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# THE HFA INSTITUTE

## Preserving HOME Units

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National Council of  
State Housing Agencies



# Welcome & Introductions

- Sponsored by:
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  - NCSHA
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# HOME Portfolio: Expiring POAs

- Program is 25 years old
  - Many projects have reached end of period of affordability (POA) or soon will
  - Aging projects likely need rehab
  - Other project financing may be coming due
    - LIHTC investor exits
    - Mortgage financing reaching maturity, often with balloon payment due



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# Production v. Preservation

- PJs need to determine relative priority of
  - New production v. preservation of expiring units
- Preservation often attractive
  - Cost effective, extending affordability often requires less time, money, and effort
  - Existing projects may be better located
  - Avoids economic displacement of LI tenants from market conversion
- But... growing portfolio/declining resources increases pressure on resources



# Developing a Preservation Strategy

- How much to devote to preservation?
- What projects take priority?
  - CHDO/NP owned, special needs, located in gentrifying or “opportunity” areas, etc.
- How to select?
  - Open applications, identified through monitoring or other assessment, hybrid, other means?



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# Developing Strategy cont...

- What costs will you fund?
  - Acq, rehab, soft costs, dev. fees?
  - What other funds are available?
- How might underwriting guidelines differ?
  - Requirements use of existing balances/reserves
  - Owner expectations
    - POA extension, waive prepayment, etc.
  - Other funder expectations
    - Subordination, changes to unit mix, etc.



# Questions to Ponder

- Do you know your portfolio?
  - How many and which projects/units are expiring
- Do you understand their physical and financial condition and needs?
- Have you begun to recapitalize projects?
  - Lesson learned, resources used, etc.?
- Is preservation part of your strategy?

# Portfolio to Project



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# Review Legal Documents

- POA measured from IDIS completion
  - Many older projects were entered late
  - Confirm actual date
- Review original agreement, declaration, and financing docs...
  - Did they apply a longer affordability period?
  - Did they provide for local extended use period?
  - What are the financial terms? Repayable/forgivable?
  - How are reserves to be distributed/retained?



# Assess Project Needs

- What are the capital needs?
- Is non-HOME debt maturing?
  - Does it balloon?
  - Are its existing terms sustainable/attractive?
- What is the financial condition?
  - Are accounts current, reserves funded or depleted?
- Is the project still competitive in the market?
- Is the owner capable/interested in continued ownership?



# Develop Preservation Plan

- What should the project look like moving forward?
  - Have needs/priorities changes re: income targeting, special needs, etc.?
- How has the project performed financially, physically, within the community?
  - Are changes beyond rehab/refinancing needed?
  - Is new ownership or management needed?
- Can preservation be accomplished with HOME restructuring (e.g. defer or extend payment) w/out new investment?

# Define and Underwrite New Project

- Rehab only, rehab/refi, acq/rehab
  - Sale may be to “new” related entity
- What new funding is needed?
  - Esp. given current underwriting guidelines
- Treatment of prior HOME
  - Likely repay, receipt PI, fund new project
  - Sometimes structured forgiveness
- Identify and manage compliance issues
  - Env. Review, Relocation, LPB, DBRA, etc.

# Negotiate Restructuring

- All parties must participate
  - May need to provide flexibility or
  - Waive/forego anticipated returns/fees/etc.
- Project must be viable for new POA



# Next Steps

Assess &  
Adjust

Develop  
Portfolio  
Approach

Do Some  
Deals



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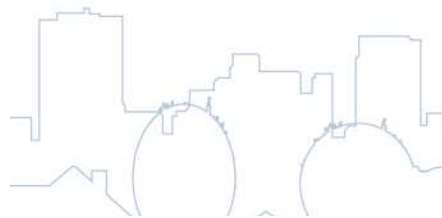


**QUESTIONS ANY TIME**



**THE MOST INTERESTING ANSWERS  
IN THE WORLD ARE AT HAPPY HOUR**

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