

July 24-27, 2013 | Eldorado Hotel | Santa Fe, New Mexico

**National Housing & Rehabilitation Association's**



# 2013 Summer Institute

*Recapitalizing Rural Affordable  
Housing*

Speakers:

Carl Wagner



# Topics

1. Brief History of USDA Rural Development Programs
2. Current Funding Levels
3. Condition of the 515 Portfolio
4. Opportunities available to private and nonprofit developers
5. Process for managing redevelopment Process
6. Working with RD and Multiple Agencies



**Single Family Housing Programs**

USDA Rural Development's Single Family Housing programs deliver a variety of assistance to support the housing needs of rural people. Most involve direct assistance by USDA, while others work through local partnerships.

USDA PROGRAM	PURPOSE Program goal	ELIGIBLE APPLICANTS Who can apply	PROGRAM TYPE How it works	ELIGIBLE AREAS Rural population	AUTHORIZED PURPOSES Use of funds	TYPICAL FUNDING	RATES AND TERMS Rates can Change	KEYS TO SUCCESS	WHEN TO APPLY	WHO TO CONTACT
<b>Single Family Housing Direct Loan</b> (502 Loan)	Creates option for low income people to buy a modest home	Low and very low income people	USDA makes loan to home-buyers	Unincorporated areas, cities with less than 10,000 population, and some cities with less than 25,000 population and not part of an urban area	Buy and perform needed repairs on new or existing homes - 100% financing - no down payment required	\$90,000-\$190,000; up to 100% of the market value of the home	A fixed interest rate at time of loan approval (or lower if subsidized); 33-38 years	Applicants must have good credit and stable income adequate to repay the loan - Self-Help program available	Year-round	USDA Rural Development Local Offices
<b>Single Family Housing Participation Loan</b> (502 Participation)	Enhances ability of mortgage lenders to make loans so low-income people have option to buy a modest home	Low income people	USDA participates with a local mortgage lender in financing a home			\$90,000-\$190,000; up to 100% of the market value of the home	Mortgage lender's loan is fixed; 30 years; A fixed interest rate at time of loan approval (or lower if subsidized); 33-38 years	Mortgage lender loans 20+% of purchase price; USDA loans the rest - applicants must have good credit and stable income adequate to repay the loan		Participating mortgage lender, or USDA Rural Development Local Office
<b>Single Family Housing Guaranteed Loan</b> (502 Guarantee)	Creates incentive for mortgage lender to make home loans to low and moderate income people	Mortgage lenders making loans to low and moderate income people	USDA guarantees home loan made by mortgage lenders			\$290,000; up to 100% of the market value of the home	Mortgage lender's interest rate is negotiated but is fixed; 30 years; guarantee fee applies	Lender-driven: participant lenders make the loan - (USDA guarantees the loan) - applicants need good credit, stable income adequate for loan repayment		Participating mortgage lender, or USDA Rural Development State Office
<b>Single Family Housing Repair Loan</b> (504 Loan)	Modernizes or repairs a modest home	Very low income people	USDA makes loan to home owners		Install or repair water or sewer hook-ups, roofing, insulation, other improvements or to repair basic defects	\$20,000	1%, 20 year	Applicant must have limited resources and be unable to get credit elsewhere		USDA Rural Development Local Offices
<b>Single Family Housing Repair Grant</b> (504 Grant)	Rehabilitates substandard housing to a safe, decent and sanitary condition	Very low income people who are 62 years of age or older	USDA gives grant to home owners			\$7,500	Grant recipient must live in dwelling 3 years after the grant is made	Applicant must have limited resources - 504 Grant and Loan may be combined		



**Multi-Family Housing Programs**

USDA Rural Development's Multi-Family Housing programs deliver a variety of assistance to support the housing needs of rural communities. Most involve direct assistance by USDA, while others work through local partnerships. This section includes Farm Labor Housing and Housing Preservation programs.

USDA PROGRAM	PURPOSE Program goal	ELIGIBLE APPLICANTS Who can apply	PROGRAM TYPE How it works	ELIGIBLE AREAS Rural population	AUTHORIZED PURPOSES Use of funds	TYPICAL FUNDING	RATES AND TERMS Rates can Change	KEYS TO SUCCESS	WHEN TO APPLY	WHO TO CONTACT
<b>Rural Rental Housing Direct Loan</b> <i>(515 Loan)</i>	Develops new rental or cooperative housing and related facilities for low income tenants	Individuals, corporations, associations, partnerships, trusts, tribes, public or private organizations, consumer cooperatives	USDA makes direct loan	Colonia, tribal land, EZ, EC or REAP zones, California list of designated places	Develop new rental housing	\$1,000,000 maximum	1% fixed (using interest credit); 30 years with 50-year amortization	Limited funding	Once a year with annual competition at national level	USDA Rural Development State Office
<b>Guaranteed Rural Rental Housing Loan</b> <i>(GRRH 538 Loan)</i>	Creates incentives and shares in the risks for commercial lenders to develop/repair apartments for low and moderate income tenants	A legal citizen of the United States, a non-profit, for-profit entity, banks and other lenders making loans to developers, tribes or public agencies	USDA guarantees the lenders loan	Cities, counties and areas with less than 10,000 population and some cities and areas with less than 25,000 population	Loans for new construction, purchase and rehabilitation/renovation of existing apartments	No maximum or minimum amount	Negotiated between borrower and lender. (USDA may provide interest credit to reduce the effective interest rate)	Lender-driven; Lender must be willing to make the loan - (USDA's Guarantee serves as an enhancement to the lenders loan increasing the borrowers ability to obtain favorable loan terms)	Year-round	
<b>Farm Labor Housing Direct Loan and/or Grant for Off-Farm Housing</b> <i>(514/516 Loan and Grant)</i>	To increase the number of available off-farm housing units for year-round and migrant domestic farm laborers	Nonprofit limited partnerships with NP GP, non-profits, tribes, public agencies	USDA makes direct loan and/or grant	No restriction	Construction of new off-farm FLH units and related facilities for year-round and migrant domestic farm laborers	\$3 million maximum (total loan and grant). Limited partnerships with NP GP are not eligible for Section 516 Grants	Loan- 1% fixed; 33 years Grant- 33 years	Competitive program, USDA may provide tenant specific rental assistance and/or operating assistance for eligible projects	Once a year with annual competition at national level	
<b>Housing Preservation Grant</b> <i>(HPG 533 Grant)</i>	Supports repair and rehab programs that correct safety and health hazards, comply with development standards or codes, or needed repairs to improve general living conditions for housing or rental properties occupied by very low and low income rural persons	Nonprofits, tribes, and public agencies	USDA makes grant to support local housing rehabilitation projects	Rural areas, cities with less than 10,000 population and some cities with less than 5,000 population	Any program that offers affordable assistance (loans, grants, subsidies, technical assistance, etc.) to repair low income housing	\$60,000 - \$150,000	Grant	Competitive program - preference is given to projects with matching funds and targeting very low income rural persons	Once a year with annual competition at national level	
<b>Farm Labor Housing Loan for On-Farm Housing</b> <i>(514 Loan)</i>	Provide housing for both year-round and migrant domestic farm laborers	Individual farmers, farm partnerships, farm corporations and farm associations	USDA makes direct loan	No restriction	Construction of new on-farm housing or acquisition and rehabilitation of existing on-farm housing	Maximum loan is 100% of total project development costs	1% fixed; 33 years	Non-competitive program. Projects funded on a first-come, first-serve basis until funds are exhausted	Year-round	



NH&RA 2013 SUMMER INSTITUTE July 24-27, 2013 | Eldorado Hotel & Spa | Santa Fe, New Mexico

## USDA

Rural Development (dollars in millions)	FY13 Approp. (H.R. 933) <sup>a</sup>	FY14 Admin Budget	FY14 House Bill (H.R.2410)	FY14 Senate Bill (S.1244)
502 Single Family Direct (Self-Help Setaside) (Teacher Setaside)	\$900 (5) (0)	\$360 0 0	\$820.2 0 0	\$900 (5) 0
502 Single Family Guarantee	24,000	24,000	24,000	24,000
504 Very Low Income Repair Loans	28	26.3	25.4	26.3
504 Very Low-Income Repair Grants	29.5	25	18.6	28.7
515 Rental Housing Direct	31.3	28.4	28.4	28.4
514 Farm Labor Housing	20.8	23.5	23.9	23.9
516 Farm Labor Housing	7.1	14	8.2	8.3
521 Rental Assistance (1 yr) Preservation RA	907.1 0	1,015 0	1,012 0	1,015 0
New Constr. 515 RA	0	0	0	0
New Constr. 514/516 RA	(3)	(3)	0	0
523 Self-Help TA	30	10	17.1	25
533 Housing Preserv. Grants	3.6	0	0	3.5
538 Rental Housing Guarantee	150	150	150	150
Rental Preserv. Demo (MPR)	17.8	20	17.3	20
Rental Preserv. Revolving Loans	0	0	0	0
542 Rural Housing Vouchers	10	12.6	9.7	12.6
Rural Community Develop. Init.	6.1	0	6	6

a. Does not include 5% sequester of 2.5% across the board cut, Section 521 RA funding is \$838.9 million.

(The above chart was created by the Housing Assistance Council)





**USDA Rural Housing Obligations, Through May FY2013 - Summary**

Program	May		April		Change from Previous Month	
	Obligation	Loans/Grants	Obligation	Loans/Grants	Obligation	Loans/Grants
Section 502 Direct Loans	\$450,750,770	3,930	\$391,404,018	3,425	\$59,346,752	505
Section 502 Guaranteed Loans	\$14,123,036,415	103,414	\$12,103,458,191	88,775	\$2,019,578,223	14,639
Section 306 Water & Waste Disposal Grants	\$76,461	17	\$79,503	18	(\$3,042)	-1
Section 504 Repair & Rehabilitation Loans	\$6,690,841	1,146	\$4,849,650	849	\$1,841,191	297
Section 504 Repair & Rehabilitation Grants	\$16,498,613	2,785	\$13,714,864	2,321	\$2,783,749	464
Section 509-C Compensation for Construction Defects	\$0	0	\$0	0	\$0	0
Section 509/525 Technical Assistance Grants	\$0	0	\$0	0	\$0	0
Section 514 Farm Labor Housing Loans	\$16,296,341	12	\$14,840,800	11	\$1,455,541	1
Section 515 Rental Housing Loans	\$3,472,635	2	\$0	0	\$3,472,635	2
Section 516 Farm Labor Housing Grants	\$6,632,058	6	\$6,632,058	6	\$0	0
Section 523 Mutual and Self-Help Housing Grants & Contracts	\$8,283,642	14	\$8,136,582	13	\$147,060	1
Section 523 Self-Help Site Loans	\$0	0	\$0	0	\$0	0
Section 524 Site Loans	\$0	0	\$0	0	\$0	0
Section 533 Housing Preservation Grants	\$0	0	\$0	0	\$0	0
Section 538 Guaranteed Rental Housing Loans	\$25,669,756	23	\$23,757,256	20	\$1,912,500	3
SFH & MFH Credit Sales	\$423,310	8	\$380,190	7	\$43,120	1
Multifamily Housing Preservation & Revitalization (MPR) Loans	\$0	0	\$0	0	\$0	0
Multifamily Housing Preservation & Revitalization (MPR) Grants	\$80,000	1	\$0	0	\$80,000	1
<b>LOAN AND GRANT TOTALS:</b>	<b>\$14,657,910,842</b>	<b>95,445</b>	<b>\$12,567,253,112</b>	<b>80,646</b>	<b>2,090,657,729</b>	<b>14,799</b>
Section 542 Rural Housing Vouchers	\$8,130,759	2,312	\$7,341,409	2,093	\$789,350	219
Section 521 Rental Assistance	\$677,087,096	154,780	\$514,190,464	117,423	\$162,896,632	37,357

Source : HAC Tabulations of RHS 205 Report Data and 1940 L Report.

Housing Assistance Council



# RD Scope of the Need

- 15,338 properties as of April 2012
- Down 221 properties from 2010
- 445,292 units with 92.5% occupancy
- 244,084 elderly units 59.27%
- 167,748 non elderly units 40.73%
- 271,599 units with RA 66%
- 63,568 of the families rent overburdened 14.27%



# RD Scope of the Need (cont.)

- 700,397 occupants in the units.
- \$11,500 average household income
- 93.87% of the households are very low
- Most projects were built before 1994





# Summary of the issues of working with RD to recapitalize

- RD has a large number of projects in rural areas that are old and need updating.
- RD has declining resources and the tenants can not afford to pay more rent.
- Owners are getting older and have no incentive to keep or recapitalize the property.
- Cash flows are very limited and RD operates a budget based process for rent increases and CRCU rents.

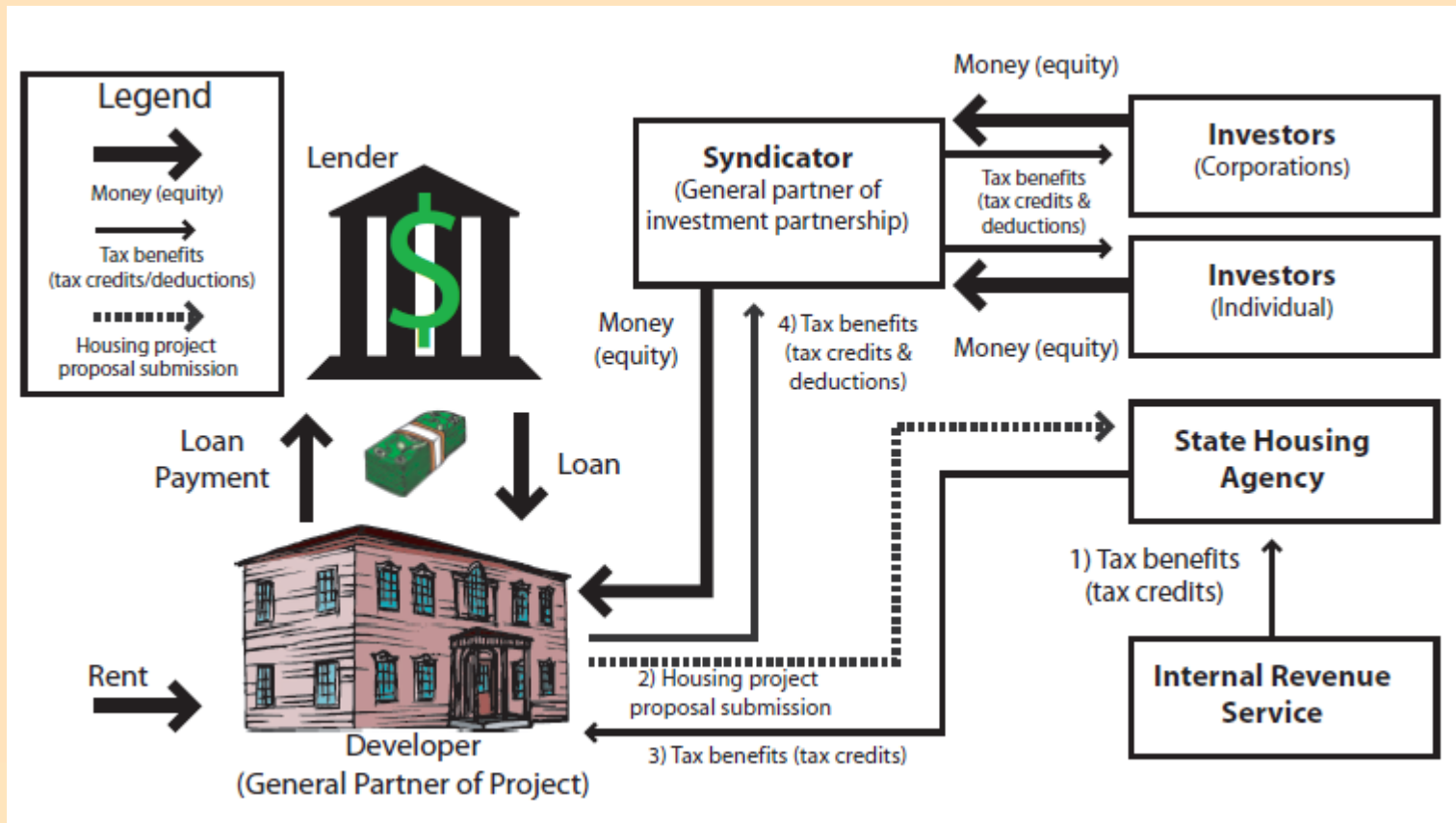


# Opportunities

- Purchase with TPA (Transfer of Physical Assets)
- Assume the GP (General Partner) Interest
- Purchase and pay off the 515 loan.
- Take over the management and not own the property



# Pieces of the Puzzle



# Working with RD and Multiple Agencies

- Have a financially strong development team
- Have experience development team members
- COMMUNICATE
- COMMUNICATE
- COMMUNICATE

