

# BedfordLending

## Special Considerations for Industrialized Housing

### *General*

- The Lender must contact the Production Chief of the MF Regional Center or Satellite Office to **approve** the use of industrialized (aka “modular”) housing.
- The logistics of construction with modules constructed off site require detailed consideration as part of construction planning and should be well understood as early as the concept meeting. In urban areas, large modules trucked to a construction site must negotiate narrow streets, power lines, trees, and related obstacles and often cannot be stored in quantity. Cranes and heavy lift equipment may also be required and may confront similar constricted access challenges. **These logistic requirements may impose additional costs and scheduling problems and may limit feasibility.**
- **In addition, modular manufacturers typically require a minimum payment or deposit to initiate or complete work on a modular unit off-site. Such fees are credited to the owner or General Contractor upon delivery of the modular units. But until units are delivered, these payments or deposits are not reimbursable as part of an insured advance. Only the costs of modular units delivered, accepted by the General Contractor, and installed or stored on site or in an acceptable, owner-controlled location proximate to the construction site and covered by the owner's or General Contractor's builder's risk insurance may be included in an insured advance.**
- **Davis-Bacon wage rates will apply only to the onsite construction work.**

### *Architect*

- Architectural and engineering services are required for off-site construction of housing (modules or panels) and the fees for such services must be included in the cost of each manufactured unit.
- The Lender's Construction Analyst must determine the acceptability of such services by examining the drawings and specifications. **In addition, architectural services are required for onsite construction including site work and a prepared foundation for the installation on site of modules or panels constructed off-site. These services are provided by the Project Architect.**
- The exhibits for off-site work shall be equal in quality to the typical construction documents prepared by Architects engaged in designing the type of housing proposed and should include the working drawings and specifications for the typical industrialized housing unit, along with an assembly or installation plan and manufacturer's warranty document, which must cover not only off-site construction but also transit and delivery and the efficacy of the onsite assembly or installation plan.
- Additional professional services may be required to provide a complete set of construction documents. These services must be determined by the Lender's Construction Analyst for each project based on the percentage of the construction documents for the project that may be

provided by the housing manufacturer. Usually, the Project Architect will integrate the manufacturer's drawings into his/her set of drawings and specifications, adapting them to the particular project.

- The manufacturer shall provide complete professional design services for the modules or panels to be used. If these services in combination with those of the Project Architect meet in all respects the qualifications and quality required, the construction documents shall be acceptable.
- In most states, plans and specifications for industrialized or manufactured housing are pre-approved by an authorized state office, agency or building code official with plans for particular models evidenced by a plan approval number. Inspections and or certifications of factory-based construction typically are managed by states by periodic factory inspections evidenced by stamps and/or numbered approvals. It is the responsibility of the Project Architect, reviewed by the Lender's Construction Analyst, to determine that any and all plan approvals have been obtained.
- Owner Architect Agreement, AIA Document B108, is required only to cover the services provided by the Project Architect and is not required for professional services provided by the housing manufacturer.
- In all cases, an independent Architect with no identity of interest shall provide general administration of the construction contract.
- Loan terms for industrialized housing must be based on proper assessment of the economic life of the project as determined by the appraiser, given the construction quality and material used.