



# The **Preservation** Compact

A Rental Housing Strategy for Cook County

## Preservation Resources Workshop

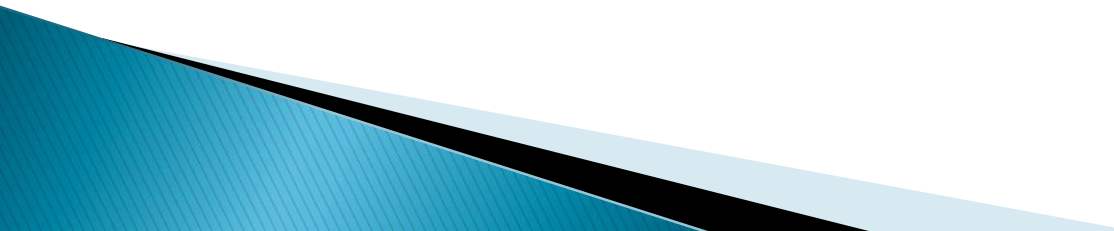
November 18, 2014

# HUD Multifamily Preservation Resources

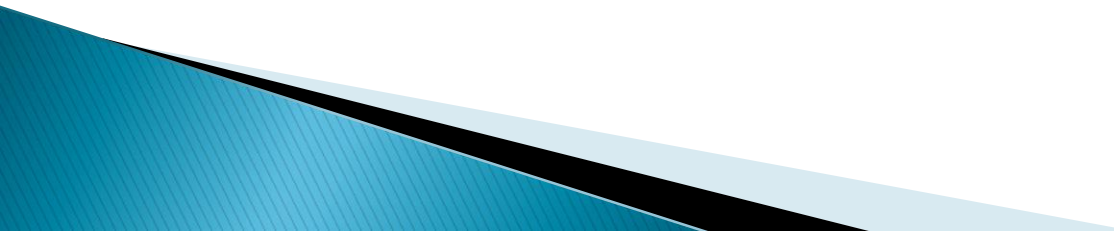
December 5, 2014



# HAP Renewal Options

- ▶ For-profit owners: Mark up to Market
  - ▶ Non-profit owners: Budget-based increase
  - ▶ Above market: OAHP Restructuring
  - ▶ Planning rehab: Chapter 15
- 

# Mark up to Market

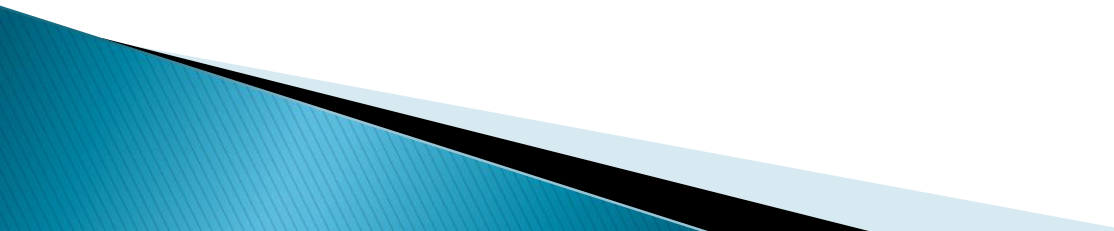
- ▶ Eligible projects:
    - For-profit or limited distribution owner
    - Below market rents
    - Comparables  $> 100\%$  of FMR OR
    - Discretionary Eligibility
  - ▶ Lower of owner-provided RCS or 105% of HUD-commissioned RCS
  - ▶ Watch out for Section 8 updates
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# Mark up to Budget

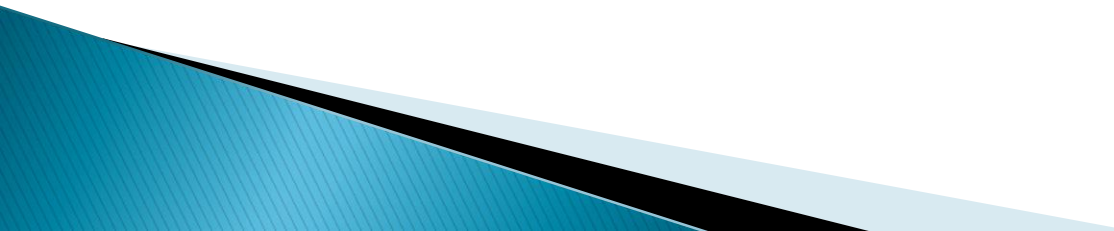
- ▶ Eligible projects
  - Rents below market OR willing to reduce rents
- ▶ Rents set to budget-based or OCAF-adjusted levels
  - Capped by OCAF-adjusted RCS



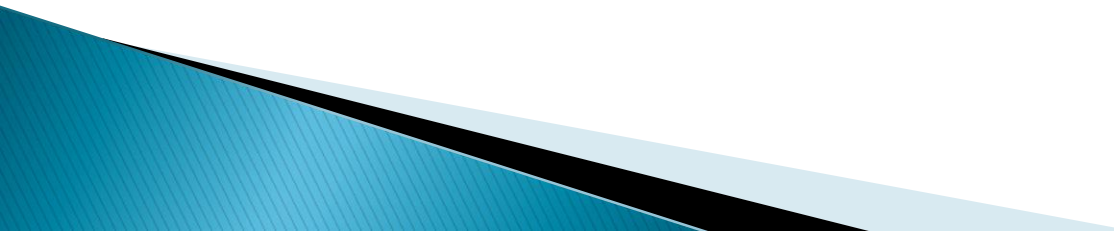
# OAHF Restructuring

- ▶ For projects with FHA insurance and above-market contract rents
  - ▶ Rents are reduced to market levels
  - ▶ FHA mortgage is bifurcated to an amount that can be supported by lower rents
  - ▶ Remainder becomes subordinate debt held by HUD
- 

# Chapter 15

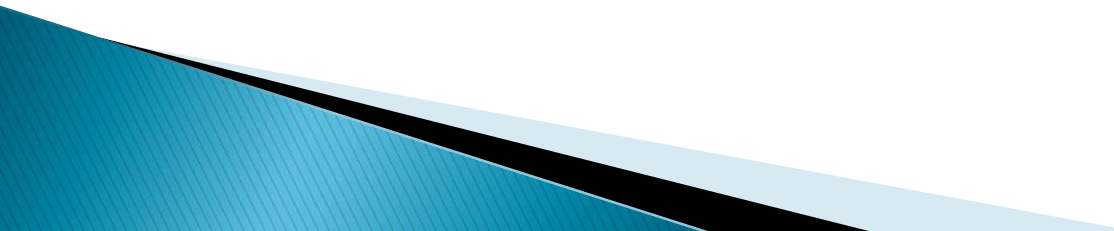
- ▶ Designed to facilitate preservation of affordable housing at risk of loss
  - ▶ Good option if you're planning rehabilitation
  - ▶ Rents raised to levels set by a post-rehabilitation rent comparability study
  - ▶ 20 year term
  - ▶ Waivers largely delegated to the field for faster processing
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# Long-term renewal benefits

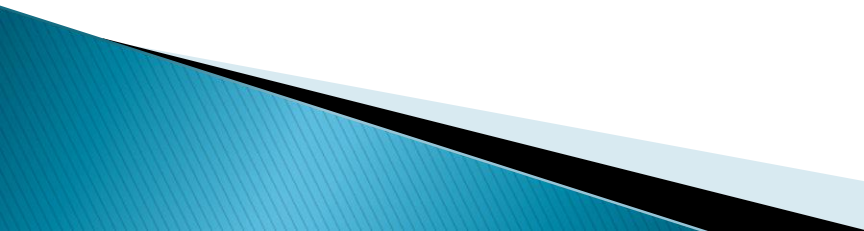
- ▶ Reduced paperwork
  - ▶ Stable income
  - ▶ Rent can be adjusted mid-term
    - Early termination
  - ▶ Better underwriting
  - ▶ Insulation from market volatility
- 



# Office of Affordable Housing Preservation

- ▶ Special preservation tools for legacy projects
  - ▶ Rental Assistance Demonstration
  - ▶ Durbin–Brown Vouchers
  - ▶ Preservation Prepayments
  - ▶ Flexible Subsidy Loan Deferral
  - ▶ IRP Decouplings
- 

# FHA Mortgage Insurance

- ▶ **221(d)(4):** new construction or substantial rehabilitation
  - ▶ **223(f):** refinancing or moderate rehab
  - ▶ **223(a)(7):** refinancing
  - ▶ **Low Income Housing Tax Credit Pilot:** substantial rehabilitation with less oversight
  - ▶ **Interest Rate reductions:** non-refinance option for current FHA customers
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# Questions

- ▶ If you'd like more information about HUD programs for owners of assisted housing, contact Tony Sarkees, HUD Project Manager
- ▶ [tony.sarkees@hud.gov](mailto:tony.sarkees@hud.gov)





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# IHDA Multifamily Preservation Resources Workshop

Christine H. Moran

*Managing Director, Multifamily Finance*



## IHDA Resources for Preservation

- **9% Low Income Housing Tax Credit “LIHTC” – Competitive Process.**
- **4% LIHTC and Tax Exempt Bond Transactions – Non-Competitive.**
- **Preservation Now Program**
- **Illinois Affordable Housing Tax Credit**
- **Treasury/HUD Affordable Housing Financing Partnership**





## Preservation Now

- **Launched in 2013 to provide subordinate mortgage financing to new tax-exempt bond projects that contain minimum levels of existing project-based subsidy.**
- **The program preserves project-based rental subsidies in existing developments by encouraging owners to acquire and rehab properties and extend the existing rental subsidy contracts. Approximately \$245 million in project-based subsidies will be preserved over the next 20 years.**
- **IHDA allocated up to \$20 million in Illinois Affordable Housing Trust Fund and other resources which will leverage up to \$100 million in IHDA bond volume cap.**



## Program Requirements

- **Multifamily projects with an existing project-based rental subsidy for at least 50% of the units. Award limited to 10% of total development cost.**
- **Extension, for a minimum of 20 years, of the existing federal based subsidy, including, but not limited to project-based Section 8, Rent Supplement, Rural Development subsidy programs or RAD commitment**
- **Financially feasible project as a result of the new financing and evidence that there is a financing gap to support the need of the subordinate funds**
- **Rent and income limitations depending on the source of funds (Home or Trust Fund) and regulatory restrictions that will last for the duration of the term of the subordinate financing.**
- **Minimum repayment equal to 25% of excess cash flow after debt service**



## Illinois Affordable Housing Tax Credit

- Encourages private investment in affordable housing by providing donors to qualified non-profit affordable housing sponsors with a tax credit on their Illinois income tax equal to 50%.
- Eligible donations include money, securities or real or personal property
- Program Preferences: project readiness to proceed, evidence of site control, preservation of existing affordable housing, serving special needs population, serving lower income households
- Regulatory restrictions: 25% of the units must be restricted to 60% AMI or less. Rent and mortgage payments cannot exceed 30% of the household income



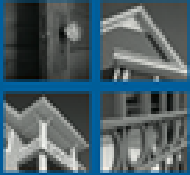
## Treasury-HUD Affordable Housing Financing Partnership

- **Announced in June and first transaction closed in October with NY HDC.**
- **Treasury through the Federal Financing Bank will buy Risk Share loans originated by Housing Finance Agencies**
- **Seeking waivers to allow for cash-out refinance which is not currently allowed under Risk Share. Also possible bullet structure versus fully amortizing 35 or 40 year loans**
- **Pricing competitive with FHA loans and term sheet available by December 31, 2014.**



## Questions??

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