



Owner Occupied Rehabilitation

National Self-Help Conference 'Sharing the Vision'

Albuquerque, NM Feb. 4-6, 2020



Rural Development
U.S. DEPARTMENT OF AGRICULTURE

Self-Help Rehab Type Projects

- Why Rehab
 - The need for this program is realized (Land availability, housing stock, market/fcl, etc.).
- New Construction vs. Rehab
 - Owner Occupied
 - Acquisition
- Regulations
 - Administrative Notice 4831
 - Rural Development(RD) Instruction 1944-I
- The Future of Self-Help
 - 7 CFR 1944
 - You tell me...

Procedural Notice 532

December 12, 2019

RD Instruction 1944-I, § 1944.403 Definitions.

- § 1944.403(f), the words project and homes were added to be inclusive of Self-Help Rehab type programs and not just new;

(f) Equivalent units. Equivalent units represent the “theoretical number of units” arrived at by adding the equivalent percentage of completion figure for each family in the self-help program (preconstruction and actual construction) together at any given date during program operations. The sum of the percentage of completion figures for all participant families represent the total number of “theoretical units” completed at any point in time. Equivalent units are useful in measuring progress during the period of the grant and are not a measurement of actual accomplishments. The number of equivalent units for any group/project can never exceed the number of planned or completed houses/homes for that group/project (Revised 12-12-19, PN 532.)

RD Instruction 1944-I, § 1944.403 Definitions. (Continued)

- § 1944.403(K), a minimum hour requirement was included for rehab type projects;

(k) Participating family. Individuals and/or their families who agree to build homes by the mutual self-help method and rehabilitate homes by the self-help method. Participants are families with very low- or low incomes who have the ability to furnish their share of the required labor input regardless of the handicap, age, race, color, national origin, religion, family status, or sex of the head of household. The participating family must be approved for a Section 502 RH loan or similar loans from other Federal, state, and private lenders that uses income guidelines substantially similar to the Department of Housing and Urban Development before the start of construction, have sufficient time available to assist in building their own homes, and show a desire to work with other families. Each family in the group must contribute labor on each other's homes to accomplish the 65 percent of the total 100 percent of tasks listed in Exhibit B-2 of this subpart. A participating family may use a substitute to perform the labor with prior approval of the Grantee and the Rural Development State Director. A substitute is only permitted when the participating family is incapacitated. For rehabilitation type grants, participating families must complete a minimum of 10 labor hours for every \$1,000 in project costs that are not completed by a sub-contractor. (Revised 12-12-19, PN 532.)

In some cases owners may not have a labor requirement in order for a cost savings to be realized.

RD Instruction 1944-I, § 1944.403 Definitions. (Continued)

- § 1944.403(l), 'rehabilitation type construction' was clarified to include both acquisition and owner-occupied type rehab;
 - (l) Self-help. The construction method by which an individual family utilizes their labor to reduce the construction cost of their home without an exchange of labor between participating families. Unless otherwise authorized by the District Director, this method is only funded for repair and rehabilitation type construction (owner occupied or acquisition rehabilitation). (Revised 12-12-19, PN 532.)
- § 1944.403(n)(8), added that 504 loans/grant may be included in providing financial supervision to individual families.
 - (n) Technical assistance. The organizing and supervising of groups of families in the construction of their own homes including:
 - (8) Providing financial supervision to individual families with Section 502 Rural Housing (RH) loans which will minimize the time and effort required by Rural Development in processing borrower expenditures for materials and contract services. For rehabilitation projects, Section 504 loans/grants may also be included. (Revised 12-12-19, PN 532.)

PLEASE USE THE 504 PROGRAM ☺

RD Instruction 1944-I, § 1944.407 Limitations.

- § 1944.407(d), to add standard for cost savings be equal to or greater than the Technical Assistance cost for Rehab type projects.

(d) A negotiated amount for repair and rehabilitation type proposals. At a minimum, applicants applying for repair and rehabilitation grants must include information on the proximity of the houses in a project, the typical needed repairs, and the cost savings between self-help and contractor rehabilitation and repair. This amount should be reviewed as an **average** grant cost savings to the family which is greater than or equal to the TA per equivalent unit cost. (Revised 12-12-19, PN 532.)

- Average grant cost savings: culminative and rated at the end of grant, not project by project
- Cost Savings Calculations
 - Exhibit K-2 'Equivalent Unit Tracking and Family Cost Savings for Rehabilitation'
 - Contractor Cost Savings
 - Appraised Value
 - Hourly Rate of Labor Contribution

RD Instruction 1944-I, § 1944.423 Loan packaging and 502 RH application submittal.

- § 1944.423(a) thru (c), to add requirements for rehab dockets and when other funding sources are used.
 - (a) Grantee packaging for a Rehabilitation type project, at a minimum, must include the following items:
(Added 12-12-19, PN 532.)
 - (1) Final Purchase and Sale Agreement – with any amendments (n/a for Owner Occupied Rehab),
 - (2) Inspection Report – qualified inspector as described above,
 - (3) Work Order List – with a description of materials,
 - (4) Development Plan Cost Breakdown – include development/construction costs; purchase price and closing costs as applicable,
 - (5) Projected Cost Savings – utilizing one of the allowed methods described below and,
 - (6) Estimated Construction Period – including average labor requirements for the participants.
 - (b) This docket will be submitted to the local RD office if Agency funding will be used. If funding other than 502/504 will be utilized, grantees will need to report quarterly on the items outlined in Exhibit K but do not need to submit an entire project docket to the Agency. While rehab projects do not need to be approved individually, be reminded that the rehab program goal at grant completion is to have an average cost savings that is equal to or greater than the TA cost. (Added 12-12-19, PN 532.)
 - (c) The first choice for Owner Rehab funding should always be the RD Section 504 Loan/ Grant programs.
(Added 12-12-19, PN 532.)

RD Instruction 1944-I, § 1944.424 Dwelling construction and standards.

- § 1944.424(a) thru (e), to add requirements for rehab type projects.

The following applies to rehabilitations type construction projects:

(a) It is the responsibility of the Section 523 Mutual Self-Help applicant/grantee to provide adequate documentation to support the proposal for rehab projects. When a home has been identified for rehab, the grantee will need to assess the project's feasibility. Rehab projects may be on scattered sites and the construction supervisor travel cost, as well as oversight requirements for each task, should be accounted for in a grantee's feasibility analysis. Grantees should consider all organizational costs associated with undertaking the project and compare it to the maximum allowable TA amount before proceeding. (Added 12-12-19, PN 532.)

(b) The grantee must also determine if an identified home is suited for the program. Extreme consideration should be given to any hazardous materials, lead, mold and asbestos identified during the inspection. The scope of work for any project must, at a minimum, ensure that construction meets the standards in RD Instruction 1924-A and local codes for Acquisition Rehab; while Owner Occupied Rehab projects will typically need to meet Agency decent, safe, and sanitary requirements and local codes, if applicable. For this reason, a whole house inspection from a state-licensed inspector that addresses all items in Handbook HB-1-3550, paragraph 5.7 (A), is required for Acquisition projects (Added 12-12-19, PN 532.)

RD Instruction 1944-I, § 1944.424 Dwelling construction and standards. (Continued)

- § 1944.424(c) thru (e), to add requirements for rehab type projects.

(c) For Owner Occupied Rehab projects, the Agency can accept an inspection from the grantee's qualified staff. State offices will determine the qualification of the grantee's staff and may require a third-party inspection on a case by case basis. Based on the inspector's findings, the grantee will prepare the project application docket described above. (Added 12-12-19, PN 532.)

(d) The grantee will be responsible for ensuring the bidding process for subcontracted work provides the best value to the program participants. The best value to the participant may be documented by comparable contractor bids, use of cost estimating software when costs appear realistic for the area, and/or the grantees certification that no better value is known based on their knowledge of the area. (Added 12-12-19, PN 532.)

(e) State offices must approve a grantee's performance of any subcontracted labor arrangements. In order for a grantee to serve as a subcontractor on a rehab project they must be licensed (if required by State law), demonstrate that they are able to provide the best value to the program participant as described above; and also have an accounting system that will ensure the 523 grant is not charged for subcontracted work which is a cost to the program participant's loan/grant. (Added 12-12-19, PN 532.)

RD Instruction 1944-I, Exhibits

- Exhibit I- ' Application Processing Checklist-Rehabilitation'

RD Instruction 1944-I
Exhibit I
Page 1
(Added 12-12-19, PN 532)

REHABILITATION PROGRAMS APPLICATION/RE-APPLICATION/AMENDMENT CHECKLIST

Description of Documents	Comment	Form/ Instruction Number	Tab Position	Date Received/ Comments
(1) Application for Federal Assistance Non-Construction Programs Including Inter-governmental Review submittal, if applicable	N/A- For Grant Amendment	Form SF-424 §1944.410(e)		
(2) Waiting List of Participants	In Addition to Name, Contact, & demographic info- Include Property Address(es) if Identified, Anticipated Loan Amount and Source of Funding	§1944.410(e) (1)		
(3) Proof that approximately 10% of the participants have qualified for assistance	RD HB Letter 16 or 3 rd Party Funding Source Approval Document	§1944.410(e) (2)		
(4) Lot options for first group	N/A- See Waiting List	§1944.410(e) (3)		
(5) Evidence of lot availability for remaining groups	Provide Listing of Identified Potential Program Homes for Sale in Service Area	§1944.410(e) (3)		
(6) House plans, specifications and detailed cost estimates	Describe How the Home Inspection, Work Order List, Cost Estimating, and Contractor Selection Process will be Completed and Documented.	§1944.410(e) (4)		

RD Instruction 1944-I, Exhibits

- Exhibit K- 'Evaluation Report of Rehabilitation Technical Assistance (TA) Grants'
- Exhibit K-1 – 'Instruction for Preparation of Evaluation Reports of Rehabilitation Technical Assistance Grants'
- Exhibit K-2 – 'Equivalent Unit Tracking and Family cost Savings for rehabilitation Grants'

RD Instruction 1944-I
Exhibit K
Page 1
(Added 12-12-19, PN 532)

Evaluation Report of Rehabilitation Self-Help Technical Assistance (TA) Grants

Evaluation for Quarter Ending ____ (1) ____, 20__

1. a. Name of Grantee: ____ (2) ____
b. Address: ____ (3) ____
c. Area the grant serves: ____ (4) ____
d. TA Employees (number of and positions held): ____ (5) ____

2. Date of Agreement: ____ (6) ____ Time Extended ____ (7) ____

3. a. Equivalent unit increase during quarter:
____ (8) ____
First Month
____ (9) ____
Second Month
____ (10) ____
Third Month

b. Cumulative total number of Equivalent Units since beginning of grant:
____ (11) ____

4. a. Method of Rehabilitation: Acquisition ____ (12) ____, Owner Occupied ____ (13) ____,
b. Average construction investment this quarter:
____ (14) ____
b1. Average construction investment for the grant cycle:
____ (15) ____
c. Average cost savings to participant this quarter:
____ (16) ____
c1. Average cost savings to participants for the grant cycle:
____ (17) ____

5.a. Number of houses/EU completed in this grant cycle:
____ (18) ____
b. Number of houses/EU under rehab this grant cycle, but started during previous grant:
____ (19) ____
c. Number of houses/EU currently under rehab:
____ (20) ____
d. Number of families in pre-rehab phase:
____ (21) ____

(12-12-19) PN 532



Question?

