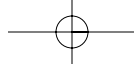


# **VOLUME 7**

## **SECTION 5**

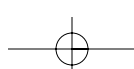
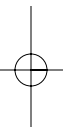
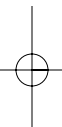
### **CONSTRUCTION FINANCE FOR HOUSING PROJECTS**

**Managed by  
The National Housing Trust  
4 Park Boulevard  
Kingston 5**



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# CHAPTER I

## CONSTRUCTION FINANCE FOR HOUSING PROJECTS

### 1.0 BACKGROUND

The National Housing Trust (NHT) was established in 1976 after a series of consultations among the Jamaican Government, Trade Unions and the Private Sector. The National Insurance Scheme (NIS) was amended in 1976 to enable the establishment of the Trust which obtained its own charter in 1979.

The Trust was established to fill the critical housing shortage which existed in the 1970's, particularly among the lower income segment of the population. The NHT was also expected to:

- create a mechanism for mobilising mass savings;
- create new wealth in the form of housing;
- contribute to employment creation in the construction industry;
- facilitate economic development.

The NHT is funded through a combination of personal and corporate contributions of 2% of the gross wages of employees and by 3% of the wage bill of employers. Employers and self-employed persons between the ages 18 and 65 who earn at least the minimum wage, are required to contribute to the Trust. Since its establishment, the NHT has become the largest mortgage finance institution in the Caribbean.

### 1.1 FINANCING CONSTRUCTION

The National Housing Trust (NHT) welcomes applications for construction finance to facilitate the development of affordable housing for its contributors. Project proposals must be submitted and should conform to the NHT's project proposal guidelines to be eligible for consideration of construction finance. The developer must have a good reputation, a sound track record and the ability to fund at least 25% of the development cost of the project.

The housing solutions being proposed must have an excellent probability of being sold before the completion of construction as demonstrated by pre-sale contracts to potential purchasers in the target market and/or an acceptable market demand survey. Attributes of successful housing projects are a desirable location and site, affordable and competitive selling price and a desirable housing product. All

approvals must be available at the application stage. Construction contracts and documentation must be available for review. The construction loan requested must be indicated with adequate loan securities and a repayment proposal.

### **1.1.1 Loan Rates**

The NHT's construction loan rate is 8% per annum for schemes priced equal to or below the Trust's recommended selling price or 12% per annum for schemes not exceeding 50% of the Trust's recommended selling price. Projects are selected for funding on a competitive basis, based on the project location, the developer's prequalification, the selling price, the housing product and developer's equity.

The loan rates of 8% and 12% per annum are substantially below market interest rates and as such, the selling prices agreed must reflect the lower interest rates and are controlled by the NHT, subject to approved escalation. The NHT will therefore not allow developers who borrow at 8% or 12% rate of interest to sell at market prices or to repay the loan after utilizing the funds without a penalty interest rate of 20% or the market cost of funds, whichever is greater, being applied to the total loan period.

### **1.1.2 Potential Developer's Requirements**

All potential developers must submit a valid Tax Compliance Certificate (TCC), a current NHT compliance receipt, annual returns, and a Registration Certificate from the Real Estate Board at the time of application for construction finance.

### **1.1.3 Preliminary Project Proposal**

Developers who submit a preliminary project proposal with sufficient details will receive a response from the NHT regarding the likelihood of an NHT loan. If the preliminary project loan is accepted, the developer is then required to submit a detailed project loan proposal, as set out in this document. An assessment will be conducted and a definite response will normally be given in eight (8) weeks thereafter. A risk assessment of the project and the developer will be undertaken to determine the loan security required.

## **1.2 PRELIMINARY SUBMISSION**

Two (2) copies of a brief submission of approximately 3 - 5 pages containing the following information is required:-

- i. Project - Name, location, description of the development, budget and duration;
- ii. Developer's track record in housing development;
- iii. Target market and effective demand for housing;
- iv. Proof of land ownership/possession;
- v. Site layout plan;
- vi. Viability of the project - Income/Expenditure Statement;
- vii. Financial affairs of the Developer - Audited Balance Sheet for the past three (3) years;
- viii. Loan amount requested, repayment plan and loan security;
- ix. Equity;
- x. Source of additional construction funds;
- xi. Status of design and statutory approval;
- xii. Project Management Team, Consultants and Contractor;
- xiii. Mortgage Finance Plan.

### **1.2.1 Housing Projects**

- i. Normally a housing project will contain at least fifty (50) housing solutions;
- ii. The area of land for a housing project will be at least two (2) acres in the city and ten (10) acres in rural parishes.

## **1.3 DETAILED SUBMISSION**

The NHT will require information on the items listed below to make a detailed evaluation of a project proposal for construction finance. All the documents required must be submitted before evaluation of the project begins.

### **1.3.1 Project Information**

Information is required to determine the capability of the developer, land ownership status and the proposed parameters of the site.

### **1.3.2 Documents Required**

- i Project - Name, location and description of development
- ii Land: Valuation - Proof of land ownership/possession by the developer - copy of registered title or a signed agreement of sale in the developer's name or an option agreement to purchase the project land.

- iii Developer - An NHT Prequalification Form is to be submitted which will incorporate the developer's track record, personnel, equipment and financial status. (The main contractor is also required to fill in and submit an NHT Prequalification Form which is obtainable from the Trust.)

Only developers with positive and acceptable net worth will be considered for loans.

- iv NCC Registration - Contractor

- v Real Estate Board Registration Developer

- vi All developers must:

- Submit a current NHT contributions compliance receipt for themselves, the main contractor and consultants on the project team.
- Submit a valid tax compliance certificate with the project proposal for themselves, the main contractor and consultants on the project team.
- Keep in their employment, an experienced and professional project manager or construction consultant throughout the project duration if their application is to be considered.

A Resume of the Project Manager and/or Construction Consultant is to be submitted showing his/her relevant training and experience. Members of the Project Management Team must be professionally qualified and experienced in similar projects and be acceptable to the NHT. Any subsequent changes must also be acceptable to the NHT.

- vii A Location Plan

- viii A Surveyor's Identification Report

- ix Site layout plan

- x Boundary and Topographic survey plans

- xi Soils investigations report

- xii Environmental Impact Assessment Report, if necessary.

## **1.4. MARKET DEMAND**

The NHT will only fund housing projects that it considers quite marketable. A summary of NHT's 2002-2003 housing demand market survey which also indicates areas of preferred locations in each parish is at Appendix 2. The proposed housing scheme should be located in the highly preferred areas indicated in NHT's housing market survey.

Developers must always plan/ develop housing projects from the viewpoint that they will be selling all the solutions to the marketplace. From time to time, for low cost, well designed housing projects, the NHT may offer to purchase some, all, none of the housing solutions or take an option to purchase at a later date. The market risk is to be borne by the developer.

### **1.4.1 Preferred Housing Solutions**

Purchasers prefer varied housing solutions/ options - two (2) and three (3) bedroom units, studios, serviced lots and expandable units. Preference vary based on location, housing design, the selling price and affordability.

### **1.4.2 Marketing Plan**

The marketing plan must consider the developer's response to existing housing projects being developed or being sold within the parish or region and those housing projects to start within one (1) year of the planned start of the development.

### **1.4.3 Documents Required**

The NHT also requires additional information and this includes:

- i A Market Plan - Include target market, market demand survey, pre-purchase contracts, affordability analysis, to a "what if" scenario for very slow sales.
- ii Target Market - The target market must be specified. A market survey acceptable to the Trust and/or pre-purchase contracts, and an affordability analysis of target market must be submitted indicating that the scheme has a high probability of being sold off before the completion of construction based on the selling prices and mix of housing solutions
- iii Approach to Development to Match Market Demand

Developers are asked to kindly consider the approaches listed below in the marketing plan:

- Incremental Approach - A market approach of building a model house and then collecting customers' deposits and feedback and then building to sale commitments and closures.
  - Phasing - Build and sell off in large phases based on market demand.
  - Total - Build and sell off the entire project at once based on a strong market demand and/or pre-sale of the housing solutions proposal.
- iv      Prepurchase contracts for at least 50% of the proposed housing solutions is required where units are not being sold to the NHT.

## **1.5 SELLING PRICES**

### **1.5.1 Housing Solutions**

The mix of solutions is specific to each site and is assessed based on demand, selling price and affordability of solutions. The NHT would readily support schemes with an affordable mix of housing solutions in the preferred locations.

### **1.5.2 Size and Selling Price**

The size and selling price should be so structured to benefit from NHT's mortgage loan limits. Selling prices must be in close alignment to the NHT's loan limits which would suggest quick sale.

Current loan limits are:

- \$450,000.00 Serviced Lot
- \$1.0M Open Market (1 applicant)
- \$2.0M Open Market (2 co-applicants)

(The only adjustments to original selling prices quoted which will be allowed are for escalation in materials, labour and equipment hireage rates. No increase shall be allowed for variations, overheads, profit and risk).



### 1.5.3 Unit Mix

The recommended unit mix, unit size and total selling prices to purchasers are listed at tables 1 and 2 under the heading Economics of Housing Solutions.

## ECONOMICS OF HOUSING SOLUTIONS

Assumption of at least fifty (50) housing solutions will be developed.

**Table 1**

ECONOMICS DETACHED HOUSING	SIZE	RECOMMENDED MAX. SELLING PRICE
Serviced Lot* ]	375m <sup>2</sup> (4,000 s.f.)	\$450,000.00 - 550,000.00
Serviced Lot** ]		\$600,000.00
Studio (100)	22m <sup>2</sup> (230 s.f.)	\$ 1,300,000.00
Super Studio (100S)	33m <sup>2</sup> (350.s.f.)	\$1,600,000.00
2 Bedrooms (201)	54m <sup>2</sup> (577 s.f.)	\$2,100,000.00
2 Bedrooms (201)A	69m <sup>2</sup> (745 s.f.)	\$2,375,000.00
3 Bedrooms (201)B	70m <sup>2</sup> (750 s.f.)	\$2,400,000.00
2 Bedrooms (201)C	70m <sup>2</sup> (750 s.f.)	\$2,450,000.00
3 Bedrooms (301)	72m <sup>2</sup> (807 s.f.)	\$2,600,000.00

**Table 2**

APARTMENTS/TOWNHOUSES	SIZE	RECOMMENDED MAX. SELLING PRICE
2 Bedroom	(55m <sup>2</sup> ) 580/s.f	\$ 1,850,000.00
3 Bedroom	(67m <sup>2</sup> ) 700 s.f.	\$2,100,000.00

Base date - April 30, 2004 subject to semi-annual review

- On site sewage disposal
- Centralized sewage disposal

### 1.5.4 Documents Required

The following are the documents required by NHT:

- i. Developer's budget and the current selling price - with and without NHT's funds.
- ii. The mix, sizes, maximum selling price and selling price per m<sup>2</sup>.
- iii. Purchasers' affordability profiles of each housing solutions.

## CHAPTER 2

### CONSTRUCTION LOAN

#### 2.0 CONSTRUCTION LOAN DISBURSEMENT

The construction loan is the total disbursement agreed with the NHT to fund the construction works.

The construction loan shall only be for the construction work and will be paid on certificates. No loan disbursement shall be made for equity, land purchase, design fees, developer's overheads and profit. These payments will be received on completion of the project or phases as they represent the developer's contribution to the project cost. The duration of the construction loan is the construction period plus one (1) month.

#### 2.1 COMMITMENT FEE

A commitment fee of 1% of the loan amount is charged for NHT's project administration and is to be paid before the first disbursement. Interest on the loan is to be paid monthly.

#### 2.2 DOCUMENTS REQUIRED

The following documents are required:

- i Development Budget as per NHT's format (see Appendix I.)
- ii The loan requested from the NHT must be clearly stated.
- iii Developer's Equity Statement - Developers must invest equity in the project of at least 10%. The combination of equity and other finance should at least be equal to or exceed 20% of the construction cost plus the project land, design fees, developer's overheads, cash and other development costs. (The probability of being selected for construction finance increases with the level of investment provided by the developer).
- iv Amount of NHT Finance: The NHT will finance up to 80% of construction cost - house and infrastructure costs, construction supervision fee, transfer costs. The developer must pay 20% of each certificate up to the loan limit. The source of the 20% cash

- must be identified and available.
- v Additional Loan: Any additional loan on the project must be indicated and could reduce the NHT's loan based on NHT's loan to cost/value ratio, as the developer must maintain the equity requirement.
  - vi A source of funds statement and proof of the existence of the funds are required for the cash to be supplied to the developer.
  - vii Cash Flow Statement - Income and Expenditure.
  - viii Financial Exposure Limit (the maximum difference between expenditure and income)

## **2.3 LOAN SECURITY**

### **2.3.1 Loan Commitment**

The NHT requires that the loan commitment be fully secured to its satisfaction. The instruments of security are a mortgage on the project lands, a bank guarantee, a personal guarantee, an assignment of the land sale agreement, insurances for the works, mobilization and performance bonds and retention. The project lands must be fully owned without debt or encumbrances, mortgage or caveats. The NHT will determine in each situation, which security or mix of security instruments it will require on a particular project.

### **2.3.2 Performance Bond**

A Performance Bond of 10% of the construction contract will be required. A mobilization payment is at the NHT's discretion. If mobilization is to be granted, a sum not exceeding 10% of the construction cost is payable and this must be secured by a bank guarantee and must to be repaid within 50% of contract time. Additionally, 100% of the mobilization fund is to be used to purchase materials or to rent equipment for which pro forma invoices or a statement of cost from the suppliers is required. The NHT will supply a standard performance bond and mobilization guarantee documents for signing.

### 2.3.3 Financial Exposure Limit

A financial exposure limit will be set, based on the net difference between inflows (deposits & sales) and disbursements (construction payments). The net cash flow of income and expenditure will indicate the peak financial exposure planned.

### 2.3.4 Delivery of Titles

Developers are to submit a programme indicating the delivery of individual titles on or before the start of construction. **A monthly report on the status of titles will be required.**

## 2.4 GENERAL LOAN SECURITY

### 2.4.1 General Conditions:

The following conditions will apply to all borrowers:

- i Personal Guarantee - Personal guarantees from the directors of the development company or a corporate guarantee from the parent company, if the development company is a subsidiary, may be required.
- ii Equity/Loan Ratio-25% - The equity to loan ratio should be at least 25%. Typically, the developer would finance pre-construction activities such as land, design and approval cost and 20% of the construction cost.
- iii Proof of Equity & Cash Flow Support for Payment Certificate - The developer shall spend the equity funds first and the NHT's loan funds would be spent afterwards. The NHT will pay for up to 80% of the construction cost on monthly payment work certificates.
- iv Performance Bond - A Performance Bond is normally required for all loans. The contractor must submit a Performance Bond with the NHT and developer names endorsed. The developers performance will be secured by the general and special loan conditions - personal guarantee, equity, mortgage on project land. The Performance Bond must be assignable to the NHT.

## 2.4.2 Special Loan Security

A risk assessment score is to be used to classify risk as high, medium and low. Generally, based on the classification the related loan security will be requested. The NHT reserves the right to modify the general requirements to deal with specific risk identified, see Appendix 4 for Risk Assessment Approach. The following deals with the levels of risks applied generally by the NHT.

i Low Risk - Private or Public Developer

Registration of a Legal Mortgage over the Project Land: This is proposed for use when the project risk is considered to be low.

The NHT would have the ability through the loan agreement and the mortgage, in the event of a default, to take over the project, sell it as is, or complete the project and sell it, and use the proceeds to recover the loan balance.

ii Low Risk - Ministry of Water & Housing (MWH)

Assignment of Land Sale Agreement and Registration of Caveat: Legal advice has indicated that the Ministry of Water & Housing cannot offer a mortgage on lands which it owns, but can assign the benefits under an Agreement of Sale. This is proposed for use when the project is being developed by MWH or as a joint venture with the MWH and the selling prices of the housing solutions are within the range which the NHT would consider to market directly. When the risks associated with the completion of the project and the marketing of the housing solutions are generally low, the assignment of the Land Sale Agreement and the registration of a caveat on the title is normally sufficient. Joint Venture developers with the MWH under the Facilitation Agreement, may be requested to provide guarantees instead of or in addition to, the assignment of the Land sale Agreement.

iii Medium Risk - Two (2) requirements are needed for housing projects classified as medium risk:

- Registration of Legal Mortgage over project land. This is proposed for use when the project risk is considered to be low and medium. The NHT would have the ability through the loan agreement and the mortgage, in the event of a

default, to take over the project, sell as is, or complete and sell it and use the proceeds to recover the loan balance.

- Equity of at least 40% of project cost . This is necessary to ensure that the developer takes more of the project risk when the project is classified as medium risk.

iv. High Risk

- Bank Guarantee - This is proposed for use when the estimated expected outcome of revenue less expenses of the project is small. The project would be classified as high risk and a Bank Guarantee would be required for the full loan amount.. The Bank Guarantee would put the project risk on the developer who would benefit from NHT's low interest rate. In the event of a default then the funds could be recovered in full from the Bank Guarantee.

## 2.5 LOAN REPAYMENT PROPOSAL

For schemes in which the NHT has an interest to purchase housing solutions, the preferred repayment method is to accept housing solutions to the value of the loan. Schemes, where the NHT does not have a direct interest should exhibit a strong positive cash flow and the NHT shall convert mortgage proceeds as part of the loan repayment.

## 2.6 DELIVERY OF TITLES

A programme for delivery of individual titles to purchasers is required by NHT from the developer.

## 2.7 LETTER OF COMMITMENT

Where applicable, a Letter of Commitment from other organizations lending construction finance and long term mortgage is required.

## CHAPTER 3

### TECHNICAL INFORMATION

#### 3.0 HOUSING PRODUCT

The housing product must be well designed by:

- i. Being responsive to market demand and preferences.
- ii. Must be structurally sound to withstand the hazards of the physical environment.
- iii. Must be environmentally friendly and harmoniously placed within existing community.

##### 3.0.1 Planning of Site

The general planning of the site, infrastructure and the house must be undertaken by a skilful and experienced professional team for the benefit of the customers, the environment and the developer.

#### 3.2 INFORMATION REQUIRED

The applicant/ developer is required to provide specific information to the NHT. These are:

##### 3.2.1 General Planning

The developer is required to supply basic planning information including:

- i The applicant's estimate of the economic demand, affordable prices and mix of housing solutions required in the parish or region;
- ii The number and types of housing solutions proposed to match the demand indicated;
- iii A list of current and future housing projects being sold and planned for implementation in the vicinity within the next year and its impact on the proposed housing project and the developer's strategic response;

### **3.2.2 The Site**

The applicant is required to provide the following information on the site:

- i Zoning of the land and integration of the development with the social amenities of existing communities;
- ii Description of the site;
- iii The vulnerability of the site to natural hazards, and mitigating actions proposed;
- iv Special site features and challenges to development, e.g. access, hill, ponds, steep slopes, faults etc.;

## **3.3 INFRASTRUCTURE**

The general and site information provided should be incorporated in the infrastructure design, where possible. Specifications are to be based on the National Building Code of Jamaica and the guidelines of the relevant statutory authorities as necessary.

### **3.3.1 Roadways**

Thickness of base course, compaction level, type of surface. All roadways must have a camber, curb and channel. An asphaltic concrete or R.C. surface is preferred and recommended especially on steep slopes;

### **3.3.2 Water supply system**

A water lateral to each lot, storage tanks etc.;

### **3.3.3 Sewage disposal system**

Method, effluent and sludge discharge method, maintenance manual;

### **3.3.4 Soils report**

Bearing capacity, soil classification type, CBR, percolation rate, suggest foundation for houses



### **3.3.5 Stormwater drains**

Design plans, route to final disposal, rainfall intensity, rainfall run-off coefficient.

### **3.3.6 Services**

Electricity, telephone, street lights, street signs, etc.;

### **3.3.7 Access to lots**

Curbs are to be opened to allow easy entrance to lots

### **3.3.8 Entrance Way to Schem**

A grand entrance and green area should be planned for the entry to each housing project;

## **3.4 HOUSE DESIGN**

The information provided by the developer, as requested by the NHT, should be incorporated in the house design, where possible. Specifications are to be based on the National Building Code of Jamaica.

### **3.4.1 Responsibility of the Developer**

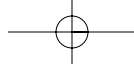
- i The normal defects liability required is twelve (12) months for houses and eighteen (18) months for infrastructure
- ii The developer is responsible indefinitely for the quality and performance of the housing product after the Defects Liability Period, if it can be demonstrated that the house suffers from
  - Faulty design
  - Faulty construction
- iii An elegant and pleasing house design for customer satisfaction and marketability, durability, minimal maintenance and an estimated design life of not less than 50 years;
- iv Plans - floor plan, elevations, roof, other details, etc.;
- v House form: size, floor to ceiling height (not less than

- 8feet/2.4438 metres), functional space;
- vi Approved Expansion Plans - vertical and horizontal;
  - vii Description of the building system: The strengths and weakness, approvals of the system;
  - viii Foundation type and floor levels above ground. (The floor level should be at least 12" above ground level);
  - ix Walls - material and structural strength for vertical expansion. (10-year warranty for walls and all joints against leaks is required);
  - x Electrical Plugs: One per wall in studios;
  - xi Doors and windows - durable materials and construction, caulking compound to be specified, windows and doors to be water-tight;
  - xii Roof: Structural design and material selected for resistance to natural hazards - [10-year warranty for roof, roof/wall joints required]. Roof overhang of at least 18" is required;
  - xiii Placement of the house on the lot for expansion, garage and efficient lot utilisation. Provide diagrams with expansion options located on lots;
  - xiv Prepare list of options for upgrade: tiling, kitchen cupboards/shelves, bathroom cupboards, large toilets and face basin;
  - xv Maintenance Manual - for houses and infrastructure on lot;

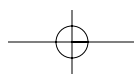
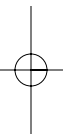
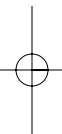
### 3.4.2 Pre-Cast & Pre-fabricated Houses

It has been observed overtime, that pre-cast concrete and pre-fabrication housing have suffered extensive leaks through roof, walls and joints which have caused significant customer dissatisfaction. For developers who continue to utilize pre-cast and pre-fabricated systems, additional requirements are demanded of the NHT.

- i Fifteen (15) year warranty on roof, wall, panels and joints
- ii An 18-month Defects Liability on the houses



- iii A Maintenance Manual which will highlight advice and actions for purchases of the pre-cast or pre-fabrication units.
- iv A 2 ½% retention will be held for 18 months after the Defects Liability period.



## CHAPTER 4

### APPROVALS

#### 4.0 PROJECT APPROVAL PROCESS

The NHT will only support projects that have all the statutory approvals. Developers who have submitted all their designs for approval can apply for construction finance.

Submissions without all the required approvals will be considered preliminary until all the relevant approvals are submitted.

#### 4.1 STATUTORY APPROVALS

The following documents are required for the projects to be considered for financing:

- i Submission of a copy of the approved Architectural and Engineering designs and working drawings.
- ii Copies of approvals from all relevant Government Agencies, as is necessary. These include:
  - Subdivision - Parish Council/KSAC, National Environmental & Planning Agency (PC/KSAC/NEPA) NWA, Other relevant agencies
  - Building Permit - Parish Council/KSAC
  - Housing Act - Ministry of Water & Housing (MWH)
  - Water supply - National Water Commission(NWC)/Water Resource Authority (WRA)
  - Sewage disposal - National Water Commission / Environmental Health Unit/ (NWC/EHU),
  - Industrial Safety - Factory Inspectorate (Ministry of Labour)
  - Stormwater drainage - Ministry of Transport & Works National Works Agency Hydraulic Branch (MTW) & Parish

### Council

- Roadways/Footpaths - MTW, National Works Agency & PC
- Environment - National Environment Planning Agency (NEPA)
- Outline and detail planning approval - Town and Country Planning Authority/ KSAC/ Parish Councils/ NEPA
- Fire Approval - Fire Department
- Beach/ Coastal Development - Beach Control Act, Natural Resource Conservation Authority

## CHAPTER 5

### COMMUNITY FACILITIES & PLANS

#### 5.0 SOCIAL AMENITIES

The NHT will support projects that have been comprehensively planned with social amenities and operational plans to sustain and support family life. The items listed below must either be in the development, within close proximity or easily accessible. They do not have to be constructed but must be planned and available to residents.

#### 5.1 COMMUNITY FACILITIES

Community facilities must be developed on a rational basis and be derived from the planning standards of the Town and Country Planning Authority and NEPA's Manual for Planning and Development. The necessary research on existing amenities in relation to the project must be carried out. A comprehensive and integrated plan must be submitted based on the project size and future projected population. An indication must be given of the required facilities that will be constructed and what is easily accessible and suitable given the size of the proposed development.

#### 5.2 DOCUMENTS REQUIRED

The following documents are required:

- i A recreation plan - parks, playfield, games area
- ii Social Amenities Plan - shops, school, post office, church, house shops and commercial buildings - accessibility and location must be specified.
- iii Community centre - for meetings, events
- iv A site plan of the scheme - a general presentation layout for the community
- v Landscaping plan - to guide orderly spatial development
- vi Transportation plan - to address public access to and from the scheme location

- vii Solid waste disposal plan - to be planned with local authorities including the company dealing with solid waste.
- viii What facilities are to be built and which are to be used by the purchaser or the wider community.
- ix Approved design drawings of community facilities
- x Priced Bills of Quantities for the community facilities to be built.

## CHAPTER 6

### CONSTRUCTION IMPLEMENTATION

#### 6.0 CONSTRUCTION DOCUMENTS

The NHT requires that all construction documentation be completed before the start of works and the clauses of the construction contract should be in keeping with the loan agreement. Further, the construction contract should be assignable to the NHT in case of a default by the developer. A standard form of construction contract is preferred such as the FIDIC or JCC form of contract.

##### 6.0.1 Insurance Requirements

The insurances for the works required are Construction All Risk, Employer's Liability and Public Liability. All defects should be corrected within 48 hours in general.

#### 6.1 HOUSES

All starter units (e.g. studio units) shall be designed for ease of expansion, e.g. flat, reinforced concrete roof slab, designed as a floor for vertical expansion. Pre-approved expansion plans shall be submitted to the NHT with two (2) expansion options: 1 horizontal and 1 vertical designs. A model of all standard expanded units shall be built and sold by the developer. A 10-year warranty is required on all roofs, walls and joints for leaks, wind blown damage and structural defects.

#### 6.2 SERVICES

All services like the water supply, sewage disposal system, roads and storm drains must be handed over to the respective statutory agency and hand over certificates are to be presented to the NHT as part of the completion of schemes. Retention shall only be released when facilities are handed over to the statutory agencies. The housing project should also include street lighting, road signs and project (billboards) signs for the start of construction and an entranceway on completion.

#### 6.3 INFRASTRUCTURE

The NHT may consider it necessary to employ a resident site officer and a land surveyor to verify work quality, levels and alignment etc. All roads require a camber, curb and channel and a stormwater flow path to an acceptable final destination.



## **6.4 SERVICED LOTS**

The completed serviced lots are to be bushed, cleared of debris, boulders, large trees and be generally graded. Curbs and entrance-way to lots are preferred. Fruit trees near boundaries should be left on the lots. Each lot owner is to be presented with a serviced lot that is pegged, numbered, a Surveyor's ID and title on completion of the project.

## **6.5 DEFECTS**

The NHT requires that construction works are completed with ZERO DEFECTS at practical completion. The defects' liability period is for unforeseen defects appearing during the defects liability period which are to be corrected within 48 hours. The defects' liability period is a minimum of twelve (12) months for houses and eighteen (18) months for infrastructures if there are no defects reported.

## **6.6 DEFECTS' LIABILITY**

Repairs near the end of the defects liability period will extend the period within the discretion of the architect/engineer. The defects' liability period expires when the architect/engineer on behalf of the owner issues a completion certificate.

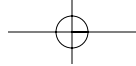
## **6.7 PRACTICAL COMPLETION**

At practical completion, an 'As Built' and Presentation drawing and a Maintenance Manual for the houses and infrastructure are to be presented to the NHT and the community.

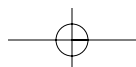
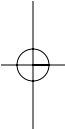
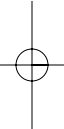
## **6.8 DOCUMENTS REQUIRED**

The following documents are required:

- i A copy of the construction documents to include: the Bills of Quantities, construction estimate, specifications and the construction contract, approved design drawings, selling price per housing solution.
- ii A construction and delivery schedules and phasing plan. All large projects should be developed in phases with matching delivery schedules submitted. The phasing proposal will be reviewed by the NHT for acceptance.
- iii Report on Tenders for construction work, if any.



- iv Pre-approved expansion studio plans - two (2) options (1 vertical and 1 horizontal).
- v 'As Built' and presentation drawings



# CHAPTER 7

## NEW BUILDING SYSTEM

### 7.0 NEW HOUSING SYSTEM

For a new housing system, the proposal submitted should include a structural engineer's report on the new building system, its materials and design life. Empirical data and lab test results should be supplied to the Jamaica Bureau of Standards their review and approval of the building materials. Also, Building Approval is required from the KSAC or relevant Parish Council and confirmation of insurability should be submitted. The NHT reserves the right to seek additional expert advice to guide its decision making.

### 7.1 DOCUMENTS REQUIRED

The following documents are required for approval of new housing systems:

- i. Structural Engineer's report - structural design verification and the estimated design life
- ii The Bureau of Standards' report - material and engineering tests for acceptability - fire rating, saturation test, destructive testing etc.
- iii KSAC/ Parish Council's Approval - building approval
- iv Insurance Company's report - insurability and premium rates

## CHAPTER 8

### JOINT VENTURE

#### 8.0 JOINT VENTURE WITH DEVELOPERS AND LAND OWNERS

Owners of land or developers who request the NHT to participate in a joint venture should submit a proposal. The proposer must have full ownership of the land without any encumbrances, mortgage or caveats. The land is to be located in an area of high demand and be acceptable to the NHT.

##### 8.0.1 Joint Venture Partner

Any potential joint venture partner must demonstrate the ability to fund at least 10% of the construction cost of the project as equity. Each partner will be required to spend the proportional part of expenses during the construction stage.

#### 8.1 JOINT RESPONSIBILITIES

- i The NHT will investigate the feasibility of the Joint Venture proposal along the check list for construction finance.
- ii The JV partner's share of the profits of the project will be based on the equity investment.
- iii NHT reserves the right to request at least 50% of the housing solutions but the final proportion will be based on discussion and agreement.
- iv There will be no disbursement of funds on the project until a signed loan agreement is in place and all the pre-condition to disbursement satisfied.

#### 8.2 DOCUMENTS REQUIRED

The following documents are required for the Joint Venture:

- i Similar to that for construction finance, if the project has already been designed, or items listed under Project Data at Chapter 3 - Paragraph 3.9.

- ii Proof of developer's investment in the project; a Source of Funds Statement to finance the equity and at least indicating equity at least 20% of construction cost as well as other development costs.
- iii Proof of land ownership in an area of high demand.
- iv Development budget and selling prices
- v Cash Flow Statement.

### **8.3 CONSIDERATION OF PROJECT PROPOSAL**

Project proposals will not be considered accepted until all the items required are submitted in a professional manner in one document. Three (3) copies of the document are required.

### **8.4 RESPONSE TO PROPOSAL**

A response will normally be given within eight (8) weeks after full submission and discussion of the completed project proposal. The approval process is in two stages, a preliminary response and a final approval, if the preliminary response is affirmative.

N.B. All the above information requested is general in nature. In a particular project, the location, developer, perceived risk and return on investment may create the need for conditions of particular application. The Board of Directors of the NHT makes the final decision on construction loan approval and the respective conditions.

### **8.4 CONTACT INFORMATION**

General Manager, Construction & Development  
National Housing Trust  
4 Park Boulevard  
Kingston 10  
Tel: (876) 929-6500-9  
Fax: (876) 960-9995  
Website: [www.nht.gov.jm](http://www.nht.gov.jm)

## Appendix I

### **ABC HOUSING SCHEME FORMAT OF DEVELOPMENT BUDGET**

April 30, 2004

#### **LAND**

Land Value

#### **CONSTRUCTION**

Housing Unit

#### **ON SITE INFRASTRUCTURE**

Roads  
Water Supply  
Sewerage  
Stormwater Drains  
Electricity  
Sewage Plant  
Other

#### **OFF SITE INFRASTRUCTURE**

Access Roads  
Electricity  
Stormwater  
Other

#### **PROFESSIONAL FEES**

Project Management  
Civil Engineering  
Electrical Engineering  
Architecture  
Quantity Surveying  
Land Surveying  
Soil Investigation  
Other

#### **FINANCIAL COSTS**

Commitment Fees 1% of Loan  
Interest on Construction Cost,  
Professional Fees, etc  
Other

#### **ADVERTISING COSTS**

Promotion & Advertising  
Selling

## Appendix I

### DEVELOPERS COST

NWC - WaterSupply connection  
 NWC - Savage Disposal connection  
 Street Lights  
 Parish Council Approval  
 Real Estate Board

Site Security  
 Contingency  
 \* JPS Deposit  
 Other

### SUB-TOTAL COSTS (A)

### LEGAL COSTS

Stamp Duty  
 Registration of Ind. Mgtes  
 Attorneys' Fees  
 Transfer Tax  
 Registration of Securities

### SUB-TOTAL COST (B)

DEVELOPER'S MARK-UP

### TOTAL COSTS

BASE SELLING PRICES :	#	Serviced Lot	\$
	#	Studio	\$
	#	Two Bedroom	\$ _____
Total			

- N.B.**
- 1) The base selling price is the total sale price of the housing solution to the purchasers. If the NHT decides to a purchase, the NHT will deduct the advertising cost, security and the mortgage registration costs and other cost as is necessary, as agreed with the developer.
  - 2) Any item incomplete will be deemed to have been priced.
  - 3) The selling prices quoted are current selling prices at date.....

**Appendix 2****NHT'S HOUSING DEMAND SURVEY****SUMMARY OF CUSTOMER COMMENTS/PREFERENCES  
FROM NHT's SURVEY 2003-2004****QUALITY**

1. Too many roof, joint, wall and plumbing leaks.

**DESIGN**

1. Better quality material and only treated lumber is to be used.
2. Include cupboards/shelves in kitchen and bathroom (NHT: make optional & price).
3. Extend shower or bath along the entire backwall of bathroom.
4. Showers to be tiled if not made of fiberglass.
5. Include shower curtain rod and place at 5' 0" high.
6. The bedroom door should not open in or near the kitchen.

**LANDSCAPE**

1. Lots are to be graded and bushed at completion.

**WINDOWS & DOORS**

2. Louvre windows: louvres should be split so that the bottom and top operate independently, as the standard.
3. Window sills to be included and to slope downwards to allow water run-off.
4. Metal raised panel doors is preferred. More care should be exercised in the installation to avoid such irritations as skewness due to improper hanging.
5. If verandahs are not included with the units, eaves and covers should be built over doors and windows to prevent water from seeping inside.

**FLOORS**

6. Floors are to be level.
7. Floors to be tiled (NHT: Make optional and price). If ceramic tiles are considered to be too expensive then the use of rubber tiles, a plaster sheen coating, or other attractive flooring may prove more cost effective and still appease customers.
8. A wash tub shall be provided with each unit.
9. Security lights shall be installed at the front and back of units (This applies to stand-alone units. For apartment blocks, variations may occur).
10. At least one female plug/socket should be located in the bathroom. Sockets should also be installed on at least three walls in each bedroom(s),



## **Appendix 2**

11. Care will be taken in choosing the location of sockets in the kitchen in order to facilitate the use of appliances.
12. Light switches for main living areas shall be located at main entrances, within reach from the main door. Switches shall be placed on the walls adjoining door handles and away from the hinges.
13. Electrical panel boxes shall be firmly anchored to walls.

### **FIXTURES**

1. Face basin, toilets and kitchen sinks are to be firmly secured to wall and floor.
2. Fixtures are to be examined carefully for damages - cracks, chips etc.

**Appendix 3**

**NATIONAL HOUSING TRUST**

**CHECK LIST**

April 30, 2004

Documents required for detailed submission of Project Proposal:

<p><b>A. <u>PROJECT INFORMATION</u></b></p> <p>1) <input type="checkbox"/> Project name, location, development, mix &amp; prices</p> <p>2) <input type="checkbox"/> Proof of Land ownership/possession by developer</p> <p>3) <input type="checkbox"/> Completed Prequalification Form</p> <p><input type="checkbox"/> Evidence of Real Estate Board registration.</p> <p><input type="checkbox"/> Valid NHT contributions certificate, for developer main, sub-contractors and consultants</p> <p><input type="checkbox"/> Valid Tax Compliance Certificate</p> <p><input type="checkbox"/> List and Resume of members of the project Management team.</p> <p>4) <input type="checkbox"/> Location Plan</p> <p>5) <input type="checkbox"/> Surveyor's ID Report</p> <p>6) <input type="checkbox"/> Site Layout Plan</p> <p>7) <input type="checkbox"/> Topographic and boundary survey plans</p> <p>8) <input type="checkbox"/> Soils investigation report</p> <p>9) <input type="checkbox"/> EIA Report</p> <p><b>B. <u>MARKET DEMAND</u></b></p> <p>1) <input type="checkbox"/> Market plan</p> <p>2) <input type="checkbox"/> Affordability analysis</p> <p>3) <input type="checkbox"/> Approach to Development</p> <p>4) <input type="checkbox"/> Pre-purchase contracts</p> <p><b>C. <u>SELLING PRICES</u></b></p> <p>1) <input type="checkbox"/> Developer's Budget and current selling price</p> <p><input type="checkbox"/> Analysis of selling price with/without NHT's funds</p> <p>2) <input type="checkbox"/> The mix, size and selling price of housing solutions</p> <p>3) <input type="checkbox"/> Purchasers' affordability profile</p>	<p><b>D. <u>TECHNICAL INFORMATION</u></b></p> <p><b>General Planning</b></p> <p>1) <input type="checkbox"/> Economic demand</p> <p>2) <input type="checkbox"/> Number &amp; type of housing solutions</p> <p>3) <input type="checkbox"/> List of current and future schemes for the next year</p> <p><b>The Site</b></p> <p>4) <input type="checkbox"/> Zoning</p> <p>5) <input type="checkbox"/> Description of site</p> <p>6) <input type="checkbox"/> Natural hazards and mitigation</p> <p>7) <input type="checkbox"/> Vulnerability to natural hazards</p> <p>8) <input type="checkbox"/> Special challenges of site</p> <p><b>Infrastructure Design</b></p> <p>9) <input type="checkbox"/> Roads</p> <p>10) <input type="checkbox"/> Water</p> <p>11) <input type="checkbox"/> Sewage</p> <p>12) <input type="checkbox"/> Soils</p> <p>13) <input type="checkbox"/> Stormwater</p> <p>14) <input type="checkbox"/> Services - Electricity &amp; Telephone</p> <p>15) <input type="checkbox"/> Access to lot</p> <p>16) <input type="checkbox"/> Entranceway</p> <p><b>The House</b></p> <p>17) <input type="checkbox"/> House Design</p> <p>18) <input type="checkbox"/> Plans</p> <p>19) <input type="checkbox"/> House form</p> <p>20) <input type="checkbox"/> Approved expansion plans</p> <p>21) <input type="checkbox"/> Building System</p> <p>22) <input type="checkbox"/> Foundation</p> <p>23) <input type="checkbox"/> Walls</p> <p>24) <input type="checkbox"/> Electrical Plugs</p> <p>25) <input type="checkbox"/> Doors &amp; Windows</p> <p>26) <input type="checkbox"/> Roof warranty (10) years</p>	<p>27) <input type="checkbox"/> Placement on lot</p> <p>28) <input type="checkbox"/> List of Options</p> <p>29) <input type="checkbox"/> Maintenance Manual</p> <p><b>E. <u>APPROVALS</u></b></p> <p>1) <input type="checkbox"/> Approved architectural and engineering designs.</p> <p>2) <input type="checkbox"/> Copies of approvals from all relevant Government Agencies, as is necessary.</p> <p><b>F. <u>COMMUNITY FACILITIES &amp; PLANS</u></b></p> <p>1) <input type="checkbox"/> Recreation Plan</p> <p>2) <input type="checkbox"/> Community Facilities</p> <p>3) <input type="checkbox"/> Community Centre</p> <p>4) <input type="checkbox"/> Site Plan of Scheme</p> <p>5) <input type="checkbox"/> Landscaping Plan</p> <p>6) <input type="checkbox"/> Transportation Plan</p> <p>7) <input type="checkbox"/> Solid Waste Disposal Plan</p> <p>8) <input type="checkbox"/> Facilities for use in community</p> <p>9) <input type="checkbox"/> Approved design for community facilities</p> <p>10) <input type="checkbox"/> Priced Bills of Quantities</p> <p><b>G. <u>CONSTRUCTION IMPLEMENTATION</u></b></p> <p>1) <input type="checkbox"/> Bills of Quantities, Construction Estimate, Specifications and Construction Contract</p> <p>2) <input type="checkbox"/> Construction schedule and phasing plan, delivery schedule</p> <p>3) <input type="checkbox"/> Tender Report for Construction Work</p> <p>4) <input type="checkbox"/> Pre-approved expansion studio plans - vertical and horizontal</p> <p>5) <input type="checkbox"/> 'As built' drawings</p>
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### Appendix 3

#### CHECK LIST CONT'D

Documents required for detailed submission of Project Proposal:

<b>H. <u>CONSTRUCTION LOAN</u></b>	<b>K. <u>JOINT VENTURE</u></b>
1) <input type="checkbox"/> Development Budget	1) <input type="checkbox"/> [Similar to general Project Proposal]
2) <input type="checkbox"/> Loan request	
3) <input type="checkbox"/> Developer's Equity Statement [NHT's loan > 80% of construction loan]	2) <input type="checkbox"/> Proof of Equity & Investment
4) <input type="checkbox"/> Additional Loan	3) <input type="checkbox"/> Proof of Land Ownership
5) <input type="checkbox"/> Source of Funding Statement	4) <input type="checkbox"/> Development Budget & Selling Prices
6) <input type="checkbox"/> Cash Flow Statement - Income/Expenditure	5) <input type="checkbox"/> Cash Flow
7) <input type="checkbox"/> Financial Exposure Limit	
<b>I. <u>LOAN SECURITY</u></b>	No proposal will be considered complete until all items on the check list are submitted, in a professional document.
1) a) <input type="checkbox"/> Unencumbered registered title	Final response time is eight (8) weeks.
b) <input type="checkbox"/> Assignment of Land Sale Agreement	
c) <input type="checkbox"/> Personal Guarantee	
d) <input type="checkbox"/> Bank Guarantee	
2) <input type="checkbox"/> Loan Repayment proposed	
3) <input type="checkbox"/> Programme for delivery of titles	
4) <input type="checkbox"/> Letters of Commitment from other lenders - short and long term lending	
<b>J. <u>NEW BUILDING SYSTEM</u></b>	
1) <input type="checkbox"/> Structural Engineer's Report	
2) <input type="checkbox"/> Bureau of Standards' Report	
3) <input type="checkbox"/> Parish Council's Approval	
4) <input type="checkbox"/> Insurance Company's Report	

### Appendix 3

#### NATIONAL HOUSING TRUST

#### CHECK LIST

April 30, 2004

PRECONDITIONS FOR DISBURSEMENT		DOCUMENTS REQUIRED AT PRACTICAL COMPLETION	
1.	<input type="checkbox"/> Resolution by Board of Developer	1.	<input type="checkbox"/> Practical Completion Certificate of the Works
2.	<input type="checkbox"/> Proof of Equity & Cash	2.	<input type="checkbox"/> Community Facilities
3.	<input type="checkbox"/> Proof of Current Land Taxes Payment		<ul style="list-style-type: none"> <li>&gt; Site Plan</li> <li>&gt; Landscaping Plan</li> <li>&gt; Maintenance Manual</li> </ul>
4.	<input type="checkbox"/> All Relevant Statutory Approvals	3.	<input type="checkbox"/> As Built Drawings
	Approved drawings:	4.	<input type="checkbox"/> Registered Title per lot
	<ul style="list-style-type: none"> <li>&gt; Subdivision - H/A or PC</li> <li>&gt; Water Supply - NWC</li> <li>&gt; Sewage Disposal - ECD, NWC</li> <li>&gt; Roads &amp; Stormwater - MTW</li> <li>&gt; Electricity - JPSCo</li> <li>&gt; Environment - NRCA</li> </ul>	5.	<input type="checkbox"/> Surveyor's ID
5.	<input type="checkbox"/> Signed Loan Agreement	6.	<input type="checkbox"/> Takeover Certificate from utilities and statutory agencies - water, electricity, sewage, stormwater, roads.
6.	<input type="checkbox"/> Signed Standard Construction Contract	7.	<input type="checkbox"/> Numbered Lots
7.	<input type="checkbox"/> Performance Bond	8.	<input type="checkbox"/> Pegged Lots
8.	<input type="checkbox"/> Mobilization Guarantee	9.	<input type="checkbox"/> Graded and Cleared Lots
9.	<input type="checkbox"/> Insurance - CAR, EI, PL	10.	<input type="checkbox"/> Street Signs
10.	<input type="checkbox"/> Materials Invoices for Mobilization Guarantee	11.	<input type="checkbox"/> Street Lights
11.	<input type="checkbox"/> Execution of the Securities Documentation		
12.	<input type="checkbox"/> Copy of the Agreement of Sale to the Purchase agreeable to the NHT		
13.	<input type="checkbox"/> Tax Compliance		
14.	<input type="checkbox"/> NHT Compliance		

## Appendix 4

### RISK ASSESSMENT

The risk classification of a housing project will determine the level of loan security required as indicated in Loan Security Recommendations in Section 4.

The key elements of housing risk would be scored on a basis of 0 to 100 points. A high score indicates low risk and a low score implies high risk.

▶	High Risk	0 - 40 points
▶	Medium	41 - 70 points
▶	Low Risk	71 - 100 Points

#### QUALITATIVE RISK ASSESSMENT ELEMENTS

##### POINTS SCORECARD

##### **Effective Market Demand - (45 Points)**

●	Market Survey Information	10	Points
●	Location	10	"
●	Site Assessment	5	"
●	Affordability of Target Market	8	"
●	Proposed Selling Price to Target Market	7	"
●	House/Lot aesthetics & function/grade & access	5	"

##### **The Developer's Competence - (25 Points)**

●	Track Record	15	Points
●	Developer's Project Team	10	"

##### **Project Viability - (30 Points)**

●	NHT's assessment of the development budget	5	Points
●	Developer's Equity	10	"
●	Financial Affairs	5	"
●	Loan Repayment	10	"
	<b>TOTAL</b>	<b>100</b>	<b>Points</b>

N.B.

A detailed scorecard will be developed after the Board's acceptance so as to award sub-points in each category to ensure a more objective basis for the awarding of points.