

Appendix L: Restructuring Plan Package

(Replaces prior “Case Memorandum” and sample cases)

Major headings (**in bold**) must be addressed in the order below. Minor headings may be combined in a single section or other format so long as information is brief and clear.

I. **Cover letter**

- Summary of PAE’s recommendation (e.g., approve the Restructuring Plan, issue Firm Commitment, etc.)
- Identify savings to the government
- Summary of the status of discussions with the owner
- List of attached documents such as the Restructuring Commitment, Firm Commitment, etc. (do not bind the documents into the submission)

II. **Narrative**

Information should be as brief as possible so long as critical issues are addressed and conclusions supported. Support should generally consider the issues addressed in the pertinent sections of the Guide. ***Do not duplicate material already included in model.***

A. **PAE’s Conclusion on Ownership and Management**

- History and experience of ownership
- History and experience of management
- Results of check of SS#/Tax IDs through 2530 system
- Conclusion on eligibility of ownership and acceptability of management

B. **PAE’s conclusion on Physical Condition/Reserves**

- General comment on PCA, if needed, and on any additional engineering analyses completed
- Note any critical repairs identified and how they have been addressed
- Provide 12 month Repair List; identify and explain deviations from PCA; address administration of escrow and any decisions needed for escrow agreement
- Explain any significant deviations from the PCA on reserve for replacement items, timing, or cost
- Justify any optional items over \$10,000
- Conclusion
- Signed Form 4.7, showing Owner’s Adoption of the PAE’s PCA/Findings
- Form 4.14 Environmental list; any letter to owner on O and M; results of any additional environmental analyses

C. PAE's conclusion on Market Rents

- Results of PAE's field review of subject and comparables
- Comments on the appraisal, if needed
- Justification for any market comparable improvements
- Conclusions on rent, including selection of comparables, adjustment grid and reconciliation of PAE's review, the PAE's appraisal, and any owner submission

D. PAE's Determination of Net Operating Income

- Affordable rents
- Other income
- Commercial income
- Residential and Commercial Vacancy factors
 - discuss history, market and trends
 - identify bad debt/collection loss separately
- Expense justification by line item, where needed, briefly addressing
 - trends
 - substantial deviations from historical
 - deviations from appraisal
 - management fee
 - other sources of data
 - differences in estimating tenant-based expenses
- PAE's conclusion on NOI and impact; compare to pre-M2M NOI

E. PAE's Conclusion on First, Second and Third Mortgages

- Briefly describe overall structure recommended and how various factors are balanced (e.g., cost effectiveness, impact on tenants and the community, etc.)
- Describe financing source, terms, and status
- Discuss handling of any surplus project accounts
- Justify DSC selected
 - discuss impact on Partial Payment of Claim
 - discuss impact on owner return
- Discuss LTV
- Discuss split of cash selected
- Discuss maturity date, interest rate of second mortgage (if greater than 1%)
- Discuss terminal value
- Discuss how second determined repayable
- Discuss estimates of transaction costs
- Discuss any recommendations for reduction of Third mortgage

F. Exception Rents (If recommended)

- Justify use of exception rents
- Indicate any required waivers

III. Tenant/Community Consultation

- Briefly describe first tenant meeting; comments made; consideration in the Plan
- Provide copy of notice and indicate how distributed/posted
- Briefly describe second tenant meeting; comments made; consideration in the Plan
- Provide copy of notice of second meeting; indicate how distributed/posted; indicate what materials were made available, where, and for how long

IV. Underwriting Model, or Comparable

Include all applicable pages

V. Supporting Materials

- Discussion of any waivers obtained; any deviations from the Guide or documentation issues the PAE considers appropriate to address
- RAAP
- Written record of discussion/information from HUD Hub or Program Center
- From the M2M MIS system, the Form 5.2, and the Property and Loan Information, Property Operating Statement, Debt Restructuring, and Sources and Uses pages
- Three years of financials; other key owner submissions (including the owner's authorization to release information)
- Information on Code Compliance
- Handling of Multiple or Out-year Contracts (if applicable)
- Subsidy layering review/Certification
- Appraisal (need not be bound into submission)
- Physical Condition Assessment (need not be bound into submission)