YOUR GUIDE TO BIDDING ON GDPM CONSTRUCTION CONTRACTS

Bonding Requirements & Surety Alternatives for Contracts $100,000–$250,000

Greater Dayton Premier Management

Who is this guide for?

This guide is for small and growing construction contractors who want to bid on Greater Dayton Premier Management (GDPM) construction projects valued between **$100,000 and $250,000.**

Federal law requires contractors on these projects to provide financial assurances (bonds or approved alternatives). The good news: you do NOT have to use a traditional surety company. HUD allows several lower-cost options and this guide explains them all in plain language.

SECTION 1 — Why Are These Requirements in Place?

GDPM receives funding through HUD's Public Housing Capital Fund Program. Because federal dollars are involved, HUD requires that GDPM obtain financial guarantees on construction contracts over $100,000 to protect:

- The public investment in affordable housing
- Subcontractors and material suppliers who work on the project
- GDPM's ability to complete the project if a contractor cannot finish

These requirements are set by federal regulation at 24 CFR § 905.316(d) and are mandatory; GDPM cannot waive them. However, the regulation specifically allows several alternatives to traditional surety bonds so that smaller contractors are not shut out of the process.

SECTION 2 — What You Must Provide to Bid

For any GDPM construction contract over $100,000, every bidder must submit two things with their bid and, if awarded the contract, two more items before work begins.

AT TIME OF BID — Required from Every Bidder

BID GUARANTEE

Required with every bid submission

- **Amount:** 5% of your total bid price
- **Purpose:** Confirms you are a serious bidder and will accept and execute the contract if selected.
- **Acceptable forms:** Bid bond from a surety company, certified check, bank draft, U.S. Treasury bonds, or other acceptable security.

- **Returned:** To unsuccessful bidders after award. Forfeited only if you are awarded the contract but refuse to sign or fail to provide the required assurances.

AFTER AWARD — Required Before Work Begins

Once GDPM awards you the contract, you must furnish assurances of completion. This is where the alternatives to surety bonds come into play — see Section 3.

SECTION 3 — Assurances of Completion: Your Five Options

Under 24 CFR § 905.316(d), after contract award you must choose ONE of the following five options. You are not required to use a traditional surety company.

Option	Description & What to Provide
A	**Performance Bond + Payment Bond — Each at 100% of Contract Price A surety company issues bonds guaranteeing full completion and payment.** Most common traditional option. Requires Treasury-listed surety.
B	**Performance Bond + Payment Bond — Each at 50% or More of Contract Price Each bond must cover at least half the contract value.** Lower-cost surety alternative if 100% bonds are out of reach.
C	**20% Cash Escrow Deposit cash equal to 20% of the contract price in a jointly held escrow account.** No surety company required. Funds are held until project completion and all subcontractors/suppliers are paid.
D	**10% Irrevocable Letter of Credit (LOC) Provide an irrevocable LOC from your bank equal to 10% of the contract price, with terms acceptable to GDPM.** Bank-issued. Lower cash requirement than Option C. Must be irrevocable and contain acceptable draw terms.
E	**Other Payment Acceptable to HUD Any alternative security arrangement that HUD determines provides equivalent protection.** Requires advanced HUD approval. Contact GDPM before bidding if proposing a non-standard option.

SECTION 4 — Option C and D Explained for Small Contractors

Options C and D are the most accessible for contractors who cannot easily obtain surety bonds. Here is how each works in practice.

Option C: 20% Cash Escrow

How it works: Before work begins, you deposit cash equal to 20% of the contract price into an escrow account. GDPM and you will jointly control the account.

Example: For a $200,000 contract, you would escrow $40,000.

When you get it back: Funds are released after the project is complete, all subcontractors and suppliers are paid, and GDPM has accepted the work.

Best for: Contractors with available cash reserves who do not have established surety relationships.

Option D: 10% Irrevocable Letter of Credit (LOC)

How it works: Your bank issues an irrevocable letter of credit to GDPM for 10% of the contract price. The LOC must be irrevocable (cannot be cancelled by you or the bank without GDPM's consent) and must contain draw terms acceptable to HUD.

Example: For a $200,000 contract, the LOC would be $20,000.

Steps to get one: Contact your business bank. Explain you need a standby irrevocable LOC for a HUD-funded public works contract. GDPM can provide the required LOC language.

Best for: Contractors with an established banking relationship who want to preserve cash while still providing federal-compliant security.

SECTION 5 — Comparison at a Glance

Option	Surety Company Required?	Cash Out-of-Pocket	HUD Approval Needed?	Best For
A — Bonds 100%	YES	Bond premiums only (~1-3% of contract)	No	Contractors with surety access
B — Bonds 50%+	YES	Lower bond premiums	No	Contractors with partial surety
C — 20% Cash Escrow	NO	20% of contract (held, returned at end)	No	Cash-strong contractors
D — 10% Letter of Credit	NO	Bank fees only (~1-2%)	No	Bank-connected contractors
E — Other / HUD-Approved	NO	Varies	YES — in advance	Unique or creative arrangements

SECTION 6 — Other Federal Requirements for Bidders

In addition to bonding and security requirements, GDPM's contracts include federal requirements that every contractor must comply with. Please review these before submitting a bid.

Davis-Bacon Prevailing Wage Requirements

- All laborers and mechanics on GDPM construction contracts must be paid at the applicable federal prevailing wage rates.
- GDPM will include the applicable Wage Determination in every bid package.
- Certified payroll reports must be submitted weekly.

Equal Opportunity and Non-Discrimination

- Contractors must comply with federal equal employment opportunity requirements.
- GDPM's contracts include required EEO clauses under Executive Order 11246.
- Section 3 requirements apply: contractors must make good-faith efforts to hire low-income residents.

Mandatory Contract Clauses

All GDPM construction contracts include mandatory HUD contract clauses required by federal regulation. GDPM's General Terms and Conditions are mandatory and non-negotiable. These cover areas including:

- Anti-kickback provisions
- Clean Air and Water Acts compliance
- Contract Work Hours and Safety Standards Act
- Copeland Anti-Kickback Act
- Debarment and Suspension certifications (contractors must not be on the federal SAM.gov exclusions list)

Copies of GDPM's General Terms and Conditions are located at: https://www.gdpm.org/development-construction/documents/

SAM.gov Registration

Before you can be awarded a GDPM contract using federal funds, you must be registered and active in the federal System for Award Management (SAM.gov) at www.sam.gov.

Registration is free and typically takes 7-10 business days. GDPM cannot award a contract to a contractor who is not registered or who appears on the federal exclusions list.

SECTION 7 — Step-by-Step: How to Prepare Your Bid Package

Step 1

Get the Bid Package from GDPM

Review the Invitation for Bids (IFB), plans, and specifications carefully. Note the contract value to confirm this guide applies.

Step 2

Choose Your Assurance of Completion Option (A through E)

Decide now which option you will use. If considering Option D (Letter of Credit), contact your bank early — LOCs can take a few days to arrange. If considering Option E, contact GDPM before bidding.

Step 3

Prepare Your Bid Guarantee (5% of your bid price)

Obtain a bid bond, certified check, or bank draft for 5% of your planned bid price. This is required with every bid submission.

Step 4

Submit Your Bid on Time

Include your bid guarantee with your sealed bid. Late bids are not accepted.

Step 5

If Selected as Low Bidder — Provide Your Assurance of Completion

GDPM will notify you. Before contract execution, furnish your chosen Option A–E security. GDPM staff will walk you through the process and provide any required forms.

Step 6

Execute the Contract and Begin Work

Sign the HUD contract forms, confirm your Davis-Bacon wage rates, and begin work after the Notice to Proceed.

SECTION 8 — Frequently Asked Questions

Q: Do I need a bonding company to bid on GDPM contracts?

A: Not necessarily. While the bid guarantee (5%) is required from every bidder, the assurances of completion required after award can be satisfied without a surety company using Options C, D, or E.

Q: What if I cannot afford the 20% cash escrow?

A: Consider Option D (a 10% letter of credit from your bank) instead. If neither works, discuss Option E with GDPM's Procurement Office in advance. We want to help you participate.

Q: When do I get my escrow money or LOC released?

A: Upon final acceptance of the project by GDPM and confirmation that all subcontractors and material suppliers have been paid in full.

Q: Can I use more than one type of assurance?

A: HUD requires you to select one of the recognized options. Contact GDPM if you have a creative arrangement you'd like considered under Option E.

Q: I'm not sure which option to choose. Can GDPM help?

A: Yes. GDPM's Procurement staff can explain each option in more detail and help you determine what is most feasible for your situation. Contact us before the bid deadline.

Q: What happens if I win but cannot provide the required assurance?

A: GDPM may not execute the contract, and your bid guarantee (5%) may be forfeited. Please plan ahead and confirm your chosen option before submitting your bid.

Contact GDPM — We Want You to Bid!

Greater Dayton Premier Management is committed to expanding opportunities for small and emerging contractors.

If you have questions about these requirements, need help understanding your options, or want to confirm your bid package is complete, please contact our Procurement Office.

Greater Dayton Premier Management

Procurement Department

400 Wayne Avenue, Dayton, Ohio 45410

Phone: (937) 910-7500

Website: https://www.gdpm.org/business-opportunities/

Email: Procurement@dmha.org

We encourage you to reach out before the bid deadline — not after. GDPM is here to help you succeed on these projects.