



# Welcome to FHA Tax Credit Pilot Program: Lenders and Hub Staff

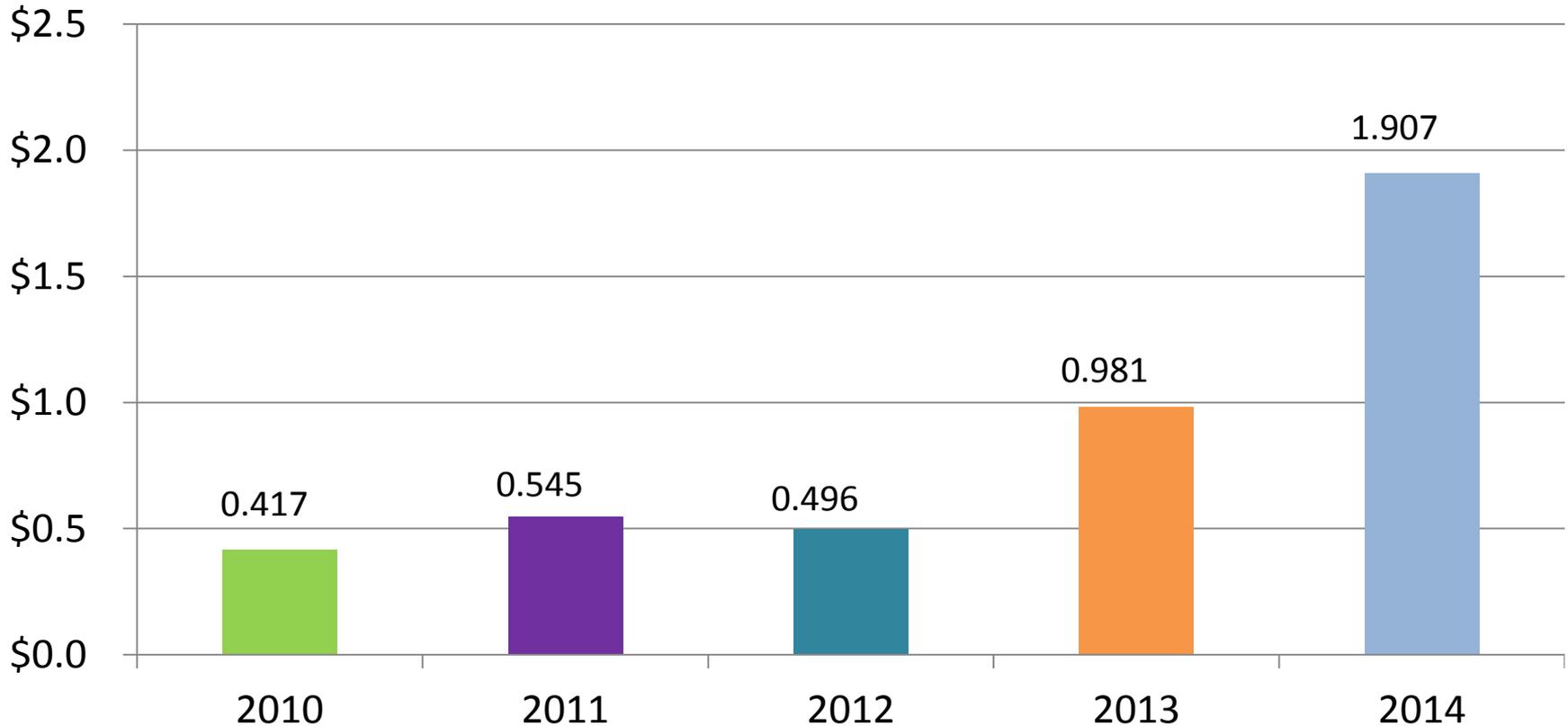
Ben Metcalf

Deputy Assistant Secretary

September 22, 2014

# FHA LIHTC Volume

Billions



**Projected firm commitments in FY14 on pace to double FY13**



# RAD --> FHA Deals

**Estimated 40% of applicants proposing FHA = 409 transactions**

**409 FHA:        \$1.55 billion in debt**

**+        \$850 million from LIHTC equity**

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**= \$2.4 billion of total leveraged investment**

\* Total applicants (FHA & Conventional) = \$6 billion total investment.

\* Estimates developed from RAD public housing applications .



**U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT**

# **FHA HOUSING TAX CREDIT PILOT PROGRAM**

## **TRAINING GOALS AND PILOT PROGRAM OVERVIEW AND PROCESS**

**September 2014**





# TRAINING GOALS

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**Familiarize New Staff and New Lenders with  
Fundamentals of the Pilot Program**

**Understand Recent Policy Changes**

**Network with Peers and Colleagues**





# PROGRAM OBJECTIVES & OUTCOME

- **Increase FHA's Affordable Housing Production**
- **Implement HERA's Pilot Program Mandate Through Accelerated Processing Compatible with Tax Credit Program Requirements**
- **Outcome: Complete FHA Loan Processing in 120 Days, from Application to Closing**





### 3 TRANSACTION TYPES:

- **Assisted Housing: Acquisition and/or Refinancing with Mod Rehabilitation for Developments with 90% Project Based Rental Assistance (Including RAD Projects)**
- **3 Year Rule Waiver Projects: Permanent Financing of Stabilized, Newly Built or Substantially Rehabilitated Projects**
- **Resyndications: Permanent Financing And Moderate Rehabilitation of Stabilized Tax Credit Projects Being Resyndicated with New Tax Credits**
- **Projects Without Prior Tax Credits or Section 8 Meeting Special Conditions, on Waiver Basis**

Continued





# OTHER PROJECT REQUIREMENTS

- **All Have Tax Credit or Bond Cap Allocations (Either 4% or 9% Credits Accepted) or Acceptable Substitutes**
- **All Are Comparatively Low Risk Projects, Meeting Sustaining Occupancy Requirements**
- **All have Section 8 Contracts (90%) or Tax Credits and Actual Rents Below Market**





## OTHER PROJECT REQUIREMENTS

**All Are Eligible for 223(f) Loan Program, With Certain Pilot Adaptations :**

- **Rehab Expenditures of up to \$40,000/unit (unadjusted for locality) allowed**
- **Davis Bacon Wage Rates not Required by HUD**
  - **as Long as FHA Loan Does not Fund More than Standard 223(f) Limits, and**
  - **as long as the project is not a RAD Project**





## OTHER PROJECT REQUIREMENTS

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- **For Rehabs, SOME 221(d)(4) Substantial Rehab controls have been adopted**
- **223(f) 12 month repair period can be extended**
- **Tenants remain in place except for temporary 30 day relocation**





# PROCESS CHANGES: HOW WE MAKE IT WORK

- **Use Pilot-Approved MAP Lenders With Tax Credit Experience (32 Selected Previously, 15 More Just Added)**
- **Start With Limited Number of Hubs (9 Now – Atlanta, Boston, Chicago, Denver, Detroit, Ft. Worth, LA, Seattle, San Francisco) To be realigned with Transformation.**
- **Use Senior Staff (supervisors) as Designated Underwriters in Pilot Hubs and new Senior Underwriters**
- **Revise Process – Not Linear with Multiple Experts, but all Review done by Designated Underwriter**
- **Limit Underwriting To Only one FHA Program (223(f))**





# PROCESS CHANGES: HOW WE MAKE IT WORK (CONTINUED)

**Early Concept Meetings (Lender/Owner and Designated Underwriter) to Confirm Project's Pilot Suitability or Refer it to Another MAP Program**

**Designated HQ Asset Management Point of Contact for:**

- First Mortgage Prepayments
- Special Approvals and Waivers (e.g. Flex Sub)

**Coordination of HAP Contract Renewals/Rent Increases**

**HQ Multifamily Development Staff for Coordination and Problem Solving**



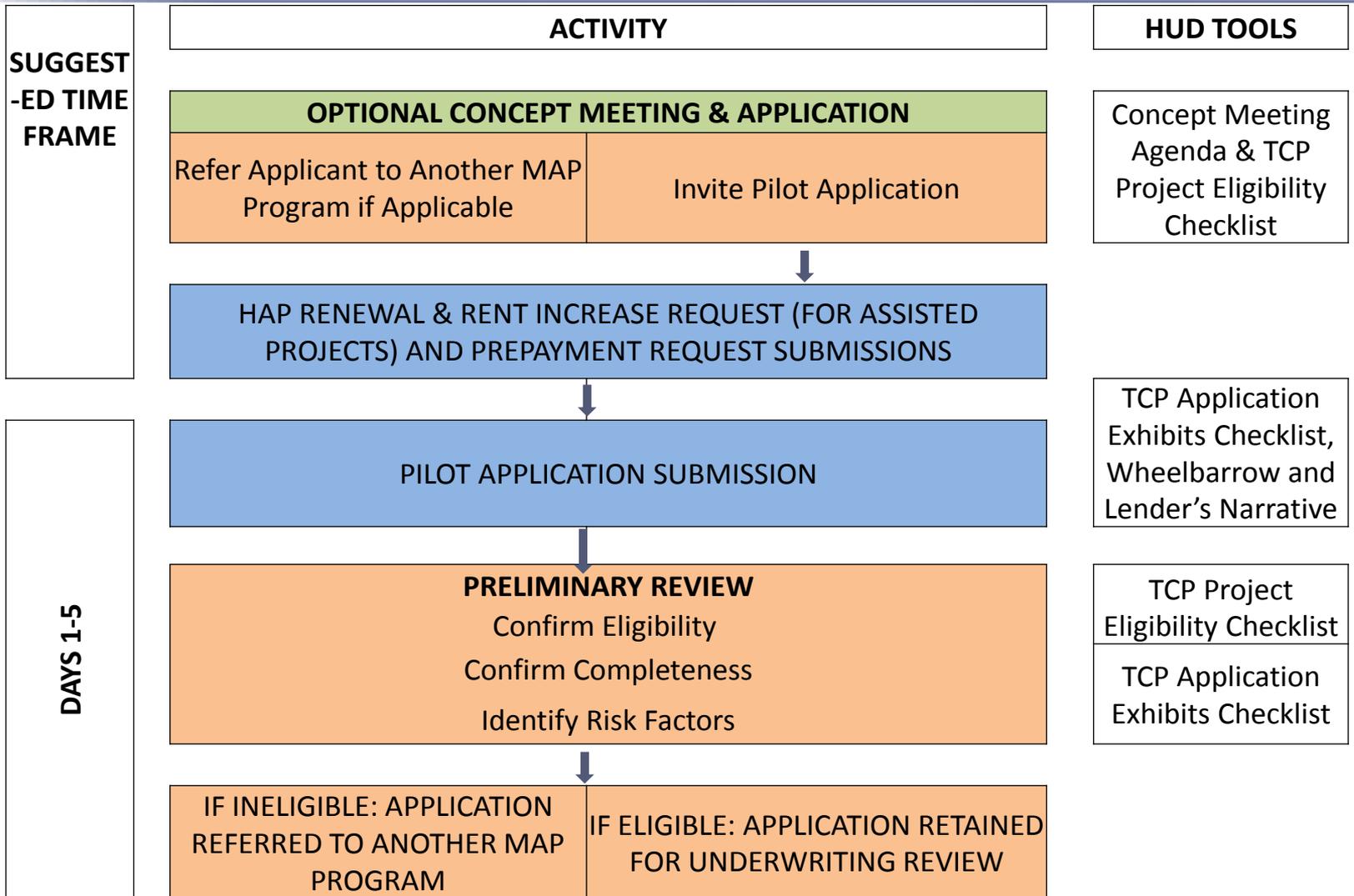


# Application Review Process Flow Chart





# TAX CREDIT PILOT PROGRAM PROCESS FLOW CHART: APPLICATION





# PILOT PROCESS FLOW CHART: UNDERWRITING

**DAYS 6 - 50**

## UNDERWRITING

HQ Notification via Pilot Tracking Sharepoint & DAP Data Entry

Draft Documents, Title and Survey to Field Counsel

Designated Underwriter's Review of Lender's Narrative and Wheelbarrow

Kick Off Call (No Later than 2 Weeks After Submission)  
(Field Counsel Invited)

Technical Reviews (By Designated Underwriter and if Requested, Technical Staff)

Site Visit and Environmental Review

Preliminary OGC Review: Site Control, Partnership Agreement, Lien Priority, and Other Project Specific Concerns

Status Call ( 2 Weeks after Kick Off Call and When DU is Nearly Ready To Recommend Decision)

Legal Review, Preliminary Closing Checklist Preparation

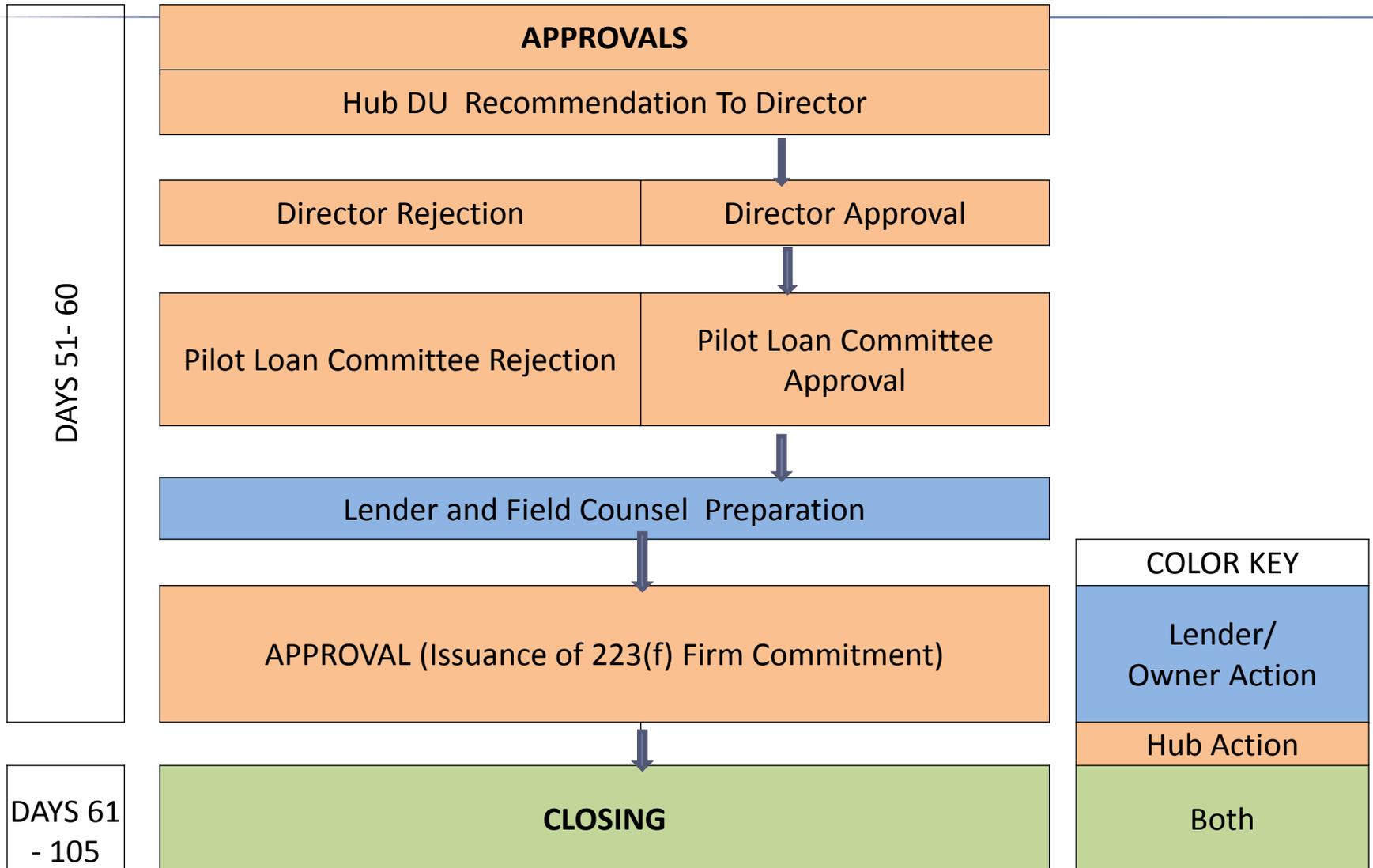
Kick Off Call  
Agenda

Status Call  
Agenda





# PILOT PROCESS FLOW CHART: APPROVALS & CLOSING





## PROGRESS TO DATE

### Geographic Expansion:

- Initial Selection of 4 Pilot Hubs, Expanded to 9 and now to be Realigned in Transformation
- Initial limit to Pilot Hub Jurisdictions, Expanded to Include Projects from all States

### Processing System for Projects not In Pilot Hubs (To be Adapted in Transformation)

### Industry Expansion:

Lender Selection 4<sup>th</sup> Round Increased Pilot Lender firms from 37 to 52





## PROGRESS TO DATE

- **Program Rules Refinement (FAQs, Document Updates)**
- **Tracking Systems Set Up**
- **Projects In Pipeline**
  - Concept Meeting Held 130 Projects (10 RAD)  
14,300 Units
  - Closed 31 Projects
  - Pilot Hubs with Projects 9
  - Lenders with Projects 20 of 37 (now 52)
  - Average Days to Close 100





# FUTURE PROGRAM DEVELOPMENT

**Continued Integration of Pilot with RAD**

**Continued Refinement of Recent Policy Development:  
(More flexible rules on debt limits, IOI transfers,  
Completion Assurance and other matters)**

**Future Expansion: Program adjustments expected on  
an ongoing basis, to be Included in 2014 MAP Guide  
Revision**





# U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

## FHA HOUSING TAX CREDIT PILOT PROGRAM MORTGAGE CREDIT, APPRAISAL/VALUATION TOPICS





# TOTAL DEBT LOAD ALLOWED UNDER 223(F) LOANS WITH TAX CREDITS

The 223(f) Program's 92.5% Limit on Total Private-Source Debt Can be Waived Under the Following Conditions:

- 1) It is "soft" debt – only cash flow payments are allowed;
- 2) Notes cannot require cash flow payments to exceed 75% of all surplus cash;
- 3) Any secondary debt must be evidenced by a promissory note, regardless of the program/source.

Continued





## TOTAL DEBT LOAD ALLOWED UNDER 223(F)

- 4) Private secondary debt exceeding the 92.5% limit can not be recorded or secured with a lien against the property;
- 5) The debt carries no foreclosure provision that would affect the first mortgage; and
- 6) It is subject to automatic subordination and resubordination.

### **Does this apply to All 223(f) projects?**

It applies to all 223(f) LIHTC projects, whether they are Pilot Projects or not.





# IOI AND MORTGAGE CALCULATIONS

- With an Identity-of-Interest between the Seller and Buyer, MAP Guide treats project as a refinancing (Maximum LTV 80%)
- Under this new provision for all Tax Credit Projects, it can now be treated as an acquisition (Maximum LTV 85/87%)
- This requires a waiver and applies to all 223(f) loans for LIHTC projects.





# REPAIR ESCROW FUNDING AND EQUITY PAY IN

## 20% of What Must Be Paid in at Closing?

- For 223(f) loans, 20% of the Total Tax Credit Equity must be paid in at closing.
- For 221(d)(4) loans, 20% of the Total Mortgageable Costs must be paid in at closing.
  - \* Does that mean the Total Mortgageable Costs to be Paid with Equity?
  - \* No, the Total Mortgageable Costs.
- What counts as an “equity pay-in”?
  - \* Borrower provided cash and binding, funded obligations not secured by the project.(e.g. LOC or Bridge Loan)





# REPAIR ESCROW FUNDING AND EQUITY PAY IN

Post Closing: Funds in Rehab Escrow are to be Disbursed Roughly Pari Passu.

## How is this controlled?

- Disbursement Agreements Provided by the Lender and Approved by HUD Ensure Equity Funds are Paid in and Expended Accordingly.

## What if All FHA Loan Funds are Disbursed at Closing?

- Then the pari passu requirement is not applicable.

## What projects does this apply to?

- 223(f) Tax Credit Projects
- (NC/SR projects have a similar requirement in the MAP Guide, at 20% of the Mortgageable Costs)





## COMPLETION ASSURANCE

- The Pilot Program originally required Completion Assurance in the Amount of 20% of Repair Costs
- This has been Reduced to 10% of Repair Costs
- It requires a Waiver now, but will be Incorporated Into MAP Guide
- It Applies to Tax Credit Pilot Projects Only
- It can be in the form of Cash or an Irrevocable Letter of Credit





# TAX ABATEMENTS & ABOVE-MARKET NOI

- HUD will recognize abatements in both the Value and in NOI Calculations if the Abatement Runs with the Land
- If Abatement does not Run with the Land, HUD may or may not recognize it: Variables include whether the project is a 202 refi or a RAD transaction, whether Criterion 3 (LTV) or Criterion 5 controls, the term of the Abatement and whether there is a HAP Contract.
- Waivers and other Mitigants are Required (Deep rent advantages, LTVs well under Maximums Allowed, and Stress Testing)





# TAX ABATEMENTS & ABOVE-MARKET NOI

- Abatement can be included in Criterion 3 value; however, value must also include any other adjustments to NOI including rent restrictions if tied to abatement.
- Tax abatements can be included in Criterion 5 NOI.
- No waiver needed (per March 26, 2014 Ted Toon Matrix)
- If the abatement does not run the term of the mortgage, must underwrite in tranches.
- Tranche A – Market taxes in stabilized NOI.
- Tranche B - Tax abatement savings over the remaining term of the abatement.
- One mortgage, one mortgage note, split amortization.





# TAX ABATEMENTS & ABOVE-MARKET NOI

- **Other possible tranche underwriting A/B pieces:**
- **Section 202s that want to “re-refinance” and have Section 8 contracts with above-market rents.**
- **Other above-market Section 8 contracts not subject to market rent comparability (ex. LIHPRHA, Section 524(b) Exception Rent Contracts).**
- **Section 236 IRP De-couplings.**





# DEVELOPER FEES

- Developer Fees are Limited to the Lesser of
  - 1) 15% of Total Development Costs (Excluding Developer Fee) and
  - 2) the Amount Allowed by the Tax Credit Allocating Agency
- If the State Agency Allows More, Will HUD Allow More? No.
- Is the RAD Policy the Same?
- No, RAD allows higher fees when allowed by the State, but Not on FHA-insured loans.





## DEVELOPER FEES

- There is one Exception: With an 80% LTV or Less, Cash Out is Allowed and Could be Used to Pay Higher Fees (So the Developer Fee is Mortgageable in this case)
- Generally, Developer Fees May be Treated as Mortgageable Costs Only for Projects with Non-Profit Sponsors who are not Claiming BISPRA.





# LIHTC PILOT Training ADA – UFAS - FHACT

Accessibility Tips for MAP Lenders



VISION

KNOWLEDGE

PEOPLE

# Complex Regulations & Helpful Tips

- We have found this website to be the most useful and easy to navigate as it addressed almost any question we have ever encountered .

[Web Link: www.fairhousingfirst.org](http://www.fairhousingfirst.org)

- Go to FAQs Hyperlink on left side of webpage; a helpful drop down box will appear that categorizes topics. This link covers ADA, UFAS and Fair Housing Act.

# When to Consult with your Engineer

- We have found that properties that are near the dates of issuance, either slightly before or one or two years after, it is usually helpful to contract with the a HUD experienced Engineer to prepare an Accessibility report addressing the three key laws and which apply to the project: ADA/UFAS/Fair Housing Act.
- In the report, we like to see plans (if available), lots of pictures, measurements with photos of the measurements clearly depicting compliance or non compliance with applicable laws, as the saying goes, “A picture is worth a thousand words”

# Other Important Tips & Guidance

- Mortgagee Letter 2012-25, Please see Accessibility Table on Page 5, which is a useful quick reference.
- Dominion Due Diligence Tool Kit (Download at [www.d3g.biz](http://www.d3g.biz))
- It may be useful to have the PCNA report prepared in advance of the HUD Conceptual Meeting to identify any necessary Accessibility repairs and develop the Critical and Non Critical repairs, petitioning HUD to permit certain repairs after closing within 12 months, versus prior to closing. We have found in some cases, older Public Housing and existing Project Based Housing for the Elderly and Families have multiple non compliance issues, e.g. no grab bars, lack appropriate number of ADA spaces with proper signage, striping and width or even lack a sufficient number of UFAS compliant units (5% & 2%).



# **Rental Assistance Demonstration Program Overview for Tax Credit Pilot Training September 22, 2014**

**Greg Byrne, Catalina J. Vielma, Charlie Wilkins  
Office of Affordable Housing Preservation**





# Introduction to the Rental Assistance Demonstration (RAD)

Greg Byrne  
Office of Affordable Housing Preservation  
[Gregory.A.Byrne@hud.gov](mailto:Gregory.A.Byrne@hud.gov)  
202-245-6436



# WHY RAD?



## ■ Public Housing Status Quo

- Capital repair needs \$25.6 billion
  - ✓ Average of \$23,365 per unit
- Unreliable funding platform (pro-ration, cuts)
- Unable to access private debt and equity due to public housing declaration of trust (DOT)
- Losing 10,000 – 15,000 physical units annually

## ■ Response: RAD

- Uses the reliable Section-8 funding platform
- Release from DOT



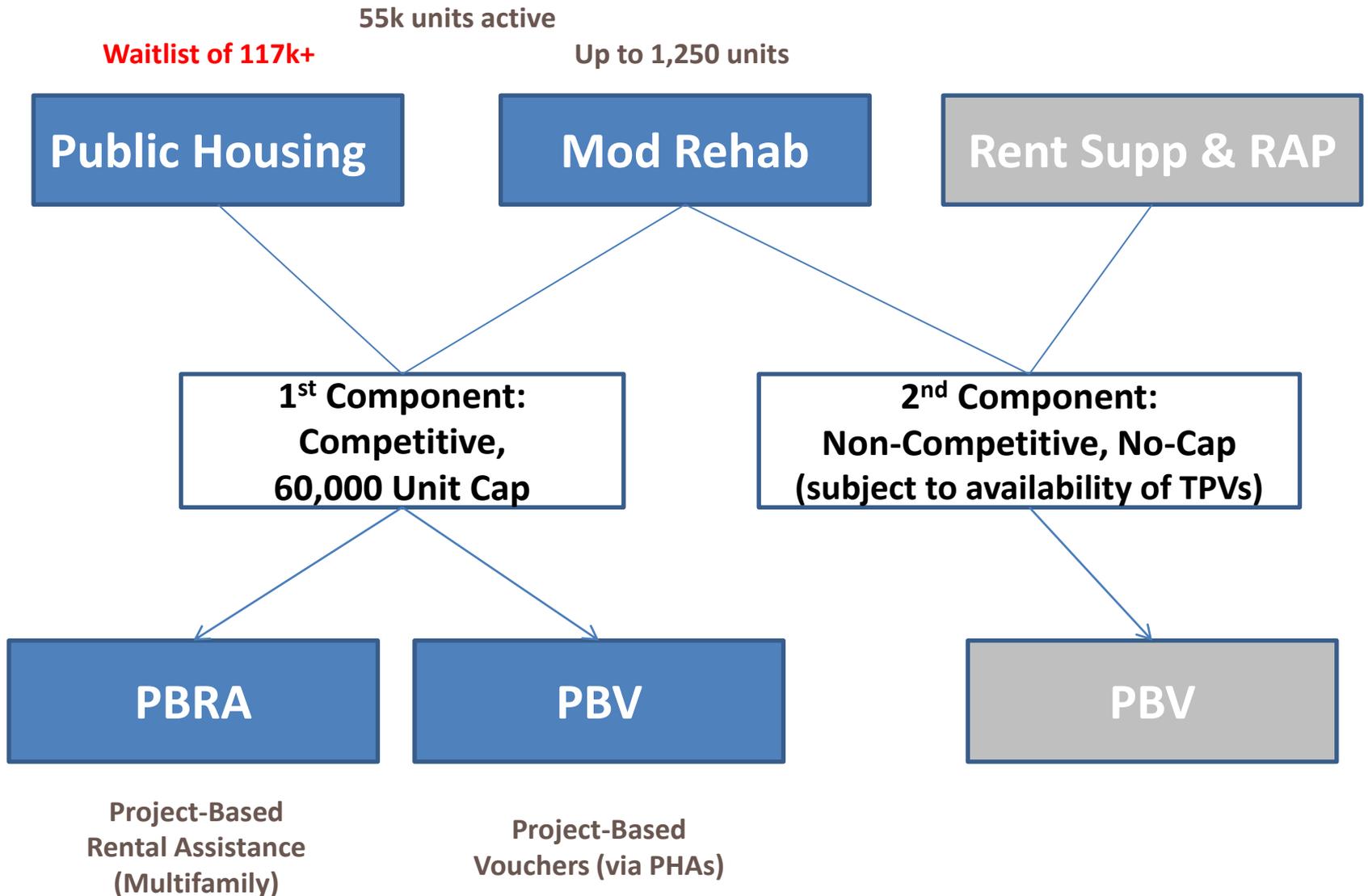
# RAD's OBJECTIVES



- **Build on the proven Section 8 platform**
- **Leverage private & public capital to preserve assets**
- **Offer residents greater choice and mobility**



# THE RAD BIG PICTURE





# MULTIPLE ASPECTS OF RAD

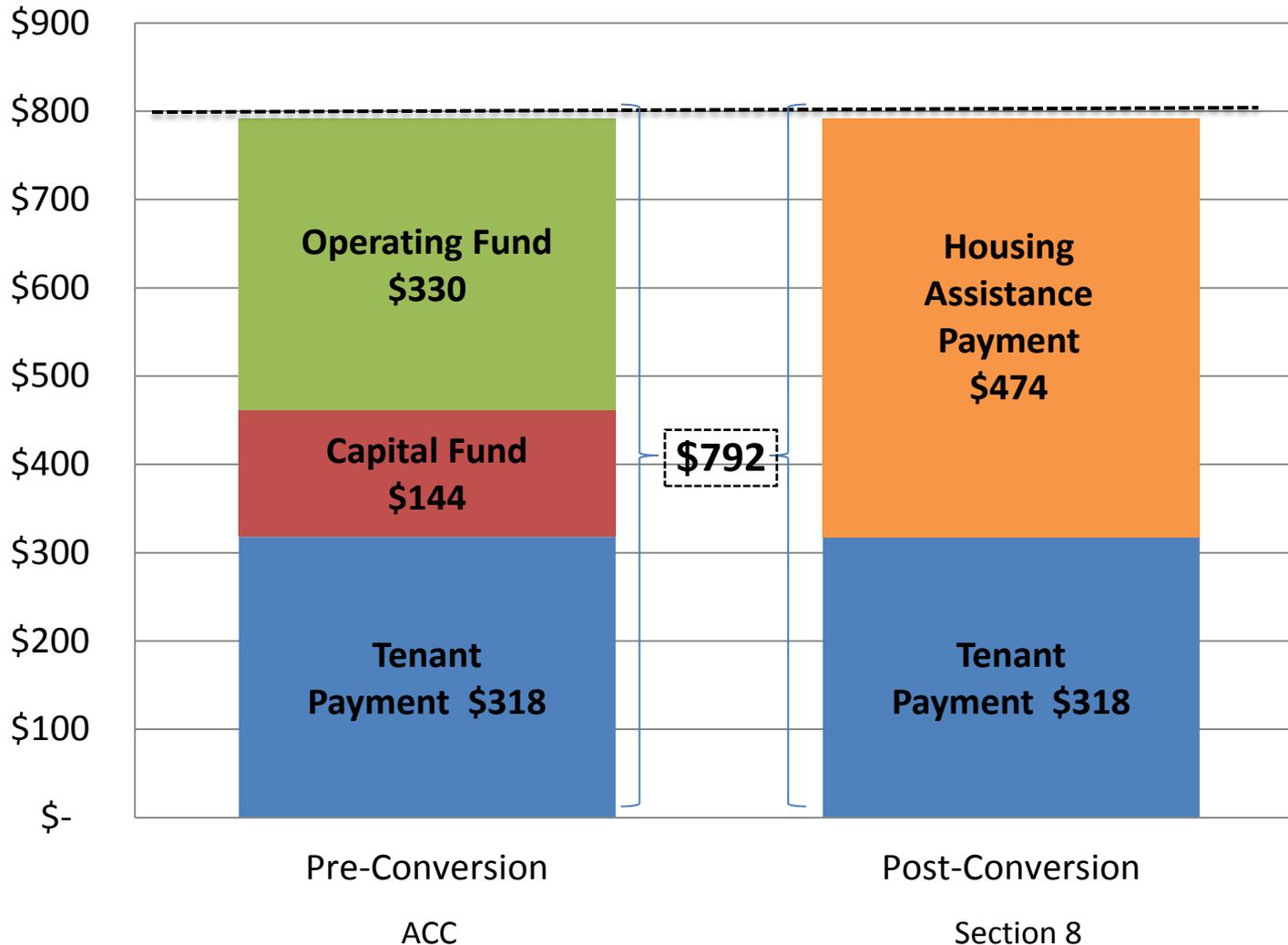


- **Public Housing // Component 1**
  - Competitive only, max of 60k units– choose between PBRA and PBV
  - As of May 2014, over 117k units on waitlist
  - Preparing for 60k cap lift
- **Mod-Rehab // Component 2**
  - Can be competitive (PBRA) or non-competitive (PBV)
- **Rent Supp & RAP // Component 3**
  - Non-competitive, PBVs only



# A "TYPICAL" RAD CONVERSION: RENT LEVELS

## Sample Public Housing Conversion Per Unit Monthly (PUM)



HAP Contract Rents determined at CHAP award thru RAD Team— this slide presented as an FYI





# TIMELINE OVERVIEW FOR FHA-RAD



When	What
0 Days	CHAP issuance by HUD
15 Days	Applicant timeframe to reject CHAP expires
30 Days	Lender engagement letter; development team information
60 Days	PBRA-PBV decision; Significant Amendment to PHA Plan
90 Days	RPCA*; certification that all other due diligence has been received
150 Days	FHA firm application received by HUD
180 Days	N/A for FHA-RAD conversions
270 Days	FHA firm commitment & RAD Conversion Commitment issued
360 Days	Closing

\*RPCAs are not required on: new construction, gut rehab (down to the studs), or any 221d4 transactions. Recently modernized/constructed buildings may receive a waiver on a case-by-case basis.



# RAD and FHA Financing

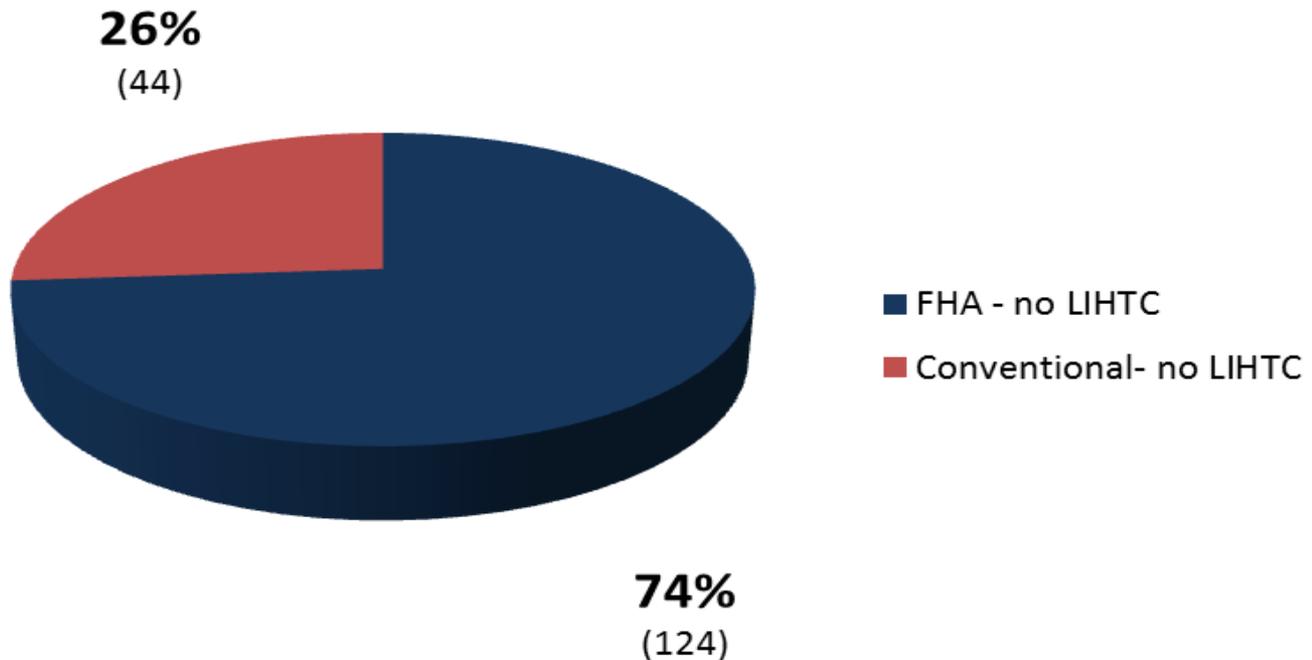
Catalina J. Vielma  
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[Catalina.J.Vielma@hud.gov](mailto:Catalina.J.Vielma@hud.gov)  
202-245-4158



# WHAT DOES RAD MEAN TO FHA?

## Type of 1st Mortgage Financing (without Tax Credits)

FHA v. Conventional

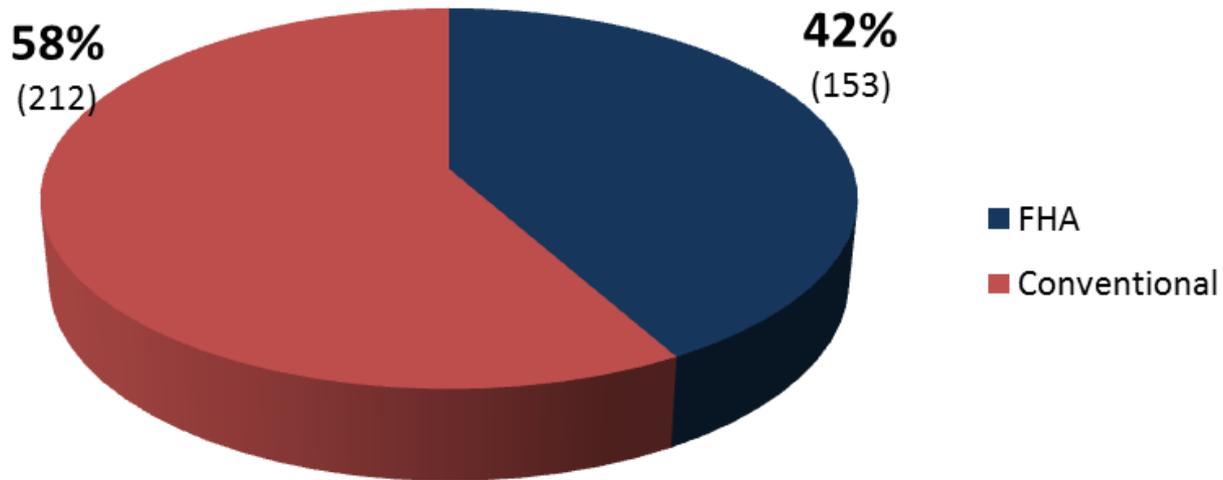




# WHAT DOES RAD MEAN TO FHA? (CON'T.)

## Type of 1st Mortgage Financing (with Tax Credits)

FHA v. Conventional





# RAD AND FHA



- **FHA volume within RAD is large**
  - ...initial awardees at firm application date
  - Twenty 221d4 concept meetings
  - Expect large numbers of 223f applications
- **FHA is extremely competitive with first-time PHA lenders**
- **“One stop shop”**



# FHA-RAD PROCESSING



- **Standing up 4 FHA-RAD Processing Centers**
  - **Part of Multifamily Transformation**
- **20+ concept meetings held to date**
- **This training will focus on 223(f) Tax Credit Pilot**
- **Most important doc to know:**
  - [See handout HN 2012-20, "RAD FHA Underwriting Notice"](#)



# HN 2012-20: GENERAL INFO

- **Direct-to-firm for all SOAs**
  - ...concept meetings highly recommended prior to submission
- **Standard FHA reqs apply:**
  - SAE, LTV, Part 50, etc.
- **Standard Pilot reqs apply:**
  - ML 2012-01





# HN 2012-20: NEW INFO!

- Davis-Bacon required for all public housing (component 1) conversions
- FHA-RAD conversion must result in 90%+ of units covered by RAD-HAP contract for Pilot eligibility





# COMMON TAX CREDIT PILOT & RAD ISSUES



- **Age restrictions**
  - **Work with RAD TM**
- **Scattered sites**
  - **Work with RAD TM**
- **Relocation time restrictions**
- **\$40k/u rehab cost**
- **Legal opinion regarding the PHA's payment in lieu of taxes (PILOT)**



# IMPORTANT DOCUMENTS

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- **HN 2012-20**
- **ML 2012-01 (and this week's training!)**





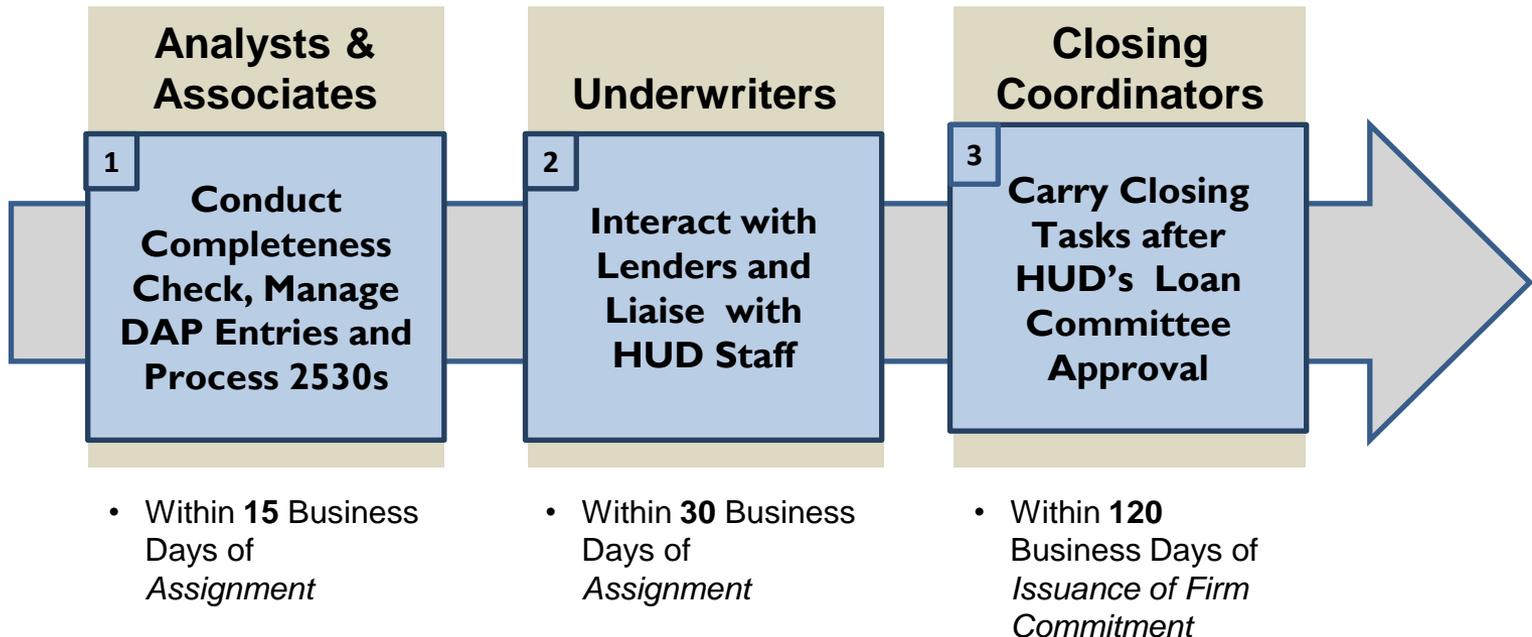
# The FHA-RAD Underwriting Process Using the Tax Credit Pilot

Charlie Wilkins (contractor)  
Office of Affordable Housing Preservation  
[cwilkins@compassgroup.net](mailto:cwilkins@compassgroup.net)  
703-217-8394



# THE FHA-RAD UNDERWRITING TEAM

- Led by SP Group, LLC
- Reviews all FHA-RAD applications submitted under the 223(f) and 223(a)(7) programs
- Project staffed with a multi-disciplinary team





# THE FHA-RAD UNDERWRITING PROCESS



Step	Points of Coordination
Kickoff calls with HUD	RAD transaction manager, PIH field representative(s), Multifamily field representative(s)
Kickoff call with lender	Lender
Completeness check	Lender
2530s	Multifamily field representative(s)
Deficiency email	Lender
Environmental	Multifamily field office approves the 4128
RCC	Lender, RAD team
Draft firm commitment	Lender
Loan committee package	HUD LIHTC Pilot loan committee
Approval	Handoff to closing coordinator, lender, lender counsel, HUD field representatives and OGC

**Note: typically, all A&E, mortgage credit, cost, and valuation review will be carried out by the Underwriter.**



# KEY POINTS FOR LENDERS: SOURCES & USES

- **Make sure the S&U balances**
- **If you include subtotals (“financing costs”, “other costs”), provide a breakdown, and let us know where to find it**
- **Let us know which sources need to be in place at the FHA closing**





# KEY POINTS FOR LENDERS: APPLICATION PACKAGE

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- **Please use the most current version of the LIHTC Pilot application package checklist**
- **Remember that RAD Public Housing transactions require a completed FHEO Relocation and Accessibility checklist**



# KEY POINTS FOR LENDERS: WHEELBARROW

- **Please use the most current version of the LIHTC Pilot wheelbarrow**
- **Remember to submit it in Excel**
- **Please don't change the format**
  - **Please don't add rows, delete rows, move cells around ...**





## IN CLOSING ...



- **We're looking forward to working with you**
- **We're working hard to give every lender and every transaction a consistently high quality experience**



# KEY CONTACTS FOR THE SP GROUP TEAM

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*Project Manager*

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# QUESTIONS AND ANSWERS

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# Multifamily Low Income Housing Tax Credit Pilot Program

## Office of Asset Management and Portfolio Oversight

### **Kimberly Britt**

Housing Program Manager  
Office of Asset Management and Portfolio Oversight  
Field Asset Management Division  
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### **Delbra Smith**

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Telephone (202) 402-2522

Nancie-Ann Bodell, Acting Director  
Office of Asset Management and Portfolio Oversight

# LIHTC Pilot Program –Topics of Discussion

1. 2530 Approvals Delbra Smith, Management Analyst
  
2. Prepayment Processing Isabella Cabbagestalk, Housing Program Manager
  
3. Special Approvals Kimberly Britt, Housing Program Manager
  
4. Flexible Subsidy Loan Deferrals
  1. **Operating Assistance Loans**
  2. **Capital Improvement Loan Program**

# 2530 Application Approval Process

Has the Owner's 2530 Application Been Approved?

- a. Is the application complete, i.e., certified/ signed and dated.
- b. Has all outstanding flags been resolved?
- c. Flags with defaults, foreclosures, suspensions, and debarment must be transmitted to Headquarters for review.

## Prepayment Processing – Submission Requirements

- ❖ For an FHA insured mortgage, the lender must submit the Form HUD 9807 electronically to Oscar V. Franklin, Chief, Multifamily Insurance Operations Branch, ATTN: Sharmaine St. Rose, at the following e:mail address: [MFI0Bterminationapprovals@hud.gov](mailto:MFI0Bterminationapprovals@hud.gov) or Facsimile (202) 401-3246. Questions related to preparation or submission of the Form HUD 9807, should be directed to Ms. St. Rose at (202) 402-2029.
- ❖ The written request to prepay a HUD-held mortgage is sent to Peggy Russo, Chief, Multifamily Notes Servicing Branch, ATTN: Martha Gilcrest, at the following e:mail address: [MultifamilyNotesServicingBranch@HUD.gov](mailto:MultifamilyNotesServicingBranch@HUD.gov) or by Facsimile at (202) 619-8408. Questions related to preparation or submission of a written request to prepay a HUD-held mortgage may be directed to Martha Gilcrest at (202) 402-3331, or Peggy Russo at (202) 402-2753.
- ❖ Requests to prepay Section 202/8 Direct Loans are submitted directly to the local Multifamily Hub/Program Center with jurisdiction over the property for review and recommendation for approval to Headquarters Office of Asset Management.

## Prepayment Processing – Submission Requirements

- ❖ Mortgage Notes that contain prepayment lockout restrictions may be approved for prepayment no earlier than 60 days prior to expiration of the prepayment lockout end date.
- ❖ Lack of Owner compliance with outstanding HUD policies, procedures, regulatory and statutory requirements can cause delays in issuing approval of the request to prepay the mortgage loan.
- ❖ If it is determined that the request for prepayment is incomplete, the local HUD Office is notified of the deficiencies. If the deficiencies are not resolved within 10 calendar days the request will be cancelled.
- ❖ The Lender and the local HUD Office will be notified of the terms and conditions of the prepayment approval.

HUB ASSIGNMENTS FOR PREPAYMENT PROCESSING  
LOW-INCOME HOUSING TAX CREDIT PILOT ONLY

Kimberly Britt, Primary Contact

Isabella Cabbagestalk, Secondary Contact

- Atlanta
- Los Angeles
- San Francisco
  - Denver
  - Detroit

HUB ASSIGNMENTS FOR PREPAYMENT PROCESSING  
LOW-INCOME HOUSING TAX CREDIT PILOT ONLY

Kimberly Britt, Primary Contact

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- Boston
- Chicago
- Ft. Worth
- Seattle

# Special Approvals

## Flexible Subsidy Program

- a. Waiver to defer repayment of Operating Assistance Loans requires approval by the FHA Commissioner;
- b. Refer to Housing Notice H-2011-05 (Extended by Notice H-2012-4); and
- c. Capital Improvement Flexible Subsidy Loans may not be deferred beyond the project's original mortgage maturity date.

## Modification to Existing Use Agreement

## References

- Form HUD 2530 Application
- HUD Handbook 4065.1 Rev-1 – Previous Participation (HUD-2530) Handbook  
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsggh/4065.1/index.cfm>
- 24 CFR Subpart H – Participation and Compliance Requirements, § 200.210 to 200.245

## References

Flexible Subsidy Notice H-2011-05

<http://portal.hud.gov/hudportal/documents/huddoc?id=11-05hsgn.pdf>

Section 202 Prepayments H-2012-8

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/notices/hsg](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg)

# Points of Contact

## **Kimberly Britt (Primary)**

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## **Delbra Smith**

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Telephone (202) 402-2522



# U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

## Section 8 Contract Renewal Process

Tax Credit Pilot Training  
September 23, 2014





# THREE TAKE AWAYS

---

## Option Two vs Option Four

## Rent Comparability Studies (RCS)

## Chapter 15 Waivers





# SECTION 8 CONTRACT RENEWALS

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## **Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA)**

**Multi-year contract subject to appropriations.**





# MAHRA RENEWALS

**Authority to renew project based contracts**

**With or without restructuring**

**Most rents set at market**

**Exception rents for certain projects**





# SIX OPTIONS UNDER MAHRA

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**Option One – Mark Up To Market**

**Option Two – Other Projects with Rents Below Market**

**Option Three – Mark To Market**





# SIX OPTIONS UNDER MAHRA

---

**Option Four – Exception Projects**

**Option Five – Demo or Preservation Projects**

**Option Six – Opt Outs**





# OPTION ONE – MARK UP TO MARKET

(CHAPTER 3)

**Entitlement MUTM**

**Discretionary MUTM**





# ELIGIBILITY CRITERIA (OPTION 1)

---

**REAC score must be 60 & no EH&S violations**

**Profit motivated or limited dividend entity**

**Current rents must be less than comps**

**Comps must be at or above 100 % of FMR**

**No use restrictions**





# DISCRETIONARY CRITERIA (OPTION 1)

---

**Vulnerable Populations – 50 % of assisted units elderly, disabled, or large families**

**Vacancy Rates – Three percent or less confirmed by EMAS**

**Community Support – recent tax credits, tax abatements, capital improvements**





# RENT SETTING MECHANISM AT RENEWAL (OPTION 1)

---

**Owner submits a RCS**

**HUD secures a 3<sup>rd</sup> party RCS**

**If FHA insured can use Lender appraisal**

**HUD compares rents**





# MAP APPRAISAL IN LIEU OF HUD RCS

---

**Only substitutes for HUD Required RCS**

**Paid for and underwritten by lender**

**Follow Chapter 9 Prep and Review**

**“As is” and “after-rehab” rents**

**Use form HUD 92273-S8 lieu of HUD 92273**





# CONTRACT TERMS (OPTION 1)

**Minimum 5 year – Maximum 20 year contract**

**Only OCAF – no Budget Based Rent Adjustments**

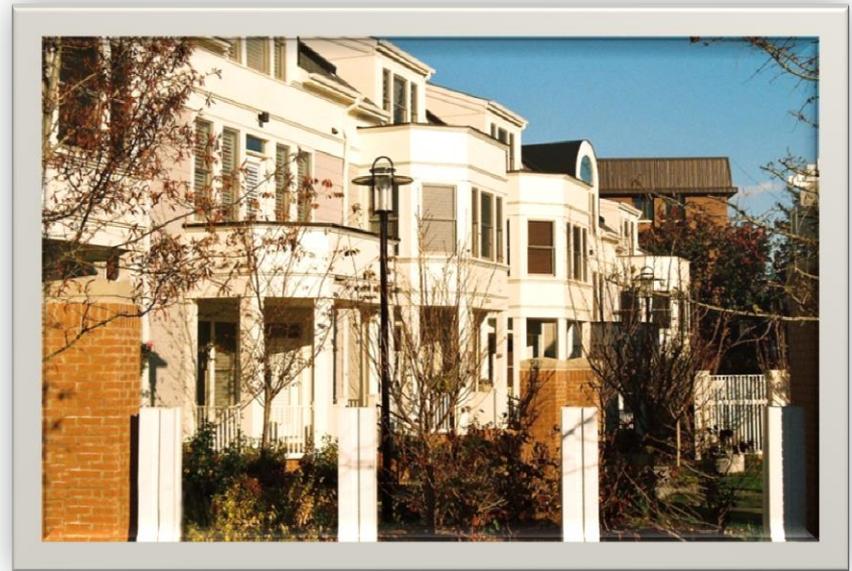
**Year 5 market adjustment for multi-year contracts**





# OPTION TWO RENEW AT OR BELOW MARKET (CHAPTER FOUR)

**Current rents are at or below market**





# RENT SETTING MECHANISM AT RENEWAL<sub>(OPTION 2)</sub>

---

**Rents adjusted by OCAF or budget subject to Market**

**Owner submits RCS**

**HUD or PBCA undertakes substantive review**

**Notify owner**

**Right of appeal**





# CONTRACT TERMS (OPTION 2)

**Rent adjustments OCAF or if approved by a budget**

**Minimum one year – maximum 20 year contract**

**Year five market adjustment for multi-year contracts**





# ATTRACTIVE FEATURES (OPTION 2)

---

**Rents increased by budget subject to market**

**Access to increased distributions**

**Rents increased to after-rehab market with  
Chapter 15**







# CONTRACT TERMS (OPTION 3)

**Fulls – OCAF only**

**Lites – OCAF or subject to HUD approval, budget**

**Watchlist – Three one Year contracts OCAF**





# OPTION FOUR – EXCEPTION RENTS (CHAPTER SIX)



- Rents above market
- Rents may remain above market





# ELIGIBILITY CRITERIA (OPTION 4)

## Exempt from restructuring

- **State/Local Government Financing**
- **202/8 and 515/8 Projects**
- **Refinanced 202/8 Projects**
- **SROs**





# ELIGIBILITY CRITERIA (OPTION 4)

## Not eligible for restructuring

- No FHA insured or HUD-held mortgage
- Has FHA-insured or HUD-held mortgage but rents are below market





# 202/8 PROJECTS (OPTION 4)

**Housing Notice 2013-17**

**Refinanced once with FHA insured loan**

**Refinanced twice with FHA insured loan**





# RENEWAL RENT SETTING (OPTION 4)

**“Lesser of”**

**Current times OCAF or budget**

**No RCS Required**





# CONTRACT TERMS (OPTION 4)

---

**OCAF or**

**Budget-based rent increase request**

**No fifth year market adjustment**

**One year minimum term**





# BUDGET BASED RENT REQUEST (OPTION 4)

---

## RCS

**Current rents above market – OCAF or “0”**

**Current rents below market – budget**





# ATTRACTIVE FEATURES (OPTION 4)

---

**Above market rents**

**No RCS at Renewal**

**No adjustment to market at 5<sup>th</sup> year**





# OPTION FIVE – DEMO OR PRESERVATION PROJECTS

(CHAPTER SEVEN)

**Portfolio Reengineering  
Demonstration Projects**

**Preservation Projects**





# DEMO PROJECTS (OPTION 5)

## Portfolio Reengineering Demonstration Projects (Demo)

### Recorded Mortgage Restructuring Demo Program Use Agreement





# PRESERVATION PROJECTS (OPTION 5)

**ELIHPA (Title II)**

**LIHPRHA (Title VI)**

**Plan of Action (POA)**





# **PRESERVATION PROJECTS** (OPTION 5)

---

**Renew only under Option Five**

**Plan of Action**

**Does not allow Opt Outs**

**Allows for budget based, AAF or OCAF rent adjustments**



## OPTION SIX – OPT OUTS (CHAPTER 8)



- **Owner can opt out**
- **One-year written notice to tenants and CA**
- **Owner must state they will honor the family's right to remain**
- **Enhanced vouchers**





# RENT COMPARABILITY STUDIES (CHAPTER 9)

**Appraiser Prepares (Chapter 9)**

**Owner submits RCS**

**HUD or PBCA reviews**

**Chapter 9 Substantive Review**

**Notify owner**

**Right of appeal**





# CAPITAL REPAIRS AND TRANSFERS (CHAPTER 15)

**Rent increase to pay for...**





# GENERAL REQUIREMENTS (CHAPTER 15)

---

**Will allow early termination of most 524 MAHRA contracts**

**Must agree to combine contracts or stages**

**20 year contract and 20 year use agreement**





# CAPITAL REPAIRS REQUIREMENTS (CHAPTER 15)

---

## PCNA

Description of the transaction

RCS (as is and after rehab rents)

Scope of Work





# CAPITAL REPAIRS AND TRANSFERS (CHAPTER 15)

**Non profits can request rent increases for capital repairs and transfers**

**Renew under Option Two.**





# TRANSFERS REQUIREMENTS

---

**REAC Score of 60 or more**

**Not Troubled**





# CURRENT CHAPTER 15 GUIDE PROVISIONS THAT CAN BE WAIVED IN THE FIELD

---

**No for-profit participation**

**No early termination of non-MAHRA contract**

**Restricts rents to use restricted levels**

**No after rehab rents until work is complete**





# CURRENT GUIDE PROVISIONS THAT CANNOT BE WAIVED IN THE FIELD

---

**Requires a HUD RCS for MUTM renewals.**

**FHA appraisal to substitute for HUD RCS**





# THREE TAKE AWAYS

---

## Option Two vs Option Four

## Rent Comparability Studies (RCS)

## Chapter 15 Waivers





# QUESTIONS AND ANSWERS





# U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

## FHA HOUSING TAX CREDIT PILOT PROGRAM

### Legal Issues and Processing





## PROCESS CONCERNS

### Pilot's 120 Day Processing Requires Particular Attention to Legal Elements of the Closing Preparations:

- Early Delivery of Organizational & Title Documents by Owner/Lender, Especially Draft Partnership Agreement (In Firm Commitment Application)
- Early Assignment of HUD Counsel (Underwriter requests Assignment at Receipt of Application)
- Early Involvement of Counsel During Underwriting ( Kick Off Meeting)





## PROCESS CONCERNS

- **Pilot's 120 Day Processing Demands:**
  - Early Review of Documents By HUD Counsel  
(Owner/Lender should submit title information and partnership agreement at start)
  - Early Discussions with Lender/Owner on Organizational Document Concerns





# COUNSEL ASSIGNMENTS

---

By Regional Counsel for Projects Underwritten Outside of Their Hub Jurisdictions Now (Pilot has Defined Process)

Otherwise, after transformation, assignments also will be made by Regional Counsel, who picks State Counsel for Each Project

HUD Counsel will Always be Located in Project's State or that State's Hub to ensure Knowledge of State Law





# COUNSEL ASSIGNMENTS

## TAX CREDIT PILOT PROGRAM HUB JURISDICTIONS, ORIGINATING HUB STATE ASSIGNMENTS AND REGIONAL COUNSEL ASSIGNMENT CONTACTS

Tax Credit Pilot Processing Hubs	States/Areas Within Pilot Processing Hub Jurisdiction	Additional States Assigned to Processing Hubs & Their HUD Region (1)	Tax Credit Pilot Processing Hubs	States/Areas Within Pilot Processing Hub Jurisdiction	Additional States Assigned to Processing Hubs & Their HUD Region (1)	Regional Counsel Contacts for Pilot Project Assignments	
<b>Atlanta</b>	Georgia Kentucky Puerto Rico Tennessee	Alabama IV Florida IV North Carolina IV South Carolina IV	<b>Detroit</b>	Michigan	Ohio V Virginia III West Virginia III	Miniard Culpepper	Region I
<b>Boston</b>	Connecticut Maine Massachusetts New Hampshire Rhode Island Vermont	Delaware III Maryland III New Jersey II New York II Pennsylvania III	<b>Fort Worth</b>	Arkansas Louisiana New Mexico Oklahoma Texas	Mississippi IV	John Cahill	Region II
<b>Chicago</b>	Illinois	Indiana V Iowa VII Minnesota V Missouri VII Wisconsin V	<b>Los Angeles</b>	Southern California Counties (2)		Sheryl Johnson	Region III
<b>Denver</b>	Colorado Montana North Dakota South Dakota Utah Wyoming	Nebraska VII Kansas VII	<b>San Francisco</b>	Northern California Counties (2) Arizona Hawaii Nevada		Sharon Swain	Region IV
			<b>Seattle</b>	Alaska Idaho Oregon Washington		Courtney Minor	Region V
						William Daley	Region VI
						Tom Coleman	Region VII
						Ellen Dole	Region VIII
						Kimberly Nash	Region IX
						Mona Fandel	Region X

(1) Regions are identified because Regional Counsel will make assignments of Projects from Originating Hubs (i.e. Hubs not designated as Pilot Processing Hubs) to Field Counsel staff.

(2) L.A.'s Southern California jurisdiction includes Imperial, Inyo, Kern, Los Angeles, Mono, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara and Ventura Counties. All other California Counties fall within the jurisdiction of Northern California's San Francisco office.





### 3 SPECIALIZED TAX CREDIT PROJECT DOCUMENTS

- Identification and Certification of Eligible Limited Liability Investor Entities (Substitute for 2530 Clearance for Passive Partners)
- Instructions For Pre-Approval of Special Limited Partners As Interim Replacement of General Partner or Managing Member for LIHTC Transactions (Early 2530 Clearance, Before Closing or After))
- Rider To Security Instrument for LIHTC Properties (Documents Pre-Approval of Replacement GP/MM)





**To BE CONTINUED...**

**FOLLOW UP, MORE DETAIL TO BE PROVIDED  
BY KATHIE SOROKA, OGC  
IN NEXT LENDERS CALL OCTOBER 16<sup>TH</sup>**





# FHA HOUSING TAX CREDIT PILOT PROGRAM: ENVIRONMENTAL

**Hilary Atkin**  
**Environmental Clearance Officer**  
**Housing**





- **The environmental review will be conducted by the Hub environmental reviewer**
- **All TC Pilot projects will follow the usual environmental review procedures for 223(f) projects in accordance with 24 CFR Part 50, as per Chapter 9 of the MAP Guide, except for a few twists to help streamline the process**





# CONTAMINATION REVIEW – PHASE I ESA

- **The Phase I ESA**
  - Must contain no environmental issues that would require a Phase II ESA or a Remediation Plan (i.e., no RECs or VECs)
  - The HUD environmental reviewer must concur with this determination
  - HUD reviewer will carefully review the Phase I
    - ❖ Phase I ESA needs to follow the format recommended by ASTM 1527 and the MAP Guide
    - ❖ HUD staff will pay close attention to Findings, so it is important to have clear, well-explained Opinions





# HISTORIC PRESERVATION – NO CONSULTATION

- **FHA has determined that the following will have “no potential to cause effects” to historic properties, as described under 36 CFR 800.3(a)(1), and thus have no further obligations under Section 106:**
  - ❖ Section 223(f) projects
  - ❖ Recently constructed and occupied
  - ❖ With no rehabilitation or new construction
- **Example: “3-Year Waiver Projects” carried out under the Pilot Program that do not involve building rehabilitation or new construction**
- **If applicable, do not send a SHPO consultation letter. Inform HUD, and HUD will include a copy of the Memo in our environmental record.**





# HISTORIC PRESERVATION

---

- **Lenders are authorized to initiate consultation under Section 106 of the Historic Preservation Act with State Historic Preservation Officers (SHPOs)**
- **Lenders cannot initiation consultation with Tribal Historic Preservation Officers – HUD must initiate Tribal consultation**





# SECTION 106: INITIATION OF CONSULTATION

- **SHPOs have 30 days to respond to the Lender's consultation letter**
  - ❖ If the SHPO does not respond, Lender must provide a certified statement that a letter was sent and 30 days elapsed without a response
  - ❖ HUD reviewer will make sure the Lender's letter was adequate for the SHPO to respond
    - follow any required State procedures;
    - describe site plans and the area of potential effect (APE) and include a map identifying the site and APE;
    - include a determination on potential to effect a history property, including steps taken to identify historic properties and/or why the criteria of adverse effects are or are not applicable; and
      - request the SHPO's review of the determination
- **Guidance**
  - ❖ Sample consultation letters





# SECTION 106 CONSULTATION

- HUD will remain legally responsible for all findings and determinations
- HUD will participate in consultation if there is an adverse effect, there is a disagreement, there is an objection, or there is potential for foreclosure or anticipatory demolition
  - ❖ See the HUD Memo to SHPOs (Appendix F of the Guide)
- HUD will consult with Tribal Historic Preservation Officer





# USEFUL DOCUMENTS

- **TC Pilot Processing Guide**
- **Sample SHPO consultation letters**
- **HUD memo to SHPOs**
- **No potential to cause effects in 223(f) projects Memo**





# LATEST NEWS ON ENVIRONMENTAL REVIEW

## Guidance recently given to field staff on processing requests to waive the Noise regulation's EIS requirement (24 CFR 51.104(b)(2)) for sites in unacceptable noise areas (above 75 dB)

- Make sure documentation demonstrates the waiver requirements:
  - No other environmental issues
  - Mitigated issues = not an environmental issue
  - No noise-sensitive outdoor uses – interpret broadly
  - Plan how to incorporate mitigation into project design (berms, interior courtyards, etc.)

## Get ready for HEROS, HUD Online Environmental Review System

- Information available at:

<https://www.hudexchange.info/environmental-review/heros>





# QUESTIONS?







# FHA Housing Tax Credit Pilot Program

“The Pilot Lenders’ Perspective”

September 23, 2014



# **Pilot Lenders' Perspective: The What's, Where's, When's and Why's**

# Tax Credit Pilot Program Execution

## – Lenders' Perspective

- ✓ When discussing the benefits of the Tax Credit Pilot with Clients what are your key selling points?
- ✓ What do you think are the most important items to cover in the Concept Meeting?
- ✓ What do you want to know from the HUD staff at the Concept Meeting?
- ✓ How soon do you begin discussing Asset Management issues with the Owner and HUD's Asset Management team?
- ✓ If you could have one guarantee from Development when processing a TC Pilot deal what would it be?

## Tax Credit Pilot Program Execution

### – Lenders' Perspective (Continued)

- ✓ How do you prepare the Wheelbarrow? What documents do you review?
- ✓ Do you look at the Syndication documents when preparing the #s?
- ✓ How aware are the Contractors and the Architects you work about the key differences with a TC Pilot versus NC/SR?
- ✓ How does your company handle the construction period for TC Pilot deals?
- ✓ What forms are signed and submitted to HUD during the construction period and when do the inspections occur?
- ✓ What are the 2 most important Keys to Success for a TC Pilot deal?



# Audience Questions for Lenders?



# HUD Staff Execution

## Tax Credit Pilot Program HUD Staff Execution

### – HUD Staff Keys to Success

- ✓ Always discuss potential waivers or issues with HQ before or at the Concept Meeting
- ✓ At the Concept Meeting discuss the key dates and calendar of expectations (Work with the **Close Date Backwards!!**)
- ✓ Remember, this is a PILOT, feel free to discuss potential nuances with the Local Hub to bring to HQ to see if risk can be mitigated!
- ✓ Everyone must meet their deadlines on the calendars, Lenders need to give HUD the proper processing time and closing time.
- ✓ The numbers and the narrative supported by due diligence.

# Tax Credit Pilot Program HUD Staff Execution

## – HUD Staff Key Challenges

- ✓ The Wheelbarrow
- ✓ Don't miss deadlines! Investor's are not flexible!
- ✓ Realize FHA Loan is one piece of a big closing puzzle
- ✓ Subordination Issues resolved Sooner than Later
- ✓ Asset Management engaged Early for HAP Contract Renewals
- ✓ Tie Source Documents to Wheelbarrow Inputs

## Tax Credit Pilot Program HUD Staff Execution

### – How HUD Staff can help with Execution?

- ✓ Concept Meetings with Lender, Owner & Investor
- ✓ Predictability. Investors and Owners like Predictability.
- ✓ Confidence building with Industry: “DON’T MISS A DEADLINE!”
- ✓ Build relationships with your State Agencies key staff
- ✓ LIHTC Industry likes Duplication (GC, Investor, Lender, etc.)
- ✓ Backward Plan / Set Closing Date = Target!



# HUD Staff Questions for Lenders?



# Repair Escrow Releases: Lenders and HUD Staff

## Tax Credit Pilot Program HUD Staff Execution

### – How HUD Lenders can help with Repair Escrow Releases ?

#### 1. Repair Period and Escrow Releases

a. The Lender may disburse after receiving the following:

–The Lender obtains a written certification from any/all of the architect, the borrower, the general contractor or an independent inspection firm hired by the syndicator (as represented on the **form HUD-92464** “Request for Approval of Advance of Escrow Funds) has been completed. The Certification obtained should use the certification language found on the signature page of **form HUD-92448** “Contractor’s Requisition Project Mortgages” for the architect, contractor and inspector signature block.

–The Lender obtains a date down endorsement to the Title Policy to insure no liens have been filed.

b. The Lender then sends fully executed copies/originals of all of the above to the Hub for review.

## Tax Credit Pilot Program HUD Staff Execution

### – How HUD Staff can help with Execution of Repair Escrow Releases?

#### 2. Interim Inspections by HUD and Interim Disbursements by Lender

- a. HUD staff will conduct inspections at 35% and 65% completion. Please ensure that once the Lender confirms that these benchmarks have been achieved that the Lender contacts Senior Underwriter to set up the site inspection. The Lender must also provide a construction progress report prior to the inspection.
- b. The Lender continues to approve and disburse funds without HUD approval unless notified by HUD of issues at these site inspections.

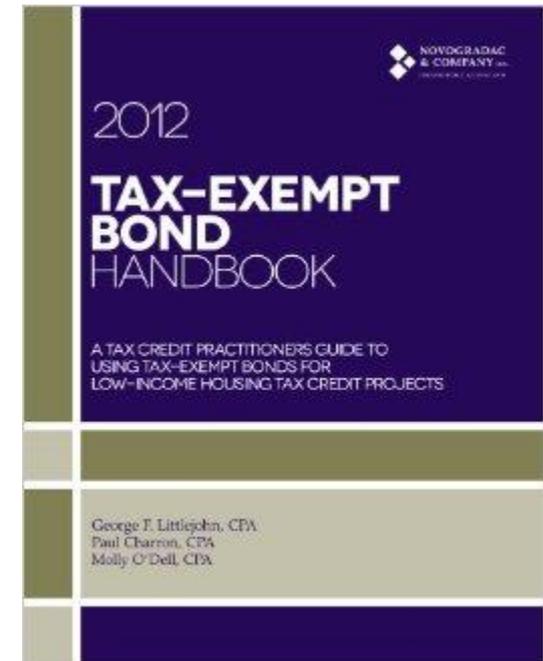
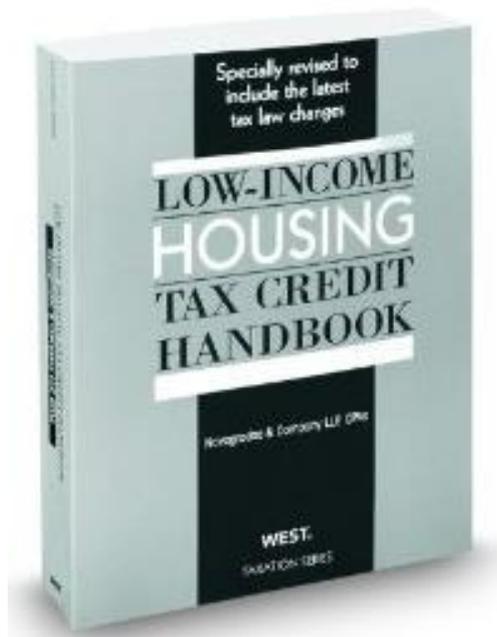
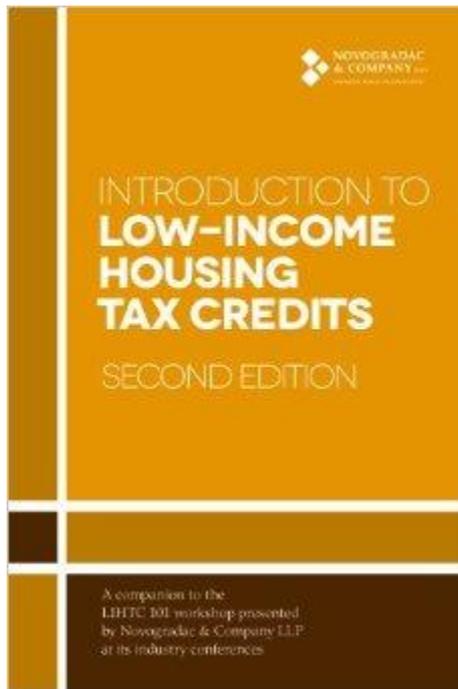
#### 3. Final Inspection by HUD and Final Disbursement approval by HUD

- a. HUD staff will conduct a 100% completion inspection and signoff prior to a final disbursement.

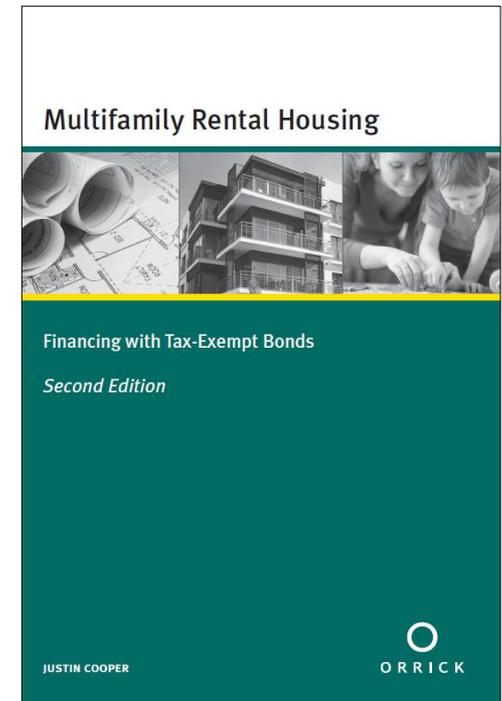
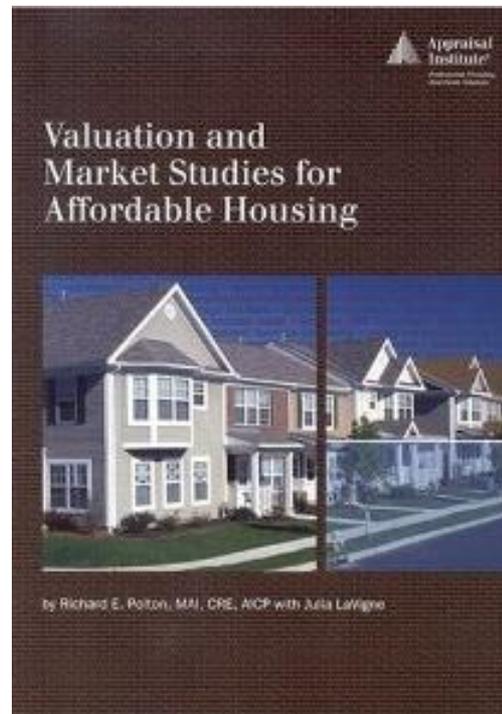


# LIHTC Bookshelf and References

# Education: LIHTC Books

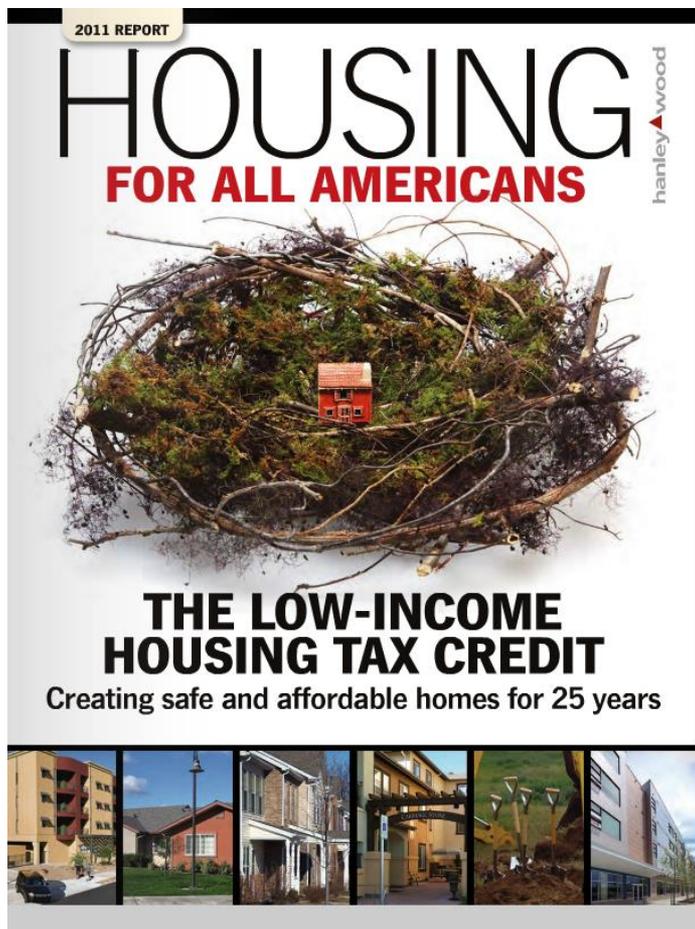


# Education: LIHTC Books (Continued)

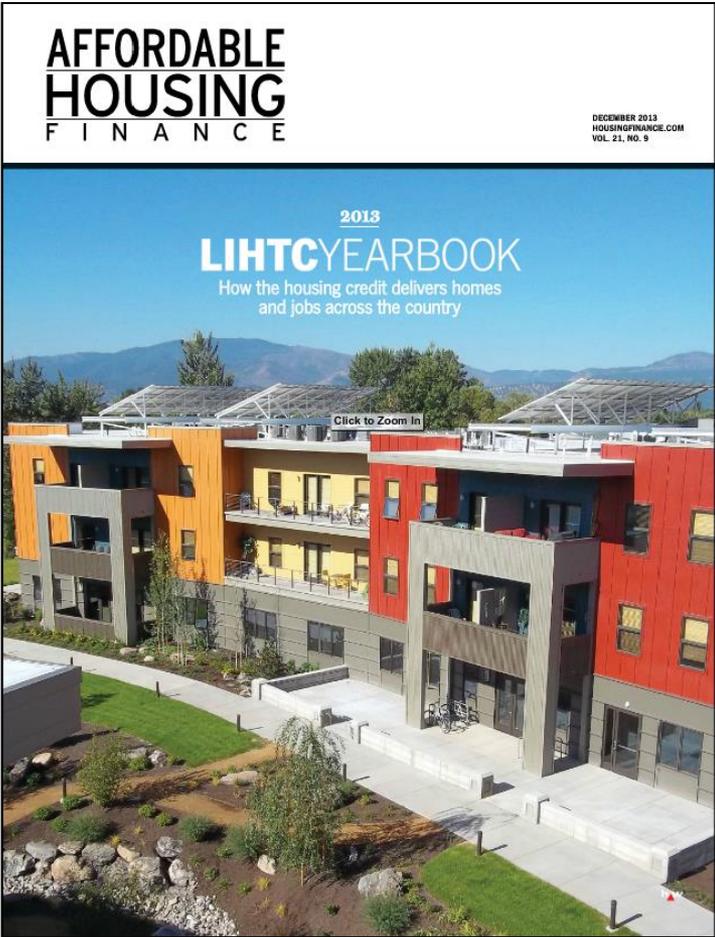




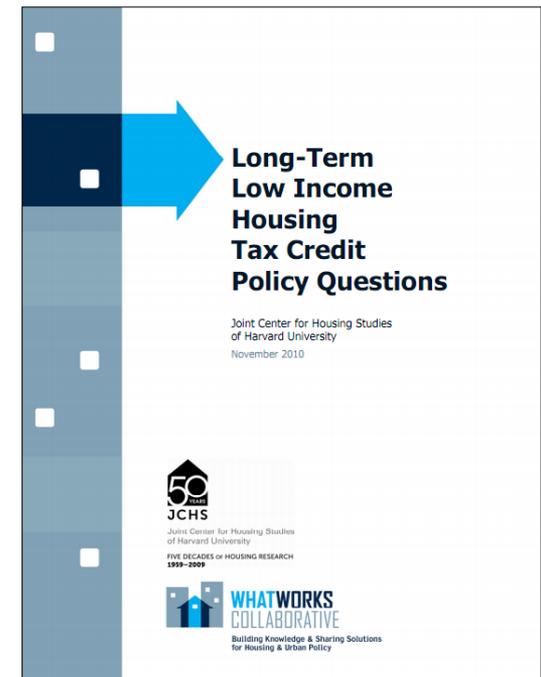
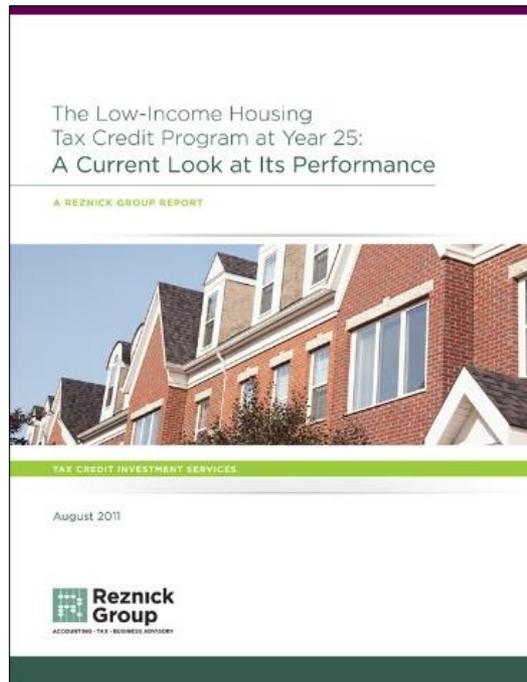
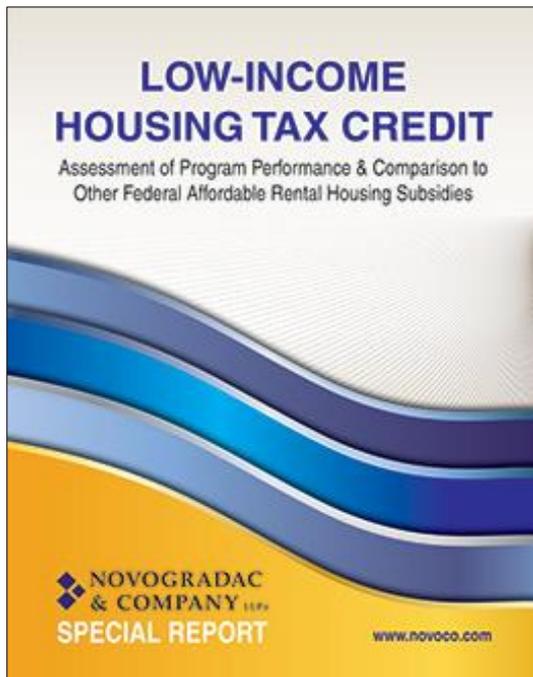
# Education: LIHTC Magazine Articles



# Education: LIHTC Magazine Articles (Continued)



# Education: LIHTC Research Reports



# Education: LIHTC Research Reports (Continued)

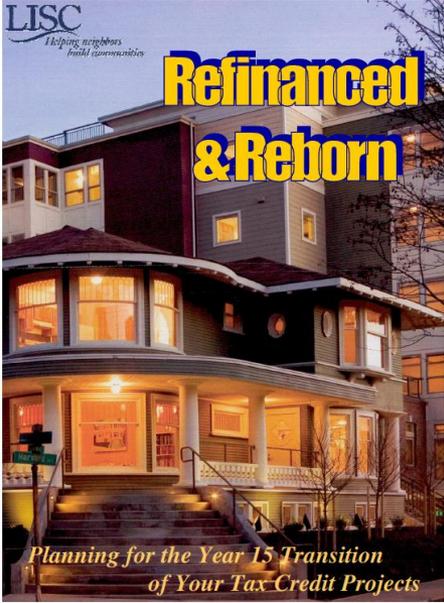



**Year 15 Nonprofit Transition Strategies  
For LIHTC Properties**

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**Enterprise Community Conference  
Cleveland, Ohio  
November 16, 2007**

Enterprise Community Development, Inc. is a leading provider of the development capital and support to assist in creating affordable housing and related communities. Enterprise develops low-income housing, care centers and historic rehabilitation, the writing, down and long-term care, and development services to replicate projects that make a positive difference in communities. For over 50 years, Enterprise has provided more than \$7 billion in capital to States' affordable housing, across the communities and help thousands the lives of low-income Americans, particularly those at the bottom end of the income scale. Currently, Enterprise is working to reestablish its role as a LIHTC lender a year. This new developmentally role to been more about Enterprise's efforts to build communities and opportunity.

## Refinanced & Reborn

*Planning for the Year 15 Transition  
of Your Tax Credit Projects*

**An ODI Publication**

United States Government Accountability Office  
Report to Congressional Committees

GAO

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December 2012

### LOW-INCOME HOUSING TAX CREDITS

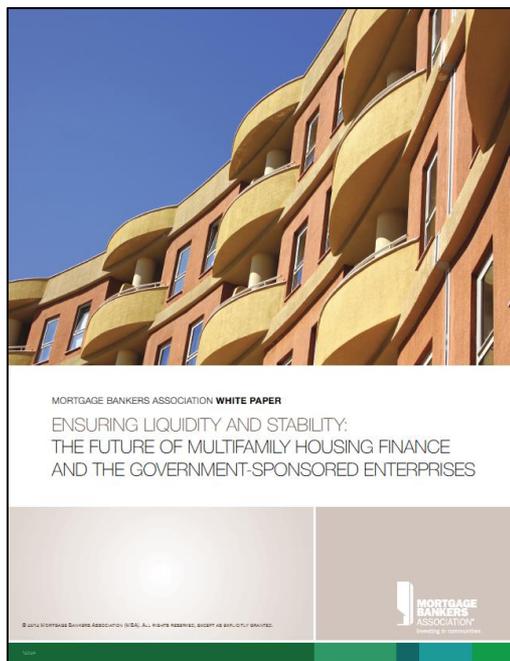
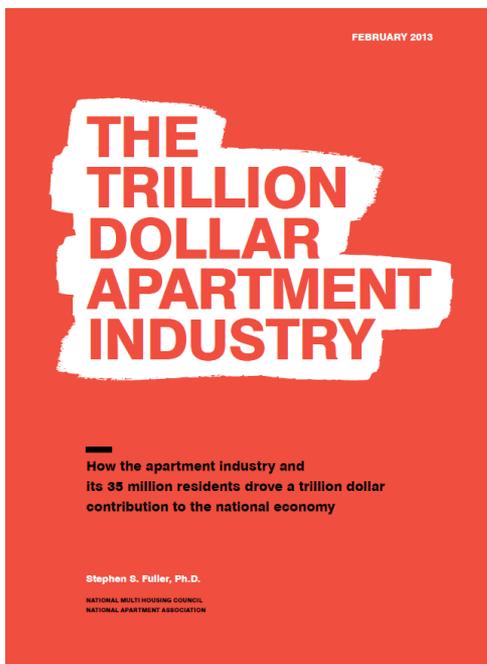
Agencies Implemented Changes Enacted in 2008, but Project Data Collection Could Be Improved



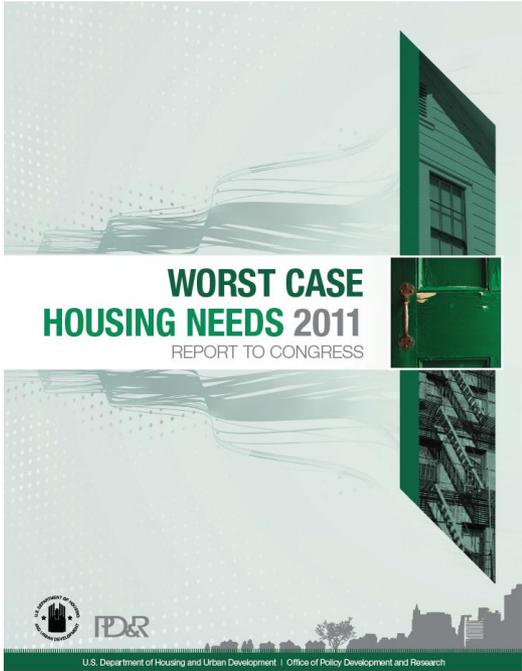
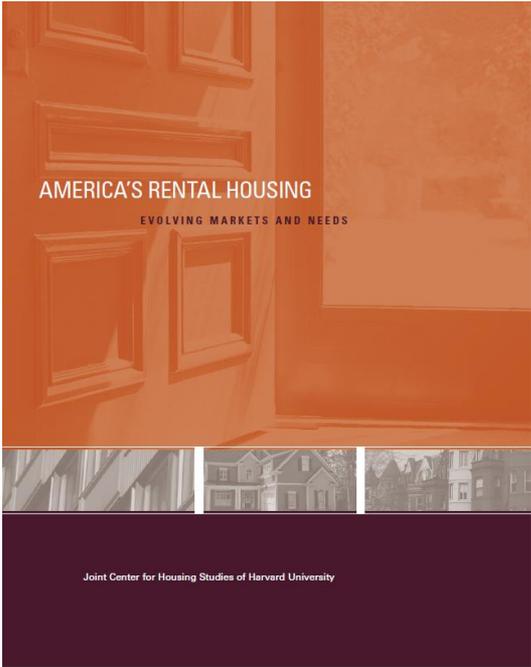
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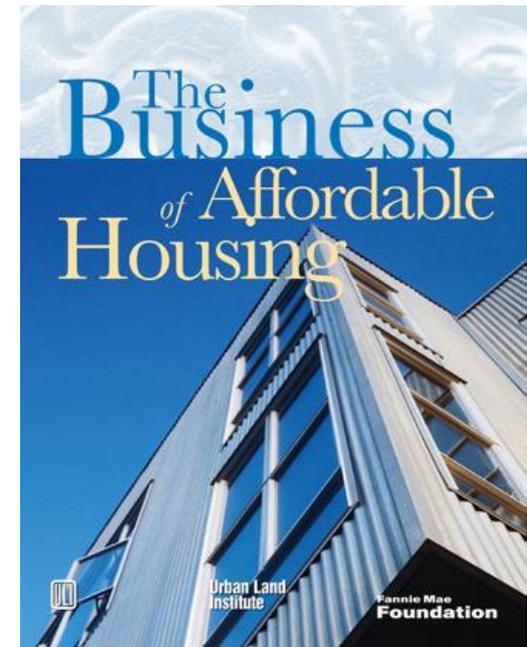
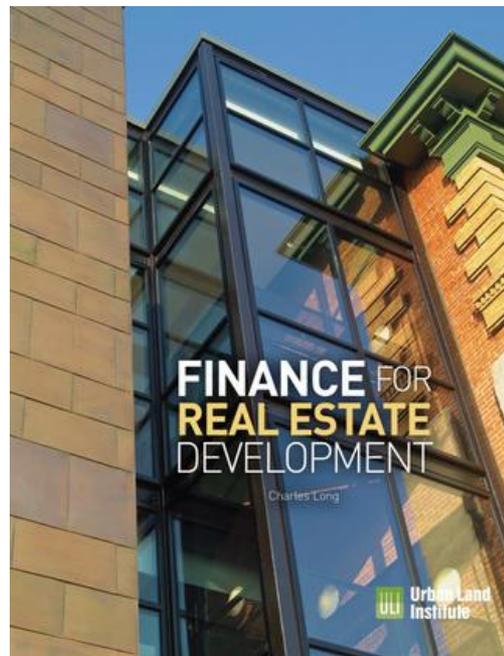
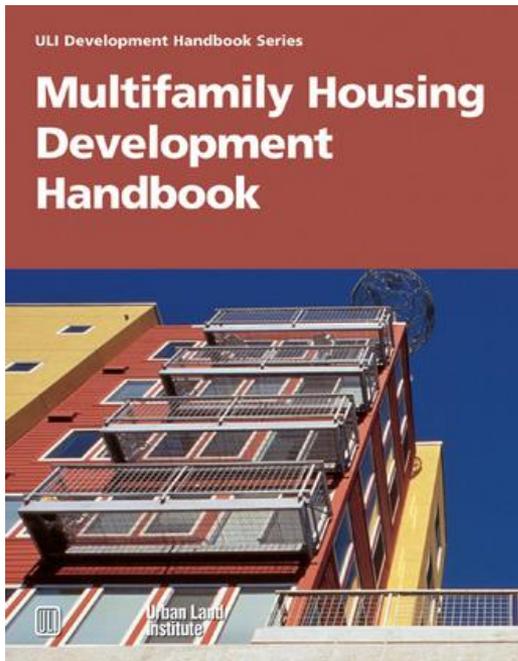
# Education: Multifamily Industry and HUD



# Education: Multifamily Industry and HUD (Continued)



# Education: Multifamily Industry and HUD (Continued)



# Education: Industry Publications

## LIHTC Books

1. Introduction to Low-Income Housing Tax Credits Second Edition (Novogradac, 2<sup>nd</sup> Edition)
2. Low Income Housing Tax Credits Handbook (Novogradac)
3. Tax-Exempt Bond Handbook (Novogradac)
4. Introduction to New Markets Tax Credits (Novogradac, 2<sup>nd</sup> Edition)
5. Valuation and Market Studies for Affordable Housing (Appraisal Institute)
6. Multifamily Rental Housing: Financing with Tax-Exempt Bonds (Orrick, 2<sup>nd</sup> Edition)

## LIHTC Subscriptions / Magazines

7. Affordable Housing Finance
8. Tax Credit Advisor
9. Journal of Tax Credits

## LIHTC Special Magazine Articles

10. Housing for All Americans: The Low-Income Housing Tax Credit (Affordable Housing Finance, 2011 Report)
11. LIHTC at 25 (Affordable Housing Finance, June 2011, Vol. 19, No. 4)
12. 2013 LIHTC Yearbook (Affordable Housing Finance, December 2013)

# Education: Industry Publications (Continued)

## LIHTC Research Reports

13. Low-Income Housing Tax Credit: Assessment of Program Performance & Comparison to Other Federal Affordable Rental Housing Subsidies (Novogradac & Company), May 2011
14. The Low-Income Housing Tax Credit Program at Year 25: A Current Look at Its Performance (Reznick Group), August 2011
15. Long-Term Low Income Housing Tax Credit Policy Questions (Harvard University), November 2010
16. Year 15 Nonprofit Transition Strategies (Enterprise), November 2007
17. Refinanced & Reborn: Planning for the Year 15 Transition of Your Tax Credit Projects (LISC), 2006
18. Low-Income Housing Tax Credits: Agencies Implemented Changes Enacted in 2008, but Project Data Collection Could Be Improved (GAO), December 2012

## Education: Industry Publications (Continued)

### Multifamily Industry and HUD

19. The Trillion Dollar Apartment Industry (National Multi Housing Council), February 2013
20. Ensuring Liquidity and Stability: The Future of Multifamily Housing Finance and the Government-Sponsored Enterprises (Mortgage Bankers Association), December 2012
21. Navigating HUD Programs: A Practitioner's Guide to the Labyrinth (American Bar Association) May 2012
22. America's Rental Housing: Evolving Markets and Needs (Joint Center for Housing Studies of Harvard University), December 2013
23. Worst Case Housing Needs 2011: Report to Congress (HUD), August 2013
24. Multifamily Housing Development Handbook (Urban Land Institute), January 2000
25. Finance for Real Estate Development (Urban Land Institute), April 2011
26. The Business of Affordable Housing (Urban Land Institute), January 2007



# TAX CREDIT CASE STUDY

## FAIRFIELD APARTMENTS

TRAINING  
SEPTEMBER 2014





# TAX CREDIT PILOT CASE STUDY

- **Fairfield Village consists of two, five story midrise, elevator buildings containing 105 units.**
- **Tenancy is restricted to low income residents earning 60% or less than the area median income.**
- **85 one bedroom and 20 two bedroom units.**
- **Section 8 Housing Assistance Payment (HAP) contract covers 100% of the units.**
  
- **The property was originally constructed in 1972 and recapitalized with 4% low income housing tax credits in 1997.**





# TAX CREDIT PILOT CASE STUDY

- **Fairfield is a close in, “middle-ring” suburb in the Cleveland area. Project is located adjacent to a shopping plaza and is in close proximity to the local community college.**
- **Historical operating expenses from 2009 thru 2012 ranged from \$4,094 per unit per annum to \$4,903 per unit per annum. Comparable expenses ranged from \$4,356 to \$6,132 per unit per annum**
- **The Initial Repairs is estimated at \$2,871,250 (\$27,345/unit)**





# TAX CREDIT TRAINING - CASE STUDY

**Tuesday, September 23, 2014 3:05 - 4:55 (1 hr, 50 minutes)**

**3:05-3:20**  
(15 minutes)

## Introduction

- + The Lesson Plan and the Case – John Bell

**3:20-3:40**  
(20 minutes)

## The Case

- + Project narrative - TBD
- + Numbers in the Wheelbarrow – John Bell

**3:40 -4:40**  
(60 minutes total)

Groups meet per the team assignments as role players in the loan committee process:

**3:40 -4:00**  
(20minutes)

- +Presenters convene – identify issues, prepare case
- +Loan committee members convene – identify issues

**4:00 - 4:20**  
(20 minutes)

Presenters and Committee meet together to make decisions

**4:20- 4:40**  
(20 minutes)

Committees report decisions to Professors; each side’s spokesperson is asked about their deliberation

**4:40-4:45**  
(5 minutes)

Audience feedback – was the case study useful?





# TAX CREDIT PILOT CASE STUDY

Recommended focus for efficient review of case study topics based on the Loan Committee Narrative’s sections:

Everyone should read the Entire Narrative and especially focus on the Executive Summary, pages 2-4

<b>Role and Responsibility as Expert in your group meetings</b>	<b>As an Expert you must also read and master the facts in the Narrative Document Section for your discipline</b>
Borrower Team Experts	Pages 5 - 7
Market Team Experts	Pages 8-9
Valation Team Experts	Pages 10-13
Valuation Team Experts	Pages 10-13
A/E Cost Team Experts	Pages 15-16
A/E Cost Team Experts	Pages 15-16
Financial and Credit Team Experts	Pages 17-18
Environmental Team Experts	Page 14





# TAX CREDIT PILOT CASE STUDY

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Committee

Reporting discussion

Framework:           Open discussion of conclusions.  
                              Questions that might have been asked.  
                              Discussion of altered assumptions/new  
                              information





# TAX CREDIT PILOT CASE STUDY

## FIVE BIG ISSUES Worksheet

BIG ISSUE (Priority of those that matter most.)	Positive or Negative	Relative Contribution to your decision (must add to 100%)	
1.			
2.			
3.			
4.			
5.			
Comments:			
Committee or Presenter (choose one) If Committee, Approve or Disapprove		Members: Spokesperson:	





# TAX CREDIT PILOT CASE STUDY

## Discussion Questions

- 1) Would you do the loan?
- 2) What are the top three positive aspects to the transaction?
- 3) What are the top three concerns? Their mitigants?
- 4) Would you recommend adding any conditions?

