



RCAC
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Exploring the Self-Help Acquisition Rehab Program

2025 Self-Help National
Conference
Orlando, Florida

Introductions

Jeff Jordan – RCAC Rural Development Specialist, Presenter

Donna Lea Brooks – RCAC Rural Development Specialist, Moderator

Introduce Yourself



- Name
- Organization and Location
- Experience with Self-Help Acquisition Rehab

What is Acquisition Rehabilitation?

Definition in 1944-I

1944-403

(I) 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).

Is Self-Acquisition Rehab program a good fit?



Staff Capacity needed to effectively execute the program

- Program Manager
- Loan Packager
- Construction Supervisor
- Bookkeeper

Is Self-Acquisition Rehab program a good fit?

- Adequate supply of safe and sanitary affordable housing stock



Is Self-Acquisition Rehab program a good fit?

- Community support, Board support and RD support?



Is Self-Acquisition Rehab program a good fit?

- Ability to add Acquisition Rehab program as standalone or in addition to new construction program?



Participant Recruitment

- Qualified low and very low-income applicants – 40% VLI
- Recruitment/Outreach plan?
 - Flyers
 - Newspapers
 - TV
 - Social Media
 - Events



Technical Assistance Cost



1944.407 Limitations:



The amount of the TA grant depends on the experience and capability of the applicant and must be justified based on the number of families to be assisted. As a guide, the maximum grant amounts for any grant period will be limited to:

Technical Assistance Cost

1944.407 Limitations:



(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.

Cost Savings

1944-I Exhibit M-2:

Program participants should realize an adequate cost savings from family labor participation in order for a project to be undertaken by the grantee.

As with the 'sweat equity' in the mutual self-help program which varies greatly from project to project, area to area, and from grantee to grantee, it is anticipated that the cost savings received in rehab projects will see similar variances.

Cost savings is ideally realized through the amount of work the participant will be contributing but may be calculated utilizing an approved method such as those described below.



Methods for Establishing Cost Savings

1944-I Exhibit M-2

1. Contractor Cost Savings: This method should be considered first and requires comparing a contractor bid or cost estimating software amount for work to be completed to the total cost under the Self-Help Method.

- Example-Job Summary: Remove/replace 20 sq. shingles; reframe part of roof; remove replace 1600 sq. ft. of siding; remove/replace two doors; remove carpet in bathroom and replace with vinyl flooring.
- Cost Estimator \$16,500
- Self-Help Cost -\$ 5,700
- Cost Savings = \$10,800

Methods for Establishing Cost Savings

1944-I Exhibit M-2

2. Appraised Value:

This method takes the cost to purchase and compares it to the as-improved appraised value to determine an equity model similar to that used in self-help new construction.

Example-Appraisal Value Comparison:

As-Improved Value	\$160,000
Loan Amount	<u>-\$150,000</u>
(as-is sale price plus scope of work improvements)	
Cost Savings =	\$ 10,000

Methods for Establishing Cost Savings

1944-I Exhibit M-2

3. Hourly Rate of Labor Contribution:

This method would include establishing a typical hourly rate for the job task and multiplying it by the hours contributed by the participant. The 'National Cost Estimator', 'HomeWyse.com', or other comparable software may be used to establish the task labor hours.

Example- Job Summary:

Remove/replace 20 sq. shingles - \$300 x 6 hrs =	\$ 1,800
Reframe part of roof - \$350 x 6 hrs =	\$ 2,200
Remove/replace 1600 sq ft of siding - \$500 x 10 hrs =	\$ 5,000
Remove/replace carpet w/vinyl in bathroom- \$300 x 4 hrs =	<u>\$ 1,200</u>
Cost Savings	\$10,200

If materials, appliances, etc. come at no cost to the rehab participant, the value of those items may be included in the cost savings calculations.

Home Selection

Know

Know your real estate market

Locate

Locate modest, decent and sanitary homes that can be renovated and remain affordable

Enlist

Enlist local realtors for assistance in locating homes for purchase and rehab

Home Inspections

Acquisition Rehab with participants using Section 502 direct loans to purchase an existing dwelling, the applicant must engage the services of a State-licensed inspector to perform a whole house inspection. The inspector must provide a statement that the dwelling appears to meet the Agency's decent, safe, and sanitary standards with respect to:

1. Termites and other pests
(this may be separate from the whole house inspection)
2. Plumbing, water, and sewage
3. Heating and cooling
4. Electrical systems
5. Structural soundness.

Home Inspections



The inspection report must be a comprehensive document that meets the minimum standards of the professional home inspector associations. When a State does not license inspectors, a qualified, independent, third-party inspector may perform the inspection and provide the necessary certifications

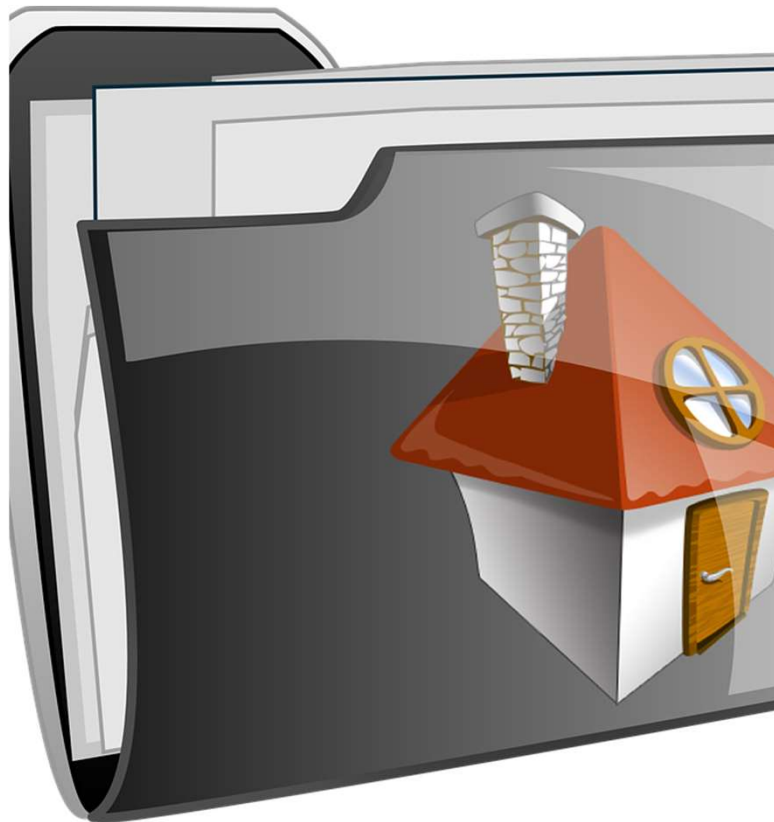
Develop Scope of work

A. Create a detailed work write up of all the needed repairs after a home inspection has been made. (typically, a third-party inspection)

* recommend installing new furnace and water heaters if existing are 10+ years old.



Develop Scope of work



- B. Use your scope of work as a guide to create your rehab project budget, to include all labor and materials necessary to complete the rehab.

Don't forget things like dumpsters, porta-potty if needed and a contingency for the unseen things.

Develop Scope of work



C. Accurate estimating takes an experienced and detailed staff member to set a solid budget for the borrower/participant's loan. For our purposes in construction estimating, we need to account for every item that is needed in the project.

Because of this, construction knowledge is very important. Every possible material item should be considered and/or listed so that it can be properly estimated.

Toxic Materials – Lead Paint and Asbestos



Homes built prior to:

- 1978 may have Lead-Based Paint
- 1980 Asbestos

Toxic Materials – Lead Paint and Asbestos

Testing and removal, or “encapsulation” of lead or asbestos can substantially drive-up rehab costs in older homes.

- Laws vary from state to state, so be sure to check with your local building department when planning and estimating your job.
- Many states allow homeowners to do their own “abatement” under certain conditions, which can save a lot of money, but potentially expose the family to toxic materials.
- In some cases, you are allowed to leave the material in place and cover it with new materials – often the cheapest and safest approach.
- However, some states require expensive safety procedures for all older homes, regardless of test results. So check with your local authorities.

Loans/Grants



- With the grantees' help, typically a program applicant will apply for an RD 502 direct loan for the acquisition of the property and the amount needed for the complete rehab.
- An applicant may also apply for an RD 504 loan or grant for needed repairs.

Loans/Grants

- There are some grantees that use their own funds to finance the rehabilitation of the self-help homes.
- There are several local, state, and national organizations that provide funding for rehab projects (FHLB, HUD, VA and weatherization programs).
- Many grantees have been successful leveraging a combination of these funds to help offset costs for their rehab projects and are able to assist lower income applicants.



502 Direct Loans – Eligible Uses

- 502 Direct Loans can be used to:

Remove health and safety hazards

Roof repairs, window replacement

Upgrade/modernize kitchens, bathrooms, interior floor coverings

Create accessible amenities to accommodate disabilities

502 Direct Loans – Eligible Uses

- 502 Direct Loans can be used to:

Repair or install septic systems and water wells

Install Energy Conservation/Efficiency features or Weatherization features

Structural work including reconstruction/alterations and additions

Loan Packaging

Loan packaging must follow guidance in Handbook-1-3550 (see Appendix 13 for Self-Help Housing and Attachment 3-A).

Grantee packaging for a Rehabilitation type project, at a minimum, must include the following items:

1. Final Purchase and Sale Agreement – with any amendments (n/a for Owner Occupied Rehab)
2. Inspection Report – from a qualified inspector
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

Loan Packaging

Grantee packaging for a Rehabilitation type project, at a minimum, must include the following items (continued)

5. Projected Cost Savings – utilizing one of the allowed methods described in Exhibit M-2 and
6. Estimated Construction Period – including average labor requirements for the participants

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 B (new construction) or L (Rehab) but do not need to submit an entire project docket to the Agency.

The first choice for Owner Rehab funding should always be the RD Section 504 Loan/ Grant programs.

Change Orders

Construction Supervisors are responsible for managing all aspects of the homes as they are being built and or rehabbed. Changes to any portion of the homes, whether there is a cost involved or not is considered a change order. Any alteration to the original plans and specs is considered a change.

The common practice for self-help agencies is to have a ZERO change order policy. No changes will be allowed to these homes whatsoever.

The families will need to understand that they have agreed to rehab their homes as per scope of work and specifications. Sometimes unexpected conditions will arise, and a change order will become necessary, but this should be rare



Acquisition Rehab Labor Agreements

Labor Agreements for Acquisition Rehab must have:

- Outline of expectations, roles and commitments of the grantee and participant
- Details the labor requirements for participants
- Policy for failure to contribute agreed upon labor contribution
- Establishes site safety procedures and protocol
- Provides guidance on grievance procedures
- Contract between participants and grantee.

Builders Warranty

- Use RD form 1924-19
- Provide all Contractor/Vendor/Supplier warranties for things such as Plumbing, Electrical, HVAC, Roofer, windows and all appliances, such as water heaters and furnaces.



Exploring Self-Help Acquisition Rehab

- Q & A



Today's Presenter

Jeff Jordan
Rural Development
Specialist
RCAC

jjordan@rcac.org

