



The Preservation Process

**HUD Office of Multifamily Housing Programs
Preservation Clinics**

Session Objectives

In this workshop, you will learn about:

- The 5 Step Preservation Process.
- What you need to know about your property in order to start the planning process.
- The importance of setting preservation goals.



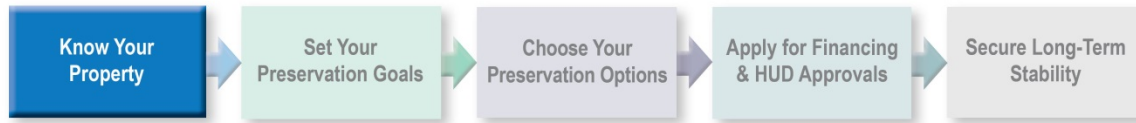
Mary Star of the Sea Senior Apartments
Brooklyn, NY

Preservation Process Steps



KNOW YOUR PROPERTY

1



Audience Question

What financing do you have on your property? (Both first mortgage and other debt)

- HUD Financing:
 - Section 202 Direct Loan
 - Section 236 Loan with Interest Reduction Payments
 - Flexible Subsidy Loan
 - ELIHPA or LIHPRHA
 - Federal Housing Administration (FHA) Loan
- Other debt and grants (conventional loan, HOME, CDBG, grants)
- Low-Income Housing Tax Credits
- Owner advances

Do you have other types of financing?

Know Your Financing

Gather Documents

- ✓ Regulatory Agreements
- ✓ Use Agreements
- ✓ Loan Agreements
- ✓ Mortgages (or Deed of Trust)
- ✓ Section 236 IRP Schedule
- ✓ Recent statement from first mortgage lender
- ✓ Audits and 3 years of financial statements

- When does your loan mature?
- What is the remaining balance?
- What is the interest rate?

Know Your Financing

Prepayment Requirements

- You may want to prepay your existing first mortgage to enable refinancing of the property.
- Some properties will need HUD **PERMISSION** to prepay:
 - HUD permission is usually required for nonprofits and for properties with Flexible Subsidy Loans.

Find out the prepayment requirements for your loan.

Know Your Rental Assistance

Gather Documents:

- ✓ Project-based Section 8 contract
- ✓ Project-based Voucher contract
- ✓ Rent Supplement (Rent Supp) and/or Rental Assistance Payment (RAP) contract
- ✓ Rent roll

- When do your rental assistance contracts expire?
- What are your rents?
- Are your rents above, at, or below market?
- What are the incomes of your unassisted residents?
- What is your vacancy rate?

Know Your Capital Needs

Gather Documents:

- ✓ Capital Needs Assessment (CNA)
- ✓ REAC Report
- ✓ Preservation Property Summary Form - Checklist of key capital needs considerations

- What are your property's capital replacement needs?
- What is your REAC score? What issues are raised?

Audience Question

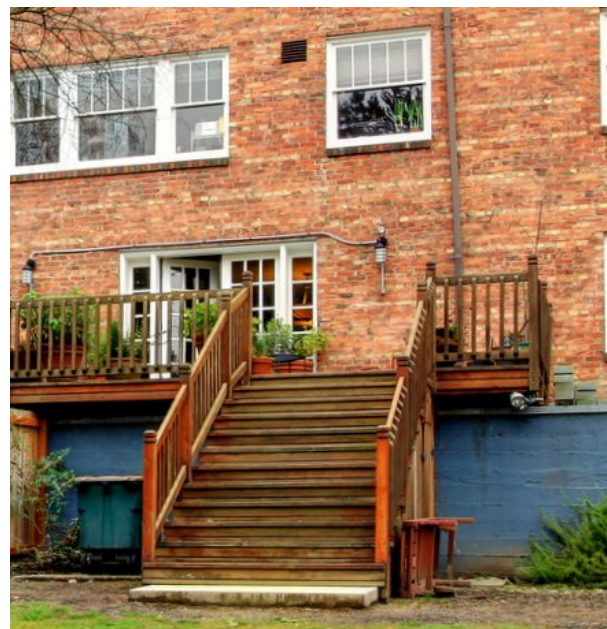
What does your property need?

- Immediate and upcoming major repairs
- Modernize older units and common areas
- Upgrade and add common space
- Convert efficiencies to 1-bedroom apartments
- Energy and water efficient upgrades that will save operating costs
- Accessibility improvements



More Questions to Ask

- **Aged payables and receivables:** Are you having trouble paying bills or collecting money?
- **Cash flow:** Positive or negative cash flow? Potential to increase revenue or decrease expenses?
- **What are your Reserves Balances?**
 - Reserves for Replacements
 - Residual Receipts Account



SET PRESERVATION GOALS

2

Know Your
Property

Set Your
Preservation Goals

Choose Your
Preservation Options

Apply for Financing
& HUD Approvals

Secure Long-Term
Stability

Preservation Goals

- **Safeguard** long-term rental assistance for current and future generations.
- **Improve** and **modernize** properties through capital repairs.
- **Stabilize** properties by placing them on solid financial footing.

A goal without a plan is just a wish.

~Antoine de Saint-Exupery

Importance of Goals

Goal Setting:

- Establishes priorities for decisions along preservation path.
- Keeps team on track.
- Establishes consensus.



Riverdale Park Residences
Bronx, NY

Process for Setting Goals

1. Conduct stakeholder discussion and focus groups to develop a list of goals.
2. Gather missing data, bring in outside help.
3. Reconvene to refine and finalize prioritized goals.
4. Document formal approval of goals.

Finding a Consultant

What to look for:

- ✓ Experience with similar clients (NP, FP, small/large)
- ✓ Experience with similar properties (Sec. 8, 236, 202, etc.)
- ✓ Comfortable with your Preservation Goals
- ✓ Recent experience with similar transactions

How do you find a Consultant?

- ✓ HUD Representative
- ✓ Trade associations
- ✓ Peers that have gone through similar process

Road Map to Preservation

1. Key Documents Checklist
2. Preservation Property Summary Form
3. Checklist of Potential Preservation Goals
4. Checklist of Potential Next Steps toward Preservation



Road Map to Preservation

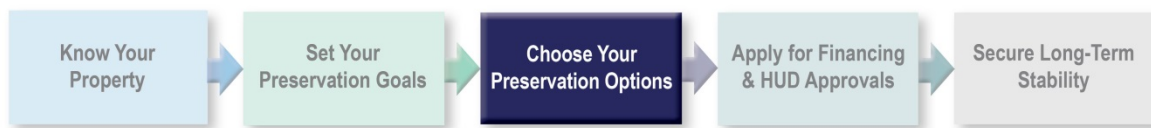
CHOOSE YOUR PRESERVATION OPTIONS

3

Do you need a recapitalization?

Explore financing options.

Explore rental assistance options.



APPLY FOR FINANCING AND HUD APPROVALS

4

Design improvements.

Secure contractor.

Apply for new financing and
conduct due diligence.

Apply for rental assistance.

Secure HUD approvals.

Know Your
Property

Set Your
Preservation Goals

Choose Your
Preservation Options

Apply for Financing
& HUD Approvals

Secure Long-Term
Stability

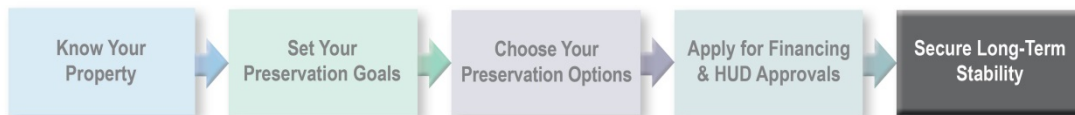
Secure HUD Approvals

- ✓ Prepayment approval or permission request
- ✓ Section 236 IRP decoupling
- ✓ Flexible Subsidy Loan deferral requests
- ✓ Increase in post-transaction rents
- ✓ Issuance of TPVs
- ✓ LIHPRHA-ELIHPA amendments
- ✓ RAD 2 conversion requests
- ✓ Combining efficiencies into 1-BR units

SECURE LONG-TERM STABILITY

5

Close on your new financing.
Secure your rental assistance.
Renovate your property.
Stabilize your property by placing it on solid financial footing.



QUESTIONS & ANSWERS



Riverdale Park Residences
Bronx, NY