

# Evaluating Economic Hardship



# Principles of Economic Hardship Evaluation

- Burden of proof is on the applicant.
- Did the owner or prior owner cause deterioration?
- Evaluate the property's economic potential not the owner's financial situation.
- Obtain your own appraisal.
- Remove costs associated with BOTH rehab and new construction.
- Subtract financial incentives from the difference between rehab and new construction (because the incentives would not be available absent rehabilitation)

# CASE STUDY

- Applicant claims rehab costs are an unreasonably high \$98,000.
- 2<sup>nd</sup> professional engineer opinion commissioned by city staff generally corroborates previous reports regarding condition of house.
- 2<sup>nd</sup> opinion believes that applicant underestimated total costs by \$6,000. Total rehab price tag is \$103,981 based upon 2<sup>nd</sup> opinion.

# COSTS for NEW or REHAB

Demolition of rear additions	\$13,940
New electrical	\$4,948
New plumbing	\$6,800
Heating	\$3,880
Insulation	\$1,800
Drywall	\$5,530
Cabinets/countertops	\$12,510
Flooring	\$3,900
Paint	\$6,500
Siding & Exterior Trim	<u>\$9,610</u>
<b>TOTAL:</b>	<b>\$59,808</b>

# COSTS SPECIFIC TO REHAB

Re-grade exterior	\$5,850
Foundation repair	\$8,950
Replace beams	\$5,735
Misc. framing/labor/materials	\$2,500
Level and plumb walls	\$2,120
Roofing	\$4,850
Window repair	\$1,838
Repair front porch	\$2,830
Repair east porch	\$3,500
Misc. labor and materials	\$5,000
Headers	<u>\$1,000</u>
<b>TOTAL:</b>	<b>\$44,173</b>

# COST ANALYSIS

TOTAL PROJECT COST	\$103,981
Less 20% State Tax Credit	- \$20,796
Less City Sales Tax Waiver	- \$1,850
TOTAL ADJUSTED COST	\$81,335

COSTS SPECIFIC TO REHAB	\$44,173
Less cost of New Construction	- \$30,000
ADDITIONAL COST OF REHAB	\$14,173
Less Financial Incentives	- \$22,646
COST OF REHAB	(\$8,473)