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CHAPTER 2. COST ESTIMATION ARCHITECTURAL

SECTION 1. COST ESTIMATION ANALYSIS AND PROCESSING

- 2-1. TITLE XI GROUP PRACTICE FACILITIES. Title XI Group Practice Facilities processing shall conform to processing procedures stated in Reference (1) of the Foreword with the modifications discussed in this section.
- a. The Cost Estimate for any furniture, furnishing and professional equipment is to be separated from realty fixtures, structures and other improvement cost. The costs are to reflect net prices after deduction of trade discounts. None of the other fees and allowances under II-B of FHA Form 2264 (see Appendix 15) are to be included.
  - b. Since all improvements will be attributable to the intended use of the building, the percentage of "cost not attributable" will not be developed. General Requirements, Builder's (contractor) General Overhead and Profit, Architect's Fee, Bond Premium, Site Demolition Cost and other fees and allowances applicable to construction, are to be determined and included in the prescribed manner.

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SECTION 2. ARCHITECTURAL PROCESSING

- 2-2. TITLE XI - GROUP PRACTICE FACILITIES. Title XI, Group Practice facilities processing shall conform to processing procedures stated in Reference (2) of the Foreword with the modifications discussed in this section.
- 2-3. PHYSICAL GUIDELINES. HUD-FHA has not established detailed standards for the design and construction of group practice facilities. Set forth below and in Appendix 14 are general guidelines of the objectives to be achieved. Applicants for financing under this program should secure the services of an architect with experience in the design of medical clinics. The architect should develop plans and specifications reflecting the particular needs of the proposed group practice which are consistent with these guidelines as well as with applicable local building regulations.
- a. Site. The site selected for the group practice facility

should be appropriately zoned for its intended use, convenient to local public transportation, and readily accessible to the patients that it is intended to serve as well as to its professional staff and employees. Consideration should also be given to locating the facility in proximity to a hospital or any laboratory or diagnostic facilities to which the practitioners will be referring patients. Space should be provided for adequate staff and patient parking. Essential utilities should be available to the site.

- b. Building Design. The design of a group practice facility should take into consideration special provisions for temperature control, ventilation, sound transmission, plumbing, electrical needs and X-ray radiation barriers. The design should be such that the interior arrangement can be adapted to meet changing needs of the group practice. The building should have a pleasant atmosphere without extravagance of design or materials. The building design will be governed by the services to be provided by the group and the space requirements for those services. Usually a building has three distinct areas - administration, patient treatment, and supporting services. The facility's administrative area will

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(2-3) require adequate space for patient reception and maintenance of medical records as well as the conduct of the group's business affairs. The patient treatment area will include various combinations of rooms for consultation, examination, treatment and recovery. Laboratory, X-ray, and physical therapy are among the supporting services for which an appropriate area may be provided.

- (1) The building may contain space for such collateral units as a pharmacy, an optical supply shop or a surgical supply store. These units shall be operated for the purpose of contributing to the convenience of the patient and the practitioner.
- (2) Unless otherwise required by state or local law, these units shall neither have a street entrance open to the public nor display merchandise and promotional material which is visible from the outside of the building.
- (3) There may be no identity of business interest between the practitioners conducting the group practice and the owner or operator of the collateral unit.

c. Equipment. The equipment installed in the facility may include, in addition to the fixed items which become an essential part of the building, various professional and technical items used by the practitioners in conducting the group practice. The equipment shall be adequate in quantity and quality to serve the preventive, diagnostic and treatment needs of the patients and special needs of the staff. Essential medical, dental, optometric, osteopathic, or podiatric equipment having an estimated life of not less than five years may be included in determining the value of the property for mortgage insurance purposes. Minor equipment such as instruments, diagnostic and laboratory items having a useful life of less than five years, and consumable supplies or products are not eligible for inclusion. Acceptable equipment items are divided into two classes:

- (1) Class I. Fixed equipment (realty items). Equipment which is built-in not subject to transfer or removal and included in the construction contract. Examples of fixed equipment are built-in cabinets, elevators,

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- (2-3) plumbing, and heating and electrical equipment and fixtures.
  - (2) Class II. Major-movable equipment (technical and professional equipment and furniture). Equipment which is normally purchased outside of the construction contract, has a capability for being moved, and has a more or less fixed location in the building. Examples of major-movable equipment are furniture, accounting machines, sterilizers, radiographic units and mobile cabinets.

d. Required Exhibits.

- (1) The following attachments will be submitted with the Feasibility Application, FHA Form 2013 GP-1 (unless previously submitted):
  - (a) Legal description of property.
  - (b) Site survey.
  - (c) Photographs of improvements, on site and adjacent to the site.

- (d) Preliminary working drawings and outline specifications.
  - (e) List of all equipment to be included in the mortgage.
  - (f) List of equipment not to be included in the mortgage.
- (2) Exhibits required for Conditional and/or Firm Commitment shall conform to the requirements of paragraph 1-6.
- e. Inspections of Group Practice Facilities shall conform to the instruction procedures stated in paragraph 4-8.b(5) of this Handbook.

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4/76

Page 2-4

HUD-Wash., D. C.

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4630.1

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- (2- 3) f. Commitment. The HUD-FHA upon approving the final plans and specifications, will issue a commitment to insure a loan for the construction of rehabilitation of the proposed facility.
- (1) The commitment will require the mortgagor to provide;
    - (a) Assurance of completion.
    - (b) A working capital deposit.
    - (c) Prevailing wage and Cost Certifications.
  - (2) It will also include:
    - (a) A statement of the financial requirements to be met by the mortgagor and will specify conditions under which advances of mortgage proceeds will be made for organization and planning expenses, and
    - (b) Interim interest payments, land acquisition, site improvements.
  - (3) Within thirty days from the date of commitment, a commitment fee must be paid which, when added to the application fee, will aggregate \$3.00 per \$1,000 of the amount of the loan set forth in the commitment.

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