

Prior to first construction disbursement, Grantee must provide an executed construction contract(s) and a copy of performance and payment bond or letter of credit. Upon request, a bid summary may be required as well.

Disbursements shall not be made more frequently than once a month. Expect 2 weeks to receive check. Submit requests to housing program staff.

For each disbursement request, the architect/engineer must provide an original AIA form G702 (Application and Certificate for Payment) signed and notarized by the contractor, and certified by the architect or project manager. A continuation sheet (G703) should be attached which corresponds to the schedule of values set forth in the construction contract. Please be sure to include any change orders.

For those jobs where there is a general contractor, disbursement requests must include a lien waiver provided by the general contractor for payment received to date or an updated title opinion. Please note that the first construction disbursement request would not include a lien waiver.

**In the case of a construction job when the grantee is the general contractor**, disbursement requests for multiple contracts must be submitted on one AIA contract form that incorporates **all** the construction contracts with a combined schedule of values. This will be the basis for all disbursements, retainage, and certifications. The AIA form must be signed and notarized by the grantee and certified by the construction manager.

In the above case, disbursement requests must include lien waivers provided by each contractor for payment received to date regardless of contract amount or an updated title opinion. Please note that the first construction disbursement request would not include any lien waivers.

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