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APPENDIX 10-1
ANALYSIS TO DETERMINE THE SCOPE OF REPAIRS

Using the factors listed below will assist in determining the level of effort involved in the repair/rehabilitation of a project. Determining the scope of a repair/rehabilitation effort will greatly increase the focus and comprehensiveness of any Repair Surveys conducted or Repair Plans developed.

- A. FACTOR 1: PRIORITIZATION OF RENTAL PROPERTIES FOR REPAIR. There are three critical elements that must be considered in making a repair decision.
1. WHETHER THE PROPERTY WILL BE SOLD AS A SUBSIDIZED OR UNSUBSIDIZED PROPERTY.
Due to required HAP Contract administration and because project-based Section 8 may limit a resident's option to change occupancy according to prevailing market conditions there is a higher degree of post-sale responsibility for subsidized projects. As a result, subsidized projects should have a Comprehensive Repair Plan that prepares them for the long-term relationship that HUD expects.
 2. EXPECTED TIMING OF THE SALE.
If a project can be sold in a short period of time, it is appropriate to limit repairs during HUD ownership to those necessary to correct health, safety and habitability conditions. If a project cannot be sold in a short period of time due, for example, to a scarcity of Section 8 funding, the project will have more repairs done during HUD management as opposed to those repairs left for purchaser completion.
 3. THE DECISION THAT THE PROPERTY SHOULD BE REPAIRED, WHICH INCLUDES AN ANALYSIS OF REPAIR COSTS AND THE NEED FOR THE HOUSING.
All foreclosure and HUD-owned property sales analyses contain a decision that the property is needed as a housing resource and can be cost effectively returned to a decent, safe and sanitary condition, or to a more stringent standard, if necessary, to match surrounding market conditions. For some properties, such as those which are well-occupied and fairly well-maintained, this is self *

* evident and never becomes an explicit finding. For other properties, which may be located in soft markets, have low occupancy and severe physical problems, this is not self-evident and an analysis of the need for the housing and the economic feasibility to repair the property are threshold criteria.

- B. FACTOR 2: LEVEL OF REPAIR AND/OR REHABILITATION EFFORT. Deciding what level of effort is required to make projects decent, safe and sanitary involves making choices between a program emphasizing maintenance/repairs and one that stresses rehabilitation.

Listed below are definitions of what a maintenance/repair program would be like as opposed to a rehabilitation program.

1. MAINTENANCE AND REPAIR PROGRAMS assure that occupied buildings are either brought up to or maintained at the decent, safe and sanitary standards described in Chapter 12. However, repair programs are limited in scope, stressing routine maintenance and repairs. Replacements are scattered and done item-by-item rather than as part of a comprehensive program to up-grade the project.

All occupied residential projects managed by HUD shall have maintenance and repair programs that assure compliance with established habitability standards: i.e., decent, safe and sanitary and voluntary compliance with local housing codes. Projects should not become negative influences on surrounding neighborhoods and should be attractive and marketable.

2. REHABILITATION is over and above the limited maintenance and repairs required to assure that an occupied project remains in or is brought up to decent, safe and sanitary condition. Included in the scope of rehabilitation is the substantial replacement and/or upgrading of items on a large scale and as parts of a comprehensive program to upgrade the project.

Rehabilitation reflects an affirmative decision about HUD's long-term commitment to the project. This decision is frequently a function of the *

* kind of project that comes into the inventory and the market for that project.

3. LEVEL OF REPAIR/REHABILITATION EFFORT. The following examples are provided as guidance and should be used as a baseline in your analysis.

- a. THE PROJECT IS SUBSIDIZED, HAS SUBSTANTIAL OCCUPANCY AND THE MARKET IS NOT SOFT.

Generally, all of the units in the project will be preserved so that they remain available to and affordable by low-and moderate-income families through a Section 8 contract or through a low-income use restriction.

HUD should assure that all occupied units are decent, safe and sanitary during the period it controls the project. For MIP projects, if there is a local housing code, the maintenance should be performed up to the local housing code standard. For HUD-owned projects, even though local law does not apply to a government owned property, the field office should act as if the local housing code applies, with maintenance and repair efforts meeting local housing code standards.

Vacant units should be brought on-line to meet market demand.

Since HUD will have a continuing involvement in the project and since Section 8 necessary for sale may be scarce, the field office should consider undertaking rehabilitation activities in addition to maintenance and repairs.

The goal is to preserve the project as an affordable low-income housing resource for a minimum of 15 years. The issue is to decide how much of the rehabilitation program HUD should complete and how much should/could be deferred to the new owner when the project is sold.

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- * b. THE PROJECT IS SUBSIDIZED, VACANT OR HAS VERY LOW OCCUPANCY, AND THE MARKET IS SOFT.

In addition to securing the project and selling it as promptly as possible, HUD must determine whether the project should be preserved as low-income rental housing.

See Chapter 10, "Determine Not to Repair a Project" for examples of circumstances which could lead to a determination not to preserve.

If the property will not be maintained as rental housing, the Comprehensive Repair Plan must include a determination to either demolish the property or sell it with a repair/rehabilitate or demolish requirement. If it is determined that the local government has sufficient post-sale enforcement powers to assure that the structure does not become a negative influence on the surrounding community by becoming a haven for drug or illicit activity, the department may consider selling it "as is." In this case, the Comprehensive Repair Plan would require no repairs for the project.

- c. THE PROJECT IS UNSUBSIDIZED, HAS SUBSTANTIAL OCCUPANCY, AND THE MARKET IS NOT SOFT.

Generally, for HUD-owned projects, the larger of the number of units occupied by income eligible tenants at acquisition or sale will be preserved so they remain available to and affordable by low- and moderate-income families through a Section 8 contract or through a low-income use restriction.

The field office should assure that all occupied units are decent, safe and sanitary. For HUD-owned projects, even through local law does not apply to a government owned property, the field office should act as if the local housing code applies, with maintenance and repair efforts meeting local housing code standards. For MIP projects, if there is a local housing code, units should be brought up to the local housing code *

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standards.

Vacant units should be brought on-line to meet market demand.

Unless the field office expects to hold the project in inventory for an extended period, substantial rehabilitation and other expensive measures to extend the life of the project are probably best left to the new owner. HUD should be doing only what is necessary to meet the decent, safe and sanitary standard.

The goal is to remove the project from the inventory as promptly as possible, letting the new owner determine the level to which the project will be rehabilitated, based on HUD's minimum repair requirements, the competitive demand of the marketplace and local codes.

If the goal of selling the property promptly cannot be met because needed subsidy is not available, or for some other reason beyond HUD's control, then underlying physical conditions which cause recurrent problems, raise the cost of maintaining the units in decent, safe and sanitary condition or adversely affect marketability will have to be addressed.

- d. THE PROJECT IS UNSUBSIDIZED, VACANT OR HAS VERY LOW OCCUPANCY, AND THE MARKET IS SOFT.

While HUD owns the project, or is MIP, repairs and maintenance should generally be minimal, intended to keep the project from deteriorating and becoming a nuisance in the community.

HUD should consider relocating the existing tenants, securing the project and selling it as promptly as possible with no real use restriction, provided the project has not become a low-income housing resource.

If the unsubsidized project has become a

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* not to preserve may be made only under certain circumstances. Examples of these circumstances can be found in Chapter 10 "Determination Not to Repair a Project and this Appendix. *

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APPENDIX 10-2

ENERGY-EFFICIENT GUIDELINES FOR PROJECTS WHERE HUD IS
MORTGAGEE-IN-POSSESSION OR OWNER

Comprehensive Repair Surveys and Plans should, to the extent possible, assure that:

1. Major repairs to the roof of the building include the addition of insulation to meet local code or a minimum value of R-30.

NOTE: Adequate ventilation must be provided in attic space to prevent damage due to moisture. Local codes and ASHRAE (American Society of Heating, Refrigeration and Air-Conditioning Engineers) recommendations should be consulted for details.

2. In areas of the country with more than 2000 heating degree-days (base 65) new and replacement windows be double-pane or have a maximum U-value of 0.65. In cooling climates windows have appropriate shading treatment, e.g., low-e coating, exterior shades, blinds, etc.
3. Gas- and oil-fired heating system equipment have steady-state efficiency testing to determine the need for tuning or replacement.
4. Heating system equipment has sufficient controls for night setback operation; hydronic systems have outdoor reset controls; single-pipe steam has balancing and venting

adjustments.

5. All incandescent lighting in common areas, e.g., hallways, lobbies, stairwells, exit signs, have efficient fixtures and fluorescent lamps.
6. Exterior lighting has time clocks and photocell controls where appropriate as well as efficient lamps, e.g., high-pressure sodium, and efficient fixtures.
7. All showerheads have flow rates no more than 3.0 gallons per minute.
8. All exterior doors, including bulkhead doors that exit to the roof, be fully weatherstripped and have door-closing hardware.

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9. New and replacement major appliances, e.g., refrigerators, stoves, window air conditioners, meet DOE standards for energy efficiency.

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