

Substantial & Gut Rehabilitation Development Process

The [HPD Design Guidelines for Preservation: Substantial & Gut Rehabilitation](#) are effective as of March 1, 2023 and apply to incoming substantial and gut rehabilitation projects through all of HPD's Preservation Loan Programs, including Mitchell-Lama developments and tax-exemption only deals.

Multi-building projects that include both Moderate and Substantial Rehab scopes of work (SOWs) must participate in a [Pre-Scoping Consultation](#), and then follow the Sub/Gut Rehab process outlined below.

General Overview

Per Local Law 51 of 2023 (which replaces LLs 31/32), an HPD project is considered Substantial Rehabilitation (Sub Rehab) if all three of the following are included in the scope of work (SOW):

1. Heating system replacement (including equipment and distribution system)
2. Work in at least 75% of dwelling units (including, but not limited to, fixture replacements)
3. Substantial work on building envelope (including replacement or alteration of ≥50% of the total glazing area or ≥50% total opaque envelope).

A Gut Rehab is defined as substantial interior reconstruction that may affect egress, load-bearing structures, removal, and replacement of walls, floors, plumbing, electrical, and/or heating system. Typically, only the structure and structural shell of the original building remain unaffected, and if the building has tenants, they are likely to require relocation for significant parts of the renovation. See [HPD's rehab classifications](#).

All Sub/Gut Rehab projects follow the following process:

1. **Needs Assessment and Optional Pre-Scoping Consultation** (~12 months prior to closing)
2. **SOW Development and Design Consultation** (50% DDs, ~10-12 months prior to closing).
3. **Design Review** (100% DDs, ~6-8 months prior to closing)
4. **General Contractor (GC) Selection and Plan & Cost Review**
5. **Closing**
6. **Construction & Completion.**

Have more specific questions? Check out the [Design Guidelines FAQ](#).

Green Building Certification

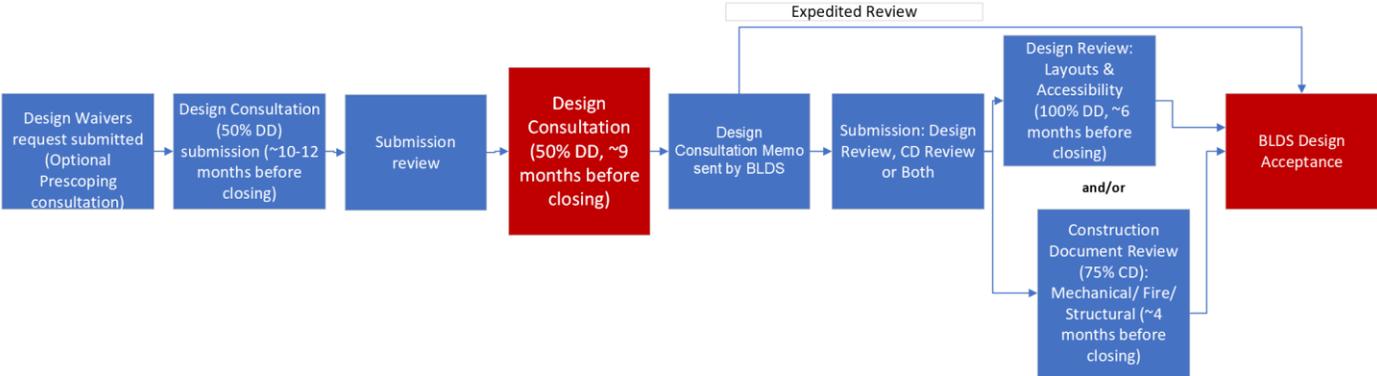
Sub/Gut Rehab projects must certify with either LEED Gold or the current version of the NYC Overlay of [Enterprise Green Communities \(EGC\)](#), which is updated periodically and aligns with HPD’s Design Guidelines. Note that for multi-building projects, only buildings that are classified by HPD as Sub/Gut Rehabs must pursue EGC Certification. HPD encourages all buildings in the project to design to the EGC Certification standards to the extent feasible, even when not required to do so.

Note: HPD’s classification parameters are different than EGC’s. Review EGC’s classifications on their [webpage](#) and the table below for clarification:

	Project Classification			
HPD	New Construction	Gut Rehab	Substantial Rehab	Moderate Rehab
EGC	New Construction	Substantial Rehab	Moderate Rehab	-

Note: HPD Gut Rehab are usually classified as EGC Substantial Rehab, and HPD Substantial Rehabs are usually classified as EGC Moderate Rehab. However refer to the full description to determine the exact classification of your project.

Detailed Process



Step 1: Needs Assessment, Design Waivers, and Optional Pre-Scoping Consultation

~12 months prior to closing

Project teams must obtain an [Integrated Physical Needs Assessment](#) (IPNA) (for Sub Rehabs) or a Building Inspection Report (for Gut Rehabs). Through HPD's partnership with [NYC Energy Efficiency Corporation](#) (NYCEEC), HPD Borrowers may be eligible for predevelopment loans to cover the cost of an IPNA, which must be conducted by pre-qualified providers. For projects with an older IPNA that does not include the LL97 Compliance or Resiliency Tabs, these tabs must be included as standalone items along with the older IPNA, and can be found on the [NYSERDA IPNA webpage](#). IPNAs can be no more than two years old at the time of project application and review by HPD, unless extended by HPD Program.

Before any scoping begins, project teams should start familiarizing themselves with the Design Guidelines, and if possible and applicable, should initiate the [Aging in Place \(AIP\) Resident Survey](#). At this stage, projects considering electrification are strongly encouraged to apply to the joint [NYSERDA-HPD Retrofit Electrification Pilot \(Pilot\)](#), which can provide meaningful incentives to electrify heating and domestic hot water (DHW) systems.

Projects seeking Design Waivers (e.g., for building electrification) must request them by submitting the [Preservation Design Guidelines Workbook](#) with both the Intake Tab and the Design Waivers Tab filled in to greencommunities@hpd.nyc.gov with the subject line: [project address] [HPD ID] - Workbook and Waiver(s). The applicant will be notified if the Waiver has been approved, rejected, or if additional information is required.

Note: If a team has questions about the Guidelines or other HPD requirements, they can reach out to HPD Sustainability at greencommunities@hpd.nyc.gov by including "Design Guidelines Questions" in the subject of the email, or by requesting an optional Pre-Scoping consultation with Sustainability and Building & Land Development Services (BLDS) through the assigned HPD Project Manager (PM).

Step 2: Scoping, Design Consultation (DC), & Determination of Review Track

At 50% DDs, ~9 months prior to closing

Note: large multi-building or cluster projects may need a longer review time, so project teams may be advised to submit earlier.

Once familiar with the Guidelines (and based on HPD's feedback following the Pre-Scoping Consultation, if applicable), project teams should develop their scopes and start preparing the required documents for the Design Consultation [Submission Checklist](#) (designs should be around ~50% DDs). When the submission is almost ready, project teams should alert their PM who will initiate the process through [eBLDS](#), HPD's electronic document submission and review system. When prompted by eBLDS

notification emails, the Architect/Engineer may upload all applicable items listed in the Submission Checklist to box.com, for review by all relevant HPD stakeholders.

Note: The submission includes the [Preservation Design Guidelines Workbook](#). Always use the most current version of the Workbook found on the HPD website, as these will be revised periodically. Be sure to follow the instructions on filling out the Workbook, as indicated on the cover page, and to submit all required items in the submission checklist. Incomplete submissions will not be reviewed and may cause delays.

Upon submission BLDS and Sustainability will review all documents, and a virtual Design Consultation will be scheduled by the PM. The meeting will include staff from HPD Program, BLDS, and Sustainability teams, along with NYSERDA TAP, if project is participating in the Retrofit Electrification Pilot. The Owner, Architect/Engineer, and Sustainability Consultant should participate. Other relevant stakeholders, like an Owner's Rep or the senior lender, are encouraged to join.

During the Design Consultation, project teams will have the opportunity to ask questions or clarify scoping or policy requirements, address accessibility requirements, or discuss any other concerns. The goals of the meeting are to provide feedback on the SOW and prevent unnecessary back-and-forth between HPD and project team.

After the Design Consultation, project teams will receive feedback and a notification of their review pathway, which now follows the pathways below:

1. Expedited Track: No design review required.
2. BLDS Design Review Track, either:
 - A. Full Design Review, including Layout & UFAS/Section 504 AND Construction Documents (MEP/Structural) Review
 - B. Targeted Review of Layout & UFAS/Section 504 OR Construction Documents (MEP/Structural) Review

Note: projects that have triggered a full or targeted review but have an Accessibility Consultant will not be reviewed for UFAS/Section 504 compliance, which can further reduce the scope and time of BLDS review.

To be considered for the Expedited Track, projects must meet *all* criteria below (at minimum):

- Architect has recent experience with HPD (defined as having worked on at least one HPD-financed Preservation project that received BLDS design acceptance in the last three years).
- Project does not include new horizontal or vertical enlargement
- Project does not include use changes
- Design team includes an Accessibility Consultant, for projects with in-unit or other work triggering Section 504 requirements
- Scope does not include electrification of heating and/or hot water
- Scope does not include significant structural work and/or significant fire-safety work

Note: HPD retains discretion on additional criteria that could trigger Full or Targeted Review. Examples include: Project is considered high-profile; there are major qualitative issues with submitted compliance and design documents.

For projects that have been selected for the **Expedited Review** pathway, the project will receive BLDS Design Acceptance either: 1) immediately following the consultation, or 2) upon resubmitting updated documents and satisfactorily addressing HPD comments within a specified timeframe. In such cases, the project team will be expected to comply with any outstanding comments outlined in the Design Consultation Memo, and it will remain the project team's responsibility to ensure that the buildings' design and construction comply with all laws, rules, regulations, and codes mandated by city, state, and federal authorities having jurisdiction, including the HPD Design Guidelines.

As long as the deadline is met and all HPD concerns have been addressed, no further design submission will be necessary prior to project loan closing. However, projects that fail to meet the resubmission deadline and/or do not satisfactorily address all HPD comments may be disqualified from an Expedited Review and may be subject to a Design Review.

Step 3: Design Review

~6-8 months prior to closing

- 100% DDs for Design Review (*Layouts & Accessibility*)
- 75% CDs for Construction Document Review (*Mechanical, Fire & Structural*)

Note: large cluster projects may need a longer review time, so project teams may be advised to submit earlier.

A **Full Design Review** will include a Design Review (which could include layout and UFAS/Section 504 compliance) followed by a Construction Documents (CD) Review (which could include review of structural, MEP, and/or fire safety systems). Typically, the CD Review can only begin upon Design Review Acceptance or when the Design Review is substantially complete (i.e., no additional layout changes).

A **Targeted Design Review** will include *either* a Design Review (which could include UFAS/Section 504 compliance) *or* a CD Review, depending on the project's scope, but the project team will still be expected to comply with all the comments outlined in the Design Consultation Memo and bears the responsibility of ensuring compliance with all laws, rules, regulations, and codes mandated by city, state, and federal authorities having jurisdiction.

Note: Both Full and Targeted reviews are conducted through [eBLDS](#). Projects are expected to achieve an Acceptance for each applicable review by the third round.

Note: that for Pilot projects, the project's electrification scope must also be reviewed and approved by the TAP team.

BLDS Acceptance

For all tracks, once the project has addressed all applicable HPD requirements, BLDS will issue an “Acceptance,” and the project may proceed to the next step. BLDS Acceptance is needed at least four weeks before Closing.

Note that for Pilot projects, the electrification design must also be approved by the TAP team.

[EGC Certification](#)

During the Design Review phase, regardless of review track, project teams should prepare their EGC Pre-Authorization package which, among other things, includes a signed Solar Feasibility Analysis and proof that applicable team members have a valid [Green Communities Training](#) certification for either Healthy Homes or Climate Ready Buildings. A signed EGC Preauthorization is required for a project to trigger the EGC review, and EGC Prebuild approval is required for closing.

DOB Approvals

During the Design Review process, project teams should begin filing at the DOB. When filing at DOB, project teams are strongly encouraged to file their jobs at the [Development Hub](#), rather than at borough offices. This helps streamline the job filing and tracking process and ensures that affordable housing projects in HPD loan programs can receive the additional assistance they may need. See the [DOB Development Hub: Step-by-Step Filing Process](#).

Teams should request a [Hub Consultation Request](#) to determine the best filing strategy for their project, and if applicable, request DOB guidance on filing for fee deferrals or exemptions.

Step 4: GC Selection and Plan & Cost Review

GC Selection

All projects must work with a General Contractor (GC). HPD recommends a minimum of three bids. The Architect/Engineer will submit the preferred GC bid for Plan & Cost review to the senior lender. The Plan & Cost reviewer may request to see the additional bids. For projects in the Retrofit Electrification Pilot, projects should not be bid until designs are complete and signed off by the Pilot TAP team.

Note: The Pilot TAP should be copied on GC Selection documentation as part of the closing package required to secure the Final Incentive Award Letter.

Note: The [Enhanced Contractor Review](#), if applicable, begins after GC selection. Project teams should familiarize themselves with this process before bidding and let their HPD PM know if a bidding or sole sourced GC is identified as part of this list.

Plan & Cost Review

The Architect/Engineer will submit the certified documents below to their PM and to the senior lender for Plan & Cost Review. Send the submission below as zip file no larger than 10MB, named ProjName_HPDPProjectID_CertifiedSubmission_Date. This submission will act as an affidavit to confirm that all mandatory Design Guideline items are included in the project scope:

- Preferred GC selection and budget
- Certified [Scope of Work](#) and Cost
- Certified Accessibility Statement, if applicable

The Plan & Cost Review could trigger rebidding or revisions to the GC selection for reasons including: incomplete information, mathematical errors, and excessively high costs.

Note: If changes happen after certified documents are submitted, the project team must notify the HPD PM and resubmit documents as applicable.

Step 5: Closing, Beyond Design Review

To reach construction loan closing project teams will work with their PM to obtain, finalize, and submit all necessary regulatory and financial documents.

Documents or steps required for closing include, but are not limited to:

- Integrity Review and [EO50](#)
- DOB permits (for projects with external lenders, this is a prerequisite for Closing)
- [Benchmarking Account Set Up Form](#)
- Signed Legal Documents
- Signed contract with GC
- Insurance
- If project is participating in the HPD Pilot, all items required to procure the Final NYSERDA Incentive Letter
- Optional Health Product Declarations or Declare Labels

As closing approaches, the project team will participate in weekly meetings with their Program PM and an HPD attorney to move towards final closing.

Step 6: Construction & Completion

Construction Monitoring

To initiate construction, the project team must submit all documents required in the BLDS Construction Monitoring Checklist to their PM, who will schedule a construction monitoring kickoff meeting with the project team, Lender, the Pilot TAP team if applicable, and HPD's Conversions team, if applicable, which will set the parameters for construction monitoring and provide insight into the Conversions requirements for each project.

There will be two monitoring entities during construction: the Lender will provide primary monitoring, including administering all requisitions requests, and BLDS will conduct secondary monitoring. For Pilot projects, a minimum of three site visits will be required to ensure that the project complies with the Pilot's requirements.

If issues arise during construction, project teams should communicate with the Lender and the assigned BLDS construction monitor. To prevent significant construction delays, communication should be directed to all stakeholders in a timely manner as issues arise.

To contact HPD BLDS: BLDS.Contact@hpd.nyc.gov

To contact HPD Conversions: loanconversions@hpd.nyc.gov

Marketing

HPD's Marketing process refers to the leasing and tenant selection process that HPD-assisted New Construction and Preservation projects must comply with. Typically, the Marketing process begins seven to nine months prior to anticipated occupancy.

To contact HPD Marketing: NYC_MKTG_NOI@hpd.nyc.gov

See more information about the [HPD Marketing process](#)

Conversions

During construction, project teams will gather the required documents for conversion to the permanent loan. There is variation across HPD programs in regard to the conversion process and project teams can expect their PM to communicate the applicable process.

Typical documentation needed for conversion (this list is not exhaustive):

- Borrower information (W-9, Insurance, Income & Expense, etc.)
- DOB sign off
- HPD Marketing sign off
- Enterprise Green Communities PostBuild
- HPD Initiatives (Ex: Benchmarking, HireNYC, M/WBE), if applicable
- Rent restructuring documentation, if applicable
- Closeout documents for Pilot projects submitted to the TAP team
- Digital Copies of Operations & Maintenance Manual, Emergency Management Manual, and Resident Manual (per Section 8 of the Design Guidelines)

In order for a project to convert, the Borrower must clear all violations, and the Borrower must pay all outstanding arrears.

Once conversion has taken place, the project will move to HPD's Office of Asset and Property Management (APM) for oversight during the lifespan of the regulatory agreement.

If project teams have questions for HPD Conversions, they should reach out to:
loanconversions@hpd.nyc.gov