ReBUILD METRO

Redevelopment Process Manual

Single-Family Rehab

INTRODUCTION

The core of ReBUILD Metro's neighborhood revitalization strategy is the block-by-block stabilization, rehabilitation, and reoccupancy of Baltimore's abandoned single-family rowhouses. The abandoned houses that plague our city by the tens of thousands invite crime and attract dumping and vermin. They cause leaks and damage to adjoining properties, pushing out those who live in the surrounding homes and blocks. They worsen the mental health of those who live in their presence. Their increasing blight and disrepair deters new investment, trapping neighborhoods in cycles of poverty and leaving homeowners with properties that create hardship without creating wealth or equity. Rebuilding whole blocks of abandoned houses in Baltimore is a laborious and resource-intensive process, but it is the only way to reverse the damage these houses have caused Baltimore families and communities for generations.

Over the past 20 years, ReBUILD Metro has converted hundreds of abandoned properties and vacant lots into over 450 new homes and a series of new community greenspaces across five contiguous neighborhoods of East Baltimore. The most impactful and complex element of this work has been our restoration of over 200 abandoned rowhouses, a persistent, incremental, and strategically sequenced process that has transformed neighborhoods that many in Baltimore had written off. As we have extended this work from one block and one neighborhood to the next, we have gained a wealth of experience in scattered-site single-family redevelopment, enabling us to identify efficiencies to replicate and pitfalls to avoid.

Though we are far from the only group in Baltimore that renovates abandoned houses, we believe our particular history offers some universal lessons on the scattered-site rehab process that emerging community developers may find useful. With hopes of being part of a collaborative citywide effort to rid Baltimore of its decades-long crisis of abandonment and population decline, we are sharing this guidebook to synopsize the redevelopment management process we have been honing through these years of experience. Like any community developer, our process continues to evolve to respond to changing circumstances, new sources of capital, and lessons learned.

PART ONE: PROJECT PLANNING

A successful redevelopment strategy involves significant and diligent front-end planning. This planning phase is when a developer determines that a scattered-site project is feasible, that it is desired, and that it is strategically sound within the context of a broader community revitalization strategy. The planning stage involves a series of processes and considerations that are detailed below.

SITE SELECTION

Determining which properties to target for renovation in a phase of scattered-site redevelopment—and whether enough properties can be targeted within a logical development footprint—involves several considerations:

- Can the developer obtain site control of all or almost all abandoned properties on a block or block face?
- Can the developer assemble 4 to 20 abandoned properties in a geographically contained target area?
- Are the targeted blocks proximate to a strong market or economic assets (e.g., blocks with high existing homeownership, a larger employer, public amenities), and are they highly visible properties?
- Do the properties align with a priority area for stabilization within the community?
- Do the properties appear to be salvagable (to be confirmed at a later stage)?

SITE CONTROL

Once a developer identifies properties to include in a scattered-site project, access to site control—or known ability to obtain site control—is critical to proceeding. Site control can take one of several forms:

- The development entity already owns the property.
- The property is city-owned, but the developer has obtained the right to develop the property from the city via a land disposition agreement (contract).
- The property is privately owned, but the developer has a contract to purchase the property.
- In all of the above cases, the developer must verify that the property has good insurable title.

Note: A developer can use a purchase contract, a purchase option, or a similar agreement to prove site control to any third party that requires it. A land disposition agreement for a city-owned property is an acceptable form of documentation.

TIP: Rights of Entry ("ROE") can be obtained from the City or private owners to facilitate property access during the Due Diligence phase. A ROE can also be used to begin stabilization work before title transfer.

PROGRAM NEEDS/CONSTRAINTS

"Program" refers to the use of the property. For example, the program refers to whether the use is residential, commercial, or recreational and whether the property will ultimately be for-sale or rental. "Program" is also used to describe features like the number of bedrooms and bathrooms in a residential property or the number of offices and conference rooms in a commercial building.

In determining the program, a developer should ask whether the proposed use for the property:

- Satisfies zoning requirements.
- Satisfies requirements in an Urban Renewal Plan (URPs can be more restrictive than zoning and typically regulate exterior design or bulk requirements, i.e. whether a property can be single-family or multifamily)
- Is consistent with a community's Master Plan (e.g., residential vs. commercial; single-family vs multifamily)
- Is consistent with any local Small Area Plan.
- Is consistent with any historic district requirements.

Note: At this point, the developer should also verify that the proposed use/program for each property is consistent with any contract requirements (e.g., if the property must be developed for homeownership).

TIP: To consider whether the market supports the proposed use, a developer may want to commission a market study or obtain a broker's opinion to understand market demand and post-renovation values.

A developer should also be mindful of other constraints:

- Is the existing structure adaptable to the proposed use (e.g., converting a large abandoned single-family property into a small multifamily dwelling)?
- Can prior uses that are nonconforming (i.e., "grandfathered in") be continued?
- Are there environmental conditions that constrain or hinder the proposed use (e.g., contaminated soils, proximity to nuisances)?

The ultimate goal of this phase is to identify a programmatic use for properties with the most efficient layout, and one that meets both the neighborhood's and the developer's objectives, is marketable, and is financially feasible. If the answer is yes to all three criteria, a developer should consider whether the program is repeatable for multiple properties in a development phase.

Note: Feasibility, marketability, location, and size are interrelated. Efficient (maximizing usable space) and flexible layouts help achieve feasible and marketable projects. However, stabilizing a distressed real estate market is typically not financially feasible without some form of public or philanthropic subsidy.

TIP: ReBUILD Metro has consistently found strong market demand for 3 bedroom, 2.5 bath townhouses with off-street parking and approximately 1,500 square feet.

PART TWO: PREDEVELOPMENT

Once the developer has determined and vetted their project plan, they are ready to proceed to the predevelopment phase. Predevelopment consists of an array of sequenced and concurrent activities that occur between the finalization of property selection and the start of construction, including vendor selection and procurement, due diligence, schematic design, permits and approvals, and finalization of contracts with the project team.

VENDOR SELECTION AND PROCUREMENT

It is best practice is to maintain a set of clear procurement policies and to solicit multiple proposals for the design and construction services required for project redevelopment. If possible, a developer should avoid relying on single vendors. Engaging more than one vendor across projects can help ensure competitive pricing (which many funders require), add overall capacity to the broader neighborhood revitalization effort, and bring fresh approaches to the work.

The Design Team is comprised of contractors specializing in one or more disciplines:

- Architect: creates building design and layout and coordinates other disciplines.
- Civil Engineer: plans utility connections and site design.
- Structural Engineer: critical for assessing the overall condition of a deteriorated building.
- MEP Engineer/Consultant: sizes and locates mechanical, electrical, and plumbing components.
- Energy Consultant: provides guidance on energy saving improvements and indoor air quality.
- Envelope Consultant: offers guidance on avoiding or fixing areas prone to leaking.
- Historic Consultant: ensures compliance with design requirements for historic districts and/or supports the attainment of historic tax credits.

Selection Criteria for each member of the Design Team should account for the following variables:

- Experience: having prior experience on similar projects.
- Including historically underutilized businesses (e.g., minority- and women-owned business).

- Meeting local hiring goals to reinforce, develop, and support local expertise.
- References from other clients or other disciplines who have worked with them.
- Cost: are they fairly and competitively priced?
- Capacity: can they perform the work given their present workload and available workers?
- Timing: can they adhere to the project schedule?

DUE DILIGENCE, SCHEMATIC DESIGN, AND BUDGETING

As a developer undertakes the vendor selection process, they must also take a number of preliminary steps to begin preparing the project for redevelopment and making final assessments of the feasibility of rebuilding each property:

- Collect baseline information on existing conditions, including structural integrity, historical features, and availability of utilities.
- Take photographs to document conditions.
- Take measurements to the extent possible given the structural condition of the property (one may need to calculate preliminary dimensions from other sources like Google Maps or property tax records).

In this phase, there are several Issues to consider:

- Can the building be modified to meet the programmatic objectives (e.g., remove failing additions that are expensive to rebuild and no longer useful)?
- Is off-street parking available or can it be added?
- Have any historic features been covered over and, if so, are they salvageable?

- Is any emergency stabilization needed to prevent further decay or collapse?
- Will a change in use trigger costly upgrades (i.e., subject the building to more rigid code requirements)?
- Are there visible signs of environmental hazards like old oil tanks, asbestos siding (ReBUILD assumes that the houses it renovates contain lead-based paint).

Using these data, a developer can prepare a preliminary (or "schematic") budget based on the size of the building and costs for similar past projects, accounting for differences in building types (variables like end units versus mid-block units or number of bathrooms can affect cost).

Note: By this point, a developer should have identified preliminary/targeted funding sources that are compatible with the program and roughly fill the gap between costs in the schematic budget and projected sales/rent proceeds based on available data.

STOP: This phase marks a "go/no go" decision point. The developer should use the information gathered to determine whether to proceed with the project as conceived. Pausing to consider whether the project will be financially viable, meets development goals, and will achieve the intended community benefit can preserve limited resources and allow modifications in a dynamic market to maximize impact.

DESIGN AND BUDGETING

In the design and budgeting phase, the developer will engage in the following steps to advance the project:

- Work with architect to review and revise layout to maximize marketability and minimize cost.
- Select finishes to fit the program.
    - for sale vs. rental
    - historic vs. non historic
- Finalize plans and specifications (please refer to the ReBUILD Design Standards Manual for more details).
- Update total development budget.
- Submit funding applications, as needed.
    - CHAP (historic approval)
    - State rehab funding (BRNI/CORE/MHT)
    - City rehab funding (CCG, CDBG)
    - Philanthropic groups that support the program

TIP: For houses the are being developed for sale, ask the listing agent to review floor plans and finishes. An experienced agent can give a market perspective and guide decisions with budgetary implications.

At this phase, the developer will also solicit general contractor pricing. ReBUILD suggests developing a detailed procurement policy with specific guidelines to comply with funding requirements and to guide the competitive selection of a general contractor that meets all critical criteria for completing the project as envisioned.

Note: To complete the scattered-site redevelopment of deeply deteriorated long-abandoned homes, it is essential that a developer identifies highly skilled contractors, particularly when it comes to managing the early stages of the rehab process (e.g., interior demolition, clean-out). While these phases are often classified as semi-skilled and tend to be labor intensive, they are also the phases when the buildings face the greatest risk of partial or total collapse due to compromised structural elements. Therefore, a developer should evaluate bidding contractors to ensure they show a commitment to quality, intense supervision, and hiring experienced construction workers for all reconstruction phases.

STOP: The completion of all steps in this phase marks the final "go/no go" decision point. The developer should ensure that the project is feasible and that all required funding commitments are in place.

APPROVALS AND NOTICES

Once the developer completes all design work and makes a final decision to move forward with a scattered-site redevelopment program, several internal and external processes need to be completed before construction can begin. The developer must account for each of the below steps in their project timeline and adjust their projected construction dates accordingly.

- Confirm that zoning permits the intended use or if variance(s) are required.
- Apply for Building and related Permits.
    - Developer or architect can submit applications.
    - General Contractor must be identified.
    - Allow 3+ weeks to obtain a permit.
- Apply for Utility services.
    - New water and electric services are long-lead time items. Submit these applications (directly or through the subcontractors performing the work) as early as possible.
    - Ask general contractor to identify a strategy (and associated cost) for working around delays in new service installation.
- Secure Internal Approvals
    - Submit final budget for leadership approval.
    - Load budget into accounting software and/or project tracking system.
- Notify Insurance Carrier (Liability and Builder's Risk)
    - Verify that all requirements are met.
    - Identify deliverables (e.g., engineer's report, City inspections).
    - Review carrier's site and safety requirements; confirm requirements with general contractor.
    - Collect and file insurance certificates from general contractors and other vendors; be sure to build insurance requirements into contracts with vendors.
- Notify neighbors.
    - Use flyers or similar methods to notify neighbors of impending work.
    - Provide a point of contact.
    - Establishing a dialogue with neighbors early in the process can help avert conflicts.
    - Neighbors can be a reliable source of information about problems on the job site.

TIP: A developer can use several steps to expedite or navigate the permitting process, including (1) proofreading applications for common errors; (2) asking the City to assign a single reviewer for multiple similar applications; (3) securing a ROE and approval letter from current owner for the permit (especially if starting renovations before or shortly after acquisition of property); and (4) using consistent narratives to describe the scope of work across different permit applications.

To proceed to construction, a developer will need to collect and submit a series of items on the closing checklist of one or more project funders, so as to secure the funder's approval to proceed. If there are no outside funders, ReBUILD still suggests using an internal closing checklist to ensure all project documentation is complete and easily retreivable. This checklist will include the following items:

- Organizational Documents (e.g., Articles of Organization, Operating Agreements between Partners, Board Resolutions, Certificates of Good Standing).
- Site Control Documentation (e.g., Construction Right of Entry Documents, Land Disposition Agreements, Deeds, Property Registrations).
- Contracts with General Contractor, Structural Engineer, Civil Engineer, Architect, Owner's Representative, etc.
- Insurance for General Liability, Errors and Omissions, and Worker's Compensation (or Exemption Form).
- All Development Agreements, Grant/Loan Agreements, and Approved Project Budgets.
- Historic Approvals (MHT, CHAP, etc.)
- Architectural and Structural Plans
- Building and Demolition Permits (as needed)
- Notices to Proceed
- Due Diligence Reports (e.g., Site Plans, Property Conditions, Environmental Assessments).
- "Before" Photos.

TIP: During the predevelopment phase, a developer should consider hiring an experienced and qualified **owner's representative** to oversee the construction process. The architect typically only manages issues related to the plans. An owner's representative can help ensure all vendors are responding in a timely manner, can ensure that the work quality is satisfactory, and can often more quickly troubleshoot problems as they arise.

CONSTRUCTION CONTRACT

Finalizing construction contracts involves negotiating a number of specifics related to the project scope of work. A contract with a construction partner should answer the following questions:

- **WHO** are the parties involved? (This section should identify any special purpose entity that the owner has created for this project)
- **WHAT** is the scope of work?
    - o include a narrative description.
    - o attach the plans and specifications and historic standards, if applicable
- **WHEN** will the stages of work be performed and how long will they take to complete?
- **WHERE** is the property, does it include work in the public right of way? Where will the contractor store materials and equipment?
- **HOW** will the following occur?
    - o work inspections (by whom and how often?)
    - o determinations that the work is satisfactory
    - o payments for the work completed
    - o changes to the work (how will they be reviewed and what they will cost i.e., change orders?)
    - o dispute resolutions

The developer should have a preconstruction meeting with the contractor to review each page of the plans and specs. This discussion should include logistical issues, identifying staging areas, determining where and how materials will be stored, deciding hours of operation, and identifying dangerous conditions. Reviewing these details early can help to avoid later disputes.

TIP: When finalizing a contract, ask contractors to provide a list of "Assumptions and Exclusions". It helps to know the contractor's assumptions and what work is excluded before work begins. Work scopes can be ambiguous, so agree up front to exactly what is being purchased.

Note: The AIA A121 Master Agreement and AIA A221 Work Order are the preferred contract documents to use when hiring a single General Contractor for multiple, scattered site rehabs.

PART THREE: CONSTRUCTION

The scattered-site single-family construction process requires regular monitoring of progress across sites, a number of decision points, and the mitigation of any challenges or changes that arise over the course of implementation. The following considerations are designed to help make an inherently complex task more manageable and more likely to remain on schedule and budget.

CONSTRUCTION ADMINISTRATION

To ensure progress, maintain a strong relationship with contractors, and avoid pitfalls and overruns, a construction administration schedule should involve the following tasks:

- Conduct regular meetings at least twice each month. ReBUILD typically schedules one progress meeting and one draw meeting per month.
- Visit the construction site at unscheduled periods to check on progress and look for potential issues. *Site cleanliness is a leading indicator of a contractor's control over a site and of the safety of work conditions.*
- Ensure decision-making roles are clear. Designate a single point of contact for the owner and contractor.
- Document issues and progress using:
    - o Meeting minutes
    - o Request for Information (RFIs) – allows General Contractor to ask design team for clarification
    - o Submittals – General Contractor submits material selections to the owner for approval
    - o Take Photos (can help resolve later disputes)
    - o Change Orders – be sure to document the extent of changes in work and associated costs
- Consult design professionals as questions arise.
- Maintain a change order log to monitor deviations from the original contract value and project budget impacts.
- When in doubt, refer to the construction contract.
- Monitor the construction schedule and document any changes in the timeline.
- Collect Partial Lien Releases (AIA Form) with each progress payment to the General Contractor.
- Report project status regularly to funders, including any significant delays or problems.

STABILIZATION-FIRST: YES OR NO

The "Stabilization-First" model refers to the process of segregating construction into discrete steps, pausing between them to reevaluate conditions, and updating the scope of work to reflect the new circumstances. Stabilization is typically the most dangerous and technically difficult part of renovating abandoned rowhouses, so there are many occasions where it makes sense to reassess the project after this stage has been completed. ReBUILD has used the Stabilization-First approach for several recent scattered-site projects, offering a number of lessons on how to use this process to achieve its redevelopment goals.

Stabilization-first works best in the following circumstances:

- Properties that are too deteriorated to safely gain access to obtain measurements or assess the integrity of all or portions of the building.
- Properties next to privately-owned vacant buildings over which the developer lacks control.
- Properties that are at imminent risk of collapse.
- Properties that might significantly deteriorate during the time needed to raise capital for a full renovation.

The extent of work in a Stabilization-First approach can vary from limited to extensive, and may include the following:

- Bracing exterior walls that are at risk of failure.
- Abandoning or capping water, electrical, and/or gas services as a safety precaution.
- Limited interior demolition and clean out to ensure safe access and remove contents that may attract pests.
- Securing front or rear openings with an operable door that can be locked to allow access for due diligence.
- Patching or replacing roof to prevent water damage.
- Removing and replacing deteriorated structural framing (e.g., floor joists) and installing floor decking.
- Replacing basement slab and installing waterproofing measures (e.g., drain tile, waffle board, sump pit).
- If replacing basement slab, installing new water and sewer laterals to improve the connection to the public water and sewer system.
- Removing trees growing inside or close to the house.
- Securing window openings with plywood on the lower floors and with heavy plastic on the upper floors.
- Conducting abatement/removal of lead and toxins.

The "Stabilization-First" model has many advantages and disadvantages, which vary from one property to the next.

PROS:

- Allows developer to collect better information on the condition of the house. This factor can help avert a major redesign during a renovation and help obtain accurate renovation costs by uncovering issues early. (e.g., underground storage tanks, structural concerns)
- Prevents further deterioration of the house and its adjoining neighbors.
- Signals to the community and the homebuyer's market that reinvestment is occurring.
- Provides a stop-gap solution for fixing a vacant house next to a deteriorated property over which a developer has no control; allows the developer to stabilize and mothball the house until the neighboring property's condition is resolved or until the developer can acquire.
- Allows the developer to work incrementally through multiple fund-raising cycles while showing progress.
- Helps achieve economies of scale to attract skilled contractors that require a critical mass of work.
- Helps regulate the construction pipeline.
- Lessens risk that production will exceed absorption.
- Reduces the risk of budget overruns by identifying the conditions that trigger costly change orders before moving to the fit-out stage; allowing the developer to raise additional capital, if necessary to complete work

CONS:

- Protracts the renovation schedule.
- Can result in higher carrying costs for the developer/owner (e.g., taxes and insurance)
- Can increase total construction cost due to longer supervision periods and need to re-mobilize trades between phases.
- Properties need to be monitored during the period between stabilization and renovation.
- Builders Risk Insurance is often unavailable for the stabilization stage, which requires the developer to effectively self-insure.
- Can be difficult to determine the extent of work for stabilization (i.e., where to stop).

TIP: To the extent possible, avoid using separate general contractors for the stabilization and fit-out phases. The fit-out contractor may not warrant work performed by the stabilization contractor, and each may blame the other for any warranty issues that emerge.

In its early years of completing scattered-site single-family redevelopments, ReBUILD used an "all or nothing" approach to renovate abandoned properties on a single block. If funds were insufficient to fully renovate all vacant houses, funds would be allocated to renovate as many houses as possible, which left the remaining properties to further deteriorate. As a result, problem vacant properties often sat next to fully renovated houses. ReBUILD learned from experience that leaving an abandoned house on a block places the initial investment at risk, and that buyers and renters are usually wary of moving to a block with vacant houses. In these cases, renovated houses remained impacted by nuisances from neighboring vacants, such as water infiltration and vermin, working against ReBUILD's broader redevelopment strategy. This experience led to ReBUILD's adaptation of a "Whole Blocks" model and its strong advocacy for public, private, and nonprofit partners to adopt this model in developing citywide abandoned property renovation strategies.

Note: For an extensive series of suggestions and guidance points related to both the stabilization and fit-out stages of scattered-site abandoned property renovation, we encourage you to refer to the companion ReBUILD Design Standards Manual.

PART FOUR: CLOSE OUT

Once construction is completed, the close-out process ensures that all loose ends are resolved and that the home is well-positioned for sale or rental. This process includes sales or rental agents to ensure that the property is reoccupied, that the project budget can be resolved, that funding requirements are satisfied, and that the homebuyer or tenant is happy with the home they are occupying.

CLOSING CONSTRUCTION

To finalize the construction process, the developer should engage in the following tasks:

- Conduct a "Punch Walk". Before a property is turned over to the owner, walk the property and identify unfinished/incomplete work (this should be done at both the end of stabilization and at the end of renovation). The developer should include the property management team on the walk for rental properties.
- Collect Lien Releases from the general contractor and subcontractors for payments made.
- Collect documentation of minority and women business hires, prevailing wages, and/or fulfilment of local employment goals.
- Collect warranty documentation and owner's manuals for appliances.
- Collect lead abatement certifications, if applicable.
- Obtain certifications from design professionals.
    - Certificate of Substantial Completion from the architect indicates work is complete, subject to any repairs identified on the punch list.
    - Structural Engineer's certification of any structural work.
- Collect updated certificates of insurance, if applicable.
- Collect keys to doors, mailboxes, and HVAC cages.
- Obtain the final Use and Occupancy Permit.

TIP: Hold at least 5% of the total construction contract earned as retention until the General Contractor has provided all deliverables. Construction lender will not agree to release retention until it has all documentation required by the loan agreement.

Following the turnover of the property by the contractor, the developer still has several steps to complete while holding the property prior to reoccupation. These steps include:

- Conduct frequent property inspections to look for evidence of break ins, water infiltration, and/or inoperable mechanical systems.
- Complete documentation for historic credits
    - Take post-renovation photographs.
    - Commission a post-renovation appraisal (CHAP).
    - Submit application for final approval.
- If the property was purchased from the City, request a Certificate of Completion.
- Install security measures as appropriate (e.g., window grates, alarm systems).

SELLING A PROPERTY

When a property or series of properties are planned for homeownership, the developer should sign a listing agreement with a real estate agent in advance of the completion of construction, and they should notify their agent once the properties are nearing completion. Upon completion, they should then arrange for a preliminary walk and schedule photographs and staging. Properties can also be listed as "coming soon" before they are completed.

Following these initial steps, the developer may want to take the following actions to advance the property towards sale:

- If multiple properties are finished together, determine which house(s) to sell first based on size, location, layout, and other determinations (the real estate agent should help guide this decision).
- Notify Insurance Carrier to switch the property from Builder's Risk Policy to Property Insurance Policy.
- Notify the community association of upcoming sales.
- If possible, hold buyer's workshops in the community to generate interest and identify existing residents looking to become homeowners.

TIP: Listing multiple houses in a scattered-site project at once can be disadvantageous. If multiple buyers are interested in a property, a completed house nearby can quickly be brought to market to respond to demand.

RENTING A PROPERTY

When a property or series of properties are planned for use as rental housing, the developer should coordinate closely with the designated property manager and/or asset manager in advance of completion, whether the manager is an internal arm of the same entity or a third-party contractor. A best practice for this coordination is to provide the property/asset manager a regularly updated construction calendar that provides at least 60 days' notice of the completion of properties, so that the asset/property manager has ample time to take all steps necessary to market and pre-lease/lease the property.

This coordination involves the following steps:

- Prepare transition memo for property/asset manager.
- Identify income and other tenant restrictions (e.g., disability) and length of restriction.
- Provide Operations and Maintenance Manual with appliance info, warranties, and paint colors.
- Provide copies of regulatory agreements from funders.
- Identify the loan servicer and point of contact.
- Make note of reserve requirements.

Note: When a group of properties are completed and reoccupied, the developer should make time to celebrate their success and impact. Rebuilding abandoned properties into new homes can be extremely challenging and at times can feel like thankless work, but when done in a strategic way that restores communities and benefits existing residents, it changes lives and can improve entire cities.