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THE REHAB CHECKLIST

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CIC is a private, not-for-profit mortgage banking company whose investors are a consortium of Chicagoland's leading financial institutions.



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INSPECTING THE BUILDING

If you are buying an apartment building, this booklet will help you evaluate its condition, determine what work may be needed, and how much that work may cost.

Community Investment Corporation (CIC), Chicagoland's Leading Neighborhood Revitalization Lender, designed *The Rehab Checklist* to help you:

- Evaluate a building's condition
- Determine the rehab work to be done (scope of work)
- Estimate the cost of rehab.

We suggest you carry the checklist with you, taking notes and measurements, as you complete your inspection.

As you go through the building, you will discover some rehab work that may be considered discretionary; but other work items should be done to achieve a sound, well-maintained building. We suggest you consider the after-rehab appraised value and the real needs of the property in setting your rehab budget.

Benefits of making improvements are:

- Attraction of quality tenants
- Improved rental income
- Stabilized occupancy
- Control of major expense categories, such as, utilities and ongoing maintenance and repairs.

Cook County Assessor's Class 9 Rehab Incentive. Apartment buildings in Chicago and suburban Cook County qualify for real property assessment reductions in return for significant rehab and certain rent levels. Contact the Cook County Assessor's Specific Properties Department for detailed information at 312/603-5331 and ask about the Class 9 program, or call a CIC Loan Officer at 312/258-0070.

ESTIMATES OF COST

This booklet includes **rough estimates** of costs for many of the components in a rehab project. Many work items are discussed in general terms. The costs attached to the items represent averages or ranges that CIC sees in contractor's proposals for buildings of **six units or more**. These prices are considered representative of the "going rate" in the rehab field as of June, 2004. The cyclical nature of the construction industry, the fluctuation of energy prices, and the specific conditions present in your building will determine whether these costs will be higher or lower for your project.

USING A GENERAL CONTRACTOR?

In preparing these estimates, CIC suggests that you hire an experienced general contractor who will be responsible for coordinating all the subcontractors, complying with all applicable building codes, and delivering a finished product for an agreed-upon price. Your contractor is also expected to hire competent help and adequately supervise them.

You should have several general contractors look at the job and give you proposals on comparable scopes of work. This will help you achieve a reasonably priced job based on a comparison of similar work write-ups.

When you have a basic idea of your building's needs you can tell whether the proposals submitted by contractors are comparable. You can use *The Rehab Checklist* to jot down items that need to be addressed. Then you can roughly estimate the cost of many of the work items. On the other hand, if you feel the need to have a professional architect or specification writer (spec writer) write up your

building's rehab needs, this booklet will help you identify priority rehab items.

An owner who has successfully completed comparable rehab jobs may decide to determine the scope of rehab and function as his or her own general contractor.

SCOPE OF WORK

Substantial Rehab: Are you planning to add an extra bedroom or bathroom to any apartments? Changing the floor plan? Increasing or decreasing the number of apartments? Replacing the porch? For such substantial or gut rehab work, you will need an architect.

Moderate Rehab: Are your apartments just tired? Do they need drywall, carpet, tile, paint, cabinets and plumbing fixtures on the inside? Is your building in need of new roofing, tuckpointing, and window work on the outside? Does it also need electrical and heating upgrades? You and your contractor may be able to create a scope of work for such moderate rehab work without outside help.

Limited Rehab: Are you looking at a building in which the apartments may be a bit old fashioned, but have been well cared for by previous owners and tenants? Then you may only need to invest in some exterior, common area and systems work at this time. With limited scope rehab, you can postpone apartment modernization until the unit is vacated and then do the work from rental income, while upgrading and modernizing over time.

The following sections lead you through your building and are arranged according to the format of the contractor's Narrative Overview which is part of the application you will submit.

DEMOLITION

- Are you removing partitions?
- Tearing down porches?
- Tearing out plumbing fixtures and piping?
- Replacing windows?
- Removing plaster and wood trim?

If so, one of the first rehab costs you encounter will be for Dumpsters and demolition labor. A thirty cubic-yard Dumpster will run about \$500 each. Gutting a building interior will cost from \$1.40 to \$2.50 a square foot. Removing only old cabinets and plumbing fixtures can run \$400 or more per apartment. Taking off a three-story back porch will cost about \$1,500 or \$3,000 if lead-safe work practices are used.

EXTERIOR WORK

Exterior work on most apartment buildings includes roofing, insulation, tuckpointing and cleaning, concrete, windows, porches and fencing.

Roofing and Insulation

When considering the purchase of an unimproved apartment building, the roof is one of the first structural elements you will examine to determine your scope of work. Many Chicago multifamily buildings employ built-up flat roofing materials—a “roof” is three or four layers of felt and hot asphalt. The integrity of the roof can be assessed by direct visual inspection.

- Is the roof dry and brittle on top?
- Are some seams opening up?
- Does the surface seem spongy when you walk on it?
- Is the flashing material which runs up the brick walls or around skylights and chimney stacks cracked?

- Does it look like water collects in low areas and never gets to the gutter?
- Does water run down the wall behind the gutters?

If several of these conditions exist, minor repairs may not be sufficient and you will need a new roof. Depending on the roof's condition, either a complete **tear-off** or a **re-roof** will be required.

A **tear-off** is necessary when there are three or more “roofs” layered on a building and/or where you find a spongy surface. A tear-off involves taking all the old roofing layers off, repairing any rotted sections of wood decking, and installing the latest technology, a single-ply membrane. A single-ply, torch-applied modified bitumen roof, including tear-off of the old roof, should cost about \$4.50 per square foot. A roofing material that meets the latest, stringent City of Chicago code may cost an additional \$1.00 per square foot.

A **re-roof** involves removing debris and gravel from the old roof, cutting out bubbles in the existing surface and installing either two or three layers of felt in asphalt or the single-ply torched-down roof. The cost of re-roofing should run between \$2.50 and \$3.25 per square foot.

When computing the roof area to estimate the cost of repairs, measure from the outside of the brick walls. This allows for the necessary flashing work that runs up from the flat surface onto the inside of the wall.

Insulation should also be considered in determining the extent and cost of roof repair. The cost of roofing will vary depending on the presence or absence of rigid insulation as part of the new roof.

If insulation is not a part of the new roof, it can also be installed in the ceiling of your building's top floor, blown in from below or above. Your insulation should have at least an R-38 value and will cost you about \$1.00 per square foot. **Ceiling insulation is one of the most cost effective rehab items you can do in your building, paying for itself in natural gas savings within three to five years.**

Brick & Concrete

- Are there cracks in joints or is mortar washed away?
- Has the face of any brick cracked off?
- Do the joints in stone trim need to be filled?
- Are the parapet walls at the roof line in need of tuckpointing?
- Are the stones or tile caps covering them missing?
- Are the steel lintels above the windows rusting away, causing the wood window framing to buckle?
- Do the basement foundation walls need repair?
- Is the brick and stone stained and dirty?
- Are parts of the sidewalk broken or sunken?

Solid 100% tuckpointing of one or more sides of a building usually costs \$1.00 per square foot, while spot pointing of less than a full side will run \$1.50 per square foot. Tearing down and rebuilding a parapet wall averages \$35 per square foot. Chemical cleaning will usually cost about \$0.75 to \$1.00 per square foot of wall area. Sandblasting, which can damage brick, is **not** satisfactory.

Replacing the steel lintel above a window will cost about \$100 per foot. Bricking up an opening will run about \$200 to \$350. Installing a four-foot high by one-foot wide concrete retaining wall will cost \$60 per lineal foot. Removing and replacing a three-foot wide sidewalk will run \$4.50 to \$6.00 per square foot.



Windows

- Are there storm windows and do they have all the inserts and screens?
- Is any of the outside trim or the sill rotted?
- Are any of the boards (mullions) separating two windows beginning to buckle?
- Do the window sashes go up and down easily?
- Are chains, handles and locks missing?
- Does the space between wood and brick need to be caulked?
- Is any glass cracked, broken or in need of putty?
- Is the paint cracked and peeling?
- Do basement windows need to be neatly boarded up?

If the existing windows are in fairly good shape, allow about \$25 per window for minor repairs to cover chain, handles, sash locks and the freeing of those which are painted shut. You will then probably want to install storm windows to cut down heat loss and drafts. These will cost about \$100 per window, plus \$25 for cladding if desired. Allow about \$30 for painting the exterior of each window. The total cost may come to \$180.

If you find that the building's windows are in very poor condition, you will have to consider complete replacement. Metal or vinyl windows with insulated glass will cost about \$225 - \$250 (including covering the old wood trim with aluminum "cladding" to avoid future repainting).

If you select vinyl windows, make sure they have interior metal stiffeners in the frame and sash to avoid future alignment and locking problems. In all cases, the moveable sash should have a double row of fin-type weatherstripping; insulation should fill the gap between window and wood/brick frame; and all joints should be caulked.

A vinyl window needs a structural rating of R-40 and an aluminum window needs a rating of C-35 to provide the durability and efficiency needed in apartment buildings.



COMMON AREA WORK

Once you have considered the exterior work, you need to look at the common areas inside your building. This inspection covers building entry doors, intercoms and mailboxes, stairway decorating and carpeting, asbestos removal and basement conditions.

Porches

- Are any corner posts badly warped out of shape?
- Does the whole porch lean badly?
- Are the stairs getting soft and rotten?
- Do they bounce?
- Are the railings really shaky?
- Are there holes on the deck and the landings?
- Is the underside of the porch roof rotten and broken?
- Does the whole porch need painting now, or will only new wood used for repairs need paint?

The cost of porch repairs will vary widely depending on design and what portion is being replaced. Complete replacement of a typical back porch system serving six to nine units should run about \$15,000 to \$20,000 (plus demolition costs) and will require architectural plans if you are following the latest Chicago code. Waterproofing such a porch will run about \$1,000.

Fencing

- Do you need a fence to keep passersby from cutting across new landscaping or your backyard?
- Would a fence and gate near your front door be an added safety feature for your tenants?

Five-foot high wrought-iron fencing will cost about \$40 per running foot installed. Six-foot high chain link fencing will go for about \$15 per running foot.

Entrance Doors and Halls

- Do both inner and outer doors close tightly and hang straight?
- Do the locks work?
- Is there an automatic door closer that pulls the door tightly shut?
- Do rear doors to apartments lack storm or screen doors?
- Are the address numbers in good condition?
- Is the hall floor broken or heaved?
- Do walls or ceilings have holes, bulges or graffiti?
- Should they be painted?
- Do entry light fixtures provide enough light?
- Would energy efficient hall lighting save you money?

A new building entry door with jamb and sidelites will run \$1,000 for wood, \$1,500 for metal, and \$2,500 for a “storefront” type aluminum and glass package. A new solid core door with hardware and closer will cost about \$450. Storm doors for apartment exits to the rear porch will cost about \$150 each or \$350 for “security type” doors. New drywall over existing surfaces runs about \$0.95 per square foot. Interior painting costs about \$0.25 to \$0.35 per square foot of wall and ceiling surface. A vandal-proof light fixture will cost you about \$120 installed.

Mailboxes and Intercoms

- Do the mailboxes have working doors and locks?
- Does the entry buzzer system work?
- Does the intercom open the door and allow tenants to question visitors?

Mailboxes cost \$80 per apartment and intercom systems run about \$200 per apartment.

Stairways

- Is the carpeting loose, torn or dirty?
- Do the walls have holes, bulges or graffiti?
- Should they be painted?
- Is there enough light?
- Does the skylight leak water or is its glass broken or missing?
- Are there any loose railings?
- Are any balusters (spindles) missing?
- Is there a working smoke detector?

Stairway painting should run about \$800 for the average three-story height. Carpet with an eight- to 10-year life should run another \$1,000. A new 4' by 4' skylight will cost about \$1,100. Rebuilding an entire interior stairway that has been weather damaged or vandalized will cost \$12,000. Hard-wired smoke detectors cost \$125 each installed. Battery pack lighting is about \$250 per set.



Basement

- Are there enough lights throughout the whole basement so you can see where you are going, especially near the boiler and hot water heaters?
- Are there switches for the lights near all entrances to the basement?
- Is the foundation cracked?
- Is the floor very uneven?
- Are there water marks from previous flooding?
- Does the plaster ceiling have holes in it, especially in the boiler area?
- Are storage tanks or the horizontal heat and water pipes well-wrapped with insulation or is it torn or missing?

If any tank or pipe insulation is clearly not fiberglass, you will need to have it inspected for asbestos content. This \$400 to \$800 inspection should give you specific recommendations regarding how to treat any asbestos. Basement pipe insulation in poor condition may well pose an asbestos hazard. Removal cost runs about \$10-15 per lineal foot. Encapsulation, if possible, costs about \$5 per lineal foot.

Electrical upgrades, including basement lighting and service, are priced below, under "Systems." Concrete repair is priced above, under "Brick and Concrete." Drywall over a deteriorated plaster ceiling will cost \$1.00 to \$1.50 per square foot.

SYSTEMS REHAB

Rehab of your building's basic heating, electrical and plumbing systems is much more complicated and expensive, but essential to its long term viability. The cost can be influenced by many extraneous factors. Replacing whole systems will add significantly to your initial construction cost, but may be necessary where age or safety is a concern. Retrofitting or upgrading existing systems will lower your initial construction costs, but may increase your year-to-year operating and repair expenses.

Heating

- Does the boiler or furnace work?
- Do sections or tubes inside it show stains from leaking?
- Does any pipe leak?
- Does the flue vent from the boiler correctly slope up to the chimney?
- Is the flue tightly cemented into the chimney?
- Does the boiler run on warm days when it is not needed?
- Do tenants in some parts of the building complain about too little heat while others are too hot?
- Do radiator valves leak and destroy floors and plaster below?
- Do the vents on radiators hiss?

The most straightforward heating system rehab involves replacement of the existing steam boiler (found in most Chicago apartment buildings) with a similar type unit. This will cost about \$1,600 per unit in a six-flat (\$9,600) down to \$1,000 per unit for a 24-unit building (\$24,000).



Individual apartment gas furnaces with an 80% efficiency rating including ductwork will cost about \$4,500 per unit. Air conditioning added to the same system will cost an additional \$2,000.

The installation of a complete hot water heating system with boiler, piping and fin tubes will run about \$6,500 per unit if you are gutting a building; it will cost a bit more if you are trying to save existing wall and floor finishes.

If you are doing a gut rehab, a hot water baseboard system gives the most uniform heat. However, most fin tube units do not stand up well to child play. CIC recommends old-fashioned cast iron, thin-line radiators, or one of the newer cast-aluminum baseboard units or rolled steel variations of the radiator.

All of these replacement heating systems require heating controls of varying complexity in order to obtain the quickest payback on your installation costs. Depending on the size of your building and type of heating plant used, controls can range in price from \$80 for a set-back thermostat on a furnace to \$3,000 for a computerized thermostat with remote sensors on a boiler.

Electrical

- Are there enough amps in the main service? (Usually 6 to 12 units need 200 to 400 amps, 12 to 24 units need 400 to 800 amps.)
 - A load calculation will establish the proper size.
 - Are there battery packs in the stairways and halls?
 - Does each apartment have an individual circuit box with at least three circuits, and is one of these 20 amps?
 - Is there any exposed wiring?
-
- Do the apartments have so few electrical outlets in each room that there are extension cords running all over?
 - Are there several convenience outlets in the kitchen for small appliances as well as the refrigerator and stove?
 - Do all of the rooms have wall switches for the lights?
 - Do the bigger closets, furnace room, or pantry have at least a pull-chain light fixture?
 - If you take off the cover plates from the outlets and switches, does the insulation on the wiring look very old and dried out?
 - Do the outlets take a three-prong plug without an adapter?

Adding individual circuits to upgrade service in apartments will run \$250 per circuit. Additional outlets will cost \$65 each; a switch and light about \$80. An increase in service to the building will cost about \$4,000 to \$4,500 for each 200 amps. A total rewiring including new service into the building, panels, circuits, and outlets should average about \$3,500 to \$4,000 per unit.

Plumbing

- As you inspected the basement did you notice whether the water pipes looked rusty?
 - Or did joints have lots of white mineral drips showing?
 - Are there repair clamps on many of the pipes?
 - Are drain pipes coming from kitchens and baths rusty or broken?
 - Is there a clean-out cap on these pipes?
 - Does any sewer water run across the floor?
 - Do the floor drains back up often?
 - Are the walls of the catch basin falling in?
 - Does the hot water heater leak or rumble when it is on?
-
- In the apartments, are there leaky pipes under sinks?
 - Do the tub, face bowl or sink faucets drip?
 - Does water slowly trickle out of the faucets?
 - Does the hot water have to run for a minute or more before it really gets hot?
 - Do all the fixtures have individual shut-offs?
 - Are the tub, face bowl, and sink slow to drain?
 - Do any of the toilets run all of the time?
 - Does the drain from the sink go through the floor (bad) or the wall (good)?

The cost of plumbing system rehab will vary greatly depending on building age, condition and exact scope of work. Replacing the tub, toilet, face bowl and kitchen sink in a typical one-bath unit, along with all new water piping and hot water heaters, will usually run about \$4,000 per apartment. Replacing the drain, waste and vent lines and broken sewer lines in the basement adds another \$1,000 to \$1,500 per apartment. Rebuilding a catch basin can cost \$475. An 80-gallon hot water heater with quick recovery for the whole building will cost \$3,500. A water service from the street to the basement will run \$10,000 to \$15,000.

APARTMENT WORK

After inspecting your building's exterior, common areas and systems, you should have a good idea of what scope of work will be necessary for those areas and what it will cost. Use the remaining sections of the rehab checklist to do the same thing with interior apartment unit work.

Walls and Ceilings

- Do you plan on doing plumbing and electrical work that will require holes in walls and ceilings?
- Are there already cracks or holes in the plaster?
- Have the seams in old, painted-over wallpaper curled back?
- Is there water damage to plaster?
- Is the paint on the wood trim around doors and windows badly cracked and peeled?

If you are going to drywall all the walls and ceilings, you should pay about \$1.00 to \$1.25 per square foot of surface. If you are only doing a wall here or there, you will pay as much as \$1.50 per square foot. Patch plastering could cost up to \$3.50 per square foot of the area you are chopping out and replacing. Skim coating of walls and ceilings will run about \$0.75 per square foot of surface. Interior painting of all surfaces will cost about \$800-\$1,000 for a typical 800-1,000 square-foot apartment unit. Add \$200 to \$400 per unit for common areas.



Doors

- Are the front and rear apartment doors broken or do they have holes in them?
- Do they rattle loosely in their frames or on their hinges?
- Does wind come in around them or are the jambs badly damaged?
- Is there a thumb-turn deadbolt on the door?
- Do the bath, bedroom and closet doors latch when you close them?
- Does the bathroom door have a lock that works?

Pre-hung solid core apartment entry doors, with peepholes and deadbolts will run about \$350 each. Interior hollow core doors will run about \$200 each, pre-hung.

Floors

- Do parts of the wood floor need repair because of plumbing, heating or roofing leaks?
- Do they need sanding and varnish?
- Do the tile or linoleum floors in the bath or kitchen have cracks or tears?
- Are the little ceramic tiles on the bathroom floors cracked or missing?
- Is any carpeting old, dirty or torn?

Oak flooring repair runs about \$15 per square foot. Sanding, stain and varnish costs \$1.25 per square foot or about \$1,000 per typical apartment. Vinyl composition tile and base installed in kitchens will run about \$2.50 per square foot; ceramic tile for bathroom floors will go for about \$7 to \$8 per square foot. Carpeting in quantity will cost about \$1.75 per square foot or \$15.75 per square yard.

Kitchens

- Is there enough storage space in the cabinets and pantry?
- Are the cabinets rusty or rotted?
- Do the doors and drawers close properly?
- Are the handles and latches in place?
- Do the stove and refrigerator work and do they present an attractive appearance?

If the cabinets are in decent shape, they can be repaired and painted. New hardwood frame cabinets with countertops run about \$150 per lineal foot of wall space for a set that includes wall and base cabinets installed. Double bowl stainless steel kitchen sinks with faucet, water supply and shut offs will cost about \$250 installed. Figure on spending about \$800 for a new stove and refrigerator.

Baths

- Is the medicine cabinet rusty or rotten and is the mirror foggy?
- If there is (or will be) a shower, is there good ceramic tile on the wall?
- Has the white glaze worn off parts of the tub or face bowl?
- Do faucets drip or drains leak?

New lighted medicine cabinets will cost about \$125 each installed. Vanity cabinets with imitation marble top and faucet go for about \$300 installed. Ceramic tile tub surrounds can be had for \$250 to \$300 each. Reglazing tubs runs about \$250 each. (See Plumbing section for further information)

CONSTRUCTION SECURITY

Either you or the contractor will have to evaluate the need for security on the job and provide for it. If your building will be vacant during rehab, your security options range from a good board-up job to guard dogs and even armed guards. If portions of your building will remain occupied during rehab, perhaps no additional precautions will be necessary except locked doors and windows.

A WORD ABOUT CONTRACTORS

Once you have added up all the individual costs, add between 10 to 20% for the general contractor's combined overhead and profit. Most lenders will add an owner-controlled construction contingency of 10% to the loan amount.

All of the prices used in this booklet presume the use of competent tradespeople, making a living wage, working for subcontractors who have normal overhead costs, including equipment, trucks, office expense and insurance.

In any given situation, you may be able to reduce these costs by 10% if your subcontractors have somewhat lower overhead costs. However, if you think you can save money by finding a contractor who has qualified people and yet only pays them a minimum wage, you will most likely learn a painful lesson or two:

- **The job will either take twice the expected time (costing you lost rental income and extra construction interest), and/or**
- **The quality of the work will be so poor that your potential renters will be repulsed (and you will end up doing portions of the job twice).**

You are better off hiring someone with experienced crews that are fairly paid and can do the work once and do it right.

BALLPARKING

As you read through *The Rehab Checklist* and look at your multifamily building, you will discover some rehab needs—and additional costs—not detailed in this booklet. But your inspection notes should allow you to categorize your building's needs as **limited, moderate, substantial, or gut rehab**. A **ballpark estimate** can then be made of the overall rehab cost, based on the total square footage of the building (i.e., square feet of the footprint of the building times the number of stories).

If your building's needs indicate a moderate rehab (new kitchen and bath fixtures, patching, painting, floor sanding, porch repair, storm windows and re-roofing), then figure \$20 to \$25 per square foot.

If your apartment building will receive all the above work, plus new drywall, boiler or furnaces, heavy tuckpointing, replacement windows, new porches, roof tear-off, new water pipes and new electric service, the cost of such a substantial rehab will average \$35 to \$45 per square foot.

If you are talking gut rehab, with new apartment layouts, brand new partitions, new plumbing stacks, sewer and water lines from the street (along with the other work above), the cost will run \$55 to \$70 per square foot.



THE NEXT STEP: FINANCING

To finance your multifamily property in Chicago or suburbs, come to Community Investment Corporation. CIC finances buildings with five (5) or more residential units. No other lender can match CIC.

Why Do Business With CIC?

CIC does deals that others can't. We have financing tools that others don't:

- Construction and long-term loan in one process
- Expedited acquisition loans for experienced developers
- Flexibility to finance more than 80% LTV with extensive rehab
- No prepayment penalty on ARMs
- No legal fees at closing
- No payments during construction
- Strong customer service, including expert construction advice
- A line of credit for experienced developers
- "Take-out" loans for buildings with an estimated completion date
- A tailored, can-do approach to every loan.

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