

Construction & Final Endorsement

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Aim of this Presentation:

- Familiarize attendees about the application process, design review, and the construction oversight process of the Division of Engineering Services with respect to the DHUD FHA-242 hospital loan insurance program.

Goal of this Presentation:

- To promote the design, construction/renovation of health facilities that meet modern codes and standards through the FHA-242 Loan Insurance Program as well as to minimize the risk to the mortgage insurance and ultimately the US Taxpayer!!

Types of Projects

- Hospital
 - ❖ New Construction
 - ❖ Renovation
 - ❖ Replacement Facilities
- Nursing Homes and Medical Office Buildings (in conjunction with a hospital)
- Maintenance/Utility Buildings that support health facilities

DES Works with the Project Team

- Owner - CEO, President, Vice President
- Owner's Representative – experienced in design + construction of hospital facilities
- Architect/Engineer
- Contractor/CM
- Mortgage Banker
- Account Executive (DFL/DHUD)
- Loan Servicing Agent (during construction)
- Division of Facilities and Loans
- DHUD personnel in DC & area offices

DES Phases of Involvement in the Hospital Project:

- Pre-Application Phase
- Application Review Phase
 - ❖ Recommendation of Complete Application to Account Executive
 - ❖ Site Visit
 - ❖ Recommendation of Initial Application Approval to Account Executive (costs look feasible)
 - ❖ Recommendation to go to Commitment (GMP or fixed price lump sum contract)
 - ❖ Recommendation to go to Initial Endorsement (zoning approval availability of utilities, site ownership, survey, building permit)

DES Phases of Involvement in the Hospital Project:(cont.)

- Pre-Construction Conference
- Monthly Site Visits & Approval of Monthly Advances
- Recommendation of Project Closeout
- Loan Modification review of designs to meet minimum design guidelines (over 25 year loan duration)

BUDGET

- DES works with the Owner to balance the project with the budget from inception through completion.

Size of Projects

- Critical Access Hospitals
- Replacement Hospitals
- Community Hospitals
- Tertiary Hospitals
- Rural/Urban

In all 50 states as well as in US territories

SCHEDULING

- DES discusses the project design and construction schedules with the Owner and the Account Executive.
 - ❖ Pre-Commitment Work
 - ❖ Early Start
 - ❖ Phased Construction-Liquidated Damages

DES MONITORING

- DES provides oversight for the government to insure that all parties are doing the job they are responsible for doing.
- Maintains a clear line of communication with the Owner, consultants, and with the Account Executive.

DES Role

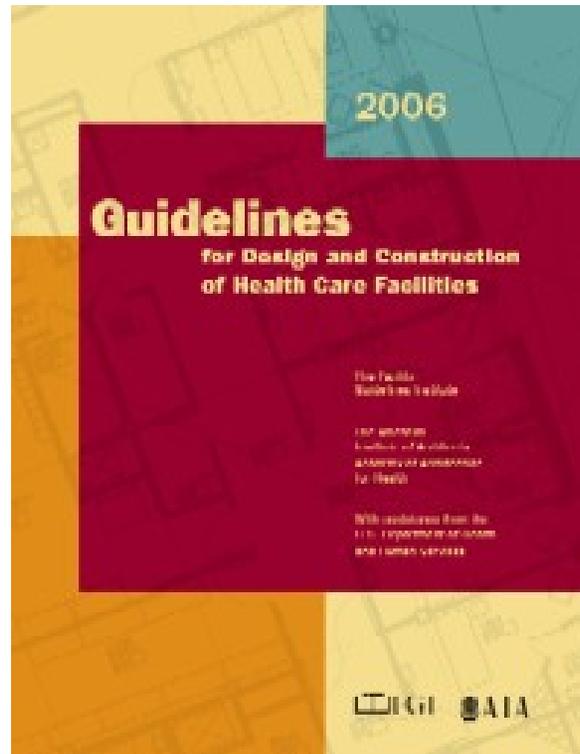
- Pre-application conferences are held to determine how an applicant should proceed with their submission of an application to DHUD for the 242 program. Some discussion is held of the loan program, as well as eligibility, nature, and probable costs of the project, available resources, and plans for funding construction. DES usually participates in these discussions.
- DES assists Central Office in reviewing the scope and intent of the project from the applicant.
- DES provides information to the hospital on design, construction, as well as architectural/engineering documentation requirements. Hospitals are also provided with information on our standards.

DES Role

- The applicant submits a copy of the application to Central Office.
- DES has 14 days during which it conducts a completeness review, and notifies the Account Executive whether the application's documentation is complete.
- DES is responsible for reviewing and approving all "hard costs" ie., design and construction related aspects of the application.
- The DES project manager works with the applicant on issues such as preparation of construction documents (drawings and specifications) and provides reviews of these documents to insure that minimum requirements are incorporated.

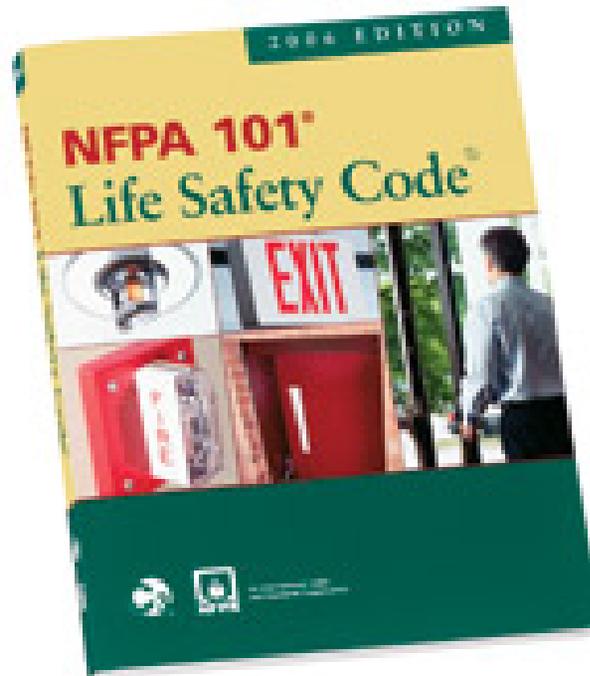
DES Guidelines & Regulations

- 2006 Guidelines for Design and Construction of Health Care Facilities



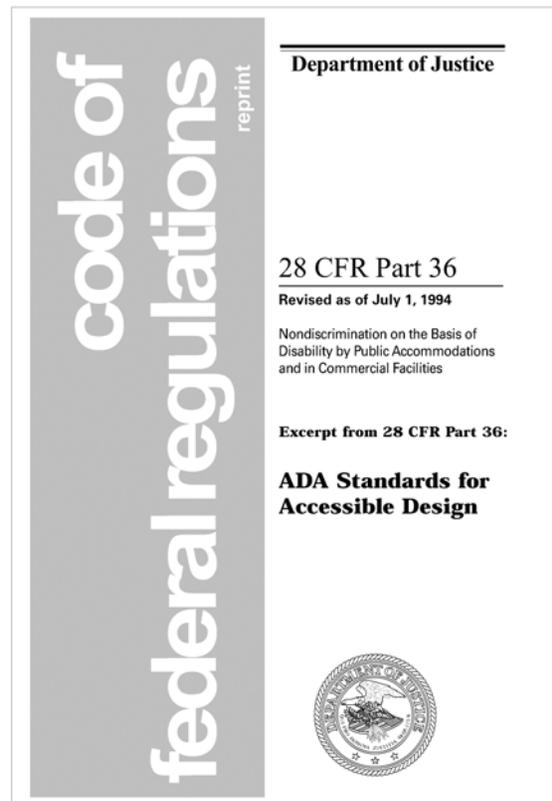
DES Guidelines & Regulations

- 2006 NFPA Life Safety Code



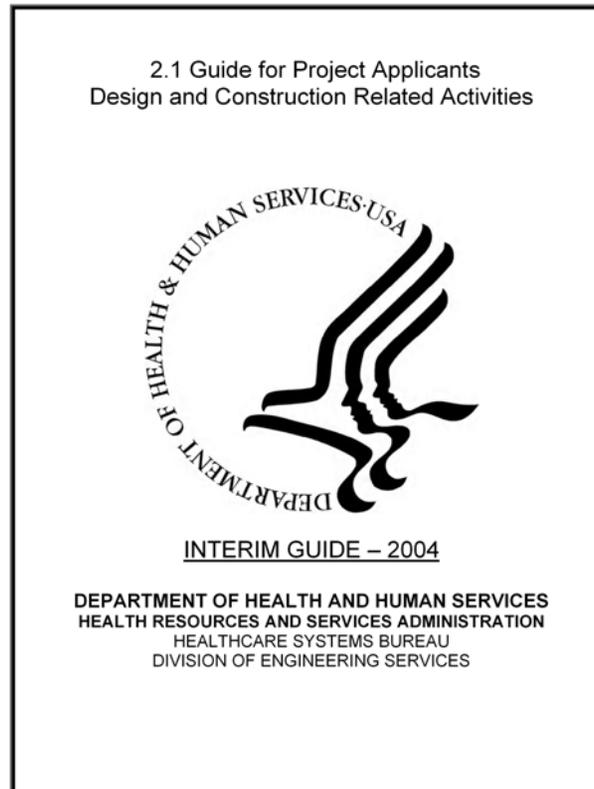
DES Guidelines & Regulations

- 1994 ADA Standards for Accessible Design



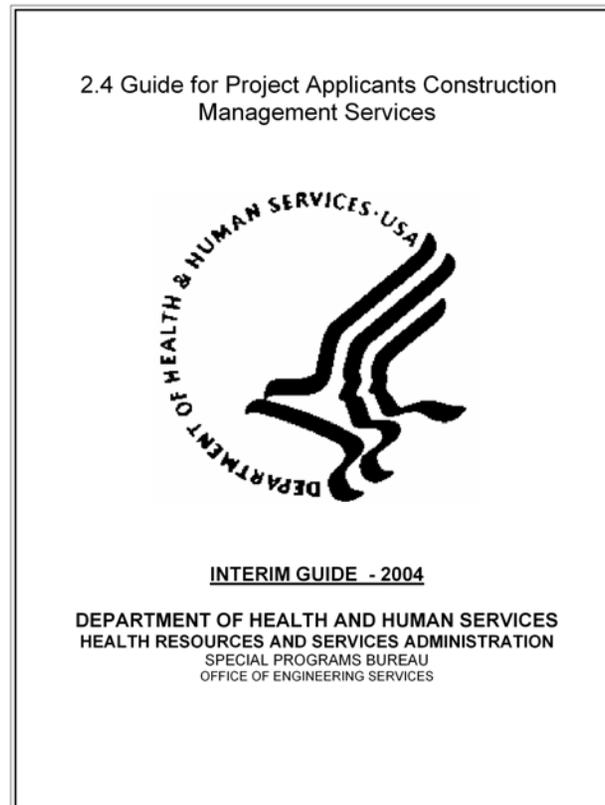
DES Guides & Regulations

- 2.1 Guide for Project Applicants
Design and Construction Related Activities



DES Guides and Regulations

- 2.4 Guide for Project Applicants
Construction Management Services



FEASIBILITY OF COSTS

- DES reviews costs on the left side of the FHA-92013 form:
 - ❖ Line C1 – Construction
 - ❖ Lines C2 – Fees
 - Architect
 - Design
 - Supervisory
 - Additional Costs
 - CM – Part A
 - Consultants
 - ❖ Line C3 – Other
 - Owner's Contingency 5-10%
 - Geotechnical
 - ❖ Line C4 – Fixed Equipment
(purchased outside the construction contract)

DHUD-92013 (sample)

Application for Hospital Project Mortgage Insurance
Hospital - Section 242

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB No. 2502-0518 (Exp. 1/31/2001)

Information as collected by HUD on the 242 Hospital Risk-Sharing Program's Guidelines, application, and operations to provide HUD with the necessary data to determine a hospital's eligibility for FHA insurance and, once endorsed, to service the hospital's operation.
Public reporting burden for this collection of information is estimated to average 64 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Much of the information requested, such as financial records, proposed financing terms, and operational data, is proprietary and is protected by the Privacy Act. The Privacy Act requires that these records be maintained with appropriate administrative, technical and physical safeguards to ensure their security and confidentiality.
HUD may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

Project name: Sample Hospital, Inc. Project Number: OXY-15506-PM 07/10/01

Part I - Mortgagor's Application
To: Acme Financial Group, Inc. and the Secretary of Housing and Urban Development.
The undersigned hereby applies for a loan in the principal amount of \$ 26,100,000 to be insured under the provisions of Section 242 of the National Housing Act, said loan to be secured by a first mortgage on the property hereinafter described.
Insurance of advances during construction is is not desired.

B. Location and Description of Property

1. Street Numbers: 417 2. Street: Stageline Road
3. Municipality: Plainsville 4. County: St. Croix 5. State: Wyoming 6. No. of Beds: 49 7. Type of Project: Proposed Existing

C. Estimated Replacement Costs

1 Total Construction Cost per Contract(s)	\$22,827,000	7 Legal, Organization	
2 Fees		Legal	\$30,000
Architect Fee - Design	\$1,412,335	Organization	\$25,000
Architect Fee - Supervising	\$633,723	Consultant	\$45,000
Owners Representative Fee	\$415,000	Total Legal, Organization, Audit Fee	100,000
Reimbursables/Other Fees	\$280,293	8 Total Estimated Replacement Cost (excl. of Land)	34,085,249
Total Fees	2,741,351	9 Net Book Value on Existing Prop. Plant & Equip	\$5,626,859
3 Other		10 Total Estimated Replacement Cost of Project	37,712,108
Contingency 5.00%	\$1,141,350	D Estimated Cash Requirements	
	\$0	1 Total Project Replacement Cost (Excl. of Land)	34,085,249
	\$0	2 Land Indefiniteness	
Other (Identify) See Schedule	\$1,046,786	3 Total	34,085,249
Total Other	2,188,106	4 Less Mortgage Am't (k term or Approved Loans, Cash Required)	(26,100,000)
4 Equipment and Furnishings Actual Cost	\$3,675,167	5 Other (Identify)	7,985,249
5 Total for All Improvements and Equipment	31,431,624	6 Other (Identify) Operating Reserve	800,000
6 Carrying Charges and Financing		8 Total Estimated Cash Requirements	8,785,249
Interest 18 Months @ 6.00%			
on 26,100,000	\$1,174,360		
Taxes	\$44,000		
Insurance (Builder's Risk)	\$25,000		
HUD M.L.F.	1.00%		
HUD Exam Fee	0.30%		
HUD Insp. Fee	0.30%		
Financing Fee	1.125%		
Bond Cost of Issuance			
AMBS	0.00%		
TITLE/Recording	\$15,000		
Total Carrying Charges and Financing	\$2,553,625		

For HUD Use Only				
Date Received				
Amount				
Code				
Schedule				
Received by				



Construction and DES

- DES monitors the progress of the project during construction on a monthly basis, reviewing & approving monthly advances for construction invoices, & change orders, etc.
- DES makes a final inspection and recommendation for final closeout of the project, Certificate of Occupancy (CO) including Contractor and Owner

Retainage of Construction Payments

- All construction advances shall be subject to a 10% retention; (including change orders) held until completion of at least 50% of the entire construction project.
- After 50% completion, and upon written request from the mortgagor and concurrence by all parties additional retainage may not be required.

Retainage Refund

- DES will not consider any requests for retainage refund until construction is approximately 95% complete.
- 5% retainage is paid in full at the date of final endorsement.

Documents Needed for Final Closing

- AIA Form F704-Executed Copy of Certificate of Substantial Completion
- AIA Form G706-Certificate of Release of Liens
- AIA Form G707-Consent of Surety Company for Final Payment
- AIA Form G702-Architect's & Contractor's Final Certificate of Payment
- Architect's Letter Asserting Compliance with State DOH or Authority Having Jurisdiction

Documents Needed for Final Closing (cont.)

- CPA Final Cost Certification with Opinion Relating to Overall Costs
- Certification that all change orders have been included in CPA final cost certification
- DHUD Form 92330-Mortgagor's Certificate of Final Costs
- DHUD Form 92330A-CM or Contractor's Certificate of Final Costs
- Certificate of Occupancy from local building authority including State Department of Health

QUESTIONS?

Please write them down for the
upcoming Q&A Session!

