U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC HOUSING DEVELOPMENT AND SECURITY INTERESTS AND FINANCING ACTIVITIES

FEBRUARY 2021
PRESENTERS

- David Fleischman, Director, Office of Capital Improvements
- Sarah Culligan, Housing Capital Improvement Specialist, Office of Capital Improvements
AGENDA

- Development Overview
- Mixed-Finance Development – Basic Requirements and Submissions
- Mixed-Finance and Non-Mixed Finance Development Approval
- Pre-Development Fund Use
- Capital Fund Financing Program Overview
- Other Alternative Financing Programs
METHODS OF DEVELOPMENT

- Conventional
- Turnkey
- Acquisition
- Force Account Labor/Materials
- Mixed Finance
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<tr>
<th>✓</th>
<th>Key Components</th>
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<tr>
<td>✓</td>
<td>Select Site</td>
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<tr>
<td>✓</td>
<td>Update Annual Plan</td>
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<tr>
<td>✓</td>
<td>Consult with Residents</td>
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<tr>
<td>✓</td>
<td>Submit Acquisition Proposal, if necessary</td>
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<tr>
<td>✓</td>
<td>Submit Development Proposal</td>
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<tr>
<td>✓</td>
<td>Establish Project in PIC</td>
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<td>✓</td>
<td>Execute DOTs/DORCs</td>
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<td>Establish DOFA</td>
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<td>Finalize Cost Certification</td>
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GENERAL REQUIREMENTS

- Faircloth Limitations
- Limitation on the Cost of New Construction
- Site and Neighborhood Standards
- Cross-Cutting Federal Requirements, e.g., relocation, environmental review
Development of public housing units which will be owned in whole or part by an entity other than a PHA
SITE ACQUISITION PROPOSAL

- Justification
- Description
- Site and Neighborhood Standards
- Zoning
- Appraisal
- Schedule
- Environmental Review
- URA Real Property Acquisition Requirements
DEVELOPMENT PROPOSAL CONTENTS

- Project Description
- Site Information
- Participant Description
- Development Schedule
- Accessibility
- Project costs
- Local Cooperation Agreement and Real Estate Taxes
- Environmental Requirements
- Market Analysis
- Program Income and Fees

**Review and Approval of Non-MF Projects**

1. FO reviews Development Proposal
2. FO sends approval letter
3. FO works with PHA to set up project in PIC
4. PHA records DOT on property

- Following DOFA PHA submits HUD-52423
- 1 Year after project completion PHA submits HUD-52427 or HUD-52484
REVIEW AND APPROVAL OF MF PROJECTS

PHA submits Development Proposal HUD-50157/Draft Evidentiary Documents

FO reviews proposal/documents

HUD issues approval letter/authorizes closing

PHA submits final Evidentiary Documents

HUD approves final documents/releases funds to project
For non-mixed finance, PHAs may spend up to 5% of public housing funds without HUD approval.

For mixed-finance, HUD approval required prior to spending any public housing funds.
Section 516 of QHWRA added Section 30 to the United States Housing Act of 1937

Over 200 Transactions

More than 200 PHAs participated

Approximately $5 Billion in transactions approved

Transaction sizes from $100 thousand to $800 million

Pooled and Individual PHA Transactions
Financial Structure/Business Terms

- Capital Formula Funds
  - Up to 20 years, generally
  - Up to 33% of annual appropriation
  - Proceeds considered Capital Funds

- Pledge a portion of PHA’s current and future years capital fund allocation as collateral for borrowing.
  - Pledge subject to Congressional Appropriations
  - No Additional Appropriations
  - No guaranty or full faith and credit of HUD or U.S. Government

Financial Structure/Business Terms

- Risk to Lenders/Investors and PHAs
  - Appropriations
  - Performance
    - Poor Planning/Implementation

- CFFP Proceeds Are Considered Capital Funds
  - All Capital Fund program statutes, regulations, ACC, and HUD notices apply to CFFP
  - PHA Planning
    - Use of Proceeds – Annual Statement/Budget
    - Use of Capital Funds for Debt Service – 5 Year Action Plan (Annual Statement if Applicable)
CFFP Submission Requirements

- See “How to Apply” CFFP Web Page for list of required

- Streamlined Submission Requirements
  - Per 24 CFR § 905.507 HUD has instituted streamlining of CFFP submissions for certain sized transactions and depending on PHAS status of the PHA (ie High Performer vs Standard Performer).
    - Reference the “How to Apply” CFFP webpage or
    - Contact the Office of Capital Improvements for further info
WHAT DO I WANT/NEED TO DO?

Step 1
- Conduct PNA or other needs assessment tool, for entire portfolio for term of proposed financing

Step 2
- Identify priority need projects, size, scope, and cost estimate

Step 3
- Prepare portfolio schedule to help determine future Capital Fund resources
OTHER ALTERNATIVE FINANCING PROGRAMS

- **Public Housing Mortgage Program (PHMP)** – allows PHAs to put a mortgage/rider on public housing real estate
  - May be in first position on non-dwelling property
  - Must be subordinate to DOT on dwelling property
  

- **Operating Fund Financing Program (OFFP)** – allows PHAs to borrow against a portion of its Operating Fund reserves as collateral for development or modernization of public housing.

  https://www.hud.gov/sites/documents/OPFUND-FINANCING-GUIDE.PDF
For general questions or comments send an email to

PIHOCI@hud.gov

For more information on Public Housing Development see Chapter 9 and for Security Interests and Financing Activities see Chapter 11 of the Capital Fund Guidebook:

https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF