

# **HUD's Multifamily Accelerated Processing or MAP Guide Industry Briefing, Session 2**

## **1/26/21**

John Panetti: Thank you for joining session two of HUD's Multifamily Accelerated Processing, or MAP, Guide Industry Briefing.

Now I'd like to introduce Zach Skochko from HUD.

Zach Skochko: Thank you. I'd like to introduce the effective dates for the MAP Guide. So effective now are chapters 2 and 15, which pertain to lender qualifications and lender compliance. Also effective now are certain processing efficiencies such as the requirement to submit environmental reports through HEROS.

In the transition period there are certain rules HUD is adhering to. For applications received prior to December 19, 2020, those applications are subject to the 2016 MAP Guide. No waivers to use any provision of the 2020 MAP Guide will be considered. Examples would be submitted LIHTC deals may not selectively utilize 2020 MAP Guide provisions.

However, if a submitted application wishes to be subject to the 2020 MAP Guide, the lender must completely withdraw that application and resubmit that application subject to the new queue assignment order. For applications received after December 18, 2020, which is when the new MAP Guide was issued, the lender must declare in the application whether the application is using the 2016 or the 2020 MAP Guide. However no mixing of favored provisions is allowed.

The next important effective date is February 1, and it is for Chapter 19 which pertains to closing. It is applicable to firm commitments only. So firm commitments issued on February 1 will be subject to the new 2020 MAP Guide Chapter 19. Lenders and their counsel should carefully review the chapter and the new closing protocols in 19.1.2 and 19.1.3, to request and maintain a preferred closing date. Revised closing checklists are under development and will be issued in the future.

The final transition effective date is March 18, 2021. This is a full transition to the 2020 MAP Guide. And at this point lenders no longer need to declare which MAP, the 2016 or 2020 MAP Guide are used, as 2020 is in full effect.

Certain upcoming events and updates we wish to draw your attention to are, next week we will be having webinar number three, which covers Chapter 14, LIHTC, and Chapter 19, closing primarily. Additional highlights from Chapter 4, 17, and 18, will also be presented. This date is Tuesday, February 2nd, from 2:00 p.m. to 3:30 p.m. Eastern time. We are also introducing a fourth webinar, which is an environmental radon deep dive. And you should save the date as February 25, from 2:00 p.m. to 3:00 p.m. Eastern time.

We will also have a fifth webinar, which is Chapter, environmental review, and it pertains to section 106 delegation and historic preservation. The date is to be determined, but is likely in

mid-March 2021. We will firm up this date for you next week at webinar number three. We also wish to advise MAP lenders that there will be a re-release of the MAP Guide forthcoming that corrects certain omissions and typographical errors. Currently we have only 11 such items. It will be a minor perfection to the existing document so that our user features such as hyperlinks and clarifications are current.

As you have heard in previous webinars, we will have the Ask a Question feature. And we are going to be providing a recorded resource on this. It is not a presentation. It will just be a recorded tutorial, as well as New User Features tutorial.

Today's HUD presenters will be Bart Goldberg presenting Chapter 7, which is valuation and market analysis; Wendy Houston presenting Chapter 8, which is mortgage credit; and Sara Jensen will be presenting Chapter 9, which is environmental review. Now I would like to turn it over to Bart Goldberg to present Chapter 7.

Bart Goldberg: Good morning, everybody. I just wanted to say basically at the outset that when we went to rewrite and redo Chapter 7, it was basically an agreement -- not an agreement -- we worked together with our partners inside and outside, we consulted market analysts, people doing market studies as well as appraisers, and it was vetted as well with underwriters and some professionals within HUD, technical people in HUD. So this is basically a compromise of some of the points that were made.

So I'm going to go through these. There's about 16 slides. It's about a 10 minute presentation. I'm basically going to go over briefly some of the changes and provide a little background on it. The first slide here basically is the effective date of the market study. We basically want to acknowledge that from the time of an inspection till the completion of the report, time elapses and we want to acknowledge that there's a 30 day buffer zone in there to -- that 120 to 180 day requirement of completion.

The next slide we basically want to acknowledge that when an update is required, that an inspection may not be necessary if the current market conditions are such that it's been a stable market and the appraiser -- rather the market study person may do a desktop analysis. And the changes, any material changes must be included.

In preparing this market analysis there's several steps. We basically want an independent analysis by the appraiser and by the market analyst. The market analyst may be required after the appraiser comes up with their rents to re-analyze the impact of those rents, as higher rents may result in reduced cap- -- an increased capture rate. Any discrepancies must be described and detailed by the lender. They must go through and explain why there are differences.

When preparing market studies, we also want the market analyst to address any property that may not be directly comparable to the subject. If the property is a class A property, we want to acknowledge any impact from any class B or C properties that may not be directly comparable. So you may even have smaller properties in areas where four, five, and eight families are there. We want to get a sense of how that will impact -- if it does, it may not -- but what the impact of that is.

When arriving at a balanced market, a 5 percent vacancy is typically what market participants, i.e., owners and managers of property, can consider that to be balanced. And we want to make sure that the supply and demand, even if they're at a 5 percent vacancy, is in balance, if that is correct and sustainable.

And the absorption period should be that time necessary to achieve that balanced market, i.e., 95 percent based on the stabilized occupancy in that market. We are eliminating sustaining occupancy as a benchmark for quantitate, qualitative analysis, as a methodology.

There's been a lot of discussion recently on whether or not to include commercial income or how to handle it. And I think that when we look at commercial income, it impacts different areas in different markets to greater degrees. And I think that this in many cases during the pandemic has shown to be true. I think that when you're supporting any commercial income, it is important to make sure that there is support through traffic counts, that there is a sustained inventory, and that there is a pipeline basically of users that can meet -- that will lease the space.

And I also think it's important to note what impact that commercial income has on the ultimate loan. If it is a small amount, it may not be that important. But if they're requiring that to support a large loan and possibly a lot of cash out, it should require a closer look and a much more thorough analysis.

As far as the requirement to adjust the cap rate in relation to the debt service constant, we have moved that to an underwriter's decision. And it's basically inconsistent with appraiser practice. If the underwriter feels after analysis of the whole deal that this may be more prudent, it is their decision. It is not a requirement that it must be done.

The next slide basically speaks to the use of market rents. When we're analyzing property that has rents that survived foreclosure and are in place in perpetuity, i.e., through rent control, legislative restrictions, or limits, these should be reflected in the appraisal. In most -- basically to ignore that gives us a value estimate for sale if in foreclosure that really would not have any bearing on the property. In my experience, it doesn't impact a lot of properties, but it does have some impact on those that have those restrictions. And usually it's when the income is at 50 percent of AMI or less.

This just reiterates the vacancies and this is fairly straightforward. Basically you're using a 3 percent vacancy for HAP contracts, properties with 90 percent or more units. The 5 percent applies to properties meeting at least the minimum low income housing tax credit set aside, and other restrictions including properties with attainable tax credit rents at 10 percent below market. The remaining properties would be at a 7 percent vacancy, would include low income housing tax credit properties with any percentage of units set aside, but without that 10 percent discount, and obviously any market rate properties.

This change basically clarifies what sort of ancillary income may be recognized. And again, the important thing to note in this is what is the durability and quality of that income stream. Is it something that could go away and may not be sustainable? Proper weight should be given that

income. If it's something that's been there, it's proven in the market, and buyers and sellers are actually getting that income, and it's sustained historically at the subject, that probably should be included. But we want to make sure that that is adequately supported and described in the appraisal, and that it can be sustained. And also making sure that the impact of that income, what is the contributory value of that to the final value estimate.

Moderator: Hey Bart, I just wanted to let you know, you have about two more minutes left for your section.

Bart Goldberg: All right. Thank you. I didn't think I'd take 10 minutes, but apparently I am. This is an error that was changed and the explanation is self-evident. Basically for the land value for sites sold to a public body, we want to differentiate between what they actually bought it for and what the value of it is. So the contributory value of those sites is what's important. If there is affordable housing on that, that impact must be noted.

This section was basically organized much better. And the limits on what is acceptable for income has been clarified and shortened substantially. And it should be much clearer now. Fee joiners by statute, it basically clarifies how HUD will be permitted to do that through statute. And I'm running out of time, so I'm basically going to conclude rather quickly on these last few. A tax abatement is something that usually happens over time. And it's fairly level. Any deferral or real estate tax deferral has to be cleared by HQ because the impact of that could be substantial over -- could be substantial in the near future.

I'd like to now introduce Wendy Houston to take us through Chapter 8.

Wendy Houston: Good afternoon or good morning, everyone. Thank you so much for joining us today. So I am highlighting a few of my main topics. So let's begin. And I just need to get situated just for a sec.

The first section is 8.3.3. The entire section was updated to add new previous participation guidance published in Notice 2016-15. The added content features definitions for covered project, controlling participant, and specified capacity. Also added to this section is the entire list of controlling participants types listed in the same order as under the notice.

The next section is 8.3.5 for national participants. This section is new to the guide. It adds the new foreign national principal guidance which was published in Notice 2019-1 and Mortgage Letter 2019-02, both titled Guidance for Foreign National Participation in FHA Multifamily Programs. The guidance expands the review of foreign national participants which was minimal in the 2016 guide.

The next section is 8.5.1.6.A.6, general contractor with adequate capital. The new language was added in this section to address the general contractor's pay when paid subcontracts. When these types of contracts are -- while these types of contracts are not prohibited, HUD will generally not permit an adjustment to the general contractor's working capital calculation.

The next section is 8.6, prior credit approval of principal borrower. While this is not a new section to the guide, the entire section was revised to update the scope and processes for a principal's prior credit review. This content is updated based on the published Mortgage Letter 2013-7 which remains in effect, and Mortgage Letter 2018-09, title Revised Concentration of Principal Risk Criteria. The highlighted changes you will see increase the FHA insured threshold from 250 million to 500 million, with an approval period of 24 months, up from 12 months.

The next section is 8.7.1.A.5, secondary debt public sources. This section pertains to secondary financing with a restrictive covenant. To conform to existing guidance, we modified this paragraph to state that any restrictive covenants written in secondary financing documents must expire upon foreclosure of an FHA insured loan or deed of trust. An exception to this is when the source of the secondary financing is HOME program funds or similar state lending program. HUD will permit a rider restrictive covenant agreement to be modified, plus that in the event of a foreclosure the restrictive covenant will remain in place.

The next slide is 8.7.6.A.3.A.h, secured public secondary financing conditions. The secondary mortgage must be assumable when a sale or transfer of physical assets occurs and the insured mortgage remains in place. This is still true and no change to this guidance. However in the 2016 mortgage MAP Guide, at paragraph 8.7.F.3.E.1 and 2, paragraph 1 and 2, the paragraph and the two conditions were deleted because the guidance was no longer applicable. We deleted the section that stated the subordinate lender cannot require that more than 75 percent of the net proceeds of the sale or the TPA be applied to reduce the subordinate indebtedness. We have also made this same deletion to the subordinate agreement public form at paragraph 10F on form HUD 92420M. The revised form is pending as paperwork reduction approval by OMB.

Next slide, there's a typo here. It's 8.8.3.B.4.c, d and e, evaluating nonprofit sponsors and borrowers. This section was rewritten to incorporate nonprofit guidance from three forms that were cancelled in 2016. The forms are HUD-3433, 3434, and HUD 3435. These forms are no longer required, but the credit and financial analysis for a nonprofit principal and a borrower is currently covered under section 8.2 of the guide.

Our next slide is 8.11.1.A.2.C, cash out equity from loan proceeds. This section was rewritten to clarify under section 223(f) program, that regional and satellite offices have the discretion to reduce cash out holdback amount based on certain criteria met by the borrower when the holdback exceeds \$1 million. Multifamily also added corresponding guidance from chapter 5 that addresses how to fund the repair escrow and assurance of completion escrow.

Our next slide is 8.14, determining cash requirements for closing. This is a deletion. In the 2016 MAP Guide, section 8.14M as in Mary, illustrated an example of the form HUD-92264-A at section 2 part B, on how to compute a borrower's initial 20 percent tax credit equity and the breakdown of the pay in schedule. This is a low income housing tax credit topic, so it was moved to chapter 14, section 14.13, tax credit equity pay in schedule, and section 14.4, definition of net equity.

The next slide is 8.14.C.12, employment based CIS preference, EB-5 equity source. This section adds the expanded information about EB-5, US Citizenship and Immigration Services equity program. HUD recognizes EB-5 equity as an eligible equity source to meet borrower's cash requirement. So this conforms with and clarifies existing guidance.

Our next section is 8.15.5.1, state and local tax exempt financing projects. This section was revised to add language that covers FHA insured loans with 4 percent loan income housing credits for transactions that may include an issuance of a short term cash collateralized tax exempt financing.

All right, this concludes my Chapter 8 highlights. My final section is on Appendix 8, and Appendix A.8.4, the mortgage credit underwriting document matrix. This chart is a new addition to the guide. We're excited about [inaudible] because it lists in clear fashion which documents are needed for credit [inaudible] for various participant principal types and roles.

Last I want to bring to your attention to an immediate correction needed for this chart. The last two rows of the matrix were dropped off during my editing session. The two missing rows are management agent without an identity of interest, and management agent with an identity of interest. So in the MAP Guide currently right now, the matrix is on two pages. And it's the second page, the last two rows, that's what was dropped off. We will provide a correct matrix at the conclusion of [inaudible]. So we'll get that out to you as soon as we can.

This concludes my presentation of Chapter 8 and Appendix 8. Next we have Sara Jensen to speak on Chapter 9, environmental chapter. Thank you.

Sara Jensen: Thanks so much, Wendy. And hello, everyone. There are a number of changes to Chapter 9 and I'm going to just highlight some today. We can't cover everything, so please read the entire chapter thoroughly. We're going to go through the changes in the order they appear in Chapter 9.

The first change is at 9.1.2.A.1, and it sets a national approach on how to aggregate a multifamily FHA project that is part of a larger site. The approach limits aggregation to directly related activities, for example access roads and parking. But it's important to note that what gets defined as directly related is contextual and will vary from project to project.

This section has the first of several footnotes linking to new FAQs. Here are all the FAQs in Chapter 9. The FAQs offer examples, illustrations, and links to further guidance on a topic. For example, the aggregation FAQ has three illustrated examples. And the historic preservation programmatic agreement FAQ has links to all the state programmatic agreements that cover FHA projects. The FAQs on the left side of this table will be posted shortly on housing's environmental webpage. The FAQs on the right are placeholders and it will be a while before these are up. We can add more FAQs, so for example we could add an additional illustrated example on the aggregation FAQ or add an entirely new topic. I'll be tracking common questions for ideas. And you can reach out directly with suggestions.

The next change is a clarification that HUD staff are considering an application for FHA mortgage insurance at a particular site, and are therefore limited to three alternatives. The action has proposed modification within the aggregated project site, for example changing the footprint to avoid a wetland, or changing the design to mitigate historic preservation impacts, or rejecting the application. This clarification applies to the (NIPA ?) analysis, the eight step analysis, and any law or authority that requires alternative analysis.

Section 9.1.3 expands the level of review section to include all types of multifamily insurance. Two things to highlight here. First the language clarifies that 221(d)(4) sub rehab projects are not always an environmental assessment level review. You must compare the project against the categorically excluded criteria, which is currently no change in land use, no change in unit density over 20 percent, and the cost of rehab is less than 75 percent of cost of replacement after rehab. This is in a footnote in this section.

Some projects will fit the categorical exclusion and some will require an environmental assessment. If the project meets the categorical exclusion, lenders must document and HUD staff must confirm that the 221(d)(4) does meet the categorical exclusion threshold, and this must be put in the project summary screen in HEROS. If you do not submit documentation supporting a categorical exclusion, HUD will proceed with an EA level review.

The second highlight is the update clarifies that 223(f) projects are categorically excluded even if they include new construction of accessory structures or ancillary improvements. In these cases the project description must include the extent of the ground disturbance, and the HEROS review must consider the laws and authorities in the context of new construction.

Zach already mentioned this, but the lenders and consultants must now submit environmental reports directly into HEROS. If you need any assistance, we have lots of resources on the housing environmental website. There's a link directly from the MAP Guide in Section 9.3 and Section 9.1.1.B. We have information about how to access HEROS, guidance documents, and a webinar that recorded just this past fall.

Section 9.2.1.C makes several changes related to choice limiting actions. It moves the federal nexus, which is the date when choice limiting action prohibitions apply, from initial contact to application date, or pre-app if you're using the two step process. It defines what is and is not a choice limiting action. It defines the end of a federal nexus. It makes clear that these restrictions apply to early starts and pre-endorsement improvements. And the section also retains the prohibition on construction and site modification after the concept meeting. Let's break this down. That's a lot.

Let's start with what is allowed post-application. So plans, designs, permits, rezoning, platting, re-platting, site studies with minimal borings or archeological test pits, those are all fine post-application. There's also a new activity here on this slide which is normal operations of existing multifamily residential properties during the FHA application process. So this includes leasing, work related to unit turnover, and even regularly scheduled or emergency repairs. Not allowed prior to an environmental review are any critical or non-critical repairs that are included as part of the FHA application.

The new language also defines the end of the federal nexus. If an application is not submitted within approved timeframes, or is submitted but withdrawn, it is no longer federalized. If you're in communication with HUD about extensions, the project is still federalized. Please note that if an application is resubmitted at a later date, the application must address any environmental compliance concerns noted at the original submission. For example, if HUD hosts a concept meeting for a site that contains threatened gopher tortoises and the project withdraws, clears the site with the intent to use conventional financing, but then comes back in for FHA, HUD will want to know how the site considered and protected the tortoises. If the answer is it did not, HUD may reject the application. This applies to projects that come in for a 223(f) refinance as well.

As I mentioned before, the MAP Guide still prohibits modification of the site after a concept meeting. So you may ask, why did we move the federal nexus to application. We did this to align with HUD's departmental approach on the federal nexus. And note that there are a number of things that you can now do between concept and application that were prohibited in the 2016 guide. You can enter into a new purchase and sales agreement. You can transfer an easement to the city. You can take similar actions that HUD considers to limit the choice of reasonable alternatives, or prejudice the outcomes but do not modify the site.

But neither the lender or the developer can enter into a new commitment to modify the site after the concept meeting. This prohibition is in place to protect you from risking the viability of your application, especially with respect to historic preservation. There may be limited scenarios where you can proceed with pre-concept legal commitments. But proceed with caution. Let's discuss two examples.

Hmm, I'm not able to advance this slide. Thank you. So example one, we have a choice neighborhood project, a large public housing development will be redeveloped in several phases with an FHA project in phase two. The public housing authority has a complete environmental review and approval from HUD to demolish the existing public housing, including at the FHA site. The 2016 guide required a MAP waiver if the PHA's demolition took place after initial contact with HUD. The 2020 updates eliminate barriers to the PHA moving forward with its approved action. You should highlight the issue in the application and discuss it at the concept meeting. HUD will want to see the authority to use grant funds for the public housing authority's review to confirm that it covers the buildings on the FHA site.

[side conversation, technical difficulties]

Sara Jensen: So example two, we have a multi-acre planned unit development -- this slide says urban development, that should say unit development -- with a two acre FHA site. The development agreement was entered into prior to the concept meeting and requires horizontal improvements, including on the FHA parcel. The best option in this scenario is to delay the improvements on the FHA parcel including aggregated areas until HUD completes the HEROS review. If this is not possible as part of the legal agreement entered prior to the concept meeting, the horizontal improvements can proceed, but will be done at the applicant's risk. So key



takeaway is no construction or site modification after the concept meeting. If you're in one of the narrow situations we just discussed, talk to HUD before proceeding.

We're going to move now to the next slide away from choice limiting actions, but we can come back during the Q&A period. Section 9.2.2.E incorporates CPD Notice 19-06 and removes the requirements for environmental clearance officer, which also is the same thing as the field and regional environmental officer, to review and comment on sites in the normally unacceptable noise zone. That's between 66 and 75 DNL. There is no change to the regulatory requirement for field and regional environmental officer review and comment on EA level reviews over 200 units. And new construction projects of any size with noise over 75 DNL require an EIS waiver, and therefore still need eco review and comment.

Next slide. As before, the MAP Guide highlights that field and regional environmental officers are regional experts, and multifamily housing staff should consult them for technical assistance on complex environmental issues. New language at 9.2.2.G strongly encourages multifamily housing staff to consult with REOs and FEOs on projects on or adjacent to a floodway, or on or adjacent to a superfund site, a formerly used defense site, or where contamination is unresolved. These sites are complex and the greatest risk to residents and to the insurance fund.

Next slide. We've reordered the contamination section to make clear that this is a part of the HEROS environmental review and not a separate document. Next slide. We've removed the section, Other Federal and State Law, and replaced it with new sections on wild and scenic rivers, farmland, and the Clean Air Act. These sections do not set new policy, but provide basic overview and links and guidance on the HUD Exchange.

Next slide gets to the contamination section. There are actually very few changes to contamination sections 9.4 and 9.5. One change is there's a new section for projects on or adjacent to superfund NPL sites. We crafted this language with input from EPA, and it gives guidance on NPL, which stands for National Priority List, NPL site characterizations, and the types of documents that EPA can provide.

Next slide. A second change is a new requirement for integrity testing, and operation and maintenance plans for underground storage tanks that are not regulated by local, state, tribal, or federal authority. Phase one reports must identify underground storage tanks, and document compliance with state regulations, or note that they are out of compliance or not regulated. This is a topic that has an FAQ with links to EPA guidance. Next slides in the lead based paint section, there are minor changes that bring the MAP Guide in line with the latest lead rule.

And then the next slide, asbestos. There are some significant changes in the asbestos section which is 9.6.2. We replaced the 1978 threshold date for asbestos surveys with a 1989 threshold date. Some of you may note we originally proposed no date at all, but reconsidered in light of drafting table feedback. Working with HUD's office of healthy homes, we determined that the 1989 EPA partial ban on asbestos containing materials eliminated risk from most building materials except roofing.

And we therefore require applicants to verify the composition of roofing materials for buildings of all ages. The updates also require a pre-construction level asbestos survey for rehab projects that are above the repair threshold as defined in Chapter 5. Next thing on asbestos, the new language replaces the 2016 MAP Guide requirement to remove friable or damaged asbestos with a more flexible risk based approach.

Next slide we're going to talk about radon. And there were significant changes to radon. As Zach already mentioned, we are going to have an entire standalone training on the MAP radon updates on February 25th. So today I'm just going to briefly highlight a few changes. And you can submit your questions, but we may hold those and answer them on the 25th. So the first changes that I want to highlight relate to exceptions to needing a radon report. The new MAP Guide removes the Zone 3 exception for 223(f) since this is not supported by EPA. And data shows that we may miss up to 33 percent of projects with elevated radon by not testing in Zone 3. This change also aligns the MAP Guide with the 232 handbook. That also clarifies that an exception by a radon professional must be based in a relevant state or ANSI-AARST radon standard.

Next slide. The radon updates eliminate the 25 percent sampling exception and now require 100 percent ground floor testing following the ANSI-AARST MAMF standard. This change is made to protect residents based on data from the HUD funded EARTH Study that found 25 percent sampling can miss 34 to 48 percent of elevated radon units. And the variations depends on the number of ground floor units. This change also eliminates confusion and delay related to the requirement to resample 100 percent of ground floor units if any unit has elevated radon after 25 percent ground floor testing. We receive many questions about this retesting, and the MAP updates eliminate this issue by solely following the testing guidance in the ANSI-AARST standard.

The last thing about radon I want to talk about is the next slide. And this is a change in timing for new construction and substantial rehab. For these projects, all post construction test results and mitigation reports including follow up testing must be submitted to HUD as final completion inspection. We want all testing and mitigation complete before occupancy. For phased projects, you must complete testing and mitigation at the final completion inspection of the first building or group of buildings.

After the first phase, HUD will review and consider a proposed radon testing plan for the remaining phases based on the project and the results of the first radon test. HUD will not consider multi-phase radon test groups for example, if the radon test of the first group uncovers problems with radon resistant construction. More details on this will be coming in the February webinar. There is no change to the timing of 223(f) mitigation, which remains as quickly as practicable and no later than 12 months after closing.

The next topic is historic preservation, next slide. And as Zach mentioned, this is another big change that we will have a standalone webinar on. The MAP Guide will allow lenders and their authorized representatives to initiate consultation with SHPOs in some circumstances. This delegation requires some submissions to be prepared by a qualified historic preservation professional. So we will dive into this topic in a standalone webinar tentatively scheduled for March 17th. For today, I just want to leave you with one main point, which is the delegation is

not yet in effect. The delegation that is posted as an appendix to Chapter 9 is a draft, and the final delegation will go into effect on March 18th.

Next slide we're going to move into flood plains. And the MAP updates make a number of important changes. The first is adding restrictions to development in FEMA's LIMWA zone. In the next slide we have a graphic. So the LIMWA is a fairly new designation that is on some recent FIRM maps along the coast. It's an area on the coast between the coastal high hazard area, marked as a VE zone on this graphic, and the 100 year flood zone or special flood hazard area, marked as AE on this figure. Technically a part of the AE or special flood hazard area, the LIMWA can have wave heights of up to three feet. Over the course of a 30 to 40 year mortgage, there's a strong chance that the LIMWA will change to a VE zone where FHA projects are prohibited.

Next slide. Another change in the flood plain section is a new requirement of two feet of freeboard. That translates to two feet of elevation above the base flood elevation for new construction projects in the special flood hazard area.

Next slide. The MAP updates discourage purchase and refinance at the lowest floor, life support facilities, ingress or egress of existing buildings is below the 100 year flood plain line or the base flood elevation. And the updates remove the 12 inch qualifier that was in the 2016 guide. HUD retains discretion in these cases, but this change will help multifamily staff more appropriately consider risk to ensuring these projects.

So the next slide is a table summary of the differences between 2016 and 2020. So you can see that there's no change in policies on coastal high hazard areas or floodways. Here are the new requirements in LIMWA zones. But note that even under the 2016 guide, HUD staff already reviewed projects in the LIMWA zone conservatively under the eight step project. So this change actually provides more clarity, and the new elevation requirements for new construction and better risk assessment for existing projects in the 100 year flood plain.

We're going to move now to flood insurance. The MAP updates create a new section for flood insurance at 9.6.6. The updates add a requirement for flood insurance for projects where the preliminary flood map or advisory base flood elevations indicate a special flood hazard area, not just the final FIRM map. They also allow housing approving officials, that translates to the production division director, the discretion to require flood insurance in moderate flood areas, parcels that include a special flood hazard area including an incidental portion, and where topography or past flooding indicates a high risk. Remember that HUD is looking at the flood risk out 30 to 40 years.

Next slide. The MAP updates also include a change in the amount of flood insurance. This change is actually in Chapter 3, Section 3.9.1. The new requirement is that the flood insurance must be at least equal to the greater of the maximum flood insurance available for that type of property under the NFIP, or equal to the replacement cost of the bottom two stories above grade. Limits may be satisfied by a combination of a national flood insurance program primary policy plus an excess policy. The next slide is another summary of the differences between the 2016 and 2020 policy on flood insurance. So this may be a good resource.

Let's move to noise. The MAP updates incorporate HUD's balcony policy from notice in 2016. There is an FAQ on the EIS waiver for noise process, just FYI. And then the next slide, the noise section adds new language on railroad vibration, noise, and location. And we added a lot of flexibility to this section after getting comments from the drafting table.

Next slide. Acceptable separation distance. Section 9.6.9 incorporates the new final rule on residential propane tanks. This section also provides additional guidance on how to consider above ground tanks for existing projects that do not increase residential density. Next slide is on pipelines. Section 9.6.19.B provides a clearer path to consider risks from pipelines, a table to assess risk, and a requirement for professional assessment of the riskiest pipelines.

We also added detail on the next slide on the fall hazard section at 9.6.19.C. This section defines fall hazards more clearly, as high voltage utility volts and towers, and freestanding structures such as radio towers, water towers, and wind turbines. The section eliminates -- does not define fall hazards as items affixed to the FHA buildings such as a radio or TV antenna, a satellite dish, or a cell phone tower on top of the building. And it also does not include local service electric lines and poles. The updates also allow HUD to consider an exemption to the fall distance requirements for existing housing projects, with a report from a registered engineer as described in this section.

The next slide is fracking. Section 9.6.19.F adds fracking to the existing section on oil and gas wells. The updates tie the risk to the distance from the fracking well pad, which is the location where the drilling takes place and the gas and the oil is extracted, and inserts a minimum distance of 300 feet from that well pad.

And then the final points, the final slide is on EA factors, environmental assessment factors. And the MAP Guide at Section 9.6.20 expands the guidance on environmental assessments. And this is one of those that has an FAQ, but it will be coming a little bit farther out.

So that is the end of this section. And I'm going to turn it over to ICF for questions on all of the chapters.

Moderator: Great. Thank you. We do have a couple more slides about some resources. Did we want to cover those first? I guess I'm asking Zach or David. Or did we want to go into the questions?

Zach Skochko: Sure. I'll cover those extra slides now. So the MAP Guide resources are found at the following URL. I can tell you a shortcut is to type HUD MAP Guide into Google. And this URL is usually the first result. This also includes the archived MAP Guide. So as we go through the 2020 MAP transition, certain applications may still want to reference the 2016 MAP Guide. And you can find those at the bottom link.

Within the next few weeks HUD will announce the availability of a new resource, the MAP Guide Ask a Question virtual help desk. This slide shows the place where you can ask additional questions that come up after you've left this webinar. The Ask a Question or AAQ virtual help

desk is accessible by going to the HUDEXchange.info website, then to program support where you can access Ask a Question. Don't forget that after you confirm who you are on step one, step two is where you ask a question, but be sure to choose the MAP Guide option so your question is routed properly. Once MAP Guide AAQ is launched, all questions must be submitted to the MAP Guide AAQ.

I'd like to thank -- we're going to go into our question and answer session, but I'd like to thank the presenters, Bart Goldberg, Wendy Houston, and Sara Jensen, for their content today. Now I'll turn it over to ICF to host the Q&A session.

Moderator: Great. Thanks, Zach. Just a reminder to everybody, if you do have a question, please go ahead and type it in the Q&A box. And we're going to try to get to as many as we can today. The first one is for Sara. So Sara, you might want to unmute. Could you comment on, "What is required in HEROS on an A7 application?"

Sara Jensen: Yes. Thank you. An A7 does require an environmental review in HEROS. It's an extremely limited review, so it's basically the project description, you have to check flood plains, and have flood insurance if that's needed. And there are -- radon testing is encouraged and lead based paint is sometimes required. So that does have to go into HEROS at the A7. And we are asking that lenders and their third parties enter that documentation from A7.

Moderator: Great. Thanks, Sara. The next question is also for you. Do you know when HEROS, when their built in decision making trees will be updated to reflect the 2020 HUD MAP Guideline?

Sara Jensen: HEROS is not planning any specific updates related to the 2020 MAP updates.

Moderator: Okay. David, I have a question for you, so you might want to unmute. "With the new choice limiting guidelines, does that mean the client cannot begin completion of critical and non-critical repairs prior to an issuance of a firm commitment?" Are you able to speak about that?

David Wilderman: Hmm. Well, I might need some help on that. Typically critical repairs could rarely be items that would trigger an environmental review. I mean they're typically going to be fixing some bad wiring, or a stair or step that's weak or about to fail, or a railing that's about to fail, items that would be life threatening. [inaudible] possible critical accessibility repairs, some of which may be necessary before endorsement and some may be deferred until after endorsement. Again, except for what might be an entry door problem, there should be little or no impact on any environmental concern. But I will yield to Tom or Sara about any specific environmental rules that might contravene what I've said.

Sara Jensen: Thanks, David. This is Sara. Yes, the answer basically is no. You cannot do critical or non-critical repairs until the environmental review is done. So if there's one stair that is causing a life safety, that might be something that you'd have to talk with HUD before that. But no, once that application is in, nothing can be done until the environmental review is complete.

Moderator: Great. Thank you. So there's a follow-up question to that. "If they have an application in process that's not yet submitted to HUD and the client has begun repairs based on the PCNA, how does this impact the application?" This is following up with the choice limiting sections.

Sara Jensen: I would need a little more information on that --

Male: It would seem like the premise would be covered by Sara's immediately previous answer that you can't do these things until the environmental review is complete.

Moderator: Great. Thank you. Sara, next question is for you. "How is the ESA assessor supposed to determine the roof composition? Is presuming acceptable?"

Sara Jensen: That is a good question. We actually say in the chapter, so I will tell you exactly. So this is in Section 9.6.2.S, for structures built in 1989 or later, HUD requires projects to report any knowledge of asbestos used at the property and to verify the composition of roofing materials either through direct documentation, for example receipts or labels, or through sampling and analysis. So we don't talk about presuming. So I can make a note and follow up on that.

Moderator: Great. Thanks, Sara. The next one, I'm not sure if it's Zach, or David, or Tom. They're asking about filing dates. And so they're wondering is the filing dates related to the use of the 2016 versus the 2020 guide, which dates do they use? Do they use the date that's in the HUD queue for receiving or the actual filing date? They said sometimes these dates can differ by about a week.

Male: It's the date of submission.

Moderator: Great. That was an easy one. Thank you. Sara, I have another question for you. Are UST removals considered a choice limiting action? They were previously told no because it's not an already disturbed area, but they want to verify that nothing has changed. Are you able to speak about that?

Sara Jensen: Yeah. I think that that would be a case by case decision. So I will have to follow up on that also.

Moderator: That's fine. Let's see. Here's another question for you, Sara. There's been a lot of environmental questions coming in. Are all pipelines above and below ground to be assessed following the new pipeline guidance?

Sara Jensen: Yes. It applies to both above and below. But one thing that I didn't mention in my comments before is that there's sort of a two pronged approach. So for existing projects that are not increasing residential densities, what we're looking for is a safe distance from the easement. And then as for new construction or rehab that's increasing residential densities, you have to look further and do the calculations and use the table assessing pipeline risk.

Moderator: Thanks, Sara. The next question is for you as well. For the new -- now this says HREC requirements, will we need to do a new phase two if a site was full of regulatory closure to previous residential standards is above current residential standards?

Sara Jensen: Yeah. Again I think that would be case by case. But in general the answer would be yes. Everything needs to be done to current residential standards.

Moderator: Okay. Sara, I think this one's for you too. What is the best way to get information for planned ASTs?

Sara Jensen: I would point people to the HUD Exchange for lots of information about where -- resources for this data.

Moderator: Thank you. Okay. I have a question for David. What section contains references to utility allowances? Are you able to speak about that?

David Wilderman: I don't think that we make any reference to utility allowances. We don't determine the utility allowances. That's essentially an asset management question, and comes up in the context of determining assisted rents for assisted housing, as I guess also tax credit calculations. But none of those are calculations that multifamily production [inaudible] for.

Moderator: Great. Thanks, David. Sara, I have another question for you. This is about underground high pressure gas transmission pipelines. "What are the new clearance perimeters? They were previously exempt. Are you able to share that information today?"

Sara Jensen: Can you repeat the question? I'm not sure I understood the question.

Moderator: Of course. They're saying regarding underground high pressure gas transmission pipelines, what are the new clearance perimeters? They're saying they were previously exempt before, and so they're wondering what the new clearance perimeters are.

Sara Jensen: Okay. I'm not aware that they're exempt before. So basically they would just follow the guidance as laid out in the MAP Guide about assessing risk from pipelines.

Moderator: Great. Okay. Somebody's asking -- I think this is for you, Sara -- what are the changes to the lead based paint testing from the 2016 guidelines to the new 2020 guidelines?

Sara Jensen: The changes are -- I recommend reading through the lead based pain section. I can't say off the top of my head. They're pretty minor. But they do -- the new section is aligned now with the latest lead based paint rule.

Moderator: Okay. Thanks, Sara. Let's see, there's another question for you. They're curious if there's clarification added to the 2020 guide on pre-demolition ACM surveys, and if those are required at pre-application or can be floated to FIRM.

Sara Jensen: That's interesting. I don't think we say specifically about timing. But I'll have to follow up on that. So the question is about pre-demolition surveys and the timing?

Moderator: Yes.

Sara Jensen: Okay. I'll have to follow up [inaudible] --

Moderator: And they're just wondering if there's any new information added in there.

Sara Jensen: Yeah. I don't think there is. That's a good question though.

Moderator: Okay. Great. I think that's all the questions that have come in so far. Just a reminder to people if you have questions, please go ahead and type it in the Q&A box. I'm seeing some questions rolling in here, so let me try to [inaudible]. Okay. So somebody, I'm not sure who will be able to answer this, maybe Sara, it's, "Section 9.6.2.J, means that an accredited asbestos professional is the one to determine the approach of abatement versus encapsulation. Does this determination need HUD approval?"

Sara Jensen: No. We are relying on the asbestos professional. Let me just look in the section. Yeah. HUD staff will review the plans, but we defer to the asbestos professional and their recommendations.

Moderator: Great. Thanks, Sara. Somebody else asked about when the AAQ is going to be available. I know that our developers according to their schedule are supposed to be testing it this week. So I have hope that it will be available and open very soon. There will be an announcement made. You'll get an email that it is available. But it is coming very soon.

Sara, I have another question for you. "Do you have any clarifications on the requirements to inspect existing radon mitigation systems? Or is that going to be discussed in an upcoming radon webinar?"

Sara Jensen: Yes. That is definitely one of the topics that we're going to discuss on the 25th.

Moderator: Great. Thank you. This one, I think it's for you too, Sara --

David Wilderman: That would be the 25th of February.

Moderator: Great. Thanks, David. I think I can -- I'm moving the slides. Hopefully you can all see that. You can see the dates of the upcoming webinars that are there.

Sara, there's another question that's come in for you. "What documentation is HUD looking for to determine whether a pipeline presents a hazard for new construction where the pipeline is within the radius established by the appendix?"

Sara Jensen: So I would just point people to 9.6.19 for the discussion. So I guess I'm not completely following the question. So we're asking for an analysis of any pipeline that exceeds



200 PSI operating pressure. And so anyone that meets that criteria, we want to see documentation either using the tables, or if it's within -- closer than the tables [inaudible] then we would need additional documentation from an engineer.

Moderator: Okay. Thank you. Another question for you, Sara. "If the phase one ESA indicates the need for a phase two ESA, does only the phase two need to be within the one year time frame as stated in 9.4.1.A.3, or both the phase one and phase two ESAs?"

Sara Jensen: The phase one has to be within the time frame. That's not negotiable. The phase two, the MAP Guide does consider cases where the phase two is older and we could still use it.

Moderator: Okay. This is another question for you, Sara. "What is the preferred timing for lender consultation with HUD on the phase two ESA?" And they're saying as a design member, a design team member, they're trying to understand how the outcome of the phase two ESA might impact the overall project scope and therefore timing within the overall process.

Sara Jensen: I love this question. We repeat a bunch of times in the MAP Guide that before commissioning a phase two, lenders should talk to HUD. So I would say as early as possible. Because we want to make sure that it covers the scope, and we really talk through what we're looking for and what the next steps would be. So I would say as early as possible.

Moderator: Great. Thank you. Here's another one for you, Sara. "Will lenders be able to enter the information in HEROS on an AH7? Or will a vendor have to do that?"

Sara Jensen: Oh, that's a good question. Actually thank you for clarifying. Lenders have read only access, so they will not be able to enter. I think I misspoke earlier. It would have to be a consultant.

Moderator: Okay. Thanks. That's really helpful.

Another question for you, Sara. "Can you discuss the qualifications required for the engineering report needed to assess the thermal radiation in blast over pressure hazard?"

Sara Jensen: So this I'm thinking might be a good FAQ. So at this point I would just point people to the MAP Guide. But we may need to work something up in an FAQ.

Moderator: Great. Okay. I know we talked a little bit about the roofs already and presumption, but I think they're still trying to get their head around that. So they are asking again, "Are you still able to presume roofing material contains asbestos rather than perform destructive testing?"

Sara Jensen: Yeah. We're going to need to follow up on that question.

Moderator: Okay. No problem. Here's another one for you, Sara. You're the popular person today. For new construction projects in the vicinity of a pipeline -- I think we already asked this one. I'm sorry. This one's already been asked. I'm not going to ask that one again.

Wendy Houston: [inaudible]

Moderator: Oh hey, Wendy. You want to go ahead and answer your questions?

Wendy Houston: Yeah. I have two, if you don't mind and then --

Moderator: Great. Why don't you go ahead?

Wendy Houston: So it's for Section 8.5.121 and 3. [inaudible] is a bit confusing. Is HUD saying a borrower can submit [inaudible] financials for previous three years if audits are not available? And the answer to the question is, yes. This is regarding submission of financials statements on a 223(f) deal.

The second question pertains to lenders' review and recommendation. It's 8.8.8.A. It says the underwriter recommendation should be within mortgage credit submission. Is HUD okay with the lenders creating appendix 5-0, lenders mortgage credit narrative? And that is, yes, it should [inaudible] separately. That's it.

Moderator: Great. Thank you. That's all the questions I have that have come in, unless panelists have seen other things or anything they want to clarify.

Sara Jensen: I'm seeing a few that came in around 9. Should I just answer them?

Moderator: Sure. Go ahead.

Sara Jensen: One question was about 202s and whether they should use HEROS. So programs other than FHA housing programs have their own environmental guidance. And the 202 program has its own environmental guidance. And yes, it does require that the reviews be done in HEROS. So I hope that's helpful.

And then there are a couple questions about noise and new construction. So one is there's a 221(d)(4) with an addition to the existing building. That would be treated as new construction because that's new units that are being exposed to noise. So that would need a noise assessment and to be treated as new construction for noise.

And then another question, "Is noise assessment warranted only for new construction projects solely as EA level review?" Yes. And we did a webinar specifically on noise over the summer and we talked about this.

So in HEROS, if you're doing an EA level review either for new construction or sub-rehab at the EA level review, you do need to do a noise calculation. If you're doing a CEFT level review, you do not. However, if you're in a noise impacted area, it's a really good tool because the regulation strongly encourages noise attenuation. And so it's something that is really helpful to understand the noise impacts and what kind of attenuation you need to have.

Moderator: Thanks, Sara. That's really helpful. I think the questioners might have sent that directly to you in a chat, so we're unable to see those in our Q&A queue here. Bart, were there any questions that came in directly to you that haven't come up yet, or anything else you wanted to add?

Bart Goldberg: No. I did not see any. But I'm trying to go through it. So if anybody's got any questions, I'd be more than happy to help out.

Moderator: Okay. Sara, another one came in for you. They're asking, "Is flood insurance required for new A7s if the buildings are outside of the 100-year flood plain, but incidental improvements are within the 100-year flood plain?"

Sara Jensen: Yeah. That's a category of this is at the discretion of the production division director, especially if there has been flooding at that site, or if the topography is flat and there's a risk over the term of the mortgage that there might be flooding. That would be something that HUD might require.

Moderator: Okay. There's another pipeline question. I don't know if you're able to answer this now or if you might need to do some more research. But they're asking, how would the new pipeline analysis be completed when the most important information is the diameter and operating pressure, both of which are highly sensitive and regularly not provided?

Sara Jensen: Yeah. Let's put that as a follow up question.

Moderator: Sure. No problem. Another question here for you, Sara. Is marketing the main concern on noise with existing 223(f) projects? Or would noise need to be mitigated?

Sara Jensen: So the regulations do talk about marketing as being the most important consideration. And they also say that HUD, at certain levels of noise are encouraged to do noise attenuation, and at certain higher levels of noise are strongly encouraged.

So the regulation does -- and the way this would work is if the 223(f) repairs are not related to things that could do noise attenuation, then there's not much else to do. But if the planned work involves changing out windows or replacing insulation or if the noise is coming from airport noise and redoing the roof, then that's an opportunity to work noise attenuation into those repairs.

And in contrast, substantial rehab, there are a lot of opportunities to work in noise attenuation. So for 223(f) substantial rehab, we would want to noise attenuation worked in even if it wasn't planned.

Moderator: That's really helpful. Another question for you, Sara. "How is environmental review completion evident?" They're saying in a 223(f), is it really necessary for them to wait until commitment for completion of critical repairs which can often take more than two months from commitment to closing to complete.

Sara Jensen: So it's evidenced by a completed and approved HEROS review which may come before the commitment. And the other thing I want to mention is that there are activities if it's below the maintenance threshold, then that would not be a choice limiting action. So things like replacing the broken stair that someone mentioned would be fine because that is under the maintenance threshold. But anything over the maintenance threshold would need to wait until the HEROS review is complete and approved.

Moderator: Okay. Another one for you, Sara. And this is talking about COVID times and access to units. They're saying, "With 100 percent radon testing on 223(f)s, do you have any guidance if tenants won't allow access during COVID?"

Sara Jensen: Yeah. That's a great question. And we're definitely going to cover that on February 25th.

Moderator: Great. Thanks. I know Wendy has to leave because she has to go to another webinar. Maybe David can answer this. And if you can't, David, we can just follow up later. But they're asking about the 221(d)(4) preapplication checklist. And they're asking has the APPS 2530 required exhibit -- they've been told by headquarters this is optional. But I think they heard today that it's going to be required. Do you have any information about that? Is HUD going to change the exhibit 5-5A to optional?

David Wilderman: 2530 clearance is not optional. How it is evidenced is not something I want to talk about absent Wendy. But all principals, meet the definition of a principal, need to have 2530 clearance.

Moderator: Okay. Great. That's all the questions that have come in so far. I know we just have a few minutes left. David, I don't know if you want to wrap things up for us or [inaudible] already done some final things.

David Wilderman: Zach, why don't you wrap it up for us.

Zach Skochko: Okay. We'd like to thank everybody for participating here. Some of these questions will be rolled over to a written frequently asked questions where we'll provide more complete and detailed answers. Again, this session is recorded, so you will be able to view it soon through HUD Exchange. We will be disseminating that information. We have records of everybody who attended all three sessions. And we're going to get that information out to you.

Reminder, next week is Chapter 14 LIHTC, and Chapter 19 closing on February 2nd. Please plan to attend especially if your roles involve those disciplines. Thank you very much for attending. And we appreciate everybody's attendance here today. This concludes our presentation.

John Panetti: Thank you for attending this webinar. We hope you have or will register for the third session of the MAP Guide industry briefing series.

(END)