

CHAPTER 4. REHABILITATION

4-1. GENERAL. All instructions of this Handbook apply to rehabilitation projects unless modified by this Chapter.

4-2. DEFINITIONS.

A. Substantial Rehabilitation. Required repairs, replacements, and improvements:

1. Involve the replacement of two or more major building components or,

2. Cost of which exceeds either:

a. 15 percent (exclusive of any soft costs) of the property's replacement cost (fair market value) after completion of all required repairs, replacements, and improvements.

or

b. \$6,500 per dwelling unit (adjusted by the Field Office's authorized high cost percentage)

Note: Estates for determining the cost for substantial must include general requirements and fees for builder's general overhead and profit, design architect and supervisory architect. However, these estimated costs are not applied when determining the eligibility of Section 223(f) projects. (See Chapter 5 for instructions).

B. Major Building Component. Roof structures; wall or floor structures; foundations; and plumbing, central heating and air conditioning, or electrical systems.

1. Major refers to the importance of the component and the extent of replacement.

a. The element must be significant to the building and its use, normally expected to last the useful life of the building, and not minor or cosmetic.

Page 4-1

12/95

4460.1 REV-2

(4-2)

Examples: Major - roof sheathing, rafters, trusses.

Minor - shingles, built-up roofing.

b. Total replacement is not required, but the

greater part (at least 50 percent) must be replaced.

2. The term provides a great deal of latitude and, therefore, good judgement is necessary and expected.
3. Architectural staff will make the determination.

4-3. ARCHITECTURAL PROCESSING. Rehabilitation processing consists of three stages: Feasibility, Conditional Commitment, and Firm Commitment. The Field Office may allow the sponsor to combine one or more stages.

A. Feasibility. Upon notification of the receipt of an application, the Production Branch Chief will assign a staff member as Design Representative for the project.

1. Feasibility exhibits for architectural processing are:
 - a. Application.
 - b. Project location map.
 - c. Survey or site plan.
 - d. Drawings or sketches of the existing building(s).
 - e. Description of the proposed rehabilitation (work write-up), including any post-rehabilitation sketches.
 - f. LBP test report for projects constructed prior to 1978. (See paragraph 1-40).
2. Make a joint inspection of the project and modify the sponsor's work write-up as needed.

12/95
4460.1 REV-2

Page 4-2

(4-3) B. Conditional Commitment. The Design Representative provides liaison with the sponsor's architect during preparation of rehabilitation architectural exhibits if professional design service is required. (See paragraph 4-5.).

1. Review architectural exhibits to assure compliance with the work write-up.
2. Provide architectural conditions for the conditional commitment.
3. Review the Owner-Architect Agreement.
4. If an abnormal amount of time has elapsed since the joint inspection, or if property damage may have occurred, reinspect the property to determine current

physical condition and provide any necessary additional conditions for the conditional commitment.

- C. Firm Commitment. The Design Representative provides liaison with the sponsor's architect during exhibit development if professional design service is required.
1. Assure compliance with the work write-up and any conditions of the conditional commitment.
 2. If any condition in C-1 above exists, reinspect and require work as may be necessary to be included in the exhibits.
 3. Review Owner-Architect Agreement if not previously submitted.
 4. Review the final rehabilitation contract documents prior to issuance of the firm commitment.

4-4. STANDARDS. Rehabilitation must comply with applicable local codes and ordinances. All new construction or additions that enlarge existing buildings are not rehabilitation and must meet applicable codes and MPS for new construction.

- A. Rehabilitation projects are subject to environmental requirements in 24 CFR Part 50 and 55 and the statutes, Executive Orders, and HUD standards and criteria (24 CFR Part 51) cited in 24 CFR Part 50.4.

Page 4-3

12/95

4460.1 REV-2

- (4-4) Compliance shall be documented on Form HUD-4128.1, Format for Categorically Excluded Projects.
- B. Projects that include historic structures or effect historic structures or districts are subject to the requirements of 24 CFR Part 50.4 and compliance with Section 106 of the National Historic Preservation Act and the Secretary of the Interior, Standards for Rehabilitating Historic Buildings.
- C. Projects that involve/include, additions (new construction), demolition of buildings containing primary uses served by the project, conversion of non-residential use (hotels, offices, stores, lofts, etc.,) to residential, or unit density is increased more than 20 percent require a full HUD-4128, Environmental Assessment, (24 CFR Part 50.20).
- 4-5. REQUIRED PROFESSIONAL SERVICES. The services of an architect, engineer or designer, licensed or registered to practice architecture in the State in which the project is located, will be required for design and construction of a rehabilitation project when:
- A. Working drawings and specifications are necessary to properly define the scope and concept of the rehabilitation,

- B. Change of building use is proposed, existing spaces are to be altered, or structural changes are necessary, or
- C. An addition is proposed to the existing building.

4-6. JOINT INSPECTION. As soon as possible after receiving the feasibility application, schedule an on-site inspection with the sponsor.

A. Team Members.

- 1. Must include architectural, cost and valuation staff and the sponsor's architect or representative. A representative of the local building department should be present. If not, the team must have a copy of the latest official inspection for compliance with local codes and ordinances.

12/95

Page 4-4

4460.1 REV-2

- (4-6) 2. May include other HUD specialists and any consultants the sponsor may wish.

B. Purpose.

- 1. Determine the project's condition, particularly concerning major defects, deterioration, and obsolescence.
- 2. Determine type and extent of work that would:
 - a. Appropriately rehabilitate the project for the intended occupants.
 - b. Result in reasonable operating costs.
 - c. Ensure continued marketability after rehabilitation.
- 3. Determine project eligibility.
 - a. Assure project is substantial rehabilitation under the definition. (See paragraph 4-2.)
 - b. Additions are eligible provided:
 - 1) Work proposed for existing portion of the property constitutes substantial rehabilitation.
 - 2) Addition or extension will not be more than 50 percent of the total area of the building.

- C. Scope. Since the joint inspection is the basis for the work write-up, cost estimate, commitment conditions and required exhibits, the inspection must be thorough and include:

1. All features of the project site; buildings and improvement utilities, roads and parking, underground storage tanks and surroundings.
2. Sufficient living units to ascertain all necessary rehabilitation. This may range from selected typical units to all units depending on physical conditions encountered.

4460.1 REV-2

- 4-7. ENGINEERING REPORTS. Surveys or special technical reports may be required of the sponsor for proper evaluation of the project.
- A. Notify the sponsor by letter immediately after the joint inspection of any requirement for such report.
 - B. Clearly state the exact nature of the engineering or technical investigation and the items to be covered.
 - C. Specify any special tests, such as pressure or flow tests of plumbing or cutting of piping for examination.
 - D. Specify seismic resistance for substantial rehabilitation projects and existing projects pursuant to Section 223(f). Structures in seismic zones 2, 3 and 4 must be capable of resisting three fourths (3/4) of the seismic forces contained in the American Society of Civil Engineers (ASCE) Minimum Design Loads for Buildings and Other Structures. ASCE 7-88. (Formerly ANSI ASS. 1-1982)
 1. A seismic hazard analysis of the building(s) should be conducted by a registered engineer familiar with lateral force design, where applicable code requirements at the time of construction did not equal or exceed the referenced seismic standards.
 2. The analysis should include an examination of the structure for continuity, ductility, and resistance to lateral forces.
 3. Structural elements and connections between elements should be strengthened and retrofitted as required, if the existing structure does not provide three fourths (3/4) of the seismic force level resistance required. The objective is to prevent major failures, collapse or loss of life due to earthquake forces.
 - E. Work write-up cannot be completed until all required engineering reports are analyzed by the Design Representative and a determination made in regard to the need for additional rehabilitation requirements.

4460.1 REV-2

4-8. WORK WRITE-UP. The sponsor or its architect prepares the work write-up reflecting the work agreed to at the joint inspection, or the sponsor's architect may prepare drawings and/or specifications that describe clearly the work agreed to in lieu of a work write-up.

- A. The work write-up must describe in narrative form the required rehabilitation. Divide as follows:
 - 1. General Requirements. Include work items applicable to all elements in the project, for example: site work; exterior work; painting and decorating; rehabilitation of kitchens, bathrooms, roofs, mechanical systems, electrical systems, interior walls, floors, windows and doors, etc.
 - 2. Special Requirements. Describe work for a specific item, room, space, unit, or building. For example: general requirement would state, "Sand and refinish all wood floors," but a special requirement would be, "Sand and refinish the living room floor in apartment 201."
- B. All requirements must be specific and state the location, type and amount of work to be done. Do not use general phrases such as, "repair or replace" or "as required."
- C. In cases of "gut" rehabilitation, where only the structure will remain and the drawings and specifications will be as detailed as for new construction, the work write-up need only be detailed enough to be a basis for the cost estimate and serve as a memorandum of understanding between the Field Office and sponsor.
- D. Historic requirements including State Historic Preservation Office (SHPO) review, etc.

4-9. CONTRACT DOCUMENTS. Because the nature and extent of rehabilitation may vary widely among individual projects, the requirements for specific contract documents cannot be determined until the joint inspection and work write-up are complete.

- A. Drawings. When required, drawings must clearly define the concept and detail of the rehabilitation, any demolition or removal, and repairs and replacements.

- (4-9) 1. Require complete drawings and details similar to those for new construction if the structure will be gutted, or there will be structural modification or addition to the existing structure.
- 2. For projects with minor changes in space arrangement, structural or mechanical systems require only drawings sufficient to show existing conditions and proposed

work.

3. Do not require drawings if the rehabilitation can be clearly and completely described in specification format.

B. Specifications. Work write-up/specifications are always required and must clearly define the scope of the rehabilitation, establish the quality of materials and workmanship, and the conditions of construction.

4-10. INSPECTION. Follow instructions in Chapter 3.

12/95

Page 4-8