RENTAL HOUSING DIVISION

REHABILITATION SUPPLEMENT TO THE RENTAL HOUSING MANUAL

U. S. FEDERAL HOUSING ADMINISTRATION
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REHABILITATION SUPPLEMENT

RENTAL HOUSING MANUAL

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PART I

PROCEDURE AND CONSIDERATIONS IN THE PREPARATION OF FHA FORM 2401-R, REHABILITATION PROJECT APPRAISAL DATA AND INFORMATION

R-1101. The Rehabilitation Project Appraisal Data and Information, FHA Form 2401-R, is designed for use by the Rental Housing Appraiser to record appraisal data and information essential in the processing of rehabilitation projects offered as securities for Administration-insured mortgages. In such projects this form replaces the Appraisal Data and Project Information, FHA Form 2401, which is required to be prepared in the processing of new construction projects, the use of which is explained in Part II, Section 3 of the Rental Housing Manual. In general, both forms employ the same method of development of significant appraisal data. However, certain important differences in the type of data reported and the emphasis placed thereon will be observed by a comparison of the two forms. Items to be considered and reported on the FHA Form 2401-R are as follows:

CAPTION

R-1102. It will be noted that the caption of the form requires insertion of the name of project, project number and date of commencement of the preparation of the form. "Location" refers to the street addresses or other locating description of all properties which will compose the rehabilitated project, the city, county and state in which the project is situated.

R-1103. "Existing Buildings: (Type, age)" requires a condensed description of the unrehabilitated buildings, such as: "20 unit, 2 story row houses, each unit containing 4 rooms, 40 yrs. old," or "40 unit, 3 story brick apartment building, developed with 12 - 3, 16 - 4, and 12 - 4½ room units, 25 yrs. old," or similar description. "Construction" will be described as "brick," "stone," "brick veneer," "frame," etc. "Units" will comprise the total number of living units contained within all of the unrehabilitated buildings. The number of "Rooms" reported at the following item will be the total number of rooms in the unrehabilitated buildings (exclusive of bathrooms and foyers). Rooms are to be reported on a factual basis, whether they may be included under the FHA technical room count or not. The presence of accessory buildings may be indicated by "yes" or "no."

R-1104. "Proposed Rehabilitation: Type and construction" shall be reported on the basis of the architectural drawings and specifications submitted as exhibits with the application or as subsequently amended by agreement between the Administration and the sponsor. Unit and room counts shall be reported on the basis of FHA technical room count. This count must be checked with the Architectural Inspector. A brief statement of "Accessory Buildings" shall be made, such as: "12 garage stalls on alley" or "corner

store 20' x 35'." The final item in the caption requires the Rental Housing Appraiser to identify the specific parcels of realty forming the subject of the data reported on the balance of the form and to indicate the number of FHA Forms 2401-R which have been prepared for the project. Inasmuch as a rehabilitation project may consist of two or more parcels of realty, preferably but not necessarily contiguous, and which may consist of more than one type of residential property (such as, row houses and apartments) with different types of services provided, the Rental Housing Appraiser may find it necessary to prepare two or more FHA Forms 2401-R appurtenant to the same project, in order to report adequately differences in rental values, hazard insurance rates, and other important data subsequently required to be reported on the form. If the use of two or more forms is indicated, the Rental Housing Appraiser shall see to it that the property or properties reported on each form are identical with those reported on the correlative Report of Architectural Inspection required to be made by the Architectural Inspector, (FHA Form 2450-R). The Rental Housing Appraiser and the Architectural Inspector shall mutually determine the number of reports necessary to satisfy the needs of both of them.

PHYSICAL, ECONOMIC, and SOCIAL DATA

R-1105. Under this heading is to be included general information concerning (A) the city, (B) the neighborhood, and (C) the subject property.

A. City

R-1106. Item A-1, pertaining to city data, requires the economic stability rating. For the present this rating may be the Economic Background rating used by the Insuring Office. It is based upon the Economic Background Rating Form (FHA Form 2096), which is provided for the use of Chief Valuators. The rating provided by this form pertains to the entire economic background area in which a site may be located. The boundaries of the area thus rated shall be carefully noted. In the event the local economic stability rating differs materially from that of the city or metropolitan area, there may be placed above the percent sign an asterisk which will refer to a footnote of explanation written in the margin at the bottom of page 1, of FHA Form 2401-R.

R-1107. Item A-2 requires a report, as of the latest available date, of the population of both the city and the metropolitan area, if the two are distinguished by the United States Census. The source of the estimate must be clearly indicated. The economic background reports filed in the Insuring Office will give

this information in a reliable form and may be quoted as the source of the estimate. The validity of many non-governmental estimates varies widely and unless reported by an unbiased source is subject to doubt.

R-1108. At Item A-3, the appraiser shall "Characterize any special climatic or geological hazards." "Climatic hazards" would include subjection to destructive wind, hail or electrical storms. "Geological hazards" would comprise earthquakes, landslides, subsidence, and floods. Where there is a tendency to recurrent threats of loss or damage from any of these sources or others against which precautions must be taken, the opinion of the Rental Housing Appraiser, as to their probable extent and effect on security must be explained in an accompanying detailed discussion. In cases where history has recorded the evidence of such a hazard but the probability of recurrence is remote, a brief mention of the source of hazard, time, and extent of damage is all that need be entered on the form.

B. Neighborhood

R-1109. "Physical." At Item 1 the Rental Housing Appraiser is required to set forth information which will facilitate the location of the subject neighborhood on a map and to indicate land contours. If the neighborhood has been named by the community, such name also should be given. (For example, "Cheltonham, N. central Pineburg, bounded by Clay, Semple, Arlington and James Streets, 3 sq. mi., gentle slope to James St., except sharp decline at bisecting railroad tracks.")

R-1110. At Item 2 the description of existing improvements may be brief but should include information relative to typical existing neighborhood structures and a brief description of non-conforming or unusual buildings which, in the opinion of the appraiser, will affect the project when completed.

R-1111. Item 3 requires a statement of the predominant type of residential structures in the neighborhood. This should also include a statement of the number of rooms per living unit most frequently found in the predominant properties. The question, "Are structures now fit for human habitation?" refers to the predominant type of residential properties, discussed immediately above, and not to the properties comprising the project.

R-1112. Item 4. If such properties exist, they may affect the neighborhood favorably or unfavorably. Neighborhood residential properties which have been previously rehabilitated and which obviously have exerted a beneficial effect on the neighborhood would, of course, be a favorable influence; whereas, heavy industrial properties emitting smoke or noxious odors, or other properties not residential, which develop dangerous or unpleasant neighborhood living conditions, would, of course, constitute unfavorable development.

R-1113. Item 5 gives the Rental Housing Appraiser an opportunity to record briefly any other favorable or unfavorable physical conditions which, in his opinion, will have an influence on the project.

R-1114. "Economic." Item 1. It is desired that the answer to this question shall indicate the principal use of properties in the neighborhood.

R-1115. Item 2. Here also the recorded data may indicate a future static or upward or downward trend of desirability in relation to the proposed project. If the neighborhood is reported as being stable, no change other than possibly the slow accumulation of further obsolescence or deterioration will be indicated. However, if the neighborhood is undergoing considerable successful rehabilitation operation or if a more desirable or intensive use of neighborhood properties is clearly evidenced, the trend will be upward. Conversely, if the neighborhood is being deserted by its present occupants to make way for those of less desirable general social and economic positions or if other undesirable conditions are developing, the trend will be considered to be downward.

R-1116. Item 3. This question is closely related to Items 1 and 2 immediately preceding. "Broad economic influences" might include establishment of new industries in the metropolitan area or the removal of such industries from the area. Therefore, this question again gives opportunity to reflect favorable or unfavorable influences which may affect the type of rental market or rent-paying capacities of prospective tenants, for whom the project is designed.

R-1117. Item 4. This question also is closely related to the economic questions which precede it. It calls for an expression of general opinion by the Rental Housing Appraiser. The answer must be carefully weighed in relation to the type, design and rent level of the project.

R-1118. Item 5. As indicated, the answer to this question should be in summary form. For example: 60 unit, 3 story walkup, recently rehabilitated, successfully rented on completion, rents 3 rooms $22.50, 4 rooms $27.50 including heat and hot water; six 12 room single family dwellings on contiguous lots, rehabilitated to twenty-four $2\frac{1}{2}$, 3 and $3\frac{1}{2}$ room apartments, renting average $7.00 per room per month, including heat.

R-1119. Item 6. This question refers to the properties summarized in Item 5 and requires a statement of the rate of absorption of the living units made available to the neighborhood rental market.

R-1120. Item 7. Neighborhood zoning restrictions, when imposed, should be described by reference to type of use permitted, such as: "residential," "multi-family," "commercial," or "industrial," rather than by undefined classes or categories used by zoning ordinances and commissions. Maximum height permitted, land coverage, and specified types of construction (fireproof, semi-fireproof, or non-fireproof) shall be noted here.

R-1121. Item 8. If zoning ordinances are in process of revision or if there is a likelihood that the neighborhood will be rezoned to permit a different land use than that specified by present neighborhood zoning, explanation should be given under this item.

R-1122. Item 9. A brief statement should be made of the distance from the neighborhood to employment centers wherein typical neighborhood residents are employed. The appraiser should bear in mind that this question refers to the general neighborhood. Similar data with respect to the subject site is required at item (c)-13, on page 2 of the form.

R-1123. Item 10. In many decadent urban areas tax assessments have not been revised to conform to the diminished tax-paying capacities of obsolete properties. In such instances the burden of taxes assessed against neighborhood properties is greater than the properties can bear and tax delinquencies result. Conversely, assessors frequently recognize the reduced income-producing capacities and consequentially reduce values of obsolete properties and adjust tax levies accordingly. In order to answer this question, the Rental Housing Appraiser must inform himself of the general level of taxes assessed against comparable properties in similar areas. If the answer to this question is "yes" no amplification need be made. However, if the answer is "no" an explanation must be given.

R-1124. "Social." Item 1. If neighborhood residents have common language, customs, and habits of life and exhibit the same general social and economic position, the population may be characterized as homogeneous. If neighborhood residents vary with regard to these attributes, social conditions in the neighborhood may be considered unstable and subject to relatively rapid change, according to the degree of variance.

R-1125. Item 2. The predominant type of neighborhood inhabitants generally exerts the largest measure of influence in determining the character of the neighborhood itself. The answer to this question may be brief but should include a statement of the appraiser's opinion of the influence on the desirability of the neighborhood for residential occupancy that the predominant type of residents now located there exerts.

R-1126. Item 3. Occurring changes in types of neighborhood residents are always significant. If indications of change are present, they should be recorded here.

R-1127. Item 4. It should be noted that this item requires a statement of the typical income of neighborhood residents and also the range of incomes from the lowest to the highest. When definite statistical information regarding neighborhood residents is not available the appraiser may set forth his opinions. However, as great a degree of accuracy as is possible should be obtained because of the importance of these figures in the establishment of maximum rents which can be obtained in the neighborhood.

R-1128. Item 5. This question is designed to provide information regarding the appeal which the subject project will have to the present neighborhood residents. Before this question can be answered the appraiser must have made a careful study of the plan, equipment and utilities designed for the project and must bear in mind that if proposed rents exceed the maximum rent-paying capacities of the predominant type of neighborhood residents, the marketability of the rental units is open to serious question. A desirable condition will prevail when rents proposed after rehabilitation will lie well within the rent-paying capacities of typical neighborhood residents.

R-1129. Item 6. If the neighborhood is undergoing social changes, such as the infiltration of inharmonious groups or elements, with a sustained loss in population without replacement, or similar favorable or unfavorable condition, explanation should be given here. Decadent or blighted areas invariably have already experienced social transitions. This question refers to present change, if any, or that which will obviously occur in the near future. Frequently neighborhoods wherein a number of properties have been rehabilitated will show a definitely improving trend even though no discernible change in the general economic and social position of the residents occurs immediately.

C. Subject Property

R-1130. Items 1 to 16, inclusive, require statements of observable facts and do not involve the expression of opinion of the appraiser.

R-1131. Items 17 and 18 can be answered by the appraiser only after careful investigation. It should be noted that Item 19 refers only to zoning requirements and has no reference to requirements made by local building codes, except where such codes are contained within and made a part of zoning ordinances. It is frequently discovered that where extensive remodeling or alteration of structures is proposed, considerable change in type of construction

must be made in order to meet prevailing building code requirements. However, consideration of this condition is the duty of the Architectural Inspector and is not required to be reported on the FHA Form 2401-R.

R-1132. Item 20. The appraiser's opinion regarding this item must be expressed on the form as completely as possible. The words "sound rehabilitation" are construed to mean that the living units designed to be contained by the rehabilitated property will afford socially and physically desirable living facilities suitable for and attractive to the type of tenants which will constitute the project's rental market and at monthly rentals which such tenants will be able and willing to pay.

R-1133. Item 21. It is not expected that comparatively small rehabilitation projects consisting of the minimum 16 units, or more, will completely change housing standards and social conditions in decadent or blighted neighborhoods. However, such projects, even when consisting of the minimum number of units acceptable to the Administration, when planned and priced to meet the rental market existing in the neighborhood, almost invariably do effect an improvement in neighborhood housing standards and social conditions. If, in the opinion of the appraiser, no improvement whatever will be effected by the project, its soundness and acceptability to the Administration as security for an insured mortgage must be seriously questioned.

RENTAL HOUSING: SURVEY AND ESTIMATES

A. Rental Data

R-1134. Item 1 requires an estimate of the city-wide occupancy ratio of all residential units of the subject type after rehabilitation. This estimate also must consider the rent level proposed for the project. The second part of the question will indicate the appraiser's opinion regarding the trend of this ratio.

R-1135. Item 2 refers to the appraiser's opinion of the scope of the rental market in relation to the rehabilitated property. It has particular reference to the condition of the rental market prevailing in the neighborhood in which the project is situated.

R-1136. The answer to Item 3 should give a brief description of the probable present and immediate future increase in the supply of city-wide competitive units.

R-1137. The first question of Item 4 requires a statement by the Rental Housing Appraiser regarding his opinion of the relation of supply and demand for the type of housing proposed. The second question of this item relates the same subject to the neighborhood.

R-1138. Item 5 requires a final conclusion by the Rental Housing Appraiser of the ability of the neighborhood to absorb the number of units proposed or clear indication of the lack of such ability.

R-1139. Item 6 refers to neighborhood conditions and rent levels related to the size and type of the subject property.

R-1140. Answers to Item 7 will give valuable assistance in reviewing the most popular size living units in the neighborhood in relation to the project under consideration.

R-1141. Item 8 relates these units to room sizes.

R-1142. Items 7 and 8 both require careful study of the project plans and specifications by the Rental Housing Appraiser before undertaking to report the required data.

R-1143. The answer to Item 9 will provide the Chief Zone Appraiser with valuable information for making estimates of probable date of commencement of project income after completion and the estimation of the required amount of interest and other items of cost to accrue during rehabilitation. If leases are customarily made with tenants occupying the subject type property, term of lease and other pertinent information, if any, should be briefly reported here.

R-1144. Items 10 and 11, referring to garage and other automobile parking facilities, should be answered briefly but clearly by the Rental Housing Appraiser. If city ordinances forbid all-night parking on adjacent public streets and alleys, the fact must be noted and adequate provision otherwise made for car parking. This requirement exists even in minimum rental projects. However, when making estimates regarding this item, the Rental Housing Appraiser must carefully relate probable parking needs of the particular type of tenant contemplated for the project to the plot plan submitted as an exhibit and the possibility of development of garage or other parking facilities upon the subject site and such facilities, if any, available in the immediate neighborhood.

R-1145. Opportunity is given at the bottom of page 2 of the form to make such remarks as will clarify any data set forth above, or add thereto. Reference to any preceding item should be made by the number set forth opposite the item.

B. Monthly Rentals - Comparison and Recommendations

R-1146. This grid follows the form used at Item "C. Monthly Rentals - Competitive Units and Project Estimate," on page 3 of the FHA Form 2401, except as follows:

R-1147. It will be noted that the last three items set forth at the bottom of the extreme left hand column of the grid require statements of the age and type of the neighborhood properties designated as properties A, B, C, and D, which have been used in comparison with the project for rent determination purposes and whether or not these comparable properties have been rehabilitated. Particular attention also is directed to the fact that the caption in the grid above the columns marked "A," "B," "C," and "D" refers to actual monthly neighborhood rentals. Therefore, the properties used in comparison must be situated in the subject neighborhood. They may be either rehabilitated or unrehabilitated, as indicated in the bottom space of the "A," "B," "C," and "D" columns.

R-1148. "Typical Rentals" refers also to rentals prevailing in the subject neighborhood. It is required that typical rentals for the various types and unit compositions proposed for the project be shown on the form in these columns. If rehabilitation has already been done in the neighborhood, rents being currently obtained after rehabilitation also shall be set forth.

R-1149. The rents "Recommended for Project" will be those which will be used by the Chief Zone Appraiser in making final estimates of the value of the project on completion. No portion of the three columns under "Recommended for Project" shall be completed until the remainder of the grid has been completed.

R-1150. Item 1, immediately below the grid, requires a statement of the addresses of the units A, B, C, and D which have been used as comparisons.

R-1151. Item 2 provides an opportunity to report accessory income contemplated for the subject property, except garages, which are to be included in the grid.

R-1152. Answer to Item 3 is required pursuant to statement of Administration rehabilitation project eligibility requirement as follows: "Rents proposed to be charged after consummation of the rehabilitation program must be in amounts substantially less than those charged for equivalent facilities in new construction, and must meet housing needs and rental market in the neighborhood."

R-1153. Item 4 requires a statement by the Rental Housing Appraiser of the relation that the proposed project rents bear to the top rents currently paid by neighborhood residents. Obviously, it would be unwise to accept as security for an FHA insured mortgage

a project which proposed rent charges in excess of the maximum rent-paying capacity of typical neighborhood residents, unless the project was of such size as to constitute in effect an entire neighborhood in itself. If no recent rehabilitation has been done in the neighborhood, it may be found that rents obtainable for the more desirable rehabilitated living units will exceed the current rental levels. However, as the spread between maximum rents paid and rents proposed for the project increases, the danger of sharply reduced tenant occupancy is increased. If sufficient neighborhood rehabilitation of similar properties has already been accomplished, the rents currently obtained from such properties, without legislative or other arbitrarily imposed restrictions, will constitute an approximate upper rent level beyond which the Rental Housing Appraiser may not go when making estimates of rentals obtainable for the subject project. These conditions, if existent, shall be reported briefly in the second part of Item 4.

C. Items included in Monthly Rentals-Under B above

R-1154. "Items included in Monthly Rentals" refers to the utilities and services included in comparative properties previously designated as "A," "B," "C," and "D" and the "subject property" after rehabilitation. The presence of the various items set forth at the top of the grid may be indicated by check marks in the appropriate spaces.

D. Data for Estimating Operating Costs

R-1155. This grid should be filled in pursuant to the requirements set forth in Paragraph 2354* of the Rental Housing Manual.

R-1156. Items 1, 2, and 3, set forth immediately below "D. Data for Estimating Operating Costs," also shall be reported pursuant to the requirements of paragraph 2354* of the Rental Housing Manual.

E. Insurance

R-1157. Items 1 to 5, inclusive, set forth under "E. Insurance," require the reporting of factual data obtained from reliable rating bureaus or local insurance agents. It must be noted that, when applicable to the various types of insurance for

* 2361 in mimeographed edition

which rates are to be given, the form requires rates per year per $1,000 for the project, reported on a three year policy basis.

F. Taxes

R-1158. It will be noted that Item "F. Taxes" is divided into two sections:

a. The actual "Present assessed value" of the subject property, the total "Present Annual Tax" and the existing ratio of assessed value to the Rental Housing Appraiser's estimate of market price of the subject property unrehabilitated. The first two items can be ascertained from the assessor's records. The ratio of assessed value to the Rental Housing Appraiser's market price cannot be completed until all the requirements of page 4 of the form have been met.

b. "Assessor's valuation (estimated)" refers to the Rental Housing Appraiser's opinion of the amount of the assessor's valuation of the property after rehabilitation. Some taxing authorities have agreed that the tax assessment made on rehabilitated properties will not be increased above current assessments. If this procedure is followed in the tax jurisdiction in which the subject property lies, it may be recognized by the Rental Housing Appraiser, provided it has been thoroughly demonstrated as a policy by application in the past to numerous similar properties. Under such circumstances, "Percentage of assessment" will decline proportionately. Otherwise, the Rental Housing Appraiser must assume approximately the same percentage as that set forth in the ratio of assessed value to market price, under (a) above. In some tax jurisdictions it is usual for the assessor to apply a horizontal debasing percentage to the assessor's valuation in order to arrive at the final assessed value of realty to which the tax rate is applied. This effective, though unofficial procedure, may be recognized when completing this item, provided it is firmly established by custom and procedure in the community. "Estimated assessed value" will be the resultant figure after the application of "Percentage of assessment" to the "Assessor's valuation (estimated)." The "Tax rate per thousand" may be obtained from the tax assessor's office.

R-1159. Item 1, immediately following, requires a brief outline of the customary procedure of the assessor in estimating taxable value, as set forth in the "F. Taxes" grid immediately above.

R-1160. "Special assessments outstanding," required to be reported under Item 2, if any, will include the dollar amount remaining unpaid, the applicable interest rate and the remaining term during which the remaining balance must be paid without regard to delinquencies or deferment. If special assessments or similar nonrecurring levies have been recorded and are in default or in suit, brief explanation shall be made thereof at the bottom of page 3 of the form.

R-1161. The computation required under Item 3 shall be made by dividing the estimated assessed value times the tax rate by the number of rooms determined by the FHA technical room count, as shown on sponsor's plans.

R-1162. Item 4 requires that the Rental Housing Appraiser obtain the amount of annual taxes assessed against the four neighborhood properties previously used in comparison and divide the tax amounts by the number of rooms each contains, according to the FHA technical room count. If these four properties consist of rehabilitated and unrehabilitated properties, as noted in the "B" grid, a substantial difference in amount of annual tax per room may be noted. If the properties are substantially of the same type and size "Percentage of assessment" set forth under "F. Taxes" (b) must be rechecked for conformation.

R-1163. Item 5 provides the Rental Housing Appraiser an opportunity to set forth additional information regarding special assessments or any miscellaneous real estate taxes which may be peculiar to the community in which the subject property is situated.

DETERMINATION OF AVAILABLE MARKET PRICE OF SUBJECT PROPERTY

R-1164. Page 4 of the form is devoted entirely to the development of the final estimate of "Available Market Price of the Subject Property," established pursuant to the definitions and requirements set forth in paragraph 2662 through 2664* of the Rental Housing Manual.

R-1165. The list of "Properties Comparable with the Subject Property in its Present Condition" and "Comparison Grid for Determining Relative Desirability of Project & Comparable Properties," are designed to assist in making comparisons of the various factors necessary to be considered before conclusion of the "Available Market Price of the Subject Property" prior to rehabilitation.

* In printed edition.

A. List of Properties Comparable with the Subject Property in its Present Condition

R-1166. The first grid provides for the recording of various comparable neighborhood properties. These will generally include properties A to D, inclusive, described on page 3 of the form, unless such properties have been rehabilitated. However, other comparable properties may be substituted or added, provided they are situated in the subject neighborhood. It will be noted that the grid provides for the recording of the location of the comparable property, its actual age as nearly as can be determined, and the area of the land underlying the buildings. The type of the property used in comparison is to be reported as: Row house (RH), 3 sty. apt., 2 sty. flat, etc. The number of units may be closely approximated. The assessed values of land and buildings will be obtained from the local assessor's office. Price data regarding recent sales or listings, when available, must be reported in the last column of the grid. The blank parentheses at the extreme right of the grid provide an opportunity to indicate whether the dollar amount inserted refers to sales or listing. The symbol "S" or "L" should be inserted in the parentheses, according to the facts.

R-1167. Item 1 below the grid provides an opportunity to record additional information regarding the sales or listing data reported in the grid. If a reported sale occurred under foreclosure, tax sale, partition sale, or a similar transaction which, in the opinion of the Rental Housing Appraiser did not constitute an "open market" transaction, as outlined in paragraph 2663* of the Rental Housing Manual, the fact should be briefly stated here. Otherwise, the Rental Housing Appraiser should report "no special circumstances," or similar explanation.

B. Comparison Grid for Determining Relative Desirability of Project & Comparable Properties

R-1168. The second grid provides an opportunity for the Rental Housing Appraiser to make comparison of the various factors and attributes of the subject with the comparable neighborhood properties described in the first grid. Therefore, the check marks inserted in the various spaces under "Superior," "Equal," or "Inferior" refer to the relation of those factors of the subject property to the comparable neighborhood properties previously reported on the form.

* In printed edition.

C. Estimate of Available Market Price of the Subject Property

R-1169. The "Estimate of Available Market Price of the Subject Property" requires the Rental Housing Appraiser to state his conclusion of such price obtainable for the property in its "as is" condition. Thus his opinion will reflect current market conditions. This section of the form also requires, in addition to the statement of price of the entire property reported on the form, a statement of the appraiser's opinion of that portion of the total price which is allocable to land, including installed public utilities and other land improvements, such as preservable walks, drives, retaining walls, fences, and other items of land improvement except structures.

D. Mandatory Conditions

R-1170. "Mandatory Conditions," if any, on which the estimate of available market price is based, shall be made pursuant to the requirements set forth in paragraph 2340* of the Rental Housing Manual.

E. & F. Estimated Available Market Price of Consolidated Property (before rehabilitation)

R-1171. Inasmuch as eligible rehabilitation projects may include two or more noncontiguous properties, it may be necessary for the Rental Housing Appraiser to prepare more than one appurtenant FHA Form 2401-R, as has been previously noted. If this latter procedure is required, the location, the available market price, and the amount of such price allocable to land, of all properties reported on all appurtenant forms, shall be recorded and totalled in the spaces provided. If two or more parcels of property, especially if contiguous, are included in the project, it may be found that due to such contiguity or other apparent conditions the project considered as a whole and as a result of the assembly of its component properties may be able to command a price in the current market above that of the total price of its component properties, by reason of its increased facility or adaptability for economical rehabilitation and increased productivity of rental income. If this condition prevails and is sufficiently obvious to be recognized by the existing open competitive market for such properties, an enhanced available market price (plottage) may result. The "F" section of the form provides an opportunity for an expression of the opinion of the Rental Housing Appraiser with regard to this condition.

* 2347 in mimeographed edition.

However, no recognition shall be given to a "plottage" enhancement in available market price unless it is obvious and recognized by the market.

REMARKS AND SIGNATURE

R-1172. The space at the bottom of page 4 provides for the addition of such remarks by the Rental Housing Appraiser as may be considered by him to be necessary in clarifying data previously reported on the form, and for authenticating signatures.

PART II

ARCHITECTURAL PROCEDURE AND PREPARATION OF FHA FORM 2450-R, REPORT OF ARCHITECTURAL INSPECTION

CONTENTS

PART II

ARCHITECTURAL PROCEDURE AND PREPARATION OF FHA FORM 2450-R, REPORT OF ARCHITECTURAL INSPECTION

GENERAL CONSIDERATIONS

R-2101. The acceptability of proposed rehabilitation projects depends in a large measure on the planning and construction of the existing buildings which are to be altered. If either of these is such that desirable dwellings cannot be produced or produced only at a cost that is not justified by the rent expectancy, the project cannot be accepted as eligible for mortgage insurance.

R-2102. Plans of existing buildings must be such that living accommodations can be produced that will conform with the planning standards of the Administration without excessive alterations. No plans will be approved unless all rooms in the altered buildings have adequate light and ventilation, and modern sanitary conveniences must be provided for every dwelling unit. In determining the adequacy of light and ventilation, the Property Standards for Rental Housing will be used as a guide. Although minor variations of court dimensions and of requirements of coverage and density may be approved, no plans will be acceptable which are deemed to be inconsistent with the spirit of established standards. The objective of the rehabilitation program of the Administration is to give new life to old buildings which are desirable in plan although depreciated physically, not to perpetuate the use of structures that inhibit healthful and safe living conditions, privacy, or a reasonable degree of amenity.

R-2103. The structures to be altered must be sound with respect to all essential structural elements such as walls, floors, and roof framing. If masonry walls are crumbling because of poor mortar, or show evidence of serious cracks due to subsidence or action of the elements, if wood structural members are rotted or consumed by termites, the buildings may be unfit for alteration. In all cases, the buildings as altered must conform with the requirements of local building and fire protection codes. In addition, every approved project must conform with local zoning ordinances where they exist.

R-2104. Required Exhibits. To determine properly whether or not a project embodies the basic requirements mentioned above and is consequently acceptable, the following exhibits are essential and must be filed in triplicate at the time of filing the application.

a. A survey plat made by a registered surveyor showing the size of the property, the correct location and dimensions of the building or buildings, including any encroachments, easements, or deed restrictions and a legal description of the property. The survey shall also show the location and size of public utilities, including depths of sewers, and the location, width, material, and condition of abutting streets and sidewalks, as well as the location and height of the nearest walls of any existing buildings on properties abutting on the subject site. If any walls of the existing structures at the boundaries of the property are party walls, they should be noted.

b. Floor plans* of all floors and basement or cellar of the existing building showing the present layout of the buildings and additional plans showing the buildings as altered. These shall be at a scale not less than 1/8 inch to one foot.

c. Sections* of all buildings both before and after alterations. If no structural changes are to be made affecting the section of the building, only one section of each type of building is required. The scale of sections shall be not less than 1/4 inch to one foot.

d. Front, side, and rear elevations* of all buildings both before and after alteration. The scale of elevations shall be not less than 1/4 inch to one foot. If no structural changes are to be made affecting the elevations, no elevation drawings are required.

e. Planting plan showing any existing and all proposed landscape work.

f. Scale elevations of kitchen cabinets and fixtures. Scale shall be not less than 1/2 inch to one foot.

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* Present and proposed layouts may be shown on the same drawing in cases where the alterations are sufficiently simple in their nature that no confusion will arise on account of this procedure.

g. Photographs showing the front, rear, and sides, and typical interiors of the building or buildings illustrating the present condition of the premises; and a street view of subject and contiguous properties. These should be gloss finish not less than 5 in. x 7 in.

h. Outline specification based on the general specification outline, applicable to new projects under Section 207, but stating in addition, with respect to each branch of the work, what existing items will be retained and what replacements and additions will be necessary.

i. Evidence of Conformity to Zoning Ordinances. If the present buildings represent a non-conforming use under the provisions of an existing zoning ordinance, or if the buildings as altered represent a non-conforming use, evidence should be presented that the authorities having jurisdiction will permit the continued use of the building in the former case, or will permit the changed use in the latter case.

ARCHITECTURAL EXAMINATION

R-2105. The architectural examination of proposed rehabilitation projects comprises two distinct operations--the inspection of and report on the existing structures and the examination of and report on the proposed project as shown on the plans and described in the specifications submitted by the sponsor.

Architectural Inspection of Existing Buildings

R-2106. The purpose of the inspection of the existing buildings is to determine three things: (1) Are the structures sound enough to be used; (2) Can they be altered in accordance with the sponsors' plans; (3) If so, what existing material and equipment can be salvaged.

a. Soundness of Structure. A prerequisite of any successful alteration is that the principal structural elements of the building or buildings shall be in good, usable condition. These principal elements are foundations, exterior walls, interior walls and bearing partitions, floor slabs or beams, ceiling beams, and roof framing. If a considerable proportion of any one of these primary elements is in such condition as to require replacement, the cost of alteration will probably be prohibitive and consequently the alteration should not be approved. This should not preclude the approval of a project in which, for example, one building in a group of ten is not usable, but such approval should be given only on condition that the unsound building be demolished. Whether or not such a demolished building is reconstructed will depend on cost.

b. Alteration in accordance with plans. In the typical case in which no changes are made in the bearing walls or partitions and no portion of the floor structure is removed, the determination as to whether the structures can be altered in accordance with the sponsors' plans will not be difficult. If, however, parts of the existing structure are to be demolished, or if the alterations as shown on the plans will develop concentrated loads at new bearing points, a careful engineering examination is necessary to determine whether the sponsor's intentions are structurally feasible.

c. Salvage. In the determination of the amount of mortgage insurable for a given project, the depreciated replacement cost of the old material that will remain in the altered structure may be an important factor. An estimate of depreciated cost must be made. To do this with a reasonable degree of accuracy requires a carefully prepared list of salvageable material. The list must set forth all materials that are sound and usable, after deducting such as may be removed as a result of the alterations. Obviously the architectural inspection must be thorough. A casual visit to the premises will not suffice. All parts of the building or buildings must be visited and examined carefully. Thus, plastering must be tested and patches of it may be removed to examine the underlying structure. It is a matter of judgment on the part of the architectural inspector how much opening of concealed spaces is necessary. Much will depend on the age of the buildings and the state of repair in which they are found.

R-2107. The inspection of existing buildings shall be made by an architectural inspector of the Administration or such other officer who is competent not only to determine how much of the structure is sufficiently sound to warrant its continued use, but also what existing work will be removed as a result of the proposed alterations, and how much of the present finish and equipment will meet current tenant requirements sufficiently well to justify its retention.

Report of Architectural Inspection, FHA Form 2450-R

General Considerations

R-2108. The architectural inspector shall visit the premises to be altered and make his examination in a thorough and orderly manner. He shall make his report on FHA Form 2450-R, Report of Architectural Inspection, which shall be submitted to the Director or Manager of the Insuring Office in which the project is located, for inclusion in the docket to be forwarded to the Zone Rental Manager for processing. The form should be filled out completely, except in

cases where the structures are physically unsound in the architectural inspector's opinion (see paragraph R-2106 a. above), in which case he shall report only items 1 to 13 inclusive and recommend rejection to the Director or Manager. If the latter approves the rejection, the remainder of the form need not be filled out; if not, the architectural inspector shall complete his examination and report.

R-2109. If the architectural inspector finds that the buildings cannot be altered as shown on the plans, he may, with the approval of the Director or Manager defer completion of his report pending the submission of revised plans that obviate the defects which prompted his conclusion.

Inspection Data and Comments

R-2110. The following comments will be of assistance to the architectural inspector in filling out FHA Form 2450-R. The items on the form are referred to by number.

R-2111. Item 1, Number of buildings. For purposes of counting the number of buildings in a proposed project, each structure having independent access from the outside to the interior shall be considered a separate building even though it may be connected to other buildings by party walls. There may be cases in which two structures have been erected on a single piece of property. In such cases, each shall be counted as a separate building.

R-2112. Item 2, Contiguity of Buildings. Although the sponsors' plans will usually show the number of building groups and the number of buildings in each group, the count should be carefully verified by the architectural inspector.

R-2113. Item 3, Buildings of Same Type, Similar Construction. This question is extremely important and requires the exercise of sound judgment on the part of the architectural inspector. On it will depend whether one report or several reports are made covering the existing structures. For example, if a project consists of one-story frame houses, two-story brick row houses, and three-story semi-fireproof apartments, the differences in the building will usually be sufficiently important to require the completion of three reports in order to avoid confusion in the ultimate estimate of replacement cost of material that will be salvaged. Differences in the ages of various structures may also require separate reporting. Thus, a structure erected in recent years may have plumbing fixtures which are still usable, whereas one erected forty years ago will in all probability require the replacement of all fixtures.

R-2114. Items 4 and 5, Number of Reports. The object of these questions is to tie separate reports together, when they are made, so that anyone examining one report will know, without question,

that others have been made. The identification of buildings covered by a given report should be a simple matter and, where possible, should be made by reference to the sponsors' plans. Having determined the number of separate reports which will be necessary for purposes of architectural examination, the inspector shall consult the Rental Housing Appraiser as to the latter's requirements. Based on different considerations, the Appraiser may find it necessary to make separate reports on FHA Form 2401-R. They shall mutually determine the number of reports necessary to satisfy the needs of both of them and shall coordinate their reports so that the same buildings are grouped in each series of reports.

R-2115. Items 6 to 9. These questions apply only to the buildings covered by a single report and not to the entire project, except where all buildings are covered in a single report.

R-2116. Item 10, Date of Erection. This item is of importance in presenting a picture of the probable depreciation of the structures. The sub-item on "Former or present use" will be answered in most instances by the word "residential." However, there may be cases where structures used for purposes other than residence are proposed for use in a rehabilitation project.

R-2117. Item 11, Physical Defects. The answers to the sub-paragraphs of this question will be the principal determinants of whether or not the structure is sufficiently good to be rehabilitated. Architectural inspectors should, therefore, give as clear a picture as possible of the existing conditions and of the extent and importance of any physical defects which they may discover.

R-2118. Item 12, Previous Condemnation. The answer to this question may preclude the use of the structures, but only in cases where condemnation by local authorities has been on the basis of structural unsoundness. Condemnation because of the failure of an owner to keep the building in proper condition does not of necessity mean that the building has no further use.

R-2119. Item 13, Recommendation to Director. A recommendation to the Director should be based solely on the physical condition of the structures. The architectural inspector is not called upon to judge whether the planning of the existing structures will permit the production of desirable living quarters or whether the alterations proposed by the sponsor will produce them. This judgment is the function of the Zone Rental Office.

R-2120. Item 14, Alteration in Accordance with Plans. In answering this question, the inspector is called upon to exercise his judgment only as to the physical possibility of the proposed alterations and not as to their desirability with respect to production of usable space. (See item 2, in paragraph R-2112 above.)

Salvage Report

R-2121. The purpose of this report is to permit the Zone Cost Estimators to determine the depreciated value of old material remaining after alterations. When the cost estimate is made, the plans of the existing structure and of the alterations will be in the hands of the estimators and, consequently, a detailed calculation of quantities is not necessary for purposes of this report. The column entitled "Material" is intended to give a picture of the basic structure. It need not be an exact description of the material used. For example, basement floors may be described as "concrete" without detail of the composition of the concrete. The column entitled "Condition" should be answered by a qualifying symbol, as called for on the form, which will indicate the general state in which the premises are found (good, fair, bad). In the column "Remarks," the architectural inspector shall enter all comments which may aid the estimators in forming a clearer conception of the amount of salvage material and its condition than may be obtained by examining the drawings and specifications. If the form does not provide adequate space for the architectural inspector's remarks, he shall make them on a separate sheet attached to the form, and the form itself shall make reference to the attachment.

R-2122. Equipment. It will not be necessary to give extended descriptions of the equipment. The principal concern of the architectural inspector is with such equipment as the sponsors propose to retain. Thus, if the sponsors' intention is to remove all plumbing fixtures, the salvage will be reported as "none." However, if a heating system is to continue in use, its type should be indicated. The age of any equipment which the sponsors propose to continue using is of major importance and every effort should be made by the architectural inspector to determine the date of its installation as nearly as possible. This is true of all of the types of equipment mentioned except kitchen cabinets.

Items to be Included in Cost of Alteration

R-2123. In the salvage report, the architectural inspector will have noted elements that will determine the depreciated value of existing work. There are also certain items which will affect the cost of alteration and which are observable only on the premises. Hence, the final sheet has been provided on the "Report of Architectural Inspection." This sheet suggests certain items that occur frequently but, in addition, the architectural inspector should comment freely on any other conditions which he believes will have a bearing on alteration cost.

Project Examination

R-2124. The examination of rehabilitation projects will be conducted in a manner analogous to that in force for new construction. There will of necessity be certain minor modifications and the following notes are intended to cover these and certain other important considerations.

R-2125. As in the case of projects involving entirely new construction, initial plans for rehabilitation projects submitted by the sponsors shall be forwarded through the Insuring Office to the Zone Rental Office, and subsequently to the Washington Office exactly as provided for in Part II, Section 2 of General Order #18.

R-2126. After the submission of the initial plans as noted above, the procedure in the Zone Rental Office will be the same as for new projects. That portion of Part II, Section 4 of the Rental Housing Manual, relating to "Preliminary Examination, (Stage A)," will be applicable with very minor modifications. The remaining portion of Part II, Section 4, contains instructions for the preparation of FHA Forms 2411 and 2411 (a). The Chief Zone Architect can readily determine in a given instance how much of these instructions is applicable and consequently no detailed comment is made here.

R-2127. In small scale projects, there will be no review by the Washington Architects subsequent to the submission of the initial sketch drawings and the consequent comment on them. In other words, in such projects the report of the Chief Zone Architect as approved by the Zone Rental Office will be the final architectural report which will be submitted to the Rental Housing Board of Review. For rehabilitation projects, the report of the Chief Zone Architect shall be made on FHA Form 2411 and shall conform with the requirements of paragraph 2436* of the Rental Housing Manual. Ordinarily, the following numbered items on FHA Form 2411 will not be significant or applicable to rehabilitation projects and answers need not be made: Item 2; item 13, third line concerning conformity with FHA Form 2401; item 17, final line concerning conformity with FHA Form 2401; items 18, 20, 21, 22, 26, 27, 33, and 35.

PROCEDURE SUBSEQUENT TO COMMITMENT

R-2128. Inasmuch as rehabilitation projects will ordinarily involve no major changes in site planning, the submission of

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* 2431 in mimeographed edition.

revised sketches subsequent to the commitment and prior to final working drawings will not be necessary in most cases and consequently paragraphs 3102 to 3118[1] inclusive of the Manual will not be applicable.

R-2129. In the average case, the commitment drawings will set forth the layout of the buildings in sufficient detail that the sponsors can readily proceed to the final drawings, once the commitment has been given. This means that unless the Zone Rental Manager feels it essential, Stage B of the architectural examination can be omitted.

R-2130. Paragraph 3123[2] of the Manual gives a list of final drawings required. Evidently, in most rehabilitation projects, many of these will be unnecessary. It is not possible to make any general requirements as to final drawings. For rehabilitation projects, the Chief Zone Architect shall, immediately upon the issuance of a commitment, prepare a list of final drawings to be submitted. This list shall be based on the list in paragraph 3123[2], but, at his discretion, the Chief Zone Architect may omit any of the items which in his judgment are not necessary for the project under consideration. Having made such a list, the Chief Zone Architect shall prepare a letter to the sponsors over the signature of the Zone Rental Manager advising them exactly what drawings will be required.

R-2131. The Chief Zone Architect may also exercise his discretion in the application of the provisions of paragraphs 3125 to 3127[3] inclusive.

Procedure Subsequent to Closing

R-2132. The procedure with respect to change orders subsequent to closing shall be the same as for new construction as set forth in paragraphs 3134 and 3135[4] of the Rental Housing Manual.

1/ 4102 to 4118 in the mimeographed edition.
2/ 4123 in the mimeographed edition.
3/ 4125 to 4127 in the mimeographed edition.
4/ 4134 and 4135 in the mimeographed edition.

PART III

PREPARATION OF FHA FORM 2264-R, REHABILITATION PROJECT INCOME ANALYSIS AND APPRAISAL

CONTENTS

PART III

PREPARATION OF FHA FORM 2264-R, REHABILITATION PROJECT INCOME ANALYSIS AND APPRAISAL

R-3101. FHA Form 2264-R is designated to correlate appraisal data and project information set forth on the appurtenant FHA Form 2401-R and other docketed appraisal data developed with regard to rehabilitation projects. Project processing required to be set forth on this form closely parallels that of the FHA Form 2264.

R-3102. It will be noted that pages 1 and 2 of these forms are identical in their requirements. The requirements for the preparation of the FHA Form 2264, as set forth in the Rental Housing Manual, up to "Estimated Cost of Improvements" in the 2600* series of the Manual text, shall be followed in the preparation of the FHA Form 2264-R.

ESTIMATED REHABILITATION COST, SALVAGE AND LAND (Summation)

R-3103. Page 3 of the FHA Form 2264-R shall be completed in a manner similar to that employed in the preparation of the FHA Form 2264, except as follows:

R-3104. Structures.

a. "Dwellings (new construction cost)." This item set forth under "Structures" refers only to the cost of construction which will be required to complete the dwelling units according to project architectural drawings and specifications forming a part of the project exhibits.

b. "Garages (new construction cost)" refers to the same items of construction as those set forth at "Dwellings."

c. "Other" permits the inclusion of new construction required for stores, offices, or other accessory buildings contemplated to be included in the project.

d. "Present reproduction cost (depreciated) of salvageable existing improvements" refers to the portions of existing buildings which are in place and which will comprise a portion of the rehabilitated structures upon completion of the project. It will be noted that "salvageable" here refers to those portions of the existing structures which will remain in place and form a part of the rehabilitated structures and does not refer to materials which are required to be removed from the structures and which may be reused or sold to others.

e. "Demolition cost" refers to the expenses incurred in demolishing unsalvageable portions of the existing structures. This cost will include labor in demolition and clearing the site,

* 2700 series of mimeographed edition.

insurance, cartage, disposal and other charges, if any, directly attributable to demolition operations. Receipts, if any, from the sale of used materials, made available by the demolition operation, shall be used to offset demolition costs if ascertainable.

f. "Contingency allowance (computed on new construction only)" shall be set forth in the same manner as that administratively prescribed for new projects.

g. "Taxes (Social Security, sales, etc.)" will include taxes on payroll for demolition and site clearance.

h. "Construction bond" shall be computed on new construction and demolition costs. Evidence of method of assurance of completion (construction bond, etc.), as set forth by the sponsor on FHA Form 2013, must be expressed at the item "Construction bond," and must be in accordance with administrative assurance of completion requirements. It must be particularly noted that if "Total for All Improvements (excluding salvage)" does not exceed 75% of the mortgage to be insured, no construction bond or other assurance of completion need be required. (See paragraphs 3216a[1] and 3258a[2] of the Rental Housing Manual.)

R-3105. "Fees." Builder's and architect's fees shall be computed in the manner prescribed in the Rental Housing Manual, except that the item "salvage" shall not be included in the total upon which computation is made.

R-3106. "Carrying Charges; Financing; Organization." The ten items set forth here are to be computed in accordance with requirements set forth in the Rental Housing Manual.

R-3107. "Total Estimated Rehabilitation Cost plus Salvage (exclusive of land and required construction off the site)" will be shown on the form as a total of all the subtotals set forth above this item on the form.

R-3108. "Amount Allocable to Land in Fee Simple (from FHA Form 2401-R)" will include the "Mandatory conditions," if any, set forth by the Rental Housing Appraiser on the latter form. This amount shall not be changed by the Chief Zone Appraiser except by agreement with the Rental Housing Appraiser who prepared the appurtenant FHA Form 2401-R. If changes are made and agreed to, correlative changes on the FHA Form 2401-R must also be made by the Rental Housing Appraiser. Inasmuch as cost of demolition of all or part of existing structure is required to be set forth under "Structures" on the FHA Form 2264-R, no deductions for this item shall be made at this point.

R-3109. "Total (Summation)" will be represented by the sum of all the items preceding it.

1/ 4216a in mimeographed edition.
2/ In printed edition.

ESTIMATED FAIR MARKET VALUE OF ENTIRE REHABILITATED PROPERTY and CERTIFICATION OF VALUE

R-3110. The technique involved in the completion of "Estimated Fair Market Value of Entire Rehabilitated Property" and "Certification of Value" sections of the form shall follow exactly the requirements of the Rental Housing Manual relative to these sections.

R-3111. "Remarks." Opportunity is given at the bottom of page 3 under "Remarks" to show deductions from "Fair Value of the Property" as set forth in the "Certification of Value" to offset special assessments or other liens, if any, which are now of record against the subject property and which will remain unpaid after rehabilitation and special assessments or liens, if any, which will accrue as a result of the rehabilitation operation or subsequent to completion of the project, of which the Chief Zone Appraiser is informed. These data may be recorded on the form (under "Remarks") by setting forth the "Fair Value of the Project on Completion" and the deduction therefrom of the known amount of the special assessment or other lien, with explanation of the nature of the lien immediately following. In such cases, the amount remaining after deduction of the lien shall be the amount used to compute the maximum amount of FHA insurable mortgage and the other mortgage pattern computations required on page 4 of the form.

SOURCES OF ESTIMATED REQUIREMENTS FOR REHABILITATION

R-3112. It will be noted that this section of the form does not follow in detail the correlative section set forth on the FHA Form 2264. Reference is made specifically to Section II, paragraph 2 (a) of the Administrative Rules (FHA Forms 2012 and 2012 (a)) which states as follows:

> "No mortgage shall be eligible (for FHA insurance) unless the Administrator's estimate of the cost of contemplated new physical improvements on the site shall be equivalent to at least fifty per centum (50%) of the mortgage to be insured."

R-3113. "Resources." Under the requirement set forth in paragraph R-3112, it is, therefore, possible that the amount of the insurable mortgage (set forth as the first item under "Resources") may exceed the amount of "Total requirements." However, "Cash, to be escrowed at closing" must also be set forth under "Resources" in an amount at least equal to "Carrying charges" and "Working capital (or deposit)" in all cases, regardless of mortgage amount. "Other equity" may be included if sponsor (on the appurtenant FHA Form 2013-R or by docketed information) has indicated that services or materials other than salvage will be paid for by corporate stock or otherwise, to balance the deal or in order to release additional mortgage proceeds for the payment of charges outstanding subsequent to completion of the project.

R-3114. "Requirements." "Balance of mortgage money, if any, not directly allocable to new physical improvements" shall be set forth on the line provided in this section of the form so that the bottom totals of both columns will balance.

R-3115. If the mortgage loan proceeds will not be sufficient to meet "Total requirements," currently required negotiations with sponsors to deposit cash to be escrowed at closing at least in the amount of the "Total Carrying Charges; Financing; Organization" and negotiated "Other equity" sufficient to meet "Total requirements" must be made.

R-3116. Attention is redirected to the fact that if "Total for All Improvements (excluding salvage)" does not exceed 75% of the mortgage to be insured, no construction bond or other assurance of completion need be required.

R-3117. It will be noted that the FHA Form 2013-R provides for the consideration of salvage as "Other equity" under "Resources." Naturally, additional "Other equity" derived from sponsors' or other interested parties' agreements to supply new materials and fees for services rendered may be added to the "Other equity" derived from salvage, as shown on this form. However, it must be noted that the section "Sources of Estimated Requirements for Rehabilitation," on the FHA Form 2264-R, excludes salvage because, like land, it is already available and must be tendered free and clear at time of closing. Therefore, "Other equity," if any, set forth at this section of the form (under "Resources") will be that derived from fees, new materials, or sources other than salvage.

R-3118. "Working capital" (large scale projects) shall be computed at the rate of 3% of the amount of the insured mortgage. The "deposit" (small scale projects) shall be in an amount not less than the sum of six months' interest on the original mortgage amount plus FHA mortgage insurance premium for one year.

ANALYTICAL SUMMARY

R-3119. It will be noted that the first nine computations required by this section of the form are identical with those required on the FHA Form 2264.

R-3120. The tenth item (ratio) has been amended to include "salvage." This ratio tests the Administration's eligibility requirement for rehabilitation mortgages, as set forth in Section II, paragraph 2 of the Administrative Rules, which provides:

> "That such mortgage shall not in any event exceed the amount which the Administrator estimates will be the cost of the completed physical improvements on the property or project, (inclusive of . . . the Administrator's estimate of the depreciated reproduction cost of salvageable existing improvements . . .)."

This ratio shall be computed as follows and may not exceed 100%:

M = Mortgage amount
T = Total for all improvements (including salvage)

Formula: $\frac{M}{T}$

R-3121. Two ratios have been added to the "Analytical Summary," as outlined in the two paragraphs which follow.

R-3122. "Ratio: Total for all improvements (excluding salvage) $_____ to mortgage $_____ . . . _____%." This ratio tests the Administration's eligibility requirements for rehabilitation mortgages as set forth in Section II, paragraph 2 (a) of the Administrative Rules, which provides that:

> "No mortgage shall be eligible unless the Administrator's estimate of the cost of contemplated new physical improvements on the site shall be equivalent to at least fifty per centum (50%) of the mortgage to be insured."

This ratio shall be computed as follows and may not be less than 50%:

T = Total for all improvements (excluding salvage)
M = Mortgage amount

Formula: $\frac{T}{M}$

R-3123. "Ratio: Mortgage $_____ to sponsor's capital requirement $_____ . . . _____%." This ratio must be computed pursuant to the eligibility requirements for rehabilitation mortgages as set forth in Section II, paragraph 2 (b) of the Administrative Rules which provides that:

> "The mortgage shall not exceed eighty per centum (80%) of the aggregate of the Administrator's estimate of (1) the cost of the new physical improvements on the site, (2) the fair market price of the entire property before the contemplated new improvements, or if acquired within one year prior to the date of application for mortgage insurance, of the purchase price, whichever is the lesser, and (3) carrying charges and incidental expenses during construction."

The figures used in this computation are developed in part by data set forth by the sponsor at the bottom of page 4 of the appurtenant FHA Form 2013-R regarding date and cost of acquisition by the sponsor of the unrehabilitated property or the Rental Housing Appraiser's estimate of available market price, whichever is the lesser. These data are applicable only when the sponsor has acquired the unrehabilitated property within a period of one year prior to the date of

application. Otherwise, the Rental Housing Appraiser's estimate of the available market price, as set forth on the appurtenant FHA Form 2401-R, shall be used in the computation, which shall be made as follows and may not exceed 80%:

M = Mortgage amount.
T = Total for all improvements, excluding salvage.
P = Fair market price of the property (as established by the Rental Housing Appraiser) before the contemplated new improvements or, if acquired (by the sponsor) within one year prior to the date of application for mortgage insurance, the purchase price (as set forth on the FHA Form 2013-R), whichever is the lesser.
C = Total carrying charges, financing, organization (page 3 of the form).
Sponsor's capital requirement = The sum of T + P + C

Formula: $\frac{M}{T + P + C}$

SIGNATURE

R-3124. The form will be completed by subscribing the required authenticating signatures.

PART IV

LEGAL PROCEDURE SUBSEQUENT TO COMMITMENT

CONTENTS

PART IV

LEGAL PROCEDURE SUBSEQUENT TO COMMITMENT

GENERAL CONSIDERATIONS

R-4101. As a general proposition legal procedure subsequent to commitment is the same regardless of whether the project is rehabilitation or new construction. However, the legal procedure will vary depending upon whether the project (either rehabilitation or new construction) is Large Scale or Small Scale. One additional requirement exists on rehabilitation projects, with respect to the determination of assurance of completion, that does not obtain in the case of new construction. If the cost of new construction in either Large Scale or Small Scale rehabilitation projects does not exceed 75% of the mortgage to be insured, no assurance of completion will be required.

LARGE SCALE PROCEDURE

R-4102. A few minor changes have been made in the various legal instruments in order to conform with the new Regulations, but such changes in no way affect procedure for closing Large Scale projects (either rehabilitation or new construction) except as noted above. These changes will appear in the legal forms forwarded to sponsors in the usual manner after issuance of the commitment.

SMALL SCALE PROCEDURE

R-4103. In closing Small Scale projects (both new construction and rehabilitation) there will have to be submitted to the Rental Housing Attorney required copies of the Note, Mortgage, Regulatory Agreement (FHA Form 2428), Mortgagee's Certificate (FHA Form 2434), Mortgagor's Certificate (FHA Form 2433), Survey and Title Binder, the loan agreement between the mortgagee and the mortgagor (referred to as the Building Loan Agreement), Construction Contract, Architect's Contract, Minutes, By-Laws, and Resolutions of the mortgagor, evidence covering outside utilities as required by the commitment, assurance of completion (if required), building permits, drawings and specifications, and first year's mortgage insurance premium. The first five instruments above enumerated should be on the form prescribed by the Administrator. The Payment Breakdown is required to be attached to the Building Loan Agreement.

R-4104. It is important to note that in all Small Scale projects the prevailing wage schedule is required to be made a part of the specifications for the project. It will be the duty of the Chief Zone Architect to see to it that this schedule is made a part of the specifications, and the Zone Rental Attorney should make a final check with respect to this item at closing.

R-4105. When all of the above requirements have been met at closing, the credit instrument may then be initially endorsed by the Director of the Insuring Office after the Zone Rental Attorney has initialed the instrument to evidence that all legal closing requirements have been met. After the credit instrument has been initially endorsed for insurance, advance of mortgage money will be made as provided in the Commitment and Mortgagee's Certificate.

R-4106. If advances during construction are to be insured as made, FHA Form 2429, Application for Insurance of Progress Advance must be executed in quadruplicate by the mortgagee for each advance except the final advance and delivered to the FHA Inspector on the job. The Application for Insurance of Progress Advance must be accompanied by the following:

a. Application for Advance of funds made by the mortgagor to the mortgagee, supported by contractor's requisition (payment schedule);

b. Prevailing wage certificates from all contractors with whom the mortgagor is dealing directly for the construction of the project;

c. Evidence that appropriate hazard insurance coverage has been taken out;

d. Evidence of all mandatory insurance (public liability, workmen's compensation, etc.);

e. Evidence that title coverage has been extended as to all previous advances;

f. Acknowledgments of payments;

g. Architect's Certificate of Payment;

h. List of permits and licenses;

i. Certificate of survey and survey of property (with each application until all buildings, etc., have been spotted);

j. Such other documents necessary for substantiation and proof of the application.

R-4107. In case of the final advance, FHA Form 2430, Application for Insurance of Final Advance, shall be executed in quadruplicate by the mortgagor as well as the mortgagee. In addition to the items required with the Application for Progress Advance as set forth in paragraph R-4106, the Application for Final Advance shall also be supported by:

a. Certificate of survey and survey of property, and
b. Chattel mortgage.

R-4108. When the applications are delivered by the mortgagee to the Inspector, the Inspector will indicate his approval or disapproval on the Application, sign the same, and then forward the original and all copies, together with supporting data, to the Zone Construction Supervisor. Prior to such forwarding, the Inspector shall execute his Certificate of Inspection, FHA Form 2408, in quadruplicate, and attach one copy to each copy of the Application, except the original. The fourth copy of the Certificate should be forwarded directly to the Director of Construction, together with copy of letter transmitting the application to the Zone Construction Supervisor.

R-4109. The Zone Construction Supervisor shall review the application and sign it in the space provided. Thereafter, all copies shall be forwarded to the Zone Rental Manager who will execute the Certificate of Mortgage Insurance (which is attached to and a part of each application) in the amount finally approved by him. The application will then be distributed as follows:

a. The original application and Certificate of Mortgage Insurance and attachments except the Inspector's Certificate of Inspection to the mortgagee;

b. One copy to the Director or Manager of the Insuring Office;

c. One copy to the Chief Counsel for Rental Housing;

d. One copy for the Zone Rental Manager.

R-4110. After all advances have been approved, the mortgagee should then execute FHA Form 2431, Request for Final Endorsement of Credit Instrument, have the same executed by the mortgagor, and forward it together with the original credit instrument to the Director of the appropriate Insuring Office in order that the credit instrument may be finally endorsed as insured in full. The Request for Final Endorsement of Credit Instrument should be executed by the mortgagee and the mortgagor in triplicate, the original of which should be forwarded to the Chief Counsel, Rental Housing Division, one copy to the Zone Rental Manager, and one copy retained in the files of the Director or Manager of the Insuring Office.

R-4111. Provision has been made in the various instruments for protection against mechanics' and materialmen's liens. However, mortgagees should be advised that the responsibility with respect to such liens rests primarily upon them, and if they desire additional protection against such liens other than that provided under the instruments, appropriate provision with respect to the same must be incorporated in the Building Loan Agreement.

FHA Form No. 2013-R

FEDERAL HOUSING ADMINISTRATION

RENTAL HOUSING DIVISION

APPLICATION FOR MORTGAGE INSURANCE

(REHABILITATION)

Under Section 207 of the National Housing Act

To Be Submitted in Triplicate

Date .....

No. .....
(Project number to be inserted)

MORTGAGEE'S APPLICATION

I.

To THE FEDERAL HOUSING ADMINISTRATOR:

Pursuant to the provisions of Title II of the National Housing Act, application is hereby made for the insurance of the mortgage described in Mortgagor's Application below. After examination of the application and the proposed security, the undersigned Proposed Mortgagee considers the project to be desirable and is interested, in making the Building and Permanent Loan in the principal amount of $.....,

which will bear interest at ..... % per annum, payable as to Building Loan {monthly / quarterly} and only on disbursements, until ..... months after date of mortgage, and thereafter payable as to Permanent Loan

by ..... equal {monthly / quarterly} installments of $ ..... covering principal and interest. (Monthly payments required if mortgage less than $100,000).

[Strike out if inapplicable]

by ..... {monthly / quarterly} installments of $..... each of principal, plus interest on balances of principal.

[Strike out if inapplicable]

This application by the undersigned Proposed Mortgagee is subject to your commitment, its own final action, and payment of its charges as set forth under "Financing Expense" at the rate of ..... % in the amount of $.....

Herewith is check for $....., in payment of the required fee pursuant to the applicable Administrative Rules and Regulations. (See Rules, Section I, FHA Form 2012 or 2012 (a).)

(Signed) .....
Sponsor.

On behalf of .....
Proposed Mortgagor.

(Signed) .....
Proposed Mortgagee.

By .....
(Name and title of officer)

.....
(Address of mortgagee)

MORTGAGOR'S APPLICATION

II.

To THE FEDERAL HOUSING ADMINISTRATOR:

The undersigned hereby applies for the insurance of a first mortgage in the principal amount of $..... under the provisions of Section 207 of the National Housing Act, and agrees to pay the examination fee as prescribed by the applicable Administrative Rules and Regulations (FHA Form 2012 or 2012 (a)). The schedules, estimates, maps, drawings, and other exhibits listed under "Explanatory Notes" below, properly identified and made a part hereof, describe the property which will secure the proposed mortgage.

SPONSORS:

1. Name of proposed mortgagor .....
   (*a*) Names and addresses of sponsors .....
   .....
   .....
   .....
   (*b*) Names and address to which correspondence should be addressed .....
   .....
2. Names and addresses of—
   (*a*) Architect .....
   (*b*) Attorney .....

III. EXPLANATORY NOTES

1. General Information.—The following notes should be studied in completing this application form and preparing the supporting exhibits. The examination of the proposed project will be expedited by early and full compliance with the requirements set forth. The requirements of the following notes shall be observed carefully in completing this application, and in preparing the exhibits described.

2. Required Exhibits.—In order to permit an adequate examination of the project, the following exhibits shall be submitted in triplicate except photographs and city map which may be submitted in duplicate.

(*a*) *Ownership.* A statement as to the ownership of the property comprising the project. If property is to be acquired by the sponsoring group, copies of a valid option shall be submitted.

(*b*) *City map* shall be marked to indicate the subject property, schools, churches, shopping and business districts, industrial, commercial, and recreational centers, together with main traffic arteries and available means of transit to and from the property to such centers.

(*c*) *Zoning map* and copy of zoning ordinance, if existing. Definite assurance must be submitted that the proposed project will not be contrary to existing zoning regulations or restrictions.

(*d*) *Survey plat* by registered surveyor showing size, location and dimensions of buildings including encroachments, easements, deed restrictions, if any, and legal description of property; location, and size of public utilities, including depths of sewers, location, width, material and condition of adjacent streets and sidewalks; location and height of nearest walls of adjacent buildings.

(*e*) *Photographs* of front, rear, sides and typical interiors of buildings to show physical condition; street view of subject and contiguous properties. There should be sufficient descriptive matter typed upon such photographs to make it evident from what point and in what direction they were taken.

*(*f*) *Floor plans* of all floors and basement or cellar of buildings, showing present layout, and additional plans showing buildings as altered.

*(*g*) *Sections* of all buildings both before and after alterations.

*(*h*) *Elevations.* Front, side and rear elevations of all buildings both before and after alterations.

(*i*) *Planting plan* of all existing and proposed landscape work.

(*j*) *Scale elevation* of kitchen cabinets.

(*k*) *Outline specifications* for new work.

3. Supplementary schedules (pp. 2 and 4). Schedules A, B, C, D, E, and F must be completed for all applications, in detail and accurately.

*NOTE.—Where alterations are sufficiently simple in nature, present and proposed layouts may be shown on same drawing if no confusion will arise on account of this procedure.

4. Statement of resources and estimated costs (p. 3): (*a*) "Construction." In the estimated construction cost (*i. e.* bare field cost, or sum of all trades or subcontracts) include the general contractor's public liability, workmen's compensation and other insurance, and job overhead. Include also the cost of refrigerators and stoves, if such are to be provided.

(*b*) "Interest." Amount estimated to cover interest on disbursements from mortgage during construction only.

(*c*) "Taxes." On land, or land and buildings, during construction only.

(*d*) "Insurance." An amount sufficient only to cover premium for owner's fire-windstorm, contingent liability, and other hazard insurance during construction only.

(*e*) "Title and recording expense." Include the actual cost of title search and title insurance, surveys, mortgage taxes of all kinds, and recording fees.

(*f*) "Organization expense." Include only reasonable expenses not otherwise classified, and properly incurred during the organization of the project.

5. Estimated annual operating statement (p. 3): (*a*) "Rental schedules." Complete Schedule F on page 4. This must be sufficiently detailed to show the apartment composition and the expected rents by apartment types.

(*b*) "Vacancies." The assumed vacancy should depend on local conditions, but ordinarily should not be taken at less than 10%.

(*c*) "Operating expenses." These should be estimated on the basis of local experience and must include an allowance for replacement of equipment which depreciates more rapidly than the structures themselves.

(*d*) "Taxes." Probable taxes on the completed property should be estimated in conformity with local rates and assessment practice, or by comparison with similar properties on a per room or other basis. Both methods should check, and a statement showing this check should accompany the exhibits.

6. Room count. For purposes of uniformity the Administration has established the following method of counting the number of rooms, which must be followed:

(*a*) Living and bed rooms shall count as one whole room each.

(*b*) Kitchens, or combination of kitchen and dining alcove, the aggregate area of which is not less than 60 square feet, shall count as one room each.

(*c*) Kitchens less than 60 square feet in area, but which are separated from other rooms by a complete partition with a door, shall count as one-half room.

(*d*) Strip kitchens, located in a room, a recess off the room, or in a closet space with doors shall not be assigned any room count.

(*e*) Dining alcoves separated from the kitchen by a partition and a door and having outside light shall count as one-half room.

(*f*) Dining rooms not less than 110 square feet in area shall count as one room each.

(*g*) Bathrooms shall not be included in the room count, nor interior foyers whether intended for dining or not.

IV. SUPPLEMENTARY SCHEDULES

SCHEDULE A

Sources of Equity

NOTE.—Amounts of equity represented in "Land" and "Cash" will be entered in the respective columns opposite the name and address of the equity participant. Amounts of "Other equity" will be entered under "Amount" in the third column. Under "Nature" will be indicated the source of the amount such as "Builder's fee," "Architect's fee," "Attorney's fee," "Materials furnished," etc. The salvage as set forth under "Estimated Requirements" on page 3 may be claimed as "other equity." In filling out Schedule A, the equity claimed for salvage must be specifically designated. This must be in an amount equal to the item of "salvage" under "Estimated Requirements." The amount set forth at the item land shall consider "land" without buildings.

NAME AND ADDRESS	LAND	CASH	OTHER EQUITY		TOTAL
			Amount	Nature	
	$	$	$	Salvage	$
TOTAL (amount which must equal "Total equity" plus "Cash working capital (or deposit)" under "Resources" on p. 3)					$

SCHEDULE B

Information Concerning Property Not Yet Rehabilitated

Parcel or lot	Present owner	Total mortgages now a lien	Interest due and unpaid	Unpaid taxes and assessments	Assessed valuation date	Current tax rate

SCHEDULE C

Estimated Cost of New Utilities and Extra Foundations

NOTE.—The cost of roads, utilities, sidewalks and curbings, etc., which are necessary to be constructed in connection with the proposed project on public land or privately owned land that is not a part of the project site, shall not be included in the total estimated construction cost for "Land Improvement."

Item	Description	Quantity	Unit	Unit cost	Estimated cost
Streets			Sq. yd		
Driveways			Sq. yd		
Parking areas			Sq. yd		
Curbing			Lin. ft		
Sidewalks (public)			Sq. yd		
Private walks, etc			Sq. yd		
Storm sewers			Lin. ft		
Sanitary sewers			Lin. ft		
Septic tank system			Each		
Water mains			Lin. ft		
Wells			Total		
Gas mains			Lin. ft		
Electric service			Lin. ft		
Heating tunnels			Lin. ft		
Other items					

SCHEDULE D

Estimated Cost of Landscape Construction and Planting

Item	Description	Quantity	Unit	Unit cost	Estimated cost
Purchase of topsoil			Cu. yd		
Lawns and planting			Total		
Drainage and culverts			Total		
Playgrounds, etc			Total		
Fencing			Lin. ft		

SCHEDULE E

Estimate of Annual Operating Expense

List services and utilities included in rental (heat, hot water, gas, electricity, etc.) _____

Administrative expense:
- Advertising _____ $ _____
- Management _____ _____

Operating expense:
- Elevator power _____ _____
- Elevator maintenance _____ _____
- Fuel (kind) _____ _____
- Janitor's supplies _____ _____
- Lighting and mis. power _____ _____
- Water _____ _____
- Gas _____ $ _____
- Garbage and ash removal _____ _____
- Pay roll _____ _____

Maintenance expense:
- Decorating _____ _____
- Repairs _____ _____
- Exterminating _____ _____
- Insurance _____ _____
- Grounds expense (materials only) _____ _____
- Furniture and furnishings _____ $ _____

Other operating expense _____ _____

Total _____ _____

Replacement reserve _____ _____

Total operating expense _____ _____

Total operating expense per room per annum _____ _____

V. PROPOSED REHABILITATION SET-UP

Project name ..... Number of family units ..... Number of rooms .....

Location ..... Average monthly rent: Per family unit, $.....; per room, $.....

Type of buildings .....
(Apartment, detached, semidetached or row houses. Number of stories, type of construction, walk-up or elevator, garages, stores, etc.)

RESOURCES

Land ..... $.....
Cash (exclusive of working capital or deposit) .....
Other equity (fees, new materials, salvage) .....
Total equity ..... $.....
Mortgage-loan proceeds .....
TOTAL RESOURCES (exclusive of working capital or deposit) $.....

Cash working capital (or deposit) $.....

NOTE.—If the proposed mortgage exceeds the sum of $100,000, working capital shall not be less than 3% of the amount of the mortgage contemplated. If the proposed mortgage is $100,000 or less, sponsors shall deposit with the mortgagee a sum equal to 6 months' interest on the mortgage, plus FHA mortgage insurance premium for 1 year, in lieu of working capital. Working capital is not part of the mortgage security; consequently it is set forth separately and constitutes a reserve for pre-opening expense and for the payment of interest to accrue on the mortgage between time of completion of the project and consummation of the renting program. Under "Estimated Annual Operating Statement" on this page, the amount of the "Dividend on Stock" is computed on the total of "Land," "Cash," and "Other equity" plus "Cash Working Capital (or deposit)."

ESTIMATED REQUIREMENTS

LAND IMPROVEMENT: (within property lines only)
New utilities (schedule C) ..... $.....
Extra foundations (schedule C) .....
Landscape work (schedule D) .....
TOTAL FOR LAND IMPROVEMENTS ..... $.....

CONSTRUCTION:
Dwellings (new construction only) ..... $.....
Garages .....
Other .....
Demolition .....
Salvage* (as below) .....
Contingency allowance ..... (Based on new construction)
Taxes (Social Security, sales, etc.) .....
Surety bond .....

FEES: (Based on cost of new construction)
Bld'r, $.....@.....%
Arch't, $.....@.....%
TOTAL ..... $.....

TOTAL FOR ALL IMPROVEMENTS (Including salvage) ..... $.....

CARRYING CHARGES, FINANCING, AND ORGANIZATION EXPENSE, ETC.:
Interest ..... mos. @.....%
on $..... $.....
Taxes (on real estate during construction) .....
Insurance (fire, windstorm, and liability) .....
FHA mtg. ins. premium ....%
FHA examination fee (0.3%) .....
Financing expense .....%
Title and recording expense .....
Legal expense .....
Organization expense .....
Other estimated expenses .....
TOTAL CARRYING CHARGES, ETC. ..... $.....

TOTAL ESTIMATED REHABILITATION COST PLUS SALVAGE, (EXCLUSIVE OF LAND AND REQUIRED CONSTRUCTION OFF THE SITE) ..... $.....

LAND:
..... sq. ft. @ ..... per sq. ft. ..... $.....

TOTAL ESTIMATED REQUIREMENTS ..... $.....
Cash working capital (or Deposit) $.....

*Estimate depreciated reproduction costs of salvageable existing improvements ..... $.....
.....
.....
.....
.....
.....
.....
TOTAL SALVAGE ..... $.....

ESTIMATED ANNUAL OPERATING STATEMENT

INCOME: (See note No. 5 on p. 1)
Dwelling rent (from schedule F) ..... $..... per annum.
Garage rent (from schedule F) ..... per annum.
Store rent (from schedule F) ..... per annum.
Other income (from schedule F) ..... per annum.
.....
TOTAL ESTIMATED GROSS INCOME PER ANNUM ..... $.....

Less vacancies assumed:
(.....% on dwellings) ..... $.....
(.....% on garages) .....
(.....% on other income) .....
TOTAL VACANCY DEDUCTION ..... $.....

GROSS INCOME EXPECTANCY ..... $.....
(Effective gross income)

TOTAL OPERATING EXPENSE: (Schedule E)
Number of rooms .....@
$..... per annum ..... $.....

REAL-ESTATE TAXES:
Estimated assessed value:
$.....@.....
PER $1,000 .....

SOCIAL SECURITY, UNEMPLOYMENT, AND OTHER SPECIAL TAXES .....

TOTAL ..... $.....
CASH AVAILABLE FOR DEBT SERVICE ..... $.....

ANNUAL FIXED CHARGES:
Interest (1st year) .....% $.....
Amortization @.....%
during first year .....
Mortgage insurance .....%
Other fixed charges ..... (Special assessments, etc.)
TOTAL ANNUAL FIXED CHARGES ..... $.....

CASH AVAILABLE FOR INCOME TAXES, DIVIDENDS, AND SURPLUS ..... $.....
Estimated Federal and State income taxes ..... $.....
Capital stock, franchise, and other corporate taxes ..... $.....

CASH AVAILABLE FOR DIVIDENDS AND SURPLUS $.....
Dividend on stock (See note under "Resources")
..... $.....
Estimated surplus cash for year ..... $.....

LIST OF EXHIBITS

.....
.....
.....
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SCHEDULE F

Estimate of Rentals

Number of each unit type	Percent of total units	Rooms per unit	Composition of units	Estimated unit rent per month	Total monthly rent for each unit type	Total annual rent for each unit type
		2	LR-SK-BR	$	$	$
		2½	LR-K-DA			
		3	LR-K-BR			
		3½	LR-K-DA-BR			
		4	LR-K DR-BR			
		4	LR-K-2BR			
		4½	LR-K-DA-2BR			
		5	LR-K-DR-2BR			
		6	LR-K-DR-3BR			
Total Units						
	TOTAL ESTIMATED RENTALS FOR ALL DWELLING UNITS				$	$
	Garage stalls					
	Stores					
TOTAL ESTIMATED INCOME (at 100% occupancy)					$	$

Total number of family units _____ @ average rental of $_____ per unit per month.
Total number of dwelling rooms _____ @ average rental of $_____ per room per month.

(Key to room abbreviations: LR=Living Room; K=Kitchen; SK=Strip kitchen; DA=Dining alcove; DR=Dining room; BR=Bedroom.)

NOTE.—If the total estimate of accessory income, such as that from garages, stores, offices, and any source other than from dwellings, exceeds 10 percent of the total estimated gross income of the project, 100%-occupied, the amount of such excess above 10 percent will not be considered in arriving at the estimate of fair value of the property. Extraneous income anticipated from the submetering of electricity, gas, and telephone services, rental of laundry equipment, maid and valet service, etc., shall not be included in project rental estimates.

Nonrevenue Producing Dwelling Space

Type of employee	Number of rooms	Composition of unit	Location of unit in project

REMARKS

It is hereby represented by the undersigned that, to the best of his knowledge and belief, the foregoing statements, schedules, and exhibits are in no way false or incorrect and that they are truly descriptive of the project or property which is intended as the security for the proposed mortgage, and that the proposed construction does not violate existing zoning ordinances and requirements or existing deed restrictions.

The undersigned proposes to furnish assurance of completion of the project construction in the form of _____

_____

_____

The undersigned certifies: (1) That the subject property was acquired on (or that an agreement for its purchase dated is in effect) whereby title was (or will be) acquired from who is not related to, employed by, or connected with any of the sponsors.

NOTE.—The following paragraph is to be completed only if property was initially acquired within 1 year prior to date of this application.

(2) That the entire consideration was $ which includes expenditures to clear all liens and encumbrances, if any, as follows:

It is understood by the undersigned that a reasonable time will be required by the Federal Housing Administration after the filing of this application and the supporting exhibits, to complete its examination and that the final decision on all questions relating to projects, including eligibility, mortgage amount, architectural and other conditions rests with the Assistant Administrator for Rental Housing.

Date _____ Date _____

Attest: _____ (Signed) _____
Sponsor.

On behalf of _____
Proposed Mortgagor.

U. S. GOVERNMENT PRINTING OFFICE 16—14507

FHA Form No. 2264-R

FEDERAL HOUSING ADMINISTRATION

RENTAL HOUSING DIVISION

PROJECT INCOME ANALYSIS AND APPRAISAL
(REHABILITATION)

Date ..... Project No. .....

Name of project ..... Number of rooms .....
Location ..... Number of family units .....
..... Average rooms per family unit .....
..... Estimated average rent p. r. p. m. ..... $.....
Type of project ..... Construction ..... Average rent per family unit p. m. ..... $.....
Accessory buildings .....

ESTIMATE OF INCOME

INCOME (Dwelling Units):

Number of Each Unit Type	Percent of Total Units	Rooms Per Unit	Composition of Units (L. R., 2 B. R., K., etc.)	Est'd Unit Rent Per M.	Monthly Rent at 100% Occupancy	Annual Rent at 100% Occupancy
				$	$	$
Total Number of Rooms			@ average rental of $	p. r. p. m. . . .	$	$

ACCESSORY INCOME (Garages, stores, etc.):

Number	Type	Estimated Rent Per M.	Annual Rent at 100% Occupancy
		$	$

Total Accessory Income . . . . . $.....
TOTAL ESTIMATED INCOME AT 100% OCCUPANCY . . . . . $.....

ESTIMATED ANNUAL OPERATING EXPENSE

	Unit Basis of Estimate	Amount Per Unit	Amount Per Item	Total
Renting Expense:				
Advertising				
Commissions				
Administrative Expense:				
Management				
Superintendent				
Clerical				
Telephone and telegraph				
Legal and audit				
Office expense				
Operating Expense:				
Elevator power				
Elevator maintenance				
Heating and ventilating				
Janitorial expense				
Lighting—Misc. power				
Water				
Gas				
Garbage and rubbish removal				
Pay roll (see schedule)				
Maintenance Expense:				
Decorating (see schedules)				
Repairs				
Exterminating				
Insurance				
Grounds Exp. (materials only)				
Furniture and furnishings				
Miscellaneous				
Total Operating Expenses	P. R. P. A.		x x x x	
Reserve for Replacements	P. R. P. A.		x x x x	
Total Expense and Reserve	P. R. P. A.		x x x x	

DECORATING

Materials Only (Labor on "Decorating Pay Roll")
Materials and Labor (Contract price)
(Strike out inapplicable line above)

Tenant space (every ..... years) . $.....
Public space (every ..... years) . .....
Exterior bldgs. (every ..... years) . .....
Accessory bldgs. (every ..... years) . .....
Total . . . . . $.....

DECORATING PAY ROLL

Position	No.	Monthly Rate	Per Annum
Total			$

OPERATING PAY ROLL

Position	No.	Monthly Rate	Per Annum
Total			$

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ESTIMATE OF TAXES

IMPROVEMENTS:

	Assessor's Reproduction Cost	Percent Debased or Equalized	Assessor's Valuation	Percent of Assessment	Assessed Value	Tax Rate Per $1,000	Annual Tax
Main Bldgs	$	%	$	%	$		$
Garages		%		%			
Other		%		%			

Total Annual Tax for Improvements . . . . . $

LAND:

Estimated assessed value upon completion of improvements . . . . . $

Estimated tax rate (normal land tax) . . . . . $ per

Estimated Total Land Tax . . . . . $

Total Estimated Real Estate Tax per Annum . . . . . .

MISCELLANEOUS OPERATING TAXES:

Social Security tax . . . . . $

Other special local taxes . . . . . .

Total Miscellaneous Operating Taxes . . . . . .

Total Taxes (excluding Income, Capital Stock and Franchise Taxes) . . . . . .

ESTIMATED ANNUAL OPERATING STATEMENT

INCOME: (See schedule page 1)	Annual Income at 100% Occupancy	Estimated Occupancy %	Gross Income Expectancy
Dwelling units	$		$
Garages			
Stores			
Total Estimated Income			
GROSS INCOME EXPECTANCY			$

OPERATING EXPENSES AND TAXES:

Operating ..... rooms @ $ ..... p. r. p. a. . . . . $

Reserve for replacements ..... @ ..... p. r. p. a. . . . . .

Total Taxes (excluding Income, Capital Stock and Franchise Taxes) . . . .

Total Operating Expenses and Taxes . . . . . .

Estimated Net Income, After Operating Expenses and Taxes . . . . . .

CAPITALIZATION OF ESTIMATED NET INCOME

(Declining annuity method includes return of capital)

Annuity Premise ....., which assumes 10% remaining value at end of economic life.

Capitalization rate ..... Economic life ..... Period of typical income deferred ..... years.

Year	Typical Year's Income		Percent Assumed		Estimated Year's Income		Discount Factor		
1st		×		=		×		=	
		×		=		×		=	
		×		=		×		=	
									$

Typical year's income . . . . . $ × Capitalization factor ..... = $

Capitalized Value of Estimated Net Income . . . . . $

REMARKS

(Justify annuity premise, capitalization rate and economic life used above)

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ESTIMATED REHABILITATION COST, SALVAGE, AND LAND

(SUMMATION)

IMPROVEMENTS TO LAND (Within property lines):

New utilities . . . . . $_____

Extra foundations . . . . . _____

Landscape work, _____ net acres @ _____ per acre. . . . . _____

TOTAL . . . . . $_____

STRUCTURES:

Dwellings (new construction cost) _____ cu. ft. @ _____¢ per cu. ft. . . . . _____

Garages (new construction cost) _____ @ $_____ . . . . . _____

Other. . . . . _____

Present reproduction cost (depreciated) of salvageable existing improvements . . . . . _____

Demolition . . . . . _____

Contingency allowance (computed on new construction only) . . . . . _____

Taxes (Social Security, sales, etc.) . . . . . _____

Construction bond _____% on $_____ . . . . . _____

FEES:

Builder $_____ @ _____%. . . . . _____

Architect $_____ @ _____%. . . . . _____

Total for structures plus fees. . . . . _____ _____

TOTAL FOR ALL IMPROVEMENTS (including salvage). . . . . _____

CARRYING CHARGES; FINANCING; ORGANIZATION:

Interest _____ mo. @ _____% on $_____ . . . . . _____

Taxes (real estate) to accrue during construction . . . . . _____

Insurance (fire, windstorm, liability, etc., during construction) . . . . . _____

FHA mortgage insurance premium _____ % . . . . . _____

FHA examination fee 0.3% of $_____ . . . . . _____

Financing expense _____%. . . . . _____

Title and recording expense . . . . . _____

Legal expense . . . . . _____

Organization expense. . . . . _____

Other estimated expenses . . . . . _____

TOTAL CARRYING CHARGES; FINANCING; ORGANIZATION . . . . . _____

TOTAL ESTIMATED REHABILITATION COST PLUS SALVAGE (exclusive of land and required construction off the site) . . _____

AMOUNT ALLOCABLE TO LAND IN FEE SIMPLE (from F. H. A. Form 2401R):

_____ square feet @_____ per sq. ft. . . . . _____

TOTAL (SUMMATION) . . . . . _____

ESTIMATED FAIR MARKET VALUE OF ENTIRE REHABILITATED PROPERTY:

By comparison with other like properties (when available) . . . . . $_____

(If valuation by comparison is available, include comparative data below—FHA-insured properties operating in same area may be used.)

LOCATION	NUMBER FAMILIES	NUMBER ROOMS	TOTAL RENTS	BUILDINGS AGE	COMPARATIVE LOCATION	FHA PROJECT NO.
1						
2						
3						
4						

APPRAISAL SUMMARY

CAPITALIZATION, $_____ **SUMMATION, $**_____ **COMPARISON, $**_____

CERTIFICATION OF VALUE:

I HEREBY CERTIFY That I have read Section 512 (a) of the National Housing Act, as amended; that I have no personal interest, present or prospective, in the property, the proceeds of a mortgage proposed to be secured by the property or the applicant therefor; that, based upon the information contained in this report, it is my opinion that the Fair Value of the Property, on completion in accordance with Plans and Specifications as approved by the Administrator, free and clear of all unpaid special assessments or other liens, if any, will be _____ Dollars ($_____), which may be divided as follows:

LAND (including land improvements within property lines) . . . . . $_____

STRUCTURES (main buildings, garages, etc.). . . . . _____

TOTAL (as above) . . . . . $_____

REMARKS: (Explain reasons for final opinion of fair value of the property on completion as set forth under "Certification of Value" above; show deductions from "FAIR VALUE OF THE PROPERTY" to offset special assessments or other liens, if any.) _____

Date _____ (Signed) _____
Chief Zone Appraiser.

Date _____ _____ (Signed) _____
(Approved) *Zone Rental Manager.*

SOURCES OF ESTIMATED REQUIREMENTS FOR REHABILITATION

REQUIREMENTS		RESOURCES	
Total for all improvements (excluding salvage)	$	Mortgage loan proceeds	$
Carrying charges; financing; organization		Cash $ to be escrowed at closing)	
Working capital (or deposit)		Other equity (fees, new materials)	
TOTAL REQUIREMENTS	$	TOTAL RESOURCES	$
Balance of mortgage money, if any, not directly allocable to new physical improvements			
	$		

DISTRIBUTION OF ESTIMATED NET INCOME AFTER OPERATING EXPENSES AND TAXES

ESTIMATED NET INCOME, after operating expenses and taxes . . . $

ANNUAL FIXED CHARGES:

Interest, $ @ % . . . $
Mortgage insurance % . . .
Amortization of loan @ % . . .
Other fixed charges (special assessments, etc.) . . .
TOTAL DEBT SERVICE REQUIREMENTS . . .
CASH AVAILABLE FOR INCOME TAXES, DIVIDENDS, AND SURPLUS . . .

ESTIMATE OF CAPITAL STOCK, FRANCHISE, AND INCOME TAXES:

Gross income expectancy . . .
Less: Depreciation (including write-off of salvage) . . . % $
Total operating expenses . . .
Real estate and other miscellaneous taxes . . .
Interest per annum . . .
FHA insurance premium per annum . . .
Financing (prorated annually for term of mortgage) . . .
Total deductions from gross income expectancy . . .
TAXABLE INCOME . . .
Federal capital stock tax on $ @ $ per $1,000
Franchise tax . . .
Other corporate tax . . .
State income tax @ % . . .
Federal income tax @ % . . .
TOTAL CORPORATE TAXES . . .
CASH AVAILABLE FOR DIVIDENDS AND SURPLUS . . .
DIVIDEND ON STOCK % **on $** . . .
. . .
ESTIMATED SURPLUS . . .

ANALYTICAL SUMMARY

Estimated fair value on completion; per room, $; per family unit, $
Amount of mortgage allocable to dwellings only; per room, $; per family unit, $
Ratio: Mortgage $ to estimated fair value on completion $ . . . %
Point of technical default: % of total estimated income at 100% occupancy.
Point of F. H. A. loss: % of total estimated income at 100% occupancy.
Ratio: Estimated net income $ to debt service requirements $ %
Ratio: Income from dwellings at 100% occupancy to all income at 100% occupancy . . . %
Ratio: Total operating expenses and taxes $ to gross income expectancy $ %
Ratio: Debt service requirements $ to gross income expectancy $ %
Ratio: Mortgage $ to total for all improvements (including salvage) . . . $ %
Ratio: Total for all improvements (excluding salvage) $ to mortgage . . . $ %
Ratio: Mortgage $ to sponsor's capital requirement . . . $ %

REMARKS:

Made by Date Checked by Date
Title Title
Approved Date
Title

REMARKS:

Approved DATE
Zone Rental Manager.

16—14663 U. S. GOVERNMENT PRINTING OFFICE

FHA Form 2401-R
(March 1, 1940)

FEDERAL HOUSING ADMINISTRATION
RENTAL HOUSING DIVISION

REHABILITATION PROJECT APPRAISAL DATA AND INFORMATION

(More than one of these forms may be used if required by inclusion of two or more noncontiguous properties in one project or by structures of diverse types)

Name of project ..... Project No. ..... Date .....
Location .....
.....
EXISTING BUILDINGS (type, age): .....
.....
Construction ..... Units ..... Rooms ..... Accessory buildings .....
PROPOSED REHABILITATION: Type and construction .....
Units ..... Rooms ..... Accessory buildings .....
The following report refers to property located at .....
..... and is one of ..... reports covering all properties included in the project.

PHYSICAL, ECONOMIC, AND SOCIAL DATA

A. CITY

1. Economic stability rating .....%. 2. Population as of 19.....: (*a*) City .....
(*b*) Metropolitan area ..... (*c*) Source of estimate .....
3. Characterize any special climatic or geological hazards .....
.....

B. NEIGHBORHOOD

(*a*) *Physical:*

1. Characterize neighborhood as to location in relation to city pattern, area, topography .....
.....
.....
2. Indicate type, age, and physical condition of existing improvements .....
.....
.....
.....
3. What is the predominant type of residential structure (flats, row houses, etc.) .....
Are structures now fit for human habitation? .....
4. If neighborhood is developed with properties which affect the desirability for residential purposes, describe .....
.....
.....
5. Describe other physical influences and their effect on the neighborhood .....
.....

(*b*) *Economic:*

1. Is the neighborhood primarily residential, commercial, or industrial? .....
2. Indicate degree of stability and/or nature of transitional trend .....
.....
.....
3. Are there any broad economic influences which might affect the neighborhood? .....
.....
4. Does the neighborhood evidence continued suitability for the type of residential use proposed? .....
.....
5. Summarize recent residential construction or rehabilitation .....
.....
.....
6. What has been the absorption of such construction? .....
7. What are the neighborhood zoning restrictions? .....
.....
8. Is there a tendency to rezone to different use? Explain .....
.....
9. Relation of neighborhood to appropriate employment centers .....
.....
10. Are tax burdens comparable to similar areas? Explain special conditions .....
.....

(*c*) *Social:*

1. Is the neighborhood homogeneous in population? .....
2. What race or group predominates? .....
3. Is there an indication of change in predominant group? .....
4. Typical income of neighborhood residents? $..... Range of incomes, $..... to $.....
5. Will the project appeal to typical, higher, or lower income groups, than those now predominant in the area? .....
.....
6. Is the neighborhood undergoing social changes which will improve or impair its desirability for the proposed residential use? Explain .....
.....
.....

16—14019

C. SUBJECT PROPERTY

1. State square foot area and boundaries of site .....
2. Is surface of site, above, below, or at street grade? Describe .....
3. Are preservable trees on site, or street frontages? Describe .....
4. Briefly describe all structures now on site .....
5. State kind, width, and condition of pavements on abutting streets .....
6. Are curbs installed? ..... Sidewalks laid? ..... If not, are they required? .....
7. Are water, gas, sewer, and electric lines of sufficient size available at the site? .....
8. If not, how will they be provided? .....
9. What additional improvements are required beyond site boundaries? .....
10. State direction of best outlook and approach .....
11. Describe properties adjacent to site (type, age, condition) .....
12. How do they affect the site for project use? .....
13. Distance to city center ..... Employment centers .....
14. Distance in feet from site to transit lines—Type: 1. Bus ..... 2. Trolley car ..... 3. Railroad ..... 4. Other ..... Schedule: 1. Rush hour ..... 2. Regular ..... Fare: 1. Bus ..... 2. Trolley car ..... 3. Railroad ..... 4. Other ..... Running time: 1. Bus ..... 2. Trolley car ..... 3. Railroad ..... 4. Other .....
15. Distance in feet to—(*a*) Main traffic highways ..... (*b*) Neighborhood shopping center ..... (*c*) Main shopping center ..... (*d*) Fire department apparatus .....
16. Distance to grade school ..... To high school .....
17. Are existing school facilities adequate and of a type acceptable to prospective project tenants? .....
18. What are the present zoning or deed restrictions as to—(*a*) Use ..... (*b*) Height ..... (*c*) Setback ..... (*d*) Coverage ..... (*e*) Type of construction ..... (*f*) Other requirements .....
19. Do existing structures come within present zoning requirements? Explain .....
20. In your opinion, is the subject property susceptible to sound rehabilitation for rental housing purposes? ..... Explain .....
21. In your opinion, will rehabilitation of the subject property effect an improvement of housing standards in the neighborhood? .....

RENTAL HOUSING—SURVEY AND ESTIMATES

A. RENTAL DATA

1. Estimate present city-wide occupancy ratio in all residential units of the subject type .....%. Is this percentage inclining or declining? .....
2. In your opinion, does condition of rental market warrant rehabilitation of this property? ..... Explain .....
3. What volume of competitive construction (including rehabilitation) is under way? .....
4. Will existing vacancies, plus present construction and rehabilitation, fill city-wide demand for this type of housing? ..... Neighborhood demand? .....
5. How many family units do you recommend for the project? .....
6. What unit rental shows highest occupancy in the subject type property? .....
7. State the first, second, and third most popular number of rooms per unit in competitive neighborhood rental structures: (*a*) .....; (*b*) .....; (*c*) .....
8. Do proposed room sizes conform to local demand for comparable units? ..... Explain .....
9. Customary moving dates ..... Leases .....
10. Are project garage facilities adequate? .....
11. Is sufficient outside garage or parking space available? ..... Describe .....

REMARKS: .....

B. MONTHLY RENTALS—COMPARISON AND RECOMMENDATIONS

	Composition	Actual Monthly Neighborhood Rentals				Typical Rentals		Recommended for Project		
		A	B	C	D	Before Rehabilitation	After Rehabilitation	Rents	Occupancy Ratio	Number Units
2	LR-SK-BR	$	$	$	$	$	$	$	%	
2½	LR-BR-K									
3	LR-K-BR									
3½	LR-K-DA-BR									
4	LR-K-DA-BR									
4	LR-K-2BR									
4½	LR-K-DA-2BR									
5	LR-K-DR-2BR									
6	LR-K-DR-3BR									
Total units										
Garages										
Age										
Type (Row house, apartment, flats, etc.)										
Rehabilitated										

1. Location of A _____ B _____
   C _____ D _____
2. Accessory income _____
3. Are the recommended project rents substantially less than those charged for equivalent facilities in new construction? _____
4. Are the recommended project rents in excess of the maximum rents paid by present neighborhood residents? _____
   If so, how much? _____

C. ITEMS INCLUDED IN MONTHLY RENTALS—UNDER B ABOVE

	Item											
	Heat	Water		Electricity		Cooking Fuel	Appliances		Janitor	Elevator	Telephone	Garage
		Hot	Cold	Lights	Refrigeration		Refrigeration	Range				
A												
B												
C												
D												
Subject property												

D. DATA FOR ESTIMATING OPERATING COSTS

Fuel Costs				Electricity		Water Per Month		Pay Roll Costs		Decorating Costs	
Coal	Oil	Gas	B. t. u.	Light	Power	Average used	Average costs	Janitor	Handyman	Interior	Exterior
Per ton	Per gal.	Per M. cu. ft.	Content	Kw.-hr.	Kw.-hr.	Per family	Per family	Per month	Per month	Per Room	"

1. State usual method of garbage and rubbish removal and costs _____
2. What is the average tenant turnover? _____
3. State usual type of management and cost thereof _____

E. INSURANCE—RATES PER YEAR PER $1,000 FOR PROJECT ESTIMATED ON 3-YEAR POLICY BASIS

1. (*a*) Fire rate, $_____, with _____% coinsurance, $_____; (*b*) Liability _____
2. (*a*) Wind or extended coverage rate, $ _____, with _____ % coinsurance, $_____; (*b*) Boiler explosion, $_____
3. (*a*) Compensation rates _____ (*b*) Other_____
4. Garage and accessory buildings fire rate, $_____, with_____ % coinsurance, $_____; wind, _____ %, coinsurance, $_____
5. Established by rating bureau or local agent _____

F. TAXES

Real Estate Taxes Before (*a*) and After (*b*) Rehabilitation	City		County and State		Miscellaneous		Total
	Land	Improvement	Land	Improvement	Land	Improvement	
(*a*) Present assessed value	$	$	$	$	$	$	$
Present annual tax	$	$	$	$	$	$	$
Ratio assessed value to market price	%	%	%	%	%	%	%
(*b*) Assessor's valuation (estimated)	$	$	$	$	$	$	$
Percentage of assessment	%	%	%	%	%	%	%
Estimated assessed value	$	$	$	$	$	$	$
Tax rate per thousand	$	$	$	$	$	$	$

1. Outline procedure of assessor in estimating taxable value _____
2. Special assessments outstanding, $_____ Interest rate _____%. Payable _____ years.
3. State the probable annual tax per room for subject rehabilitated property, $_____
4. Actual taxes per room table "B" properties: (*a*) $_____; (*b*) $_____; (*c*) $_____; (*d*) $_____
5. Miscellaneous taxes: Describe fully miscellaneous city, county, and State taxes applicable to subject property _____

DETERMINATION OF AVAILABLE MARKET PRICE OF SUBJECT PROPERTY

A. LIST BELOW PROPERTIES COMPARABLE WITH THE SUBJECT PROPERTY IN ITS PRESENT CONDITION

Parcel No.	Location (In the subject neighborhood)	Age	Land Area	Improvements		Assessed Value		Sales (S) Listing (L)
				Type	Units	Land	Buildings	
1						$	$	$ ( )
2								( )
3								( )
4								( )
5								( )

1. Give effective date and any special circumstances affecting above sales or listings _____

B. COMPARISON GRID FOR DETERMINING RELATIVE DESIRABILITY OF PROJECT AND COMPARABLE PROPERTIES

Project—	1			2			3			4			5		
	Project is—			Project is—			Project is—			Project is—			Project is—		
Factors of Comparison	Superior	Equal	Inferior	Superior	Equal	Inferior	Superior	Equal	Inferior	Superior	Equal	Inferior	Superior	Equal	Inferior
Physical characteristics															
Security against special hazards, floods, noise, smoke, traffic, etc															
Zoning and deed restrictions															
Relation to transit services															
Relation to existing and known future civic facilities															
Relation to appropriate employment areas															
Relation to present and future tax burdens															
Influence of surrounding improvements															
Relative adaptability for rehabilitation purposes															

C. ESTIMATE OF AVAILABLE MARKET PRICE OF THE SUBJECT PROPERTY

I hereby certify that I have read section 512(a) of the National Housing Act, as amended; that I have no personal interest, present or prospective, in the subject property, the applicant or the proceeds of a mortgage to be secured by the subject property; that I have made a personal examination and inspection of the subject property (which is legally described on F. H. A. Form 2013 and exhibits attached thereto); and that, based upon an analysis of available information, the available market price of the subject property before rehabilitation in fee simple is, in my opinion, $_____, of which price $_____ is allocable to land (including utilities and other land improvements, if any).

D. MANDATORY CONDITIONS (IF ANY) ON WHICH ABOVE ESTIMATE IS BASED

_____

E. If the project includes property in addition to that covered by this report, add the estimated available market price of *all* other property in the spaces provided below.

Parcel No.	Location	Available Market Price of Property	Amount Allocable to Land
		$	$
	Total	$	$

F. If, in your opinion, a "plottage" (appreciation in available market price created by assembling the several separate properties set forth above into one larger single property) or other change will occur in the total available market price of all properties comprising the project by reason of such assembly, and therefore the total available market price of all properties, considered as a whole, will be different from the sum of the prices of the individual properties, indicate your opinion of the available market price of the consolidated property, before rehabilitation, in fee simple, below:

Estimated available market price of all properties included in the project, considered as a whole (before rehabilitation), in fee simple $_____, of which $_____ is allocable to land.

(Note.—When their use is required in processing, items E and F must be completed on *all* FHA Forms 2401 appurtenant to the project.)

Remarks: _____

Date _____ (Signed) _____
Rental Housing Appraiser.

Remarks: _____

Date _____ (Signed) _____
Director or Manager.

U. S. GOVERNMENT PRINTING OFFICE 16—14019

F.H.A. Form No. 2450

FEDERAL HOUSING ADMINISTRATION
Rental Housing Division

REPORT OF ARCHITECTURAL INSPECTION
of Buildings Proposed for Alteration

(to be filled out in triplicate)

No. .....
Project No. Inserted

Date of Report .....
Name of Project .....
Location or Locations .....
.....
City ..... State .....
Inspection Made By ..... Date .....

1. No. of buildings in project .....
2. Are all buildings contiguous? ..... If not, how many groups and number in each group? .....
3. Are all buildings of same type? ..... Of similar construction? .....
   Note (In projects having structures of diverse types and different construction, it may lead to confusion if one report is made covering all of the buildings. In such cases the Inspector shall make separate reports on each group of buildings classified according to plan types and construction.)
4. Does this report cover all buildings in project? ..... If not, fill out statement below.
5. This report is one of ..... reports on this project, designated as Reports A, B, C, etc. This is report ..... Buildings covered by this report are: (addresses) .....
   .....

---

6. No. of Buildings ..... (7.) Type .....
   (w. u., r. h., flat, apt., 1-fam., etc.)
8. Construction ..... (9) No. of stories .....
   (frame, ordinary, s.f.p., f.p., etc.)
10. Date of erection ..... (Approx. year) Former or present use .....
11. Do structures show any evidence of the following defects? If so, describe briefly the degree and extent to which they exist.
    a. Termites .....
    b. Dampness .....
    c. Dry rot .....
    d. Settlement .....
    e. Unsound masonry .....
    f. Other unsound construction .....
12. Have buildings been condemned at any time by local authorities as unfit for occupancy? ..... If so, was this because of disrepair or of structural unsoundness? .....

---

13. To ..... Director:
    (State, District)

    I have carefully inspected the buildings which are the subject of this report and, based on my observations, I am of the opinion that their physical condition (is) (is not) such that they can be altered without excessive cost due to the replacement of defective materials or construction.
    Date ..... Sig. .....
    Date ..... Bldgs. (Acceptable) for alteration
    (Unacceptable) ..... Director

    Note: If statement is answered in the negative, the inspector shall submit his conclusions to the State (or District) Director. If the latter decides that the project is not acceptable because of unsoundness of the existing structure, the remainder of this form need not be filled out.

---

14. Can alterations proposed by sponsors be made without major changes in bearing walls or other structural supports? ..... If not, state what major structural changes are necessary.

_____
_____
_____
_____
_____
_____
_____

SALVAGE REPORT

NAME _____ NO. _____ DATE _____

ADDRESS _____

REPORT ALL ITEMS LISTED. DESIGNATE THOSE NOT OCCURRING AS "NONE". UNDER "MATERIAL OR TYPE" DESCRIBE AS TO SIZE, KIND, ETC. UNDER "CONDITION" JUDGE AS TO GOOD, FAIR, OR BAD AND DESIGNATE AS "G", "F", OR "B". UNDER "REMARKS" STATE USABILITY AND COMMENT ON ITEMS OBSERVED AT SITE NOT SHOWN ON DRAWINGS.

ITEM	MATERIAL OR TYPE	CONDITION	REMARKS
1. FOUNDATIONS			
Footings			
Walls			
Columns			
Piers			
Retaining Walls			
2. CONC. & CEM. WORK			
Floors			
Walls			
Steps			
Walks & Drives			
3. MASONRY			
Walls			
Partitions			
Cornice & Copings			
Sills & Lintels			
Stacks			
4. STRUCT. STEEL & IRON			
Columns			
Girders & Beams			
Lintels			
5. MISC. IRON & STEEL			
Fire Escapes - Balconies			
Railings - Gratings			
6. ROUGH CARPENTRY			
Framing			
Sub-floor - Sheathing			
Siding			
7. FINISHED WOOD FLOORS			
Flooring			
8. DOORS			
Doors			
Frame & Trim			

ITEM	MATERIAL OR TYPE	CONDI-TION	REMARKS
9. WINDOWS			
Sash & Glass			
Frame & Trim			
10. STAIRS			
Stringers-Treads-Risers			
Rails & Balusters			
11. MILLW'K & FIN. CARPENTRY			
Porches			
Cornice			
Shutters			
Cabinets			
Base			
12. PLASTER & STUCCO			
Lath, Plaster - Walls			
Lath, Plaster - Ceilings			
Exterior Stucco			
13. ROOFING-SHEET METAL			
Roof Surfacing			
Flashing-Gutters-Leaders			
14. TILE & MARBLE			
Floors			
Walls			
15. PLUMBING			
Waste, Soil Lines, Drains			
Water & Gas Supply			
Kitchen Sink & Fittings			
Bath Room Fixt. & Fittings			
H.W. Supply-Heater & Tank			

	ITEM	MATERIAL OR TYPE	CONDITION	REMARKS
16.	HEATING			
	Boiler, Furnace			
	Pipes & Ducts			
	Radiators-Registers			
	Fuel Storage			
17.	ELECTRIC WORK			
	Wiring & Outlets			
	Fixtures			
18.	HARDWARE			
	Finish			
	MISCELLANEOUS			

ITEMS TO BE INCLUDED IN THE COST OF ALTERATION

Rubbish Removal

Demolition of Accessory Structures

Evidence of Dampness

Evidence of Settlement

Remarks:

DATE .....

REPORT BY ..... TITLE .....

DATE ..... APPROVED ..... DIRECTOR

30495 2/23/40