

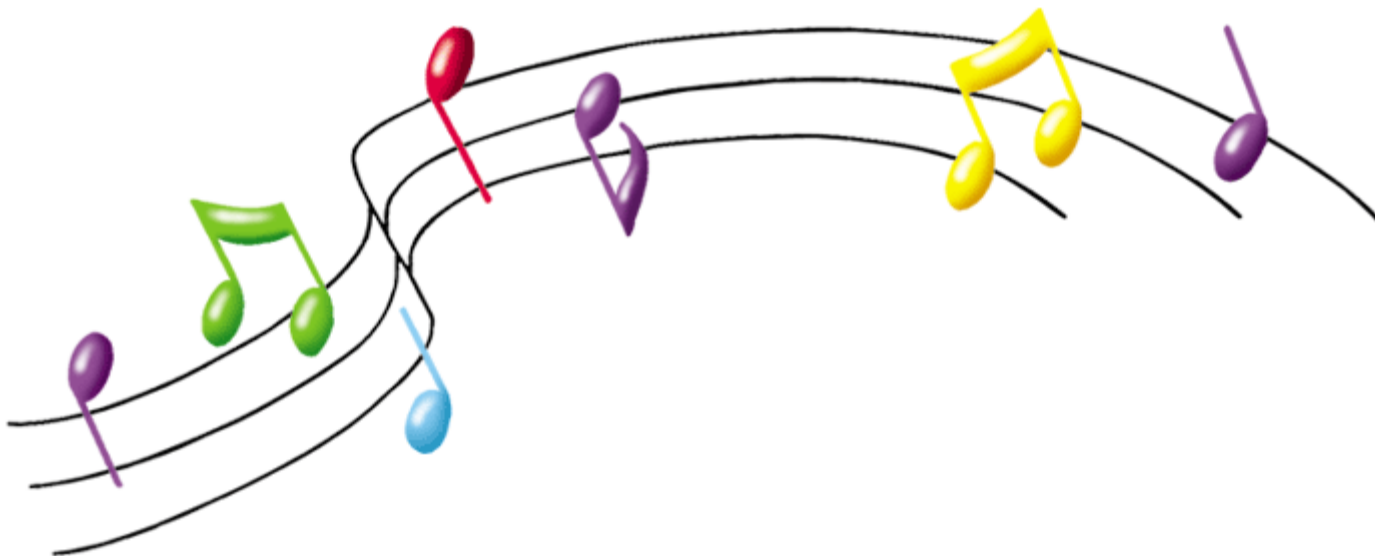


# **Multifamily West Industry Update**

## **San Francisco, California**

September 9, 2019

**Angela Corcoran, Acting Regional Director**



# Leadership Updates

- **Shannon Bergman** will be the Acting Production Division Director for September and October
- **Janea Jackson** is the Asset Management Division Director in San Francisco
- **New Regional Director Update**
- **Toby Halliday**, Multifamily Director of OAMPO(Asset Management)

# Multifamily West Region Management

08/13/2019

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08/13/2019

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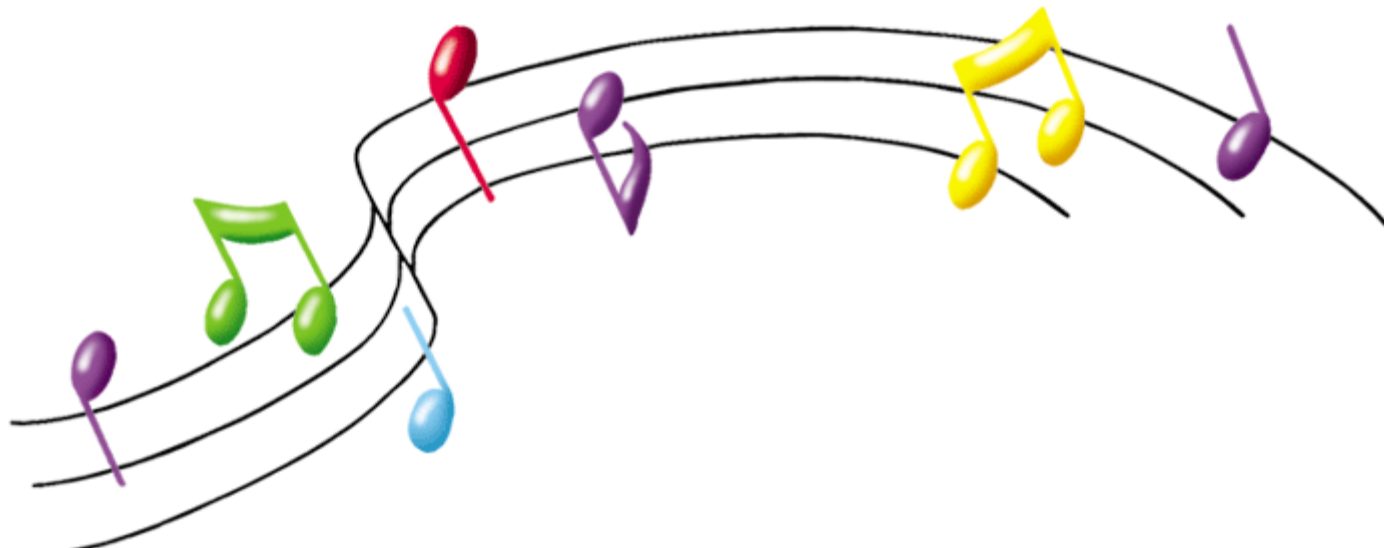
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# Multifamily West Region Asset Management Division (San Francisco)



08/13/2019

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# Multifamily West Region Asset Management Division (San Francisco)



08/13/2019

Regional Center

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# Multifamily West Region Asset Management Division (Denver)



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08/13/2019

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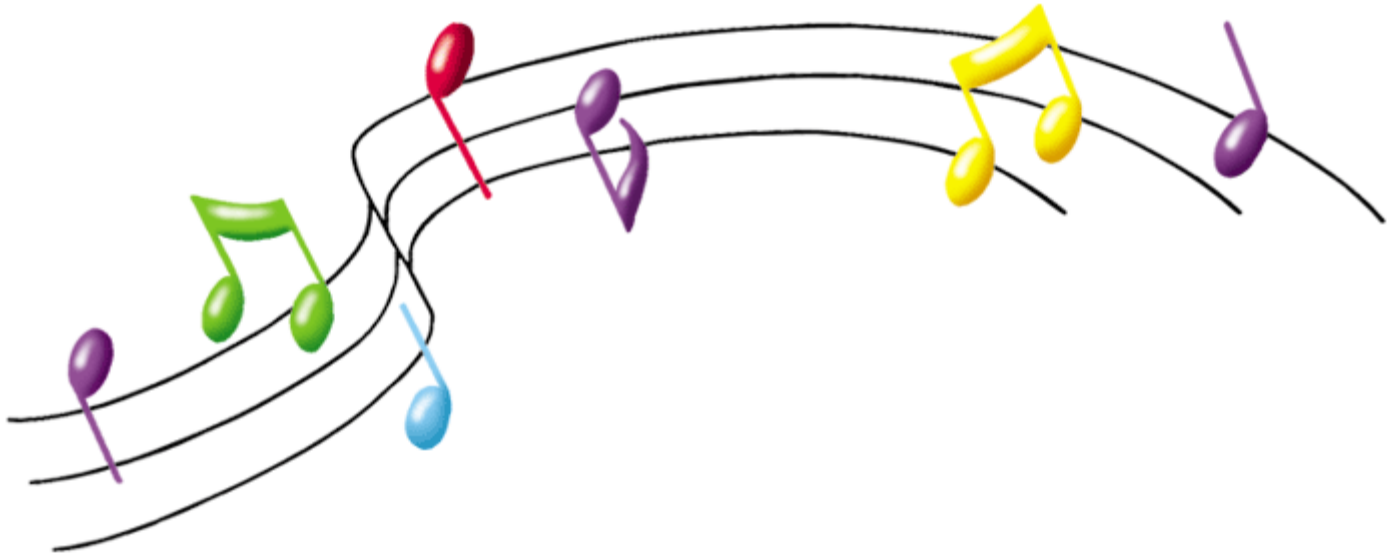
# West Region Vacancies

<u>PRODUCTION:</u>	<u>ASSET MANAGEMENT:</u>	<u>OPERATIONS:</u>	<u>Regional Office:</u>
3 Underwriters 1 Appraiser	3 Branch Chiefs 20 Account Executives	3 Program Analysts	Regional Director

**Vacant Positions = 38**

Total FTE = 165 (*Original FTE for Transformation = 180*)

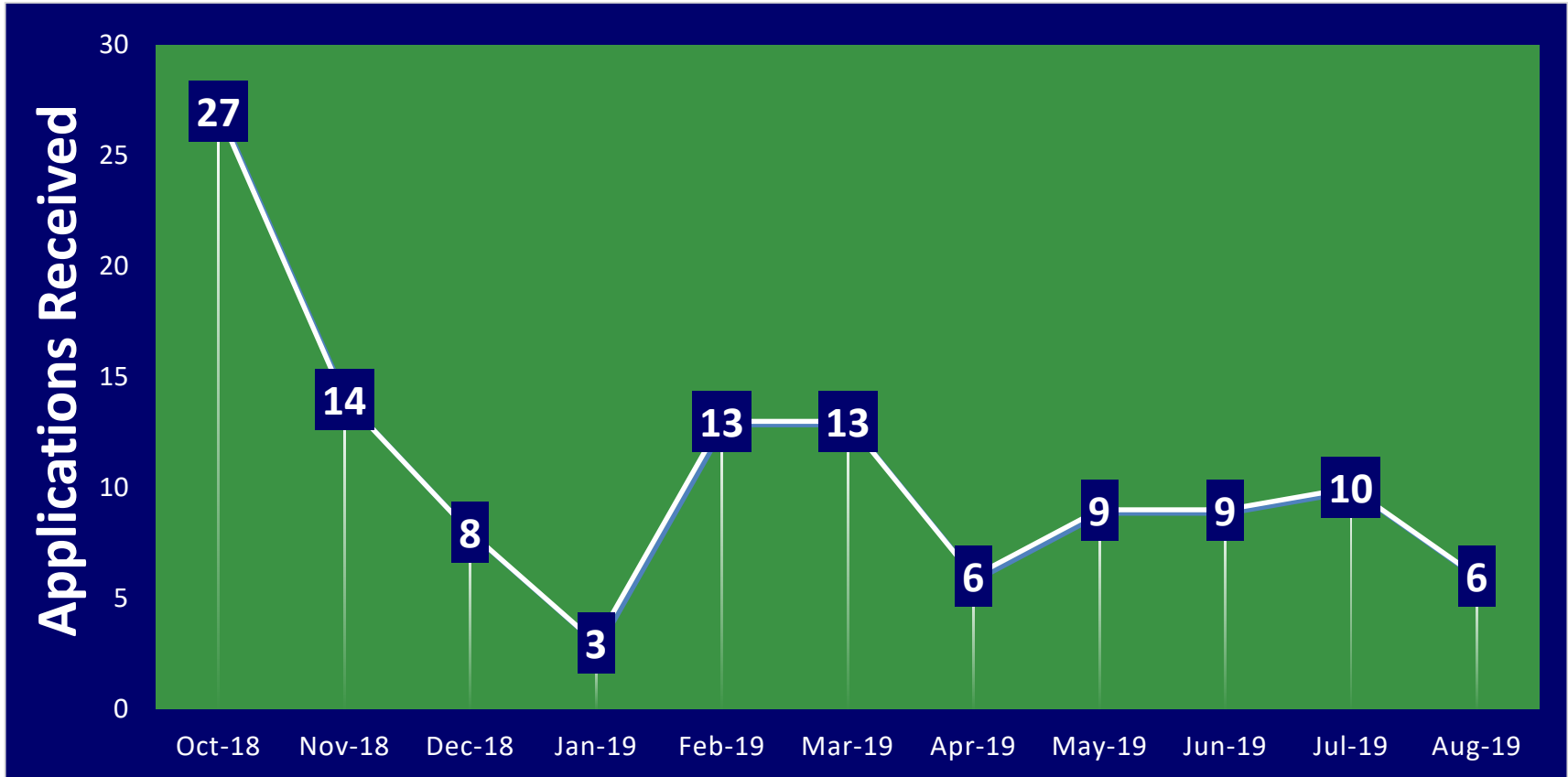
Recent hires to be onboarded = 7





# West Regional Updates

# FY19 Application Submissions



**118 Total Applications Submitted FY 19 YTD**

**180 Total Applications Submitted FY 18**

**204 Total Applications Submitted FY 17**

**171 Total Applications Submitted FY 16**

# Current Portfolio In Processing

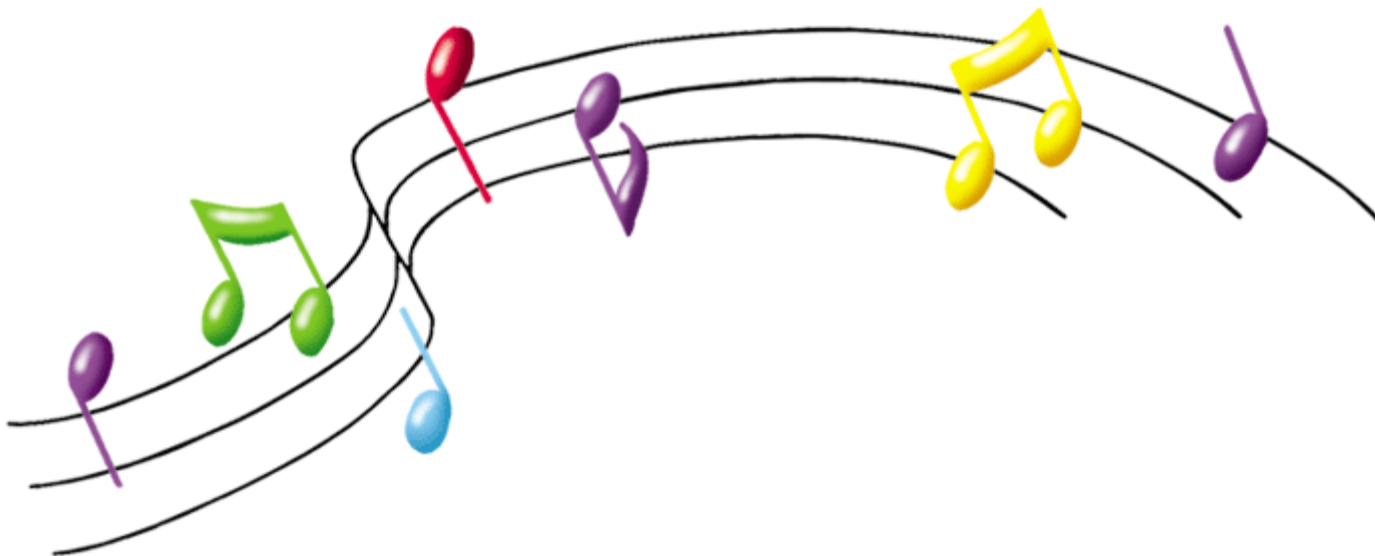
	220 NC/SR in Urban Renewal Area	221(d)(4) NC/SR	223(f)	223(a)(7)	Risk Share - Existing	Risk Share - FFB NC/SR	Risk Share - NC/SR	Total
<b>Applications in Processing</b>	<b>1</b>	<b>22</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>36</b>
<b>Applications with Firms but No Endorsement</b>	<b>1</b>	<b>9</b>	<b>19</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>38</b>

# Closings to Date FY19

	Number of Closings	Mortgage Amount
<b>New Construction/ Sub Rehab</b>	25	\$625,958,700
<b>223(f)</b>	59	\$1,032,902,500
<b>223(a)(7)</b>	0	0
<b>Totals</b>	<b>84 Closings</b>	<b>\$1.6 Billion</b>

## *Compared to...*

<b>FY 2018</b>	<b>129 Closings</b>	<b>\$2.2 Billion</b>
<b>FY 2017</b>	<b>146 Closings</b>	<b>\$2.4 Billion</b>
<b>FY 2016</b>	<b>102 Closings</b>	<b>\$1.3 Billion</b>

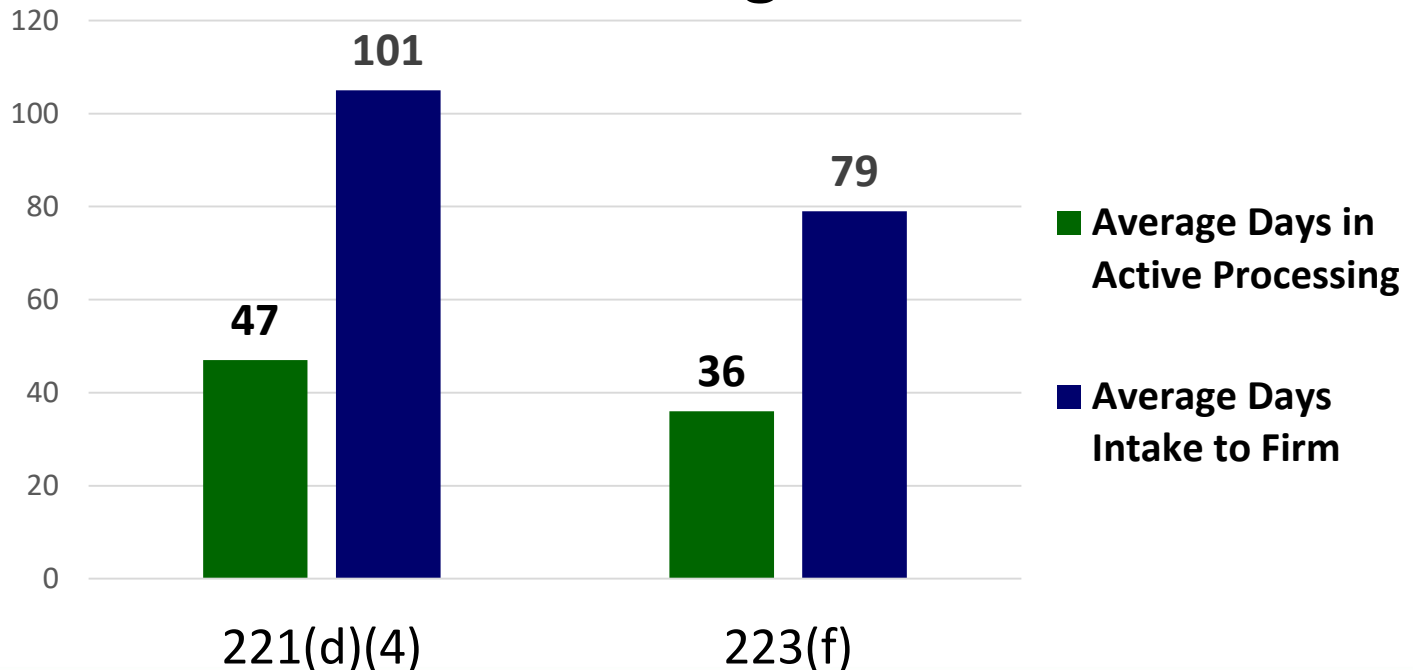




# 110 Firms Issued in FY19

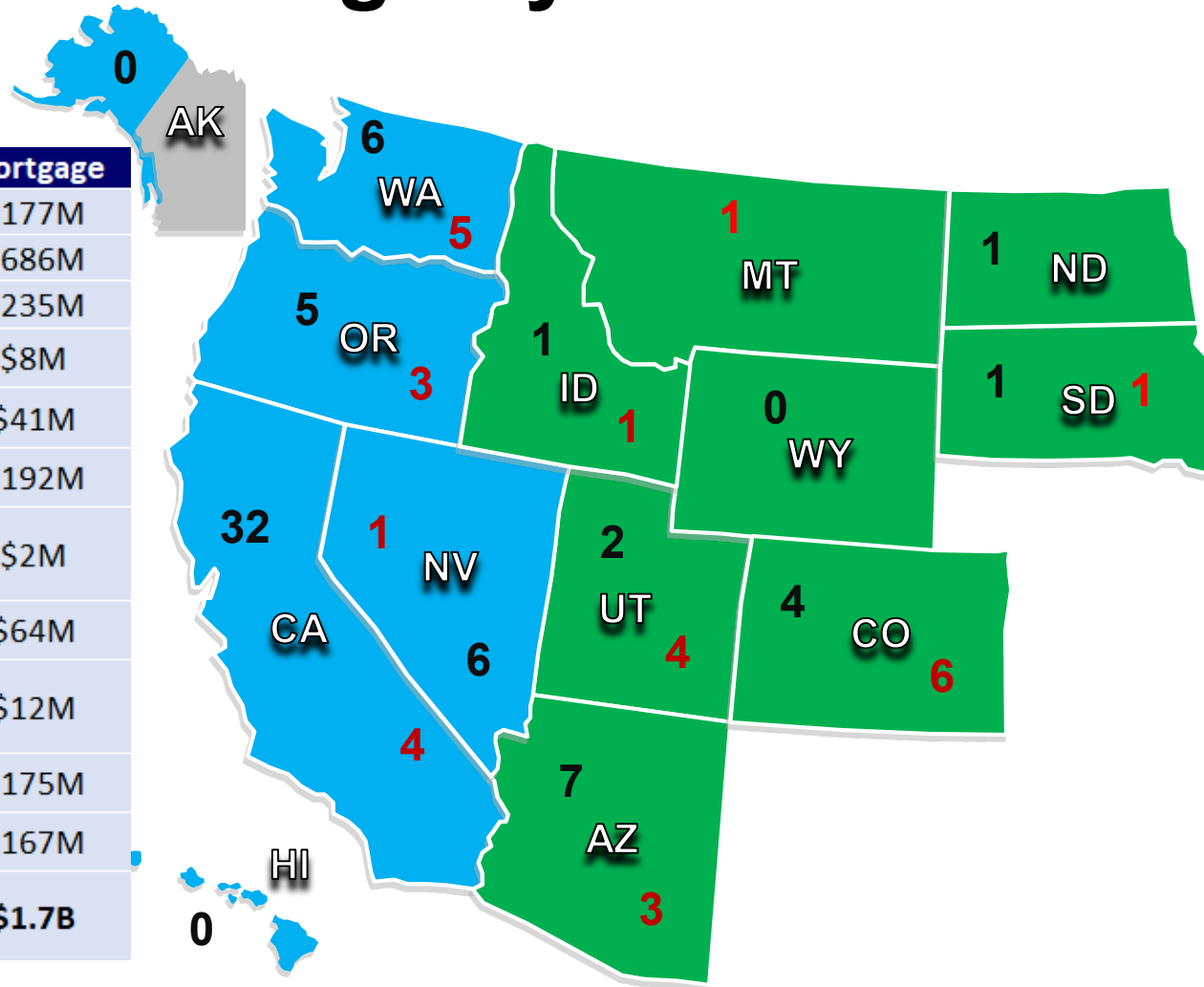
	221(d)(4)	223(f)	542(c) Risk Sharing	213 NC/SR Management COOP	220 NC/SR in Urban Renewal Area
<b>Number of Firms</b>	29	67	12	1	1
<b>Rejected Applications</b>	3	3	-	-	1

## Processing Times



# FY19 Closings by State

State	Closings	Units	Mortgage
Arizona	10	1771	\$177M
California	36	4735	\$686M
Colorado	10	1549	\$235M
Idaho	2	126	\$8M
Montana	1	216	\$41M
Nevada	7	1427	\$192M
North Dakota	1	46	\$2M
Oregon	8	829	\$64M
South Dakota	2	111	\$12M
Utah	6	1197	\$175M
Washington	11	1404	\$167M
<b>TOTALS</b>	<b>94</b> projects	<b>13,411</b> units	<b>\$1.7B</b>



New Construction/ Sub Rehab Deals Shown in Red (29)

Totals in Black Include New Construction (65)

# 57 Projects Under Construction

**221d4 New Construction / Sub Rehab**

50 Properties  
8,432 Units  
\$1.3B

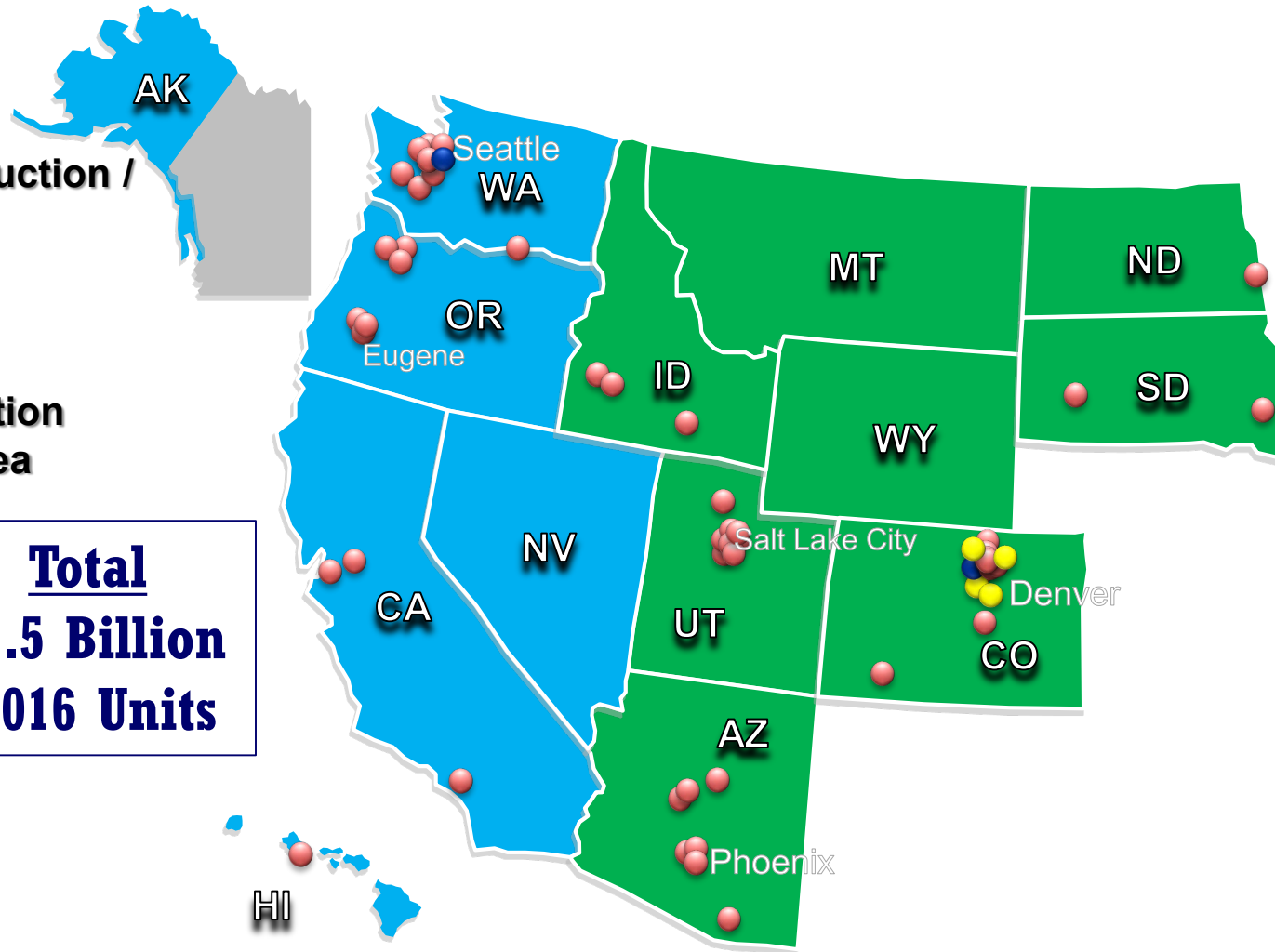
**220 New Construction Urban Renewal Area**

2 Properties  
293 Units  
\$70M

**213 Coop**

5 Properties  
291 Units  
\$65M

**Total**  
**\$1.5 Billion**  
**9,016 Units**



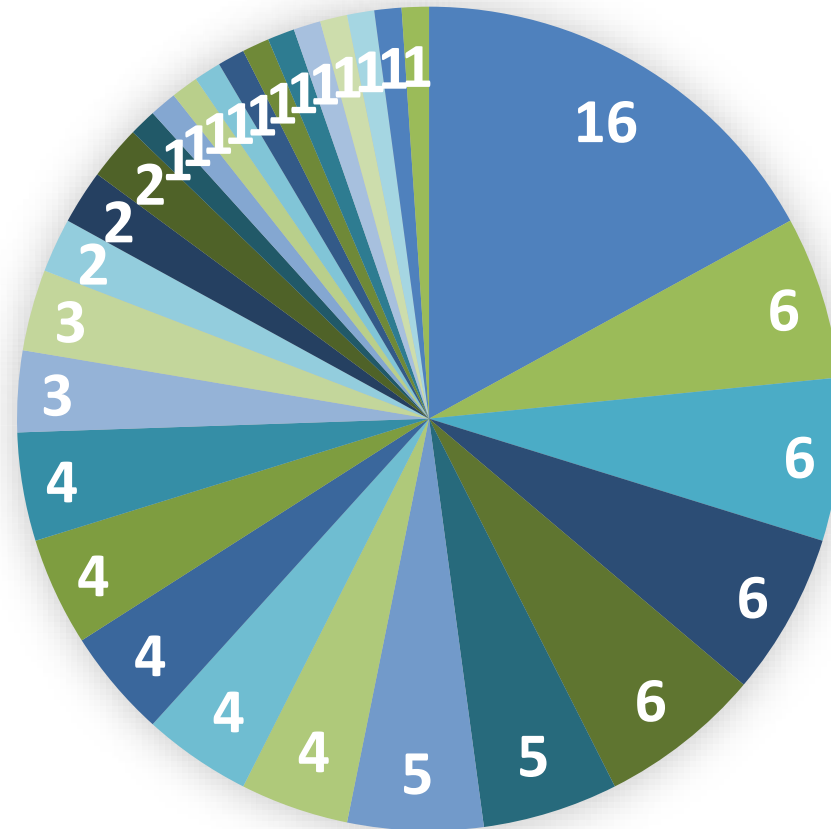
# LIHTC's FYTD 2019 Closings

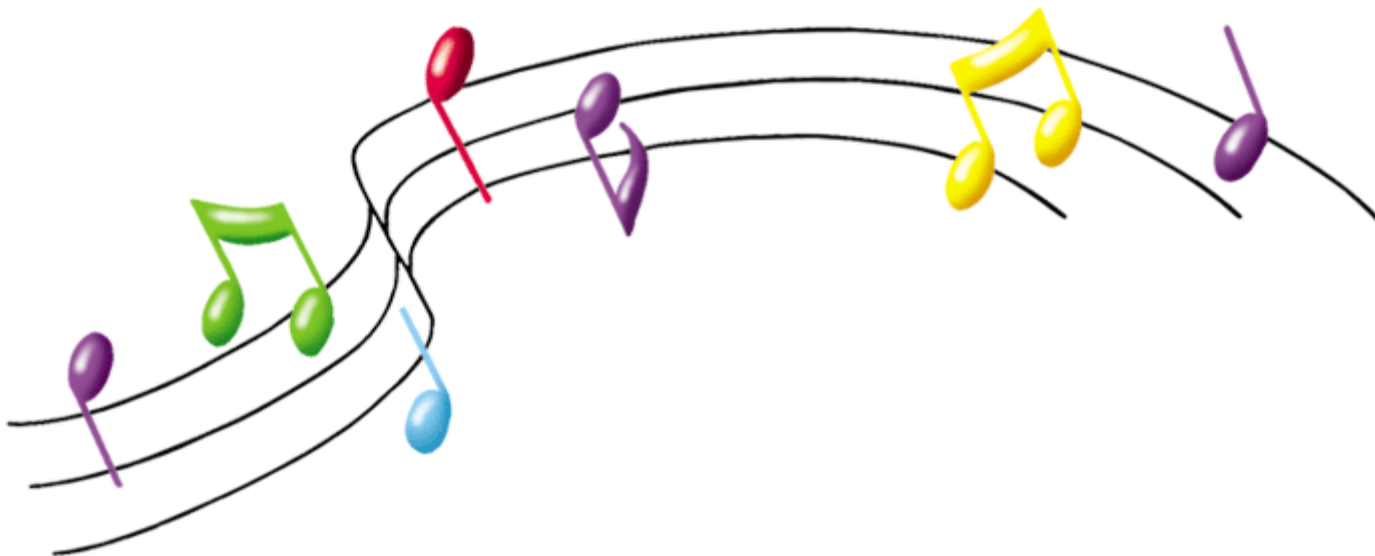
LIHTC Closings			
State	Closings	Units	Mortgage Amount
Arizona	1	196.00	\$15,326,400.00
California	23	3,057.00	\$378,040,400.00
Colorado	4	613.00	\$96,037,500.00
Idaho	1	72.00	\$3,184,500.00
North Dakota	1	46.00	\$2,000,000.00
Oregon	3	452.00	\$35,864,900.00
Utah	2	324.00	\$26,669,000.00
Washington	3	621.00	\$41,500,000.00
<b>Totals</b>	<b>38 projects</b>	<b>5,381 units</b>	<b>\$598,622,700</b>

# FY19 Closings by Lender

94 Closings from 29 Lenders

- 1 Lender had 16 Closings
- 4 Lenders had 6 Closings each
- 2 Lenders had 5 Closings each
- 5 Lenders had 4 Closings each
- 2 Lenders had 3 Closings each
- 3 Lenders had 2 Closings each
- 12 Lenders had 1 Closings each





# Production Updates

- West Region has now implemented the Lender Matrix
- Lenders now have access to HEROS
  - Lenders will now be able to view and assign HEROS reports. Lenders or 3<sup>rd</sup> Parties can submit to HUD.
  - “HEROS Guidance MF FHA Partners” on Housing’s Environmental Website
  - We will be completing the Environmental Review at PreApp.

# Underwriting Issues that Delay Processing or Result in Rejection



## Incomplete 3<sup>rd</sup> Party Reports

- Intrusive Testing and/or WDO Report as a repair item
- Missing or Visual Intrusive Testing reports
- Overlooking obvious repairs/calling out repairs but not in scope
- Value not supported, Inappropriate Comps and Cap Rates
- Forecasted vs. Actual Rents on 223f's
- Occupancy Issues to be resolved (by magic) by New Owner and/or Management

## Undisclosed/Unaddressed Environmental Issues

- Floodways, Floodplains, Superfund Site, Toxic Waste, Plumes, Monitoring Wells, Wetlands, Land Fill, etc.

## Developer's Like-Kind Experience for 221d4's with Mortgages \$25,000,000+

- Lenders must demonstrate that borrowers have substantial prior experience developing, constructing and owning multifamily projects that are similar in size and scope to what is proposed. (Cause for several rejects.)



# Noise Guidance

HUD Production now has more latitude dealing with Projects under 200 units with noise calculations between 65 DNL and 75 DNL.

Above 75 DNL, there are three choices:

- Application is rejected;
- Borrower and Lender has an Environmental Impact Statement completed (takes over a year); or
- Lender can request a waiver of the EIS requirement if noise is the only environmental issue at the site and there are no unmitigated (65DNL) outdoor uses.
  - ✓ Complete HEROS review with the REO
  - ✓ Submit Final Site plan with detailed noise exposure and attenuation plan
  - ✓ HUD Production office must approve and recommend approval of waiver

# Endangered Species and the Northwest

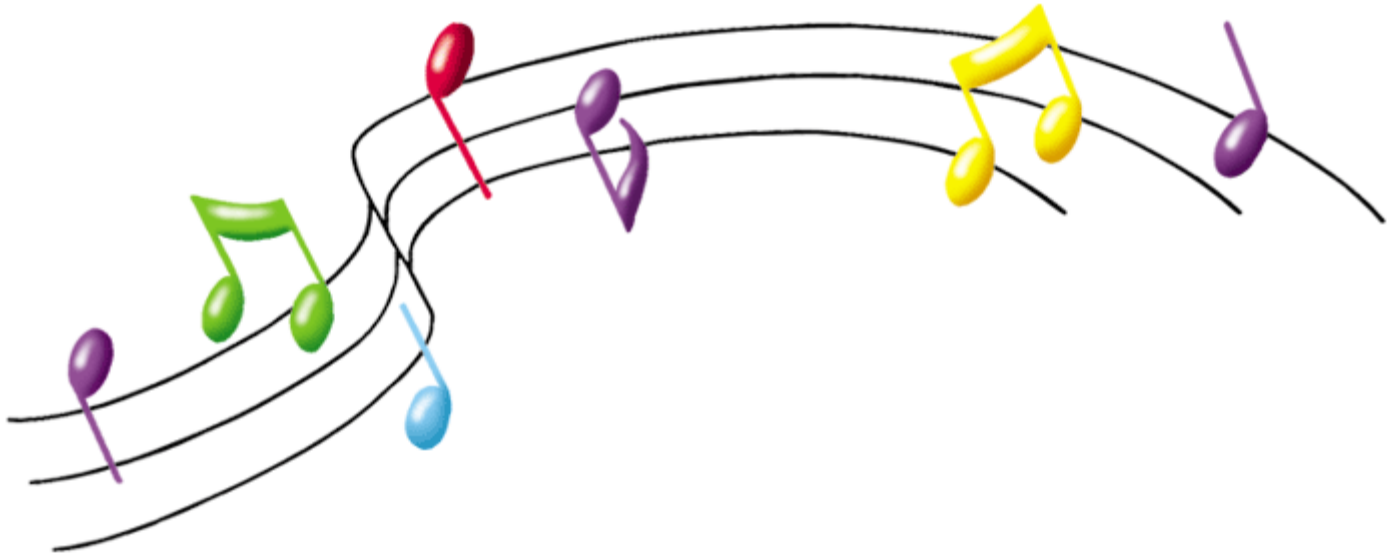
- **Endangered Species Act (ESA)** Consultation provisions are designed to ensure that Federal Agency actions do not jeopardize an endangered species or adversely modify a critical habitat. It's HUD's responsibility to make the determination and conduct all consultations.
- **Fish and Wildlife Service (FWS)** is responsible for land dwelling and freshwater species.
- **National Oceanic and Atmospheric Administration (NOAA)** is the parent agency over the **National Marine Fisheries Services (NMFS)** which is responsible for marine species and fish such as salmon that live in both freshwater and saltwater.

# Endangered Species

**Water Runoff:** Any water leaving the project site will require a biological assessment. Consultants mistakenly believe that if the project is not doing work in or right next to a body of water that they don't have to consult with NMFS. In the Pacific Northwest, stormwater run off is the determining factor for consultation with NMFS.

**Biological Assessments** are prepared for construction activities and one is required if listed species or critical habitat may be present in the action area.

**HUD Region X Environmental Website** This website has every resource you will need to determine which endangered species and waterways may be near your site. There is a "No Effects" checklist that takes you through step by step to determine if the project will affect any endangered species or their habitats.



# Opportunity Zones

- Opportunity Zones are low-income, economically disadvantaged areas designated by governors. There are more than 8,700 census tracts located in States, DC and possessions. The list is available from the IRS, organized by state.
- Investors who invest in an Opportunity Zone/Qualified Opportunity Fund (QOF) receive tax relief on their capital gains.
- HUD Program Areas and Other Agencies are joining together to support this initiative.

# Incentives for Applications in OZ

## Quicker Processing by Designated HUD Underwriters.

Julie Carter, San Francisco    Laura Stutzman, Denver

(Closed 1 deal with QOFs, and several located in OZs)

## Reduced FHA Mortgage Insurance Application Fee:

**Broadly Affordable** - \$1.00/thousand of requested mortgage amount.

**Market Rate or Affordable** - \$2.00/thousand of requested mortgage amount.

## No Underwriting Changes Yet

Projects in Opportunity Zones qualify as urban renewal for Section 220.

HUD is asking Industry to comment and suggest new ideas for incentives.

MBA would like underwriting parameters similar to 221(d)(4) Pilot.

# Multifamily West Region Asset Management

## Assisted and Uninsured Properties

Properties	Units	Annual Assistance
3, 360	164,778	\$1,650,296,976

## Unassisted and Insured Properties

Properties	Units	Unpaid Balance
983	137,810	\$11,705,530,619.04

## Assisted and Insured Properties

Properties	Units	Annual Assistance	Unpaid Balance
602	52,572	\$511,837,044	\$3,150,457,277.96

## Total Properties

5,052

## Total Units

381,520

# Production Asset Management Coordination

## **Management and Owner 2530's/APPS are now processed by Production.**

- All 2530's will now be processed by the Underwriter rather than Asset Management.
- Production will help coordinate with Asset Management to resolve Flags
- Asset Management has committed to a 10-day response/resolution of 2530 Flags on Insured Deals
- FHA applications for projects not currently in HUD's portfolio, will be assigned to one of 4 Senior Account Executives for review.

## **Timely Mark up to Market Rent (MU2M) Increase and Contract Renewals**

- The Owner should submit their Rent Increase and Section 8 Contract Renewal requests to the PBCA. Along with this request, the owner must submit their Rent Comp Study (RCS).
- At the same time, the owner should send the Account Executive in Asset Management a package that contains a narrative explaining the transaction, stating that renewal documents have been sent to PBCA. Explain what is being requested, e.g. HAP Assignment, Amendments to Use Agreements, Consent to Assignment of the HAP as Security., etc.
- It's important for the Lender to repeat this in the underwriting narrative. Just add a Section that says Asset Management and describe as much as you know about what requests have been submitted so far to AM, who in Asset Management have you been working with, and what's been accomplished so far?



# Rent Comp Studies (RCS)

- **Mark up to Market Rent increases**
  - When does HUD have to contract for a third-party RCS? When the Owners RCS has rents that are above 140% of the Census Bureaus published Median Rent by Zip Code, the PBCA will ask HUD to order a 3<sup>rd</sup> Party RCS. If the Owner's RCS is under 140%, the PBCA/HUD will renew the contract using the owner's RCS rent levels.
  - If HUD is processing or will soon process an FHA application, the Owner/Lender may request to use the FHA Appraisal instead of HUD contracting for a 3<sup>rd</sup> Party RCS.
  - It's okay for to send in the appraisal before you have submitted your FHA application, but when you send it, send it to Asset Management. Clearly state that you are asking for a waiver of the HUD 3<sup>rd</sup> party RCS.
  - If the Owner's RCS is less than HUD's 3<sup>rd</sup> Party RCS or the FHA Appraisal, the rents will be set at 105% of HUD's RCS/FHA Appraisal. If owner's RCS is less, AM will use the owner's rents to set the rents.

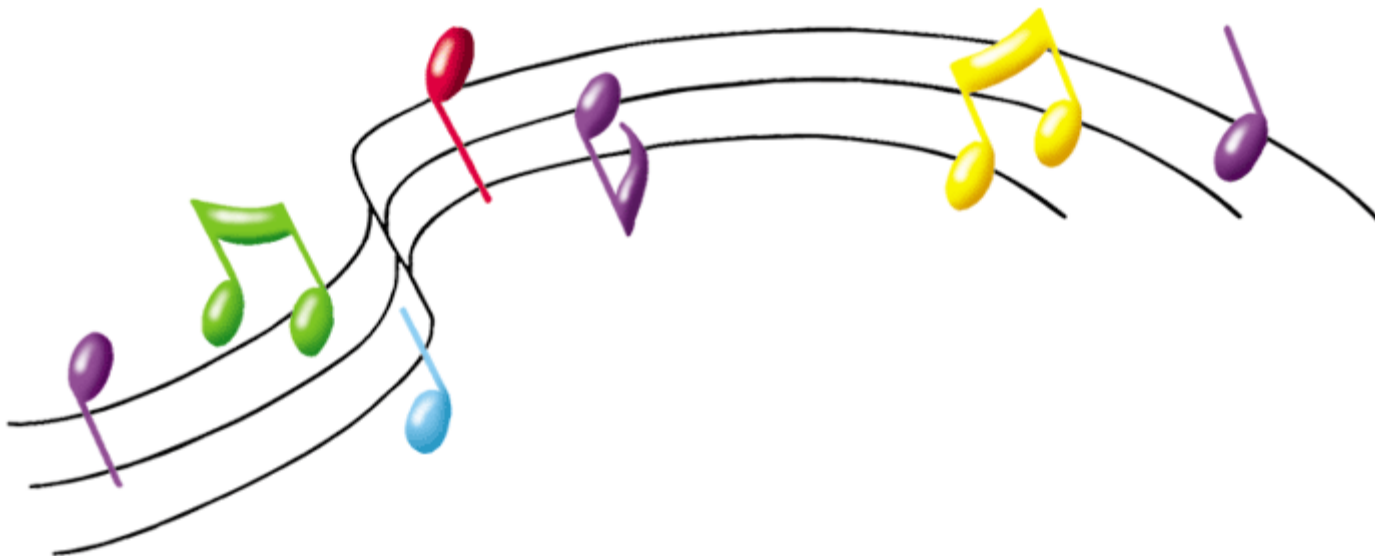
# RAD for PRAC Notice Issued!

Housing Notice H 2019-09 was published on 9/5/19. This Notice expands the benefits of a RAD conversion to properties assisted through Supportive Housing for the Elderly, Section 202 PRAC program.

The RAD for PRAC option allows the 202 properties to convert their rental subsidy to long term Section 8 assistance and access public and private debt and equity in order to make capital repairs.

Training will be webcast on September 26<sup>th</sup>, at 2pm EST. You can check for more information and register at the RAD website.

[www.radresource.net](http://www.radresource.net)



# Connect with the West

## [West-MFConceptMeetings@hud.gov](mailto:West-MFConceptMeetings@hud.gov)

- Concept Meeting requests and packages

## [West-MFEarlyFHANumbers@hud.gov](mailto:West-MFEarlyFHANumbers@hud.gov)

- Requests for FHA numbers

## [West-MFApplicationIntake@hud.gov](mailto:West-MFApplicationIntake@hud.gov)

- Notification of application submittal, status request for unassigned projects

## [West-223fescrowreleases@hud.gov](mailto:West-223fescrowreleases@hud.gov)

- Non-Critical Repair Escrow Releases

## [West-constructionprocessing@hud.gov](mailto:West-constructionprocessing@hud.gov)

- Change Orders, Draw Requests, PTO, etc.

## [SF.Incoming@hud.gov](mailto:SF.Incoming@hud.gov)

- All Asset Management requests (i.e. Reserve for Replacement, Annual Financial Statements, tenant requests, etc.) for properties in **Alaska, California, Hawaii, Idaho, Nevada, and Oregon**

## [Den.Incoming@hud.gov](mailto:Den.Incoming@hud.gov)

- All Asset Management requests for properties in **Arizona, Colorado, Montana, North Dakota, South Dakota, Utah, Washington, or Wyoming**



# Questions or Comments?