

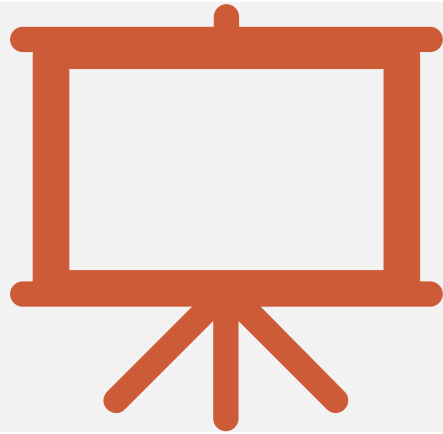


Rural Rental Housing Preservation Academy

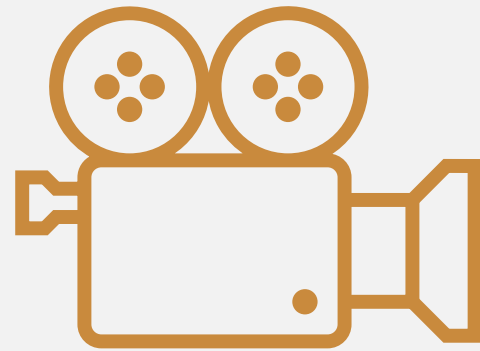
July 26, 2023



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, chat or raise hand function



The link to register for upcoming sessions will be shared

MISSION AND VISION

Enterprise Community Partners

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. We focus on three pillars:

- Increase Housing Supply
- Advance Racial Equity
- Build Resilience and Upward Mobility

Unmatched **breadth, scale and expertise** across the entire spectrum of affordable housing...



...creating a positive feedback loop that does it **all under one Enterprise roof.**

2023 Rural Rental Housing Preservation Academy

What to expect

Overview and Introduction to Rural Rental Housing Preservation

- Introduction to Rural Development 515 Transfer Process
- Strategies for 515 Preservation: Case Studies
- Capital Needs Assessment and Operating Budget

Basic Deal Structuring

- Understanding Tax Implications of a Transfer
- Pro forma development
- National Policy Conversation-521 Rental Assistance and Decoupling
- Funding Beyond RD: LIHTC, Bonds and Third-Party Lenders/ Connecting Buyers and Sellers

Property Management/Community Engagement–2 sessions, including

- Property Stewardship: Resident Services and Asset Management



PRESERVATION NEXT

Preservation Next Toolkit

A Preservation Toolkit for Small-to Medium-Scale Multifamily Properties

Guidance and Best Practices

The Toolkit's issue briefs guide developers and practitioners across different stages of the small to medium multifamily preservation development process

Localized Resources


Preservation landscape analyses, inventory of local funding resources, and local & regional data on the small to medium multifamily stock

Case Studies

Successful and creative approaches for small to medium multifamily preservation in different housing markets

Tools

A Financial Modeling Tool to help you understand the financial viability of your preservation development.



PROJECT OVERVIEW

Montview Manor

📍 1663 STEELE ST, DENVER CO

- Located in the South City Park neighborhood, adjacent to City Park
- Constructed in 1962
- 88 units, (16) studio units, (56) one-bedroom units, (16) two-bedroom units
- Will be acquired in 2022

Prior to Archway Communities' acquisition, resident incomes ranged from 20% to 120% of AMI. Archway is committed to maintaining the organic mix of income levels at Montview Manor. Under Archway's ownership, 22 units will remain permanently affordable to residents at or below 30% AMI, while 45 units will be set aside for residents at or below 60% of the AMI. Eleven units will be affordable to residents at or below 80% of the AMI and ten units will be unrestricted.

Source: Apartments.com

TOOLS

Funding Sources Inventory

Keep Reading



TOOLS

Financing Modeling Tools

Keep Reading



Our Partner



Fannie Mae®



REBECCA SIMON

NIXON PEABODY, LLP

Rural Development Section 515 Portfolio

Rebecca Simon



Section 515 Portfolio

Options for Recapitalization and Transfers

- **Existing Portfolio of 400,000+ units**
- **Maturing Mortgages**
 - 10,000+ units per year by 2028
 - 20,000+ units per year by 2035
- **Options for Section 515 Properties**
 - Debt Restructuring via Reamortization Lite
 - Alternative Funding via RD or outside sources
 - Transfer (via Chapter 7 or Pilot Program)
 - Substitution (via Chapter 5)
 - Prepayment

Chapter 7 Transfers

7 CFR 3560.406

- **Transfer via Standard Process**

- Full title transfer
- Requires new underwriting by RD after processing by asset management branch
- Minimum six-month processing time

- **Transfer via Pilot Program**

- New pilot program for transfers for Section 515 rental housing began December 9, 2022
- Three new paths to expedited review of a transfer available to purchasers
 1. Simple Transfers in Acceptable Physical Condition
 2. Transfers in Need of Rehabilitation
 3. Option for Nonprofits and Governmental Agencies

Chapter 7 Transfers

7 CFR 3560.406

- Rent Setting

- Rents are set on an annual basis for Section 515 properties
- Transfers can trigger new rents based on new budget
- Set to max 150% CRCU by regulation, but actually 100% CRCU in practice

- Subordination

- RD will subordinate its loans, consent is required
- Key considerations: rate and terms, post-restructuring project budget, compliance status of the project, and capacity (for nonprofit borrowers)
- Allowed for new debt when all proceeds of new debt are for eligible RD uses

- RTO

- Increases in RTO only considered with new equity invested in hard costs
- RD will consider new RTO up to 8% of equity, in practice set well below

Chapter 5 Substitutions

7 CFR 3560.405

- **Substitution Process**

- Any time controlling interests of the borrower change
- Changes to non-controlling interests (ex LP interests) generally do not trigger review
- Allows new ownership to step into shoes of existing ownership
- No underwriting review required
- Requires hold back of retained interest by existing ownership for one year

- **Timeline**

- Significantly faster than a Chapter 7 Transfer
- Less than six months

Prepayments

Chapter 15

- **Processing via new central office**
 - Improve timeline for approvals
 - Requires determination of adequate supply of affordable housing, adverse impact on minority persons
- **Declining Incentives**
 - Requires
- **Voucher Process**
 - Existing rents covered under RUC
 - Once rents set, no increases
- **Loss of Rental Assistance**
 - Decoupling efforts underway to split loans from rental assistance

Rental Assistance

Section 521 Program

- **Existing Rental Assistance**
 - Covers approximately 80% of Section 515 Units
- **New rental assistance**
 - No formal process to request RA
 - Transfers allowed by RD on case-by-case basis
- **Expires upon maturity, prepayment, or foreclosure**
 - Decoupling process in progress
 - Vouchers now available for each of these occurrences, not project-based

Pitfalls of Section 515 Transfers

- **Organizational Structure and Approvals**
 - Lack of RD consent for existing partners
 - Authorization for signatories of existing partners
- **Environmental Reviews**
 - Significant lead time needed to prepare reports and for RD to review

THANK YOU!



REGISTER FOR OUR NEXT SESSION