



**Long-Term Rental Assistance Contracts
for the Preservation of
Pre-1974 Section 202 Direct Loan Properties**

June 8, 2023

Housing Notice H 2019-02



H 2019-02

Eligible Applicants

Projects with expiring HUD-held or FHA-insured mortgages or HUD-imposed stand-alone affordability restrictions.

Do Owners Need to Collect Tenant Income Info?

Required- and PHAs can rely on it. Must be coupled with tenant notification.

Form of Assistance

PBVs (PHA)/EVs

Refinance Required?

No (but certainly can refi, and increased cash flow enhances borrowing capacity)

Simplifying the Process



- Establish early communication with Recap Office.
- Kickoff call with all parties (PHA and Multifamily get to hear about the program directly from HUD Recap).
- Create preliminary workstream and/or timeline and share with all parties.
- Perform preliminary identification of unassisted households to determine approximate number of PBVs that the property will qualify for.



Sticking Points



- Some tenants hesitant to provide their income information.
- Some tenants will not qualify for a voucher.
- Some tenants qualify for a voucher, but 30% of their income represents a rent increase based on what they are currently paying for rent.
- Each Housing Authority has their own administrative plan.

Examples of Closed Projects



Example 1. Northeast (Notice 2019-02)

- 221(d)(4)
- Existing HAP (20% of units)
- Additional PBV
- Old Gross Rental Potential: \$1.7MM
- New Gross Rental Potential: \$2.7MM

Example 2. Southeast (Notice 2019-02)

- 221(d)(4)
- Existing HAP (62% of units)
- Additional PBV
- Old Gross Rental Potential: \$2.6MM
- New Gross Rental Potential: \$3.1MM

- Having rents on PBVs set at lesser of “reasonable rents” or 110% of FMR (or SAFMR) greatly enhances cash flow and borrowing capacity
- Change in rental revenue allowed Example 1 and Example 2 to borrow **approx. \$20 MM and \$10 MM**, respectively, through the 221(d)(4) program to complete needed rehabilitations of the projects

Note: All existing HAPs marked to market through Option 1b concurrently.



Workstream for Provision of PBVs/SPRAC under HUD Notice H 2019-02 and FHA Insured 223(f) Refinance

Workstream	Target Completion Date	Actual Completion Date	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15	Month 16	Month 17	Months 18 - 30
Notify HUD Office of Recap of interest/ HUD Recap assembles team consisting of HUD Recap/MF/PIH and selects PHA																				
Team kickoff meeting				★																
Owner holds tenant meeting to discuss PHA coming on-site to income qualify tenants for PBVs							★													
HUD Recap issues memo to HUD PIH Field Office of initial eligibility/ HUD PIH issues initial letter to PHA to proceed							★													
Owner/PHA hold tenant meeting to start the process of income certifying tenants									★											
Rent Comparability Study Completed (if required)									★											
Option 1b HAP Renewal for existing contract (if required)										★										
PHA issues PBV contract											★									
Scope of work determined												★								
Prepare concept meeting package														★						
Concept meeting																				
HUD issues Invitation to Proceed Letter																				
Third party reports engaged																				
Due Diligence Documents collected																				
Signature Documents collected																				
Third party reports finalized																				
Submission of Firm Commitment Application																				
HUD Issues Firm Commitment																				
Loan closing occurs																				
Construction																				

Legend:

HUD Notice H 2019-02: PBV Process with Housing Authority

FHA 223(f) Refinance

Termination / Renewal of Existing HAP Contract under Option 1b

Other Project Milestones

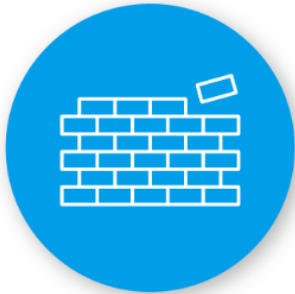
Bonus Content!



- Green and Resilient Retrofit Program (“GRRP”)
 - Provides owners of HUD-assisted multifamily housing with capital resources to reduce carbon emissions, make utility efficiency improvements, incorporate renewable energy sources, and make properties more resilient against the effects of climate hazards.
- \$837.5 MM for grants and \$4 BB in loan authority divided into three funding cohorts:
 - Elements
 - Leading Edge
 - Comprehensive



Overview of Cohorts



1) Elements Awards

Modest awards for specific items
Max: \$750K per property / \$40k PU



2) Leading Edge Awards

Larger awards for ambitious
certifications
Max: \$10M per property / \$60K PU



3) Comprehensive Awards

Largest awards for properties with
highest need
Max: \$20M per property / \$80K PU



Cohort Summary Comparison



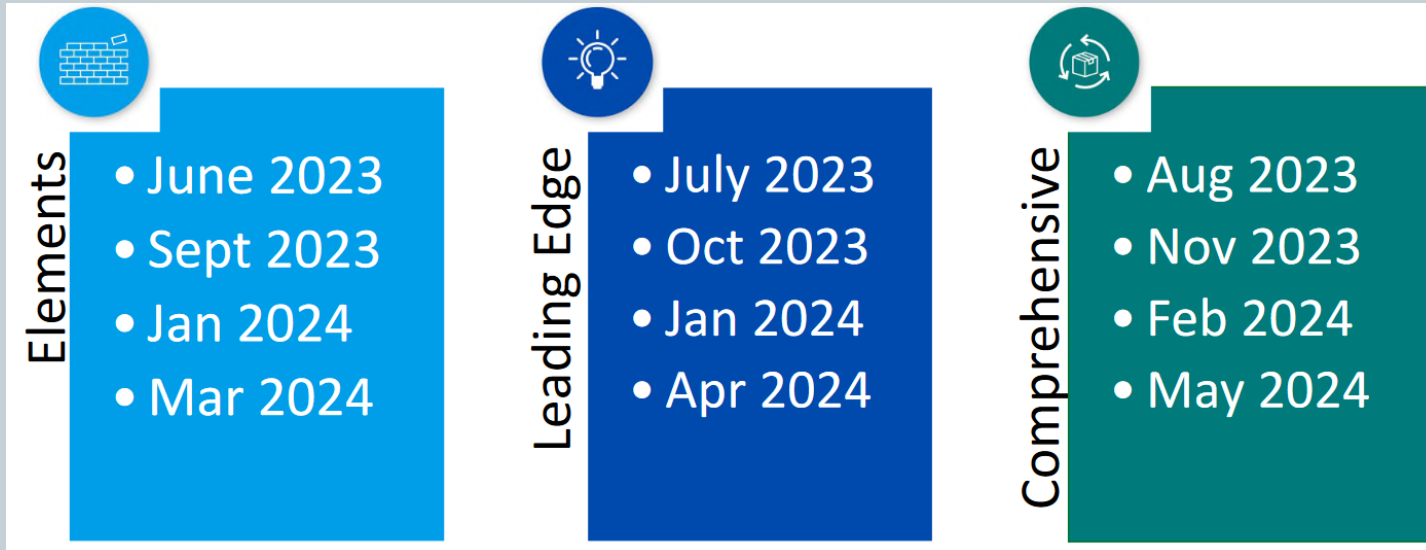
Cohort	Max. Awards Per Property	Overall Awards	Description	Considerations
Elements	\$40k/unit; \$750k/property	200 awards; \$140M funding (avg. size \$700k)	Projects that are already in the process of a recap transaction	Must have a major source of financing, completed 3 rd party reports, can include eligible Elements investments into an existing rehab project.
Leading Edge	\$60k/unit; \$10M/property	100 awards; \$400M funding (avg. size \$4 MM)	Ambitious retrofits to achieve advanced green certification. Properties in planning stages of recap effort. Complement existing financing strategy.	Organizations that have significant capacity to rehab with advanced green certification. Demonstrate utility efficiency needs, development team capacity to achieve selected green certification, Architect/Engineer verification that selected green cert is achievable.
Comprehensive	\$80k/unit; \$20M/property	300 awards; \$1.47B funding (avg. Size \$4.9MM)	For properties with the highest need for climate resilience and utility efficiency upgrades.	No current recap plans but want to improve utility efficiency/resilience to climate hazards. Demonstrate utility efficiency needs/face significant risk from climate hazards. Work with a HUD contractor to assess needs, develop SOW and create a financing plan.



Application Waves



- 4 “waves” of applications are being accepted for each cohort and has indicated that they expect to issue awards 60-90 days after each wave.



Thank You!



Please feel free to contact us with any questions.



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