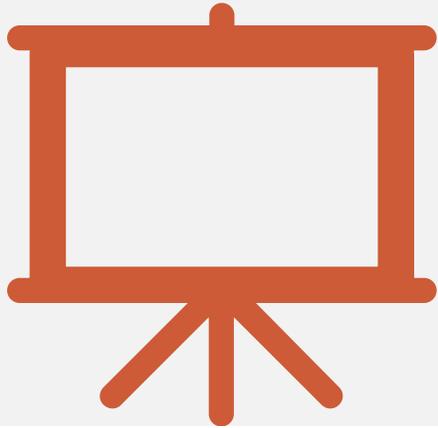




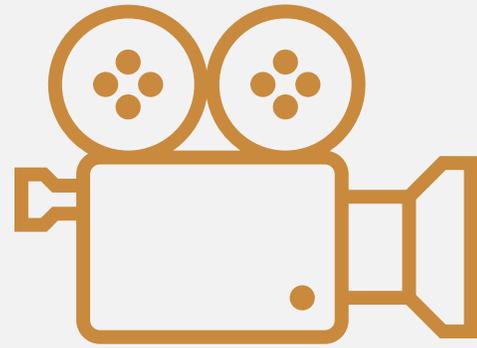
Southeast Rural Housing Preservation Academy



Housekeeping



All registered attendees will receive the slides via email



This session is being recorded. You will receive a copy and it will be posted on the Enterprise website



We will answer questions throughout the presentation. Please submit them using the Q&A or chat or raise hand function



Please tell us how we did in the survey at the end of the session

LAND ACKNOWLEDGMENT

OUR VISION

A country where home and community are steppingstones to more.

OUR MISSION

To make home and community places of pride, power and belonging, and platforms for resilience and upward mobility for all.



WHO WE ARE AND WHAT WE DO

- **We develop and deploy** programs and support community organizations on the ground
- **We advocate** for policy on a nonpartisan basis at every level of government
- **We invest capital** to build and preserve rental homes people can afford
- **We own and operate** 13,000 affordable homes and provide resident services for 23,000 people



SOUTHEAST RURAL PRESERVATION ACADEMY



Overview and Introduction to Rural Rental Housing Preservation

- Rural Rental Housing Preservation in the Southeast
- Overview of USDA Rural Development Housing and the 515 Transfer Process
- Strategies for Preservation: Case Studies
- Federal & State Housing Finance –Beyond RD

Basic Deal Structuring

- Pro-forma development
- Funding the gaps: private debt, Section 538 and alternative sources
- Capital Needs Assessment, Architects and Scope of Work
- Cohort breakout: offers a deeper dive into 515

Property Management/Community Engagement–2 sessions, including

- Property Management, Disaster Preparedness & Mitigation
- Community and Resident Engagement

State and Local Policy Solutions

Our Partners



Rural Housing Preservation Academy Framework



Identify Property

Assess Regulatory Restrictions



Is there an interested seller?



Review existing, known regulations



Concept meeting



Other financing or deed restrictions on property?

Predevelopment:

Determine Feasibility

Unit Conditions:

Must conduct Capital Needs Assessment (C.N.A.)

Safety and Accessibility are top priority

Current availability of Rental Assistance

Is the potential to subsidize all units/
more units?

Appraisal

**Predevelopment:
Scope of Work**

Determined by CNA

Repairs from years 1-5 must be included

Accessibility Plan (504 Plan) must be updated

Written by project architect

Total Construction Cost estimate

Predevelopment:

Identify Capital Sources

Existing Debt

HUD/ USDA/ Private

Current equity

Capacity for 3rd party debt

Soft debt (Revolving, 0%)

Grants



[This Photo](#) by Unknown Author is licensed under [CC BY](#)

Submit Application(s) for funding



Determine operating budget and management entity



Complete State, FHLB, LIHTC or USDA applications



Timing of commitments between funding sources

Closing & Acquisition (Ownership Transfer)

Be sure to understand ahead of closing which funder will take which position

Does USDA need to be in first lien position?

Operating and Reserve accounts transferred to new owner

Is construction financing separate from acquisition financing?

Construction/Rehabilitation

- Timeline will be determined by sources of funding
- If a USDA property, Contracts must be approved by USDA regardless of funding
- Relocate current tenants
 - Consider rehab upon unit turn to minimize relocation
 - Relocation can be VERY costly

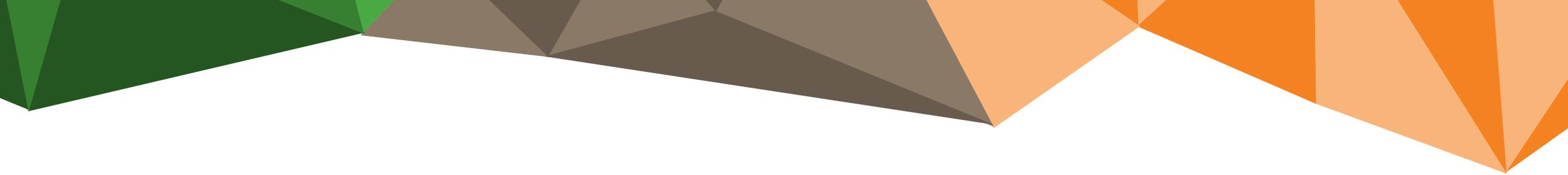
Placed in Service

- Stewardship
- Resident Engagement
- Compliance
- Property and Asset Management

If USDA RD, be sure to start the transfer application process far before anticipated closing.

- USDA provides **Transfer Checklist**
- USDA transfers must be approved by their National Office (**Office of the General Counsel/"OGC"**)

JACK POPPER
**GEORGIA DEPARTMENT OF
COMMUNITY AFFAIRS**



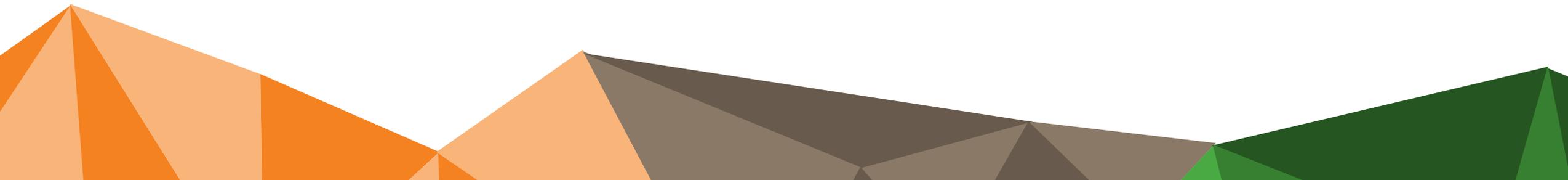
Georgia Department of Community Affairs: Rural Rental Housing

May 4, 2022



Overview

- Highlights from allocation and portfolio data
 - Meagan Cutler (Housing Policy Analyst)
- Preserving Properties with DCA Funds: What to Expect
 - Robert Keeler (Federal Funds Underwriting Manager)
- Recent activity in preservation policy
 - Jack Popper (Allocation Policy Manager)



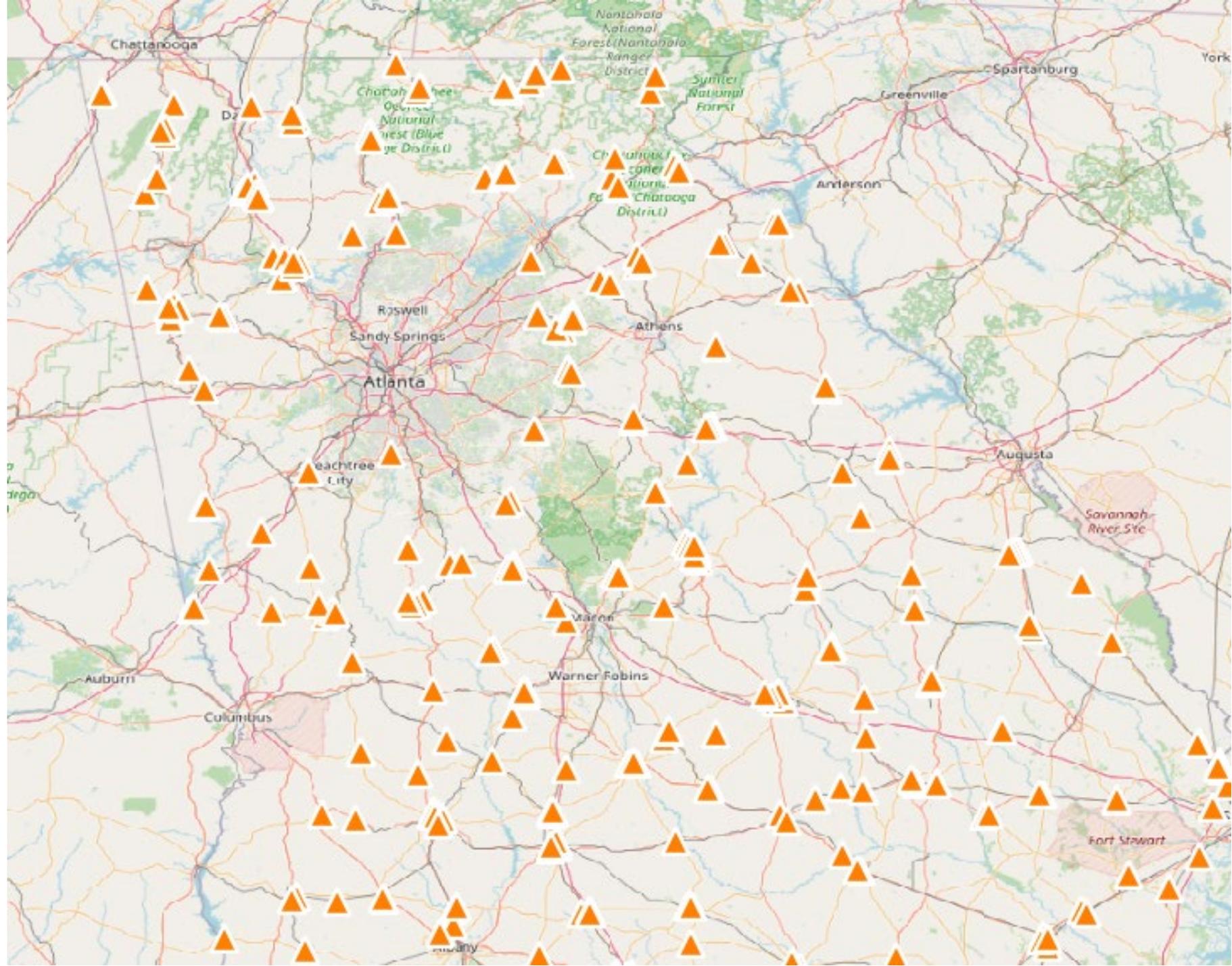
DCA Rural HTC Portfolio

In Service:

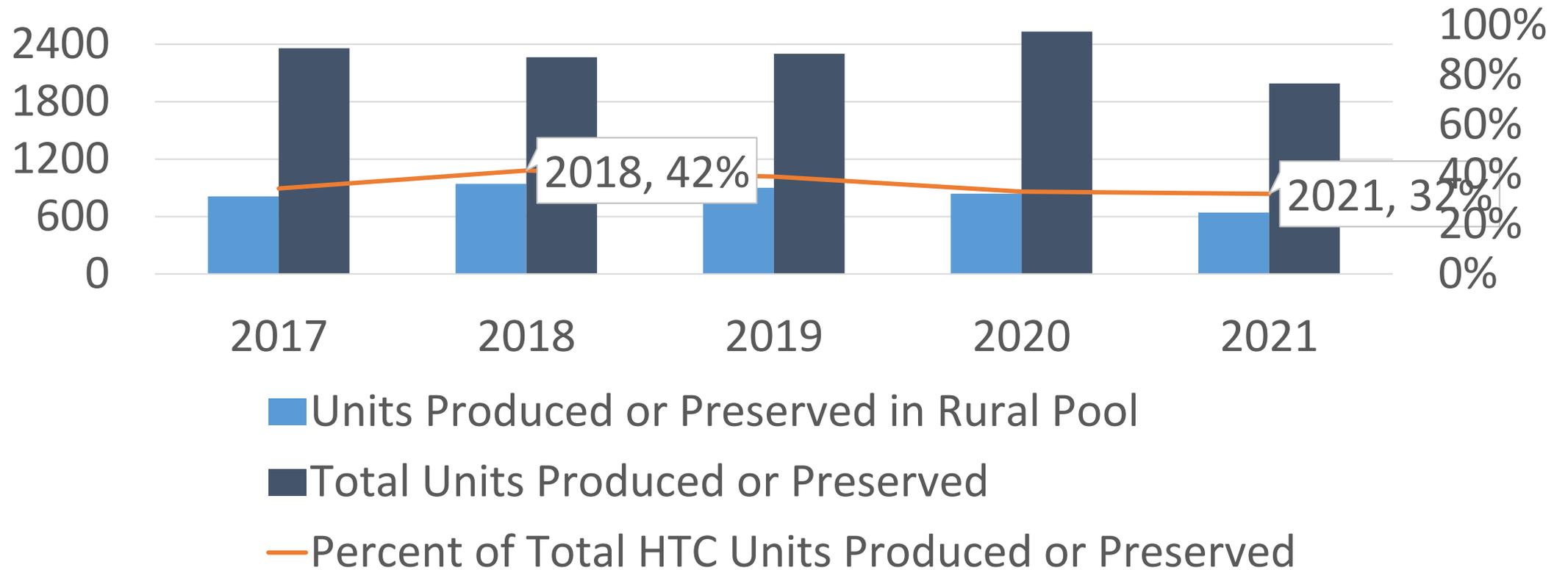
- 21,262 Units
- 414 Properties

Allocated:

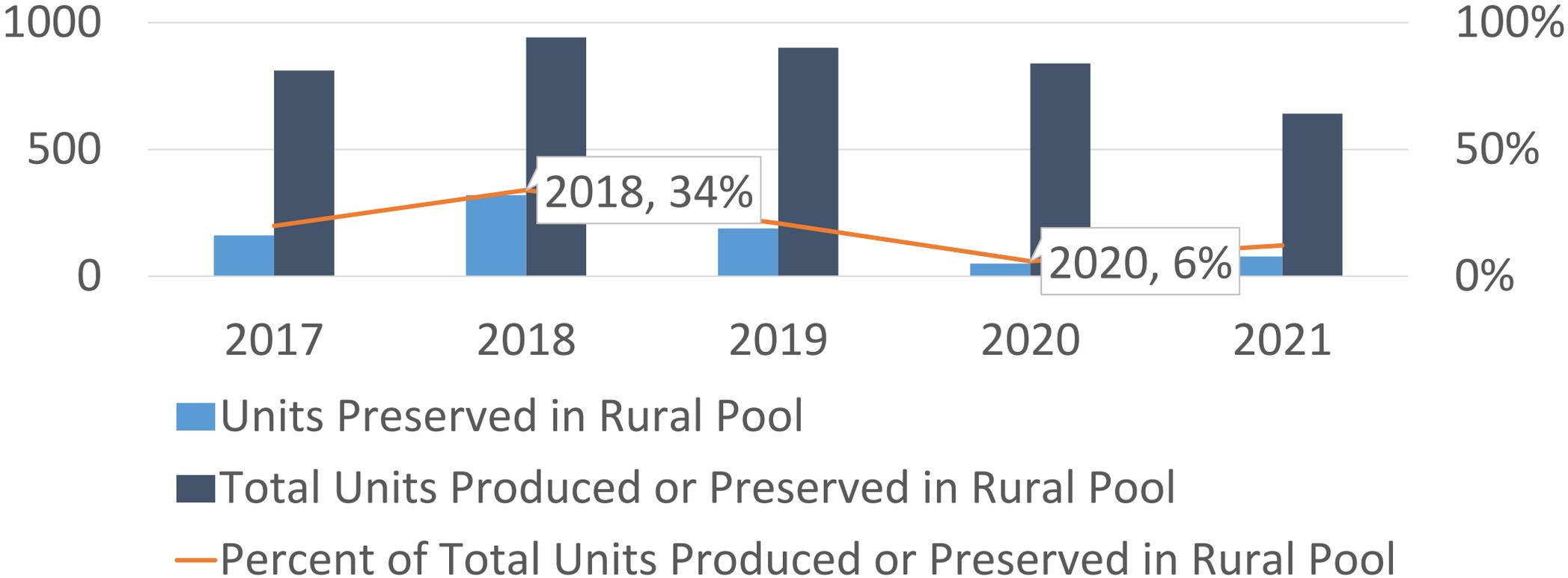
- 4,083 Units
- 58 Properties



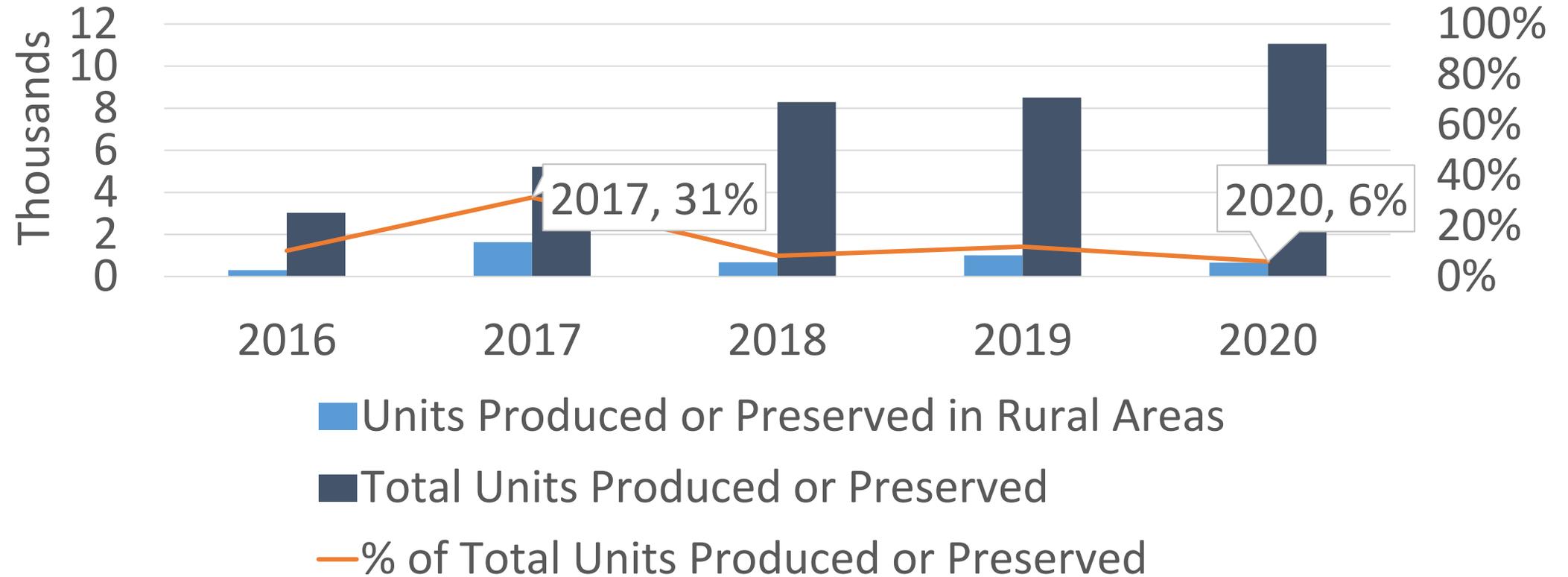
Units Produced or Preserved with 9% Credits



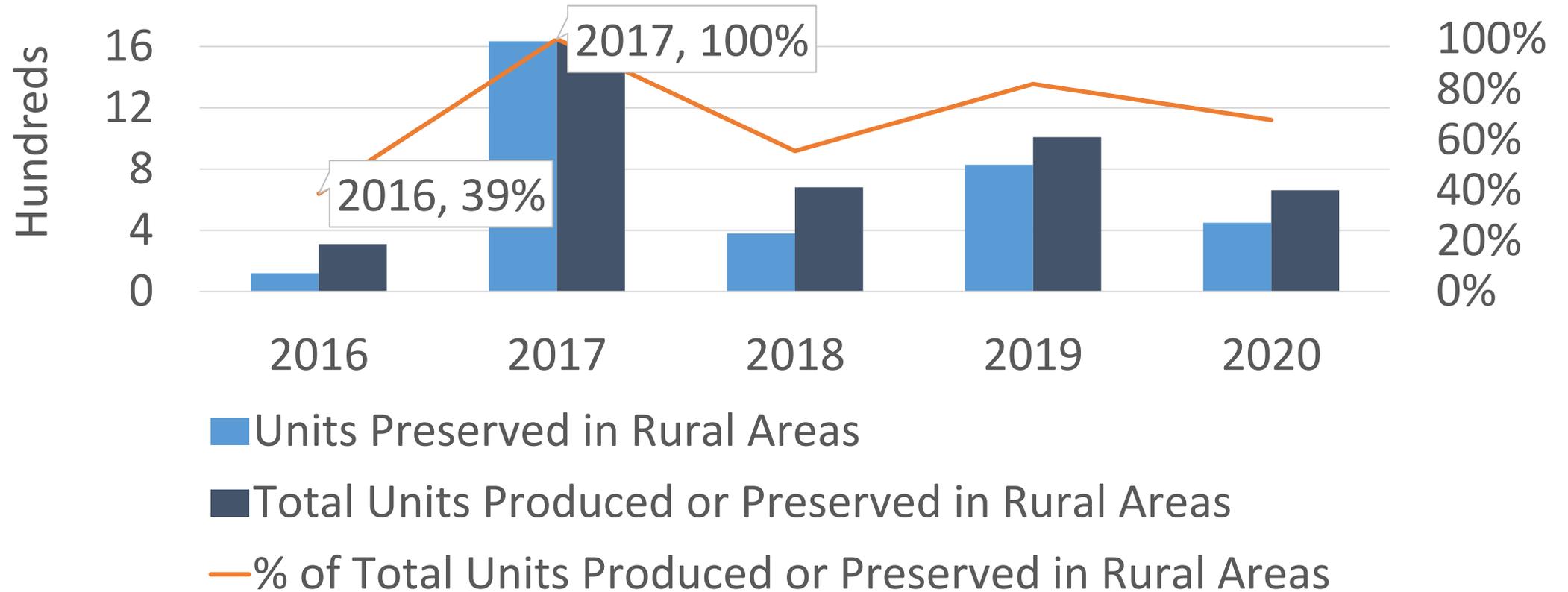
Affordable Units Preserved with 9% Credits



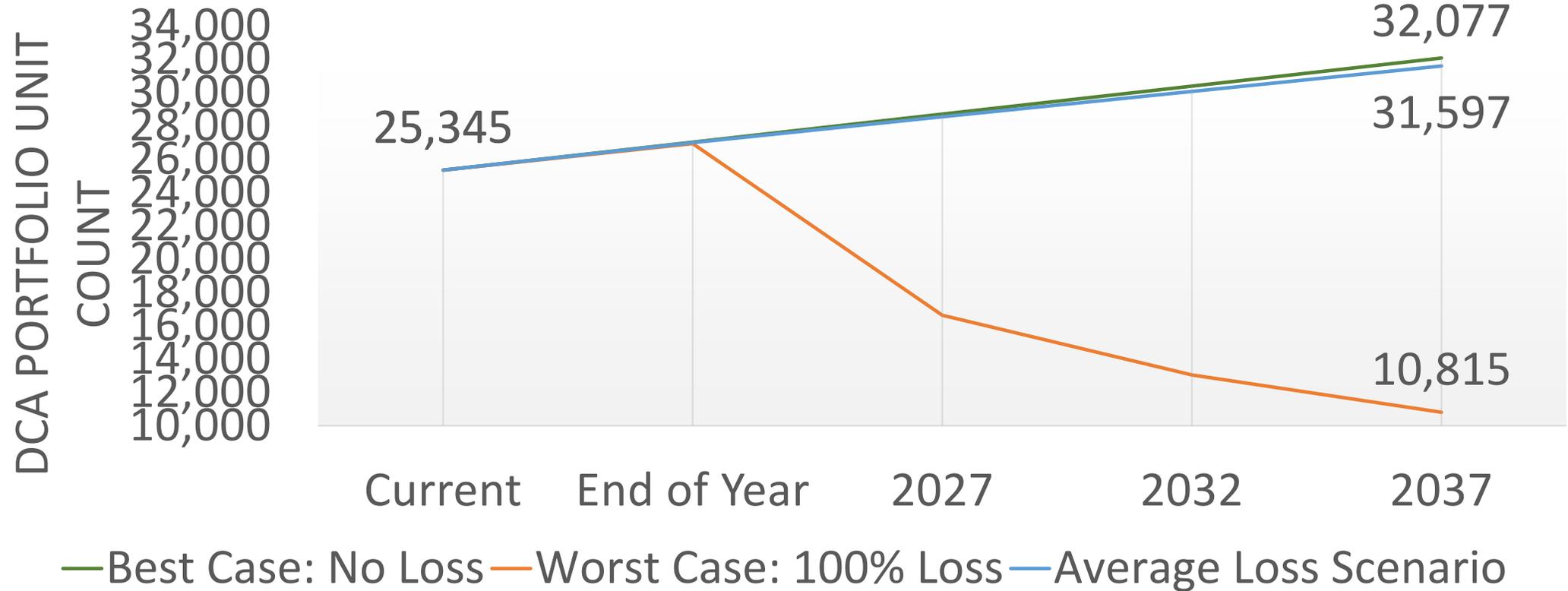
Units Produced or Preserved with 4% Credits



Affordable Units Preserved with 4% Credits

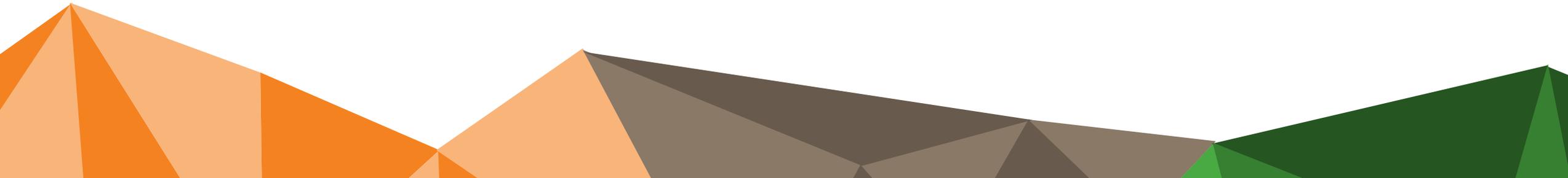


DCA Portfolio Potential Gains and Losses

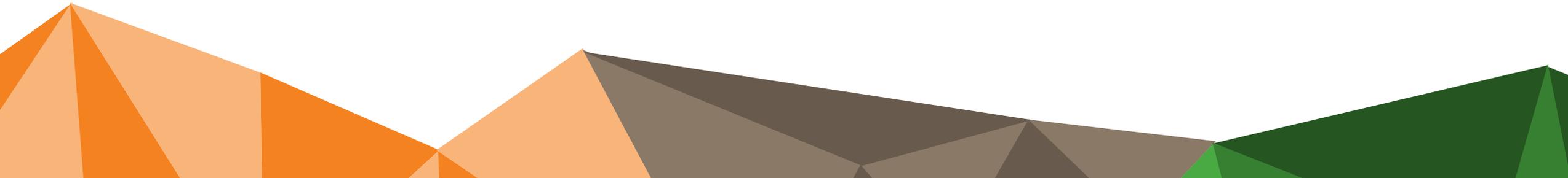


Preservation with DCA Funds: What to Expect

Q&A with Federal Funds Underwriting Manager

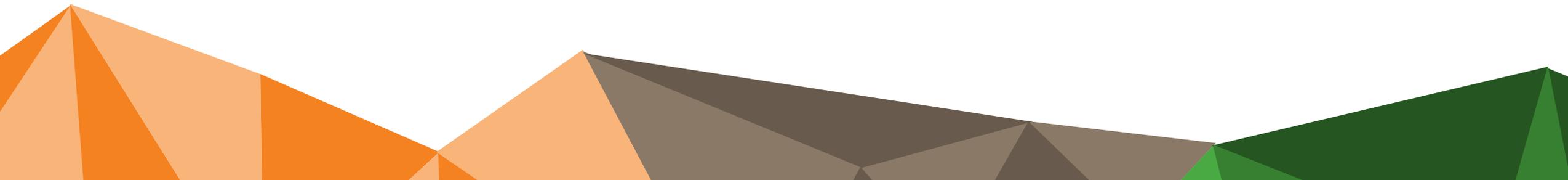


Prioritizing Properties for Preservation



Recent Shifts in Preservation Scoring

- DCA rental housing development predominantly occurs through Housing Tax Credit program
- Tax Credit program is predominantly new construction



Recent Shifts in Preservation Scoring

- In 2020, initiated new preservation set asides and scoring criteria specific to preservation
- Current set asides include:
 - Housing Tax Credit (4 properties)
 - RAD conversions (1 development)
 - HUD-assisted (1 property)
 - Naturally occurring affordable housing (1 property)



Recent Shifts in Preservation Scoring

- Biggest reason for shift: preservation-specific scoring criteria

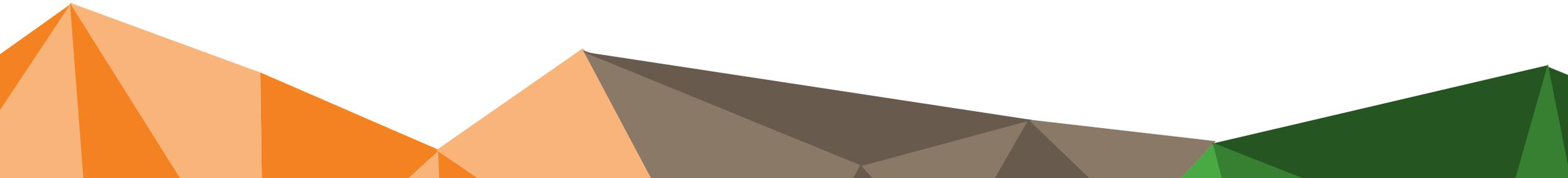
Scoring Criteria Example	DCA uses it	Rural applicability
Occupancy	Yes	Yes
Physical condition	No, but hope to	Yes
Rent advantage	For some, but not all, preservation types (e.g., NOAH)	Less clear
Affordability Loss Risk	Yes	Yes, though factors vary by property circumstance
Site-based criteria	Ongoing discussion	Less clear

Early Reflections on New Preservation Scoring

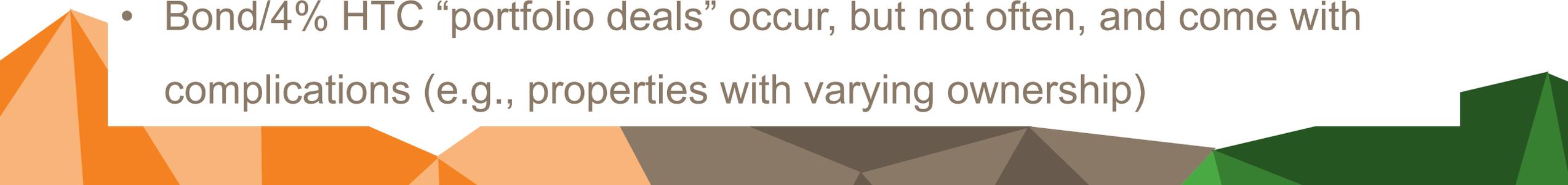
- Less ability to generate variation in application scores (compared to new construction)
 - To be determined whether this is a problem, if the tiebreakers are meaningful.
- It is reactive: developers bring applications to us
 - Alternative: DCA identifies priority properties based on portfolio analysis, rather than scoring.
 - Enterprise facilitating preservation data initiative.



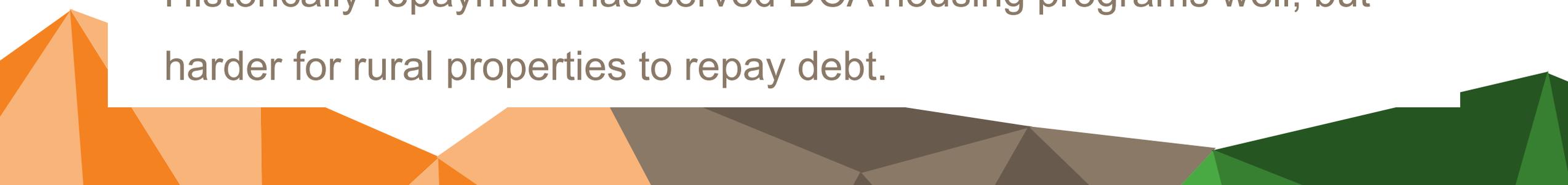
Unmet Rural Housing Need: Small-scale development



Small-scale developments and Housing Tax Credits

- High fixed costs in HTC development, requiring larger property sizes
 - For **new construction** development, small rural markets cannot absorb these units
 - For same reason, many existing properties are small. Too few units to justify large HTC transaction for **rehabilitation**.
 - Bond/4% HTC “portfolio deals” occur, but not often, and come with complications (e.g., properties with varying ownership)
- 

Implications for HOME and NHTF

- HOME and National Housing Trust Funds could be well used towards small-scale development and rehabilitation in rural areas
 - Up to now, current HOME usage relies heavily on tax credit investors
 - Additional scrutiny for developers and developments
 - Investor asset managers valuable for compliance (development and long-term)
 - Historically repayment has served DCA housing programs well, but harder for rural properties to repay debt.
- 

USDA Preservation with Federal Funds only: Under Consideration

- As a first step, DCA is likely to use HOME or NHTF for USDA preservation
 - (pending HOME and NHTF availability)
- Originally included in 2022 QAP drafts
- Scoring or prioritizing properties may look very different from QAP preservation scoring, pending USDA conversations



STEPHANIE VERGIN USDA



Multi-Family Housing Portfolio and Preservation in AL, GA, and MS

Enterprise Southeast Preservation Academy

May 4, 2022

USDA Rural Development Multi-Family Housing Programs

Over the past 40+ years USDA Rural Development through its direct funding program has financed thousands of affordable housing properties across Rural America.

Section 515 - Family and Elderly/Disabled Housing

- Direct loans, with varying terms, from 30-50 years in length, properties have income restrictions. Additionally, the properties are eligible for interest credit subsidy which effectively reduces the interest rate to 1%.
- Elderly/Disabled properties are restricted to those households 62 and older or disabled.

Section 514/516 - Domestic Farm Labor Housing

- Direct loans and grants, 33-year term with a 1% interest rate, properties have income restrictions, one household member must meet the Domestic Farm Labor definition as defined by the Agency.

USDA Rural Development Multi-Family Housing Programs

Section 521 - Rental Assistance

- In addition to funding the development of housing the Agency also provides Section 521 Rental Assistance. The Section 521 RA program is project based and ensures the tenant pays only 30% of their adjusted income. For a property to be eligible for the Section 521 program they must have an active Section 514 or 515 direct loan with the Agency. Many properties have partial RA (not all units are assisted).

Section 538 – Guaranteed Loans

The Agency provides loan guarantees to approved private-sector lenders to provide financing to qualified borrowers to increase the supply of affordable rental housing in eligible rural areas. Tenant incomes cannot exceed 115% of AMI. Can be used for new construction or rehabilitation.

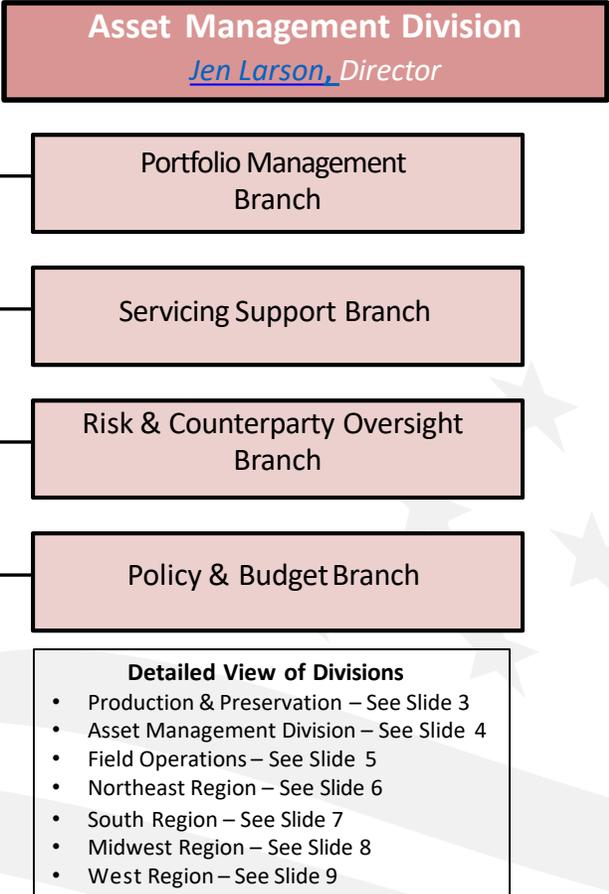
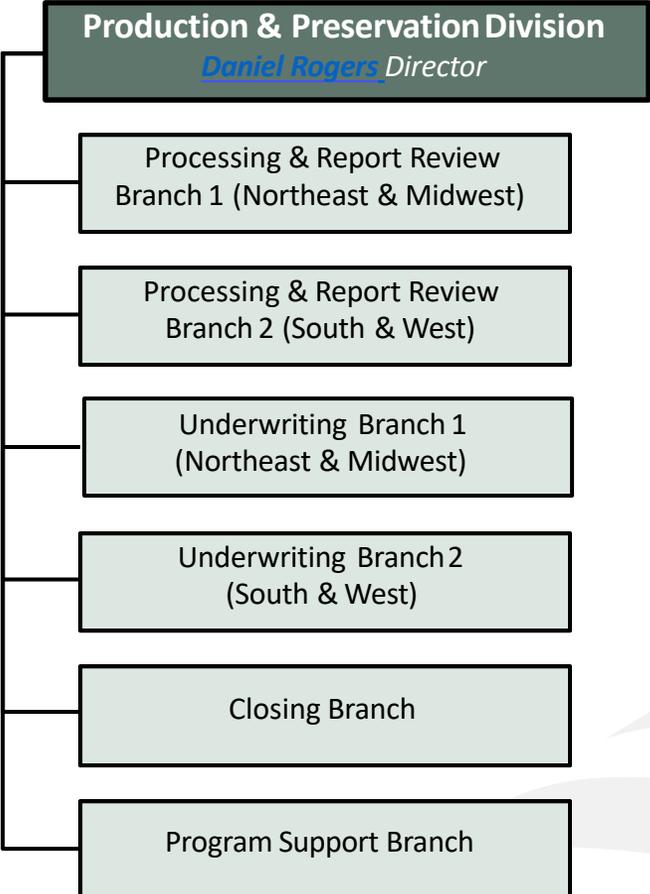
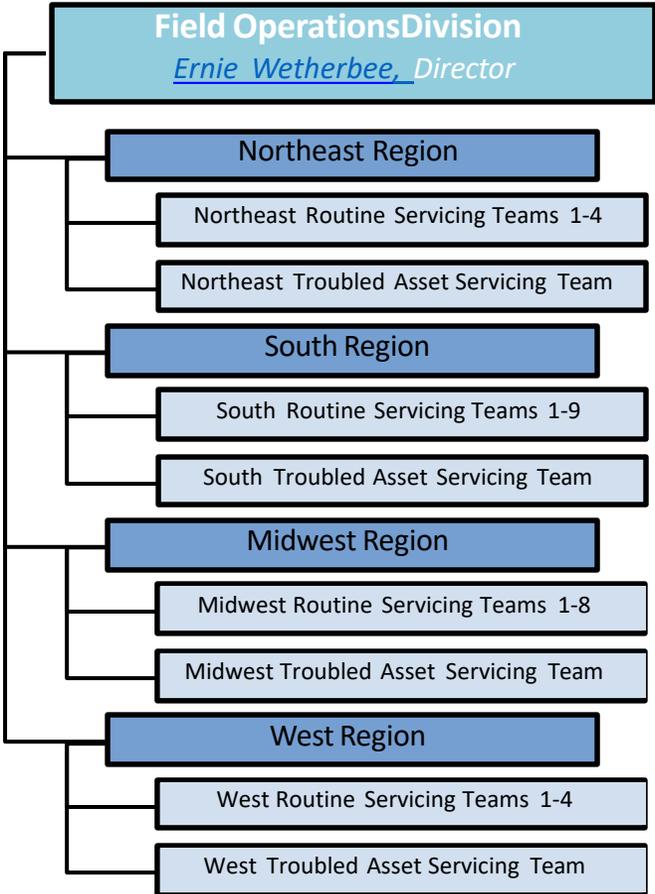
Multifamily Housing



Multifamily Housing Deputy Administrator's Office

- [Nancie-Ann Bodell](#), Deputy Administrator
- [Karissa Stiers](#), Assistant Deputy Administrator
- [Vacant](#), Senior Policy Advisor
- [Monika Kehoe](#), Management & Program Analyst

State Offices
Marketing & Outreach



Southern Region Field Operations Division



Southern Region Field Operations Division

South Region

[Byron Waters](#), Regional Director

[Mirna Reyes-Bible](#), Management and Program Analyst

1 GS-06 Management Assistant - Vacant

South Routine Servicing Team 1

[Linda Broussard](#), Team Lead

- [Terry Goddard](#)
- [Luis Carrero](#)
- 4 Loan Spec - Vacant
- [Dinah Stallworth- Lewis](#)
- [Vanessa Lewis](#)

South Routine Servicing Team 2

[Cecil Williams](#), Team Lead

- [Dave Geary](#)
- [Lacari Mosley](#)
- Loan Spec-Vacant
- [Cindy White](#)
- [Annie White](#)
- [Rhonda Toppings](#)
- [Debra Moder](#)
- [Amanda McKenna](#)

South Routine Servicing Team 3

[Lee Phipps](#), Team Lead

- [Ginger Taylor](#)
- [Saykorn Kannika](#)
- [Sayna Gallagher](#)
- [DeQuiece Newson](#)
- Loan Spec-Vacant
- [Lisa Yocum](#)
- [Elizabeth Conley](#)
- [Sonya Rambo](#)

South Routine Servicing Team 4

[Dwayne White](#), Team Lead

- [Albertha Graham](#)
- [Earldine Bartell](#)
- [Lara Ashy](#)
- [Maya Kinson](#)
- [Grant Gavin](#)
- [Barbara Proctor](#)
- [J Tyler](#)
- Loan Tech-Vacant

South Routine Servicing Team 5

[Tara Brooks](#), Team Lead

- [Bryan Hooper](#)
- Loan Spec-Vacant
- [Angela Sinclair](#)
- [Carlos Opio](#)
- [Canesta Hicks](#)
- [Heather Kershner](#)
- [Regina Garth](#)
- [LaTonya Austin](#)

South Routine Servicing Team 6

[Mike Ubias](#), Team Lead

- [Theresa Taylor](#)
- [Wanda Singleton](#)
- [Becky Johnson](#)
- [Layla Mitchell](#)
- [Laci Fett](#)
- [Paula Crocker](#)
- [Michael Gunner](#)
- [Mandy Almand](#)

South Routine Servicing Team 7

[Linda Baker](#), Team Lead

- [Karen Strunk](#)
- [Stephanie Smith](#)
- [Ruby Caudill](#)
- [Steve Tamme](#)
- [Shawanda Jones](#)
- [Sylvia Morales](#)
- 1 Loan Technician - Vacant
- [Shanna Barker](#)

South Routine Servicing Team 8

[Melinda George](#), Team Lead

- [Carolyn Billups](#)
- [Shaunda Webb](#)
- [Kathryn Wright](#)
- [Laura Pounders](#)
- [LaDonna McKenzie](#)
- [Kent Crumley](#)
- [Donna Ross](#)
- Loan Spec - Vacant

South Routine Servicing Team 9

[Karen Phillips](#), Team Lead

- [Penny Matthews](#)
- [Kayla Estes](#)
- [Barbara Pierce](#)
- [Tamara Oliver](#)
- 2 Loan Spec-Vacant
- [Melissa Mays](#)
- Loan Tech - Vacant

South Troubled Asset Servicing Team

[Eric Hixson](#), Team Lead

- [Becky Brann](#)
- [Jobi Williams](#)
- 4 Loan Specialist-Vacant
- [Kathy Smith](#)
- [Clint Furlow](#)
- [Hillary Lassiter](#)
- [Trina Norton](#)

RD MFH Contacts

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Byron Waters, Regional Director

MFHFODSouth@usda.gov

AL, AR, FL, GA, KY, LA, MS, NC, OK, PR, SC, TN, TX, VI

Production and Preservation Division

Processing and Report Review Branch 2 (South and West)

MFHprocessing2@usda.gov

AK, AL, AR, AZ, CA, CO, FL, GA, HI, ID, KY, LA, MS, MT, NC, NM,
NV, OK, OR, PR, SC, TN, TX, UT, VI, WA, WY

Multifamily Housing General Inquiries: 800-292-8293

Find the servicing specialist assigned to a project:

<https://www.sc.egov.usda.gov/data/MFH.html>

Importance of RD MFH Preservation

- RD properties are a significant source of affordable housing in Georgia, Mississippi, and Alabama—almost 44,000 units in the three states.
- Many RD properties are in communities where it's not feasible to build new affordable housing, making it even more important to preserve what we have.
- Average age of properties in the RD portfolio nationwide is 33 years old. Properties of this age often require rehabilitation to remain viable.
- Preserving federally-subsidized units provides affordable housing that can serve the lowest-income households. Average annual household income of tenants receiving RA in the three states is about \$11,500.

AL, GA and MS RD MFH Portfolio Information

	Number of Properties	Number of Households	Average Adjusted Income		Households with Rental Assistance	Percent of Households with Rental Assistance	Average Adjusted Income with Rental Assistance
Section 515 and 514/516 Properties							
Alabama	433	12,877	\$ 14,326		9,218	72%	\$ 11,292
Georgia	413	13,920	\$ 14,292		11,307	81%	\$ 12,484
Mississippi	476	12,614	\$ 11,382		10,269	81%	\$ 10,551
AL, GA &MS Total	1,322	39,411	\$ 13,333		30,794	78%	\$ 11,442
National Total	13,215	382,436	\$ 14,665		290,991	76%	\$ 12,501

AL, GA and MS MFH Portfolio Information

	Total Number Units	Occupancy Percentage	Number of 1 Bedroom Units	Number of 2 Bedroom Units	Number of 3 Bedroom Units	Average Rent
Section 515 Properties						
Alabama	14,233	92.4%	5,823	7,956	448	\$ 444
Georgia	14,820	94.6%	6,347	7,616	869	\$ 474
Mississippi	14,703	86.8%	4,683	8,981	1,005	\$ 495
AL, GA & MS Total	43,756	91.3%	16,853	24,553	2,322	\$ 471
National Total	412,176	93.8%	207,182	172,007	29,669	\$ 556

Preservation Challenges: 515 Portfolio Nationwide

- Mission risk/loss of properties due to program exit
 - Maturing mortgages
 - Prepayments
- Property and portfolio risks
 - Poor physical condition
 - Failing ownership and/or management
 - Financial weakness
 - Poor community/market viability
- Properties can be subject to multiple types of risks



Mission Risk: Maturing Mortgages

Overview:

- RD MFH properties began reaching mortgage maturity in 2015, but the number of properties to date nationwide has been small.
- Mortgage maturities begin to increase starting in 2025 and increase significantly beginning in 2030.

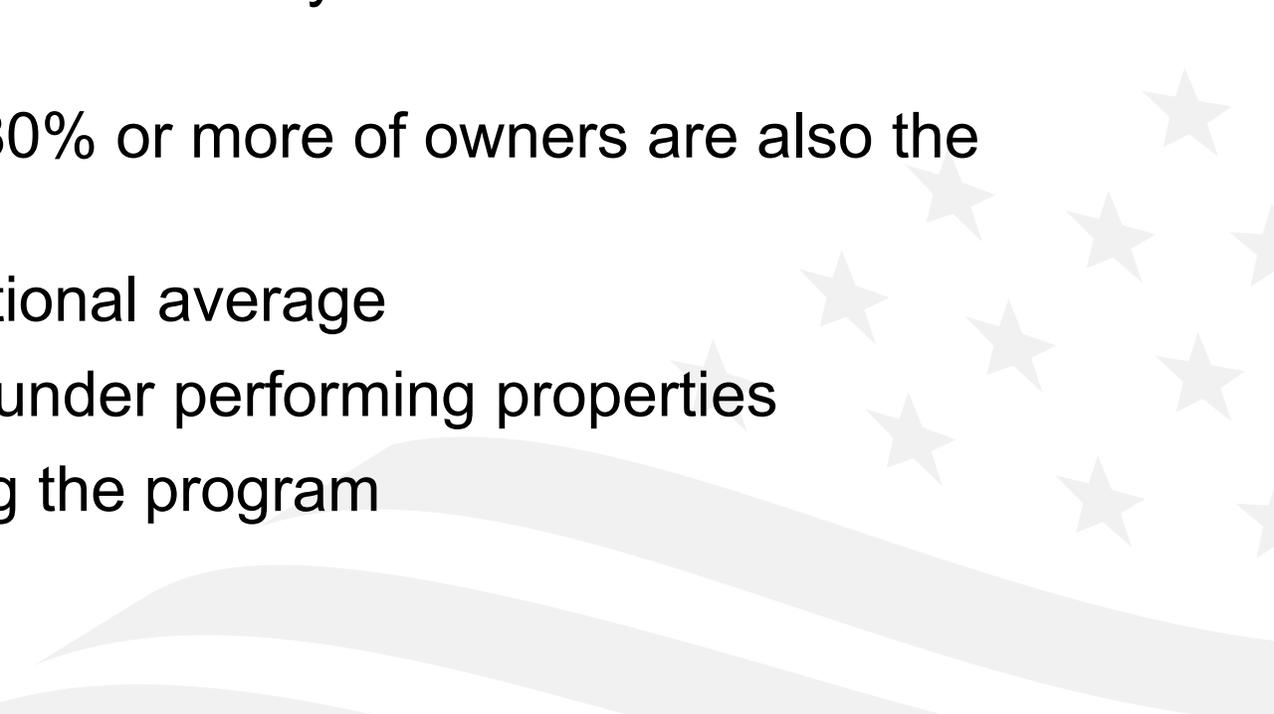
Estimated Property Exit Date (Mortgage Maturity)	Total Properties (as of 3/31/22)	Loan Maturity through 2024	% of Current Portfolio	Loan Maturity 2025-2029	% of Current Portfolio	Loan Maturity 2030-2034	% of Current Portfolio	Loan Maturity 2035+	% of Current Portfolio
Alabama	432	1	0%	50	12%	95	22%	286	66%
Georgia	412	2	0%	11	3%	92	22%	307	75%
Mississippi	471	4	1%	60	13%	104	22%	304	65%
AL, GA & MS Total	1315	7		121		291		897	

Preservation Issues and Challenges in AL, GA and MS

- Alabama Discussion: Melinda George
- Georgia Discussion: Eric Hixson
- Mississippi Discussion: Cecil Williams



Section 515 Portfolio Information: Alabama

- Average project size has 25-30 units. There are 433 projects with 14,243 units across the state. With 1 FLH property.
 - Differences in performance by geographic area: Properties in the NW part of the state tend to have more vacancies as they are more rural than other areas of the state.
 - Ownership or management issues: 80% or more of owners are also the management company.
 - Vacancy rates are in line with the national average
 - Overall financial condition: Very few under performing properties
 - Maturing Mortgages: Few are leaving the program
- 

Preservation Challenges and Opportunities: Alabama

- Partnership with Alabama Housing Authority to preserve 515 properties
 - Approximately 30 properties preserved in past 10 years
 - LIHTC set-aside
 - Partnership with other funders. Ongoing funding partner engagement
 - A mix of portfolio deals and individual transactions
- Developer interest/capacity in 515 preservation:
 - There has been much interest and success in the State to preserve the 515 properties with 9% and 4% Tax credits along with the 538 Guarantee Loan
- Unique challenges in the state:
 - Areas that are harder to serve due to extremely rural areas
 - Lack of experienced management due to turn over of employees

Section 515 Portfolio Information: Georgia

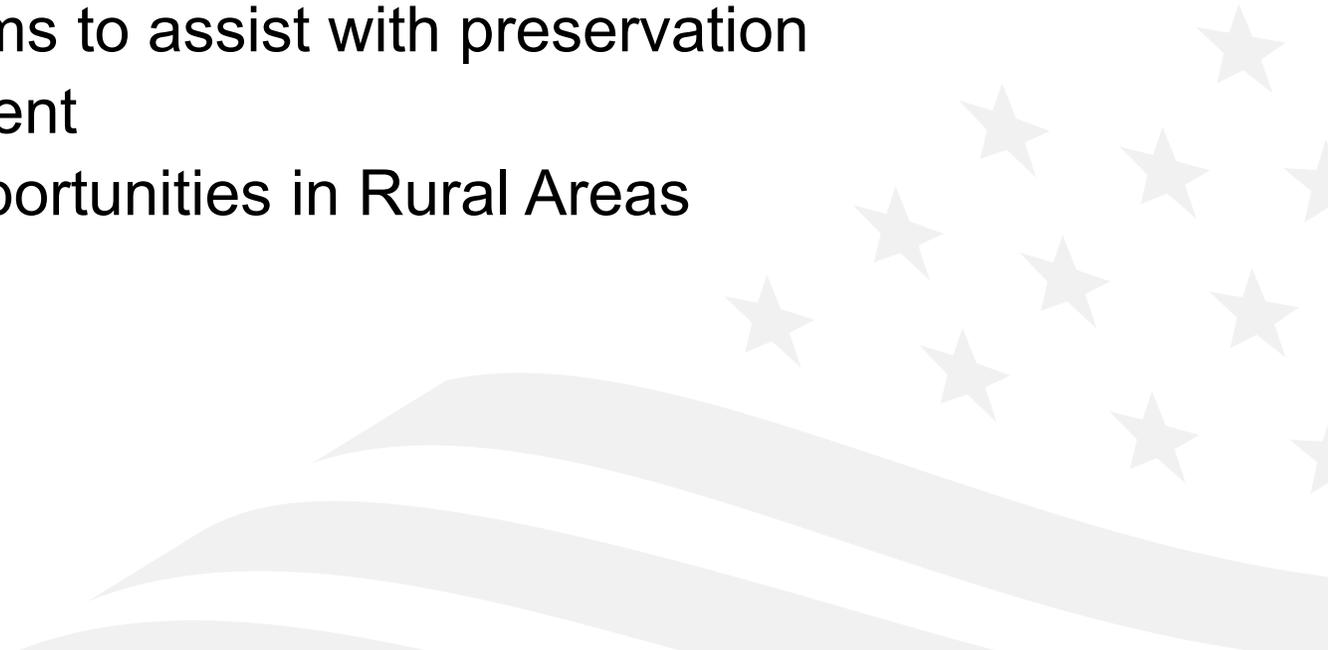
- Georgia's Success Utilizing Bond Deals and Tax Credits
 - Total rehab of several projects within two years of closing
 - Resizing of reserve accounts to allow capital needs to be acknowledged in advance of needed repairs
 - Increased marketability with great curb appeal
 - Decrease in the number of unit turnovers



Preservation Challenges and Opportunities: Georgia

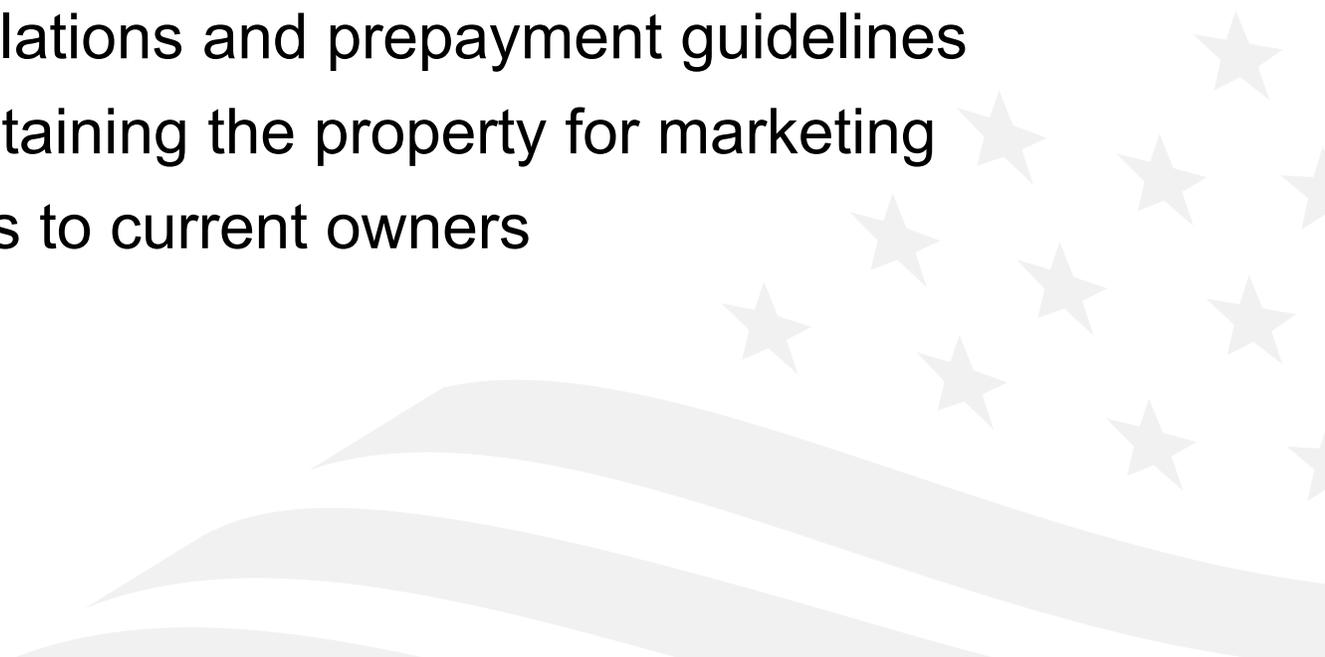
- Challenges in Georgia

- Vacancy and Marketing deficiencies
- Awareness of available programs to assist with preservation
- Lack of experienced management
- Economic challenges/ work opportunities in Rural Areas



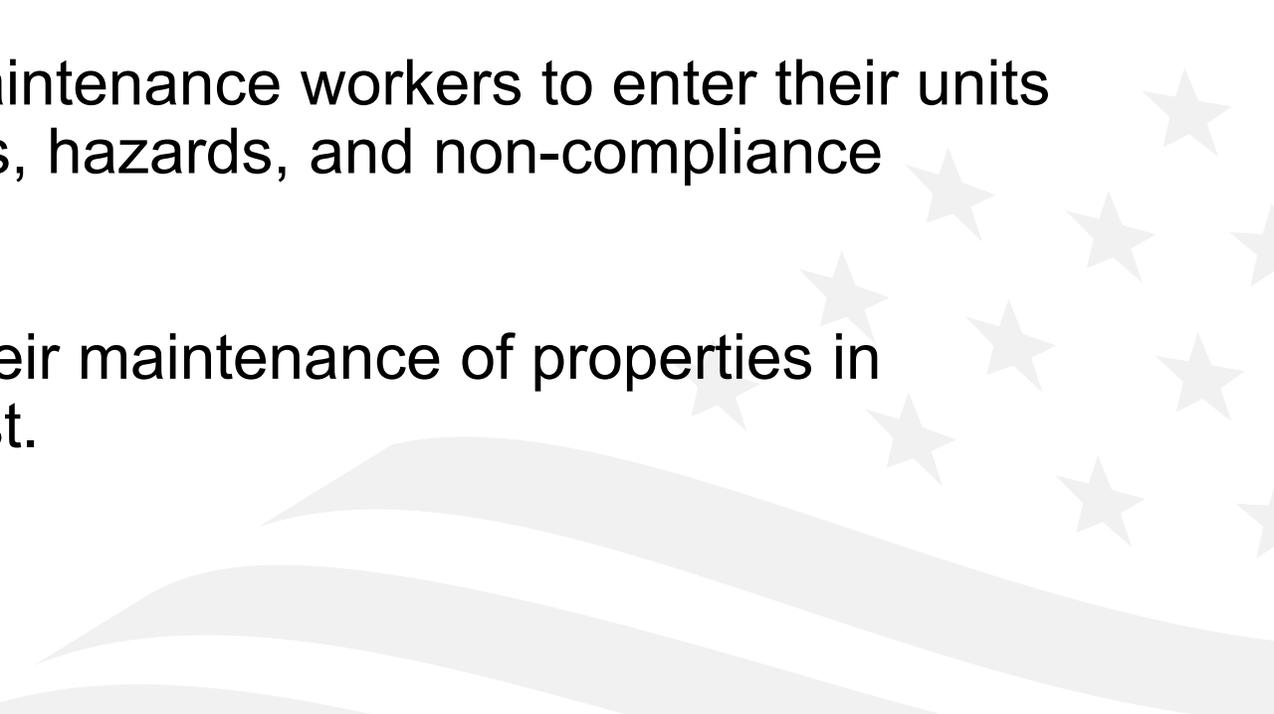
Section 515 Portfolio Information: Mississippi

Challenges to Preserving Properties in Mississippi

- Prospective owners attempting to purchase properties larger than their capital capacity
 - Knowledge of the RD transfer regulations and prepayment guidelines
 - Existing owners' deficiency in maintaining the property for marketing
 - Non-profits marketing their services to current owners
- 

Preservation Challenges and Opportunities: Mississippi

Challenges to properties in Mississippi

- Properties need more 9% Tax Credits for rehab improvements to RD Financed properties
 - Property tenants are not allowing maintenance workers to enter their units which creates problems ie. Complaints, hazards, and non-compliance issues
 - Seasoned owners are decreasing their maintenance of properties in preparation of transferring their interest.
- 

Questions?

Contact:

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Melinda.George@usda.gov

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Eric.Hixson@usda.gov

Cecil Williams, Field Operations Division, Team Lead, South Region Team 2, Cecil.Williams@usda.gov

Stephanie Vergin, Production and Preservation Division, Capital Sourcing Officer,
Stephanie.Vergin@usda.gov

PLEASE TAKE OUR SURVEY