**HUD’s Lean 232 Program**

**Office of Residential Care Facilities (ORCF)**

**Update as of September 28, 2017**

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**Installing Emergency Generators in Existing Section 232 Projects**

In the wake of Hurricanes Harvey and Irma, the Office of Residential Care Facilities (ORCF) is informing all borrowers and operators of projects with Section 232 Insurance, that generators and related components (e.g. pads on which they sit, fuel storage tanks, and delivery lines) are an eligible reserve for replacement item.

ORCF anticipates that Section 232 projects in impacted areas may wish to install generators, if they do not already have one.  This may be in response to new requirements, such as in Florida, where the Governor has imposed an emergency rule ([here](http://www.flgov.com/2017/09/16/gov-scott-i-am-aggressively-fighting-to-keep-vulnerable-floridians-safe-during-emergencies/)) that requires all assisted living facilities and skilled nursing facilities to have generators with enough fuel to sustain operations and comfortable temperatures for at least 96 hours after a power outage.

Lenders are encouraged to immediately discuss this issue with owners of the Section 232 insured projects they service that were impacted by power outages, or that will be impacted by this new requirement.  Such discussions should include whether the project currently meets the new requirements, and if not, what the owner’s plan is to address and fund this requirement.

If improvements to the property are needed to comply with this Florida requirement, or to more effectively prepare for future emergencies, and there are adequate reserve for replacement (R4R) funds in escrow, HUD will not object to the use of R4R funds in this manner.   For situations where the cost of these improvements would bring the reserve for replacement account below the minimum recommended threshold of $1,000 per unit, servicing lenders should contact their Account Executive.  ORCF staff will also be proactively reaching out to servicing lenders to discuss any issues they encounter in their follow-up on this issue.

***Keywords:*** *Generator, Disaster Recovery*

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1. [Florida Emergency Action to Force ALF/Nursing Homes to Have Generators](http://www.flgov.com/2017/09/16/gov-scott-i-am-aggressively-fighting-to-keep-vulnerable-floridians-safe-during-emergencies/)

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Past Lean 232 Updates are [available online](http://portal.hud.gov/hudportal/HUD?src=/federal_housing_administration/healthcare_facilities/residential_care/mail_blast_index).

Have questions about the Lean 232 Program? Please contact [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov).

For more information on the Lean 232 Program, check out: <http://www.hud.gov/healthcare>.

Have your loan servicing colleagues joined our email list? The Email Blasts contain information relevant to them as well. You might suggest they [Join here](http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=Lean%20232%20Updates&list=LEAN-232-UPDATES-L).

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