Compliance in Affordable Housing Preservation

Jen Brewerton
Vice President of Compliance
Dominium

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IRS Disaster Guidance:

Thank you Scott Michael Dunn/Costello Companies!:

Tagging onto yesterday

- Protections for unqualified residents allowed under the guidance
  - After the protection period, they don't qualify.
- NCSHA's Clarification Request
  - If a resident is displaced and returns following disaster, assuming income qualified, are they required to requalify?
  - What if they return to a different unit, what impact does that have?
  - What rights do residents have to return (assuming LIHTC only, not PBS8)?
  - Where monitoring requirements are relaxed for HFAs, does that apply if only a portion of the property is affected?
  - Request guidance on temporarily moving a resident from a unit impacted by the disaster.
  - What if files completely destroyed?
  - What if property completely destroyed? (TDHCA)

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Lakecrest Townhomes:

Lakecrest Fact Pattern:

Leading to resyndication

- Post 15-year property
  - 90% occupied -- previous year 10% vacancy
- Performed audit of all resident files to determine if can be "grandfathered."
- Resydnication closed July 27, 2017
- When we took over the property, many units unlivable, doors did not lock
- Hurricane Harvey hits August 25, 2017, reservoir opened 3 days later

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Lakecrest Townhomes:

Biggest Challenges:
Immediate Access to Site

- Staff/contractors could not get to the site
- Current unit conditions caused more damage
- Contractors: Hired Beaumont (i.e. local) contractors purposely for the resyndication rehab – they were hit hard themselves
- Nothing happened for 35-40 days (1/8 of the rehab timeline in place)
- Good news is, we got our files out in advance of the storm

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Lakecrest Townhomes:

Biggest Challenges:

Occupancy/Damage from flooding from reservoir release

- Out of 224 units, 59 “Down,” 52 Occupied
- Serious mold issues
- Brought occupancy down to 60% (underwritten at 80-85%
- Residents had 7 days to vacate, provided $500 and deposits back
  - Right to return?
  - Is the unit qualified for first year of credits?
  - With partial property down, does TDHCA still monitor?

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Lakecrest Townhomes:

Biggest Challenges:

Financial Repercussions

- We have had to self-fund $1.7 Million just from operations, after insurance advances
- Contractor failures caused more mold, an additional $1Million
  - Determining if units are habitable is key
- Hurricane damage is not eligible in eligible basis
- Insurance proceeds contingent on city ordinances, inspectors, and insurance companies
- PHA delayed in payments for voucher holders
  - Accidental determination that whole property is down
- Not sure how a small company could survive the financial loss

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Lakecrest Townhomes:

Biggest Challenges:

Credit Delivery for a First Year Resyndication

- Should already have rehab PIS, won't be until the end of the year
- Now 25% occupied, will have to pay an adjuster –
  - Can we use the resident file that occupied the unit at the time of the disaster?
    - Yes if still in place and unit habitable, but questionable if vacant at the time of credit period start.
- Unit qualification approach – can't take disaster waiver residents
- Transfers could disqualify units because no 8609 yet
  - Asked permission for advance certification of 8609 election
- Working closely with investors, developers and property management

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Questions?

- **Jen Brewerton**
  Jen.Brewerton@dominiuminc.com
  (763) 354-5518

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