**Special Use Facilities-Key Decision Criteria**

Special use facilities are statutorily and programmatically eligible facilities where a facility meets and is licensed/regulated pursuant to the requirements in HUD Handbook 4232.1, Rev. 1, Section II, Production, Chapter 2.2, but also serves a niche market. Residents in a special use facility cannot require the level of care provided in a hospital.

**Characteristics of Successful Applications**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type** | **Loan Term** | **Experience** | **Maximum LTV** | **Recent Purchase, Quick Turnaround** | **Limited Debt Seasoning Exception** |
| **Assisted Living/Board and Care Medicaid Waiver with an Enhanced Services Contract** | 20 years or less | 5+ years of relevant experience with this type of facility | 60% LTV | No | No |
| **SNF with regular license, but has MI/DD as a primary or secondary diagnosis (20% or more of the facility’s revenue)** | 35 years or less | 5+ years of relevant experience with this type of facility | 80% LTV | No | No |
| **SNF with regular license, but has MI/DD as a primary or secondary diagnosis (one wing/nominal part of the facility-Less than 20% of revenue)** | 35 years or less | 5+ years of relevant experience with this type of facility | 80% LTV | Yes | Yes |
| **Drug and/or Alcohol Rehabilitation Facilities or Transitional Housing** | **Not Eligible** | **Not Eligible** | **Not Eligible** | **Not Eligible** | **Not Eligible** |

**The lender should contact** [**LeanThinking@hud.gov**](mailto:LeanThinking@hud.gov) **with a summary of the project in advance of application submission to confirm the proposed application meets program requirements.**

**Examples of Types of Special Use Populations are:**

* Behavioral Health
* Mentally Ill
* Bariatric Residents
* Residents aged 21-65 requiring specialized treatment of serious mental illness (excluding dementia and intellectual/developmental disabilities)

**Lenders should address the following in their analysis of Special Use Facilities:**

* Experience of the Participants with this type of facility and population. Given the increased risk of Special Use Facilities, the expectation is that participants have experience well above minimum threshold of three years. The discussion should speak not only to the extent/duration of experience but also to the successfulness of the experience in terms of operations (particularly resident care) and financial performance.
* Reimbursement risk and the stability of the ongoing operating funding source(s) and how this will be sustainable for the life of the loan.
* How the principals of the project address the higher risks of the project associated with the targeted population (e.g., higher Professional Liability Insurance, etc.).
* Funding/operational risks related to:
  1. continuing efforts to comply with the 1999 U.S. Supreme Court’s Olmstead decision emphasizing that persons with disabilities receive services in the most integrated setting appropriate,
  2. state initiatives to re-balance Medicaid funding toward home and community-based services, including the impact of the Center for Medicare and Medicaid Services regulatory requirements regarding home and community-based settings, and
  3. other relevant Medicaid funding threats within the State
* The appraisal is to include a cost approach and include a discussion comparing the cost to build and value conclusion, from the point of view of a potential buyer.

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**Below is the information the lender should discuss in the LeanThinking Request:**

* Name and Address of Project
* How Long have they owned/operated the project
* Proposed LTV and Loan Term (estimated)
* Star Ratings/Survey History (discuss G+ tags, particularly any related to the special use population)
* Type of License(s)
* Resident Population (discuss diagnoses of residents, services offered, etc.)  For behavioral, distinguish between primary and secondary MI treatment needs and % of residents under age 65).
* Reimbursement/Payors (including rate adjustments and source limitations tied to the special use)
* State Risk issues related to the special use (e.g., Olmstead, HCBS, State Regulatory changes)
* Reliance on care provider partners/sub-contracts
* Experience of Participants in serving this population
* Characteristics of the building for primary diagnosed MI population. (Locked wards or wings?  MI housed separately from other population?)
* Functional Obsolescence of Building (ward beds, aged physical plant, is the building marketable as market rate, etc.)