

PHI



ENIX

2024

**Multifamily
Preservation
Strategies**



PANELISTS

DISCUSSION LEADER

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SPEAKERS

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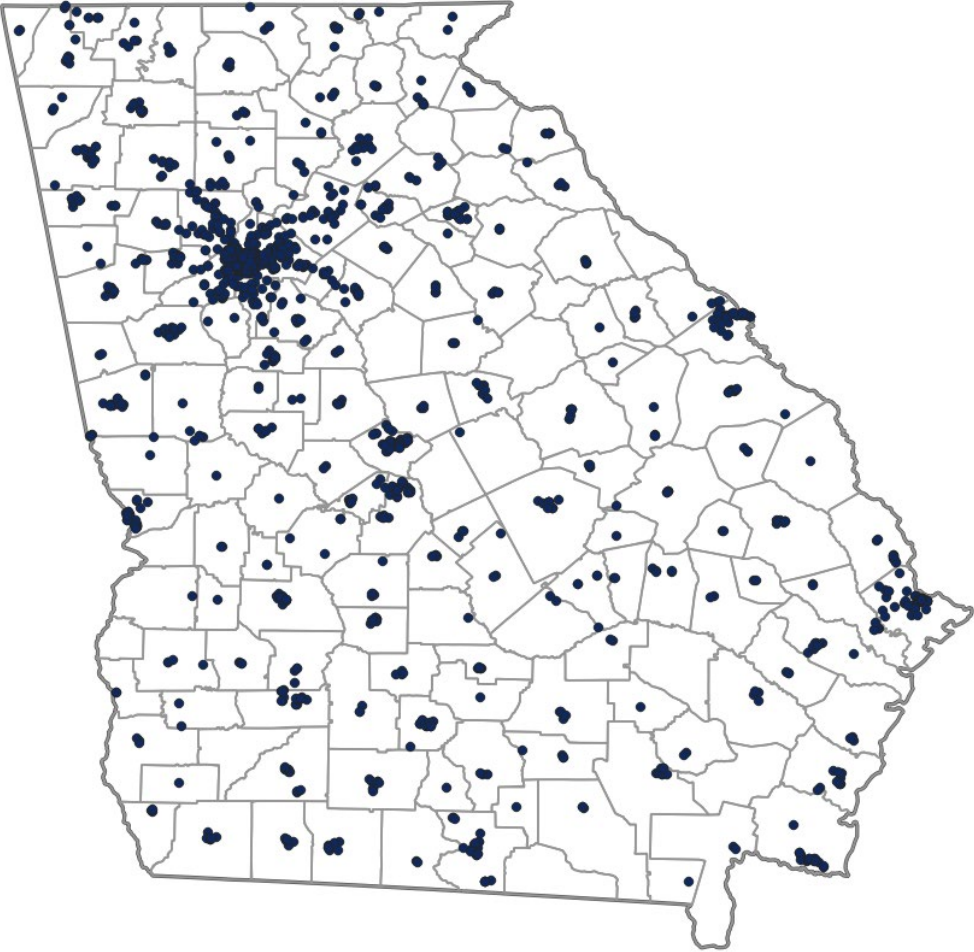
Defining Preservation

- Rehabilitation or redevelopment of existing subsidized/federally supported housing units
 - Preservation \neq Rehabilitation
 - Priorities:
 - USDA Rural Development Section 515
 - HUD Rental Assistance Demonstration
 - Housing Credit (*Re-syndication*)
 - HUD Rental Assistance

Resources for Preservation

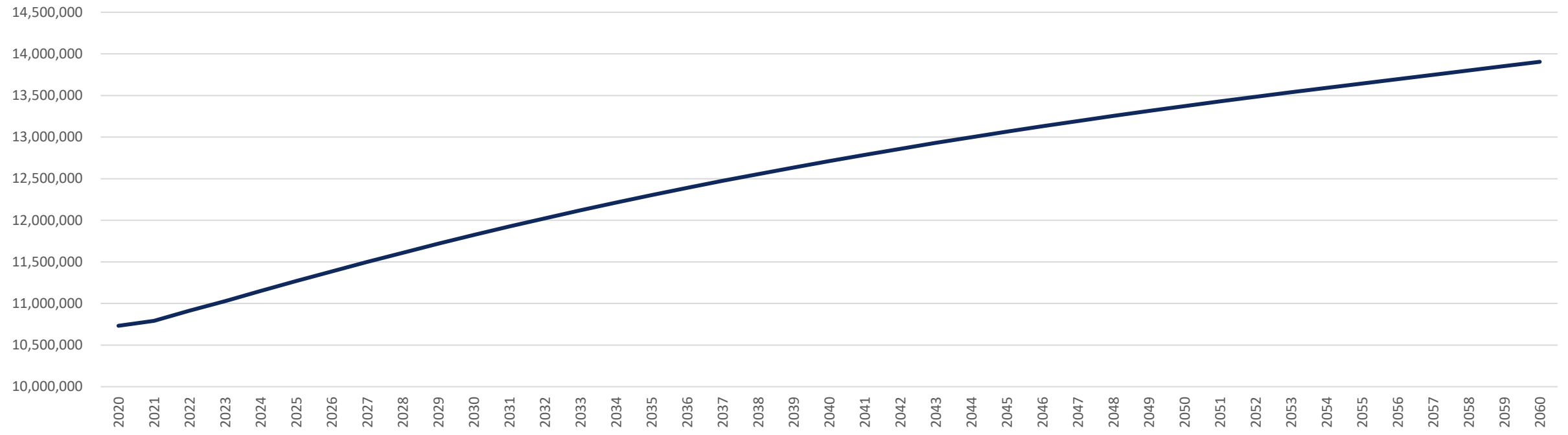
- 4% Housing Credits and PAB (\$306 MM in PAB)
 - 1:1 Ratio of Preservation to New Supply
- 9% Housing Credits (\$6.4 MM in Credit Allocation)
 - Set Asides for USDA, RAD, Housing Credit, and HUD Rental Assistance
- Multifamily Loans
 - Construction-permanent financing
 - *TBD - Health & Safety Interim Financing*

Housing Credit Portfolio



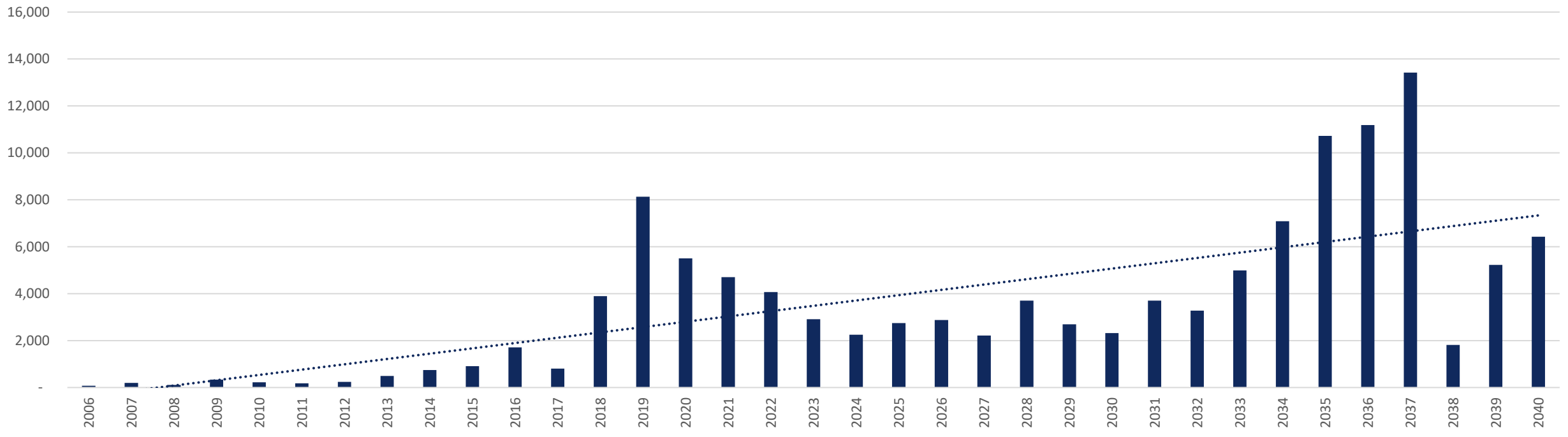
Exp. Population Growth

State of Georgia Population Projection



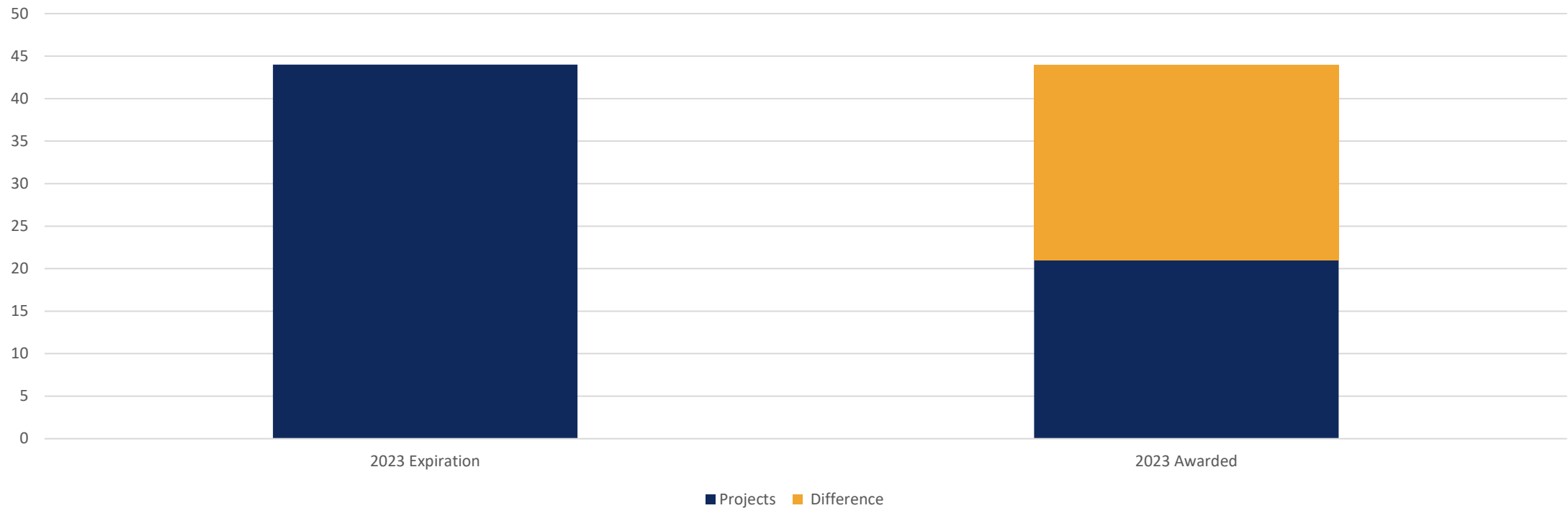
Expiring Housing Credit Properties

Total number of Low-Income Units expiring each year



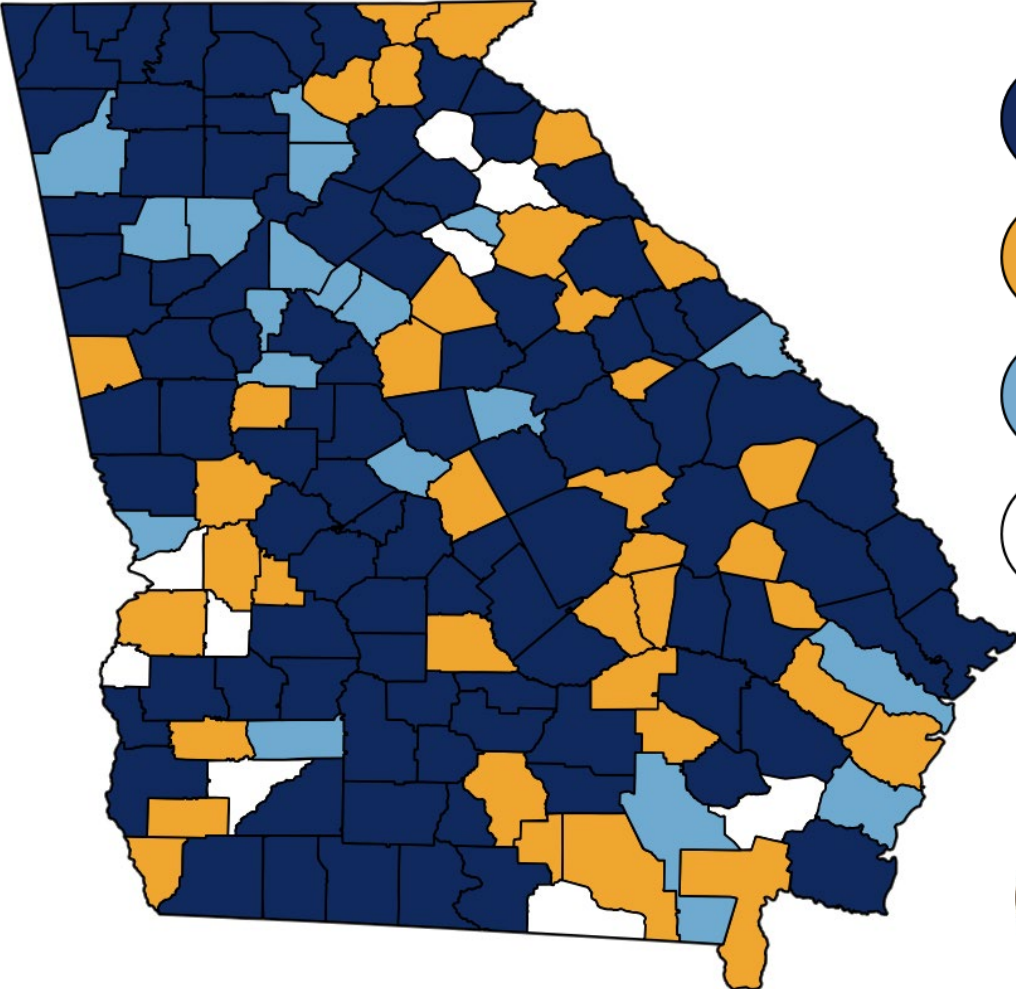
Housing Credit Preservation Gap

Projects reaching expiration vs. Preservation Awards in 2023



HUD & USDA Portfolio

- HUD
 - 901 Properties
- USDA
 - 407 Properties



- Both USDA and HUD properties
- USDA properties
- HUD properties
- Neither property

Policy Considerations

- Qualified Contracts
- Preserving USDA & HUD properties
- Preservation scoring & prioritization
 - Need, expiration date, occupancy
- Architectural, environmental, accessibility, and relocation concerns
- Prioritization of Preservation and New Supply
- Useful lives
- *NOAH?*
- Data-informed decisions

Transactional Considerations

- Rehabilitation costs
- LURA terminations
- Existing (deeper) affordability restrictions
- Seller notes
- Relocation
- Loan assumptions/re-subordination of soft debt
- GP transfers

Thank you!



Mitch Kelly, Georgia Department of Community Affairs

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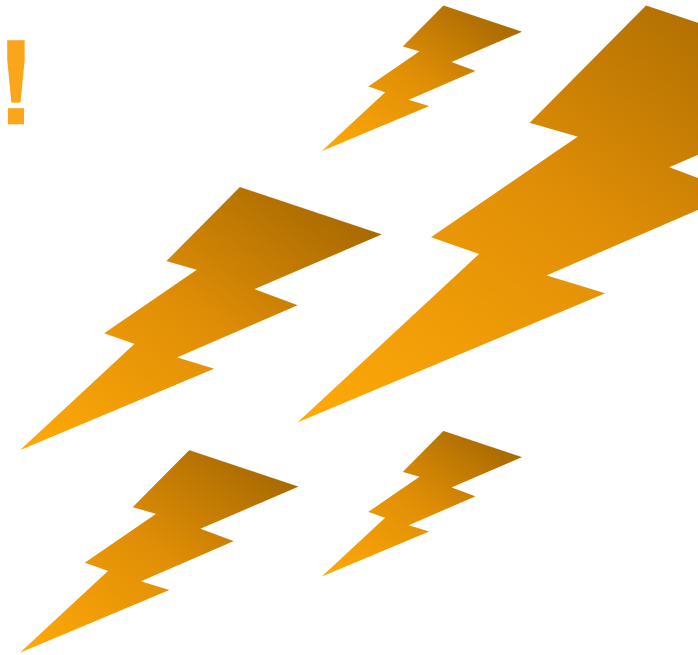
Preservation Lightning Round!

1. Adopt these QAP provisions:

- competitive set-aside
- subjective selection criteria
- logical developer fee calculation
- allow relocation costs in basis

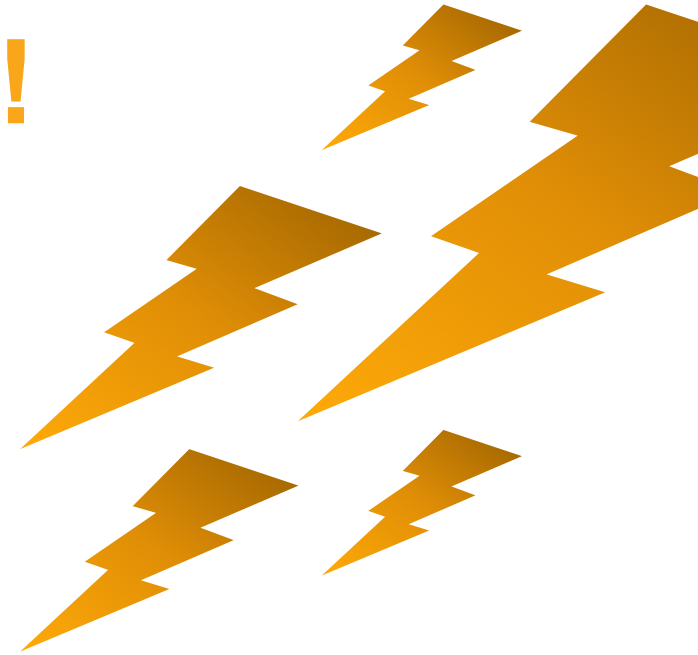
2. Offer rehabilitation-only loans for smaller deals

3. Agency decides 9% LIHTCs or bonds (not developers)



Preservation Lightning Round!

4. Conduct a portfolio analysis
5. Address the Year 30 problem
6. Be flexible with extended use agreements
7. Correctly handle qualified contract requests
8. Use PAB volume cap for rental before homeownership



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Multifamily Preservation
Strategies regarding
CNA's and Accessibility

Preservation of
your existing
portfolio

What are “must
do’s”

Capital Needs
Assessment
(CNA or PNA)

**I have found that the industry
does a lot of assuming when
they start to order a CNA from a
provider.**

**What should a complete CNA
include?**

A CNA looks at a property differently than your standard physical inspection:

The common physical inspection terms we know include these.

- 1. UPCS** **Uniform Physical Condition Standards Inspections**
- 2. HQS** **Housing Quality Standards Inspections**
- 3. REAC** **Real Estate Assessment Center Inspections**
- 4. NSPIRE** **National Standards for the Physical Inspection of Real Estate**

What do they all have in common?

All of them just look at the physical condition and mark it pass/fail. None of them provide information on the cost of repairs or upgrades to systems.

AND NONE of them adequately cover **Accessibility Compliance**

Most people use words interchangeably and start to assume things

Now let's discuss what it isn't

A question many people ask is how does something get out of compliance in the first place?

Its not like an Architect, Contractor or Job Superintendent or wakes up in the morning and decides to build something inaccessible on purpose.

It becomes out of compliance for several reasons and those inspections aren't designed to catch it.

The main reasons are:

1. All architectural schools (except one) teaches ADA and don't teach Section 504 (which covers all federally funded and assisted complexes) and Fair Housing Accessibility Compliance (built after March 13, 1991)
2. Contractors, job superintendent, sub-contractors are not trained on accessibility compliance. You might be thinking well why don't the sub-contractors just read the blueprints so they will build it right the first time.....(they order blueprints, but they don't read).
3. Maybe you were relying on the Building Inspector to catch these issues before they issued the Certificate of Occupancy (C/O). Building Inspectors are trained and focused on Building Codes, and we are talking about Accessibility Standards and Regulations, two entirely different things
4. On all existing complexes, ground shifts and moves, freezes and thaws which cause trip hazards
5. The majority of maintenance persons are not trained on Accessibility Compliance, so they go out to repair a work order, and they solve one issue and create one or more accessibility issues
6. During Covid the supply chain was crimped, so you most likely were not able to get that 504 compliant fridge, so your maintenance staff grabbed the first one they found and no one every went back and replaced it with the correct one.

A Capital Needs Assessment (CNA) provides a repair schedule for the property in its present condition, indicating repairs and replacements necessary for a property to function properly and efficiently over a span of 20 years.

So, whether you are:

- ❖ Refinancing
- ❖ Selling or transferring your property
- ❖ Restructuring your Reserve Account
- ❖ Rehabbing your property with new funds

- ❖ This is your time to put your property back into current market conditions and make sure it meets compliance.

We are discussing Preservation

Part of preservation is managing risk.

To mitigate that risk, you have got to build into the compliance process a responsible CNA that addresses all the capital needs of a property INCLUDING applicable accessibility regulations.

The CNA is your second bite at the apple so to speak



So, when you contract with an CNA Provider, you have got to make sure they understand ALL the potential accessibility regulations that apply to your property based on:

1. the date of occupancy
2. and the type of funding

Just imagine you order your CNA from a provider who really doesn't understand how all the accessibility regulations effect your property. You take the CNA, calculate your numbers and that is how you build your budget. Sounds pretty simple



- You wasted your chance to fix the problems
- You wasted your “second bite of the apple” so to speak and at the end you have spent all your funds and are still out of compliance.
- DOJ at that point is looking at everybody that was a part of the process: Owner, Architect, Contractor, sub-contractors, Housing Finance Agency they all have “skin in the game”

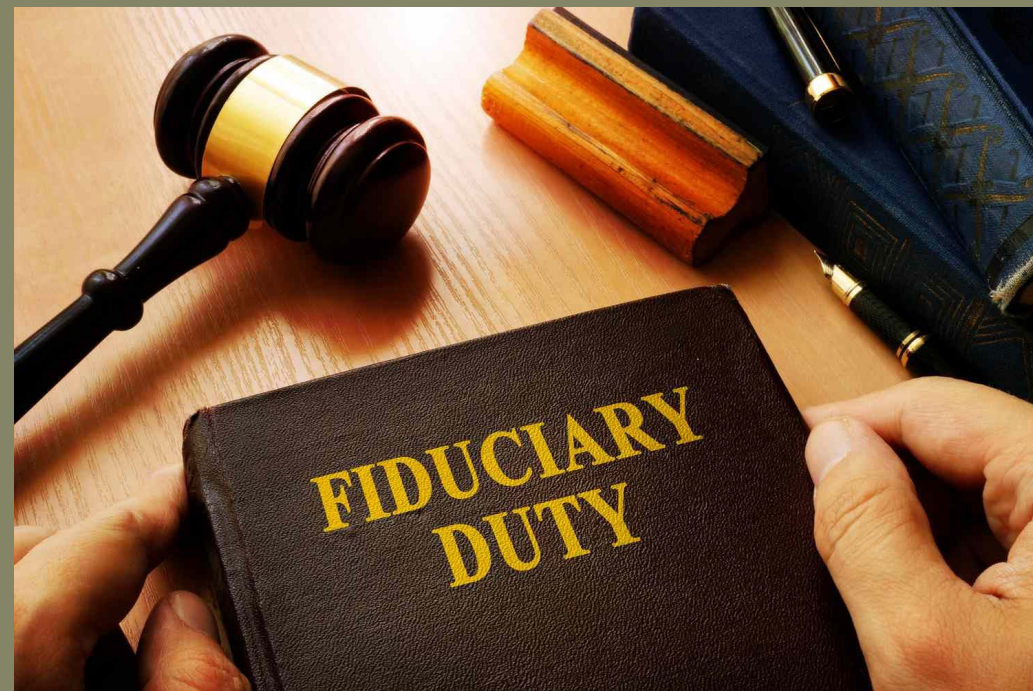


**Some people
create their
own storms,
then get upset
when it rains.**

DOJ refers to it as your fiduciary responsibility especially when federal funds are involved.

There is no passing the buck. Many HFA's think putting into its QAP a document that the owner is required to sign that it's entirely the owner's responsibility for accessibility compliance.

Recently the courts have thrown out that argument, stating that HFA's can not contract away their accessibility responsibility.



If Not... Then its

CNA's / PNA's

E&A has completed over thousand over the last 20 years:



- Make sure your CNA provider has a complete understanding of Accessibility Regs and Standards (ADA, Section 504 and Fair Housing)
- Make sure they ask the questions:
 - 1. What type of funding does this property have?
 - 2. What is the date of occupancy?
 - 3. When was the last time you had an accessibility and how complete was it?
- *If the cost of the Accessibility corrections is not at least 1/3 of the total number that is projected by the CNA, then most likely the CNA provider did not understand how to apply the correct accessibility Regulations and Standards that apply to your property*

Today's Takeaway
Every time you
Add
Modify
or
Replace
Anything,
make sure, you consider
Accessibility



Frank Lloyd Wright was considered “American architect”. He designed more than 1,000 structures over a creative period of 70 years once said:



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“Providing Solutions in Affordable Housing”

“You can use an eraser on the drafting table



or a sledgehammer on the construction site.”

