

# HOME Program Rehabilitation Tune-up Kit

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Community Planning and Development

# Foreword

Rehabilitation of existing housing stock is one of the most frequently undertaken activities to expand the supply of affordable housing. It is seen as effective because it often meets the dual objectives of stabilizing existing housing units, and the neighborhoods in which they are located; and providing a decent, safe, and sanitary home for a low-income household. Since the U.S. Department of Housing and Urban Development first implemented the HOME Investment Partnerships Program over a decade ago, state and local jurisdictions have relied on rehabilitation activities to address local affordable housing needs more than any other housing activity. Nearly half of all HOME project funds committed—approximately \$3 billion—has been dedicated to rental and homeowner-occupied rehabilitation since the program's onset.

Managing a rehabilitation program, however, can be a challenging endeavor. Good management of a rehabilitation program requires excellent leadership skills, as well as strong technical skills in the areas of development, construction, and program regulations. The *HOME Program Rehabilitation Tune-up Kit* is a tool to assist rehabilitation program managers in assessing how well their programs are running. Presented in a workbook style, the publication leads managers through a series of questions that systematically evaluates program performance in each stage of the rehabilitation process. A subsequent trouble-shooting guide reveals best practices in each of these areas, and provides advice on what to do if one's program is not performing at an acceptable level for that area of performance. This self-assessment tool will help managers pinpoint areas of program strength and weakness, and will help identify steps that can be taken to improve program performance. It is a "must" for those striving to achieve rehabilitation program excellence!

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# Introduction

This publication, HOME Program Rehabilitation Tune-up Kit is a “do-it-yourself” program assessment for operators of housing rehabilitation programs. The first half of the kit is comprised of a series of worksheets that lead program operators through a self-analysis to establish their performance level. The second half of the kit provides diagnostic and analytic information to help the program operator understand the results of the worksheets. This “trouble-shooting guide” provides performance standards, based on best practices, that program managers can use as benchmarks for their own programs. In addition, it highlights regulatory and compliance issues that must be addressed in HOME Program operation. Resources for more detailed guidance are identified throughout the text.

The Tune-up Kit focuses on the critical elements of rehabilitation program operation, and assists managers in determining organizational performance in terms of efficiency—in time, quantity, quality, and cost. In other words, it addresses whether or not the program reaches as many people as possible with allocated funding. Efficiency is only one component in the equation for excellence, however. A rehabilitation program must also operate within legal and ethical boundaries, and must meet the needs of its constituents, including beneficiaries, funders, program delivery partners, and affected communities.

The HOME Program was established to address the housing needs of low-income residents in accordance with certain national goals and objectives. In order to do this, the funds are provided to state and local jurisdictions and consortia of jurisdictions (known as “participating jurisdictions,” or “PJs”) contingent on those jurisdictions meeting statutory and regulatory requirements. PJs frequently impose additional rules, such as property standards, in order to use HOME funds to meet additional, local objectives. This kit reviews best practices and highlights relevant HOME Program rules. Therefore, while pursuing efficiency in program operations, PJs and program operators are also reminded of their responsibility to comply with all program requirements.

Efficiency alone has little value if there is no client and partner satisfaction with the program and the product. All rehabilitation programs have a number of clients—the beneficiaries, including homeowners, tenants or potential homebuyers that own or reside in the rehabilitated house; funders; and area residents of neighborhoods and jurisdictions in which the rehabilitated house is located. Program operators must strive to satisfy the needs of these various clients, and should determine on an ongoing basis if clients are satisfied with the program.

## Why Tune Up?

HOME Program funds represent an important national resource for housing rehabilitation. Nationally, 19 percent of all HOME funds provided by the U.S. Department of Housing and Urban Development in 2002 were used for homeowner rehabilitation. Even with this enormous public investment in rehabilitation programs nationally, thousands of Americans continue to live in substandard housing. Given the lack of decent, affordable housing, and the significant public investment in it, it is critical that program managers operate their programs as efficiently as possible in order to maximize the impact of the HOME Program dollars.

All organizations can benefit from “tuning up” their housing rehabilitation programs on a periodic basis.

Typically, an organization should conduct a program tune-up at least every three years. At a minimum, it acts as a good reminder of the basic requirements and standards. Without regular tune-ups, even the best operating organization can slowly creep into mediocrity. In addition, tune-ups provide an opportunity for an organization to benchmark or compare itself to its own prior years' performance, or to other high performing organizations in the country.

For effective organizations, a tune-up provides an opportunity to evaluate how things are running and helps it continue its excellence and efficiency. A tune-up can assist the program manager in identifying and understanding a problem and then addressing those variables that impact performance. For organizations facing change, such as in shifts in funding, staffing, or changes in political leadership, a tune-up can help identify the core elements of the program and identify realistic program goals. Finally, for relatively new programs, a tune-up can help determine the path of operations for the next several years. For all organizations, this tune-up offers: 1) an opportunity for self-assessment of the program; 2) evaluation of what is working well and what can be "tweaked" for improved performance; 3) the development of an action plan to improve performance; and 4) an ideal opportunity to investigate new techniques that have developed since the last tune-up.

## **Who Will Benefit from this Tune-up Kit?**

The *HOME Program Rehabilitation Tune-up Kit* is designed to be completed by operators of housing rehabilitation programs, with an emphasis on those implementing HOME-funded housing programs. The publication uses the expression "program" or "program operator" to refer to the entity responsible for operating the rehabilitation program. The program or program operator might be the HOME PJ itself, or it might be a state recipient, subrecipient, or contractor.

That said, however, this publication includes information that would also be useful for housing program partners, funders, administrators, and senior managers. For PJs that use another entity to administer the rehabilitation program, this guide may also be useful for monitoring.

## **Using This Tune-up Kit**

The kit is organized into four steps that should be completed in order:

**Step 1: *Getting Ready*** provides information on collecting data and knowledge to begin the tune-up. This data collection helps create a picture of how the rehabilitation program is operating. It is important that the tune-up is based on objective and accurate information. Some managers may have this information readily available; for others it may require some data collection and review.

**Step 2: *Self-Assessment*** provides a series of worksheets that lead a program manager through a systematic process to quantify certain operational characteristics of a program. The results will identify specific areas of concern that might require additional attention or action.

**Step 3: *Trouble-shooting Guide*** provides guidance to the manager in understanding and interpreting the worksheet results. This section contains suggestions for maintaining and achieving efficiency based on the self-assessment carried out in Step 2. The Trouble-Shooting Guide will help program managers understand best practices in the business, as well as how to ensure programs are in compliance with

HOME regulations and other Federal requirements.

**Step 4: Action Plan** provides tools to conduct an action plan, including examples, to help managers devise a program plan over the next 30, 60 or 180 days. Program managers can use the results of the tune-up to incorporate changes into program operations.

## **Step 1: Getting Ready**

To be most effective, a tune-up must be based on accurate information about how the program is operating. Therefore, prior to completing Step 2, the Self-Assessment, it is best to review the organization's status. A number of available documents and reports can provide a clear picture of the program design, procedures, operating issues, and accomplishments.

### **Directions**

Scan the eight short worksheets provided in Step 2, Self-Assessment. If you have a reasonably accurate response to most of the questions, proceed with the Self-Assessment in Step 2. Later you can reference source documents for specific questions, as needed. A team of staff involved in the program operation should be able to address most of the questions without extensive data collection and should also begin with Step 2.

If you are unable to answer most of the questions, collect and review the source documents listed in the following checklist before completing the Self-Assessment worksheets in Step 2. Although this list appears long, you should be familiar already with at least several of the items on the list. Unless you are a relatively new manager, the data collection and review should not take any longer than two hours.

### **Document Checklist**

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#### **Consolidated Plan**

All federally funded rehabilitation programs must comply with this locally developed and HUD approved plan.

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#### **City Plan**

More wide-ranging in scope than the Consolidated Plan, rehabilitation programs should also conform to the locally developed and adopted City Plan. Focus your review on how the rehabilitation program fits into the plan, and who the clients are.

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#### **Rehabilitation Program Descriptions**

Comparing original and current descriptions that state the program purpose, goals and objectives, and policy guidelines will help you understand the history and background of the program.

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#### **Procedure Manual**

This should include basic program policies, property inspection standards, credit

underwriting guidelines, program underwriting guidelines, and procurement procedures. It should also include a copy of the most recent version of all forms and documents used in the program implementation.

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**Program Expenditure Records**

These records include current and historical IDIS reports which will identify how much HOME funding is committed or expended, and the number of jobs open/closed.

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**Case Files/Agency Reports**

These agency reports identify the number of applications, approvals, cancellations/withdrawals, and rejections and will help identify approval rate, beneficiaries served and not served (by geographic location and demographic profile, if available).

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**Rejected Applicant Data**

Review demographic data about the clients and the type of structures that are rejected, to discern any patterns.

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**Active Contractor List**

A list or the files themselves can identify the number of contractors participating in the program and the number of jobs awarded and completed per contractor.

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**Waiting List**

Understanding wait list data or information about the number of unserved clients and the average wait time between initial application and service can provide valuable information about the clients' experiences, and the timeliness of the program's service.

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**Delinquency Data (for loan programs)**

Review past due and foreclosure rates.

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**Project Evaluations**

Solicit and review feedback from both clients and partners.

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**Reports and Audits**

Review HUD monitoring, financial and program audits, management letters and responses.

## **Step 2:** ***Self-Assessment***

Having grounded yourself in the program's operational "profile" in Step 1, it is time to systematically document the organization's performance in a number of key areas. The worksheets presented in this section will diagnose areas that can improve the productivity and efficiency of a rehabilitation program. The worksheets are organized to provide a quick assessment of overall program performance, and then a systematic review of a program through each of the traditional stages of a rehabilitation operation.

The Self-Assessment requires the completion of the following worksheets:

- I. Overall Program Performance
- II. Rehabilitation Program Planning
- III. Rehabilitation Program Set-up
- IV. Client Outreach and Intake
- V. Specification and Feasibility
- VI. Bidding and Contracts
- VII. Construction Monitoring
- VIII. Warranty and Evaluation

Worksheets II. and III., Rehabilitation Program Planning and Rehabilitation Program Set-Up, assess program mission and design functions. The remaining worksheets are organized chronologically to correlate to the rehabilitation process, from soliciting and accepting an application through the final warranty inspections. There are several questions for each stage of the program's operation.

The worksheets are best completed by a team of program staff that includes the rehabilitation specialist, outreach worker and program bookkeeper. At the end of each worksheet, a section for notes and follow-up actions is provided. Use these sections to provide notes on your answers, on follow-up you may wish to do, and to list potential action items for a tune-up action plan.

### **Directions**

Circle an answer or complete the blanks for each question. If you are unsure or do not know an answer, skip the question. After you have answered as many questions as you can without research, review the answers in Step 3, the Trouble-Shooting Guide. For unanswered questions, review all of the responses in the Trouble-Shooting Guide. If you recognize your program in one of the answers, you may not need to look up the source data. Otherwise, look at the source data to determine your performance for that item.



## I. Overall Program Performance

1. How many units per year, per full-time equivalent (FTE) did the program complete?
  - A. Less than 12
  - B. 12–20
  - C. 25+
  
2. How long did the average job take, from time of client application to final completion of unit? \_\_\_\_\_ days
  
3. What is the staff and overhead cost per unit to run the program (that is, the direct costs related to administering the program divided by the number of units completed)? \$\_\_\_\_\_ per unit
  
4. What is the ratio of total staff and overhead budget directly related to administering the program divided by the dollar volume completed?  
\$\_\_\_\_\_ / \_\_\_\_\_ or \_\_\_\_\_ %
  
5. Were all rehabilitation funds expended within the program year?
  - A. Yes
  - B. No
  
6. Are HOME funds used for multifamily rehabilitation?
  - A. Yes
  - B. No

Notes

Follow-up

## II. Rehabilitation Program Planning

1. What percentage of rehabilitation jobs meets the established target beneficiaries or neighborhoods?
  - A. 50% or less
  - B. Up to 100%
2. When were beneficiary and neighborhood targets last evaluated?
  - A. Last year
  - B. Within 3 years
  - C. More than 5 years
3. Does the rehabilitation program have an active construction-related committee that serves to advise staff and oversee the program?
  - A. Yes
  - B. No
4. Are the duties and responsibilities of the committee documented in writing?
  - A. Yes
  - B. No
5. Are committee members familiar with the Rehabilitation Program policies and procedures manual?
  - A. Yes
  - B. No
6. When were the rehabilitation standards last reviewed?
  - A. What standards?
  - B. Never
  - C. Yearly
7. Are the six required Lead Notices integrated into the program?
  - A. Yes
  - B. No
  - C. Not Sure
8. When was the written set of construction policies last reviewed and revised?
  - A. What policies?
  - B. More than 2 years
  - C. Within 2 years

Notes

Follow-up

### III. Rehabilitation Program Set-Up

1. How many contractors were awarded at least one rehabilitation job last year?  
\_\_\_\_\_
2. When was the program's Contractor's Handbook last revised?
  - A. What handbook?
  - B. More than 2 years
  - C. Within 2 years
3. Is sweat equity work permitted?
  - A. Yes
  - B. No
  - C. Under certain circumstances
4. What computer programs are program staff using for:
  - Client intake?
  - Specifications and cost estimating?
  - Scheduling?
5. Is the rehabilitation specialist's salary competitive with average contractor's annual salary and that of staff in comparable positions elsewhere (such as area community development corporations, neighboring jurisdictions, state agencies)?
  - A. Yes
  - B. No
6. What is the annual training budget for the rehabilitation staff?  
\$ \_\_\_\_\_

Notes

Follow-up

#### IV. Client Outreach and Intake

1. When is the budget for the job established?
  - A. Pre-inspection
  - B. Post-inspection
2. How many inquiries are there for every job completed?  
# of inquiries: \_\_\_\_\_  
Jobs completed: \_\_\_\_\_
3. What percentage of cases are declared infeasible after initial inspections?  
\_\_\_\_\_ %
4. When was the "Owner's Manual" (also known as a "Client Manual") last updated?
  - A. What manual?
  - B. More than 3 years
  - C. Within 3 years
5. In what form is the initial agreement between the owner and the program documented?
  - A. By contract
  - B. No written agreement
  - C. Letter/memo
6. Does the program have a written temporary relocation policy for owner occupants in lead hazard reduction jobs?
  - A. Yes
  - B. No
  - C. Not sure

Notes

Follow-up

## V. Specification and Feasibility

1. Does the program enter into a Rehabilitation Service Agreement with the homeowner?
  - A. Yes
  - B. No
2. How many customized inspection checklists for various types of structures are used in the program?
  - A. None
  - B. One
  - C. Two or more
3. Does the program have a construction library containing at least the local code, program rehabilitation standards, historic regulations, and hazardous materials (hazmat) regulations?
  - A. Yes
  - B. No
4. Who acts as technical advisor for the rehabilitation staff? \_\_\_\_\_
5. Who proofreads each work write-up? \_\_\_\_\_
6. Does each work write-up start with a set of general conditions or general requirements?
  - A. Yes
  - B. No
7. What is the average length of time between initial inspection and owner's approval of final work write-up? \_\_\_\_\_ calendar days
8. Does the program use a Performance Manual (also known as master specifications, performance specifications, or general specifications)?
  - A. Yes
  - B. No
9. Are the lead hazard evaluation and reduction requirements for each job documented in the file?
  - A. Yes
  - B. No
  - C. Not sure
10. How do owners review and approve the specifications?
11. List the program's pre-qualified specialty inspectors & consultants?
12. How often does the program issue addenda to bids (for example, to clarify the scope of work) prior to accepting bids?
13. How often is the estimate within 10 percent of the most responsive bid?  
\_\_\_\_\_ % of the time
14. Who provides the inspection tools, such as cameras, sonic tape measures, one ladder, electric tester, etc.?
  - A. No
  - B. Rehabilitation specialist
  - C. The program

Notes

Follow-up

## **VI. Bidding and Contracts**

1. Did the last audit or monitoring letter cite procurement issues?
  - A. Yes
  - B. No
2. Does the program typically have jobs over \$100,000?
  - A. Yes
  - B. No
3. How are contractors notified of work availability?
4. Is there a pre-bid inspection?
  - A. Yes
  - B. No
  - C. Sometimes
5. Do program staff use “owner selection checklists” to document the owner’s preferences?
  - A. Yes
  - B. No
6. Are pre-construction conferences held at the site, with a checklist and are decisions recorded?
  - A. Yes
  - B. No
7. Does the program have enough approved contractors?
  - A. Yes
  - B. No
8. How many jobs were re-bid last year?
9. Who creates the construction schedule?
  - A. No one
  - B. Program staff
  - C. Contractor
10. Who creates the job cost breakdown?
  - A. No one
  - B. Program staff
  - C. Contractor
11. How long does it take to start the job after acceptance of the bid?
12. Does the program’s standard construction contract include all of the following:
  - Identification of the legal parties to the contract;
  - A scope of work;
  - The dollar amount;
  - Reference to performance standards;
  - Requirements to comply with the HOME Program regulations, including local codes, and other applicable Federal requirements;

- A dispute resolution clause; and
  - The signatures and dates of all property owners and the contractor's legal representative?
- A. Yes
  - B. One item missing
  - C. 4 or more items missing

Notes

Follow-up

## **VII. Construction Monitoring**

1. How many cases went to mediation or arbitration last year?  
# \_\_\_\_\_ per \_\_\_\_\_ jobs
2. How often is the contingency fund exceeded? \_\_\_\_\_ percent
3. How many contractors defaulted on a job last year? \_\_\_\_\_ total
4. Does the homeowner approve each draw in loan programs?
  - A. Yes
  - B. No
  - C. Not applicable
5. Does the rehabilitation staff use an inspection daily log to document activity?
  - A. Yes
  - B. No
  - C. Sometimes
6. Who prepares the punch list?
  - A. Owner
  - B. Contractor
  - C. Owner, contractor and program staff
7. Has the release of liens system been reviewed and endorsed by the organization's and the PJ's attorney?
  - A. Yes
  - B. No
8. Are photographs used to document problems and disputes?
  - A. Yes
  - B. No
  - C. Sometimes
9. On average, how many jobs in progress does each rehabilitation specialist monitor at

one time? \_\_\_\_\_ jobs

Notes

Follow-up

### **VIII. Warranty and Evaluation**

1. Do all parties to the construction contract complete the final evaluations?
  - A. Yes
  - B. No
  - C. Sometimes
2. What are the three most common compliments by owners or contractors?
  - 1)
  - 2)
  - 3)
3. What are the two most common complaints by owners and contractors?
  - 1)
  - 2)
4. How many units have senior management or board members visited this year?
  - A. None
  - B. Two
  - C. Six or more
5. Does the program help enforce the warranty?
  - A. Yes
  - B. No
  - C. Sometimes
6. Name at least three things program staff believes the program does well.
  - 1)
  - 2)
  - 3)
  - 4)
7. Name at least two areas for improvement.
  - 1)
  - 2)

Notes



Follow-up

### **Step 3:**

### ***Trouble-Shooting Guide***

In Step 2, you answered a number of questions about the program's operation. Now, it is time to draw some conclusions about the program's efficiency and identify areas for improvement. This Trouble-Shooting Guide identifies performance standards for each of the areas explored in Step 2. The performance standards recommended by this guide are directed at typical situations and do not necessarily cover all circumstances. As such, the standards can be used as general benchmarks to inform program decisions and improvement efforts.

### **Directions:**

Compare your answers from Step 2, the Self-Assessment, with the performance standards in this trouble-shooting guide. For each question, there is a high performing standard along with some guidance on how to achieve that standard in your organization. As you finish each of these sections, highlight the two most important areas on which to focus. Later, use these suggestions to help build an action plan to keep your organization running at its best. For some of the questions, you may not have had sufficient information. If needed, now is the time to go back, review the documents suggested on the checklist, and verify the accuracy of any question of which you were unsure. At the end of the process, you will know where your program stands, as compared to a very highly efficient and focused rehabilitation program. You will also have specific suggestions and ideas about where and how to begin to make improvements and can begin to outline steps to perfect your operation.

### **I. Overall Program Performance**

*This first worksheet is designed to identify, from a big picture perspective, where a program is providing a quality product at a reasonable price, within the parameters of applicable program rules. Programs that perform well on this worksheet may find that the remaining questions in this Tune-up Kit are minimally relevant. Regardless of how any particular question in this guide is answered, it is important not to "fix" rehabilitation programs that are operating well. Even high-performing organizations can make room for improvement, but be careful that those improvements do not come at the cost of overall efficiency and effectiveness.*

*Program managers who score well on this Overall Program Performance worksheet are*

*applauded, and encouraged to make changes with caution. Rather than a full tune-up, these managers can direct their attention to investigating various techniques, tools, and procedures to facilitate, but not drastically change, the organization's workflow.*

## **Questions**

### **1. Annual Production (where average rehabilitation cost is \$25,000 per unit)**

- A. **Per person production is less than 12 units.** It is acceptable for programs in the very earliest start-up phase to produce as few as 12 units per full-time equivalent (FTE). However, managers of established programs that produce fewer than 12 units per FTE should consider substantial changes to their operating system and/or staffing, or consider the possibility of contracting out large portions of the operation.

At 12 units per year, it takes approximately four weeks of a person's time to complete a single project. Four weeks of time is excessive, absent special circumstances, such as the job involves moving a house, working with 100 percent sweat equity, or 50 percent or more work by volunteers. Under these circumstances, program managers should evaluate the advantages and disadvantages of using sweat equity and volunteers against the decreased production yield.

If there are no special circumstances, program managers whose production ranges from six to twelve units per FTE should redesign the program, specifically with the goal of improving efficiency. The Tune-up Kit should help you identify specific areas of operation that may need attention.

Organizations whose production is this limited should seek expert assistance in implementing changes. One possibility is to identify a nearby jurisdiction or organization that is accomplishing more than 20 units per person per year, and arrange a site visit to fix a vision of a fully operating program. That group may also be able to help redesign the program to become much more efficient. Alternatively, there are a number of program consultants who are available to help redesign rehabilitation programs.

- B. **Program production is between 12 and 20 units per FTE.** These programs are operating in the average range and should strive to achieve 25 units per full time equivalent. The worksheets in this Tune-up Kit should help identify specific areas of operation that can be strengthened. In addition, program operators should pursue the following types of general opportunities for improvement, where possible: higher production expectations; more extensive computerization; simplification of the loan process; or speeding up the design and construction period. Once that area(s) has(have) been identified, managers should attack these areas aggressively.

Review the “Rehabilitation Specialist Manual of Practice,” available through the Urban Renovation Consultants at [www.urbancusa.com](http://www.urbancusa.com), with an eye towards procedures that appear to take extra time and determine ways to shorten the time period. For example, consider sonic tape measures to speed up inspections; simplify the loan underwriting into one or two or three categories into which staff can quickly sort applicants; find the bottlenecks in the process and widen the passageway to continue to build volume.

- C. **Program production is 25 units and above per year per FTE.** Programs operating at this level are very efficient. Program managers of organizations producing at this level can provide invaluable information to others, and should share with other programs how they have achieved this standard and should continue to learn as much as possible.

### ***For More Information***

*The U.S. Department of Housing and Urban Development’s course, Measuring Up: A Practical Approach to Measuring Productivity and Performance in HOME Programs is designed to assist PJs in measuring and improving their program outcomes. Information on this course is available at the Community Planning and Development Training Website, at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/Welcome.html>. A free copy of the model program guide by the same name (forthcoming) is available from HUD’s Office of Affordable Housing Programs’ online library at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.*

## **2. Total Time from Client Application to Final Completion**

- A. **Over 180 days.** A half a year is too long. It is important to figure out where the delays are occurring, so that timeliness can be improved. This can be done by looking at the process in terms of established milestones (such as client application completion, loan approval, bid selection, contract execution) to see if any particular stage of the process is creating a bottleneck in the workflow. Ideally, the average rehabilitation job should take no more than 120 days. Determine what changes will need to be made in order to reach that standard, and work towards making the necessary modifications. The HUD training course, Measuring Up: A Practical Approach to Measuring Productivity and Performance in HOME Programs, provides technical assistance on undertaking this type of analysis. See the bullet above for more information on this course.
- B. **Less than 120 days.** This signifies a smooth-running program. While each program has various ranges, to attain the 120 day completion goal, consider the following activity allowances: Allow 10 days for application and pre-approval; 20 days for the work write-up and risk assessment; 30 days for the bid process; 10 days to start the job; 30 days for work in

progress and 10 days to final it out. That would result in a typical 120-day job.

### ***For More Information***

*For more information on how to improve timeliness refer to the U.S. Department of Housing and Urban Development's course, *Measuring Up: A Practical Approach to Measuring Productivity and Performance in HOME Programs, 2002*. Information on this course is available through the web at*

*<http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedes>. A free copy of the model guide by the same name (forthcoming) is available from HUD's Office of Affordable Housing Programs' online library at*

*<http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.*

### **3. Staff and Overhead Costs**

- A. **Above \$6,000 per unit.** Typically, it is quite possible to contract out for all the services provided by a rehabilitation program for far less than \$6,000 per unit. If your program's staff and overhead costs (that is, the administrative costs that are directly related to the program) are this high, address these questions:

- Are staff salaries highly inflated?
- Is staff sufficiently busy on a year-round basis?
- Are there unnecessary layers of process and procedures that can be pared or streamlined to reduce staff needs?

The contracting cost for your region can serve as a maximum amount per unit of staff and overhead cost that the organization should bear.

Be careful to consider all costs when determining the staff and overhead costs directly related to the administration of the program. Remember, under the HOME Program, these costs will include some portion of the organization's general administrative costs, and may also include some project-related soft costs, depending on how your organization tracks certain costs.

Your calculation should include a pro-rated share of the general administrative costs for the organization's general management, oversight, coordination, and monitoring, as well as a portion of the organization's professional services, such as legal, accounting, and auditing. In addition, it should include the cost of space, equipment, and insurance. These costs are always subject to the organization's ten percent administrative cap under the HOME Program.

Staff and overhead costs that are directly attributable to the rehabilitation program, however, may be charged either as project-related soft costs, or as administrative costs.

Known as “activity delivery costs” under the Community Development Block Grant program, these direct staff and overhead costs are the costs that are directly related to operating the rehabilitation program and/or to the provision of relocation services, and may also include certain information services and environmental costs. These costs include staff costs related to processing applications, conducting cost estimates, preparing work write-ups or work specifications, inspecting and monitoring construction, and providing housing information and relocation services to homeowners and tenants.

It is helpful to have an accounting system that can track these administrative expenditures so that you know the true cost of running your program.

- B. **Less than \$3,000 per unit.** Generally, \$3,000 per unit staff and overhead cost is satisfactory. Assuming the program generates 25 units per full time equivalent, \$3,000 per unit in staff and overhead cost allows \$75,000 to hire, house and support each staff person.

### ***For more information***

*HUD Notice CPD 96-9, Administrative costs, project-related soft costs, and community development housing organization (CHDO) operating expenses under the HOME Program, provides detailed information about the distinction between these types of costs. It is available online, at HUD’s Office of Affordable Housing Programs’ website at <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/index.cfm>.*

## **4. Staff and Overhead Cost Ratio**

- A. **Less than 20 percent.** While a 10 percent ratio is achievable, less than 20 percent is acceptable.
- B. **In excess of 20 percent.** Unless the jobs are relatively low dollar volume and not repetitive, 20 percent staff and overhead cost in a construction management and mortgage brokerage must be reduced by increasing volume or streamlining processing.

Review the guidance in the previous question to be sure that you are considering all staff and overhead costs in your cost calculation. Remember, the HOME Program requirements cap the PJ’s use of HOME funds for overall administrative cost at 10 percent of each fiscal year’s allocation, plus 10 percent of any program income the PJ receives.

## **5. Final Drawdowns**

- A. **Yes, all program funds were expended in the program year.** Good. A program should always spend all of its money every year. Many extremely efficient programs are able to spend their funds by Thanksgiving and use the traditional off-season to revamp computer databases, revise outreach

material, meet with contractors and do other essential maintenance tasks at a time when it is very difficult to maintain a full schedule of field construction.

- B. **No, the program did not expend all program funds in the program year.** For most jurisdictions, the housing and community development needs of the community are greater than the resources. Not spending funds quickly results in unserved and unmet needs. Quick and efficient expenditure of funds reflects a well-operating program.

Use the results of this Tune-up Kit to focus the organization's efforts to improve timeliness and efficiency. Review the possible causes and fine-tune those areas of need. For instance, if attracting qualified clients is a problem, consider establishing a waiting list of pre-qualified applicants to build a pipeline of ready jobs. If contractor availability and bidding takes too long, consider pre-bidding jobs with an escalator for inflation of no more than nine months into the future. If the program does not attract a sufficient number of clients, interview potential clients and learn why they are not applying for funds. Tailor the program's package to be more responsive to client needs and demands. If the program does not attract a sufficient number of qualified contractors, develop techniques to attract additional competent contractors to participate. If the program experiences problems due to the inexperience of staff, provide needed training to housing rehabilitation specialists and intake workers to remedy those problems.

HUD has established very generous commitment and expenditure deadlines in the HOME Program. The HOME Program requires that HOME funds be committed to projects within 24 months of funds availability (in other words, the last day of the month in which HUD notifies a PJ that its HOME Investment Partnership Agreement has been executed). These commitments signify that legally binding agreements have been entered into to use a specific amount of HOME funds for affordable housing-related endeavors. HUD further requires that these funds be spent within five years of availability. Failure to meet these deadlines is a sign of extreme inefficiency, and will likely result in HUD recapture of HOME funds.

## **6. Rehabilitation of Multifamily Projects**

- A. **Yes, HOME funds are used for multifamily projects.** Review the list of requirements for multifamily projects provided in Figure 1 below.
- B. **No, HOME funds are not used for multifamily projects.** The requirements outlined in Figure 1 do not apply to your program.

## ***Figure 1***

### ***List of Federal Requirements for Multifamily Rehabilitation***

#### ***Accessibility***

The requirements of Section 504 of the Rehabilitation Act of 1974 apply to projects developed with HOME funds. In summary these requirements apply to rehabilitation projects as follows:

- **Substantial Alterations**—For substantial alterations (75 percent of replacement cost) of multifamily rental housing with 15 or more units a minimum of five percent of the dwelling units in the project (but not less than one unit) must be made accessible to individuals with mobility impairments, and an additional two percent at a minimum (but not less than one unit), must be accessible to individuals with sensory (hearing and vision) impairments. (See 24 CFR 8.22.)
- **Other Alterations**—In multifamily rental housing projects of any size, all alterations must, to the maximum extent feasible, make the dwelling units accessible to and usable by individuals with disabilities, until a minimum of five percent of the dwelling units (but not less than one unit) are accessible to people with mobility impairments. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible. A recipient is not required to make an element accessible, if doing so would impose undue financial and administrative burden on the operation of the multifamily housing project (24 CFR 8.23(b)).
- The standard for accessibility under Section 504 is the Uniform Federal Accessibility Standard (UFAS).

#### ***For More Information***

*HUD's Office of Fair Housing and Equal Opportunity provides a wealth of fair housing related information on its website [Disability Rights and Resources](http://www.hud.gov/offices/fheo/disabilities), at [www.hud.gov/offices/fheo/disabilities](http://www.hud.gov/offices/fheo/disabilities).*

*A copy of the Uniform Federal Accessibility Standard is made available online by The Access Board on its website [Accessibility Guidelines and Standards](http://www.access-board.gov/ufas/ufas-html/ufas.htm), at <http://www.access-board.gov/ufas/ufas-html/ufas.htm>.*

*North Carolina State University's Center for Universal Design offers up-to-date design considerations in accessibility for all people. It can be accessed at [www.design.ncsu.edu/cud/](http://www.design.ncsu.edu/cud/).*

#### ***Labor Standards***

The Davis-Bacon Act, the Contract Work Hours and Safety Standards Act, and the Copeland "Anti-Kickback" Act apply to all units in a project assisted with HOME funds

if any of the following conditions are met:

- If the rehabilitation project includes 12 or more HOME-assisted units, Davis-Bacon wages apply when HOME funds are used for any project costs, including acquisition;
- If the rehabilitation project includes eight or more units that are under one construction contract or in one project when Community Development Block Grant funds are used, Davis-Bacon wages apply. When the CDBG funds are invested in acquisition costs, however, Davis-Bacon wages do not apply; or
- If the rehabilitation project includes commercial/community spaces and the cost will exceed \$2,000, then Davis-Bacon wages apply.

### ***For More Information***

*For guidance to contractors on prevailing wage, see HUD's Office of Labor Relations, at [www.hud.gov/offices/olr/olr/olrwrp1.html](http://www.hud.gov/offices/olr/olr/olrwrp1.html).*

*See HUD Letter No. LR-96-02 on the Application of Federal labor standards to HOME projects, available from HUD's Office of Labor Relations, at [www.hud.gov/offices/olr/olr9602.html](http://www.hud.gov/offices/olr/olr9602.html).*

### ***Lead Hazard Maintenance for HOME Rental Projects***

The section of Title X that applies to HOME rental projects in 24 CFR 35.1355 requires ongoing lead safe maintenance. For multifamily rental activities funded with HOME, the PJ is responsible for ensuring that owners perform ongoing maintenance to ensure that lead hazard reduction measures remain in tact by using the following procedures:

- Conduct visual assessments for deteriorating paint, bare soil, and the failure of any lead hazard reduction measures at unit turnover and every 12 months.
- Provide a written notice in the language of the occupant (to the extent feasible), asking them to report deteriorated paint or failed encapsulation or enclosure. The written notice must include the contact name, address, and telephone number. HUD recommends that the notice be provided every 12 months or at unit turnover.
- Safe Work Practices must be used with all subsequent maintenance or renovation work that disturbs any paint that is, or may be, lead-based paint.
- Clearance of the Worksite must be conducted at the conclusion of repair, interim controls, or abatement performed as a part of ongoing maintenance.
- Maintenance records must be kept by the PJ to document inspections, repairs, and any other lead hazard evaluation and reduction activities.

### ***For More Information***

*Federally-sponsored training on Lead Hazard Requirements is conducted throughout the nation on a periodic basis. Currently two HUD courses are available, Learning the Rules (introductory level) and Making It Work (advanced level for those who are familiar with*



requirements). Course descriptions, agendas, and current course schedule are available online at the Community Planning and Development Training Website at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedesc.html>.

“The Lead Listing” is a private national lead service provider list, available online at [www.leadlisting.org](http://www.leadlisting.org). This list includes qualified lead service providers (lead inspectors, risk assessors, and abatement contractors), renovators trained in lead-safe practices (lead-trained renovators), EPA-recognized lead analysis laboratories, and lead training providers.

Outside technical assistance coordinators might be made available to conduct a voluntary program audit, upon request to the HUD Field Office. To identify the Field Office nearest you, see HUD’s website at [www.hud.gov](http://www.hud.gov).

The National Center for Healthy Housing, formerly the National Center for Lead-Safe Housing, has a number of useful documents on its website at [www.](http://www.centerforhealthyhousing.org/)

<http://www.centerforhealthyhousing.org/>.

## II. Rehabilitation Program Planning

Even though most rehabilitation programs are well established, it is not unusual to find programs that have evolved to become less efficient, or that were not designed to be efficient in the first place. Some organizations have grown organically from the experiences of a single individual and when that individual leaves or the organization grows, this personalized approach to program implementation is insufficient. Sometimes community circumstances and needs change that require new approaches in program design.

This worksheet looks at the critical elements of program design that impact efficiency.

### Questions

#### *1. Reaching Target Population*

A. 50 percent or less of rehabilitation cases meet target(s). If the program is not meeting its targeting goals in the majority of cases, it is important to determine why. Questions to consider include:

- Are the targeting goals appropriate to the community's current needs?
- Is the program design appropriate for the target population (for instance, are you loaning funds to a very low-income target population that cannot afford to carry even a small amount debt service?)
- Is the subsidy offered by the program appropriate to the level of beneficiary and housing stock need?

Many PJs create greater impact with their programs by targeting certain groups of people, certain types of properties, and/or specific neighborhoods beyond the HOME targeting requirements. Remember, HOME funds must be targeted to assist low- and very low-income households. For homeowner rehabilitation programs, this means that assisted homeowners must have an annual gross income that does not exceed 80 percent of the area median income. For rental rehabilitation programs, this means that most tenants must have incomes at or below 60 percent of the area median income.

*Low-income status must be verified with source documentation.*

For properties with two to four units, PJs are able to determine the number of HOME-assisted units and designate which units will carry the HOME designation. HUD requires that the minimum number of units that are designated HOME-assisted be the same as the proportion of HOME funds that are invested relative to the total rehabilitation costs. For instance, consider a property in which \$5,000 in HOME funds is invested to rehabilitate a four-unit property, and the total development cost is \$25,000. Since  $5,000/25,000$  is 20

percent, then 20 percent of the units, or in this case one unit, must be designated HOME-assisted. The PJ can choose which unit (rental or homeownership) to designate as HOME-assisted. In addition, the PJ can choose to designate more than one unit as HOME-assisted.

- B. 100 percent of the rehabilitation jobs meet target(s).

Excellent. Initially, 90 percent of the total households assisted through rental production and tenant-based rental assistance must have incomes that do not exceed 60 percent of the area median income. The balance of rental units and TBRA assistance must assist tenants with incomes that do not exceed 80 percent of the area median income. In addition, for projects with five or more units, 20 percent of the HOME-assisted units must be occupied by tenants with incomes that are at or below 50 percent of the area median income.

## ***2. Target Review***

- A. Last Year. Annual reviews are the best way to ensure your client group is being served. Keep up the good work.
- B. Within 3 years. The PJ's planning process should include a review of the community's needs and the program design parameters. Communities that have undergone notable demographic changes, and programs that have experienced shifts in demand (either up or down) should especially be sure to review the appropriateness of their program designs.
- C. More than 5 years. It is time to do a reality check. Review the most recent census data. Drive through the target neighborhood. Is your rehabilitation program still on track to solve the neighborhood's and your clients' problems?

## ***3. Construction Committee***

- A. Yes. Great. Setting up a committee of the board or senior management is a good way to get the specialized skills of architects, engineers, and environmental specialists in conjunction with lenders to help staff tackle difficult situations and address problems that arise.
- B. No. All rehabilitation staff should have some construction-savvy group or persons to confer with and help oversee their operations. Typically, in small and moderate sized organizations, this is accomplished with a Construction Committee. In large (10+) organizations where there are multiple levels of staff with various types of expertise, the committee might be made up of in-house employees.

## ***4. Committee Guidelines***

- A. Yes, there are committee guidelines. It is always a good idea to have a clear understanding of a committee's job and responsibilities.

- B. No, there are no committee guidelines.

If your committee does not have guidelines, develop draft guidelines and seek comment. Guidelines should outline jobs for committee members such as annual program evaluation; review and approval of rehabilitation policies; mediation; arbitration; and technical mentoring. The Committee Guidelines are the members' job description. At a minimum, the committee should serve as a problem solving team whenever the line staff is unable to contain a problem on a job site. Committee responsibilities may also include: serving as the first line of mediation between the rehabilitation program, the contractor, and the property owner; overseeing an informal arbitration proceeding (if they are not related or are not in-house employees of the organization); undertaking an annual program evaluation to review satisfaction levels of the program's various stakeholders—the clients, funders, and City managers.

### ***5. Committee Knowledge***

- A. Yes, the committee is knowledgeable. Good, but it might be useful to probe this knowledge periodically. Ask the committee members for “help” in answering a policy question or two. See how they do when asked, “What is the policy on...” Compare their answers to the written policy and any related procedures. Be friendly, thank them, and then decide if they need more training.
- B. No, the committee could be better informed. Determine what type of manual would best work for the committee and begin to develop a useful tool for the team. When completed, set up training by the staff of the construction committee explaining to them what the policies are and how each one impacts the process, time, money, and client satisfaction. See the policy and procedures manual as a beginning template.

### ***6. Rehabilitation Standards***

- A. What standards? Rehabilitation standards (also known as “design standards”) are a listing of the requirements for the minimum acceptable final product that the rehabilitation program completes. Rehabilitation standards vary by locale, and incorporate local code requirements. The standards define the level of amenity and materials beyond that defined in the local code that will be provided in the rehabilitation product. For instance, they specify whether or not the program provides central air conditioning, dishwashers, and garbage disposals; how many linear feet of kitchen cabinet is the minimally required in a 3-bedroom home; and whether the program replaces roofs and water heaters only, or if it will also repaint rooms. In addition, rehabilitation standards outline various goals for purchasing materials locally and minimum standards for accessibility.

The HOME Program requires that PJs comply with all state and local building code requirements, Section 504 accessibility requirements, and local written rehabilitation standards.

If no local codes apply, the HOME Program regulation requires PJs to use one of the national model codes: Uniform Building Code (ICBO), National Building Code (BOCA), Standard Building Code (SBCCI); or Minimum Property Standards at 24 CFR 200.925 (FHA). Since the promulgation of the HOME Program regulations, these code-issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated; in their stead, the ICC has adopted the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate.

The HOME Program website provides up-to-date information on all HOME Program requirements, at <http://www.hud.gov/offices/cpd/affordablehousing/>. For more information about the International Building Code, see <http://www.iccsafe.org>.

For Purchase-Rehabilitation Programs with HOME Funds: Prior to occupancy, the property must be inspected by the PJ for health and safety defects. These health and safety defects must be remedied within six months of the transfer of the property to the homeowner, and before occupancy by the homeowner. Within two years of property transfer, the rehabilitation work must be complete so that the property is in full compliance with the HOME property standards.

- B. Never. Design standards are the way a rehabilitation specialist defines the minimum and maximum allowable scope of work. Without standards, there is no consistency between jobs. Design standards should be reviewed and modified for every major program and at least once every three years.
- C. Yearly. Good practice. A yearly review of rehabilitation standards is the best system.

### ***For More Information***

*The Enterprise Foundation has a Developer's Support System at [www.enterprisefoundation.org](http://www.enterprisefoundation.org) that provides sample rehabilitation standards, as well as a template for creating a local rehabilitation standard. You may want to start with this template, collect standards from your local jurisdiction, including all of the geographic and weather considerations, and draft a locally appropriate standard for consideration and adoption by your organization.*

*For a summary of the property standards applicable to the HOME Program see HOME Property Standards, a part of HUD's Office of Affordable Housing Programs' interactive online training called "ABC's of HOME," available at:*

*<http://www.hud.gov/offices/cpd/affordablehousing/training/abc/provisions/standards.cfm>.*

## ***7. Lead Notification***

- A. Yes, required lead notices are integrated into the program. Great. It may be helpful to double-check your system by reviewing the requirements below.
  - B. No, or
  - C. Not sure if lead notices are integrated into the program. If your program does not follow the lead notification requirements or you are not sure if it does, begin by reviewing the following list of required notifications. If your program is missing any of these, sample forms are available in the HUD Advanced Lead training manual Making It Work. See the Community Planning and Development Training Website at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedesctml> for information on this training.
- PJs or their contractors must provide the six following notices:
    - 1) Lead hazard information pamphlet. Occupants, owners, and purchasers must receive the EPA/HUD/Consumer Product Safety Commission (CPSC) lead hazard information pamphlet, or an EPA-approved equivalent.
    - 2) Disclosure. Purchasers and lessees must be provided with available information or knowledge regarding the presence of lead-based paint and lead-based paint hazards before selling or leasing a residence.
    - 3) Notices of lead hazard evaluation or presumption. Occupants, owners, and purchasers must be notified of the results of the evaluation of lead-based paint, or lead hazards, or of any lead hazard evaluation or reduction work.
    - 4) EPA lead-based paint pre-renovation education. Contractors and property owners must provide the lead information pamphlet “Protect Your Family from Lead in Your Home” before starting any work that disturbs paint in pre-1978 housing [40 CFR 745.80].
    - 5) Notice of lead hazard reduction. Occupants, owners, and purchasers must be notified of all hazard reduction work.
    - 6) Clearance report. If lead hazard reduction activities other than abatement are performed, a clearance report [24 CFR Part 35.1340] must be prepared. If abatement is conducted, a certified supervisor or project designer must prepare an abatement report in accordance with 40 CFR 745.227(e)(10).

### ***For More Information***

*HUD offers two training courses called Learning the Rules (introductory) and Making it Work (advanced) to introduce program operators to the lead requirements. For more information on these trainings, access the Community Planning and Development Training Website at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedesctml>.*

*See Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing, U.S. Department of Housing and Urban Development, HUD-7600, July 1995; \$45 and \$15 for Chapter 7 Update.*

*See Lead Paint Safety: A Field Guide for Painting, Home Maintenance, and Renovation Work, U.S. Department of Housing and Urban Development, HUD 1779-LHC, June 1999; Free. Available from the Office of Lead Hazard Control. Call 1-800-424-LEAD or see [www.hud.gov/offices/lead](http://www.hud.gov/offices/lead).*

#### 7) Policy and Procedures Manual

A. What manual? or

B. More than two years. An organization needs policies and standards to provide guiding principles to the staff so that it can make programmatic decisions on a day-to-day basis. Procedures manuals describe the workflow that will be used to implement the program and its policies. By documenting the workflow, staff is clear about what steps must be carried out, and in what order.

This helps ensure that important and required steps in the process are not overlooked or skipped, that clients receive equitable treatment. In addition, procedures generally save the organization time, and support efficient performance.

If the organization has not developed a policy and procedures manual, it is important to begin developing one. A good place to start is with the typical policies that are found in the “Rehabilitation Specialist Manual of Practice” available from Urban Renovation Consultants, Inc. at <http://www.urcusa.com/>. Circulate the draft procedures widely to be sure they are accurate, and convene a committee to review and revise the procedures that are appropriate for the local program.

D. Within 2 years. Great job. Revising and reviewing a construction policy and procedures manual is key to good program operation.

### ***For More Information***

*Refer to “Policy, Standards, and Procedures Assessment” in Good Habits of Highly Effective Rehabilitation Managers, U.S. Department of Housing and Urban Development, forthcoming. This contains a checklist of areas for which participating jurisdictions should have policies and procedures. This publication is one of the HOME model program guides and is available at [www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm](http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm).*

*HUD offers a training course called Program Management to review good management practices for affordable housing program operators. This course covers the development of policies and procedures. For more information on this training, access the Community Planning and Development Training Website at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedes.html>.*

### ***III. Rehabilitation Program Set-Up***

An efficient rehabilitation program depends on access to appropriate and sufficient resources—particularly a pool of exceptional contractors, the computer, and the skills of the rehabilitation specialist—to operate successfully. While programs can limp by in the short term with one of these three items missing, it cannot operate efficiently over time.

## **Questions**

### ***1. Contractors***

- A. Less than 3. Unless the program is producing fewer than ten units a year, work cannot be dispersed efficiently with three or fewer contractors. If the average \$25,000 job takes about 90 days and a mid-sized contractor can work on three at a time, this contractor could complete 12 units a year. In larger programs (50 units a year), it is usually better to have at least 5 or 6 contractors (and, in the best of cases, 10 contractors) who actually have been awarded at least one job.

Finding great contractors is the number one job of all rehabilitation programs. With great contractors, you get a great program. A great program design with less than adequate contractors almost always fails. Try these three ways to improve the quality and quantity of contractors in your pre-approved pool:

- 1) Spend at least 10 percent of your total time qualifying, cajoling, meeting with, and promoting the program to high quality contractors.
- 2) Create a contractor-training program. Contractors typically have difficulty with administrative tasks, so help them understand taxation, how to purchase insurance, ways to get lines of credit, and efficient ways to subcontract work. This contractor development program may target newer contractors in very tight markets or it may support your established contractors while they continue to provide services to the rehabilitation program.
- 3) 3. Tighten the program's qualifications for bidding. In rehabilitation programs where anybody with a truck and a hammer can bid against firms who honor their warranty, work with homeowners, and pay their taxes, it is important to level the playing field. Verify that all contractors carry adequate insurance, pay workers compensation, fulfill warranty responsibilities, and file income tax forms.
- 4) 4. Create a contractor classification system. By creating hierarchies of contractor qualification, you will be able to use the services of contractors who are just starting out on a probationary period as well as experienced, well-financed contractors. Each group can participate in your program, and you can manage their workloads to their demonstrated



capacity. A classification system can be tailored to local needs, but a typical system might look like this:

- i. A “beginning” level contractor can bid on and be awarded a single job for up to \$25,000. The contractor must complete that job satisfactorily before bidding on other jobs. After completing two or three jobs satisfactorily, the contractor can progress to mid-level.
- ii. A “mid-level” contractor can bid on and be awarded up to \$50,000 worth of work. The contractor can bid on and be awarded more work, as each job is completed satisfactorily; provided that it does not have more than \$50,000 worth of work at any point in time. After completing \$150,000 worth of work satisfactorily, the contractor can progress to advanced level.
- iii. An “advanced” level contractor must show by track record, financial stability, and licenses that they can perform on jobs up to \$100,000 each and carry \$300,000 worth of work at any given time. When capacity is demonstrated, a contractor in this tier can be awarded additional work.

This tiered system allows small, newly-established, and oft times minority contractors the ability to enter the contractor pool on a trial basis, and to progress through the tiers. The tiered system also allows larger, more experienced contractors to bid on larger, more complicated jobs as is appropriate. Required qualifications for experienced contractors who have not yet worked with the program can also be defined and incorporated into the classification system.

- B. More than 5. Good. If six contractors won at least two jobs each, your pool is adequate for a mid-sized program.

### ***For More Information***

*See Karen Mitchell, Craig Savage and Jim Erwin, Contractor’s Guide to QuickBooks Pro 2002, Craftsman Book Company, 2002; \$46.50. Available from Craftsman Book Company, P.O. Box 6500, Carlsbad, CA 92018-9974.*

*See Michael Thomsett, Builder’s Guide to Accounting Revised, Craftsman Book Company, 2001; \$30.50. Available from Craftsman Book Company, P.O. Box 6500, Carlsbad, CA 92018-9974.*

*See Michael Thomsett, Contractor’s Year-Round Tax Guide, Craftsman Book Company, 1995; \$26.50. Available from Craftsman Book Company, P.O. Box 6500, Carlsbad, CA 92018-9974.*

## ***2. Contractor's Handbook***

- A. What handbook? Or
- B. More than two years. The Contractor's Handbook includes a Welcome to the Program, the basic rules of contracting, and a description of insurance, training, and licensing requirements. Handbooks also include items for disciplinary action along with the mediation and arbitration procedures. They may also provide references to performance standards, contract forms, an outline of policies, draw procedures, and references to Federal requirements. Handbooks play a key role in ensuring program efficiency and effectiveness. A handbook can serve as a combined marketing guidebook that outlines general program requirements. The tone should be friendly and welcoming and should clearly state the advantages of doing government-funded work. It is helpful to include general conditions, specifications, and requirements in the handbook so the contractor has easy access to these requirements.

The Enterprise Foundation has an online Developer's Support System with an example of a handbook you can start with. (See [www.enterprisefoundation.org](http://www.enterprisefoundation.org).) Another way to get ideas on what to include in the handbook is to solicit handbooks from other organizations and see how they present their information.

- C. Within 2 years. Great. This handbook should be revised with input from active contractors at least every three years.

## ***3. Sweat Equity***

- A. Yes, our program permits sweat equity. This is fine, provided the organization has a strenuous pre-qualification standard and process, to ensure that the sweat equity activities do not impede the production process. If the organization's production is low, however, it may wish to rethink this policy. Read on.
- B. No, our program does not permit sweat equity. Encouraging sweat equity without significant training or extensive pre-qualification requirements has a tendency to increase the length of a job by at least 50 percent. Some owners are very good at construction, but most are not. If the program permits sweat equity, develop a pre-qualification standard that distinguishes the "wanna-bees" from the workers. Many elements of the contractor qualification system can be adopted, with some revisions for homeowners.
- C. Under certain circumstances. From a performance and efficiency viewpoint, this is the easiest way to go.

## ***For More Information***

*HUD provides guidance on using HOME funds for sweat equity in Sweat Equity and the HOME Program, U.S. Department of Housing and Urban Development, HUD 1503-CPD, December 1994. This is available through HUD's Office of Affordable Housing Programs' online library at [www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm](http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm).*

## ***4. Computer Use***

- A. All 3 identified. Specification writing, cost estimating, and client tracking should all be computerized to increase program efficiency. Computerized scheduling may also be useful. For client tracking, most PJs use a database that will track applicants along with geographic information. Do not use more than 12 input milestones or the process of tracking will become a burden itself.

With computerized specifications and cost estimating, a team of an excellent field inspector and a high quality computer program operator might be able to complete as many as 24 units of inspections, specifications and cost estimates in a week, assuming a 60-hour work week. (The organization provides each of them 60 hours for a total of 120 person-hours). 120 hours divided by 24 units is 5 hours per job. The computer program allows the team to create an entire year's worth of work for a single rehabilitation specialist in a single week. If your organization has not done it yet, it should put down its yellow pads, enter the 21st century, and purchase a specification writing and cost estimating program.

- B. Less than three. Test, purchase, train, and use the computer to help your program operate more efficiently.

## ***For More Information***

*In specification writing and cost estimating, the most popular programs include Housing Developer Pro by the Enterprise Foundation, RESPEC by the Mid Ohio Planning Conference, SPECWRITE by Martin Freddy, or ABC Spec by Fred Southard.*

*For a checklist of considerations when selecting a computerized work write-up system, see Good Habits for Highly Effective Rehabilitation Managers, U.S. Department of Housing and Urban Development, forthcoming. This HOME model program guide will be made available through HUD's Office of Affordable Housing Programs' online library at*

*<http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.*

## ***5. Staff Salaries***

- A. Yes, the program's staff is paid competitively to others. Good job. It is important to remember that experienced people are capable of achieving reasonable volume. Experienced people will most likely be attracted if the salaries are commensurate with their capabilities.
- B. No, the program's staff salaries are relatively low. Sometimes individuals looking to start in a new occupation or older contractors wishing to leave the field for the office, will work for a short period for less than the prerequisite salary. However, if salaries in your organization are the lowest around, as soon as the employees network with the others in the field, most will inevitably seek better paying jobs. Avoid being the trainer for the rehabilitation industry. This practice leads to rapid turnover. When matched with the inherent lost efficiency in re-training, it can be hard to meet your annual production goals.

## ***6. Training Budget***

- A. Less than \$500. Unless your staff is very experienced and has already benefited from years of adequate training, a training budget of less than \$500 is not typically sufficient. If budget constraints truly make it impossible to train staff on an ongoing basis, maintain a basic library for self-training. At a minimum, the program's library should include:
  - The jurisdiction's current year building code—\$75;
  - The Model Energy Code—\$45;
  - A 3-part set of the Code Check Manuals—\$45;
  - A subscription to the Journal of Light Construction, for current information on materials and construction methods—\$46;
  - At least one, and potentially up to three, cost estimating manuals specializing in renovation—\$75–\$200;
  - A user-friendly manual to using the spreadsheet, word processing, and database used and supported by the office—\$30; and
  - At least one serious construction-related reference book a year—\$75 or more.
- B. \$2,000. Training opportunities to support training in construction materials and methods are available within this budget. However, if the organization has field staff that is uncomfortable using the computer, the training budget should be increased to incorporate training in computer skills for this staff as well.

## ***For More Information***

*The Neighborhood Reinvestment Training Institute offers a Construction and Production Management Certificate Program. Rehabilitation specialists can attain this proof of training after attending approximately 17 days of training in various topics and passing a short quiz at the end of each course and a final examination before the award.*

*Candidates have three years to complete the Program of Study. The program is typically offered four or five times per year in various cities across the United States. For more information, see the Neighborhood Reinvestment Training website at <http://www.nw.org/network/training/institute.htm>.*

*HUD sponsored training, in a wide variety of topics, including basic HOME training, lead training, and construction management training, is listed at the Community Planning and Development Training Website at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedes.html>.*

*Urban Renovation Consultants, Inc. offers rehabilitation and property development training in 13 areas. Contact [www.urbocusa.com](http://www.urbocusa.com) for more information.*

*Inspection Training Associates, 1016 South Tremont Street, Oceanside, CA 92054, offers a number of courses including, mold inspection, new construction, and code check courses. See [www.home-inspect.com](http://www.home-inspect.com).*

*Construction Savvy's Code Check Videos on building, plumbing, mechanical, and electric; from \$49.95 each, or 4 video set for \$169.95. Call 1-800-253-0541 or see [www.constructionbook.com](http://www.constructionbook.com).*

## ***IV. Client Outreach and Intake***

The most efficient systems have a pool of willing and qualified clients to participate in the program. It is important for program staff to devise methods to quickly establish the client's income eligibility and borrowing capacity, as programs can often attract large numbers of ineligible clients. Once client eligibility is determined, program staff should provide the client's budget capacity to the rehabilitation specialist to begin to do feasibility determinations. This is also a period where the roles and responsibilities of the organization, the owner and the contractor must be firmly established. Any number of documents ranging from memorandums of engagement to formal contracts for services should be used to solidify the relationship.

### **Questions**

#### ***1. Budget***

- A. Pre-inspection. Very good. This is the most efficient way to operate because it screens out projects that require more money than the owner has financial capacity.
- B. Post-inspection. This practice is typically inefficient and requires the rehabilitation specialist to re-scope the work when the affordable budget comes in at half of what the structure requires. If the specialist had prior knowledge (budget before the inspection) those figures could have been represented in the specifications. With pre-planning, infeasible jobs can be identified early and redirected.

#### ***2. Inquiries per Job Completed***

- A. 2 to 1, or fewer. Very good. This means the program is targeting its outreach and that its outreach is relatively efficient. Additionally, it shows that the program is not wasting too much of its time prequalifying people who have no chance of utilizing the program.
- B. In excess of 2 to 1. If a great number of people inquire about the program but only a few become clients, you need to determine why. High inquiry ratios are acceptable, and in some places can go as high as 10 to 1, provided there is a preliminary screening system. A quick screen at the front-end of the process serves to eliminate or redirect clients to other services or programs when it is clear they are not eligible for your rehabilitation program. Use HUD's online income calculator to determine a client's income eligibility in a matter of minutes. It is available at <http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm>.

### ***3. Infeasible Cases***

- A. Less than 5 percent. Very good. This is a reasonable number of cases to drop out after the inspection.
- B. More than 5 percent. Discarding more than 5 percent of the cases is inefficient and costly. A work write-up and cost estimate might represent an investment of between \$275 and \$1,400 in staff time. Additional front-end screening can eliminate this excess work.

### ***4. Owner's Manual***

- A. What manual? The Owner's Manual (also called a "Client Manual") is the partner to the Contractor Manual. It clearly lays out the rules of the game and the roles and responsibilities of the client/owner.

#### ***Good manuals:***

- Describe eligibility criteria;
  - List required and disallowed improvements;
  - Clearly present the loan and rehabilitation process in lay terms;
  - Identify contact people and phone numbers for clients; and
  - Describe all legal requirements with which the program must conform.
- B. More than 3 years. Ideally, the manual should be updated more frequently. It is a good idea to solicit feedback from some of the program's better past clients. Keep the manual updated on at least a three-year cycle to be sure it continues to provide useful information to clients.
  - C. Within 3 years. Very good.

### ***5. Initial Agreement Format***

- A. By written contract. Contracts protect both sides and clarify roles and responsibilities. Having written contracts is the best way to do business.
- B. No agreement. Agreements promote mutual understanding; not having one can lead to misunderstanding. Programs should institute one of the above options for agreements. Remember, before disbursing any HOME funds to any entity, the HOME regulations require a PJ to enter into a written agreement with that entity. Likewise, before a state recipient, subrecipient or contractor who is administering all or part of the program on behalf of the PJ, disburses any HOME funds to another entity, it must also enter into a written agreement with that entity. The

written agreement must specify the HOME requirements that apply to the transaction.

- C. Letter or memorandum to owner. Any one-way agreement from either the homeowner or the program is a weak option that verifies one party's intention and roles. While it is preferable to no written agreement, a contract that requires mutual agreement is a better business practice. If the program loans funds to the owner, it must have a written agreement before disbursement of funds.

## ***6. Relocation Policy in Lead Hazard Reduction Jobs***

- A. Yes. Great. This is the minimum requirement for Federal compliance.
- B. No, or
- C. Not Sure. Review the Safe Work Practices Requirements in Figure 2.

### ***Figure 2***

#### ***Relocation: Occupant Protection [24 CFR 35.1345]***

Occupants may not enter the worksite during lead hazard reduction activities. Re-entry is permitted only after lead hazard reduction activities are completed and the dwelling has passed a clearance examination.

Occupants of the unit must be temporarily relocated to a suitable unit that is decent, safe, sanitary, and free of lead-based paint hazards during lead hazard reduction activities.

Relocation must be done before lead hazard reduction activities begin. Property owners must protect occupants' belongings from lead contamination during lead hazard reduction activities by relocating or covering and sealing them and ensuring that the worksite is secured against entry during non-working hours until the unit passes a clearance examination.

Occupant relocation is not required when:

- Renovation and intervention will not disturb lead-based or lead contaminated dust.
- Hazard reduction activities inside will be completed within one period in eight daytime hours, the site will be contained, and the work will not create other safety, health or environmental hazards.
- Exterior-only treatment where the windows, doors, ventilation intakes and other openings near the worksite are sealed during hazard reduction activities and cleaned afterward; and a lead-free entry is maintained.
- Hazard reduction activities will be completed within five calendar days; the work area is sealed; at the end of each day, the area within 10 feet of the containment area is cleared of debris; at the end of each day, occupants have safe access to sleeping areas, bathroom and kitchen facilities; and treatment does not create other safety, health or environmental hazards.

### ***For More Information***

*For a discussion of relocation and relocation requirements, see HUD's Office of Affordable Housing Programs' online interactive training on relocation, Just In Time*



*Assistance, available at*

*<http://www.hud.gov/offices/cpd/affordablehousing/training/justintime/index.cfm>.*

*See also HUD's Uniform Relocation Assistance and Real Property Acquisition in the Community Planning and Development Division Online Library at*

*<http://www.hud.gov/offices/cpd/library/relocation/index.cfm>.*

## ***V. Specification and Feasibility***

To be efficient in this phase, rehabilitation specialists must be accomplished users of a computer, an inspection checklist, inspection tools, and have some place to go for additional information or expertise when presented with a challenge or problem beyond their personal knowledge of materials and methods.

### ***Questions***

#### ***1. Rehabilitation Service Agreement***

- A. Yes, the program has a Rehabilitation Service Agreement. Very good. It is wise to articulate roles and responsibilities in writing as early as possible, including the technical services of the rehabilitation specialist to inspect, cost estimate, provide construction management services and warranty inspections.
- B. No, there's no Rehabilitation Service Agreement in use. A Rehabilitation Service Agreement is a contract between the program and the client for technical services either on an advisory or a fee basis. The Service Agreement clearly delineates the technical services to be provided as well as what is outside of the scope of work. It covers the legal responsibilities of the parties and how both parties can exit the agreement. A Rehabilitation Service Agreement helps establish the homeowners' roles and responsibilities early in the process. Given the potential for owners to relocate themselves due to lead hazard reduction safe work practices, it is very important that applicants understand their role and tasks in finding another lead-safe residence, in packing and protecting their belongings and in the possibility for extended relocation. If you do not have a Service Agreement, it is important to write one. These agreements are exceptionally useful in jobs that end up in arbitration.

### ***For More Information***

*An easy way to start is to get a sample from another organization and modify it for your use. There are three different versions of Owner/Rehabilitation Specialist Service Agreements in the Developer Support System provided by The Enterprise Foundation, at [www.enterprisefoundation.org](http://www.enterprisefoundation.org).*

#### ***2. Inspection Checklists***

- A. None. It is time to create an inspection checklist. An inspection checklist is a form divided by room locations (such as bathroom, kitchen, front porch, etc.) that includes a list of typical components to inspect for that location, with space to note quantities and special

conditions. A single-family checklist might be as long as 10 to 12 pages, each customized to room type. The items on the checklist build from the rehabilitation standards and typically cross reference a performance manual or computerized specification numbering system if in use. The basis of all high production inspection systems is the use of a repetitive, standardized inspection checklist. In computerized programs, the checklist can also be used as a quantity input sheet.

- B. One. One is adequate if you only address one typical type of housing with a single product. Inspection checklists should be reviewed yearly to maintain efficiency and verify the program is still using the same typical specifications.
- C. Two or more. This is standard for programs with multiple products (i.e., new construction, multifamily rehabilitation, single-family rehabilitation). Each construction product should have its own specialized checklist.

### ***3. Library***

- A. Yes, the program has a library. Very good. Continue to build and update your information.
- B. No, the program does not have a library. A library is essential because it contains basic resources for a rehabilitation specialist. If staff does not have access to the rehabilitation standards, it cannot design jobs that are in conformance with these standards. If it does not have access to the codebook, it will not be able to design in conformance to the code. If it does not have the Secretary of the Interior's Guidelines for Historic Rehabilitation, it will be unable to follow them. A simple way to begin a library is to access resources available online at little or no cost. Additionally, the program should set-aside at least \$400 to begin the library and maintain it.

### ***For More Information***

*The Craftsman Book Company in Carlsbad, California ([www.craftsman.com](http://www.craftsman.com)) is one of the best sources of low-cost construction related manuals and references.*

*The lead safe housing rule can be found at HUD's Office of Healthy Homes and Lead Hazard Control, Lead-Safe Housing Rule website at*

*<http://www.hud.gov/offices/lead/leadsaferule/24CFR35LeadSafeHousingRule.rtf>.*

*Additional information about lead hazard reduction requirements is maintained on the HUD Office of Healthy Homes and Lead Hazard Control web page at*

*<http://www.hud.gov/offices/lead/>.*

*The National Archives and Records Administration maintains an online search engine to identify all laws and regulations at [http://www.gpo.gov/su\\_docs/aces/aces140.html](http://www.gpo.gov/su_docs/aces/aces140.html).*

*One of the best periodicals on construction materials and methods is the Journal of Light Construction, available on CD-ROM for \$99.95. Call 1-800-859-3669 or see [www.jlcbooks.com](http://www.jlcbooks.com).*

*Francis D.K. Ching and Cassandra Adams, Building Construction Illustrated (ISBN 0-*

471-35898-3); \$40.00. Call Consumer Care Wiley at 1-877-762-2974 or see [www.wiley.com/promo/trf](http://www.wiley.com/promo/trf).

*The Rehabilitation Guide*

*Volume One: Foundations*

*Volume Two: Exterior Walls*

*Volume Three: Roofs*

*Volume Four: Window and Doors*

*Volume Five: Partitions, Ceilings, Floors and Stairs*

*Volume Six: Kitchens and Baths*

*Volume Seven: Electrical/Electronics*

*Volume Eight: HVAC/Plumbing*

*Volume Nine: Site Work*

Available from PATH, Suite B 133, 451 7th Street SW, Washington, DC 20410. Fax 202-708-4250 or see [www.pathnet.org](http://www.pathnet.org).

See question number 6 of Worksheet III, *Rehabilitation Program Set-Up*, in this publication for additional information on recommended resources for a library that will assist staff in self-training in current methods.

#### ***4. Technical Advisor to the Program***

- A. No one. It is recommended that at least three names be on this list. For all programs, the question is not if the staff's technical knowledge is sufficient to address all possible problems, but when will the staff's technical knowledge break down. Construction, particularly rehabilitation of existing structures, is a complex activity, and changes to methods and materials are ongoing. All staff should have access to an electrician, an HVAC specialist, a plumber, and a structural engineer. Staff should also have access to an expert in accessibility and lead hazard reduction.
- B. Four or more names. Very good. Continue to maintain and update the list.

#### ***5. Proofreader***

- A. No one. All written products should be proof-read for clarity, spelling and obvious errors before being circulated externally. This minimizes embarrassing mistakes, and ensures that a high standard and the best quality and information are provided.
- B. Anyone. Good. Anyone other than the primary writer should proofread all documents. This might be a strong administrative assistant, another rehabilitation specialist, a manager, or the executive director.

## ***6. General Conditions***

- A. Yes. Very good. These should be at least one page long and no longer than three pages.
- B. No. It is imperative that each work write-up has attached to it a set of general conditions for the job so that basic job requirements are well understood by all parties. The general conditions are a list of requirements that apply to major portions of the scope of work if not the entire job. The type of items that would be included in the general conditions are: definitions of install, repair, replace; standard work times on a job; the requirement to provide new materials; or the requirement to identify measurement discrepancies at the bid submission. By using a general conditions statement, there is no need to repeat these requirements in every single specification.

The general conditions should also be included in the contract and/or in the contractor's manual. However, it is a good business practice to include them in full in the work-write up, and not simply reference other documents because (1) the redundancy emphasizes their importance, and (2) homeowners frequently read the work write-up, but not the other documents, and it is important that homeowners understand these requirements as well.

There is a set of specifications available from the Enterprise Foundation that includes a number of general requirement specifications. These can be accessed through The Enterprise Foundation's Developer Support System, at [www.enterprisefoundation.org](http://www.enterprisefoundation.org) and modified for local use.

## ***7. Time Between Initial Inspection and Final Work Write-Up***

- A. Less than 10 days or two weeks. Very good, this is a reasonable length of time. It keeps projects flowing. Five days or less is ideal.
- B. In excess of 30 days. If the write-up time often exceeds 30 days, evaluate why. The most likely delay is a bottleneck in the system, and this might be with the owners, the rehabilitation program staff, or the approval process. For most programs, bottlenecks of this magnitude will cause significant delays in overall production, frustrate affected parties, and make it difficult to maintain sufficient volume through the system to meet production goals.

## Summary of Lead-Based Paint Requirements

Rehabilitation Hard Cost (Subpart J)			
	<\$5,000	\$5,000–\$25,000	>\$25,000
Strategy Level	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	All 6 types	All 6 types	All 6 types
Lead Hazard Evaluation	Paint testing of disturbed surfaces	Paint testing and risk assessment or presume lead	Paint testing and risk assessment or presume lead
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation with construction workers	Interim controls or standard treatments using trained or supervised workers	Abatement using abatement workers and supervisor
Work Practices	Safe work practices Worksite clearance	Safe work practices	Safe work practices
Ongoing Maintenance	HOME funded rentals only		
EIBLL Requirements	No	No	No
Documentation	Notice Evaluation Clearance Report	Notice Evaluation Clearance Report	Notice Evaluation Abatement Report

## ***8. Performance Manual***

- A. Yes, the program uses a performance manual. Great. Performance manuals are a good way to clarify extensive details from line item specifications.
- B. No, the program does not use a performance manual. A performance manual (also known as master specifications, performance specifications, or general specifications) is a rehabilitation program's custom reference manual. It provides a list of detailed requirements for individual material and methods that apply to all work undertaken by the program. The program develops detailed instructions for each task on a standard rehabilitation job, such as hanging gypsum wallboard. Typically, these instructions are at least one paragraph, but no longer than one page. Any individual work write-up can then refer back to the instructions in the performance manual, rather than re-stating what could be tens, if not hundreds, of pages of explicit construction directions.

Generally, the manual starts with the program rehabilitation standard and adds to it specific instructions related to materials, construction or installation, and performance requirements of the construction elements. For instance, the rehabilitation standard would state how many linear feet of kitchen cabinet must be required in a unit of a certain size. The performance manual would then specify the construction of the cabinet, the materials of the cabinet, the types of screws that would be used, the tolerances for level, the amount of weight required in drawer tolerance, etc.

Programs that use computerized specification writing systems and a small group of pre-qualified contractors may not require a performance manual to get high quality jobs. However, from an organizational and staff training perspective, most programs benefit from working through the details in a performance manual to identify how the rehabilitation standards become job site components. The use of a performance manual tends to increase in the quality of work for the clients for most programs.

The easiest way to create a performance manual is to obtain an example and modify it for your local geography and construction requirements.

### ***For More Information***

*Visit <http://www.4specs.com/> to access over 7,400 manufacturers' websites for the construction product specifications, CAD details and CSI-formatted specifications.*

## **9. Lead Requirements**

- A. Yes. Great!
- B. No, or
- C. Not Sure. Here's a helpful chart of the basic requirements for rehabilitation:

### ***For More Information***

*Two HUD sponsored training courses, Learning the Rules (introductory) and Making It Work (advanced) introduce the lead paint requirements for all participating jurisdictions. For information about this training see the Community Planning and Development Training Website at <http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/coursedes.html>.*

*See Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing, U.S. Department of Housing and Urban Development, HUD-7600, July 1995; \$45 and \$15 for Chapter 7 Update.*

*See Lead Paint Safety: A Field Guide for Painting, Home Maintenance, and Renovation Work, U.S. Department of Housing and Urban Development, HUD 1779-LHC, June 1999; Free. Call 1-800-424-LEAD or see HUD's Office of Healthy Homes and Lead Hazard Control, at [www.hud.gov/offices/lead](http://www.hud.gov/offices/lead).*

## **10. Owner Approval**

In loan programs, all owners and owners' counselors should review each line item of the specifications. If there is any misunderstanding, the rehabilitation specialist must make a special trip to the site to clarify the misunderstanding.

## **11. Inspectors**

- A. None. Typically, outside inspectors should be used where licenses or certifications are required. In most states, this includes termite inspections, unusual structural repairs that would require a practicing engineer or architect, and lead-based paint inspections and risk assessments. Some PJ staff may be licensed to perform this work.
- B. 3 or more. Good job.

## **12. Bid Addenda Prior to Bid Award**

- A. Less than 20 percent. Very good. This means the program staff is accurately and thoroughly investigating the job the first time. The rehabilitation specialist is creating good specifications detailing the building requirements that reflect the contractor's local methods of



construction.

- B. More than 50 percent. If your program is at more than 50 percent, this can be very inefficient because it requires additional review specification approval time by staff. The individual rehabilitation specialist writing up the job should consider a more thorough initial inspection and/or a larger repertoire of repair options. Using an inspection checklist will help with missed items. Inspection tools should decrease guesses about the site conditions.

### ***For More Information***

*See Rex Cauldwell, Inspecting a House, Taunton Press, 2000. Available from Craftsman Book Company, P.O. Box 6500, Carlsbad, CA 92018-9974; \$24.95.*

### **13. Bid Accuracy**

- A. More than half of the time. This is very good and indicates your cost estimating is generally sound and accurate. With an active contractor pool it is not unusual that the standard deviation or the range of bids would be much greater than + or -10 percent. If the program is consistently projecting + or -10 percent of the lowest bid, it is pursuing value while protecting the owners from bids that are significantly lower than feasible. If your cost estimating system relies exclusively on the expertise of a rehabilitation specialist and it is not documented, it would be prudent to have the specialist generate documentation for others' use.
- B. Less than half of the time. It is important to investigate whether the computer database or the rehabilitation specialist's memory should be revised, or if there is just a normal standard deviation in excess of 10 percent in the market.

Generally, there are three basic methods for maintaining cost data:

- 1) In a computerized specification and cost estimating program database;
- 2) In cost estimating manuals which are factored for the local area; or
- 3) In a local cost file of itemized per-unit costs from past bids.

Where itemized bids are required from the contractors, the creation of a 200-page local cost file comparing past unit prices is always the most accurate and meaningful way to collect cost data. In the long run, it is the basis for all of the other methods of cost estimating. In this local cost file, each individual page or spreadsheet will list a single specification, for instance: 240 lb. asphalt fiberglass roof per square foot. For each job where contractors had previously bid this item, you insert the unit price per square foot of roofing. Once you have costs from at least twelve contractors, you can use the average of these costs to project fair estimates of future costs. At least once a year, and preferably twice a year, the local cost file should be updated by inputting cost information from recent bids.

## ***For More Information***

*See Cost Saving Construction Opportunities and the HOME Program, U.S. Department of Housing and Urban Development, HUD 1503-CPD, Dec 1994. For a copy of this HOME model program guide see HUD's Office of Affordable Housing Programs' online library at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.*

## **14. Tools**

- A. No one. It may be time to update the program's tools. An essential set of tools might include: a sonic tape measure for taking room dimensions rapidly, a ladder, a set of binoculars, a camera, a moisture meter, disposable or washable coveralls, and a HEPA filtered respirator and goggles. There are several hand and electronic tools that accelerate and make the inspection procedure more accurate that can be added to this basic kit for \$100–\$1500. Programs with specialized missions such as energy efficiency or hazardous material evaluation might consider additional items, such as blower doors, carbon monoxide monitors, XRF analyzers, infrared cameras, and other specialized equipment.
- B. The rehabilitation specialist. When the rehabilitation specialist supplies the tools, they are usually better maintained. For many workers, however, the purchase of the specialized tools can impose a major financial burden.
- C. The program. Optimally, organizations should provide necessary tools to each rehabilitation specialist, particularly when the use of the tool can make the specialist more efficient. Given the cost of these tools, a good business practice might be to provide the tools one time to each rehabilitation specialist, with the understanding that they have the responsibility to care for the tools and must return them at the end of employment with normal wear and tear.

## ***For More Information***

*See Professional Equipment Catalog, 90 Plant Avenue, Suite 3, Hauppauge, NY 11788-3813. Call 1-800-334-9291 or see [www.professionalequipment.com](http://www.professionalequipment.com).*

## **VI. Bidding and Contracts**

All funders have rules for the use of their money. The Federal government has procurement rules related to purchasing construction services that apply to the HOME Program. There are explicit procurement rules for jobs over \$100,000.

In 2003, the country is experiencing a major shortage in qualified contractors. The single most important activity that a rehabilitation program can perform well is to attract adequate contractors to its pre-qualified pool. Without great contractors, no program can function efficiently. This section verifies that a sufficient number of contractors know about work availability; that the owners understand what they are eligible for and select their preferences in colors, shapes, and styles. Programs must examine how long this process takes, and evaluate if scheduling and budgeting jobs are done efficiently.

## **Questions**

### ***1. Procurement Issues***

A. Yes, procurement issues are raised in audits and monitoring reports.

Procurement requirements seem complicated because the applicability of the rules vary depending on who is conducting the procurement and what good or service is being procured. The size and scope of the contract will affect the type of procurement procedure that must be followed.

For many rehabilitation programs, the first question to address is whether or not the procurement rules apply to the contractor selection process. This is determined by who is selecting the contractor.

When a private entity is procuring the service, the Federal procurement rules do not apply. This means that Federal procurement requirements do not apply when a private developer or a private property owner makes the contractor selection. This includes procurements conducted by nonprofit organizations that are, for the purposes of the HOME Program, serving in the capacity of developer.

When a local public entity, or nonprofit subrecipient is selecting the contractor for a project that has Federal funds invested in it, in whole or in part, Federal procurement rules do apply. A state participating jurisdiction is required to follow state procurement requirements and procedures, rather than the Federal requirements. In some states, state-chartered authorities (such as redevelopment authorities), may also be subject to state, rather than Federal, procurement rules.

The specific procurement requirements are described in detail at 24 CFR Parts 84 and 85. 24 CFR 85.36 governs procurement by grantees and other government agencies acting as subrecipients. Part 84 governs procurements by subrecipient nonprofit organizations. In general, the Federal procurement rules require that all procurements be conducted in a way that encourages free and open competition to the maximum extent feasible. The methods vary depending on the size and scope of the contract. Question 2, below, describes the typical methods for construction contracts.

Many programs are designed in a way that it is not always easy to determine who is doing the procurement. Consider:

- The local entity solicits bids, selects the winner of the contract and then has the project or property owner sign the contract with the contractor. In this type of program, the local entity has procured the contractor because the local government made the critical decision relating to the contractor selection. This procurement must follow Federal requirements.
- An owner or developer selects the bidders and the winner of the contract but the local entity maintains approval authority. Here, the private party has made the contractor selection, since the local government did not make the critical decision relating to the procurement. Therefore, the procurement does not have to follow Federal requirements.
- A PJ provides a list of prequalified contractors for the property owner to choose from. Contractor selection in this type of design is shared, to a certain extent. It is advisable for the PJ to ensure that the list of prequalified firms is generated through free, open and competitive methods. The list should be substantial and present a number of choices for the property owner. Finally, the property owner must be fully advised of his or her right to explore any contractor of his or her choice.

Remember, a nonprofit organization may serve as a private contractor or a subrecipient. For additional clarification, for CDBG-funded activities, see HUD's Guidebook for Grantees on Subrecipient Oversight—Managing CDBG for clarification of when a nonprofit is a subrecipient. For the HOME Program, see 24 CFR 92.504 and 92.505.

*Note: A local government's selection of a subrecipient to administer the entire rehabilitation program on its behalf does not constitute procurement and is not subject to the Federal procurement requirements.*

*Procurement actions are also subject to conflict of interest provisions detailed in Parts 84 and 85. Essentially, these rules prohibit persons with a financial or other interest in a transaction from participating in any procurement solicitation or selection. This includes a prohibition on employees awarding or managing contracts that might go to their direct relatives, or anyone in business with them or their direct relatives.*

The HOME Program carries additional conflict of interest provisions (at 24 CFR 92.356) that apply to all entities, regardless of whether or not the Federal procurement rules apply. These provisions prohibit 1) employees and other representatives of PJs, state recipients and subrecipients from obtaining a financial interest or benefit from any HOME assisted activity; and 2) owners and developers of HOME-assisted housing and their employees and other representatives from occupying HOME-assisted units.

B. No, procurement is easy for us. Great! Keep up the good work.

## ***2. Over \$100,000***

- A. No, the program has no jobs over \$100,000. If the procurement requirements apply to the contractor selection, in accordance with Question 1, your program is required, at a minimum, to solicit price and rate quotes from an adequate number of qualified sources prior to contractor selection. The lowest responsive quote should be accepted. These price and rate quotes, and any justification for selecting a firm other than that which provided the lowest price quote, must be documented. The records of the solicitation must be maintained for a period of three years after the project is closed out.
- B. Yes, the program has jobs over \$100,000. When Federal procurement requirements apply, there are specific rules that apply to larger projects, currently defined by regulation as those projects where the contract is more than \$100,000. Review the following procurement requirements to be sure your program is in compliance. These rules are triggered by the contract size, whether the contract is funded in whole or in part by Federal funds.
- 1) Sealed bidding is generally required. This formal bidding process requires publication in a local paper of an invitation for bids that contains:
    - The address of the property and specification of the scope of work;
    - The location and time that bid documents can be obtained;
    - The deadline, time, and place for submission of the bid; and
    - Notice of time and place bids will be opened.

In a sealed bidding situation, the program is required to select the lowest responsible bid, and to make a public announcement of the award.

- 2) Bonding. 100 percent payment and performance bonding is required for all contracts over \$100,000.
- 3) Section 3 of the U.S. Housing and Urban Development Act of 1968 (“Section 3”) requires that economic opportunities generated by the use of HUD funds be provided to and benefit low- and very low-income residents of the project areas in which HOME funds are invested, to the greatest extent feasible. These economic opportunities include job training, employment and contracting opportunities. Providing economic opportunities to residents of the project area is required for all construction contracts over \$300,000 in Federal assistance. It is recommended for all contracts. The application of Section 3 requirements to HOME Program activities is explored in the forthcoming HUD publication Fair Housing for HOME Program Participants: Creating Economic Opportunity.

The availability of this publication will be announced online at HUD's Office of Affordable Housing Programs' online library at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.

### ***For More Information***

*Review the procurement regulations, 24 CFR Parts 84 and 85. These can be accessed in the Code of Federal Regulations, available online at the National Archives and Records Administration website at <http://www.gpo.gov/nara/cfr/index.html>.*

*If your program uses the services of consultants, review HUD Notice CPD-96-05, Procurement of Consulting Services by Community Development Block Grant (CDBG) Grantees, HOME Participating Jurisdictions, and Subrecipients.*

*See HUD Notice CPD-98-9, HOME Conflict of Interest Provisions for a fuller discussion of the conflict of interest requirements and applicability for HOME-funded programs. This Notice is available on HUD's Office of Affordable Housing Programs online library at HOME CPD Notices and Attachments, <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/index.cfm>.*

*To facilitate record-keeping and monitoring of your records, use HUD's monitoring checklists found at HUD's Office of Affordable Housing Programs' online library at HOME Forms, <http://www.hud.gov/offices/cpd/affordablehousing/library/forms/index.cfm>.*

### ***3. Bid Notification***

- A. Multiple methods. Very good.
- B. A single method. Competition generally benefits the program, and therefore it is important to be sure that you are reaching as many qualified contractors as possible. There are many avenues for reaching potential contractors. Typically, PJs use formal advertisements through newspapers and trade publications, and maintain contractor lists for direct notification and solicitation. Direct phone calls by the rehabilitation specialist to announce availability of upcoming work is also extremely effective. Remember, outreach strategies should be applied consistently, without demonstrating any preference for certain firms.

If construction contracts are over \$100,000, Federal procurement rules apply. See question 1 in this section for more information about these requirements.

#### ***4. Pre-bid Inspection***

- A. Yes, typically there is a pre-bid inspection. Pre-bid inspections can add clarity to the scope of work and specifications. However, they also take a significant amount of time and can, therefore, increase costs. Balance the need for pre-bid inspections with these time, cost, and production considerations.
- B. No, typically there is no pre-bid inspection. As long as the quality of the jobs and homeowner satisfaction is remaining high, this is acceptable.
- C. Sometimes there is a pre-bid inspection. This makes sense because there typically are at least a few jobs that are unusual, with very specialized requirements. In these cases, a pre-bid inspection is an essential way to head off misunderstandings in the future.

#### ***5. Owner Selection Checklist***

- A. Yes, owner selection checklists are used. Very good. It sets up owner expectations and helps to focus energy.
- B. No, owner selection checklists are not used. An owner selection checklist is a location-by-location list of options that the property owner has approved for their job. It might include: paint colors; vinyl flooring patterns; exterior siding patterns, shapes, types, and colors. It is a document that helps to shape owner expectations and clarify what features the owner may select and which have been predetermined by the program specifications and scope of work. If you do not have an owner selection checklist, use examples or create a new checklist that is useful for your program. By having a checklist, a program can head off 50 percent of all material selection misunderstandings.

#### ***6. Pre-construction Conferences***

- A. Yes, pre-construction conferences are held. Good. Pre-construction conferences are essential for winning bidders.
- B. No, pre-construction conferences are not held. All programs with direct construction monitoring responsibilities must have a pre-construction conference with the winning bidder of each major phase of work. A pre-construction conference is a pre-start, job site meeting between the prime contractor, potentially other major subcontractors, the owner of the property, the occupant of the property, and the rehabilitation specialist. The purpose of the meeting is to discuss details on roles and responsibilities, timing, and to clarify the scope of work. In almost every job, the general contractor, the lead abatement subcontractor, and other subcontractors with unusual roles in the job are required to attend. The owner verifies its role in relocation, providing utilities, security issues, packing, and insurance

requirements. The owner, the contractor and the program rehabilitation specialist walk the job re-inspecting every single item on the scope of work to clarify any minor last minute differences in understanding.

## ***7. Adequate Contractor Pool***

- A. No. This is potentially the most important task of a rehabilitation specialist. The specialist should spend up to one day each week until there is a sufficient number of contractors of high quality and responsive contractors to operate the program smoothly. Great rehabilitation programs rely on great contractors. They are a partner, not an adversary.

Good places to find contractors include:

- Referrals from good subcontractors;
- Other rehabilitation programs;
- Neighborhood job inspections;
- Building inspectors; and
- Lumberyards.

- B. Yes. Good. Continue to take care of your contractors to ensure retention.

## ***8. Re-bidding***

- A. Less than 2. This is acceptable. While some programs can go years without re-bidding jobs, every once in awhile there may be a large enough discrepancy in the specifications and the contractor's proposals that re-bidding is required. When the rehabilitation specialist thinks it is a \$20,000 job and all of the bidders come in at \$30,000, it is a clear indication there is a difference of opinion about the job requirements.
- B. More than 2. Frequently re-bidding jobs has a negative impact on efficiency and is not recommended. Jobs might be re-bid for a number of reasons, typically due to lack of funds. Jobs should be weeded out for incompatibility or an infeasible scope of work much earlier in the process, preferably at the client intake stage. The contingency should not have evaporated by the time the bids have returned.

## ***9. Construction Schedule***

- A. No one. Schedules are important to keep a project running smoothly and to ensure that production goals are met. Without a schedule, the rehabilitation program can lose control of its workload. At a minimum, a simple calendar or bar charting program that tracks initial inspection, job start, job completion and warranty inspection allows a rehabilitation specialist to project how many units he or she is



expected to complete over the year and which months will be the heaviest for field activity. Schedules allow you to anticipate and plan for ebbs and flow in workload. This is necessary in order to operate a healthy rehabilitation program.

- B. The rehabilitation program staff. Typically, this is the best response. Most computerized rehabilitation programs can rapidly develop a construction schedule containing at least milestones of payment and completion dates. Many contractors do not own or know how to operate scheduling software. A simple Housing Developer Pro milestone sheet could be provided to the contractor as guidance for completing the job within the established length of time.
- C. The contractor. This is fine as long as the contractor is able to produce a schedule that is legible and realistic.

### ***10. Cost Breakdown***

- A. No one. This is not recommended, but might be acceptable on jobs where you pay one lump sum at completion with no draws. Without a cost breakdown, there is no basis on which to make interim payments, and no consistency in applying cost standards to all contractors.
- B. The rehabilitation program staff. This is a good business practice. The cost estimate values in the computerized software can be factored to match the actual bid. This very accurate and detailed trade payment breakdown should be used to pay all contractors the same amount for a kitchen sink, a kitchen cabinet, a square foot of drywall, etc.
- C. Contractor. Allowing the contractor to create the job cost breakdown allows for front-end loading. It leads to a different value for every contractor on every job.

### ***11. Start Delays After Bid Acceptance***

- A. Less than 15 days. Good. This signifies that the program has responsive contractors who are not extremely overloaded and the pool of pre-qualified contractors is well managed.
- B. More than 45 days. This number is only acceptable in extremely tight markets, or where the contractors are providing beneficial pricing and therefore it is worth waiting for them. If the wait becomes in excess of 120 days, it is time to get more contractors into the pool and consider paying more for the same scope of work, to improve start times.

### ***12. Construction Contract Provisions***

- A. All of the provisions. That's great. Be sure that your attorney reviews

and approves this standard contract format on a periodic basis to ensure that it is updated to include new or modified requirements. If you are a contractor, state recipient, or subrecipient of the PJ, it is prudent to have the PJ's legal counsel review the standard contract format as well.

- B. One, and
- C. 4 or more

The contract between the owner and the construction contractor is the most basic agreement in the entire rehabilitation process. For a modest rehabilitation job, a good contract is more expansive than a simple two-page or one-line document, but may not need to be as detailed as and the 28-page, very-fine-print document that is advocated by the American Institute of Architects. All of the following elements are basic components of the rehabilitation contract, and should be included:

- 1) Identification of the legal parties to the contract;
- 2) A scope of work;
- 3) The dollar amount;
- 4) Reference to performance standards;
- 5) HOME requirements, local codes, and other applicable Federal

requirements;

- 6) Dispute resolution clause; and
- 7) Signatures and dates of all property owners and the contractor's legal

representative.

If your program needs to develop a new standard contract, the easiest way to start is by modifying a contract that has already been shown to be practical in another jurisdiction in your state. Another option is to start with a contract from a generic rehabilitation document set. After modifying the clauses to meet the program's practical requirements, it should be thoroughly reviewed and approved by the organization's attorney. If you are a contractor, state recipient, or subrecipient of the PJ, it should also be reviewed by the PJ's attorney.

### ***VII. Construction Monitoring***

During construction, rehabilitation specialists need to clarify the scope of work, head off minor personality conflicts, and facilitate payment to contractors. A lot of these activities are involved in risk control. Programs that attain high production goals, with high owner satisfaction and no liens or defaults are to be applauded. It is during construction that the fruits of planning, contractor selection and owner education are harvested. If the rehabilitation specialist has done a good job up to this point, the construction process will proceed smoothly. If not, it can be a period of repeated minor emergencies and calls for clarification. At the same time, the specialist is documenting the process approving funds to be released and punching out minor items. This role as a documenter of the process and progress on the job is important, not only to defend the organization in the event of claims, but to provide proof of compliance to funding sources.

## ***Questions***

### ***1. Mediation Rate***

- A. None. Good going. In a perfect world, the rehabilitation specialist would be able to negotiate and balance every job.
- B. More than 5 per 100 jobs. Given human nature, and the complexity of the work involved, some disputes are inevitable. However, when two or more disputes per 20 jobs break out over a year that cannot be solved in the field or with additional clarification in mediation, look for underlying problems.

### ***For More Information***

*See James Acret, Simplified Guide to Construction Law, Building News, 2001; \$34.95. Available from Craftsman Book Company, P.O. Box 6500, Carlsbad, CA 92018-9974.*

*See James Acret, National Construction*

*Law Manual, Building News, 2002; \$69.95.*

*ISBN 1-55701-392-6 – Craftsman Book Company, P.O. Box 6500, Carlsbad, CA 92018-9974.*

*See James Acret, Arbitration of Construction Claims, Building News, 2000; \$34.95. Available from BNI Building News at 1-888-264-2665 or [www.bnibooks.com](http://www.bnibooks.com).*

### ***2. Contingency Exceeded***

- A. Less than 10 percent. Good going. This is usually a sign of accurate work write-ups and quality contractors.
- B. More than 25 percent. The contingency fund is for unforeseen problems. Potentially the contractors are working both the homeowners and rehabilitation specialists to boost their volume by spending the additional funds. While this may seem acceptable if the quality and scope of work continue to reinforce program goals, it would be preferable to plan for these additional items at the outset.
- C. More than 50 percent. Except in programs where the contingency fund is available to the homeowners to spend if it is not required, the reason(s) for exceeding the contingency on a regular basis should be checked out. It may be a sign of abuse of funds or inaccurate specifications.

### ***3. Job Defaults***

- A. None. With the creation of a high quality pool of construction

contractors, defaults will continue to be few, if any.

- B. Any. With a pre-approved pool of contractors and ongoing monitoring, contractor mid-job defaults should not occur even in this most risky of businesses. If there is a default, the next question to ask is, “how much money did the program or the owner lose in rectifying the default?” Remember, the program will need to repay any HOME funds invested in the defaulted job. Review the process that led to the default and try and determine what, if anything, the organization could have done differently to prevent the default. Make whatever systems changes might be necessary to prevent this in the future.

#### ***4. Draw Approval***

- A. Yes. This is the only correct answer for loaned funds. Since the owner has borrowed the funds, it is the owner’s, and he or she should be approving the work and payment on his or her own behalf. The rehabilitation specialist will be approving the amount based on a lender’s viewpoint. Even where funds are granted, it is a good business practice to require owner approval.
- B. No. There is high potential liability involved in approving construction payments with the owner’s borrowed funds. Almost invariably, this leads to disagreements about job completion and proper execution. In grant programs of a limited scope, some rehabilitation programs pay the contractor without the owner’s concurrence. Consider empowering the owners; they must operate the home after the work is complete.

#### ***5. Inspection Log***

- A. Yes. Very good. It helps management and funders see how the jobs are progressing. It also creates a job record that is extremely useful in cases of mediation, arbitration, and other forms of dispute management.
- B. No, or
- C. Sometimes. Start this procedure as soon as possible. List job visits, photos, job status, and note discussions with owners, contractors, and others.

#### ***6. Punch List***

- A. The owner. The owner can draft a punch list, but the rehabilitation specialist should also inspect and list the deficiencies from the program’s viewpoint.
- B. The contractor. Contractors should pre-punch jobs, but by contract, the owner has the final say. The contractor’s pre-punch list is an internal quality control process. The contractor or their superintendent

thoroughly investigates the completion of the scope of work and signs off on each item before requesting that the owner and the rehabilitation specialist develop their detailed final punch list.

- C. All parties. This is the best system. The contractor, the owner, and the rehabilitation specialist should jointly prepare a final punch list after the contractor has completed a pre-punch list quality control inspection. Leaving one of the parties out of the punch list process always opens it up for future re-negotiation.

## ***7. Lien Laws***

- A. Yes. Release of liens laws are very specific state by state. There are a few national models but they would be inappropriate to adopt in any given state. It is extremely important that the lien protection system conform to local requirements. Solicit advice from an attorney skilled in construction litigation. See James Acret's book *Construction Law for Contractors or National Lien Laws* for more information.
- B. No. Starting using it now!

## ***For More Information***

*See James Acret, National Mechanics Liens Handbook, Building News, 2001; \$70.00. Available from BNI Building News at 1-888-264-2665 or [www.bnibooks.com](http://www.bnibooks.com).*

## ***8. Photos***

- A. Yes. Very good.
- B. No. This is your best defense, proof of accomplishment, and environmental record. Photographs should be used to document all questionable items—be it an improper material, a low quality installation, a difference of opinion, or a misunderstanding of a specification. Photographs are also the best way to show before and after changes. They provide a marketing tool for the program because photos allow you to show off your best work. They prove the job complies with the lead containment standards. Start using photo documentation this week. Use disposables, a digital, or Polaroid—but start this week.

## ***9. Jobs in Progress***

- A. 10 or less. Except in the northern section of the United States where there are very few warm working days, most rehabilitation specialists should be scheduling and pacing their work items to balance the load evenly over the year. More than 10 jobs at one time with an annual goal of 25 is clearly out of balance.

- B. B.20 or more. Unless you are very productive (50+ units per person, per year), this is too many jobs in the pipeline. In the spring, northern climates may experience many “exterior only” jobs being completed as the warmer weather allows.

## ***VIII. Warranty and Evaluation***

Most jobs are only as good as the warranty of the general contractor who installed them. Keeping a written record of the program’s accomplishments is important for organizations to learn and improve. Well-functioning programs should use evaluations as an opportunity to document and celebrate successes. The board or senior management should visit jobs to learn more about the “front line” work of the organization and to demonstrate support for the rehabilitation program and its execution.

### ***Questions***

#### ***1. Evaluations***

- A. Yes. Good. It is important to maintain a record of performance for each job completed, from the perspective of each party involved in the job—homeowner, program operator, and contractor.
- B. No. Evaluations provide constant feedback as to how the program is operating, and allows mid-course corrections. A good program operator is usually eager to see evaluation results, and learns from constructive feedback provided therein. This can be easily maintained in a three ring binder. In a sense, it can serve as the program’s “pay” for a job well done, and can help the organization track its progress over time.
- C. Sometimes. Doing evaluations only when the program is having problems, when starting a new project, or on a random basis, can be helpful, but the information is not as reliable or comprehensive as it is when using a simple, but constant feedback system.

#### ***2. Compliments***

- A. These compliments highlight the program’s strengths and benefits. The best compliments from owners relate to high quality work completed under budget, on time, with very helpful personnel. This is what clients like. Compliments from contractors should relate to ease of working with program and staff, prompt payments, fair treatment and professional specifications. While striving to make improvements, be sure to continue to exercise these strengths.

#### ***3. Complaints***

- A. Complaints should be minor, almost complimentary in nature, such as, “I wish we could have done more work” or “I’m sorry to see the rehabilitation specialist go.” Categorize, quantify and follow up on complaints. Determine why the complaints are made and whether they are based on misunderstanding or differences in expectations, or if there have been actual performance failures, or if there is a basic flaw in the process. Complaints that recur should be evaluated with particular care.

#### ***4. Field Oversight***

- A. None. Ask senior staff and board members to visit some projects. It helps them understand the work and the challenges presented in the field. Ideally, at least once a year board members or senior management, particularly the construction committee, should randomly visit: two works in progress; the household with the worst evaluation on file for the last six months, and two households with the best evaluations on file for the last six months. This once a year snapshot will give great feedback and help the board give supportive direction to senior staff of program policy.
- B. At Least 2. This is a good start, but encourage the senior management team to visit the cross section of jobs described above.
- C. 6 or more. Good. Keep up the policy.

#### ***5. Warranty Enforcement***

- A. Yes. Follow-up inspections are the best feedback mechanism for a rehabilitation program. It helps you learn about the materials you have specified; about the installation methods; and about the lifestyles of your clients – what holds up and what does not. It puts the rehabilitation designer in a position to win from all directions although it clearly is going to require more work. Contractors who do not fulfill their warranty responsibilities must be removed from the bidder’s list after a mediation hearing.
- B. No. This is an important step to implement. Many programs believe that the warranty is between the owner and the contractor and they stay as far away as possible. Many times the program can be more efficient in solving problems before they escalate.
- C. Sometimes. This is an okay answer when the program says, “If the owner and contractor cannot handle it on their own, then we show up and help.” It is a very efficient system if quality contractors are responsive to owner requests.

#### ***6. Skills***

- A. Share these accomplishments with the senior management team and

describe for them how the program is able to do those activities so well. Do not lose sight of your accomplishments during the tune-up!

## ***7. Areas of Improvement***

- A. Clarify these areas of improvement and discuss with the senior management team. Be sure senior management understands why these areas are important, and the impact it would have on the program if these areas were improved. Be sure to address these issues in the action plan.

### ***Step 4:***

## **The Action Plan**

Once you have completed the diagnostic worksheets and reviewed the results of Step III, the Trouble-Shooting Guide, you should have a clear picture of the improvements that are needed to fine tune your program. If the organization is serious about making improvements, the Rehabilitation Manager should work with the Executive Director and senior management team to establish a priority for improvements and determine who will be responsible for making the necessary changes. The notes you have maintained throughout the tune-up process should be the starting point for the improvement goals you set. These decisions should form the basis of an Action Plan to make changes to improve program operations. To ensure ongoing progress and accountability, regular reporting to the Board or senior management on the status of the improvements may be helpful.

The Action Plan should include a list of goals and task descriptions and identify the responsible party, resources available to accomplish the task, and a due date. If the self-analysis has revealed any major areas of improvement for the organization, seek additional resources that can assist in understanding and overhauling that area of operation.

Great action plans are multi-dimensional. It is not possible to become the most efficient and effective program by only reading books or browsing the Internet, although these resources are valuable. Make sure you convene team meetings to get information from, give information to, and motivate employees. Consider computerization and various software programs that can help the team be more efficient with their time, and more accurate and effective in their work. Visit other programs to get new ideas. Stock the library with necessary reference books, and update the tools in the program's inventory. The pursuit of program excellence is a pro-active endeavor!

Make sure the action plan includes help from the following areas:

- **Tools:** Some common tools are inspection tools, computers, cell phones, and sonic tape measures.
- **Training:** Several HUD trainings have been identified throughout this publication. In addition to those cited, consider general construction-related courses such as the HUD-sponsored On Solid Ground and Lead Hazard Reduction courses. Information on these and other relevant trainings can be found at the Community Planning and Development Training Website at



<http://www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/Welcome.html>.  
 Also explore the Neighborhood Reinvestment Training Institute's certification program at  
<http://www.nw.org/network/homeFramex.asp?searchfor=08>.

- Modifications to procedures: Only fix what is broken after carefully verifying it as the real problem.
- Policy modifications: Review the Rehabilitation Specialist Manual of Practice available through the Urban Renovation Consultants at [www.urcusa.com](http://www.urcusa.com).
- Mentoring or expert advice: If this tune-up process has identified serious concerns, seek the advice and assistance of experts. Ask for technical assistance from HUD. Hire rehabilitation program consultants, if needed. Start with concrete, measurable improvement objectives and then build on your success in small, measured steps.
- Reference materials, books, and websites should be used when you need additional information.
- Site visits to highly effective programs: Always visit the best local programs and ask what they are doing differently.

Sample Action Plan

Rehabilitation Tune-Up

Program: N.C. Rehabilitation, Inc. Date: 04/03/03

Goal/Task Descriptions	Responsible Party	Resources	Due Date
<b>1. To develop clearer policies and procedures to guide our construction management and property management operations.</b>		Capital needs assessment guide	
a) Develop a property management maintenance work order and procedure for tracking this in order to: <ul style="list-style-type: none"> <li>• Ensure timely follow-up on work orders.</li> <li>• Track maintenance costs per property.</li> <li>• Track efficiency of personnel.</li> <li>• Track frequency of different components.</li> </ul>	Gene	Excel spreadsheet  Review County checklist  Buy Cost Estimating Manual @ \$82	6/30/03
b) Develop a preventive maintenance plan.	Gene		6/30/03
c) Review software packages for customizing.	Armand		4/30/03
d) Computerize the following reports: <ul style="list-style-type: none"> <li>• Quarterly report to City.</li> </ul>	Armand		5/30/03

<ul style="list-style-type: none"> <li>• Construction progress reports.</li> <li>• Tenant and homebuyer profiles.</li> </ul> <p>e) Develop a clear construction draw procedure and policy.</p> <p>f) Housing Developer Pro:</p> <ul style="list-style-type: none"> <li>• Adapt inspection checklist for use in our City.</li> <li>• Refine Master Spec prices.</li> </ul>	Toby		5/30/03
	Toby		6/30/03
<p><b>2. Train the new construction manager in the use of the Single-Family Selective Rehabilitation Process Manual.</b></p>	Toby	Review Rehabilitation Specialist Manual of Practice. Consider 5-day training program at NRTI.	4/30/03
<p><b>3. Develop a neighborhood database on housing stock conditions that will include:</b></p> <ul style="list-style-type: none"> <li>• Addresses, owner's name &amp; address, number of units, vacant/cond., owner occupied, assessed value, demographics.</li> </ul>	Gene	Palm Pilot @ \$300  Investigate Neighborhood Pro software	4/30/03
<p><b>4. Reorganize staffing for CA's Housing Corporation</b></p> <p>a) Redefine distribution of staff responsibilities.</p> <p>b) Create, fund and fill construction manager position.</p>	Gene	Consider 2-day consultant contract.	4/15/03
<p><b>5. Review the process manuals and create a working manual for CA.</b></p>	Armand/Gene	Visit 3 local programs.  Attend <i>On Solid Ground</i> Training by ICF	5/15/03
<p><b>6. Develop a Program Work Plan for next year.</b></p>	Armand		3/1/04
<p><b>7. Develop a Rehabilitation Standard.</b></p>	Armand/Staff	Enterprise Foundation website  Create reference library - \$500	9/30/03

<b>8. Review and revise owner/contractor construction contract.</b>	Armand/Staff	Developer Support System website  Solicit legal review	9/30/03
<b>9. Cost cutting:</b> a) Make better use of the donated materials Loading Dock. b) Organize a local group to do bulk buying. c) Join Gifts in Kind.	Armand	\$150 application fee	7/30/03  1/31/03  4/30/03