



Administrative Reform Initiative

- 1) By general policy, make 20 year HAP contracts, subject to appropriations, available in preservation sales and refinancings, regardless of when the current contract will expire.
- 2) By general policy, provide the tools to preserve state-HFA financed projects
 - A. Clarify that HUD will continue to provide project-based Section 8 upon prepayment of such a property.
 - B. Allow owners of state-HFA financed properties the right to mark up to market prior to contract expiration in exchange for an extended Section 8 commitment subject to appropriations.
- 3) By general policy, permit the assumption and subordination of Section 202 loans, Flexible Subsidy loans, and other loans where warranted by the needs of the property or residents in order to facilitate preservation and rehabilitation and reverse the discredited OGC opinion limiting assumption of Section 202 loans by a nonprofit controlled limited partnership.
- 4) Remove the 7.5% ceiling on secondary seller financing in a preservation sale or refinancing using Section 223(f) insurance.
- 5) By general policy, but subject to case by case review in field offices, allow the use of residual receipts for rehabilitation of the property that with respect to which the residual receipts are held.
- 6) By general policy, but subject to case by case review in field offices, in the context of a preservation transaction continue paying Interest Reduction Payments in their entirety, notwithstanding a reduction in total units if such a reduction is warranted by changing market conditions, physical obsolescence, and other factors.
- 7) By general policy, but subject to case by case review in field offices, allow owners to transfer residual receipts and replacement reserves from one property to another property owned by an affiliate where necessary to meet the physical or financial needs of the second property.
- 8) By general policy, implemented by the field offices, exercise its affirmative obligation under Section 250(a) to make sure that prepayments are not allowed where the prepayment will result in the loss of necessary affordable housing.
- 9) By general policy, but subject to a case by case determination, empower field offices to determine that there are chronic vacancies in the efficiencies in a particular property and allow

the units to be combined and reduced and any excess Section 8 project-based assistance to be transferred.

10) Use the authority conferred by Section 215 of the FY 2008 HUD Appropriations Act and section 8bb to allow owners to transfer Section 8 authority to other properties when a property is obsolete.

11) By general policy, provide tenant protection vouchers on a one-for-one replacement basis for all lost or converted affordable units, not just occupied units (rescinding limitations such as those contained in PIH 2006-5).

12) By general policy, direct field offices to encourage and support preservation purchasers willing to take over distressed properties by allowing them time to seek capital for rehabilitation rather than attempt to force immediate repairs and by appropriate accommodation in the REAC and TPA processes.

13) Revise regulations 24 C.F.R. §§ 236.10, 880.205(a), 881.205(a), 883.306(a), and HUD handbook 4560.1 § 306(E) to allow project income distributions to nonprofit owners on the same basis as limited distribution for-profit owners. By general policy, allow nonprofit owner to receive distribution of proceeds from sale or financing of assisted multifamily housing projects.

14) Use existing discretion to provide rent increases, when authorized and justified by the market, to encourage recapitalization and continued owner participation, and the transfer to non-profits of at-risk properties. One simple and effective example: rescind the recently promulgated counter-productive changes to Chapter 15 of the Section 8 Handbook (which discouraged the use of tax credits on HUD assisted properties and raised uncertainties about HUD's available resources) and expand on the original concept of promoting non-profit preservation-based transfers by a) reducing uncertainty about potential HUD resources and b) allowing access to market rents on both to-be-improved properties and Housing Finance Agency financed properties.

15) Honor the nonprofit incentives in the Mark to Market program and end the practice of requiring repayment of mortgage restructuring notes as a percentage of the developer fee earned by a nonprofit purchaser. HUD should also extend its self-imposed limit on the period to assign or forgive second and third mortgages for properties restructured under Mark to Market from the current three years to five years in order to facilitate long-term preservation of more of these properties.

16) Revise the Section 202 Use Agreement required in preservation sales or refinancing, which now bars the owner from charging rents above 30% of income even when Section 8 is not renewed or funds are not appropriated.

17) By general policy, but subject to case by case review in field offices, allow affiliated owners in the same state to merge or cross-collateralize loans in preservation sales or refinancings of small properties and Section 202 properties.

- 18) By general policy, but subject to case by case review in field offices, allow a temporary increase in Section 8 assistance in budget based projects to amortize a portion of any debt incurred to finance energy efficiency retrofit measures.
- 19) By general policy, but subject to case by case review in field offices, encourage secondary financing for debt incurred to finance energy efficiency retrofit measures.
- 20) By general policy, but subject to case by case review in field offices, encourage use of replacement reserves and residual receipts accounts for energy efficiency retrofit measures.
- 21) By general policy, authorize inclusion in project budgets of the cost of third party contractors that take over administration of utility bills.
- 22) Authorize automatic prior participation clearance, after application and approval, for frequent participants in HUD programs so that they are not required to complete a Form 2530 for each project, and establish a procedure for annual renewal of the automatic authorization. Set a three-tier limit to the number of organizational tiers that must complete the Form 2530, establish a set of timelines to streamline the 2530 process, and assign one field agent to each 2530 application.