The Pitfalls of Rehab Construction

Most refinancing is done to provide funds to rehabilitate forty year old buildings, undergrounds and to provide members with some of the amenities that would improve their quality of life and increase the value of their units.

This becomes a time of excitement and pitfalls that can cause untold grief because you didn't get what you paid for or expected. It is important that you get the right professionals advising you and working for you.

With these thoughts in mind you should consider the following:

**New mortgage and** preferably one without a balloon payment after several years
30 year amortization with a balloon after ten years
Select a mortgagee
Floating interest rate -no
Funds available for soft cos
Prepare a pro forma for after Rehab.

Perform a needs assessment. Make sure the person doing the assessment is familiar with the current local building code and any changes that might be coming.

Interview and hire an architect. Make sure the person is familiar with multi-family projects.

Working with the architect develop a scope of work.

After the scope of work has been decided specifications for materials and the brand names and models of any appliances that maybe in the scope of work. Do not get caught up in the impulse to designate items that are difficult to maintain.
Material Example Questions

Exterior
Roofs minimum 20 years on material and five year warranty on labor
Is there value in the materials being removed?? (ex.aluminum siding)
Windows double pane./ style
Landscaping improvement/drip irrigation
Exterior lighting
Security cameras?
Control of external water faucets

Kitchen
Cabinets should be durable with doors that have minimal joints
Vinyl flooring should be of good quality
Sinks - Stainless steel (18 gauge) or ceramic
Appliances
Exhaust

Bedroom
Closet doors

Bathroom-
vanities - one piece tops and back splash
Single or double handle faucets for tubs and sinks
Tub surround - ceramic tile or Vinyl

Flooring
Carpeting should exceed FHA specs. Quality of padding is important
Laminate flooring
Vinyl flooring
General
Phone outlets
cable outlets
Warranty Binders
Inspection protocol
Prevailing Wage HUD mortgages