Evaluation of the Section 202 Demonstration Predevelopment Grant Program

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Evaluation of the Section 202 Demonstration Predevelopment Grant Program

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Disclaimer

The contents of this report are the views of the authors and do not necessarily reflect the views or policies of the U.S. Department of Housing and Urban Development or the U.S. Government.

Foreword

Over the past 50 years the Department of Housing and Urban Development has funded the construction of over 400,000 affordable housing units for elderly households through the Section 202 Supportive Housing Program. In 2004, the Section 202 Demonstration Predevelopment Grant (DPG) Program was created to provide predevelopment funding to grantees to reduce development delays in the program.

The Evaluation of the Section 202 Demonstration Planning Grant Program was conducted in order to ascertain the effectiveness of the 202 DPG program in reducing development delays. The study found that overall there was no significant difference in closings between those properties that had received the DPG and those that did not. However, almost a third of the project sponsors reported that DPG helped them to leverage funding from other sources as outside funders believed that the likelihood of completing the project was higher when development grant funding was present. This finding aligns with the Department's current plan to reform the Section 202 program.

Over the coming months, the 202 DPG program will be converted into a planning grant to strengthen applicants' capacity to develop competitive project applications for the gap financing and operation subsidies that are available through the 202 Supportive Housing Program. This report, while written before the changes to the program were proposed, provides ample support for greater attention to initial project development planning. The report will be of interest to policymakers not only because it provides detailed feedback on the effectiveness of the development grant program, but because it provides a window into the challenges of producing affordable, supportive housing for the elderly more generally and this may help to strengthen future program designs.

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Executive Summary

Section 202 Supportive Housing for the Elderly is the US. Department of Housing and Urban Development's (HUD's) primary program for developing subsidized rental housing for elderly residents with very low incomes. The Section 202 Demonstration Predevelopment Grant (DPG) Program was created in 2004 to provide predevelopment funding to recipients of Section 202 capital advance awards to reduce development delays and increase the number of affordable rental units available each year for low-income elderly households. The Office of Policy Development and Research at HUD commissioned this study to assess whether the DPG Program has been effective in reducing development delays. The study also explores factors that are associated with Section 202 sponsors' decisions to participate in the DPG Program and documents the experience of sponsors and HUD project management staff with the DPG application process and grant administration. Finally, the study identifies other factors that HUD staff and sponsors say contribute to development delays, including HUD policies and local regulatory environments.

Background

The Section 202 Supportive Housing for the Elderly program, established under the Housing Act of 1959, provides funding to nonprofit organizations—known as "sponsors"—to develop and operate housing for very low-income seniors (those with less than 50 percent of the local median income). The Section 202 program provides development funding in the form of capital advances for constructing, rehabilitating, or acquiring a housing structure. Capital advances bear no interest and repayment is not required as long as the housing remains available for very low-income elderly residents for at least 40 years.

The program also provides operating funding in the form of project rental assistance contracts (PRACs). Sponsors use PRAC funds cover the difference between the tenants' contributions toward rent (30 percent of adjusted income) and the HUD-approved cost to operate the project. Sponsors may also use PRAC funds to provide supportive services and to hire a service coordinator in those projects serving frail elderly residents.

The Section 202 program is an important source of affordable rental housing for the elderly, with 8,000 properties and 263,000 housing units currently providing housing for elderly residents.[1] Demand for the program is high; waiting lists exceed 1 year on average. Demand will continue to grow as the nation's elderly population increases. Given that funding for Section 202 housing is limited and demand is high, HUD places priority on getting Section 202 housing constructed and available for occupancy quickly. HUD's goal is for Section 202 sponsors to complete predevelopment activities and reach initial closing within 18 months of fund reservation. The duration of the period from fund reservation to initial closing is known as "processing time." Sponsors must request extension waivers to extend processing time beyond 24 months. They can also request amendment funds waivers to increase the capital advance amount if sponsors experience unexpected project costs. Both the field office and HUD Headquarters must approve waivers.

1. Program data from the Office of Multifamily Housing Programs.

A 2003 General Accounting Office (GAO) report found that approximately 70 percent of Section 202 properties funded between fiscal year (FY) 1998 and FY 2000 did not meet HUD's target for gaining approval to start construction within 18 months of fund reservation (GAO 2003). The GAO report also found that properties that did not meet the timeline took an average of 29 months, contributing to unexpended fund balances. As part of the study, GAO surveyed sponsors and HUD field office staff about what caused the lengthy processing times. Survey respondents attributed the delays to a number of factors, including lack of training and guidance on HUD policies among field office staff, inexperienced sponsors, development cost limits that result in insufficient capital advances, and lack of predevelopment funding (capital advance funding is not released by HUD until after initial closing)(GAO 2003).

In response to concerns identified by the 2003 GAO report and elsewhere regarding sponsors' lack of predevelopment funding, Congress passed legislation to create the DPG Program to reduce delays in the predevelopment period. The DPG Program was first implemented in FY 2004.

DPGs are intended to help sponsors get to initial closing within the HUD established target of 18 months from fund reservation. The DPG Program provides sponsors with a source of funding available before initial closing to pay for predevelopment activities. Eligible predevelopment activities include consulting services, architectural and engineering services, environmental site assessments, legal fees, organizational costs, building permits, and relocation expenses. Sponsors can use Section 202 capital advance funding to pay for these predevelopment costs; however, these costs are not reimbursable until the release of capital advance funds after initial closing (and after completing the predevelopment activities). To avoid paying for predevelopment costs twice (known as "subsidy layering"), HUD cannot reimburse predevelopment costs through both the DPG Program and the capital advance. At DPG grant closing, HUD subtracts the amount of total predevelopment costs paid out of the DPG from the capital advance amount and places that amount into a restricted account. The sponsor can access the restricted account funds to pay additional unintended development costs, rather than requesting an amendment waiver for additional capital advance funds.

The DPG Program has separate funding and a separate application process from the Section 202 capital advance program. The release of the DPG Notice of Funding Availability (NOFA) depends on the appropriation of DPG funds and updating the application requirements, among other factors. Between FY 2004 and FY 2008, HUD published the DPG NOFA 1 to 4 months after making the Section 202 capital advance awards. DPG awards typically came several months later. In some years, HUD has awarded DPGs up to 9 months after the Section 202 capital advance award announcement.

DPG applicants must determine their predevelopment activities, estimate the cost of these activities, and provide sufficient evidence to support these costs. Accurate estimations of predevelopment costs are essential, because sponsors cannot request additional DPG funding after receiving a grant award and must receive approval from field offices to transfer funds from one predevelopment activity to another. Sponsors can request DPG funding of up to $400,000 per property. No single entity or its affiliated organizations, however, may receive more than $800,000 in a given funding cycle.

Most Section 202 properties are eligible to receive a DPG. From FY 2004 through FY 2008, more than 350 Section 202 sponsors applied for grants, and nearly all received funding. Yet this represented only about 64 percent of all Section 202 awards during this period. Further, HUD observed that some HUD field offices had relatively high rates of DPG awards, and others had very few. It was not clear why some Section 202 sponsors applied for DPGs and others did not, or why some field offices had higher rates of activity than others. Processing times for Section 202 properties were already decreasing before the implementation of the DPG Program, but it was not known whether DPG recipients were reaching initial closing more quickly than sponsors that did not receive DPGs, or to what extent the DPG was responsible for any reductions in processing time.

After five rounds of DPG funding, HUD commissioned this study to address several questions, some related to DPG specifically and others to processing time more broadly. The research questions are as follows:

- What are the property and sponsor characteristics of DPG recipients and nonrecipients?
- Has the DPG Program helped Section 202 sponsors get to initial closing within 18 months of fund reservation?
- Has the DPG Program reduced the need for amendment waivers?
- What are HUD field offices' and sponsors' experiences with the DPG Program?
- What leads Section 202 sponsors to apply for the DPG Program or not?
- How has the DPG Program affected the Section 202 development process?
- What other factors influence the Section 202 development process?

This report presents the results of the study.

Research Design

The research activities for this project included analysis of administrative data on the Section 202 capital advance and DPG programs and the results of surveys with Section 202 sponsors and HUD field office representatives who administer the DPG Program. We obtained initial data extracts from administrative data sources in January 2010 to inform the study's research design. We obtained updated extracts in December 2010 to update and extend the descriptive analyses presented in the research design.

The administrative data sources are as follows:

- ***Development Application Processing (DAP) system.*** The DAP system tracks properties from the application stage to final closing. The system contains property-level information such as property size, funding amount, funding fiscal year, construction cost, and application and processing dates.
- ***Integrated Real Estate Management System (iREMS).*** We obtained additional property-level data elements from iREMS and linked to the Section 202 records in DAP, including property and program characteristics such as building type, occupancy date, location, HUD field office, and sponsor and owner information.
- ***HUD headquarters' DPG selection spreadsheets.*** We identified properties awarded DPG funding in spreadsheets obtained from HUD Headquarters staff. The spreadsheets contain property-level information such as property identification (ID) number, DPG funding amount, funding fiscal year, and sponsor and owner information.
- ***Waivers information.*** We obtained amendment waivers information for the Section 202 properties (including property ID number, type of amendment waiver [funding or processing time], date of waiver granted, and reason for the waiver) from *Federal Register* notices and quarterly reports provided by HUD staff.

The following survey data collection methods were included:

- ***Field office surveys.*** We conducted a semi-structured telephone survey with staff from each HUD field office that had administered at least one DPG as of January 2010, when we obtained the administrative data on the program and developed our survey approach. We completed surveys with representatives of 39 HUD field offices in fall 2010. The objective of the field office survey was to learn about how HUD markets and administers the DPG Program and to determine any field office variation in the successes and challenges of both the DPG Program and the overall Section 202 program.
- ***DPG recipient surveys.*** We conducted a semi-structured telephone survey with a purposive sample of Section 202 sponsors who received a DPG between fiscal year (FY) 2004 and FY 2008. We selected the recipient sample to include properties that reached initial closing within 18 months as well as those with longer processing times. We also selected the sample to include properties from each of the country's four census regions (Midwest, Northeast, South, and West). We conducted interviews with 66 Section 202 sponsors (approximately 18 percent of DPG grantees and 12 percent of all Section 202 awardees during the study period) in early 2011 to learn more about DPG experience from application to grant completion and the factors that contribute to successful outcomes.
- ***DPG nonrecipient surveys.*** We conducted a telephone survey with a purposive sample of Section 202 sponsors who received capital advances between FY 2004 and FY 2008, but who did not receive a DPG award. We selected the nonrecipient sample using the same criteria as we used for the recipient sample: processing time and census region. We conducted interviews with 26 Section 202 sponsors (5 percent of Section 202 awards during the study period) in early 2011 to assess respondents' awareness of the DPG Program and reasons they have not applied.

We structured the sampling approach for the surveys to provide information on sponsors in varied regions and with a range of processing times, but not to yield statistically valid data that can be generalized to all Section 202 sponsors.

Key Findings

The DPG Program was intended to help sponsors reach initial closing within 18 months of fund reservation. We found that the DPG Program does not significantly increase the likelihood of a property reaching initial closing within 18 or even 24 months, nor did it significantly reduce the need for amendment waivers. The DPG Program does not and cannot address a number of issues that frequently and substantially lengthen processing time, including the time required to meet zoning and permitting requirements.

Although our statistical methods do not detect that the DPG Program has a significant impact on Section 202 sponsors' ability to reach initial closing within 18 months of fund reservation, sponsors report that the DPG grants have helped to reduce processing time by providing predevelopment funding before initial closing. Many sponsors say the grants are helpful because the grants allow sponsors to procure and pay for professional services more promptly. Most DPG recipients surveyed report no other funding sources available to their organization to pay for these or other predevelopment costs. Field office and sponsor staff believe that, besides delays in the DPG award cycle, the program is well-run and provides a necessary source of funding for its recipients.

DPG Recipients and Outcomes

Between FY 2004 and FY 2008, approximately two-thirds of Section 202 recipients applied for and received a DPG. The percentage of Section 202 DPG recipients who applied for a DPG has remained relatively constant since the start of the program. Our findings with respect to the differences in property and sponsor characteristics between DPG recipients and nonrecipients and outcomes of the DPG Program include the following:

DPG-funded properties are similar to non-DPG funded properties. According to administrative program data, properties funded by a DPG are quite similar to properties not funded by the DPG Program in number of units, location (both region of the country and urban/suburban/rural location) and capital advance amount. Field office staff report that, in their experience, DPG recipients are more likely to be large, national organizations and to have previous Section 202 development experience. Results from our sponsor survey show that, in fact, DPG recipients are no more likely to be national organizations than are nonrecipients, but DPG recipients did report more years of development experience and a greater number of Section 202 properties in their portfolios. It appears that experience, rather than size of organization, drives DPG participation.

DPG funds are an important source of predevelopment funding for Section 202 sponsors. DPG recipients say the main reason they apply is that they lack other timely sources of predevelopment money and, conversely, those who have not applied report they do have alternative sources of funding for predevelopment costs.

DPG-funded properties are no more likely to close within 18 months than non-DPG funded properties. When we took into account property characteristics (size, location, building type, development cost, and funding year), we found that DPG grantees are 13 percent more likely to close within 18 months than nonrecipients—a positive, but not statistically significant, finding. Only about one-fourth of Section 202 properties reach initial closing within 18 months of fund reservation, regardless of whether the sponsor received DPG funding. Average processing time for DPG recipients (22 months) is slightly less than that for nonrecipients (25 months). Although our statistical analysis detects no significant impact of the DPG Program on processing time, more than one-half of DPG recipients who responded to our survey thought the DPG Program did help them reduce processing times.

Properties with a DPG have been equally likely to request extension waivers or funding waivers as those without a DPG, even when property and location characteristics are taken into account. On average, in each year between FY 2004 and FY 2008, 27 percent of Section 202 funded properties received extension waivers (to enable initial closing to take place beyond 24 months after the fund reservation date), and 35 percent received waivers to increase the capital advance amount. Properties in the higher cost regions of New England, New York/New Jersey, and the Mid-Atlantic had higher rates of funding waivers overall, suggesting that capital advances may be insufficient to cover development costs in higher cost areas. Funding waiver rates were higher among DPG recipients.

Receipt of DPG may affect a sponsor's ability to access other funding sources. Receiving a DPG did not reduce the average number of other funding sources needed to cover full development costs, because both recipient and nonrecipient survey respondents had an average of about 4.5 other funding sources. Of DPG recipients surveyed, however, 29 percent reported that the DPG helped them access other sources of funding. Some recipients were able to leverage funding into other funding sources, typically local sources. Receipt of funding early in the development period also gave confidence to other investors that the recipient would complete the project, encouraging them to partner with the sponsor.

HUD Field Offices' and Sponsors' Experiences With the DPG Program

Sponsors report few problems with the application process or with how HUD Headquarters and the field offices administer the program. Our findings related to the DPG application procedures and administrative processes include the following:

DPG awards are proportional to property size and covered about 6 percent of the development costs for most DPG-funded properties. Typically, DPGs made up a slightly larger share of the development cost of smaller properties than of larger properties, an average of 10 percent for properties with 10 or fewer units. Sponsors typically received DPG grants of between $5,000 and $7,000 per unit, with sponsors of smaller properties of 10 or fewer units receiving grants of about $10,000 per unit on average. Overall, grantees spend more than one-half of their DPG awards (58 percent) on architectural services, with smaller shares allocated to other professional services, such as engineers, legal fees, and development consultants (less than 10 percent in each category).

The vast majority of HUD field office staff state they are knowledgeable about the DPG Program, despite a lack of formal training on the program in recent years. HUD project managers say that they would like more training (in addition to annual written guidance) to implement the program more effectively. Commonly mentioned topics (mentioned by at least two-thirds of field office respondents) include grant closeout, initial closing procedures, grant administration, and the grant application process. Field office staff knowledge about the DPG Program may affect how and when information about the DPG Program is provided to sponsors. Project managers who rated themselves highly in their knowledge of the DPG Program were more likely to provide information to sponsors at multiple points in the funding cycle.

Sponsor knowledge of the DPG Program varies. HUD staff said Section 202 sponsors in general are very knowledgeable about the DPG Program, but sponsors surveyed did not agree. Only about one-third of DPG sponsors rated themselves as "very knowledgeable" about the DPG Program, indicating ongoing need for sponsor outreach and training. Lack of knowledge about the DPG Program was often a reason nonrecipients did not apply for the grant. More than one-half of nonrecipients stated that they did not apply for the grant because they were unaware of the DPG Program at the time they received the capital advance for the property targeted in the survey.

Fulfilling the DPG application requirements is not overly costly or burdensome for most sponsors. Recipients report that applying for DPGs cost an average of $3,398, with an average of 28 staff or consultant hours spent meeting application requirements. Although 39 percent of DPG recipients surveyed found determining the proposed predevelopment activities and budget to be difficult, 82 percent of sponsors surveyed were fairly accurate in estimating predevelopment costs.

HUD's DPG policies and procedures may affect processing times of Section 202 properties. The lag time between the capital advance award announcements and the release of the DPG NOFA and DPG awards may affect the processing time of Section 202 properties. Between FY 2004 and FY 2008, DPG awards have been made an average of 8 months after the capital advance awards were made. Development delays occur if sponsors cannot begin some predevelopment activities until funding is available about halfway into the recommended predevelopment period. The time it takes Headquarters to approve amendment waivers may also affect whether Section 202 properties reach initial closing within 18 months. One-half of DPG recipients reported that the time to receive approval from Headquarters on amendment waivers at least somewhat lengthened the processing time of their Section 202 properties.

HUD policies and procedures may affect DPG application rates. Between FY 2004 and FY 2008, DPG awards were made an average of 8 months after the announcement of capital advance awards. The lag time between the capital advance award announcements and the release of the DPG NOFA and DPG awards has affected whether a sponsor applied for a DPG. Sponsors may decide that it is not necessary to go through the DPG application process if they have learned that DPG funds are not typically released until almost halfway through the HUD recommended predevelopment period of 18 months.

Sponsors and field office staff are unclear whether the DPG award amount is subtracted from the capital advance. Many sponsors and some field office staff reported they were unclear as to whether the DPG funding amount is *in addition to* the capital advance amount or *is subtracted from* the capital advance. As noted previously, HUD removes the amount of predevelopment costs paid out of DPG funding from the capital advance and places that amount in a reserve account to pay for unintended development costs. The confusion is understandable, because DPG funding is in addition to the capital advance when the reserve funds are spent on the property. This lack of clarity could be preventing some sponsors from applying for a DPG and may result in inconsistencies in how the program is administered across HUD field offices.

Other Factors That Influence the Section 202 Development Process

Factors other than lack of predevelopment funding affect a property's ability to reach initial closing within 18 months of fund reservation. Field office staff said the factors that occur most often and have the greatest impact on processing time are the insufficiency of the capital advance to cover development costs, the need for additional financing sources, the higher priority given to Federal Housing Administration (FHA) loan processing, and local zoning and permitting requirements. At least 60 percent of field office survey respondents reported that these factors occur sometimes or often and have at least a moderate impact on processing time. Sponsor survey respondents said that securing additional financing, obtaining permits, and obtaining site zoning approval had the most impact on processing time. Field office and sponsor respondents said the predevelopment funds provided by DPGs do not mitigate the effects of factors that delay processing time, such as meeting zoning requirements, obtaining permits, securing additional financing, or removing hazardous waste. With or without predevelopment funding, sponsors need to obtain permits, gain zoning approval for their properties, and secure other sources of funding if the capital advance is not sufficient to cover development costs.

Policy Implications

The study results suggest several recommendations for changes to the DPG and Section 202 programs that would increase DPG participation, improve the administration of the program, or decrease the processing times of Section 202 sponsors.

- Provide guidance, in addition to the annual processing memo, to all field office staff so that staffs uniformly inform sponsors about the program at various points in the funding cycle. Because there have been no formal trainings on the program in recent years, HUD should create live trainings on the DPG Program, focusing on the areas in which project managers report the most need: grant closeout, initial closing procedures, grant administration, and the grant application process.
- It would be beneficial for HUD to conduct training sessions with all capital advance awardees following award to inform them about the DPG Program and educate them on determining accurate predevelopment costs. This training could be a part of the Section 202 project planning conference before the release of the DPG NOFA (HUD recommends these conferences should take place between 30 and 45 days of fund reservation). HUD should also clarify to sponsors (and field office staff) that DPG may not constitute additional funding to the project beyond the capital advance.

- There is a need for greater coordination between HUD field offices and other entities that contribute sources of funding for Section 202 sponsors in their regions. HUD should consider establishing specific guidelines for combining Section 202 funds with other commonly used funds such as low-income housing tax credits (LIHTC), Federal Home Loan Bank funds, the HOME Investment Partnerships Program, and Community Development Block Grants (CDBG).
- If sufficient funding exists to fund DPGs for all or most Section 202 properties, combining the Section 202 and DPG NOFAs into one funding mechanism would likely increase DPG participation and might contribute to timelier processing of Section 202 properties that rely on DPGs for predevelopment funding. If the NOFAs cannot be combined because of technical appropriations issues, coordinating the release of the DPG NOFA to come out quickly after the capital advance awards would have a similar effect.
- As an alternative to DPG funds, HUD should consider allowing advance disbursements from the capital advance to help sponsors pay for predevelopment activities. By making available a certain amount of the capital advance before initial closing, sponsors could access predevelopment funding without completing a separate application process.

Chapter 1. Introduction to the Study

Section 202 Supportive Housing for the Elderly is the U.S. Department of Housing and Urban Development's (HUD's) primary program for developing subsidized rental housing for elderly residents with very low incomes. The Section 202 Demonstration Predevelopment Grant (DPG) Program was created in 2004 to provide predevelopment funding to recipients of Section 202 capital advances to reduce development delays and increase the number of affordable rental units made available each year for low-income elderly households. The Office of Policy Development and Research (PD&R) at HUD commissioned this study to assess whether the DPG Program has been effective in reducing development delays. The study also explores factors that are associated with Section 202 recipients' decisions to participate in the DPG Program and documents the experience of sponsors and HUD project management staff with the DPG application process and grant administration. Finally, the study identifies other factors that HUD staff and sponsors say contribute to development delays, including HUD policies and local regulatory environments. This report presents the results of the study.

Background

Section 202 Supportive Housing for the Elderly

The Section 202 Supportive Housing for the Elderly program, established under the Housing Act of 1959, provides funding to nonprofit organizations—known as "sponsors"—to develop and operate housing for very low-income seniors (those with less than 50 percent of the local median income). The Section 202 program provides development funding in the form of capital advances for constructing, rehabilitating, or acquiring a housing structure, and operating funding in the form of project rental assistance contracts (PRACs). Capital advances bear no interest, and repayment is not required as long as the housing remains available for very low-income elderly residents for at least 40 years.

Sponsors use PRAC funds to cover the difference between the tenants' contributions toward rent (30 percent of adjusted income) and the HUD-approved cost to operate the project. Section 202 sponsors make supportive services available to elderly residents to help them to age in place. Sponsors may also use PRAC funds to provide supportive services and to hire a service coordinator in those projects serving frail elderly residents.

HUD annually sets development cost limits for the Section 202 program. HUD uses current market data to establish the limits, which must account for the costs of constructing, reconstructing, or rehabilitating supportive housing for the elderly that is of modest design and that meets state and local building codes. The reservation of capital advance funds is based on a formula that takes the development cost limit for the appropriate building type (elevator, non-elevator) and number of units and multiplies it by the number of units of each size (including a unit for a resident manager, if applicable) and then multiplies the result by the high cost factor for the area. HUD may increase the development cost limits previously set forth by up to 140 percent in any geographic area where the cost levels require. Other properties with exceptionally high costs may receive capital advances of up to 160 percent of the cost limit on a property-by-property basis. HUD calculates and publishes high cost percentages each year for "base" cities located in each multifamily hub, generally corresponding to cities where HUD has field offices.

HUD annually publishes a Notice of Funding Availability (NOFA) for Section 202 capital advances and potential sponsors submit applications to their HUD field office for review and ranking. HUD allocates the available capital advance funds to each multifamily hub based on a number of factors. HUD establishes capital advance allocations for each multifamily hub's jurisdiction based on the number of one-person elderly renter households with very low incomes in that jurisdiction (according to the most recent census) and adjusted for the relative cost of housing. The allocations for metropolitan and nonmetropolitan portions of the multifamily hub's jurisdictions reflect the definitions of metropolitan and nonmetropolitan areas as of the June 2003 definitions by the Office of Management and Budget. Metropolitan and nonmetropolitan areas allocate the funds, with 85 percent of funds allocated to metropolitan areas and 15 percent allocated to nonmetropolitan areas.

Section 202 capital advance awardees include a wide range of types of organizations, from large national organizations with extensive Section 202 development experience such as National Church Residences, Catholic Charities, and Volunteers of America, to local community and faith-based organizations that may not have in-house development expertise. HUD guidelines stipulate that initial closing should occur within 18 months of the fund reservation, but the field office can extend that deadline by up to 6 months. If additional time is needed beyond 24 months, the sponsor may request an extension waiver. Both the field office and HUD Headquarters must approve waivers.

HUD also expects sponsors to fund their projects with the capital advance and to solicit additional sources of funds if the capital advance is insufficient. HUD grants waivers for amendment funds (funding waivers) only for circumstances that are beyond the control of the sponsor. Examples include increased development costs from construction delays because of legal issues or unanticipated environmental contamination issues. As with waivers for additional time, funding waivers must also be submitted to and approved by the field office and HUD Headquarters.

The Section 202 program is an important source of affordable rental housing for the elderly, with 8,000 properties and 263,000 housing units currently providing housing for elderly residents.[2] Demand for the program is high; waiting lists exceed 1 year on average. Demand will continue to grow as the nation's elderly population increases. According to a study about the Section 202 program HUD published in June 2008, residents of Section 202 properties are more satisfied with their home and surroundings than elderly participants in the Housing Choice Voucher program or very low-income elderly residents of unassisted housing (Haley and Gray, 2008). Results from a 1999 national survey of Section 202 sponsors and facility managers conducted by AARP showed that the buildings are aging, rental assistance contracts are expiring, and many properties need to be modernized to continue to meet the needs of the residents they serve. The survey also revealed that residents living in Section 202 properties are becoming older and frailer. Despite the considerable need for affordable rental housing for elderly people, funding for the Section 202 program has not increased over the years, and production levels are near historic lows.

Given that funding for Section 202 housing is limited and demand is high, HUD places priority on getting Section 202 housing constructed and available for occupancy quickly. A 2003 General Accounting Office

2. Data from the HUD Office of Multifamily Housing.

(GAO) report found that approximately 70 percent of Section 202 properties funded between fiscal year (FY) 1998 and FY 2000 did not meet HUD's target of gaining approval to start construction within 18 months of fund reservation (GAO 2003). The GAO report also found that properties that did not meet the timeline took an average of 29 months, contributing to unexpended fund balances. In the GAO study, sponsors and field office respondents attributed the delays to a number of factors, including lack of training and guidance on HUD policies among field office staff and inexperienced sponsors. Respondents also cited other factors outside of either HUD's or sponsors' control, including obtaining permitting and zoning approvals (GAO 2003). In addition, the study identified a lack of predevelopment funding and development cost limits that result in capital advances insufficient to cover development costs as important factors that contributed to longer processing times. Because capital advances are based on a formula and not on actual costs, capital advances do not always cover the entire development cost.

Two studies completed in the last decade have looked at costs of the Section 202 program and whether the development limits were reasonable in relation to actual development costs. A 2002 GAO study compared the per-unit costs over a 30-year period of several housing programs, including Section 202, Section 811, Housing Choice Voucher (HCV), and low-income housing tax credits and found that per-unit costs are similar across housing programs. Although GAO found that costs for Section 202 units were 12 percent higher than costs for HCV units in metropolitan areas, the study authors noted that the greater benefits of Section 202 facilities and services may offset the additional cost (GAO 2002). The National Association of Home Builders Research Center found, in a study for HUD in 2005, that development cost limits used in the Section 202 and Section 811 housing programs in general were reasonable and accurate in relation to actual average development costs for all Section 202/811 properties completed between calendar years 2000 and 2002 (NAHBRC 2005).

Although Section 202 development cost limits may be reasonable for the average Section 202 property, sponsors with properties located in high-cost areas face greater gaps between development costs and capital advance awards, despite the availability of higher cost limits. In the 2003 GAO study, sponsors and field office staff reported that inadequate development cost limits were a noteworthy contributor to lengthy predevelopment periods. When the capital advance does not cover the entire cost of the development, sponsors must seek additional funding sources or make changes to the property design. Both can add considerably to predevelopment time.

Researchers have made several recommendations for reducing development delays in the Section 202 program. In the 2008 PD&R study, researchers concluded that Section 202 changing the method of determining development cost limits and focusing on building larger projects in fewer areas could reduce development delays. In response to concerns, identified by the 2003 GAO report and elsewhere, regarding sponsors' lack of predevelopment funding, HUD created a new program specifically to reduce delays in the predevelopment period. The Demonstration Planning Grant Program was implemented in FY 2004. The name of the program later changed to the Demonstration Predevelopment Grant Program.

Demonstration Predevelopment Grant Program

The primary purpose of the DPG Program is to provide sponsors with grant funding before initial closing for predevelopment expenses. The benefit of the DPG Program is that predevelopment funding is made available to the sponsor sooner, enabling sponsors to pay predevelopment costs before initial closing. The grants are intended to help sponsors get to initial closing within the HUD established timeframe target of 18 months from fund reservation.

A DPG can reimburse payment for consulting services, architectural and engineering services, environmental site assessments, legal fees, organizational costs, building permits, and relocation expenses.

Sponsors can use Section 202 capital advance funding to pay for these predevelopment costs. These costs, however, are not reimbursable until the release of capital advance funds after initial closing and thus after the predevelopment activities are completed. To avoid paying for predevelopment costs twice (a practice known as "subsidy layering"), HUD cannot reimburse predevelopment costs through both the DPG Program and the capital advance. HUD subtracts the amount of total predevelopment costs paid out of the DPG from the capital advance amount and places that amount into a restricted account. The sponsor can access the restricted account funds to pay additional unintended development costs, rather than requesting a grant amendment waiver for additional funds. With the exception of FY 2005[3], any funds remaining in the restricted account at final closing are to be released to the owner for deposit into the reserve for replacement account, after such an account has been established.

Congress appropriated funds for the DPG Program in 2004. Sponsors can request DPG funding of up to $400,000 per property. The funding is based on predevelopment cost estimates developed by the sponsor and submitted with the DPG application. Sponsors receiving Section 202 capital advances for more than one property in a given fiscal year are eligible to receive only up to $800,000 in DPG funding per year. For the DPG application, sponsors must determine their predevelopment activities, estimate the cost of these activities, and provide sufficient evidence to support these costs. Accurate estimations of predevelopment costs are essential, because sponsors cannot request additional DPG funding after receiving a grant award and must receive approval from field offices to transfer funds from one predevelopment activity to another.

Most Section 202 properties are eligible to receive a DPG. From FY 2004 through FY 2008, more than 350 Section 202 sponsors applied for grants, and nearly all received funding. Yet this represented only about 64 percent of all Section 202 awards during this period. Further, HUD observed that some HUD field offices had relatively high rates of DPG awards, and others had very few. It was not clear why some Section 202 sponsors applied for DPGs and others did not, or why some field offices had higher rates of activity than others. Processing times for Section 202 properties were already decreasing before the implementation of the DPG Program, but it was not known whether DPG recipients were reaching initial closing more quickly than sponsors that did not receive DPGs, or to what extent the DPG Program was responsible for any improvements in processing time.

Overview of the Study

After five rounds of DPG funding, HUD commissioned this study to address several questions, some related to DPG specifically and others to processing time more broadly. The research questions are as follows:

- Has the DPG Program helped Section 202 sponsors reduce processing time and reach initial closing faster?
- What leads Section 202 sponsors to apply for a DPG, or not?
- What are the property and sponsor characteristics of the DPG recipients and nonrecipients?
- What are HUD field offices' and sponsors' experiences with the DPG Program?

3. For FY 2005, any grant funds remaining in an owner's Line of Credit Control System account were not treated as income for the project. Instead, the owner had to return those undisbursed funds to Headquarters at final closing.

- Has the DPG Program reduced the need for amendment fund waivers?
- Has the DPG Program reduced non-completions of Section 202 funded properties?
- What other factors besides lack of predevelopment funding influence the Section 202 development process and contribute to the duration of processing time?

During the design phase of this study, we obtained administrative data from HUD to assess trends in participation in the DPG Program, as well as to perform preliminary analyses of trends in processing time over time—both before and since DPGs became available. These preliminary analyses revealed that average processing time was trending downward before the 2004 start of the DPG Program and continued to drop in 2005 and 2006. Typically, only one-fourth of the properties reached initial closing within 18 months of fund reservation between FY 1998 and FY 2004, compared with 33 percent of the FY 2008 properties. The median processing time for properties funded between FY 1998 and FY 2008 ranged from 22.2 months to 24.3 months. The average ranged from 24.5 to 27.4 months between FY 1998 and FY 2008.

We also found that the proportion of properties reaching initial closing in 18 months varied widely across field offices, ranging from 4 percent to 46 percent. Finally, we found that receipt of the a DPG seemed to make little difference in processing time. In fact, for FY 2006 and FY 2007 awards, fewer DPG recipients reached initial closing within 18 months of fund reservation than nonrecipients. (Note that processing times for FY 2007 and FY 2008 only include properties that had reached initial closing.)

Although the processing times for DPG recipients and nonrecipients are similar, this does not mean that the DPG Program has been ineffectual in reducing processing time or does not have other positive outcomes. To build on the preliminary analyses of HUD's administrative data, we surveyed HUD field staff and Section 202 sponsors to learn more about their experiences with the DPG Program and their opinions on factors contributing to processing times. We also conducted more sophisticated analyses of updated administrative data to determine the extent to which property or sponsor characteristics—including but not limited to receipt of a DPG—affect processing times.

In addition to evaluating the effectiveness of the DPG Program, we also revisit other factors that contribute to development delays, as reported in the 2003 GAO study (GAO 2003). The GAO found several other factors that had an effect on processing time, according to surveys completed by sponsors, consultants, and HUD field office staff. We present current factors that sponsors and field office project managers report cause delays in development.

Organization of the Report

We organized this report into seven chapters. Following this introductory chapter, in chapter 2, we describe the study's data sources and methodology, including analysis of administrative data and field office and sponsor surveys. Chapter 3 presents findings from the surveys and statistical analyses on patterns in participation in the DPG Program, addressing the research questions about why some sponsors apply for DPGs and others do not. In chapter 4, we review findings on DPG Program administration, based on field office and sponsor survey respondents' experiences with the program. In chapter 5, we present an analysis of outcomes of the DPG Program, including whether or not DPGs have helped Section 202 sponsors get to initial closing within the recommended 18-month period, and whether they have reduced the need for amendment waivers. Chapter 6 reviews what other factors, besides DPGs, affect the development process. Finally, chapter 7 summarizes the implications of the study and presents recommendations for program development and policy.

Chapter 2. Study Methodology

The principal sources of data for this study are administrative program data on the Section 202 and Demonstration Predevelopment Grant programs and surveys with field office staff administering the programs and with a sample of Section 202 sponsors, including some that received a DPG and others that did not. In this chapter, we describe these data sources and provide an overview of the methodology used for the administrative data analysis presented in chapters 3, 5, and 6.

HUD Administrative Data Sources

We used four sources of administrative data in this study.

Development Application Processing System

Our principal source of data is an extract we obtained from the U.S. Department of Housing and Urban Development's Development Application Processing (DAP) system in December 2009. We obtained an updated file in December 2010. DAP is HUD's internal system for tracking grant applications for development activities within the Office of Multifamily Housing Programs. The DAP system tracks properties applying for funding provided by the Office of Housing Assistance and Grant Administration's programs. It contains property-level information such as property size, funding amount, funding fiscal year, construction cost, and application and processing dates. For the purpose of this analysis, we limited the data to Section 202 properties funded between FY 1998 and FY 2008.[4]

Integrated Real Estate Management System

We also obtained data from the Integrated Real Estate Management Systems (iREMS), HUD's source of data on HUD's Office of Multifamily Housing's portfolio of insured and assisted properties. We obtained additional property-level data elements from iREMS and linked those elements to the Section 202 records in DAP. These included property and program characteristics such as building type, occupancy date, location, HUD field office, and sponsor/owner information. We also received the iREMS data extract in December 2009 and an update in December 2010. We limited our analysis to properties identified as "active" in iREMS as of January 2010. Properties designated as "active" are either completed and operational or are in the pipeline and expected to be completed. The active designation excludes cancelled properties.

HUD Headquarters' DPG Selection Spreadsheets

We identified properties awarded DPG funding between FY 2004 and FY 2008 in a set of spreadsheets we obtained from HUD Headquarters staff. The spreadsheets contained property-level information such as property ID number, DPG funding amount, funding FY, and sponsor/owner information.

4. We limited our analysis to properties funded since FY 1998 because the Office of Housing staff familiar with the Development Application Processing (DAP) system indicated that records prior to FY 1998 in the DAP system may not be complete.

Amendment Waiver Data

Sponsors must obtain waivers from HUD if their processing time will exceed 24 months or if they require an increase in their capital advance funds because of unforeseen expenses. The study team retrieved amendment waiver information for the Section 202 properties from *Federal Register* notices and quarterly reports that HUD staff provided. We focused on waivers for properties funded between FY 1998 and FY 2008 that were granted through the end of September 2010. For each waiver granted, we identified the property ID number, type of amendment waiver (funding or processing time), date of waiver granted, and reason.

Regression Methodology

In our preliminary descriptive analyses, we found there seemed to be few differences in the characteristics and processing times of DPG recipients compared with nonrecipients. In the next phase of the study, we used regression methodology to answer the study's research questions about what factors lead Section 202 sponsors to apply for a DPG or not, if DPGs help Section 202 sponsors get to initial closing within the HUD established timeline requirement of 18 months from fund reservation, and whether DPGs reduce the need for amendment fund waivers. Regression analysis enabled us to isolate the effect of DPGs relative to other factors such as property characteristics, location, funding year, or funding amount. We present details on the variables used and the results of the regression analysis in chapters 3 and 5.

Survey of Field Office Project Managers

Analyzing administrative data provides important information on the DPG Program, but does not provide information on the implementation of the program. To learn about aspects of the program we cannot derive from the available administrative data, we completed semi-structured surveys of HUD field office staff who administer the Section 202 and DPG programs and of Section 202 sponsors. Trained interviewers conducted surveys by telephone, using the Checkbox Survey Software program to administer the surveys and help compile and analyze the results.

We conducted 1-hour telephone surveys in the fall of 2010 with staff from 39 HUD field offices, representing most field offices that administer the DPG Program. The objective of the field office survey was to learn how HUD markets and administers the DPG Program and to determine any field office variation in the successes and challenges of both the DPG Program and the overall Section 202 program. The survey included some questions that also appeared in the 2003 Government Accountability Office study about factors that affect processing time, enabling us to compare the responses from before and after the DPG Program was implemented.

The field office survey provided information on the following topics:

- Knowledge and marketing of the DPG Program.
- Characteristics of DPG recipients and nonrecipients.
- DPG application process.
- How the DPG Program is administered through the field offices.
- Impressions of outcomes of the DPG Program, including whether a DPG decreases processing time between fund reservation and initial closing and reduces the need for amendment waivers.
- Other factors that affect processing time.

Survey Respondents

We attempted to survey the universe of field office project managers that administer the Section 202 and DPG programs. Although DPGs have been awarded to properties associated with 47 field offices, five field offices (Cincinnati, Grand Rapids, New York City, San Francisco, and Washington, DC) have other field offices administer the DPG Program for them. This decreased our potential survey sample to 42. Based on staff availability, we were able to complete 39 surveys representing 93 percent of field offices that administer the program.

The director of each field office designated the survey respondent for that field office. Most field office staff surveyed held the position of project manager (including senior project manager and supervisory program manager), but some held the position of multifamily housing representative. Most respondents had considerable experience with affordable multifamily housing development, with an average of 19 years of experience.

The field offices represented in the survey are listed in exhibit 2-1. The field office survey is presented as appendix B.

Exhibit 2-1. HUD Field Offices Participating in the Survey

Atlanta, Georgia (hub)	Knoxville, Tennessee
Birmingham, Alabama	Little Rock, Arkansas
Boston, Massachusetts (hub)	Los Angeles, California (hub)
Buffalo, New York (hub)	Louisville, Kentucky
Chicago, Illinois (hub)	Manchester, New Hampshire
Cleveland, Ohio	Milwaukee, Wisconsin
Columbia, South Carolina	Nashville, Tennessee
Columbus, Ohio (hub)	New Orleans, Louisiana
Denver, Colorado (hub)	Newark, New Jersey
Des Moines, Iowa	Oklahoma City, Oklahoma
Detroit, Michigan (hub)	Omaha, Nebraska
Ft. Worth, Texas (hub)	Philadelphia, Pennsylvania (hub)
Greensboro, North Carolina (hub)	Pittsburgh, Pennsylvania
Hartford, Connecticut	Portland, Oregon
Honolulu, Hawaii	Providence, Rhode Island
Houston, Texas	Richmond, Virginia
Indianapolis, Indiana	San Antonio, Texas
Jackson, Mississippi	Seattle, Washington (hub)
Jacksonville, Florida (hub)	St. Louis, Missouri
Kansas City, Kansas (hub)	

HUD = U.S. Department of Housing and Urban Development.

Survey of Section 202 Sponsors

From January through March 2011, we surveyed 92 Section 202 sponsors about the DPG Program and other aspects of the Section 202 program. We surveyed both DPG recipients and nonrecipients to learn about sponsors' decisions to apply or not apply for the grant, to compare property and sponsor characteristics of recipients and nonrecipients, to determine the effect of DPGs on processing times, and to identify what other factors besides predevelopment funding affect development delays.

We conducted separate versions of the survey for DPG recipients and nonrecipients. Although there was some overlap in the research questions for the two groups of respondents, the DPG recipient surveys included questions on the DPG application process and grant administration that interviewers did not ask nonrecipients.

The DPG recipient surveys covered the following main topics:

- Sponsor knowledge of the DPG Program.
- Sponsor and property characteristics of recipients.
- Sponsors' experience with the DPG application process.
- How the DPG Program is administered.
- How DPGs affected sponsor and property outcomes, including processing time.
- Other factors that affect processing time.

The nonrecipient surveys covered the following topics:

- Sponsor knowledge of the DPG Program.
- Sponsor and property characteristics of nonrecipients.
- Sponsors' reasons for not applying for a DPG.
- Sponsor, property, and HUD factors that affect processing time.

We received OMB clearance for the sponsor surveys on December 10, 2010.

Sponsor Sample Selection

We selected a purposive sample of sponsors based on processing time from fund reservation to initial closing and geographic region. We selected sponsors based on processing time to ensure that we learned both about properties that reached initial closing quickly and about those that experienced delays. We selected the sample by first selecting individual Section 202 properties and then identifying the sponsor associated with the property. The survey centered around the experience of the sponsor developing the associated Section 202 property.

We based the sampling frame for the sample of Section 202 sponsors on property-level data from the integrated iREMS extract received from HUD in January 2010. We limited the sample universe to sponsors of properties that were funded in FY 2004 (the first year of the DPG Program) through FY 2008—that is, awarded between October 22, 2004 and September 2, 2009. We also limited the sample universe to sponsors with properties that had already reached initial closing to learn about activities that take place within the entire predevelopment period and to learn what factors contributed to processing time. We eliminated duplication of sponsor respondents by removing multiple properties associated with the same sponsor.

For DPG recipients, we chose sponsors of 28 properties that reached initial closing within 18 months of fund reservation, 28 properties that reached initial closing between 18 and 24 months, and 14 properties that reached initial closing more than 24 months after fund reservation. After selecting for processing time, we further selected by census geographic region (Northeast, South, Midwest, and West) so that we could learn about sponsor experiences in a range of development environments. From the reconnaissance calls and analysis of the administrative data, we learned that there are distinct differences in development cost and local regulations that may have an effect on whether a property gets to initial closing within the recommended time period.

For nonrecipients, we similarly limited the sample universe to sponsors of properties that were funded in FY 2004 through FY 2008. We define nonrecipients as those sponsors who never received a DPG in the FY 2004 through FY 2008 time period. We also selected nonrecipients based on processing time to ensure that we would learn about a range of Section 202 experiences. We selected sponsors of 12 properties that reached initial closing within 18 months of fund reservation, 12 properties that reached initial closing between 18 and 24 months, and 6 properties that reached initial closing more than 24 months after fund reservation. After selecting for processing time, we further selected by census geographic region to ensure that all regions were represented in the sample.

Sample Replacement

Under some circumstances, we had to replace the sponsor we initially selected for the survey. We replaced sponsors if there were no staff currently at the agency with knowledge of Section 202 and the DPG Program. This might be the case, because we selected properties that were funded beginning in FY 2004. We also replaced sponsors if they refused to participate or, for nonrecipients, if we determined that the sponsor had been awarded a DPG. We replaced any respondent who refused, was found ineligible, or was otherwise unable to complete the survey with a sponsor from the same region with a similar processing time from the universe of Section 202 properties funded between FY 2004 and FY 2008. Overall, we had to replace 35 of the 100 respondents originally identified to complete the survey.

Survey Respondents

We planned to conduct surveys with 100 Section 202 sponsors, including 70 DPG recipients and 30 nonrecipients. We were able to complete surveys with 92 sponsors, including 66 who have received a DPG and 26 who have not. Because of the number of replacements that had to be made in the sample, there is some minor variation in the distribution of respondents from the original sample. The slight change from the original sample does not affect the analysis of the survey results, because the sample is purposive and not meant to be nationally representative of all Section 202 sponsors or DPG recipients.

The resulting sample for DPG recipients and nonrecipients is included as appendix A.

Exhibit 2-2 shows the distribution of recipient and nonrecipient respondents by processing time, census region, and fiscal year.

Exhibit 2-2. Distribution of Section 202 Sponsor Respondents

	DPG Recipients				Nonrecipients			
	Original Sample		Sample With Replacements		Original Sample		Sample With Replacements	
	(N)	(%)	(N)	(%)	(N)	(%)	(N)	(%)
Processing time								
Initial closing within 18 months	28	40	27	41	12	40	10	38
Initial closing between 18 and 24 months	28	40	26	39	12	40	9	35
Initial closing after 24 months	14	20	13	20	6	20	7	27
Census region								
Midwest	19	27	20	30	7	23	6	23
Northeast	18	27	19	29	8	27	7	27
South	19	27	15	23	7	23	5	19
West	13	27	12	18	8	27	8	31
Fiscal year								
2004	8	11	15	23	0	0	3	12
2005	17	24	14	21	13	43	9	35
2006	26	37	19	29	9	30	10	38
2007	16	23	15	23	4	13	1	4
2008	3	4	3	5	4	13	1	4
Total	*70*	*100*	*66*	*100*	*30*	*100*	*26*	*100*

DPG = Demonstration Predevelopment Grant.
Sources: DPG recipient survey, N = 66; DPG nonrecipient survey, N = 26

Staff in leadership positions within the sponsor organizations was by far the most frequent respondents to the sponsor surveys. Approximately three-fourths of both recipients (72 percent) and nonrecipients (79 percent) identified themselves as some type of director, such as an executive director or director of development. In 12 of the 70 recipient surveys, consultants participated along with the sponsor agency in responding to survey questions.

The DPG recipient survey is presented as appendix C and the nonrecipient survey is presented as appendix D.

Chapter 3. Patterns of DPG Participation

Nearly all Section 202 sponsors are eligible to apply for a Demonstration Predevelopment Grant, but not all choose to do so. In this chapter, we examine patterns of participation in the DPG Program. We examine the DPG award amounts and anticipated uses by property size and census region to determine variation in use of the grant. We also examine the characteristics of sponsors and properties that have received DPG awards within the context of the universe of Section 202 capital advance awardees.

The purpose of this analysis is to provide a broad overview of the Section 202 properties that received DPGs between FY 2004 and FY 2008 and the larger universe of properties funded by the Section 202 capital advance program during the same period. This chapter looks at what factors make it more likely a sponsor will apply for a DPG, based on results from sponsor and field office surveys and from logistic regression analysis of administrative data.

DPG Award Amounts and Uses

The maximum allowable DPG award for a single Section 202 property is $400,000; sponsors with multiple properties in a single funding round may receive no more than $800,000 across all properties. DPG funds covered only 6 percent of the development costs for most DPG-funded properties. Typically, the DPG made up a slightly larger share of the development cost of smaller properties than larger properties, an average of 10 percent for properties with 10 or fewer units. Sponsors typically received DPG grants of between $5,000 and $7,000 per unit, as shown in exhibit 3-1. The DPG award, however, averaged almost $10,000 per unit for properties with 10 or fewer units.

Applicants must estimate their predevelopment costs at the time of DPG application and request only what they expect to spend in approved categories. They must estimate predevelopment costs by line item and request funding only for those costs for which they can provide sufficient supporting evidence. Many sponsors do not apply for the full $400,000 grant, because they do not expect their predevelopment expenses to reach $400,000. Most DPG recipients surveyed (82 percent) reported that they were fairly accurate in their estimation of predevelopment costs.

DPG award amounts typically equal the amount the sponsor requested. On average, DPG awardees in FY 2004, 2005, 2006, and 2008 requested $240,697 and received 96 percent of the requested amount, or $230,047.[5] Both the average amount requested and the average amount received increased considerably each year.[6] The difference between grant amounts requested and awarded was greatest in the first year of the DPG Program, when the average award was 8 percent less than the average requested amount, but the difference decreased in later years.

5. Funding detail on the requested amount and planned spending categories was unavailable for 2007 DPG awards.

6. Nominal dollars.

Sponsors used the majority of DPG funds to pay for architectural services, an average of 58 percent. The next highest shares were spent on engineers (9 percent), consultants (7 percent), and legal fees (7 percent). The size of the property strongly influenced the top three largest spending categories. The smallest properties planned to spend, on average, 17 percentage points less of their DPG funds on architects than the largest properties. Costs for consultants and engineers took up a larger portion of the planned DPG spending for smaller properties than for larger properties.

Exhibit 3-1. Planned Spending of DPG Funds (FY 2004–2006, 2008)[7]

	Number of Units				
	1–10 Units	11–25 Units	26–50 Units	51–100 Units	Total
N	8	102	108	83	301
Average per-unit DPG funding amount	$9,964	$6,918	$6,620	$5,040	$6,373
Average DPG funding amount	$73,782	$128,092	$264,305	$323,066	$230,047
DPG funds as a percent of total development costs	10%	7%	6%	5%	6%
Percent of DPG funds planned to be spent on…					
Architect	47%	54%	57%	64%	58%
Engineer	17%	10%	8%	8%	9%
Consultant	11%	9%	8%	5%	7%
Legal fees	8%	9%	6%	6%	7%
Other	3%	6%	5%	4%	5%
Building permits	3%	2%	5%	3%	3%
Impact fees	0%	2%	4%	4%	3%
Appraisals	3%	2%	2%	1%	2%
Site control	1%	1%	2%	1%	2%
Organizational expenses	2%	2%	1%	1%	2%
Environment	3%	2%	2%	2%	2%
Cost analysis	1%	2%	1%	1%	1%
Market study	0%	0%	1%	0%	0%
Relocation expenses	0%	0%	0%	0%	0%

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
Sources: Development Application Processing data extract; DPG selection spreadsheets, December 2010

DPG Grant Size by Census Region, Property Size, and Building Type

Sponsors tend to apply for higher DPG grants in the higher cost regions (West and Northeast) and for larger properties. We show the distribution of DPG award sizes by census region in exhibit 3-2, by property size in exhibit 3-3, and by building type in exhibit 3-4. About one-half of the sponsors developing properties in the Northeast (46 percent) and West (56 percent) received DPG grants greater than $300,000 compared with only 22 percent of properties in the Midwest and 26 percent in the South.

Not surprisingly, the size of properties is related to the amount of DPG awarded. Of sponsors developing properties between 1 and 10 units, 91 percent receive $100,000 or less for predevelopment costs; 70 percent of sponsors developing properties between 51 and 100 units receive at least $300,000.

7. Funding detail on requested Demonstration Predevelopment Grant amount and planned spending categories was unavailable for 2007 DPG awards.

Exhibit 3-2. DPG Grant Amount by Census Region

DPG Amount	Census Region				
	Northeast	Midwest	South	West	All
N	102	91	123	48	364
$100,000 or less	5%	14%	31%	8%	16%
$100,001 to $200,000	23%	32%	32%	17%	27%
$200,001 to $300,000	26%	32%	11%	19%	22%
$300,001 to $400,000	46%	22%	26%	56%	35%
Total	*100%*	*100%*	*100%*	*100%*	*100%*

DPG = Demonstration Predevelopment Grant.
Source: DPG selection spreadsheets, December 2010

Exhibit 3-3. DPG Grant Amount by Property Size

DPG Amount	Property Size (Number of Units)				
	1–10	11–25	26–50	51–100	All
N	8	102	108	83	301
$100,000 or less	91%	39%	2%	1%	16%
$100,001 to $200,000	9%	48%	24%	9%	27%
$200,001 to $300,000	0%	11%	34%	20%	22%
$300,001 to $400,000	0%	3%	40%	70%	35%
Total	*100%*	*100%*	*100%*	*100%*	*100%*

DPG = Demonstration Predevelopment Grant.
Sources: Development Application Processing data extract; DPG selection spreadsheets, December 2010

Approximately 40 percent of DPG-funded properties for which we had data on building type (the building type was missing for 66 percent of the properties) were highrise buildings, 24 percent were midrise buildings, and 23 percent were walkup or garden style, as seen in exhibit 3-4. Aside from the multiple building-type category, sponsors developing highrise buildings were the most likely to be awarded large DPG awards; 45 percent of sponsors developing highrise properties received at least $300,000 in DPG funding, and 16 percent received the maximum $400,000 grant. Sponsors developing walkup or garden style buildings were much less likely to be awarded large DPG awards; 72 percent were awarded less than $200,000.

Exhibit 3-4. DPG Funding Amount by Building Type (FY 2004–FY 2008)

DPG Amount	Highrise	Midrise	Rowhouse/ Semidetached	Walkup or Garden Style	Other/ Multiple Building Types	All Building Types
N	51	30	5	29	11	126
$100,000 or less	4%	3%	40%	24%	9%	10%
$100,001 to $200,000	25%	27%	40%	48%	9%	30%
$200,001 to $300,000	25%	43%	20%	14%	27%	27%
$300,001 to $400,000	45%	26%	0%	13%	54%	32%

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
Sources: Integrated Real Estate Management System data extract; DPG selection spreadsheets, December 2010

Reasons Why Sponsors Apply for the DPG Program

One main research question of the study is, “What leads Section 202 sponsors to apply for a DPG?” In this section, we present reasons why sponsors do or do not apply for a DPG, based on responses from the field office and sponsor surveys. We asked field office project managers their opinions on why sponsors apply for the grant or not, based on their experience administering the DPG Program in their regions. We asked sponsors why they applied for a DPG or not for the property sampled in the study and for other properties for which they received Section 202 funding. Sponsors were able to select more than one response.

According the DPG recipients that responded to the survey, by far the most common reason an organization applied for a DPG was because the organization had no other sources of predevelopment funding. Some 77 percent of recipients applied for a DPG because they lacked predevelopment funding for the property we asked about, as shown in exhibit 3-5. The next most common reasons DPG recipients applied for a DPG were that they needed a DPG to speed up time between fund reservation and initial closing (67 percent) and because the grant provided greater ability to retain qualified predevelopment contractors (62 percent). Predevelopment contractors are those needed to perform legal, architectural, engineering, and other services in advance of initial closing.

We also asked DPG recipients why their organizations chose to apply for a DPG for properties other than those targeted by the survey. Twenty-two recipients reported that their organization had applied for a DPG for other properties as well as the target property. The results were similar for these properties: 78 percent of recipients reported one of the reasons for applying for a DPG was that the sponsor organization had no other sources of predevelopment funding, and 59 percent reported needing a DPG to speed up the time between fund reservation and initial closing.

Exhibit 3-5. DPG Recipients’ Reasons for Applying for a DPG

	...for this property? (%)
There were no other sources of predevelopment funding before initial closing	77
DPG was needed to speed up time between fund reservation and initial closing	67
The property needed additional funding because it was in a high-cost area	41
DPG provided greater ability to retain qualified predevelopment contractors (developers, architects, etc.)	62
DPG provided greater ability to retain qualified development consultants	48
Other	21

DPG = Demonstration Predevelopment Grant.
Source: DPG recipient survey, N = 66

Section 202 grant awardees that were not DPG recipients were asked why they did not apply for a DPG. Sponsors were able to select multiple reasons. The results are shown in exhibit 3-6. Of nonrecipients, 66 percent indicated they had other sources of predevelopment funding, followed by lack of knowledge of the DPG Program for 56 percent of nonrecipients. Of nonrecipients, 12 percent indicated that the Section 202 capital advance fully covered the cost of development and 20 percent that the Section 202 capital advance was already at the maximum amount permitted by the U.S. Department of Housing and Urban Development. Sponsors who gave these reasons evidently understand that DPG-supported expenditures are deducted from the capital advance amount unless additional funding is needed for unforeseen expenses.

When asked to pick the reason with the greatest impact on their choice not to apply for a DPG, the most common response of nonrecipients (40 percent) was a lack of knowledge about the DPG Program. About one-fourth of nonrecipient survey respondents (24 percent) said that the timing of the release of the DPG Notice of Funding Availability had the greatest impact, and 20 percent reported that they had other sources of predevelopment funding. Asked if their organization would consider applying for a DPG for future properties, 85 percent said they would if the circumstances were right. The circumstances under which nonrecipients would apply for a DPG for future properties included (1) if additional sources of predevelopment funding were needed, (2) if the DPG funding were made available sooner, (3) if the DPG amount were higher, or (4) if the timing of the release of the DPG NOFA were improved. The four nonrecipients who reported that they would not consider applying for future properties cited as reasons poor timing in conjunction with the Section 202 award and the sponsors' existing resources.

We also asked the10 DPG recipients who did not apply for a DPG for properties not targeted by the survey why they did not apply. The timing of the release of the DPG NOFA was the most common reason cited by DPG recipients who did not apply for other properties. Of 10 recipients who did not apply for the DPG for other properties, 6 named this reason for not applying. The other 4 noted other reasons, including ineligible property type and missing the DPG deadline.

Exhibit 3-6. Sponsor Reasons for Not Applying for a DPG

	Nonrecipients .... "for this property?"
Had other sources of predevelopment funding before initial closing	60%
Had lack of knowledge about the DPG Program	56%
The timing of the release of the DPG NOFA	28%
The Section 202 capital advance was already at maximum amount permitted by HUD	20%
Award of DPG requires property to reach initial closing within 18 months	20%
The Section 202 capital advance fully covered the cost of development	12%
The DPG application is burdensome	12%
Ineligible property type	8%
Had previous negative experience with DPG administration	4%
Had previous negative experience with DPG application process	0%

DPG = Demonstration Predevelopment Grant. HUD = U.S. Department of Housing and Urban Development. NOFA = Notice of Funding Availability.
Source: Nonrecipient survey, N = 25

Characteristics of Recipients and Nonrecipients

This section analyzes the differences between Section 202 sponsors that have received a DPG and those that have not. Between FY 1998 and FY 2008, the Section 202 program funded a total of 1,497 properties, as shown in exhibit 3-7. The number of properties Section 202 has funded has trended downward in recent years, from an average of 158 properties between FY 1998 and FY 2002 to an average of 107 properties between FY 2005 and FY 2008.

Exhibit 3-7 also shows that, since the DPG Program's inception in 2004, a total of 365 Section 202 properties also received DPGs. Among the 571 Section 202 properties funded between FY 2004 and FY 2008, 64 percent received a DPG. The award rate was highest in FY 2004, at 72 percent, and lowest in FY 2008, at 54 percent.

Exhibit 3-7. Section 202 Properties Funded by FYI and DPG Award

Fiscal Year	Number of Properties Without DPG (N)	Number of Properties That Received DPG (N)	Percent of Properties That Received DPG (%)	Total Number of Properties (N)
1998	163	0		163
1999	156	0		156
2000	157	0		157
2001	153	0		153
2002	161	0		161
2003	136	0		136
2004	41	104	72	145
2005	55	64	54	119
2006	31	75	71	106
2007	39	63	62	102
2008	39	60	61	99
Total	*1,131*	*366*		*1,497*

DPG = Demonstration Predevelopment Grant. FYI = fiscal year information.
Sources: Development Application Processing system extract; DPG selection spreadsheets, December 2010

It is not clear why the number of DPG applications has decreased since FY 2004; however, 24 percent of nonrecipients who responded to the survey noted that the timing of the release of the DPG NOFA had the greatest impact on their decision not to apply for the DPG Program, and some DPG recipients surveyed said that they would not apply for a DPG in the future for this reason. This may indicate that, as sponsors become more familiar with the award schedule and the length of time it takes to receive DPG funding, they may decide that it comes too late in the predevelopment period to make it worthwhile to apply. Over time, sponsors may have also become more familiar with how the DPG Program is funded in relation to the capital advance and come to understand that a DPG award does not necessarily bring additional funding to the project.

DPG Distribution by HUD Field Office

Properties receiving DPGs are widely distributed across HUD field offices, and the volume per office varies considerably. Since 2004, 42 field offices had at least one Section 202 property with a DPG award, as shown in exhibit 3-8. Exhibit 3-8 reflects the fact that five field offices administer the Section 202 program for other field offices within their region. The Baltimore field office administers properties in the Washington, DC field office jurisdiction, the Detroit field office administers properties in the Grand Rapids, MI, field office jurisdiction, the Buffalo field office for New York, Columbus for Cincinnati, and Honolulu for San Francisco. The field office with the largest volume of DPG awards is Buffalo. The field offices that processed the highest percentage of DPGs compared with the total number of the Section 202 properties awarded between FY 2004 and FY 2008 were Houston, Jackson, and San Antonio; all Section 202 properties within the jurisdictions of these field offices during that time also received DPGs.

Exhibit 3-8. Section 202 Properties and DPG Awards by HUD Field Office (FY 2004–FY 2008)

Field Office	Number of Properties Without DPG (N)	Number of Properties That Received DPG (N)	Percent of Properties That Received DPG (%)	Total Number of Section 202 Properties (N)
Anchorage, Alaska	4	0	0	4
Atlanta, Georgia	7	9	56	16
Baltimore, Maryland	2	9	82	11
Birmingham, Alabama	7	5	42	12
Boston, Massachusetts	4	14	78	18
Buffalo, New York	5	35	88	40
Caribbean	3	0	0	3
Charleston, South Carolina	1	0	0	1
Chicago, Illinois	9	11	55	20
Cleveland, Ohio	6	11	65	17
Columbia, South Carolina	12	3	20	15
Columbus, Ohio	8	13	62	21
Denver, Colorado	1	16	94	17
Des Moines, Iowa	1	3	75	4
Detroit, Michigan	2	9	82	11
Fort Worth, Texas	4	9	69	13
Greensboro, North Carolina	8	7	47	15
Hartford, Connecticut	2	8	80	10
Honolulu, Hawaii	17	6	26	23
Houston, Texas	0	7	100	7
Indianapolis, Indiana	7	8	53	15
Jackson, Mississippi	0	2	100	2
Jacksonville, Florida	5	12	71	17
Kansas City, Kansas	4	5	56	9
Knoxville, Tennessee	2	6	75	8
Little Rock, Arkansas	4	8	67	12
Los Angeles, California	6	11	65	17
Louisville, Kentucky	3	12	80	15
Manchester, New Hampshire	9	12	57	21
Milwaukee, Wisconsin	2	4	67	6
Minneapolis, Minnesota	2	13	87	15
Nashville, Tennessee	3	8	73	11
New Orleans, Louisiana	8	10	56	18
Newark, New Jersey	3	7	70	10
Oklahoma City, Oklahoma	6	10	63	16
Omaha, Nebraska	2	2	50	4
Philadelphia, Pennsylvania	4	10	71	14
Phoenix, Arizona	4	6	60	10

continues on next page

Exhibit 3-8. Section 202 Properties and DPG Awards by HUD Field Office (FY 2004–FY 2008) *(cont.)*

Field Office	Number of Properties Without DPG (N)	Number of Properties That Received DPG (N)	Percent of Properties That Received DPG (%)	Total Number of Section 202 Properties (N)
Pittsburgh, Pennsylvania	4	13	76	17
Portland, Oregon	4	4	50	8
Providence, Rhode Island	4	5	56	9
Richmond, Virginia	6	4	40	10
San Antonio, Texas	0	5	100	5
Seattle, Washington	9	6	40	15
St. Louis, Missouri	1	8	89	9
Total	*205*	*366*	*64*	*571*

DPG = Demonstration Predevelopment Grant. FY = fiscal year. HUD = U.S. Department of Housing and Urban Development.
Sources: Development Application Processing extract; DPG selection spreadsheets, December 2010

Properties that received DPGs appear similar to Section 202 properties in terms of their distribution among HUD regions, number of units, and metropolitan status (central city, suburban, or rural). Among HUD regions, DPG participation and the number of Section 202 properties in general were concentrated in the Midwest and Southeast/Caribbean Regions. Slightly higher percentages of DPG-funded properties were located in the New England (11 percent), New York/New Jersey (11 percent), Mid-Atlantic (10 percent), and Midwest (19 percent) Regions compared with Section 202 properties as a whole. Properties located in the Pacific/Hawaii Region were less likely to receive a DPG.

When compared with Section 202 properties as a whole, the distribution of DPG properties by metropolitan status is similar, suggesting that metropolitan status did not affect sponsors' decisions to apply for DPG funding. Slightly more than one-fourth of DPG-funded properties (26 percent) and of all Section 202s (27 percent) are in rural areas. The remaining properties are about equally divided between urban and suburban locations, with DPG properties slightly more likely to be located in suburban areas (38 percent compared with 35 percent of all Section 202 properties).

The largest share of both properties that received DPGs and Section 202 properties overall are moderately sized, with slightly more than one-third (38 percent) of Section 202 properties and 37 percent of DPG properties containing between 26 and 50 units (see exhibit 3-9). DPG properties are slightly more likely to be smaller than all Section 202 properties; 33 percent of DPG funded properties have between 11 and 25 units, compared with 28 percent of all Section 202 properties.

Exhibit 3-9. Characteristics of DPG Recipients and All Section 202 Properties (FY 2004–FY 2008)

	All Section 202 Properties		DPG Recipients	
	(N)	(%)	(N)	(%)
HUD Region				
1. New England	105	9	39	11
2. New York/New Jersey	90	8	42	11
3. Mid-Atlantic	105	9	36	10
4. Southeast/Caribbean	228	20	64	17
5. Midwest	196	17	69	19
6. Southwest	141	12	49	13
7. Great Plains	55	5	18	5
8. Rocky Mountain	27	2	16	4
9. Pacific/Hawaii	120	11	23	6
10. Northwest/Alaska	64	6	10	3
Total	*1,131*	*100*	*366*	*100*
Number of Units				
1–10	57	5	11	3
11–25	317	28	120	33
26–50	431	38	135	37
51–100	318	28	100	27
>100	8	1	0	0
Total	*1,131*	*100*	*366*	*100*
Metropolitan Status				
Suburban	370	35	136	38
Urban	395	38	131	36
Rural	287	27	94	26
Total	*1,052*	*100*	*361*	*100*

DPG = Demonstration Predevelopment Grant. FY = fiscal year. HUD = U.S. Department of Housing and Urban Development.
Sources: Development Application Processing; Integrated Real Estate Management System; DPG selection spreadsheets, December 2010

Patterns of DPG Participation

Even though nearly all Section 202 properties are eligible for a DPG, not all sponsors choose to apply. One research question of the study is "What leads sponsors to apply or not?" The descriptive analyses presented above do not provide an obvious answer to the question of who chooses to apply for a DPG and who does not. To explore this question further, we used a logistic regression model to examine factors associated with sponsors' participation in the DPG Program. The logistic regression model is used to estimate the effect of location and property characteristics on DPG participation. This analysis informs later regression models, discussed in chapter 5, that associate DPG participation with the likelihood that properties close on time and do not require waivers.

Drawing from the HUD administrative data sources, we defined the following property and location characteristics to be used in the regression analysis. The omitted category serves as the comparison group for the categories included in the regression modeling. For instance, if suburban neighborhoods were the included category and rural neighborhoods were the omitted category, an odds ratio of 1.25 would indicate that properties located in suburban neighborhoods were 25 percent more likely than properties in rural neighborhoods to participate in DPG.

The property and location characteristics used in this model include the following:

- *DPG*—Indicates whether the sponsor received DPG funding.
- *Capital advance as a percent of development cost*—Proportion of a property's development cost covered by the Section 202 capital advance, as documented in the Section 202 capital advance application.
- *Type of construction*—Indicator variable for whether Section 202 funding was for new construction. Funding for building purchases or for renovating an existing property constitutes the omitted category.
- *Metropolitan status*—Two indicator variables for whether the property is in a suburban (metropolitan area but not a central city) or in an urban (metropolitan area and in a central city) neighborhood. Properties in rural (nonmetropolitan) areas constitute the omitted category.
- *Property size*—Three indicator variables for whether the property had 11 to 25 units, 26 to 50 units, or more than 50 units. Properties with 10 or fewer units constitute the omitted category.
- *Building type*—Six indicator variables identify whether units in the property are detached from other structures, semidetached, in a highrise building, in a midrise building, on a row, or in a walkup or garden style building. Townhouses and properties with multiple building types constitute the omitted category.
- *HUD region*—Nine indicator variables identify whether the property is located in the New England, New York/New Jersey, Mid-Atlantic, Midwest, Southwest, Great Plains, Rocky Mountain, Pacific/Hawaii, or Northwest/Alaska Region. Properties located in the Southeast/Caribbean Region constitute the omitted category

We performed the analysis using logistic regression, producing odds ratios. The outcome variable is a 0/1 binary variable indicating whether the property received DPG funding. In the results, an odds ratio of 0.98 for a variable implies that a 1-percentage point increase in this variable is associated with a grant being 98 percent as likely to have a DPG. The z-value shows whether properties with the characteristic are more likely (positive value) or less likely (negative value) to have a DPG.

We would expect the ratio of capital advance to development cost to have a negative relationship with DPG participation. That is, sponsors with properties receiving insufficient capital advance amounts to cover their development costs may be encouraged to apply for a DPG to access additional sources of funding. Sponsors with properties located in more expensive urban or suburban neighborhoods may be more inclined than those developing rural properties to participate in the DPG Program. Properties with a larger number of units may also be more likely to require DPG support for predevelopment funding, as they may need more involved architectural design and engineering plans than properties with fewer units. Based on reconnaissance discussions with field offices and sponsor representatives, we expect sponsors with properties located in the West and Northeast, regions where construction costs are reportedly highest, to be most likely to receive DPGs.

The results are shown in exhibit 3-10. The outcome variable is an odds ratio, a 0/1 variable indicating whether the property has received DPG funding. We have starred those characteristics that were found to be significant (* equals a significance with a p-value of <.05 and ** equals a significance with a p-value of <.01).

Exhibit 3-10. Logistic Model of DPG Participation

	Odds Ratio	z-Stat
Capital advance as percent of development cost	0.98**	– 4.56
New construction	2.14	2.22
Metropolitan area/non-central city (suburb)	1.25	1.08
Metropolitan area/central city (urban)	1.17	0.74
11–25 units	1.36	0.80
26–50 units	0.89	– 0.29
> 50 units	0.92	– 0.20
Detached	0.10*	– 2.09
Highrise	0.76	– 0.69
Midrise	0.68	– 0.92
Rowhouse	0.17*	– 2.48
Semidetached	0.23	– 1.76
Walkup or garden style	0.64	– 1.04
New England	1.14	0.49
New York/New Jersey	1.19	0.65
Mid-Atlantic	1.25	0.86
Midwest	1.24	0.98
Southwest	1.08	0.33
Great Plains	1.02	0.07
Rocky Mountain	1.49	1.07
Pacific/Hawaii	0.64	– 1.57
Northwest/Alaska	0.46*	– 2.02

DPG = Demonstration Predevelopment Grant.
N = 1,496 properties.
* $p<.05$; ** $p<.01$.

The most significant finding from exhibit 3-10 is that the ratio of the capital advance to development cost has a significant negative relationship with DPG participation (z-statistic = -4.56). Properties that received larger capital advances relative to their development costs were significantly less likely to participate in the DPG Program. One possible explanation is that sponsors receiving insufficient capital advance amounts to cover their total development costs may be encouraged to apply for a DPG to access additional sources of funding.

We expected sponsors with properties located in the West and Northeast Regions, where construction costs are highest, to be most likely to apply for a DPG. Analysis of the logistic regression models, however, shows no significant differences between recipients and nonrecipients among HUD regions. We did find that properties located in the Northwest/Alaska Region were less likely to receive a DPG, although we are unable to explain why.

We expected that properties with a larger number of units would be more likely to require DPG support for predevelopment funding, because these properties might require more involved architectural design and engineering. We did not find this to be the case. There was no significant relationship between the DPG request and the number of units. Likewise, we expected that sponsors with properties located in more expensive urban or suburban neighborhoods would be more inclined than sponsors of rural properties to participate in DPG. Findings of the logistic model, however, showed no significant association between receipt of DPG and location in suburban, urban, or rural areas.

Other Sponsor and Property Characteristics That May Influence DPG Participation

Although we did not select the sponsor survey respondents to be statistically representative of the universe of either Section 202 sponsors or DPG recipients, the survey results provide some insight on the relationship between property and sponsor characteristics and attitudes toward the DPG Program that cannot be found in the administrative data. The survey responses suggest some additional factors that may contribute to sponsors' decisions about whether to apply for a DPG and their outcomes in terms of processing time.

Organizational Capacity

One factor that could influence decisions on applying for a DPG is the sponsor organization's level of experience with development, but one can imagine the influence of this factor going either way. That is, a sponsor with limited development experience might be less likely to have access to other sources of predevelopment funding and might view the DPG Program as an attractive option. Conversely, an experienced Section 202 sponsor might be more likely to be familiar with the DPG Program and thus more likely to apply, irrespective of the organization's alternatives for predevelopment funding.

To examine indicators of the capacity of sponsor organizations, we asked field office staff their opinions on which characteristics of sponsors make it more likely for an organization to apply for a DPG and whether certain types of properties or sponsors benefit from the DPG Program more than others. We asked sponsors whether their organization was local or national and what consultants or other contractors they hired to help with the Section 202 development process.

Interviewers asked field office project managers if they thought the DPG Program benefited some types of sponsors more than others. Although most staff responded that the program did not benefit some sponsors more than others, 36 percent of field office staff said that it did and generally named small, local organizations as the types of sponsors that benefited more. We also asked field office project managers if they thought the DPG Program benefited some types of properties more than others. Less than one-fourth of field office staff (23 percent) thought it did. Those that thought so said that the DPG Program was particularly helpful for smaller properties or for those located in high-cost areas.

Field office project managers also report that, based on their experience, sponsors that receive a DPG are more likely to have development experience, as shown in exhibit 3-11. Some 77 percent of project managers reported that a DPG recipient is more likely to be an experienced developer, and 62 percent said that recipients were more likely than nonrecipients to have developed more than three Section 202 properties. Field office staff were divided as to whether DPG recipients were likely to have developed a property with 50 units or more, similar to the results of the analysis of administrative data presented previously.

Exhibit 3-11. Sponsor and Property Characteristics of DPG Recipients, as Reported by Project Managers

Sponsor Characteristics	More Likely (%)	Less Likely (%)	Equally Likely (%)	Don't Know (%)
Be a large national sponsor organization	36	21	38	5
Have developed more than three Section 202 properties	62	10	18	10
Be an experienced developer (general development experience)	77	3	15	5
Retain an application or property development consultant	74	5	15	5
Develop a property with 50 units or more	31	23	28	18

DPG = Demonstration Predevelopment Grant.
Source: DPG recipient survey, N = 66

Among sponsor survey respondents, DPG recipients reported more years of experience with housing development than nonrecipients. Recipient respondents reported an average of 18.7 years in affordable housing development, compared with 11.7 years on average for nonrecipient respondents, as shown in exhibit 3-12. DPG recipients also reported more experience with the Section 202 program; recipients stated that their organizations had submitted an average of 5.2 Section 202 applications since 2004, compared with 3.2 applications for nonrecipients. Nonrecipients fared slightly better in their Section 202 award rate, however, winning capital advances for 76 percent of their applications, compared with 68 percent for DPG recipients.

Exhibit 3-12. Sponsor Survey Respondent Characteristics

	DPG Recipients	Nonrecipients
Local organization	77%	80%
National organization	23%	20%
Section 202 applications organization submitted since FY 2004	5.2	3.1
Percent of Section 202 applications awarded since FY 2004	(68%)	(76%)
Average number of years of experience of respondent	18.7	11.7

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
Sources: DPG recipient survey, N = 66; nonrecipient survey, N = 26

More experienced developers may be more likely to apply for a DPG because they are likely to know about the program from previous experience and because they have the capacity to complete the application either in house or by hiring a consultant. We would also expect, not only that recipients would be more experienced, but also that they would be more likely to be a large, national organization rather than a smaller, local organization. We did not find a clear pattern of DPG usage, however, between national and local organizations. Among field office staff, 38 percent responded that, in their experience, DPG recipients were equally likely to be a national organization or to not be, 36 percent said more likely, and 21 percent said less likely. Among sponsor survey respondents, 77 percent of recipients stated their organization was local compared with 80 percent of nonrecipients, as presented in exhibit 3-12, although the results from this purposive sample may not reflect patterns among all Section 202 sponsors or DPG recipients.

Nearly all sponsors, recipients and nonrecipients (97 to 100 percent), hired outside architectural services, engineering services, environmental site assessments, and appraisals, as shown in exhibit 3-13. More than three-fourths of sponsors also hired contractors for legal tasks, cost analysis, and consultant services. Hiring a developer was less common, indicating that most sponsors acted as their own developers. There were very few differences between recipients and nonrecipients in hiring of contractors; however, according to the sponsor survey, DPGs did affect the ability of some sponsors to procure consultants or other outside contractors. Some 33 percent of sponsors responded that a DPG helped them procure contractors because the sponsor could pay architects and developers sooner.

Exhibit 3-13 Section 202 Development Tasks Completed by Contractors

	DPG Recipients (%)	Nonrecipients (%)
Architect services	98	100
Engineering services	97	100
Environmental site assessment	97	100
Appraisals	97	96
Legal services	91	100
Cost analysis	82	77
Consultant services	76	85
Market study	45	65
Developer services	30	23
Relocation	0	4
None	0	0

DPG = Demonstration Predevelopment Grant.
Sources: DPG recipient survey, N = 66; nonrecipient survey, N = 26

According to sponsor survey results shown in exhibit 3-13, a large majority of both recipients (76 percent) and nonrecipients (85 percent) reported hiring consultants. Similar percentages of recipients and nonrecipients reported that consultants completed various tasks, as shown in exhibit 3-14. Recipients were more likely to use consultants to complete more tasks than nonrecipients, however; on average, 4.6 tasks compared with 2.9. Most sponsors, both DPG recipients and nonrecipients, used consultants the most for writing the DPG and capital advance applications and to determine development costs and budgets. Similar percentages of recipients and nonrecipients used consultants to write the Section 202 application (84 and 74 percent, respectively), determine development costs (75 and 77 percent), and monitor the development budget (75 and 73 percent). One notable difference is that most nonrecipients (64 percent) reported consultants monitoring the design process, but only 19 percent of recipients reported the same. A possible reason for this is that recipients have more capacity to monitor the design process in house.

Exhibit 3-14. Activities Consultants Completed for Sponsors

	DPG Recipients	Nonrecipients
Wrote the DPG application (only asked of recipients)	90%	
Wrote the Section 202 application	84%	77%
Determined development costs	75%	77%
Monitored budget	75%	73%
Determined the need for supportive elderly housing	53%	55%
Overall project management	51%	45%
Helped procure other contractors	51%	64%
Identified and/or secured other sources of property funding	41%	36%

continues on next page

Exhibit 3-14. Activities Consultants Completed for Sponsors *(cont.)*

	DPG Recipients	Nonrecipients
Helped procure developer	24%	23%
Monitored design process	19%	64%
Average number of activities	4.6	2.9

DPG = Demonstration Predevelopment Grant.
Sources: DPG recipient survey, N = 51; nonrecipient survey, N = 22

Other Sources of Development Funding

For many Section 202 properties, the Section 202 capital advance is insufficient to cover the development cost of the property. This section presents findings from the field office and sponsor surveys on what other types of sources of funding sponsors receive and notes differences in number or type between DPG recipients and nonrecipients. Approximately two-thirds (64 percent) of recipients said that the property's entire development cost was covered by the Section 202 capital advance, but only 23 percent of nonrecipients said that their development costs were covered by the Section 202 capital advance, as shown in exhibit 3-15. Recipients reported that the Section 202 program covered an average of 86 percent of the total development costs compared with 54 percent of nonrecipient properties.[8]

Exhibit 3-15. Other Sources of Funding

	Nonrecipients	DPG Recipients
	Used for Targeted Property (%)	Used for Targeted Property (%)
Sponsor/owner funds	64	47
State funding	52	28
Other	44	38
City or county funding	43	34
HOME	33	28
Donation of land	28	38
CDBG	22	9
Low-income housing tax credits	21	6
Federal Home Loan Bank	6	17

CDBG = Community Development Block Grant. DPG = Demonstration Predevelopment Grant. HOME = HOME Investments Partnership Program.
Sources: DPG recipient survey, N = 24; nonrecipient survey, N = 19

If sponsors answered that the Section 202 capital advance or the combined Section 202 and DPG did not cover the property's entire development cost, we then asked them to identify what other sources of funding they used. If a nonrecipient indicated that they used a funding source for the property, we also asked the respondent if the funding source was available to pay for predevelopment costs.

Results of the survey show differences in the types of sources used by DPG recipients and nonrecipients. Among survey respondents, the most common source of funding for overall development costs, other than

8. Excludes two outliers of 1 and 5 percent, who may have interpreted the question to mean what percentage of costs were not funded; recipients' average percentage was 79 percent.

the Section 202 program for both recipients and nonrecipients, was sponsor or owner funds. Nonrecipients were more likely to have sponsor or owner funds cover some of the property's development costs, 64 percent compared with 47 percent of recipients. Of the nonrecipients who contributed sponsor or owner funds to development, 82 percent noted that these funds could pay for predevelopment costs, lessening the need for other sources of predevelopment funding. Nonrecipients were also more likely to report using city or county funding (other than the HOME Investment Partnerships Program [HOME] or Community Development Block Grants [CDBG]) for the targeted property (43 percent) compared with 34 percent of DPG recipients. Of nonrecipients with city or county funding, 67 percent reported that this funding was available to pay for predevelopment activities, the only other source of funding for which most sponsors reported that the funding was available to pay for predevelopment costs.

Other commonly reported sources of funding for nonrecipients were state funding (52 percent), HOME (33 percent), and land donation (28 percent). Recipients' most common funding sources were land donation (38 percent), city or county funding (34 percent), state funding (28 percent), and HOME (28 percent). Recipients used the Federal Home Loan Bank more, and nonrecipients used CDBG funds more. Other sources of development funding that survey respondents identified included funds from private foundations, nonprofit organizations, personal loans, energy efficiency programs, and housing authorities or housing finance agencies.

Whether sponsors received a DPG for their targeted property did not correlate to how many funding sources were used; nonrecipients specified an average of 4.6 sources each, and recipients identified 4.5 sources. DPG helped some sponsors obtain other sources of funding; 29 percent of recipients responded that the DPG funding helped them secure additional funds from the Federal Home Loan Bank, HOME other local funding, and private organizations. Sponsors also noted that the early infusion of cash into a project gives other funders confidence that HUD really supports the project and that there is a greater likelihood the project will be completed.

Summary

In summary, DPG recipients have received an average of $230,000 in DPG funding; the amount of the grants is proportionate to property size. Most DPG recipients surveyed reported that they applied for the grant because of a lack of predevelopment funding. Most nonrecipients did not apply because of lack of knowledge of the DPG Program. According to analysis of administrative program data, there are few differences in the characteristics of DPG recipients and nonrecipients. DPG-funded properties are similar to all Section 202 properties by size, building type, and geographic location. The most significant finding from the logistic regression analysis is that properties that received larger capital advances relative to their development costs were less likely to participate in the DPG Program. We also found some differences between recipients and nonrecipients from the field office and sponsor surveys. DPG recipients had greater Section 202 development experience than nonrecipients, suggesting that experience and capacity may affect whether sponsors apply for a DPG.

Chapter 4. DPG Implementation

Conducted after several rounds of Demonstration Predevelopment Grant awards, this study provided an opportunity to ask sponsors and field office staff about their experiences with the program from application through grant administration and closeout. In this chapter, we review sponsor and field office perspectives on DPG implementation. The results indicate the level of "customer satisfaction" with the program and identify aspects of program implementation that may encourage or discourage participation in the DPG Program and that may help or hinder efforts to reduce processing times.

Field Office Knowledge and Marketing of the DPG Program

In the first 5 years of DPG funding, approximately two-thirds of Section 202 awardees received DPG awards. Nearly all eligible applicants who apply for DPG receive funding. Reconnaissance discussions with field office project managers and sponsors suggested that, in the rare event a DPG application is denied, it is usually because the applicant did not submit a complete application. We explored whether the lack of full participation was because some U.S. Department of Housing and Urban Development project managers were unfamiliar with the program or did not promote it actively. Most field offices have administered at least one DPG, although the number of DPGs administered varied widely across field offices.

Field Office Knowledge and Training Received on the DPG Program

We found some variation in the knowledge of and familiarity with the DPG Program among project managers. Project managers report that they have received little formal training from HUD Headquarters since the start of the DPG Program. The Department provides a memo covering application review and grant awards procedures to the field offices each year. These "processing memos" provide detailed guidance on the DPG application, award process, and administration of the program.

Although there has been little formal training for the program, the vast majority of field office project managers rated their knowledge of the DPG Program as either a 4 (50 percent) or a 5 (32 percent) on a 5-point scale on which 5 is "very knowledgeable." None of the field office staff we interviewed rated their knowledge of the program as a 1 ("not knowledgeable"), and only one respondent rated his or her knowledge of the DPG Program as a 2 on the scale.

We also asked DPG recipients to rate how knowledgeable HUD project managers are, but with questions broken down into aspects of the DPG Program, as displayed in exhibit 4-1: the DPG application process, the award process, grant administration, and grant closeout. For all aspects of the DPG Program, roughly two-thirds (between 61 and 65 percent) rated project managers as "very knowledgeable," and between 30 and 33 percent rated them "somewhat knowledgeable." Only 6 DPG recipients rated project managers as "not knowledgeable" on any one topic. Conversely, 52 percent of DPG nonrecipients responded that they could not rate project managers' knowledge, suggesting that they had little contact with the field office about the DPG Program. For the 11 DPG nonrecipient respondents who could rate the field office staff's knowledge of the DPG Program, 4 rated their knowledge as a 1 or 2, 4 rated their knowledge as a 3, and 3 rated their knowledge as a 5.

Exhibit 4-1. Knowledge of the DPG Program—DPG Recipients Rating Field Office Project Managers

Topic Area	Not Knowledgeable	Somewhat Knowledgeable	Very Knowledgeable
The DPG application process	3 (1%)	17 (30%)	37 (65%)
The DPG award process	3 (1%)	19 (33%)	35 (61%)
The DPG administration period after grant award	2 (1%)	20 (33%)	38 (63%)
DPG activities during the initial closing for the Section 202 property	3 (<1%)	19 (32%)	37 (63%)
DPG grant closeout	3 (1%)	17 (30%)	36 (64%)

DPG = Demonstration Predevelopment Grant.
Source: Field office survey, N = 39

Most field office staff indicated that they have not received much training on the program in recent years and that the training they have received has not been very effective. Most staff reported that they received training on the DPG Program through the annual DPG processing memo (67 percent), through other written guidance (57 percent), or through other guidance provided on an ad hoc basis through the HUD Office of Multifamily Housing Programs (44 percent), as shown in exhibit 4-2. Only 3 percent of field office respondents indicated they had received any kind of in-person training, and only 28 percent of respondents reported they had received training via conference call. Several field office staff volunteered that they learned the program mostly "by doing" or were educated by their peers.

Exhibit 4-2. DPG Training Received by Field Office Project Managers in the Past 2 Years

Training	Yes (%)	No (%)	Don't Know (%)
An in-person training session provided at field office	3	97	0
An in-person training session provided off site	0	100	0
Conference-call training	28	69	3
Through the annual DPG processing notice	67	31	3
Through other written guidance	57	44	0
Through other guidance provided on an ad hoc basis through the Office of Multifamily Housing Programs	44	56	0

DPG = Demonstration Predevelopment Grant. HUD = U.S. Department of Housing and Urban Development.
Source: Field office survey, N = 39

When asked to rate the effectiveness of the DPG training they have received on a scale from 1 to 5 in which 1 is "not effective" and 5 is "very effective," most project managers rated the effectiveness as either a 1 (29 percent) or a 2 (26 percent). Only 14 percent of project managers rated the effectiveness of training as either a 4 or a 5. Most project managers (82 percent) report that they would find additional training helpful. The training topics on which project managers would most like training are grant closeout (94 percent), initial closing of the Section 202 property (88 percent), DPG grant administration (84 percent), and the DPG application process (66 percent).

DPG Marketing

One possible reason for the relatively low rate of participation in DPG is that sponsors may not know about the program. We asked field office staff how they let sponsors know about the DPG Program, and we asked sponsors how they learned about the program.

The methods of communicating information about the DPG Program to potential applicants vary widely, according to HUD field staff. We asked project managers when they provide information about the DPG Program to sponsors, and we asked sponsors when they received such information from their field offices. As shown in exhibit 4-3, most project managers reported providing information about the DPG Program when the DPG Notice of Funding Availability is released from HUD (92 percent of field office staff responded that they provide information about the DPG Program at that time "sometimes" or "often") or at the Section 202 award briefing (74 percent report providing information about the DPG Program at that time "sometimes" or "often"). Most project managers (77 percent) also noted that they individually contact sponsor organizations that have received a Section 202 capital advance (or their consultants) at some point during the award cycle. Several field office staff who responded that they did not contact sponsors to encourage them to apply noted that, after the DPG NOFA is out, they are not permitted to discuss the DPG application with applicants.[9]

Exhibit 4-3. When Field Office Staff Provide Information About the DPG Program to Sponsors

	Field Office: Yes (Often or Sometimes) (%)	DPGR: Yes (%)	DPGNR: Yes (%)
During the Section 202 application process	59	26	36
With the Section 202 fund reservation award letter	41	26	21
At the Section 202 award briefing meeting	74	44	29
When the DPG NOFA is released by HUD	92	71	43
Other	72	12	7

DPG = Demonstration Predevelopment Grant. DPGNR = DPG nonrecipients. DPGR = DPG recipients. NOFA = Notice of Funding Availability.
Sources: Field office survey, N = 39; DPG recipient survey, N = 66; DPG nonrecipient survey, N = 13

There is some disconnect between when field offices say they transmit information about the DPG Program and when sponsors report they receive it, as a greater percentage of project managers reported providing DPG information at various milestones in the funding cycle than sponsors reported receiving it. When comparing project managers' responses of "Never" to sponsors' responses of "No," there are differences of between 10 and 20 percent between the responses of field office staff and the responses of sponsors. For example, 92 percent of field office staff report they provide DPG information to sponsors when the DPG NOFA is released, but only 71 percent of recipients and 43 percent of nonrecipients indicated in the survey that they received the information then. Similar differences exist for providing DPG information at the Section 202 award briefing meeting and with the fund reservation award letter. This disconnect suggests that field office staff should make a more concerted effort to notify Section 202 applicants and awardees about the DPG Program throughout the funding cycle.

9. Staff from the Office of Multifamily Housing Programs clarified that field office staff are permitted to discuss the Notice of Funding Availability and application requirements with applicants, however, they cannot assist organizations in completing their applications.

Project managers' knowledge about the DPG Program may affect how and when information about the DPG Program is provided to sponsors. Project managers who rated themselves a 4 or a 5 in their knowledge of the DPG Program were more likely to provide information to sponsors often, at various milestones in the funding cycle. Some 83 percent of project managers who rated themselves a 5 and 84 percent of staff who rated themselves a 4 responded that they provided information to sponsors "often" for at least one milestone. Conversely, only 38 percent of field office staff who rated themselves a 3 provided information about the DPG Program to sponsors "often" for at least one milestone. Increasing the level of knowledge about the DPG Program among field office staff through additional training may improve the flow of communication about the program between field office staff and sponsors.

Because there are typically only a few Section 202 capital advances awarded to sponsors in each field office jurisdiction each fiscal year, field office staff note that notifying sponsors about the DPG Program does not overly burden them. Nearly all project managers (90 percent) responded that staffing or other workflow issues do not affect their ability to provide information to sponsors about the DPG Program. Some staff noted that it can be difficult to prioritize Section 202 and DPG work when they are working on multiple projects concurrently.

Sponsor Knowledge About the DPG Program

Field office project managers may overestimate sponsor knowledge of the DPG Program, as project managers rated sponsors' knowledge higher than the sample of sponsors rated themselves. As shown in exhibit 4-4, almost one-half of project managers (47 percent) responded that sponsors are "very knowledgeable" about the DPG Program, but only 33 percent of DPG recipients and 6 percent of nonrecipients rated themselves as "very knowledgeable."

Not surprisingly, most nonrecipients (73 percent) rated themselves as not knowledgeable about the grant program. DPG nonrecipients reported receiving information less often at each Section 202 milestone than recipients, and they also had much higher rates of "Don't know" responses.

Exhibit 4-4. Knowledge of the DPG Program—Sponsor Staff

	Field Office Response (%)	DPG Recipient Response (%)	DPG Nonrecipient Response (%)
Not knowledgeable (1–2)	24	8	73
Somewhat knowledgeable (3)	35	60	23
Very knowledgeable (4–5)	47	33	6
Total	*100*	*100*	*100*

DPG = Demonstration Predevelopment Grant.
Sources: Field office survey, N = 39; DPG recipient survey, N = 66, DPG nonrecipient survey, N = 26

DPG Application Process

The DPG application process could be a deterrent to participation if it is costly or burdensome for sponsors to complete. We asked sponsors and field office staff about their experiences with the application process to see if it may have implications for participation or for processing time.

The DPG application process is competitive, and the NOFA is released sometime after the capital advance awards are announced for each funding year. The DPG NOFA has typically been published between 1 and 4 months after the capital advance awards were announced. When HUD publishes the DPG NOFA depends on a number of factors, including when the Treasury first disburses the DPG funds and the time HUD needs to make any updates to the application requirements.

Applicants usually have 4 to 6 weeks to complete their applications and must submit a narrative demonstrating need for predevelopment funding, an exhibit identifying proposed predevelopment activities and budget, a project development schedule, and a logic model (HUD96010). Sponsors must submit all DPG applications online to HUD using the grants.gov submission system.

Recipients report that applying for a DPG cost an average of $3,398, ranging between $550 and $20,000. Sponsors reporting higher costs may be reporting a fixed fee for consultant services, of which preparing the DPG application is just one task. Recipients reported an average of 28 staff or consultant hours spent meeting application requirements, ranging between 3 and 100 hours.

The level of effort required to complete the DPG application does not appear overly burdensome to most recipients. As presented in exhibit 4-5, most recipients responded that the DPG application process was "easy," particularly the requirements for rating their organization's financial need (83 percent) and determining a development schedule (71 percent). Opinions were more mixed about the grants.gov submission system. The same number of recipients found navigating grants.gov easy (43 percent) as the combined number who found it "somewhat difficult" or "difficult" (42 percent). When asked if there were additional aspects of the DPG application process they found particularly burdensome, respondents mentioned the logic model and the overall amount of paperwork.

The application activities with which sponsors had the most difficulty were determining the proposed development activities and budget; 39 percent found the process "somewhat difficult" or "difficult." Sponsors must estimate the costs for each eligible predevelopment activity, requiring them to request estimates from their contractors and consultants. Estimating development costs may be an unfamiliar area for sponsors, because HUD determines the Section 202 capital advance amounts by a formula based on building type, number of units, and high cost factors. It is difficult to estimate costs for expenses that have yet to be incurred, and sponsors want to prepare accurate estimates to avoid having to request transfers between DPG fund line items. Accuracy in predevelopment costs is essential, as DPG recipients cannot request additional DPG funds if their actual costs exceed their estimates. Although the capital advance can also be used to pay for predevelopment costs, these funds are not available until initial closing.

Exhibit 4-5. Level of Difficulty of the DPG Application

	Easy (%)	Somewhat Difficult (%)	Difficult (%)
Describing the organization's financial need	83	11	0
Determining the proposed predevelopment activities and budget	54	37	2
Determining a development schedule	71	18	3
Complying with the HUD grant application schedule	65	23	6
Navigating grants.gov submission system	43	22	20

Source: Demonstration Predevelopment Grant recipient survey, N = 65

Most recipients (60 percent) did not ask the HUD field office for any assistance in completing their DPG applications, but of those who did, several asked about the relationship of the DPG to the Section 202 capital advance and whether the final capital advance amount would be reduced by the DPG amount. One recipient stated that the organization's consultant had informed them that the DPG was additional funding based on the consultant's experience on past properties; however, when the property reached closing, HUD reduced the amount of the capital advance by the amount of the DPG.

Recipients also requested assistance about the logic model, general clarification of requirements and "administrative" questions, and specific line item or budgetary questions. Most recipients who asked for assistance reported that they received the assistance they asked for, and only four said they did not. Two of these four, when asked for more information, said that the field office eventually helped them but not in a timely manner.

DPG recipients were more likely than nonrecipients to hire consultants to assist with the Section 202 development process—86 percent compared with 71 percent. Almost all recipients who hired consultants (90 percent) also reported that their consultants wrote the DPG application. This may suggest that consultants are recommending the DPG Program to their Section 202 clients or that sponsors are more likely to apply when they have outside help to complete the application requirements.

Timing of the Release of the DPG NOFA

The timing of the DPG application and award process—that is, when the DPG NOFA is released, how quickly awards occur, and how quickly HUD makes the first payment—has been a concern for sponsors. Results from the field office and sponsor surveys confirm that the lag time between when the capital advance awards are made and the release of the DPG NOFA may affect whether or not a sponsor applies for a DPG and whether or not properties reach initial closing within HUD's guideline of 18 months from fund reservation.

The predevelopment clock starts when HUD makes the Section 202 fund reservations, shortly after making the capital advance awards. When Headquarters does not release the DPG NOFA until several months after the capital advance awards, sponsors have either already begun their predevelopment activities or have not for various reasons, including lack of funds to pay for predevelopment activities. Architectural services constitute by far the largest percentage of DPG requested funds. Sponsors noted in the survey that it is difficult to engage the services of an architect or other contractor if sponsors are uncertain when they will be able to pay those contractors. Without access to a DPG or other sources of predevelopment funding, it may be 18 to 24 months or more, before sponsors can pay predevelopment contractors if sponsors' only source of predevelopment funding is not available until the capital advance funds are released at initial closing.

Delays in applying for and receiving DPG funding can cause properties to exceed the 18-month target for initial closing. In some funding years, many months passed between Section 202 capital advance awards and DPG application submission and between DPG application submission and DPG award announcements. We present the timeline of Section 202 and DPG funding cycles from FY 2004 to FY 2009 in exhibit 4-6. The timeline shows the key dates during the application process: when HUD released the Section 202 NOFAs, when it made capital advance awards, when it released the DPG NOFA, and when it made DPG awards. In the first year of the program, the DPG NOFA came out about a month after the capital advance awards, and 74 percent of Section 202 recipients received DPG awards. The following year there were 119 days between the two events, and only 54 percent of Section 202 recipients received a DPG. In FY 2006, the time period decreased somewhat, to 87 days; 71 percent of Section 202 recipients received DPG awards that year.

In FY 2007 and FY 2008, however, the percentages receiving DPGs leveled off to 61 and 62, respectively, even though the award cycles differed considerably, with concurrent funding cycles of Section 202 and DPG awards in FY 2008. This could suggest that sponsors have had experience with the uncertain nature of the DPG funding cycle, and fewer sponsors are willing to navigate the process if they have other sources of predevelopment funding.

The time between the capital advance award and the DPG award is important because the award of the capital advance starts the predevelopment period. Aside from the 2008 funding round, there was an average of 8 months between capital advance award and DPG award, almost one-half of the recommended predevelopment period. The longer into the predevelopment period HUD makes the DPG awards, the greater the chance that sponsors are having difficulty completing their predevelopment activities because of lack of funding before initial closing. The delay in releasing DPG funds may still affect DPG recipients who may not rely on the DPG funds to complete predevelopment activities. The Office of Multifamily Housing Programs acknowledges that, in some cases, properties reach initial closing before release of the DPG funds. After initial closing, DPG funds are no longer available, causing sponsors to lose out on those funds. DPG recipients who plan to close on their properties before the release of DPG funds may have to locate another source of funding that is available before initial closing.

Exhibit 4-6. Section 202 and DPG Funding Schedule

	Section 202 Capital Advance			Demonstration Predevelopment Grant		
	NOFA Posted	Applications Due	Award Made	NOFA Posted	Applications Due	Award Made
FY 2004	5/14/2004	7/22/2004	10/22/2004	11/26/2004	1/10/2005	4/27/2005
FY 2005	3/21/2005	5/31/2005	—	—	—	—
Revised 1	—	7/1/2005	—	—	—	—
Revised 2	8/5/2005	9/6/2005	1/5/2006	5/4/2006	6/6/2006	9/15/2006
FY 2006	3/8/2006	6/2/2006	12/1/2006	2/26/2007	3/28/2007	9/18/2007
FY 2007	3/13/2007	5/14/2007	10/26/2007	1/23/2008	2/27/2008	7/8/2008
FY 2008	5/4/2008	7/10/2008	—	—	—	—
Revised 1	10/14/2008	12/16/2008	—	10/10/2008	12/16/2008	—
Revised 2	—	2/19/2009	9/9/2009		2/18/2009	9/2/2009
FY 2009	9/1/2009	11/13/2009	—	—	—	—
Revised	—	12/14/2009	7/12/2010	8/27/2010	10/4/2010	2/16/2011

DPG = Demonstration Predevelopment Grant. FY = fiscal year. NOFA = Notice of Funding Availability.
Source: Dates listed based on Abt review of information retrieved from the *Federal Register* and HUD's website

The lag in time between Section 202 award and DPG application and award also deters some sponsors from participating in the DPG Program. More than one-half of field office staff responded that, based on their experience, the timing of the release of the DPG NOFA was a reason sponsors chose not to apply for a DPG either "often" (21 percent) or "sometimes" (36 percent). Sponsors agreed; 28 percent of nonrecipients stated this was the reason for not applying for a DPG for their property targeted by the survey, and 60 percent of recipients stated this was a reason for not applying for a DPG for another of their Section 202 properties.

The intent of the DPG Program is to decrease processing time by funding predevelopment costs that previously could not be paid until initial closing. Either improving the coordination of the release of the DPG NOFA with capital advance awards or combining the two applications would likely increase the rate of sponsors applying for and receiving DPG funds.

Other Findings on the DPG Application Process

More than one-half of field office staff surveyed identified issues with the DPG application process; 26 percent of field office staff reported issues with the technical review process, and 33 percent reported issues with the HUD Headquarters selection process. Those who mentioned issues with the technical review process noted large amounts of paperwork, the time it takes to cure deficiencies, and coming to agreement with the mortgage credit analysis of how the DPG funds are broken out into budget line items. Most of the concerns about the selection process related to the time it takes Headquarters to complete the selection and execute grant agreements.

Field office respondents were asked their opinions on how to improve the application process. Some staff reiterated the need to improve the timing of the funding cycles, speed up the award process, and clarify that Section 202 capital advance funds and DPG funds cannot be used to pay for the same expenses. Others responded that they would like greater clarification of application requirements and eligible uses of the grant for both field office staff and sponsors and requested a more clearly written processing memo. Field office staff also suggested that HUD should streamline the application process and either combine the Section 202 and DPG applications or automatically give predevelopment funding to all sponsors who receive a capital advance.

DPG Administration

One research question of the study is, "What are sponsors' and field office staff's experiences with the DPG Program?" We asked several questions in the surveys to learn how field office project managers obligate the grant funding, process payments, and consider amendment waiver requests. We also asked sponsors to note any issues they have had after grant award to learn about any potential improvements to the program and to identify any aspects of the grant program that could cause development delays. We present our findings on the administration and management of the DPG Program by field offices after awards are made, including aspects of the administration of the program that may add to processing time between fund reservation and initial closing.

Obligating Funds in the Line of Credit Control System

After the DPG grant agreements are executed, staff uses HUD's Line of Credit Control System (LOCCS) for obligating funds and authorizing payments. The process of obligating the funds includes staff sending form SF–1199A to the HUD Accounting Center in Fort Worth, Texas, and spreading the DPG amount among line items. Sponsors must also register to use LOCCS. According to the Office of Multifamily Housing Programs, HUD expects these activities to occur within 4 weeks of grant execution. Field office staff report that they can generally complete this process within that time; 56 percent of field office staff responded that funds obligation occurred within 4 weeks of grant execution "always or almost always" and 21 percent stated that it occurred during this time "often."

Access to LOCCS is necessary to approve and process DPG payment requests, and access is not consistent across field offices. Only 46 percent of project managers who responded to the field office survey have LOCCS access. Field office staff who do not have LOCCS access have to rely on supervisors, colleagues, and finance staff in their field office or staff at the Fort Worth Accounting Center to process DPG payments. Some staff also report needing the approval of one or two additional supervisors before they can release payments to the sponsor or that, although several staff may be able to view funding distribution in LOCCS, only one staff member in the field office is authorized to release payments. Project managers coordinating with other staff in or outside their field office can lead to delays in getting payments released to sponsors.

HUD Headquarters recommends that all field offices have at least two staff authorized to access the system, but only 51 percent of field office respondents report having at least two people with LOCCS access. One-third of field offices (33 percent) had only one person in the field office with LOCCS access, and 13 percent had no staff with LOCCS access. It is unclear whether HUD permits all project managers who work with DPGs to apply for LOCCS access. Even if Headquarters permits it, some staff noted that they do not wish to apply. To gain access, staff must complete a detailed application and provide personal financial information.

Although field office staff noted some difficulty navigating LOCCS, most sponsors did not report any issues with getting registered in LOCCS or getting payment voucher requests approved within a reasonable amount of time. Nine respondents reported issues with registering with LOCCS, describing it as confusing and time-consuming. Six respondents noted problems with the payment voucher approval process; three respondents reported the approval process took too long, and the other three reported issues related to activities within the sponsor's organization.

Transferring DPG Funds Between Budget Line Items

Sponsors have to spend DPG funds within the same funding categories as proposed in their applications. Predevelopment costs provided by sponsors in the DPG application, however, are estimates, and actual costs may result in overruns in some line items and under spending in others. When this occurs, sponsors submit a written request to move funds, detailing the changes in costs. The program office staff said that moving funds is allowed; however, 18 percent of project managers report not allowing transfers, and an additional 18 percent report that they consider requests on a property-by-property basis.

Neither field office nor sponsor staff report many issues with the process of moving funds between line items. Requests to move funds do not occur often; 82 percent of respondents stated that their predevelopment cost estimates were fairly accurate. The high accuracy of predevelopment cost estimates may be because sponsors are already well into their predevelopment period by the time they apply for DPG funding. Of the 12 sponsors who responded that their estimates were inaccurate, 5 estimates were too low and 7 were too high.

Field office staff and sponsors report that the process for moving funds typically takes only a few days, and infrequent delays are because of requesting payments for ineligible costs or lack of available staff to access LOCCS and make the transfer.

Amendment Waivers

Sponsors can request amendment waivers for increases in the capital advance or to extend the processing time beyond 24 months. The Office of Multifamily Housing Programs informs sponsors that waivers should receive approval within 30 days of HUD receipt of the request. Field office staff report that, in general, they are in line with this timeframe. Field office staff report an average of 27 days to approve extension waivers and 33 days to approve funding amount waivers. The overwhelming reason given by field office staff for any delays in amendment waiver approval was delays by HUD Headquarters.

Detail on the incidence of amendment waivers for DPG recipients and nonrecipients is provided in chapter 5.

DPG Grant Closeout

HUD did not intend for funding under the DPG Program to duplicate the Section 202 capital advance funding. At the firm commitment application review stage, sponsors must document all DPG monies they used to pay for allowable Section 202 project uses and provide evidence of payment. HUD field office staff must review the sponsor's sources and uses statement and ensure that this statement is consistent with submitted LOCCS vouchers. HUD staff determines those costs that were reimbursed through the DPG Program and list the amount of reimbursed costs as restricted capital advance funds that can be used to pay for unexpected project costs. The parties must resolve any inconsistencies before initial closing, because DPG funds are no longer available during the construction period. Staff note that reconciling these inconsistencies can cause delays for some sponsors in reaching initial closing.

Summary

DPG recipients in general had positive experiences with the DPG Program. Although there has not been much formal training on the program, most field office staff rate themselves “very knowledgeable” about the program. Field office staff, however, would like training on some specific areas of grant administration. Most sponsors report that the level of effort to complete the DPG application is not substantial and does not deter sponsors from applying, although many sponsors expressed dissatisfaction with the timing of the DPG application and grant award. The lag time between capital advance award and DPG award has created development delays for some sponsors and experience with this lag has caused some sponsors not to apply for other properties. Overall, sponsors and field office staff report few problems with how HUD administers the program following grant award.

Chapter 5. DPG Outcomes

The previous chapters presented analysis of what leads a sponsor to apply for a Demonstration Predevelopment Grant and whether there are differences between the characteristics of DPG-funded properties and all Section 202 properties. We found that DPG properties are similar to the rest of the Section 202 stock, although the DPG recipients report having more development experience than nonrecipients. This section assesses whether the DPG Program helped the sponsors who received the grant meet the U.S. Department of Housing and Urban Development's goal of reaching initial closing within 18 months of fund reservation or decrease development delays that may have occurred without a DPG. We compare findings for properties for which the sponsors received a DPG to those for properties that did not receive a DPG. The data sources used for this section include Development Application Processing and Integrated Real Estate Management System data, as well as the sponsor recipient and field office surveys. This chapter includes a discussion of the effect of the DPG Program on reducing development delays and requests for amendment waivers.

Processing Times for All Section 202 Properties

We examined average processing times of Section 202 properties before and after the onset of the DPG Program to determine if trends in processing times can be attributed to the DPG Program or if trends in processing times are similar for all Section 202 properties. The average processing time was trending downward before the 2004 start of the DPG Program and continued to drop in 2005 and 2006, as shown in exhibit 5-1. Typically, from FY 1998 through FY 2004, only one-fourth of the properties reached initial closing in 18 months, compared with 33 percent of the FY 2008 properties. The median processing time for properties funded between FY 1998 and FY 2008 ranged from 22.2 months to 24.3 months, and the average from 24.5 to 27.4 months. The shortest processing time was 3.5 months, and the longest processing was more than 118 months.

Exhibit 5-1. Processing Time of Section 202 Properties Funded FY 1998–FY 2008 (in months)

Fiscal Year	Total Number of Properties Funded	Total Number of Properties Funded With Initial Closing Date	Minimum	25th Percentile	Median	Mean	75th Percentile	Maximum	Percent of Properties Closed Within 18 Months	Percent of Properties Closed Within 24 Months
1998	163	162	7.6	18.0	22.8	26.0	32.9	95.0	25%	54%
1999	156	156	8.1	16.6	22.8	26.5	32.7	118.9	28%	55%
2000	157	156	5.2	18.0	24.2	26.3	32.5	79.9	25%	48%
2001	153	153	9.0	17.6	23.0	25.1	32.8	68.4	28%	59%
2002	161	161	9.3	19.5	24.3	27.4	32.3	73.5	17%	50%
2003	136	134	7.5	17.8	22.2	24.5	28.5	71.0	27%	60%
2004	145	143	3.5	18.2	22.8	24.7	28.2	59.7	23%	68%
2005	119	117	7.7	17.3	19.8	22.1	23.8	50.2	34%	74%
2006	106	97	5.1	18.1	22.1	22.8	24.5	44.3	23%	66%
2007	102	87	8.0	16.8	21.1	20.8	23.3	35.5	25%	67%
2008	99	60	7.8	12.6	17.4	16.0	20.2	21.4	33%	100%
Total	*1,497*	*1,426*	*3.5*	*17.6*	*22.2*	*24.6*	*30.0*	*118.9*	*26%*	*61%*

FY = fiscal year.
Source: Development Application Processing data extract, December 2010

We have to be cautious when interpreting the processing time figures for 2007 and 2008. We are not able to observe the initial closing dates for some of these properties, because they have yet to occur. For the recent cohorts, all we see are properties that reached initial closing relatively quickly, not the properties that will end up having longer processing times.[10] This creates a downward bias when we calculate the summary statistics for processing time for these most recent cohorts.[11] Therefore, we did not include properties funded in FY 2007 or FY 2008 without initial closing dates in this processing time analysis.

The proportion of properties meeting the 18-month target varies widely across field offices, from 4 percent to as much as 46 percent. The average processing time by HUD region, the proportion of properties that reached initial closing within 18 months, and the proportion of properties reaching initial closing within 24 months are shown in exhibit 5-2. Sponsors in all regions were more successful reaching initial closing for their properties within 24 months than within 18 months. On average across all regions, 33 percent more properties reached initial closing by 24 months than by 18 months. Overall, 61 percent of properties reached initial closing within 24 months compared with 26 percent within 18 months.

10. The econometrics/modeling literature calls this type of incomplete data and the biases it creates "censoring." For the multiple regression analysis presented below, we employed a type of regression model (called proportional hazards model) that accounts for this data structure.

11. HUD made the FY 2007 Demonstration Predevelopment Grant awards on July 8, 2008 and the FY 2008 awards on September 2, 2009; therefore, as of the date of this report, properties that have not yet closed will have processing times of at least 34 months for the FY 2007 awards and 20 months for the FY 2008 awards.

Exhibit 5-2. Processing Time of Section 202 Properties Funded FY 1998–FY 2008 (in months) by HUD Region

HUD Region	Properties With Initial Closing Date (N)	Average Processing Time (months)	Properties Closed Within 18 Months (%)	Properties Closed Within 24 Months (%)
New England	136	30.1	11	42
New York/New Jersey	119	31.5	7	34
Mid-Atlantic	137	27.2	18	50
Southeast/Caribbean	285	21.5	37	77
Midwest	248	22.6	34	67
Southwest	187	20.7	34	78
Great Plains	71	20.5	32	72
Rocky Mountain	43	23.6	30	63
Pacific/Hawaii	128	29.8	4	39
Northwest/Alaska	72	22.5	46	64
Total	*1,426*	*24.6*	*26*	*61*

FY = fiscal year. HUD = U.S. Department of Housing and Urban Development.
Source: Development Application Processing data extract, December 2010

Properties in the Pacific/Hawaii, New York/New Jersey, New England, and Mid-Atlantic Regions were less likely to reach initial closing within 18 months. These regions also have the highest construction costs and stricter regulatory environments related to development. Properties in the Northwest/Alaska Region were most likely to close within 18 months (46 percent).

DPG Effect on Processing Time

The primary goal of the DPG Program is to help sponsors reach initial closing within 18 months. We compared the average processing times for DPG recipients and nonrecipients for the study period using iREMS and DAP data. We also used multivariate regression analysis to assess whether properties with DPG funding had shorter processing times on average compared with other properties, controlling for property and location characteristics (type of location, number of units, HUD region). We also examine the location and property characteristics associated with properties that were able to achieve initial closing within the 18-month and 24-month timeframes. In regressions that modeled closing both within 18 months and within 24 months, property and location characteristics were included to isolate the effect of the DPG Program and study these characteristics' correlation with time to initial closing.

We expect that some property and sponsor characteristics decrease processing time and others increase processing time. We expect sponsors who participate in the DPG Program to be better equipped to reach initial closing within 18 months. Both field staff and sponsor representatives noted that sponsors could pay predevelopment contractors and consultants more promptly with DPG funds, encouraging them to work on these projects. Absent other predevelopment funding, sponsors could not pay until initial closing. We expect properties that experience high construction costs to be associated with longer processing times, as sponsors face more difficulty securing affordable contractors and consultants. We also expect that properties that are highrise or midrise buildings that receive a smaller amount of Section 202 funding as a proportion of development costs, or that are in metropolitan areas and on the coasts are also more likely to experience longer predevelopment periods.

Factors linked to DPG receipt may also contribute to longer processing times. As noted in chapter 4, delays in the release of the DPG Notice of Funding Availability relative to the Section 202 capital advance NOFA may adversely affect sponsors' ability to reach initial closing within 18 months. DPG recipients may also have unobserved sponsor characteristics that are inherently different from sponsors that do not participate in DPG. Properties with sufficient predevelopment funding may be less likely to apply for a DPG but more likely to reach initial closing sooner than properties without other funding sources. Sponsors that anticipate delays in processing time because of local regulations may also be more likely to apply for a DPG. Our data sources did not make these factors available, and thus we could not use them as control variables.

Administrative Data Analysis on Processing Time

When we compared the number of months between fund reservation and initial closing for DPG recipients and nonrecipients, we found that there was no appreciable difference between the two groups. Exhibit 5-3 shows the average processing time for the two groups, and exhibits 5-4 and 5-5 tabulate the proportion of properties that reached initial closing within 18 and 24 months. We observed similar findings when we examined the proportion of properties reaching initial closing within 18 months or within 24 months from the fund reservation date.

Exhibit 5-3. Average Processing Time of Section 202 Properties Funded FY 1998–FY 2008 (in months) by DPG Award

Fiscal Year	DPG Nonrecipients	DPG Recipients	All
1998	26.0		26.0
1999	26.5		26.5
2000	26.3		26.3
2001	25.1		25.1
2002	27.4		27.4
2003	24.5		24.5
2004	25.8	24.3	24.7
2005	22.6	21.7	22.1
2006	22.6	22.9	22.8
2007	19.7	21.4	20.8
2008	15.9	16.0	16.0
All	*25.4*	*22.0*	*24.6*

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
Sources: Development Application Processing data extract; DPG selection spreadsheets, December 2010

Exhibit 5-4. Percent of Properties Reaching Initial Closing Within 18 Months (in months) by Fiscal Year and DPG Award

Fiscal Year	DPG Nonrecipients (%)	DPG Recipients (%)	All (%)
1998	25		25
1999	28		28
2000	25		25
2001	28		28
2002	17		17
2003	27		27
2004	24	22	23
2005	31	36	34
2006	26	21	23
2007	28	24	25
2008	24	39	33
All	*25*	*27*	*26*

DPG = Demonstration Predevelopment Grant.
Sources: Development Application Processing data extract; DPG selection spreadsheets, December 2010

Exhibit 5-5. Percent of Properties Reaching Initial Closing Within 24 Months (in months) by Fiscal Year and DPG Award

Fiscal Year	DPG Nonrecipients (%)	DPG Recipients (%)	All (%)
1998	54		54
1999	55		55
2000	48		48
2001	59		59
2002	50		50
2003	60		60
2004	66	68	68
2005	71	77	74
2006	65	67	66
2007	54	75	67
2008	100	100	100
All	*57*	*74*	*61*

DPG = Demonstration Predevelopment Grant.
Sources: Development Application Processing data extract; DPG selection spreadsheets, December 2010

When comparing the percentage of properties that reached initial closing within 18 months by the size of the property, the DPG Program does not appear to have a large effect on properties in any size group, as shown in exhibit 5-6. For many property size groups, more nonrecipients reached initial closing within 18 months than DPG recipients. Among properties with 10 or fewer units awarded between FY 2004 and FY 2008, 4 percent fewer DPG recipients than nonrecipients reached initial closing within 18 months, and 8 percent fewer DPG recipients reached initial closing within 18 months for properties of 51 to 100 units. Among mid-sized properties, however, more DPG recipients than nonrecipients reached initial closing within 18 months. DPG recipients were 8 percent more likely to close within 18 months for properties with 11 to 25 units and 2 percent more likely for properties with 26 to 50 units.

Exhibit 5-6. Percent of Properties Reaching Initial Closing Within 18 Months (in months) by Number of Units and DPG Award (FY 2004–FY 2008)

	DPG Nonrecipients		DPG Recipients		All	
Number of Units	(N)	(%)	(N)	(%)	(N)	(%)
1–10	10	40	11	36	21	38
11–25	59	24	120	32	179	29
26–50	93	27	135	29	228	28
51–100	42	27	100	19	142	21
>100	1	100	0	0	1	100
Total	*205*	*27*	*366*	*27*	*571*	*27*

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
Sources: Development Application Processing data extract; DPG selection spreadsheets, December 2010

Factors Contributing to Processing Time

There are some differences in processing times based on property location, property size, and other factors. We used regression analysis to test whether these differences are significant and to test whether properties assisted with DPG were more likely to reach initial closing within the targeted 18-month timeframe. We could not observe initial closing dates for properties in more recent project years that had not yet closed. Thus, for these more recent years, we only observed those properties that reached initial closing relatively early, causing downward bias in estimates from a traditional logistic model.[12] To account for this bias, we selected a proportional hazards model.[13] Controlling for property characteristics, location characteristics, and project cohort, this model isolates the effect of the DPG Program and examines whether DPG participation is associated with properties reaching initial closing within 18 months.

The proportional hazards model includes the full set of property and location characteristics detailed in chapter 3 (receipt of DPG, capital advance as percent of development cost, construction type, metropolitan status, property size, building type, and HUD region) as well as Section 202 funding year. The *Section 202 Funding Year* variable identifies the year of the Section 202 capital advance award as either from FY 1998 to FY 2003 or from FY 2005 to FY 2008. The omitted category is Section 202 awards funded in FY 2004. We chose a middle year as the omitted category to mitigate the effects of the years included in the model. For the models on closure (and amendment waivers), it is useful to include the full set of fiscal years, which enables us to see how processing time is trending over time, regardless of whether a property received a DPG.

The results are shown in exhibit 5-7. We defined the outcome measure as a binary equal to 1 if the property reached initial closing within 18 months and 0 otherwise. The "hazard ratio" column shows the significance of the characteristic on properties reaching initial closing within 18 months of fund reservation. A hazard ratio of 1 will have no difference, characteristics with a ratio of more than 1 are more likely to close within 18 months, and characteristics with a ratio of less than 1 are less likely to close within 18 months. For example, a hazard ratio of 0.89 for "suburban" implies that properties located in suburban neighborhoods are 11 percent less likely to reach initial closing within 18 months of funds reservation, and a hazard ratio of 1.59 for properties

12. This type of incomplete data structure, in which the initial closing dates and the biases it creates are unknown, is called "right-censoring".

13. The proportional hazards model we chose was the Cox model.

with “11–25 units” implies that these properties are 59 percent more likely to close within 18 months. We have starred those characteristics that have been found to be significant (* equals a significance with a p-value less than .05 and ** equals a significance with a p-value less than .01).

Exhibit 5-7. Proportional Hazards Model of Reaching Initial Closing Within 18 Months of Fund Reservation[a]

	Hazard Ratio	z-Stat
DPG	1.13	0.72
Capital advance as percent of development cost	1.03	0.07
New construction	1.86	1.59
Metropolitan area/noncentral city (suburban)	0.89	0.70
Metropolitan area/central city (urban)	0.76	– 1.65
11–25 units	1.59	1.43
26–50 units	2.16*	2.27
> 50 units	1.57	1.24
Detached	1.25	0.55
Midrise	0.91	– 0.33
Row	2.14*	2.41
Semidetached	2.48**	2.62
Walkup or garden style	1.10	0.34
New England	0.33**	– 3.96
New York/New Jersey	0.22**	– 4.29
Mid-Atlantic	0.52**	– 2.87
Midwest	0.94	– 0.39
Southwest	1.09	0.53
Great Plains	1.10	0.41
Rocky Mountain	1.09	0.28
Pacific/Hawaii	0.10**	– 5.06
Northwest/Alaska	1.90**	2.97
FY 1998	0.35**	– 3.12
FY1999	0.79	– 0.82
FY 2000	1.24	0.77
FY 2001	1.42	1.28
FY 2002	0.79	–0.8
FY 2003	1.11	0.38
FY 2005	1.56	1.81
FY 2006	1.09	0.33
FY 2007	1.63	1.83
FY 2008	2.30**	3.22

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
N = 1,496 properties.
* p<.05; ** p<.01.
[a] One property in this model was right-censored. That is, initial closing dates could not be observed for this property.

The primary finding from this model is that properties receiving DPG funding are 13 percent more likely to close within 18 months of funds reservation, a positive association. Although the sign of this effect is positive, the odds ratio is not significantly different from 1 and therefore we cannot interpret it to indicate faster closing times among DPG recipients.

This finding may reflect conflicting effects of DPG on processing time. Though sponsors that receive DPG funding may be better equipped financially to secure contractors and consultants more quickly, characteristics unique to DPG participants could lead them to experience delays in reaching initial closing. For instance, delays in receiving the predevelopment grant could lead initial closing to take place later than had the sponsor had its own source of predevelopment funding.

We also conducted a proportional hazards model (exhibit 5-8) on the location and property characteristics associated with properties able to reach initial closing within 24 months, the period after which HUD requires an extension. The proportional hazards model for reaching closing within 24 months included the same project and location characteristics as those shown in exhibit 5-7. Similar to exhibit 5-7, a hazard ratio of 1 shows no difference, characteristics with a ratio of more than 1 show that the property is more likely to close within 24 months, and characteristics with a ratio of less than 1 show that the property is less likely to close within 24 months. The characteristics associated with properties that are significantly more likely to close within 24 months are starred. The result of this model shows that properties participating in DPG are 8 percent more likely to close within 24 months, although this relationship is not statistically significant.

The primary finding from the hazard ratios of reaching closing within 24 months is that fewer characteristics show significant effects than in the 18-month model. Although we found properties with 26 to 50 units to be more likely than properties with 10 or fewer units to close within 18 months, they are no more likely to close within 24 months. This suggests that properties with 10 or fewer units, though unable to reach the ideal threshold of closing within 18 months, are still able to reach initial closing within 24 months.

There are some differences among regions. Properties located in the Northwest/Alaska Region were significantly more likely to close after 18 months but not after 24 months. Properties in the Northeast, Mid-Atlantic, and Pacific Regions, however, remained significantly less likely to reach initial closing within 24 months. Thus, properties in these regions may be in greatest need of additional predevelopment funding mechanisms to enable them to close in a more timely fashion.

Sponsor and Field Office Opinions on the Effect of DPGs on Processing Time

To supplement the analyses of administrative data, we asked field office project managers for their views on the effect of DPGs on processing times. We asked each field office respondent to estimate the proportion of Section 202 properties funded in their region for which DPGs decreased, increased, or had no effect on processing time. Across the regions, project managers stated that the DPG had no effect on processing time for an average of 77 percent of Section 202 properties, decreased processing time for an average of 23 percent of properties, and increased processing time for an average of 8 percent of properties. These percents total more than 100% because they are averages of the reported responses in each category The main reason field office staff gave for DPGs increasing processing time was the timing of the DPG application and award cycle. Most field office staff also reported that DPG receipt had no effect on development delays after initial closing; project managers responded that DPG had no effect on development after initial closing for an average of 90 percent of properties in their regions.

Exhibit 5-8. Proportional Hazards Model of Reaching Initial Closing Within 24 Months of Fund Reservation

	Hazard Ratio	z-Stat
DPG	1.08	0.79
Development cost	1.05	1.65
New construction	1.42	1.82
Metropolitan area/noncentral city (suburb)	0.92	– 0.76
Metropolitan area/central city (urban)	0.85	– 1.51
11–25 units	1.28	1.32
26–50 units	1.40	1.59
> 50 units	0.92	– 0.35
Highrise	1.10	0.49
Midrise	1.04	0.18
Rowhouse	1.80*	2.51
Semidetached	2.51**	3.48
Walkup or garden style	1.16	0.73
New England	0.41**	– 6.06
New York/New Jersey	0.39**	– 5.91
Mid-Atlantic	0.56**	– 4.16
Midwest	0.87	– 1.32
Southwest	1.04	0.34
Great Plains	0.96	– 0.26
Rocky Mountain	0.75	– 1.36
Pacific/Hawaii	0.40**	– 6.23
Northwest/Alaska	1.00	0
FY 1998	0.17**	– 7.88
FY 1999	0.38**	– 5.65
FY 2000	0.49**	– 4.51
FY 2001	0.65**	– 2.84
FY 2002	0.48**	– 4.73
FY 2003	0.62**	– 3.14
FY 2005	0.95	– 0.41
FY 2006	0.78	– 1.86
FY 2007[a]	0.99	– 0.09

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
N = 1,496 properties.
* p<.05; ** p<.01.
[a] We removed the FY 2008 cohort from model because of perfect collinearity. That is, no properties in the sample for this model began funding in 2008.

We also asked DPG recipients whether the DPG increased, decreased, or had no effect on processing time for the property addressed in the survey. Sponsors disagreed with field office staff about the effect of the DPG Program on overall processing time, at least for those properties targeted in the survey. More than one-half of recipients responded that the DPG helped decrease processing time; 29 percent stated that it significantly decreased processing time, and 29 percent responded that it somewhat decreased processing time. Very few recipients (8 percent) said that the DPG actually increased processing time, and the remainder responded that the DPG had no effect on processing time. Although the DPG Program may not have had the desired effect of improving the percentage of Section 202 properties reaching initial closing within 18 months, the grant may still have decreased development delays for some sponsors.

Other factors besides access to predevelopment funding can cause delays, including zoning, permitting, and securing additional financing. In the field office and sponsor surveys, we asked whether the DPG mitigated the development delays caused by these other factors—for example, if accessing predevelopment funds early in the development process made it easier for sponsors to go through the zoning or permitting process, mitigate legal challenges, or secure additional financing. Although field office project managers overwhelmingly responded that DPG did not have much effect on mitigating the other factors that cause development delays, they did identify some examples in which the DPG was helpful, including not needing to secure additional financing during the predevelopment period and being able to hire qualified predevelopment contractors.

Sponsors again somewhat disagreed with field office staff about whether the DPG Program helped them overcome other issues that could have delayed processing time. Some DPG recipients noted in the survey that they were able to secure contractors early in the predevelopment period, which enabled them to start site-planning activities earlier. Without a DPG available to guarantee payment, some sponsors reported they would have had a more difficult time convincing contractors to work for them, and it took sponsors longer to get contractors to complete work. Sponsors who were able to engage contractors early were able to identify potential hazards ahead of time. They were able to assess costs more accurately, determine the need for permitting and zoning, find out if there were budget gaps, and look for and secure additional financing.

Amendment Waivers

HUD expects DPG recipients to reach initial closing for their properties within 18 months of fund reservation. Field offices may approve extensions of up to 6 months, bringing the predevelopment period to 24 months. Both the field office and HUD Headquarters must grant and approve extensions beyond 24 months. HUD also grants waivers for increases to the Section 202 capital advance if a sponsor has increases in development costs that are beyond the sponsor's control, but only for exceptional circumstances such as unforeseen construction delays because of litigation. One expected result of the DPG Program is a reduction in the number of both extension and funding waivers. We expect a DPG to reduce the need for extension waivers if the DPG reduces overall processing time. We expect a DPG to reduce the need for amendment waivers because the amount of funds the DPG pays out transfers from the capital advance to a restricted account. Sponsors can access the restricted account to pay for unexpected project cost increases instead of requesting amendment funds.

Waiver requests are not uncommon in the Section 202 program. Between FY 1998 and FY 2008, 27 percent all Section 202 properties received extension waivers, and 35 percent received funding waivers. Using updated administrative data, we compared the incidence of amendment waivers for DPG recipients and nonrecipients. Of properties that received a waiver, the vast majority only received one waiver. Among properties that received a funding waiver, 90 percent only received a single waiver, and the rest received either two (9 percent) or three (1 percent) funding waivers. For properties that received an extension waiver, 60 percent received only one waiver. Most of the remaining properties received only two waivers, although, in rare cases, a single property received up to nine extension waivers. Not surprisingly, because the funding and extension waivers serve separate purposes, there was no correlation between properties that received a funding waiver and properties that received a time waiver.

We asked field office staff their opinions on whether receipt of a DPG has an effect on a sponsor's need to request amendment waivers (either funding or processing). Field office project managers were divided in their responses; 43 percent responded that DPGs decreased the need for amendment waivers, and 46 percent responded that DPGs actually increased the need for amendment waivers because awards of DPGs do not come until an average of 8 months into the predevelopment process. Sponsors that cannot complete predevelopment activities because they are waiting for DPG funds to be awarded will thus have longer processing times, despite the DPG.

Extension Waivers

Slightly more than one-fourth (27 percent) of Section 202-funded properties in most fiscal year cohorts received extension waivers and, between FY 2004 and FY 2006, there was almost no difference between the percentage of DPG and non-DPG funded properties that received extension waivers. In FY 2007, however, DPG recipients were 14 percent less likely than nonrecipients to receive an extension waiver. Exhibit 5-9 presents the percentage of properties that received a processing time waiver by year and DPG status.

Exhibit 5-9. Percent of Properties That Received an Extension Waiver, by Fiscal Year and DPG Status

Fiscal Year	DPG Nonrecipients (%)	DPG Recipients (%)	All (%)
1998	29		29
1999	29		29
2000	41		41
2001	31		31
2002	33		33
2003	26		26
2004	24	24	24
2005	22	20	21
2006	23	23	23
2007	31	17	23
2008	3	0	1
Total	*30*	*18*	*27*

DPG = Demonstration Predevelopment Grant.
Sources: DPG selection spreadsheets, December 2010; data culled from the *Federal Register* on amendment waivers

Examining administrative data, there were no strong trends among HUD regions as to whether receiving DPG funds would make the property more or less likely to receive an extension waiver, as shown in exhibit 5-10. DPG awardees, however, were less likely to receive an extension waiver in the Pacific/Hawaii and Mid-Atlantic Regions but more likely to receive one in the Northwest/Alaska Region.

Exhibit 5-10. Percent of Properties Receiving an Extension Waiver by DPG Status and HUD Region (FY 2004–FY 2008)

	Received Extension Waiver		
HUD Region	Non-DPG (%)	DPG (%)	All (%)
New England	21	21	21
New York/New Jersey	38	40	40
Mid-Atlantic	29	14	19
Southeast/Caribbean	8	9	9
Midwest	22	20	21
Southwest	9	4	6
Great Plains	0	11	8
Rocky Mountain	0	6	6
Pacific/Hawaii	52	39	46
Northwest/Alaska	12	20	15

DPG = Demonstration Predevelopment Grant. FY = fiscal year. HUD = U.S. Department of Housing and Urban Development.
Sources: DPG selection spreadsheets, December 2010; data culled from the Federal Register on amendment waivers

The analysis of administrative program data shows some differences in incidence of extension waivers by some property characteristics. To determine if the differences in receipt of extension waivers are significant, we used a logistic model to identify the association of DPG participation with the incidence of extension waivers (exhibit 5-11), controlling for property characteristics: location, property size, building type, capital advance as percent of development cost, and funding year. To the extent that DPG is effective in enabling properties to reach initial closing sooner, we expect properties receiving a DPG to be less likely on average to apply for and receive an extension waiver.

In the model, we defined the odds ratio output as a binary measure equal to 1 if the property applied for and received an extension waiver and 0 otherwise. The model includes a full set of property and location characteristics to isolate factors other than DPG that may affect the likelihood of extension waiver receipt. Characteristics with odds ratios closest to 1 have the least association with receipt of extension waivers. The z-value shows whether properties with the characteristic are more likely (positive value) or less likely (negative value) to receive a waiver. The characteristics that are significantly associated with the likelihood of a property receiving an extension waiver are starred.

Exhibit 5-11. Logistic Model of Incidence of Extension Waivers

	Odds Ratio	z-Stat
DPG	0.75	– 1.16
Capital advance as percent of development cost	1.07	0.12
New construction	0.81	– 0.72
Metropolitan area/central city (suburb)	1.19	0.79
Metropolitan area/central city (urban)	1.32	1.21
11–25 units	0.40**	– 2.84
26–50 units	0.41*	– 2.52
> 50 units	0.6	– 1.38
Detached	0.37	– 1.66
Highrise	0.74	– 0.85
Midrise	0.69	– 0.98
Rowhouse	0.34*	– 2.09
Semidetached	0.20*	– 2.13
Walkup or garden style	0.67	– 1.05
New England	2.78**	3.95
New York/New Jersey	3.54**	4.79
Mid-Atlantic	1.75*	2.11
Midwest	1.75*	2.43
Southwest	0.54*	– 2.01
Great Plains	0.65	– 1.11
Rocky Mountain	0.70	– 0.74
Pacific/Hawaii	3.77**	5.25
Northwest/Alaska	1.80	1.81
FY 1998	4.15**	3.51
FY 1999	1.48	1.17
FY 2000	2.12*	2.32
FY 2001	1.17	0.46
FY 2002	1.29	0.78
FY 2003	1.05	0.13
FY 2005	0.79	– 0.74
FY 2006	0.88	– 0.39
FY 2007	0.76	– 0.85
FY 2008	0.02**	– 3.63

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
N = 1,496 properties.
* p<.05; ** p<.01.

Properties that received DPG funding were not significantly less likely to request and receive an extension waiver. Although the odds ratio for the DPG variable indicates a negative association, the effect is not statistically significant. This finding is consistent with exhibit 5-8, in which we showed DPG recipients not to be significantly more likely to close within 24 months. If recipients are not closing sooner than nonrecipients, they would be no less likely to receive an extension waiver.

Among HUD regions, sponsors developing properties in New England and New York/New Jersey were significantly more likely to receive extension waivers. Sponsors developing properties located in the Southwest and Great Plains Regions were significantly less likely to receive an extension waiver compared with other regions. Construction is relatively less expensive in these regions, which may enable sponsors to find affordable contractors and consultants more quickly, making an extension unnecessary. There were some significant findings among number of units; properties with 11 to 25 units and 26 to 50 units were less likely to receive waivers than larger properties. Location in an urban, suburban, or rural region had no effect on receipt of extension waivers.

Funding Waivers

With the exception of FY 2003 and FY 2004, approximately one-third of properties (35 percent) received at least one funding waiver each fiscal year, as shown in exhibit 5-12.[14] Except in FY 2004, approximately the same percentage of recipients and nonrecipients received funding waivers. In FY 2004, the first year in which DPG funds were awarded, more than twice as many recipients (61 percent) as nonrecipients (27 percent) received a waiver.

Exhibit 5-12. Percent of Properties That Received a Funding Waiver by Fiscal Year and DPG Status

Fiscal Year	DPG Nonrecipients (%)	DPG Recipients (%)	All (%)
1998	29		29
1999	29		29
2000	39		39
2001	39		39
2002	38		38
2003	54		54
2004	27	61	51
2005	44	36	39
2006	32	37	36
2007	10	11	11
2008	15	12	13
Total	*36*	*35*	*35*

DPG = Demonstration Predevelopment Grant.
Sources: DPG selection spreadsheets, December 2010; data culled from the *Federal Register* on amendment waivers

DPG properties were more likely to receive a funding waiver than non-DPG awardees if they were located in the New England, New York/New Jersey, or Southwest Regions but were less likely to receive a funding waiver if they were located in the Great Plains Region. Exhibit 5-13 presents the percentage of Section 202 properties receiving a funding waiver by DPG receipt and HUD region.

14. The relatively low incidence in funding waivers for the FY 2007 and FY 2008 cohorts will likely increase over the next several years as properties that have not reached their initial closing, most of which are from the most recent 2-year cohorts, continue to apply for funding waivers.

Exhibit 5-13. Percent of Properties Receiving a Funding Waiver by DPG Status and HUD Region (FY 2004–FY 2008)

	Non-DPG (%)	DPG (%)	All (%)
New England	21	49	40
New York/New Jersey	13	29	26
Mid-Atlantic	47	50	49
Southeast/Caribbean	28	34	32
Midwest	22	25	24
Southwest	23	55	45
Great Plains	75	22	38
Rocky Mountain	0	25	24
Pacific/Hawaii	22	17	20
Northwest/Alaska	18	10	15

DPG = Demonstration Predevelopment Grant. FY = fiscal year. HUD = U.S. Department of Housing and Urban Development.
Source: Integrated Real Estate Management System data extract, December 2010; data culled from the *Federal Register* on amendment waivers

As we did for extension waivers, we used a logistic model (exhibit 5-14) to show estimates of the correlation between DPG participation and whether a funding waiver was granted, controlling for property and location characteristics. We expect properties that receive capital advance amounts that cover a smaller proportion of their development costs to be more likely to apply for and receive a funding waiver. We expect properties larger in size (both by building type and by number of units) and located in regions with higher construction costs to be more likely to need such a waiver.

Exhibit 5-14. Logistic Model of Incidence of Funding Waivers

	Odds Ratio	z-Stat
DPG	1.18	0.77
Capital advance as percent of development cost	0.93	– 1.32
New construction	0.58	– 1.95
Metropolitan area/noncentral city (suburb)	1.6	1.33
Metropolitan area/central city (urban)	1.65	2.5
11–25 units	0.67	– 1.25
26–50 units	0.54	– 1.71
> 50 units	0.84	– 0.41
Detached	2.1	1.49
Highrise	1.79	1.67
Midrise	1.59	1.28
Rowhouse	0.85	– 0.35
Semidetached	0.56	– 0.96
Walkup or garden style	1.92	1.78
New England	4.14**	5.93
New York/New Jersey	2.76**	3.96
Mid-Atlantic	3.02**	4.7
Midwest	1.00	– 0.01
Southwest	1.06	0.26
Great Plains	1.24	0.72
Rocky Mountain	1.60	1.29
Pacific/Hawaii	1.36	1.24
Northwest/Alaska	0.55	– 1.74

continues on next page

Exhibit 5-14. Logistic Model of Incidence of Funding Waivers *(cont.)*

	Odds Ratio	z-Stat
FY 1998	0.33**	– 3.43
FY 1999	0.41**	– 2.94
FY 2000	0.62	– 1.6
FY 2001	0.6	– 1.71
FY 2002	0.62	– 1.66
FY 2003	1.37	1.06
FY 2005	0.69	– 1.37
FY 2006	0.54*	– 2.21
FY 2007	0.09**	– 6.29
FY 2008	0.14**	– 5.39

DPG = Demonstration Predevelopment Grant. FY = fiscal year.
N = 1,496 properties.
* p<.05; ** p<.01.

Results of the model indicate that properties receiving DPG funding were no less likely to receive a funding waiver than nonrecipients. The odds ratio shows that DPG recipients were 18 percent more likely to receive a funding waiver than nonrecipients but that the result is not statistically significant.

The remaining odds ratios show that properties that received capital advances that covered a greater percentage of the development cost were slightly less likely to receive a funding waiver, although this result is also not significant. There were some differences in waiver usage by region. Among all Section 202 properties between FY 1998 and FY 2008, sites located in the higher cost New England, New York/New Jersey, and Mid-Atlantic Regions were, on average, significantly more likely to receive a funding waiver.

Summary

Review of administrative data and results of the regression analyses shows no significant effect of the DPG Program on the percentage of properties reaching initial closing within 18 and 24 months, or on the incidence of either type of amendment waiver. The results do show that some characteristics of Section 202 properties are significantly associated with reaching closing within 18 or 24 months or with receipt of amendment waivers. Properties based in higher cost areas in the West and Northeast are associated with less likelihood of reaching initial closing within HUD's recommended timeframes and more likely to request additional funds or time to reach closing. There were also some distinctions among property type, as properties with 26 to 50 units were more likely to reach initial closing within 18 months than other properties and, along with properties with 11 to 25 units, were less likely to receive extension waivers than other properties.

To supplement the analyses of administrative data, we asked field office project managers and sponsors for their views on the effect of DPGs on processing times. Project managers stated that, in their opinion, DPGs had no effect on processing times for most DPG recipients in their jurisdictions, but more than one-half of DPG recipients who responded to the survey stated that the DPG helped decrease processing time for the property identified in the survey. Although the DPG Program may not have had the desired effect of improving the percentage of Section 202 properties reaching initial closing within 18 months, the grant has provided many sponsors with needed timely predevelopment funding and may have decreased development delays that would have occurred without DPGs. Field office and sponsor staff agree that, although the DPG Program was beneficial to some, there are many factors other than access to predevelopment funding, such as local regulatory environments and HUD policies, that contribute to delays. We present the effect of these other factors on processing time in the next chapter.

Chapter 6. Other Factors That Contribute to Longer Processing Time

Results of this study indicate that, although the Demonstration Predevelopment Grant Program is an important source of timely predevelopment funding and may help speed up processing time, the DPG Program may not improve the likelihood that a funded property will reach initial closing within the U.S. Department of Housing and Urban Development-recommended 18-month period. Lack of predevelopment funding is just one delaying factor out of many that sponsors face throughout development. This section addresses the question of what issues, other than access to predevelopment funding during the predevelopment period, affect sponsors' ability to reach initial closing within the recommended 18-month timeframe.

The analysis presented in chapter 5 looked at what property characteristics were most associated with properties reaching initial closing within 18 and 24 months. We found that properties with 26 to 50 units were more than twice as likely to close within 18 months compared with properties with 10 or fewer units and that properties with rowhouse and semidetached building types were both more than twice as likely to close within 18 months. Regions facing the highest construction costs (New England, New York/New Jersey, Mid-Atlantic, Pacific/Hawaii, and Northwest/Alaska) were the least likely to close within 18 months of funds reservation.

Survey Results on Factors That Affect Processing Time

In addition to analysis of administrative program data, we also look to field office and sponsor input on what factors other than those available through administrative data (for example, location, property size, capital advance amount relative to development costs) affect the processing time of Section 202 properties. The questions on what factors affect processing time by causing development delays were similar to those asked in the 2003 Government Accountability Office study on the Section 202 program (GAO 2003). The GAO study asked both field office representatives and a sample of national sponsor representatives about factors that might negatively influence timely processing of Section 202 properties in three categories: factors that relate to state, local, or other requirements (for example, permitting, zoning, and legal barriers); HUD factors; and sponsor factors. Because the GAO study predated the implementation of the DPG Program, we are able to compare factors thought to increase processing time both before and after DPGs were available.

The GAO study and our study asked questions in a similar manner. We asked field office project managers to assess whether certain factors related to the development process cause development delays for properties in their region. We asked field office staff if these factors occurred "seldom if ever," "sometimes," or "often" and whether the factors had "no impact," "minor impact," "moderate impact," or "significant impact." Because the sponsor surveys for this study asked respondents about their experience with one specific Section 202 property, we asked sponsors about the impact of factors on processing time only for the targeted property. For this analysis, we focus on factors that have either a moderate or significant impact on processing time. Factors identified by field office project managers are presented in exhibit 6-1, and factors identified by sponsors are presented in exhibit 6-2.

According to this study's survey of field office project managers, the factors that increased Section 202 processing time the most relate to funding. Notably, 77 percent of field office staff responded that sponsor difficulty in designing the property within the fund reservation amount had a moderate or significant effect on processing time. Some 59 percent of field office staff said this occurred sometimes or often. In addition, 74 percent of field office staff thought that insufficient capital advances caused moderate or significant development delays. Other factors that a majority of field office staff reported to increase processing time delays included zoning approval, obtaining local permits, and low priority of administering Section 202 properties compared with other HUD programs. The factors that sponsors cited the most as moderately or significantly increasing processing time for the property targeted in the survey were obtaining permits, zoning approval, and securing secondary financing.

Comparison with GAO Study Responses

We compared the survey responses from our study with those from the GAO survey. We were able to compare results from the two field office surveys because both studies surveyed HUD project management staff from all field offices that administer the Section 202 program. We are unable to compare the results of the sponsor surveys from the two studies directly because the sponsor samples were different. The GAO study surveyed 21 sponsors and consultants HUD identified that were experienced in working with the Section 202 program. The GAO asked respondents about their experience on all Section 202 properties on which they had experience. For this study, we surveyed a purposive sample of 92 sponsors that received Section 202 capital advance awards between FY 2004 and FY 2008, and asked about factors that affected processing time for the sponsors' one Section 202 property identified in the survey.

Although many factors continued to present challenges, others became less of a concern. Some of the most important factors affecting processing time in the 2003 GAO report were the lack of field office staff training and experience with the Section 202 program, the time Headquarters spent considering waiver requests, and sponsors' lack of experience. Respondents in our survey no longer cited these factors as major causes of delays. The 2003 GAO report showed that almost all project sponsors (91 percent) and a majority (53 percent) of field office staff surveyed thought a lack of training and experience among field office staff had a moderate to significant impact on processing time. In this study's survey, only 16 percent of field office respondents stated that lack of training or experience on the Section 202 program contributed often to development delays (24 percent stated it sometimes contributed to delays). Likewise, Headquarters' approval of waiver requests was no longer a major problem. Considerably fewer field office respondents said the time spent considering waiver requests had a moderate or significant impact on processing time in this study compared with the results in the GAO report (42 percent versus 73 percent).

The GAO report also showed that 95 percent of field office staff and 90 percent of sponsors said that processing time increased when project sponsors were inexperienced. By the time of this study, only 58 percent of field office respondents said sponsors' lack of experience had a moderate or significant impact on processing time. In the 2003 study, 89 percent of field office staff said that sponsors lacking effective consultants caused development delays. In our study, this percentage had dropped to 69 percent, suggesting that the DPG Program may have had some effect on sponsor's ability to hire consultants.

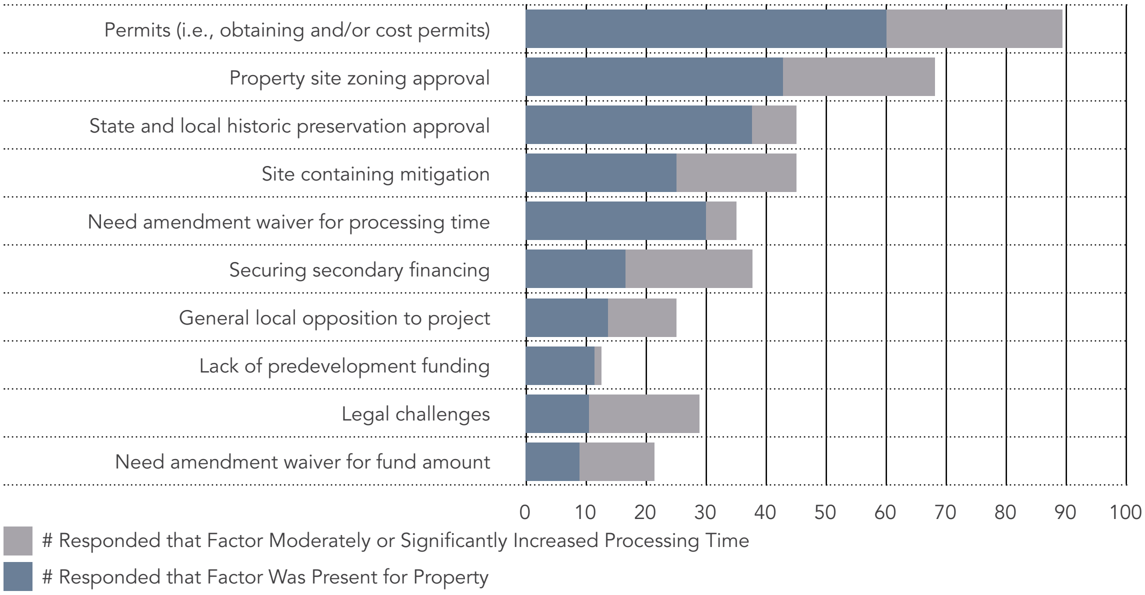
Exhibit 6-1. Factors That Negatively Affect Processing Time According to Field Office Staff

	2010 Survey		GAO Survey	
	Responded Moderate and Significant (%)	Responded Sometimes and Often (%)	Responded Moderate and Significant (%)	Responded Sometimes and Often (%)
Site contamination mitigation	66	34	52	48
Securing secondary financing	65	70	77	82
Property site zoning approval	64	72	48	84
Local permits (obtaining and/or cost of permits)	62	85	61	75
Legal challenges	53	35	52	77
Sponsor has difficulty designing property within fund reservation amount	77	59	91	95
Sponsor lacks effective consultant	69	35	89	93
Sponsor does not effectively manage development process	62	36	95	100
Sponsor does not fulfill requirements in a timely fashion (for example, set up owner corporation, submit required forms)	61	37	84	86
Sponsor lacks experience in Section 202 program/ multifamily development	58	42	95	95
Capital advance insufficient to fund properties	74	74	89	89
FHA loan processing can be a higher priority processing	63	80	68	75
Section 202 workload	51	51	64	84
Availability of HUD amendment funds	50	43	64	75
Award letters not mailed during fiscal year of appropriation	43	52	55	68
Time spent by HUD Headquarters considering waiver requests	42	61	73	84

FHA = Federal Housing Administration. GAO = Government Accountability Office. HUD = U.S. Department of Housing and Community Development

Sources: Field office survey, N = 39; GAO (2003), survey of field office staff, N = 44

Exhibit 6-2. Factors That Increased Processing Time According to Sponsors



Source: DPG recipient and nonrecipient surveys combined, N = 92

Factors Related to Funding

HUD designed the DPG Program in response to concerns over the lack of funding available before initial closing. HUD intended the DPG Program to help sponsors minimize some processing delays related to funding issues, but not to address concerns about the overall adequacy of capital advance funding for Section 202 properties. In the GAO study, 38 percent of sponsors surveyed said a lack of predevelopment funding had a significant impact on processing time. Only 2 percent of sponsors in this study said a lack of predevelopment funds had a moderate or significant impact on processing time, although 12 percent of sponsors surveyed reported they still lacked predevelopment funding for the property in question.

The benefits of the DPG Program were not enough to overcome other issues related to funding. Of field office respondents, 59 percent said sponsors at least sometimes had difficulty designing properties they could build within the fund reservation amount, and 77 percent of field office staff said that this moderately or significantly increased processing time.

Although HUD designed the Section 202 capital advance to cover a property's entire development costs, most field office staff surveyed felt that advances were insufficient. Insufficient capital advances were the most commonly cited reason for experiencing delays in the predevelopment period. Of field office staff surveyed, 74 percent said that capital advances were either sometimes or often less than the amount needed to develop Section 202 properties. The same number said insufficient capital advances moderately or significantly increased processing time. Field office project managers also listed sponsors' difficulty designing within the fund reservation amount as another common factor affecting predevelopment time.

Some 70 percent of field office respondents said that sponsors had to secure secondary (additional) funding sometimes or often, and 65 percent said that securing additional funding moderately or significantly increased processing time. The lack of adequate funding increased processing time in multiple ways. When the fund reservation did not cover the entire development costs, sponsors sometimes had to go back to the architect to redesign the project to come in at a lower price. In some instances, the redesign process took a considerable amount of time. Other times, architects could not modify designs, and sponsors had to seek additional funding to cover the development costs. Securing additional funding delayed processing time because each additional source of funding had unique application procedures, property requirements, and funding schedules.

Zoning and Permitting

Field office staff cited issues with zoning and permitting as common factors that affected processing time. Some 85 percent of field office representatives said permits sometimes or often were an issue, and 72 percent said zoning approval was sometimes or often a factor. Most field office staff agreed that permitting and zoning issues added to development time; 62 percent of staff said that permitting moderately or significantly increased processing time, and 64 percent said that zoning regulations did.

Zoning and permitting can result in processing delays because the processes typically involve gaining approval from a number of different boards with varying hearing schedules and policies. A field office respondent from a large metropolitan area described the permitting process as "a piecemeal series of 15-minute interviews." In small towns, the process was just as difficult because, as one sponsor said, boards may meet only once a month. After getting a hearing, sponsors often had to make changes to their plans before resubmitting them. Ultimately, no amount of additional funding could affect the number or scheduling of required meetings.

Sponsor Factors That Affect Processing Time

Sponsor actions or characteristics can also increase processing time. Processing time increased when sponsors failed to manage the Section 202 development process effectively or hired ineffective consultants. Of field office respondents, 36 percent said that sponsors did not manage the Section 202 development process effectively, and 62 percent said ineffective management caused moderate or significant delays before initial closing. The reasons for poor management included the sponsor's inexperience in navigating local regulatory environments, lack of organizational capacity to complete the project, and inability to coordinate different parties involved in the development.

Many sponsors hired a consultant to help them navigate the complex rules of the Section 202 program. Sponsors typically hire consultants to make development easier for the sponsor, but may sometimes have the opposite effect; 60 percent of field office staff surveyed said that ineffective consultants at least moderately increased processing time. Delays from consultants most often occurred because they did not fill out forms correctly or did not respond to communications from the field office in a timely manner.

HUD Factors That Affect Processing Time

HUD field offices and Headquarters policies and procedures were also responsible for development delays. Section 202 projects often waited because the field office prioritized other applications and lacked the capacity to process Section 202 applications in a timely manner; 63 percent of field office staff surveyed said that giving priority to Federal Housing Administration loans had moderately or significantly increased Section 202 processing time, and 80 percent responded that they gave FHA loans higher priority at least sometimes. Field office respondents explained that the FHA loan applications were increasing in number and had strict deadlines for review, usually between 45 and 60 days, which caused them to delay review of Section 202 documents.

Even when the field office staff devoted their attention to Section 202 properties, they often lacked the organizational capacity to process materials in a timely manner. Just over one-half (51 percent) of field office staff surveyed said their Section 202 workload moderately or significantly increased the processing times of properties in their region. Staff members explained that some Section 202 applications run as long as 1,000 pages, and field offices may have only one project manager, one evaluator, and one architect to review all the applications.

Summary

The availability of predevelopment funds through the DPG Program had a positive effect on several factors related to development delays. Findings from the field office survey show that many factors were less of a contributor to development delays since the 2003 GAO report, including the lack of field office staff training and experience with the Section 202 program, the time spent by Headquarters considering waiver requests, and sponsors' lack of experience. Results from this study's surveys, however, show that serious delays persist. Insufficient capital advances forced sponsors to secure additional sources of funding and, in some cases, make changes to their initial design plans, both of which led to delays. Permitting and zoning issues, the higher priority given by HUD for FHA multifamily loan processing, ineffective consultants, and sponsors' ineffective management of project development were other factors sponsors and field office staff frequently cited as sources of delay in processing time.

Chapter 7. Summary and Recommendations

In this chapter, we present a summary of the findings of the evaluation of the Demonstration Predevelopment Grant program study, along with some recommendations for program development and policy. We summarized findings by the main research questions of this study.

Study Findings and Recommendations

What Are the Characteristics of DPG Recipients and Nonrecipients?

Approximately two-thirds of Section 202 capital advance recipients apply for and receive a DPG. This percentage has remained relatively constant since the start of the program in 2004, although participation has declined somewhat in recent years. We looked at which characteristics made it more likely that a sponsor will apply for a DPG, based on results from sponsor and field office surveys and from logistic regression analysis of administrative data. We found that properties funded by a DPG are quite similar to properties not funded by a DPG. Properties in general are of similar size, although DPG recipients are more likely to develop properties with 11 to 25 units. There is also no distinction between recipients and nonrecipients on urban, suburban, or rural location, or on capital advance amount relative to overall development costs. DPG participation is somewhat higher, however, in regions of the country where development costs are higher (the Northeast and West).

Survey respondents identified some distinctions between DPG recipients and nonrecipients that we could not observe with administrative data alone. Field office staff reported that, in their experience, DPG recipients are more likely to be large, national organizations and to have previous Section 202 development experience. Several field office staff noted that they thought the intent of the DPG Program was to help sponsors from small, local organizations. Results from our sponsor survey, however, show that DPG recipients are no more likely to be local organizations than are nonrecipients. Although we cannot infer the organization type of DPG recipients from the small survey sample, results indicate that small, local organizations are not necessarily benefiting from the program. DPG recipients did report more years of development experience and a greater number of Section 202 properties in their portfolios, suggesting that experience rather than size drives DPG participation. Experienced sponsors may be more aware of the grant program and more able to navigate the application procedures.

We also found some differences in types of funding sources used by DPG recipients versus nonrecipients. Both recipients and nonrecipients had an average of about 4.5 other funding sources, in addition to the Section 202 capital advance. DPG recipients reported that the Section 202 program covered a greater average percentage of their properties' total development costs, 86 percent compared with 54 percent for nonrecipients. Both recipients and nonrecipients report high use of consultants for various Section 202 project activities. Recipients report having consultants complete a higher average number of activities for the project, however—4.6 activities compared with an average of 2.9 activities for nonrecipients. This suggests that the DPG Program may have helped sponsors procure project assistance and expertise from outside the sponsor organization.

Has the DPG Program Helped Section 202 Sponsors Get to Initial Closing Within 18 Months?

When taking property characteristics (size, location, building type, and development cost) and funding year into account, we found that DPG grantees are 13 percent more likely to close within 18 months than nonrecipients—a positive, but not statistically significant, finding. Field office staff and sponsors also report that receiving a DPG may sometimes even have the opposite effect of the program's goal. Because the U.S. Department of Housing and Urban Development has made DPG awards an average of 8 months after announcing the Section 202 capital advance awards, sponsors waiting for needed predevelopment funds to undertake predevelopment activities face development delays.

Only about one-fourth of projects—with or without a DPG—reach initial closing within 18 months of fund reservation. Overall, average processing time for DPG recipients is just under 2 years (22 months) and for nonrecipients, just over 2 years (25 months). Given that substantially higher proportions (about two-thirds) of all sponsors reach initial closing in 24 months, it may not be realistic for most Section 202 properties to get to initial closing within 18 months of fund reservation. Many sponsors and field office staff expressed this sentiment.

Although the DPG Program has not helped Section 202 sponsors get to initial closing within 18 months of fund reservation, DPG recipients who responded to our survey generally thought the DPG did help them reduce processing times. More than one-half of recipients (58 percent) responded that the DPG helped decrease processing time for the properties targeted by the survey.

The DPG Program also seemed to help sponsors of small properties of10 or fewer units; however, small properties account for only a small percentage (about 5 percent) of all Section 202 properties. If a goal of the Section 202 program is to get more units of housing into occupancy faster, targeting funds to smaller properties will not contribute substantially to achieving this goal. In fact, the Section 202 Supportive Housing for the Elderly Act of 2010 (2010) changed the program to facilitate the development of larger projects by allocating nonmetropolitan funds by the 18 multifamily hubs rather than the 51 field offices.

Has the DPG Program Reduced the Need for Amendment Waivers?

Overall, the DPG Program does not appear to reduce the need for amendment waivers. Properties with a DPG have been equally likely to request extension waivers or funding waivers as those without a DPG, even when property and location characteristics are taken into account. About one-fourth of Section 202-funded properties (27 percent) received extension waivers each year, and 35 percent received waivers to increase the capital advance. Properties in the higher cost New England, New York/New Jersey, and Mid-Atlantic Regions had higher rates of funding waivers overall, suggesting that capital advances do not cover the development costs in higher cost areas.

In the case of funding waivers, we actually found higher rates of funding waivers among DPG recipients than nonrecipients. This was somewhat surprising, because DPG recipients may have restricted capital advance funds, based on the amount of DPG funds removed from the capital advance amount at closing and placed in escrow, to access for additional funding before needing to request a funding waiver. A possible explanation is that DPG recipients in general are more experienced Section 202 developers and likely are more knowledgeable about how to receive additional funding from HUD for their projects.

What Are HUD Field Offices' and Sponsors' Experiences with the DPG Program?

DPG grants provide an average of $5,000 to $7,000 per unit for predevelopment costs. The rate for small properties is somewhat higher, about $10,000 per unit. On average, grantees spend more than one-half of their DPG awards (58 percent) on architectural services, with smaller shares allocated to other professional services such as engineers, legal fees, and development consultants (less than 10 percent in each category.)

Sponsors report few problems with the application process, but results from the field office and sponsor surveys confirm that the lag time between the capital advance award announcement and the release of the DPG Notice of Funding Availability affects some sponsors' decision not to apply for the DPG Program. Further, the average 8-month lag time between capital advance awards and DPG awards may affect whether or not properties reach initial closing within 18 months, because sponsors spend almost one-half of the recommended predevelopment period waiting for HUD to release predevelopment funds. If sponsors do not have other funding sources to pay their predevelopment costs before initial closing (not unlikely, given they applied for a DPG), the project may not be able to move forward.

Fulfilling the DPG application requirements is not overly costly or burdensome for most sponsors, although sponsors report some difficulty in estimating their predevelopment costs. Notably, 39 percent of DPG grantees found determining the proposed predevelopment activities and budget to be difficult. One concern about the DPG application process is that many sponsors are unclear as to whether the DPG funding amount is in addition to the capital advance amount or is subtracted from the capital advance. Sponsors report conflicting responses on this from their field offices. Some field office staff also report that they are unclear about whether the DPG constitutes additional funding to the project. This lack of clarity could be preventing some sponsors from applying for a DPG. It would be beneficial for HUD to conduct training sessions with all capital advance awardees following award to inform them about the DPG Program and educate them on determining accurate predevelopment costs.

Sponsors report few problems with how HUD administers the program following DPG award. Areas of concern include the time it takes Headquarters to approve amendment waivers and issues with HUD's payment system, the Line of Credit Control System. HUD Headquarters recommends that all field offices have at least two staff authorized to access the system, but only 51 percent of field office respondents report having at least two people with LOCCS access. Field office staff who do not have LOCCS access have to rely on supervisors, colleagues, and finance staff. Project managers coordinating with other staff in or outside their field office can lead to delays in getting payments released to sponsors. HUD should enforce its policy of requiring at least two staff members in each field office authorized to access LOCCS.

Although we heard anecdotally during the design phase for this study that moving funds between line items was a problem, survey results show that most sponsors were fairly accurate in their estimation of predevelopment costs, and field office project managers were typically able to transfer funds in a matter of days when necessary. Project managers did note that reconciling the funds at initial closing is sometimes a problem, because the line items in LOCCS do not exactly match the line item distribution required at initial closing (or in the DPG application). This process can sometimes delay initial closing.

The vast majority of HUD field office staff state they are knowledgeable about the DPG Program, despite lack of formal training on the program in recent years. HUD staff say that they would like more training to implement the program more effectively. Commonly mentioned topics (mentioned by at least two-thirds of field office respondents) included grant closeout, initial closing procedures, grant administration, and the grant application process. HUD staff said Section 202 sponsors in general are also very knowledgeable about the DPG Program, but only about one-third of DPG sponsors rate themselves as very knowledgeable about the DPG Program, indicating ongoing need for sponsor outreach and training.

What Leads Section 202 Sponsors To Apply for the DPG Program or Not?

Field office staff and sponsors agree that the DPG application process is relatively straightforward, and neither the cost nor the staff time needed to meet the application requirements seems to deter DPG participation. DPG recipients say the main reason they apply is that they lack other sources of predevelopment money and, conversely, those who have not applied report they do have alternative sources of funding for predevelopment costs.

Lack of knowledge about the DPG Program was a main reason nonrecipients did not apply for the grant. More than one-half of nonrecipients stated that they did not apply for the grant because they were unaware of the DPG Program at the time they received the capital advance for the property targeted in the survey. If the DPG Program continues to be a competitive grant program, field office staff should actively promote the program to all sponsors working in their areas, with a special focus on less experienced sponsors and those who have not received a DPG before.

Sponsors and field staff agree that the delay between the release of the Section 202 NOFA and the DPG NOFA increases processing time and is a deterrent to DPG participation. Similarly, survey respondents noted that HUD delays in DPG grantee selection and grant execution further contribute to processing time delays and discourage DPG participation. Even if the DPG Program remains separately funded from the capital advance, coordinating the release of the DPG NOFA with the capital advance award announcement would likely increase participation in the program.

How Has the DPG Program Affected the Section 202 Development Process?

Field office respondents said the predevelopment funds provided by the DPG Program do not mitigate the effects of factors that increase processing time such as meeting zoning requirements, obtaining permits, securing additional financing, or removing hazardous waste. These factors add time to the predevelopment period but an infusion of early funding into the project does not affect them. With or without predevelopment funding, sponsors need to obtain permits, gain zoning approval for their properties, and secure other sources of funding if the capital advance is not sufficient to cover development costs.

Of DPG recipients, however, 29 percent reported that the DPG Program helped them access other sources of funding. Some recipients were able to use the DPG to help secure other funding awards, typically from local sources. Receipt of funding early on in the development period also gave confidence to other investors that the project was going to be completed, encouraging them to partner with the sponsor.

What Other Factors Influence the Section 202 Development Process?

Field office staff said the factors that occur most often and increase processing time the most are the insufficiency of the capital advance, the need for additional financing sources, the higher priority given to Federal Housing Administration loan processing, and local zoning and permitting requirements. At least 60 percent of respondents said these factors occur sometimes or often and moderately or significantly increase processing time. Sponsors said that securing additional financing, legal challenges, and delays in receiving amendment waiver approvals had the most impact on processing time. Both field office staff and sponsors said that in their experience, the DPG Program had no effect on the development period after initial closing.

Implications of Findings and Recommendations

HUD intended DPG to help sponsors reach initial closing within 18 months of fund reservation. We found that the DPG Program does not increase the likelihood of a property reaching initial closing within 18, or even 24, months significantly, or reduce the need for amendment waivers. The DPG Program does not and cannot address a number of issues that frequently and substantially lengthen processing time, including the time required to meet zoning and permitting requirements.

Although the DPG Program may not be meeting its main goal of helping properties reach initial closing within 18 months, sponsors report that the grants do reduce processing time by making predevelopment funding available before initial closing. The grants are helpful in that sponsors can procure and pay for professional services more promptly. This may be particularly helpful to smaller organizations that do not have the cash flow to cover these costs up front. Although most sponsors in our survey sample were local organizations (and may not be representative of all DPG recipients), they reported having considerable previous development experience. DPG recipients also report that the DPG Program fills a real need for sponsors who lack predevelopment funding. Most recipients of the grant report no other sources available to pay for these costs. Aside from delays in the DPG award cycle, field office and sponsor staff report that the program is well-run and provides a necessary source of funding for its recipients.

The study team makes several recommendations for changes to the DPG and Section 202 programs that would increase DPG participation, improve the administration of the program, or decrease the processing times of Section 202 sponsors. If the DPG Program were to continue as a separate funding program, we make some recommendations to the administration of the program.

Training of Field Office Staff

Although most field office staff rate their knowledge of the DPG Program highly, and sponsors surveyed report that their experience with the program has been largely positive, field office staff still request additional training on the program. Most field office project managers report that they have learned the program on the job or from colleagues, so HUD should provide guidance to all field office staff in addition to the annual processing memo. It would be helpful to conduct interactive training with the field office staff, because some staff report having difficulty interpreting the annual processing memo, and to clear up any confusion on how DPG funds combine with capital advance funds. Because there have been no formal trainings on the program in recent years, HUD should create trainings on the DPG Program, focusing on the areas in which project managers report the most need: grant closeout, initial closing procedures, grant administration, and the grant application process.

Headquarters should also provide guidance to field office staff so that project managers uniformly inform sponsors about the program at multiple points in the funding cycle. There is a relationship between field office knowledge of the DPG Program and when and how field office staff communicate information about the DPG Program to sponsors. Requiring staff to send the DPG NOFA to all sponsors who receive a capital advance would give all sponsors an equal opportunity of being able to apply for the grant funds.

Educating Sponsors

In addition to marketing the DPG Program more uniformly, it would be beneficial for HUD to conduct training sessions with all Section 202 sponsors following award of the capital advance. The purpose of this training would be to inform sponsors about the DPG Program and to educate them on determining accurate predevelopment costs. This training could be a part of the Section 202 project planning conference before the release of the DPG NOFA (HUD recommends these conferences should take place within between 30 and 45 days of fund reservation). HUD should also clarify to sponsors—and field office staff—that a DPG does not constitute additional funding to the project beyond the capital advance.

Combine or Align the Section 202 and DPG NOFAs

Combining the Section 202 and DPG NOFAs into one funding mechanism would likely increase DPG participation considerably and might contribute to timelier processing of Section 202 properties that rely on a DPG for predevelopment funding. Coordinating the release of the DPG NOFA to occur quickly after making the capital advance awards would have a similar effect. Although there are a number of activities that must occur before HUD can release a NOFA, including Office of Management and Budget release of the DPG funds to HUD, a goal of the DPG Program should be to make predevelopment funds available as close to a property's fund reservation date as possible so that sponsors truly needing the funds to start predevelopment activities can move forward with development in a timely manner.

Coordinating with Other Funding Sources

There is a need for greater coordination between HUD field offices and other entities that contribute sources of funding for the development of Section 202 properties. The securing of additional funding increases processing time because each additional source of funding has unique application procedures, property requirements, and funding schedules. As with the Section 202 capital advance, many funding programs have only one funding cycle per year, and the programs are highly competitive. Making it easier to combine other funding sources with the Section 202 capital advance program could have a considerable impact on decreasing processing time.

HUD should consider establishing specific guidelines for combining Section 202 funds with other commonly used funds such as Federal Home Loan Bank funds, low-income housing tax credits[15], the HOME Investment Partnerships Program and Community Development Block Grants. Because many funding programs are regional, field office project managers could create written materials that guide sponsors in coordinating with funders that typically operate in their regions. Guidance could include information on the funding application requirements, funding schedules, and identification of development regulations that are different from those in the Section 202 capital advance program. The materials could also compare the costs allowable under the funding program to those allowable under the capital advance, to help sponsors determine how to allocate their available funding resources.

HUD could also provide guidance as to when it would be in the best interest of sponsors to apply for a capital advance after they have already secured the other source of funding. This may the case when the sponsor is depending on the additional source for the project to move forward or if the award process is particularly competitive and it may take several funding rounds before a project is successful in being funded.

Allow Advance Disbursements from the Capital Advance

As an alternative to the DPG Program, HUD should consider allowing advance disbursements from the capital advance to help sponsors pay for predevelopment activities. By having a certain amount of the capital advance available before initial closing, sponsors could access needed predevelopment funding

15. In 2000, The U.S. Department of Housing and Urban Development (HUD) began allowing developers to combine Section 202 funds with low-income housing tax credits (LIHTC). In 2005, HUD published its final rule on combining the two funds.

without completing a separate application process. Predevelopment funding in the form of advance disbursements rather than through the DPG Program would make funding available to sponsors earlier in the predevelopment process and could improve processing times for some properties.

Many nonrecipients surveyed would have likely benefited from access to predevelopment funding but were unaware of the DPG Program. Releasing some capital advance funds before initial closing would give all sponsors the opportunity to access predevelopment funding and eliminate the possibility that sponsors were not aware of the program. Although almost all sponsors who apply for a DPG now get funded, if the DPG Program continued and participation increased, there might not be enough funding to go around. Allowing advance disbursements would remove the competitive aspect of the funding.

Eliminating the separate application process for predevelopment funding would save sponsors time and money. Sponsors surveyed said that the most difficult part of the application process was determining the predevelopment activities and estimating the cost of these activities. If HUD, instead of sponsors, determined the amount of predevelopment funds allotted, it would remove the guesswork of estimating predevelopment costs. HUD could determine the amount of the advance disbursement as a straight percentage of the capital advance or weighted based on property or location characteristics such as property size or location in a high-cost area. If HUD determines the amount of predevelopment funding allotted to sponsors as a straight percentage of the capital advance, we recommend a percentage between 5 and 10 percent of the capital advance. We found that DPG funds represented from 5 to 10 percent of total development costs. Smaller properties with 10 or fewer units received DPG amounts of about 10 percent of their total development costs, and properties with 51 to 100 units received DPG amounts of about 5 percent of the total development costs.

Replacing the DPG Program with advance disbursements would have the same benefit as the DPG Program's access to predevelopment funding. This method of funding, however, would not be as likely to cause development delays, because it does not have a separate funding process. If HUD does allow advance disbursements from the capital advance to help sponsors pay for predevelopment funding, HUD should ensure that it releases these funds to sponsors in a timely manner. HUD will also need to establish policies regarding the recapture or repayment of funds if sponsors draw down capital advance disbursements but fail to complete development of the Section 202 property. Because sponsors can terminate projects after they draw down and expend advance disbursements, there needs to be a mechanism by which HUD can recapture the unexpended amount of the awarded advance disbursement and/or require repayment of expended advance disbursements. Alternatively, HUD could consider deducting points for these sponsors on future Section 202 applications.

Appendix A. Sponsor Sample

Exhibit A-1. Sponsor Sample (Sorted by Region and Processing Time)

Funding Year	Sponsor Organization Name	Property Name	City	State	DPG?	Census Region	HUD Field Office	Processing Time (in Months)
2006	Baptist Health Services, Inc.	Baptist Retirement Village II	Gadsden	AL	No	3: South	Birmingham	16.9
2006	Cathedral Square Corporation	Town Meadow	Essex Junction	VT	No	1: Northeast	Manchester	16.7
2007	Family Worship Center Church of God	Haven on Broad	Cairo	GA	No	3: South	Atlanta	18.0
2005	East Central Community Organization	Friendship Gardens	Spokane	WA	No	4: West	Seattle	21.3
2005	Eden Housing, Inc.	Almond Court	Manteca	CA	No	4: West	San Francisco	16.1
2005	Garden Court, Inc.	Mentone Garden Court	Mentone	IN	No	2: Midwest	Indianapolis	17.1
2007	Guerin, Inc.	The Meadows of Guerin	Georgetown	IN	No	2: Midwest	Indianapolis	8.0
2005	Healthy Community Alliance Inc.	Healthy Community	Gowanda	NY	No	1: Northeast	Buffalo	36.6
2005	Housing America Corporation	Valle del Desierto	Somerton	AZ	No	4: West	Phoenix	20.3
2006	Immanuel Health Systems	Immanuel Trinity Courtyard II	Papillion	NE	No	2: Midwest	Omaha	19.6
2006	Leonia Retirement Housing Corporation	Leonia Retirement Housing II	Leonia	NJ	No	1: Northeast	Newark	25.9
2006	Low Income Housing Institute	The Bart Harvey	Seattle	WA	No	4: West	Seattle	17.5
2006	Luther Foundation of Southern Chester County, Inc.	Luther House IV	West Grove	PA	No	1: Northeast	Philadelphia	15.0
2005	Mercy Housing California	Edith Witt Senior Community	San Francisco	CA	No	4: West	San Francisco	29.6
2005	Mutual Housing Association of Southwest Connecticut	Greenfield Commons	Fairfield	CT	No	1: Northeast	Hartford	20.3
2008	Northwest Housing Alternatives, Inc.	Wilson Senior Housing	Wilsonville	OR	No	4: West	Portland	10.6
2008	Orangeburg County Council on Aging	Otts Branch Elderly Housing	Branchville	SC	No	3: South	Columbia	10.5
2005	Pathfinder, Inc.	Bristol Place Apartments	Bryant	AR	No	3: South	Little Rock	32.0
2006	Petaluma Ecumenical Properties	Casa Grande	Petaluma	CA	No	4: West	San Francisco	36.1
2006	Senior Services of Snohomish County	Hawkins House	Lake Stevens	WA	No	4: West	Seattle	22.3
2005	St. Mary Development Corporation	Lyons Place	Dayton	OH	No	2: Midwest	Cincinnati	34.5
2006	Upstate Homeless Coalition of South Carolina	Liberty Square	Spartanburg	SC	No	3: South	Columbia	18.2
2004	Valley Cares/Carlos G. Otis Health Care Center	West River Valley Senior Housing	Townshend	VT	No	1: Northeast	Manchester	23.1
2006	Visiting Nurses Foundation, Inc.	VNA Somerville	Somerville	MA	No	1: Northeast	Boston	12.7
2004	YMCA of Chicago	Harvey III	Harvey	IL	No	2: Midwest	Chicago	20.5
2004	Zion Tabernacle Senior Living Center	Bishop Joseph D Farris Living Center	Indianapolis	IN	No	2: Midwest	Indianapolis	18.1
2006	Accessible Space, Inc.	Albert Lea Senior Housing	Albert Lea	MN	Yes	2: Midwest	Minneapolis	15.8

Exhibit A-1. Sponsor Sample (Sorted by Region and Processing Time)

Funding Year	Sponsor Organization Name	Property Name	City	State	DPG?	Census Region	HUD Field Office	Processing Time (in Months)
2007	AHEPA National Housing Corporation	Penelope 35-2 Apartments	Bloomington	MN	Yes	2: Midwest	Minneapolis	11.2
2007	Allegheny Lutheran Social Ministry	Somerset Senior Housing	Somerset	PA	Yes	1: Northeast	Pittsburgh	15.9
2007	American Baptist Homes	Shepherd's Garden	Lynwood	WA	Yes	4: West	Seattle	17.1
2007	Carbondale Senior Housing Corporation	Carbondale Senior Housing Corporation	Carbondale	CO	Yes	4: West	Denver	16.8
2006	Catholic Charities Housing Development	St. Francis of Assisi Residence	Lemont	IL	Yes	2: Midwest	Chicago	16.7
2007	Central Pennsylvania Development Corporation	Leonard Court Apartments	Clearfield	PA	Yes	1: Northeast	Pittsburgh	22.9
2006	Choctaw Hope Development Corporation	Choctaw Village	Hugo	OK	Yes	3: South	Oklahoma City	16.5
2004	Christopher Community Inc.	O'Brien School Apartments	Syracuse	NY	Yes	1: Northeast	Buffalo	19.6
2007	Clermont Senior Services	Summerside Woods	Cincinnati	OH	Yes	2: Midwest	Cincinnati	10.9
2005	Columbia Memorial Hospital	Kaaterskill Manor	Catskill	NY	Yes	1: Northeast	Buffalo	47.4
2005	Columbia Non-Profit Housing	Highland Park	Vancouver	WA	Yes	4: West	Portland	16.1
2004	Community Action Partnership of Mercer County	Garden Way Apartments	Hermitage	PA	Yes	1: Northeast	Pittsburgh	16.0
2005	Common Ground Community	The Domenech	Brooklyn	NY	Yes	1: Northeast	New York	34.5
2005	Cooperative Services, Inc.	D Street Senior Housing	Ontario	CA	Yes	4: West	Los Angeles	26.2
2008	Diocese of Venice	Holy Cross Manor II	Palmetto	FL	Yes	3: South	Jacksonville	10.9
2005	Eastern Area Agency on Aging	Gardner Commons	Bucksport	ME	Yes	1: Northeast	Manchester	16.5
2006	Eastern Plains Housing Development Corporation	Eastern Plains Carlsbad	Carlsbad	NM	Yes	4: West	Fort Worth	22.1
2007	Elderly Housing Development & Operations Corporation	Piazza Apartments	Fontana	CA	Yes	4: West	Los Angeles	22.4
2005	Eliza Bryant Center	Eliza Bryant Village III	Cleveland	OH	Yes	2: Midwest	Cleveland	19.4
2004	Eskaton Properties, Inc.	Clearlake Oaks	Clearlake Oaks	CA	Yes	4: West	San Francisco	3.5
2006	Franklin Foundation	Birchwood Place	Kettering	OH	Yes	2: Midwest	Cincinnati	12.0
2007	Harvest Church, Inc.	Destiny Towers	Kansas City	MO	Yes	2: Midwest	Kansas City	23.3
2006	Haven Peniel United Methodist Church	Haven Peniel 2006	Philadelphia	PA	Yes	1: Northeast	Philadelphia	22.8
2004	Henderson County Health Care Corporation	Redbanks Regency Apartments	Henderson	KY	Yes	3: South	Louisville	18.0
2004	Housing Development. Corporation of Macon and Taylor	Camellia Manor	Oglethorpe	GA	Yes	3: South	Atlanta	22.9

Exhibit A-1. Sponsor Sample (Sorted by Region and Processing Time)

Funding Year	Sponsor Organization Name	Property Name	City	State	DPG?	Census Region	HUD Field Office	Processing Time (in Months)
2006	Housing Solutions for the Southwest	Socorro Senior Living	Pagosa Springs	CO	Yes	4: West	Denver	33.1
2007	Impact Seven Inc.	Nancy Nye Villa	Pittsville	WI	Yes	2: Midwest	Milwaukee	12.8
2007	Innovative Housing Initiatives Inc.	Arcadia Courtside	Albany	GA	Yes	3: South	Atlanta	23.0
2006	ITC Corporation	Lewiston Meadows	Lewiston	NY	Yes	1: Northeast	Buffalo	21.7
2006	Longmont Housing Development Corporation	Lodge at Hover Crossing	Longmont	CO	Yes	4: West	Denver	22.8
2005	Lutheran Homes Society, Inc.	Covenant Harbor II	Oak Harbor	OH	Yes	2: Midwest	Cleveland	36.6
2004	Lutheran Service Society of Western Pennsylvania	Von Bora Place	Titusville	PA	Yes	1: Northeast	Pittsburgh	16.4
2004	Madison Co Senior Citizens Council on Aging	Oaks Terrace Senior Living	Fredericktown	MO	Yes	2: Midwest	St Louis	22.1
2004	Mary E Bivins Foundation	Bivins Village Phase II	Amarillo	TX	Yes	3: South	Fort Worth	13.5
2008	Mennonite Housing Rehabilitation Services	MacArthur Manor	Wichita	KS	Yes	2: Midwest	Kansas City	8.0
2005	Mental Health Association of South Central Kansas, Inc.	Mohr Place II	Wichita	KS	Yes	2: Midwest	Kansas City	26.9
2004	Mercy Housing	Marshside Village, Inc.	N. Charleston	SC	Yes	3: South	Columbia	20.0
2005	Mercy Services Corporation Southeast	Allegre Point Senior Residences	Decatur	GA	Yes	3: South	Atlanta	20.3
2007	NHS Redevelopment Corporation	Roseland Place	Chicago	IL	Yes	2: Midwest	Chicago	26.0
2006	People Inc.	Pine Housing	Lockport	NY	Yes	1: Northeast	Buffalo	16.1
2007	PHS Senior Living, Inc.	The Presbyterian Home at Manchester	Manchester Township	NJ	Yes	1: Northeast	Newark	23.2
2006	Pilgrim Senior Citizens Housing and Development Corporation	Pilgrim Place II	Houston	TX	Yes	3: South	Houston	24.0
2006	Presbyterian Villages of Michigan	The Village of St. Martha's	Detroit	MI	Yes	2: Midwest	Detroit	19.6
2004	Project Support	Project Support	Idaho Springs	CO	Yes	4: West	Denver	23.1
2007	Providence Housing Development Corporation	St. Salome/Atwood Apartments	Rochester	NY	Yes	1: Northeast	Buffalo	25.6
2007	Retirement Housing Foundation	Village Gardens	Norfolk	VA	Yes	3: South	Richmond	22.0
2008	SNHS Management Corporation	Hallsville Court	Manchester	NH	Yes	1: Northeast	Manchester	7.8
2005	Southern New Hampshire Services, Inc.	Common Man Commons	Ashland	NH	Yes	1: Northeast	Manchester	14.3
2005	Southwestern Community Services, Inc.	Meadow Road Senior Housing	Newport	NH	Yes	1: Northeast	Manchester	20.3
2004	St Andrews Management Services	Friendly Village Phase II	St. Louis	MO	Yes	2: Midwest	St Louis	23.0
2004	St Luke's Development Corporation	Josephine Jarvis Gray Senior Center	New Haven	CT	Yes	1: Northeast	Hartford	23.1
2006	St. Joseph's of the Pines	Providence Place VI	Red Springs	NC	Yes	3: South	Greensboro	17.9
2006	St. Vincent de Paul Society of Lane County	Aster Apartments	Springfield	OR	Yes	4: West	Portland	16.1

Exhibit A-1. Sponsor Sample (Sorted by Region and Processing Time)

Funding Year	Sponsor Organization Name	Property Name	City	State	DPG?	Census Region	HUD Field Office	Processing Time (in Months)
2005	The Renaissance Collaborative	TRC Senior Village I	Chicago	IL	Yes	2: Midwest	Chicago	42.7
2007	Trumbull Housing Development Corporation	Girard Manor Apartments	Warren	OH	Yes	2: Midwest	Cleveland	18.4
2005	United Church Homes, Inc.	Morning Star Senior Residences	Rock Island	IL	Yes	2: Midwest	Chicago	35.7
2004	United Methodist Housing Corporation	Epworth Manor Phase II	Louisa	VA	Yes	3: South	Richmond	46.8
2006	Valdosta Deliverance Evangelistic Center	Sands Horizon II	Valdosta	GA	Yes	3: South	Atlanta	20.2
2004	Valley Affordable Housing Corporation	MacIntosh Estates	Smithfield	RI	Yes	1: Northeast	Providence	23.1
2006	Victory Housing, Inc.	Victory Crest	Hyattsville	MD	Yes	3: South	Washington, DC	34.2
2006	VOA Southeast, Inc.	Bayou La Batre VOA Elderly Housing	Bayou La Batre	AL	Yes	3: South	Birmingham	22.5
2005	Volunteers of America Northern New England	Westrum House	Topsham	ME	Yes	1: Northeast	Manchester	17.9
2004	Volunteers of America Michigan Inc.	Saginaw VOA Elderly Housing	Buena Vista Township	MI	Yes	2: Midwest	Detroit	23.0
2006	Volunteers of America National Services	The Homestead at Montrose	Montrose	CO	Yes	4: West	Denver	33.3
2006	Warren County Community Services, Inc.	Bentley Woods	Lebanon	OH	Yes	2: Midwest	Cincinnati	23.1

Appendix B. Field Office Study

Appendix B. Field Office Survey

My name is ___________________ and I work for Abt Associates, a research company based in Cambridge, MA. We are conducting a study for the US Department of Housing and Urban Development, Office of Policy Development and Research on the Section 202 Demonstration Predevelopment Grant Program. We are interested in learning about all aspects of the DPG program including the application process and grant administration. We are contacting sponsors and HUD field offices across the country to discuss their experiences.

This survey will take about one hour to complete. When we're finished with this study, we'll write a report that will only include a statistical summary of the information we obtain from these surveys (no individual respondents or field offices will be identified). HUD will also receive a copy of the survey dataset which includes individual responses without identifying names or field offices. We are inviting all HUD field offices that administer the DPG program to participate in the study.

Do you have any questions before we begin?

Contact Information

(Available data pre-loaded in Checkbox prior to survey administration)

Field Office:____

Respondent Name:____

Address:____

Phone:____

Email:____

Interviewer Name:____

Date Interview Completed:_____________________________________

Number of Section 202s Administered Since FY2004:__________________

Number of DPGs Administered Since FY2004:______________________

Knowledge and Marketing of the DPG Program

Before we get into the details of the grant programs, I would like to get a general sense of your and your field office's experience with the Section 202 and DPG programs.

1. What is your title?

   ____

2. Describe your affordable housing development experience:

   ____

   ____

   ____

3. HUD records indicate your field office has processed:

   __________ Section 202s and ___________Demonstration Predevelopment Grants between fiscal years 2004 and 2008, that is Section 202 grants awarded between October 22, 2004 and September 2, 2009 and DPGs awarded between April 27, 2005 and September 2, 2009.

   3a. Is this correct?

   Yes .... ❑
   No .... ❑
   DON'T KNOW / REFUSED .... ❑

   3a1. IF **NO,** How many Section 202 and Demonstration Predevelopment Grants have been administered out of your field office between fiscal years 2004 and 2008?

   __________ Section 202s

   __________ Demonstration Predevelopment Grants

4. With how many Section 202 properties have you personally been involved since 2004?

   ____

   ____

5. With how many Section 202 Demonstration Predevelopment Grants have you personally been involved?

   ____

IF THE RESPONDENT HAS NOT BEEN INVOLVED IN ANY DPGS, ASK TO SPEAK WITH THE PROJECT MANAGER IN THAT FIELD OFFICE WITH DPG EXPERIENCE. STOP SURVEY.

6. On a scale from 1 to 5, in which 1 is NOT KNOWLEDGEABLE and 5 is VERY KNOWLEDGEABLE, how would you rate your knowledge of the DPG program?

Not Knowledgeable				**Very Knowledgeable**
1	**2**	**3**	**4**	**5**

DON'T KNOW / REFUSED .... ❑

7. In the last two years, what training have you received regarding the DPG program? I will read a list and for each item, please answer either YES or NO.

	YES	NO	DK/REF
7a. An in person training session provided at field office	❑	❑	❑
7b. An in person training session provided off-site	❑	❑	❑
7c. Conference call training	❑	❑	❑
7d. Through the annual DPG Processing Notice	❑	❑	❑
7e. Through other written guidance	❑	❑	❑
7f. Through other guidance provided on an ad hoc basis from the HUD Multifamily program office	❑	❑	❑

8. Did you receive any other types of training other than those mentioned?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

8a. **IF YES**, please describe the training.

____

____

8b. When did you receive the training?

____

9. On a scale of 1 to 5 in which 1 is Not Effective and 5 is Very Effective, how effective would you rate HUD's current methods of educating field office staff about the DPG program?

Not Effective				Very Effective
1	2	3	4	5

DON'T KNOW / REFUSED.......... ❑

10. Would you find additional training helpful?

Yes.......... ❑
No.......... ❑
DON'T KNOW / REFUSED.......... ❑

10a. **IF YES**, on what DPG topics would you like to see additional training provided about the DPG program? I will read a list and please answer YES or NO for each type of training.

	YES	NO	DK/REF
10a1. The application process	❑	❑	❑
10a2. Grant Administration	❑	❑	❑
10a3. Initial closing of the grant	❑	❑	❑
10a4. Grant close out	❑	❑	❑
10a5. On other topics (Specify:______________________)	❑	❑	❑
10a6. On other topics (Specify:______________________)	❑	❑	❑

11. When do you provide information to sponsors about the DPG program? I will read a list and please answer OFTEN, SOMETIMES, or NEVER for each milestone.

	OFTEN	SOMETIMES	NEVER	DK/REF
11a. During the Section 202 application process	❑	❑	❑	❑
11b. With the Section 202 fund reservation award letter	❑	❑	❑	❑
11c. At the Section 202 award briefing meeting	❑	❑	❑	❑
11d. When the DPG NOFA is released by HUD	❑	❑	❑	❑
11e. At other times (Specify:______________________)	❑	❑	❑	❑

12. After the DPG NOFA is released, do you contact sponsors in your area to encourage them to apply?

____

____

____

INTERVIEWERS WILL RECORD VERBATIM. THE RESPONSES WILL BE CODED LATER. POSSIBLE RESPONSES INCLUDE:

Contact each Section 202 grantee individually to inform them about the program

Only contact new Section 202 grantees to inform them about the program

Only respond to sponsors' inquiries about the program

No follow up

13. Do staffing or other workflow issues affect your ability to provide information to sponsors about the DPG program?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

13a. **IF YES**, please explain how workflow issues affect your ability to provide information to sponsors:

____

____

14. Generally, in your experience working with sponsors, how would you describe sponsors' knowledge of the DPG program? Please estimate the percentage of sponsors that fall into each knowledge category. There are three categories—NOT KNOWLEDGEABLE, SOMEWHAT KNOWLEDGEABLE, and VERY KNOWLEDGEABLE. What percentage of sponsors are:

Not Knowledgeable .... __________%

Somewhat Knowledgeable .... __________%

Very Knowledgeable .... __________%

DON'T KNOW / REFUSED .... ❑

PLEASE MAKE SURE THAT THE TOTAL EQUALS 100 PERCENT.

15. Based on your experience working with Section 202 and DPG recipients, why do some sponsors apply for the DPG? I will read a reason and please state whether this is OFTEN, SOMETIMES, or NEVER a reason for applying for a DPG.

	OFTEN	SOMETIMES	NEVER	DK/REF
15a. There were no other sources of predevelopment funding before initial closing	❑	❑	❑	❑
15b. DPG was needed to speed up time from fund reservation to initial closing	❑	❑	❑	❑
15c. The property needed additional funding because it was in a high cost area	❑	❑	❑	❑
15d. DPG provided greater ability to retain qualified predevelopment contractors (developers, architects, etc)	❑	❑	❑	❑
15e. DPG provided greater ability to retain qualified development consultants	❑	❑	❑	❑

16. Of the reasons mentioned, what do you think is sponsors' most significant reason to apply for the DPG?

____

____

____

17. Other than those already mentioned, please describe any other reasons sponsors may have to apply for the DPG.

____

____

____

18. Based on your experience working with 202 recipients, why do some sponsors not apply for the DPG? I will read a reason and please state whether sponsors choose not to apply for each reason OFTEN, SOMETIMES, or NEVER.

	OFTEN	SOMETIMES	NEVER	DK/REF
18a. Had other sources of predevelopment funding	❑	❑	❑	❑
18b. Ineligible property type	❑	❑	❑	❑
18c. The Section 202 capital advance fully covers cost of development	❑	❑	❑	❑
18d. Lack of knowledge about the DPG program	❑	❑	❑	❑
18e. Had previous negative experience with DPG application process	❑	❑	❑	❑
18f. Had previous negative experience with DPG administration	❑	❑	❑	❑
18g. The timing of the release of the DPG NOFA	❑	❑	❑	❑
18h. Award of DPG requires property to reach initial closing within 18 months	❑	❑	❑	❑
18i. The DPG application is burdensome	❑	❑	❑	❑
18j. The cost of completing application is too high	❑	❑	❑	❑
18k. Other (Specify:______________________)	❑	❑	❑	❑

19. Of the reasons mentioned, which has the greatest impact on sponsors' decision not to apply for the DPG? (CHECK ONE)

Had other sources of predevelopment funding before initial closing .... ❑
Ineligible property type .... ❑
The Section 202 capital advance fully covers cost of development .... ❑
Lack of knowledge about the DPG program .... ❑
Had previous negative experience with DPG application process .... ❑
Had previous negative experience with DPG administration .... ❑
The timing of the release of the DPG NOFA .... ❑
Award of DPG requires property to reach initial closing within 18 months .... ❑
The DPG application is burdensome.. ❑
The cost of completing application is too high.. ❑
Other (Specify:______________________________) .... ❑

DPG Application Process

Now I would like to discuss the DPG grant application process and how your field office works with sponsor organizations throughout the application process.

20. What support do you provide to Section 202 grantees during the DPG application process?

____

____

____

INTERVIEWERS WILL RECORD RESPONSES VERBATIM AND LATER CODE. POTENTIAL RESPONSES INCLUDE:

Keep sponsors informed of any changes to the DPG NOFA including application due dates, submission requirements, FAQs

Answer sponsor questions on application requirements

Forward sponsor questions on application requirements to HUD Multifamily Office

21. Have there been any issues with the DPG application process regarding the release of the DPG NOFA?

Yes..❑
No ....❑
DON'T KNOW / REFUSED...❑

21a. **IF YES**, please describe the issues.

____

____

____

22. Have there been any issues with the DPG application process throughout the technical review process, including curable deficiencies review, Mortgage Credit analysis, and data entry?

Yes ❑
No ❑
DON'T KNOW / REFUSED ❑

22a. IF **YES**, please describe the issues:

____
____
____

23. Have there been any issues with the DPG application process during the period from Headquarters selection to Grant Agreement Execution?

Yes ❑
No ❑
DON'T KNOW / REFUSED ❑

23a. IF **YES**, please describe the issues:

____
____
____

24. Please provide any suggestions you may have that would improve the DPG application process.

____
____
____

DPG Administration

Now we will move on to questions about how the DPG is administered through your field office. The following questions relate to the period after DPGs are awarded and before initial closing/firm commitment.

25. Including yourself, how many people in your field office work with DPG recipients?

Number of People: _______________

DON'T KNOW / REFUSED.. ❑

26. Including yourself, how many people in your field office have access to LOCCS?

Number of People: _______________

DON'T KNOW / REFUSED.. ❑

27. Do you have LOCCS access?

Yes.. ❑
No .... ❑
DON'T KNOW / REFUSED.. ❑

27a. **IF NO**, how do you process DPG payments?

____

____

____

INTERVIEWERS WILL RECORD ANSWERS VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

Ask another Section 202 program colleague in my field office to assist

Ask another non-Section 202 program colleague in my field office to assist

Ask a colleague in another field office to assist

28. Once the DPG grant agreements are executed, HUD obligates the funds in LOCCS ((including sending form SF–1199A to Fort Worth Accounting Office and spreading fund among line items). According to the HUD program office, this process is expected to occur within four weeks of grant execution. How frequently would you say that this occurs? Does it occur…?

Always or Almost Always .... ❑
Often .... ❑
Sometimes .... ❑
Almost Never or Never .... ❑
DON'T KNOW / REFUSED .... ❑

28a. **IF** ANSWER IS **ALMOST NEVER** or **NEVER**, what are some of the reasons that the DPG funds are not obligated to LOCCS within __________ of grant execution?

____

____

____

INTERVIEWERS WILL RECORD ANSWERS VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

Obligating funds in LOCCS

Sponsor LOCCS/VRS Access Authorization

HUD staff LOCCS/VRS Access Authorization

Acceptance of DPG Payment Voucher

Release of DPG Payment

Moving funds between DPG line items

29. After DPG grant award, do you allow grantees to move funds between budget line items?

Yes .... ❑
No .... ❑
Varies by property or sponsor .... ❑
DON'T KNOW / REFUSED .... ❑

29a. **IF YES** or **VARIES BY PROPERTY OR SPONSOR**, describe the process for moving funds between DPG budget line items.

____

____

____

29b. **IF YES** or **VARIES BY PROPERTY OR SPONSOR**, how long does the process typically take from when the sponsor makes the initial request to move funds between line items to when the new distribution of funds is available?

____

29c. For any properties in which the funds are not moved between line items within _________ (determined by previous answer), what are the reasons for the delays?

____

____

____

INTERVIEWERS WILL RECORD ANSWERS VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

Sponsor delays in getting paperwork in

HUD Project Manager does not have LOCCS access

HUD delays in processing paperwork

Time needed for Project Manager to receive approval from supervisor

29d. **IF NO**, please explain why you do not allow grantees to move funds between budget line items.

____

____

____

30. When sponsors request amendment waivers to extend the processing time beyond 24 months or for increases in the capital advance, how long does this process normally take to be approved? Include when the sponsor submitted its initial request for the waiver until when the waiver was granted.

30a. Processing time waiver time_________________

30b. Fund amount waiver time___________________

INTERVIEWERS SHOULD PROBE IF THERE ARE DIFFERENT TIMES FOR PROCESSING WAIVERS THAN FOR FUND AMOUNT WAIVERS.

31. For any properties in which the processing time waivers are not granted within _________ (determined by previous answer), what are the reasons for the delays?

____

____

31a. For any properties in which the fund amount waivers are not granted within _________ (determined by previous answer), what are the reasons for the delays?

____

____

32. What do you think the effect of the DPG is on a sponsors need to request amendment waivers? Would you say the DPG INCREASES, DECREASES, or HAS NO EFFECT on sponsors' need to request amendment waivers?

Increases .... ❑
Decreases .... ❑
No Effect .... ❑
DON'T KNOW / REFUSED .... ❑

33. Other than the activities we already talked about, are there other ways that you interact with sponsors about the DPG?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

33a. **IF YES**, please describe:

____

____

____

Characteristics of Recipients and Nonrecipients

The following questions relate to property and sponsor characteristics of DPG recipients and nonrecipients. In answering these questions, we would like you to think about all the Section 202 properties that have been administered out of your office since fiscal year 2004.

34. Are DPG recipients more or less likely to have the following sponsor or property characteristics, compared with other Section 202 grantees that did not apply for and receive the DPG? Are they MORE LIKELY, LESS LIKELY, or EQUALLY LIKELY to

CHARACTERISTIC	MORE LIKELY	LESS LIKELY	EQUALLY LIKELY	DK/REF
34a. Be a large national sponsor organization	❑	❑	❑	❑
34b. Have developed more than 3 Section 202 properties	❑	❑	❑	❑
34c. Be an experienced developer (general development experience)	❑	❑	❑	❑
34d. Retain an application or property development consultant	❑	❑	❑	❑
34e. Develop a property with 50 units or greater	❑	❑	❑	❑

35. Besides Section 202 capital advances and DPG grants, approximately what percentage of all Section 202 grantees requires other sources of funding to cover the entire Section 202 development cost? Include in your estimate those Section 202 properties that were awarded since fiscal year 2004.

____

IF RESPONDENT CANNOT APPROXIMATE, ASK FOR A RANGE OF PERCENTAGES AND RECORD THE MIDPOINT OF THE RANGE AS THE RESPONSE

36. Besides Section 202 capital advances and DPG grants, approximately what percentage of DPG grantees administered out of your office requires other sources of funding to cover the entire Section 202 development cost? Include those properties that were awarded since FY2004.

____

IF RESPONDENT CANNOT APPROXIMATE, ASK FOR A RANGE OF PERCENTAGES AND RECORD THE MIDPOINT OF THE RANGE AS THE RESPONSE

IF RESPONSE IS ZERO, SKIP TO QUESTION 38.

37. For those DPG recipients that have other sources of funding, how many other sources of funding do the sponsors typically receive? Please provide the percentage of DPG grantees that receive each range of number of sources of funding. What percentage of DPG grantees has ___ other funding sources to develop their properties?

1–2 ....___________%

3–4 ....___________%

>4 ....___________%

DON'T KNOW / REFUSED .... ❑

PLEASE MAKE SURE THAT THE TOTAL EQUALS 100 PERCENT.

38. We define processing time as the time period between fund reservation and initial closing. HUD recommends that all properties that are funded by a DPG have processing times of 18 months or less. Do the types of sources of other funding have any effect on the processing time between fund reservation and initial closing? For each type of funding, note whether the funding source INCREASES, DECREASES, or HAS NO EFFECT on processing time. Also note the approximate percentage of DPG funded properties that has received the source of funding.

SOURCE OF FUNDING	Increases Processing Time	No Effect	Decreases Processing Time	DK/REF	% of Properties Affected
38a. HOME	❑	❑	❑	❑	__%
38b. CDBG	❑	❑	❑	❑	__%
38c. Federal Home Loan Bank	❑	❑	❑	❑	__%
38d. Sponsor/Owner funds	❑	❑	❑	❑	__%
38e. Donation of land	❑	❑	❑	❑	__%
38f. Low income housing tax credits	❑	❑	❑	❑	__%
38g. City or County funding	❑	❑	❑	❑	__%
38h. Other State funding (Specify:__________________)	❑	❑	❑	❑	__%
38i. Any other funding source (Specify:__________________)	❑	❑	❑	❑	__%
38j. Any other funding source (Specify:__________________)	❑	❑	❑	❑	__%

39. Based on your experience with the DPG program, do you find that the DPG benefits some types of sponsors more than others?

Yes ❑
No ❑
DON'T KNOW / REFUSED ❑

39a. **IF YES**, what types of sponsors benefit more than others?

40. Based on your experience with the DPG program, do you find that the DPG benefits some types of properties more than others?

Yes ❑
No ❑
DON'T KNOW / REFUSED ❑

40a. **IF YES**, what types of properties benefit more than others?

DPG Outcomes

The following questions relate specifically to the Demonstration Predevelopment Grant program. In answering these questions, please think about all the Section 202 properties administered out of your field office that have received DPGs.

41. Based on your experience, for what percentage of DPG recipients do DPG funds have the following effects on processing time from fund reservation to initial closing? There are three categories: DECREASE, NO EFFECT, and INCREASE. For what percentage of DPG recipients do the DPG funds_____________ processing time?

Decrease ....___________%

No effect ....___________%

Increase...___________%

DON'T KNOW / REFUSED .... ❑

PLEASE MAKE SURE THAT THE TOTAL EQUALS 100 PERCENT.

41a. If any percentage is listed for **INCREASE**, what aspect(s) of DPGs increase processing time?

____

____

____

INTERVIEWERS WILL RECORD RESPONSES VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

The time period between when the Section 202 awards are made and the release of the DPG NOFA

Time to obligate funds in LOCCS

Time period to release DPG payments to sponsors

Time period to approve fund amendment waivers

42. Does the DPG have any effect on delays in the development process after initial closing? There are three categories: REDUCES DELAYS, HAD NO EFFECT ON DEVELOPMENT DELAYS, and INCREASES DELAYS. For what percentage of DPG grantees would you say that the DPG…?

Reduces delays .... ___________%

Had no effect on development delays... ___________%

Increases delays .... ___________%

DON'T KNOW / REFUSED.. ❑

PLEASE MAKE SURE THAT THE TOTAL EQUALS 100 PERCENT.

42a. If any percentage is listed for **INCREASES DELAYS**, what aspect(s) of DPGs increase delays in the development process after initial closing?

____

____

____

Factors Affecting Time From Fund Reservation to Initial Closing

For the following questions, we are interested in identifying factors that may contribute to untimely processing of all Section 202 grants from fund reservation to initial closing. We understand that there are three general factors that can add to processing time: (1) Characteristics of the property and its environment, (2) Characteristics and actions of Sponsors/Owners, and (3) HUD staff, funding, and policies. Your responses to the following three sets of questions will provide valuable insight into the significance of these factors.

43. I will first ask about what property factors negatively impact processing time. First I will ask you whether the factor occurs SELDOM IF EVER, SOMETIMES, or OFTEN.

    Then I will ask you if the factor has NO IMPACT, MINOR IMPACT, MODERATE IMPACT, or SIGNIFICANT IMPACT on processing time.[16]

	FREQUENCY				IMPACT					
FACTOR	Seldom if Ever	Sometimes	Often	DK/ REF	No Impact	Minor Impact	Moderate Impact	Significant Impact	DK/ REF	NA
43a. Property is new construction	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43b. Property involves rehabilitation	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43c. Property involves relocation of residents	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43d. Property site zoning approval	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43e. Local permits (obtaining and/or cost of permits)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43f. State and local historic preservation approval	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43g. Site contamination mitigation	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43h. Securing secondary financing	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43i. Legal challenges	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43j. General local opposition to project	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
43k. Any other (Specify:___________)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

16 Questions 43, 47, and 51 are the same as in the 2003 Government Accountability Office (GAO) Study except for the number of possible responses for the frequency of the factors affecting processing time. Frequency in the GAO study was asked as a five-point scale rather than a three-point scale. This change was made to simplify the question because of the overall length of the survey, but still keep the responses comparable to those received in the GAO study.

INTERVIEWERS WILL SELECT UP TO THREE FACTORS THAT HAVE A MODERATE OR SIGNIFICANT IMPACT THAT OCCURS OFTEN.

44. **(Example 1)** You noted that _______________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which ____________ impacted processing time?

____

____

____

44a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

45. **(Example 2)** You noted that _______________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which ____________ impacted processing time?

____

____

____

45a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

46. **(Example 3)** You noted that _______________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which ____________ impacted processing time?

____

____

____

46a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

47. Now we would like to ask about what sponsor factors negatively impact processing time. Like the last set of questions, first I will ask you whether the factor occurs SELDOM IF EVER, SOMETIMES, or OFTEN.

Then I will ask you if the factor has NO IMPACT, MINOR IMPACT, MODERATE IMPACT, or SIGNIFICANT IMPACT on processing time.

	FREQUENCY				IMPACT					
FACTOR	Seldom if Ever	Sometimes	Often	DK/ REF	No Impact	Minor Impact	Moderate Impact	Significant Impact	DK/ REF	NA
47a. Sponsor doesn't attend pre-application workshop	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47b. Sponsor lacks experience in Section 202 program/multifamily development	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47c. Sponsor does not effectively manage development process	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47d. Sponsor lacks effective Consultant	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47e. Sponsor has difficulty designing property within fund reservation amount	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47f. Sponsor lacks sufficient funds for pre-construction costs required before receipt of capital advance	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47g. Sponsor doesn't fulfill requirements in a timely fashion (for example, set up Owner corporation, submit required forms)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
47h. Other (Specify:___________)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

INTERVIEWERS WILL SELECT UP TO THREE FACTORS THAT HAVE A MODERATE OR SIGNIFICANT IMPACT THAT OCCURS OFTEN.

48. **(Example 1)** You noted that _______________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which ____________ impacted processing time?

____

____

____

48a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

49. **(Example 2)** You noted that _______________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which ____________ impacted processing time?

____

____

____

49a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

50. **(Example 3)** You noted that _______________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which ____________ impacted processing time?

____

____

____

50a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

51. Finally, we would like to ask about what HUD factors negatively impact processing time. Like the last set of questions, first I will ask you whether the factor occurs SELDOM IF EVER, SOMETIMES, or OFTEN.

Then I will ask you if the factor has NO IMPACT, MINOR IMPACT, MODERATE IMPACT, or SIGNIFICANT IMPACT on processing time.

	FREQUENCY				IMPACT					
FACTOR	Seldom if Ever	Sometimes	Often	DK/ REF	No Impact	Minor Impact	Moderate Impact	Significant Impact	DK/ REF	NA
51a. Staff lack Section 202 experience	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51b. Staff lack Section 202 training	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51c. Section 202 workload (for example, simultaneously reviewing new applications and paperwork for funded properties)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51d. FHA loan processing can be, at certain times, higher priority processing	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51e. Some staff unwilling to fully implement HUD Notice H 96–102	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51f. Insufficient project coordination (including turnover in project coordinator position)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51g. Capital advance insufficient to fund properties	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51h. Award letters not mailed during fiscal year of appropriation	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51i. Availability of HUD amendment funds	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51j. Time spent by HUD HQ considering waiver requests	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
51k. Other (Specify:___________)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

INTERVIEWERS WILL SELECT UP TO THREE FACTORS THAT HAVE A MODERATE OR SIGNIFICANT IMPACT THAT OCCURS OFTEN.

52. **(Example 1)** You noted that ________________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which _____________ impacted processing time?

____

____

____

52a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

53. **(Example 2)** You noted that ________________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which _____________ impacted processing time?

____

____

____

53a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

54. **(Example 3)** You noted that ________________ is a factor that negatively impacts processing time. Could you describe an example Section 202 property in which _____________ impacted processing time?

____

____

____

54a. For the property you just described, did or would the DPG have any effect on reducing the processing time?

____

____

____

55. Please identify any other factors, other than previously mentioned, that may affect processing time between fund reservation and initial closing.

____

____

____

56. Please identify any suggestions you may have for changes within HUD's control that you believe would aid the timely processing of Section 202 properties from fund reservation to initial closing?

____

____

____

57. As part of the evaluation of the DPG program, HUD is reviewing how it allocates funding to Section 202 recipients. Would you be in favor of an alternative to how DPG funds are currently allocated that relies on a formula rather than a competition?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

57a. **IF YES**, please explain why:

____

____

____

57b. **IF NO**, please explain why not:

58. If HUD were to consider a formula funding approach for the DPG program, what factors do you think they should include in determining which Section 202 sponsors receive funding and the amount they receive?

(PROBES—SIZE OF PROPERTY, LOCATION TYPE, TYPE OF SPONSOR, EXPERIENCE OF SPONSOR)

That was the end of the survey. Thank you for your time.

Appendix C. DPG Recipient Survey

Appendix C. DPG Recipient Survey

My name is ___________________ and I work for Abt Associates, a research company based in Cambridge, MA. We are conducting a study for the US Department of Housing and Urban Development, Office of Policy Development and Research on the Section 202 Demonstration Predevelopment Grant Program. We are interested in learning about all aspects of the DPG program including the application process and grant administration. We are also interested in learning about any issues that may affect Section 202 processing time from fund reservation to initial closing. We have asked to interview you because of your involvement with _________property. The survey will primarily address your experience with this one specific property.

This survey will take about 45 minutes to complete. Participating in this survey is voluntary and you can refuse to answer any question. When we're finished with this study, we'll write a report on what we learn and provide a copy of the survey dataset to HUD. Neither your name nor your organization's name will be associated with any answers in either the report or the dataset. However, given the unique characteristics of some organizations and properties, it is possible that someone at HUD who has access to the dataset might be able to figure out who provided some answers on the survey. In the published report, the information we obtain from these surveys will be presented only as statistical summaries, so no individual respondents or organizations will be identified.

Your opinions are important to the study and we hope that you agree to participate. The information you provide will help HUD better understand sponsor organizations' perspectives and experiences with respect to the Section 202 and Demonstration Predevelopment Grant programs.

READ IF CONSULTANT IS PARTICIPATING IN SURVEY

Since there is more than one respondent for this survey, we ask that you come to a consensus on the response for each question. If there are disagreements, we will defer to the sponsor representative for the final response.

Do you have any questions before we begin?

Contact Information—Sponsor

Organization:____

Respondent Name:____

Title:____

Address:____

Phone:____

Email:____

Contact Information—Consultant (if applicable)

Organization:____

Respondent Name:____

Title:____

Address:____

Phone:____

Email:____

Property Information

Property Name:____

Property Location:____

Fiscal Year Awarded:____________________DPG Amount:____________________

Processing Time:____________________ HUD Field Office:____________________

# of Processing Waivers Granted__________# of Fund Amount Waivers Granted_______________

High Cost Area: Yes/No

Interviewer Name:____

Date Interview Completed:____

Knowledge of the DPG Program

First I would like to ask you questions about your experience as it relates to the Section 202 and Demonstration Predevelopment Grant program.

***READ IF CONSULTANT IS PARTICIPATING IN SURVEY**:*

These questions pertain to the experience of just the sponsor organization. The housing development experience of the consultant is asked about in a subsequent section of the survey.

1. What type of organization is ____________________? Is your organization local or are you part of a larger organization?

   Local .... ❑
   National .... ❑
   DON'T KNOW / REFUSED .... ❑

2. What is your title/position?

   ____

3. Describe your affordable housing development experience:

   ____

   ____

   ____

4. How many Section 202 applications has your organization submitted since fiscal year 2004?

   ____

5. Of those, how many Section 202 applications resulted in an award?

   ____

6. How many Section 202 applications have you personally worked on since fiscal year 2004?

   ____

7. Of those, how many Section 202 applications resulted in an award?

   ____

8. This survey primarily asks questions about the Demonstration Predevelopment Grant program. With how many Section 202 Demonstration Predevelopment Grant applications have you personally worked?

____

9. Of those, how many DPGs were awarded?

____

10. How would you rate your overall knowledge of the DPG program? Would you say you are NOT KNOWLEDGEABLE, SOMEWHAT KNOWLEDGEABLE, or VERY KNOWLEDGEABLE?

Not Knowledgeable .... ❑
Somewhat Knowledgeable .... ❑
Very Knowledgeable .... ❑
DON'T KNOW / REFUSED .... ❑

Property and Sponsor Characteristics of Recipients

For the next several sections of the survey, we will ask about your experience with one specific Section 202 property: ______________________________ located in __________________________ and awarded in fiscal year________________.

READ IF CONSULTANT IS PARTICIPATING IN SURVEY:

We understand that some consultants have worked with other sponsor organizations or properties within the Section 202 and Demonstration Predevelopment Grant programs; however, this survey only targets one specific property. Therefore, when responding to the survey questions, please keep your responses related to just the experience with property ________________.

11. For property ____________, did the Section 202 capital advance and DPG cover the property's entire development cost?

Yes ❑
No ❑
DON'T KNOW / REFUSED ❑

11a. **IF NO**, approximately what percent of total development cost was funded by the Section 202 and DPG programs?

____

____

11b. **IF NO**, what other sources of funding were used for the development of property __________________?

INTERVIEWER WILL RECORD RESPONSES IN TABLE.

SOURCE OF FUNDING	YES	NO
11b1. HOME	❑	❑
11b2. CDBG	❑	❑
11b3. Federal Home Loan Bank	❑	❑
11b4. Sponsor/Owner funds	❑	❑
11b5. Donation of land	❑	❑
11b6. Low income housing tax credits	❑	❑
11b7. Other State funding (Specify:__________________)	❑	❑
11b8. City or County funding	❑	❑

SOURCE OF FUNDING	YES	NO
11b9. Other (Specify:________________________________)	❑	❑
11b10.Other (Specify:________________________________)	❑	❑

12. For property ___________, what development tasks did your organization procure outside contractors? I will read a list and select all that apply.

Developer.. ❑
Appraisals .... ❑
Architect Services .... ❑
Engineering Services .... ❑
Environmental Site Assessment .... ❑
Consultant Services .... ❑
Cost Analysis .... ❑
Legal .... ❑
Market Study.. ❑
Relocation .... ❑
None .... ❑
DON'T KNOW/REFUSE .... ❑

12a. Are there any other tasks for which your organization hired an outside contractor?

Other—Specify:____

Other—Specify:____

12b. **IF CONSULTANT SERVICES**, why did your organization hire a consultant to assist with this property?

____

____

12c. **IF CONSULTANT SERVICES**, what activities did the consultant complete for this property? I will read a list and select all that apply.

Overall project management... ❑
Determined the need for supportive elderly housing .... ❑
Determined development costs .... ❑
Identified and/or secured other sources of property funding.............. ❑
Wrote the Section 202 application .... ❑
Wrote the DPG application .... ❑
Monitored the development budget .... ❑
Helped procure developer... ❑
Helped procure other contractors .... ❑
Monitored design process... ❑

12d. Were there any other tasks that the consultant completed?

Other—Specify:____

Other—Specify:____

12e. Describe the housing development/Section 202 experience of the consultant.

____

____

13. Did the receipt of a Demonstration Predevelopment Grant have any effect on your organization's decision to hire contractors for this property?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

13a. **IF YES**, please explain:

____

____

____

Marketing of the DPG Program

The following questions ask about your organization's interaction with the HUD field office about the Demonstration Predevelopment Grant program prior to and during the DPG application process.

14. For property ______________, when did HUD field office staff provide information to your organization about the DPG program? I will read a list of responses and please answer YES or NO to whether the field office provided information about the DPG at each milestone.

	YES	NO	DK/REF
14a. During the Section 202 application process	❑	❑	❑
14b. With the Section 202 fund reservation award letter	❑	❑	❑
14c. At the Section 202 award briefing meeting	❑	❑	❑
14d. When the DPG NOFA was released by HUD	❑	❑	❑
14e. Some other time (Specify:_____________________________)	❑	❑	❑

15. How would you rate the field office's staff's knowledge of the DPG program at the time that you applied for the DPG grant? Please rate each area as either NOT KNOWLEDGEABLE, SOMEWHAT KNOWLEDGEABLE, or VERY KNOWLEDGEABLE.

	Not Knowledgeable	Somewhat Knowledgeable	Very Knowledgeable	DK/ REF
15a. The DPG application process	❑	❑	❑	❑
15b. The DPG award process	❑	❑	❑	❑
15c. The DPG administration period after grant award	❑	❑	❑	❑
15d. DPG activities during the initial closing for the Section 202 property	❑	❑	❑	❑
15e. DPG grant closeout	❑	❑	❑	❑

DPG Application Process

Now we will ask questions about the DPG application process and why your organization decided to apply for the DPG.

16. Why did your organization decide to apply for the DPG for property _______________? I will read a list of reasons and please answer YES or NO for each one.

	YES	NO	DK/REF
16a. There were no other sources of predevelopment funding before initial closing	❑	❑	❑
16b. DPG was needed to speed up time between fund reservation and initial closing	❑	❑	❑
16c. The property needed additional funding because it was in a high cost area	❑	❑	❑
16d. DPG provided greater ability to retain qualified predevelopment contractors (developers, architects, etc)	❑	❑	❑
16e. DPG provided greater ability to retain qualified development consultants	❑	❑	❑
16f. Other (Specify:___________________________)	❑	❑	❑

17. The first Demonstration Predevelopment Grants were awarded in fiscal year 2004, on April 7, 2005. Since then, have there been any other Section 202 properties that your organization developed that did not apply for the DPG?

No other Section 202 grants awarded to sponsor (SKIP to 18) .... ❑
Other 202 grants, but did not apply for DPG (ASK 17a AND b.)..................................... ❑
Other 202 grants, applied for DPG (ASK 17c). .... ❑
DON'T KNOW / REFUSED .... ❑

17a. Why did your organization not apply for the DPG for other properties? I will read a list of reasons and please answer YES or No for each one.

	YES	NO	DK/REF
17a1. Had other sources of predevelopment funding before initial closing	❑	❑	❑
17a2. Ineligible property type	❑	❑	❑
17a3. The Section 202 capital advance fully covered the cost of development	❑	❑	❑
17a4. The Section 202 capital advance was already at maximum amount permitted by HUD	❑	❑	❑
17a5. Had lack of knowledge about the DPG program	❑	❑	❑

	YES	NO	DK/REF
17a6. Had previous negative experience with DPG application process	❑	❑	❑
17a7. Had previous negative experience with DPG administration	❑	❑	❑
17a8. The timing of the release of the DPG NOFA	❑	❑	❑
17a9. Award of DPG requires property to reach initial closing within 18 months	❑	❑	❑
17a10. The DPG application is burdensome	❑	❑	❑
17a11. The cost of completing the application is too high	❑	❑	❑
17a12. Other (Specify:____________________________)	❑	❑	❑

17b. Of the reasons provided, which had the greatest impact on your organization's decision not to apply for the DPG?

Had other sources of predevelopment funding before initial closing .... ❑
Ineligible property type .... ❑
The Section 202 capital advance fully covered cost of construction.................... ❑
The Section 202 capital advance was already at maximum amount permitted by HUD .... ❑
Had lack of knowledge about the DPG program... ❑
Had previous negative experience with DPG application process....................... ❑
Had previous negative experience with DPG administration .... ❑
The timing of the release of the DPG NOFA.. ❑
Award of DPG requires property to reach initial closing within 18 months .... ❑
The DPG application is burdensome .... ❑
The cost of completing the application is too high .... ❑
Other (Specify:________________________________)..................................... ❑
DON'T KNOW / REFUSED.. ❑

17c. Why did your organization apply for the DPG for other properties? I will read a list of reasons why your organization may have applied for the DPG for other properties. Please answer YES or No for each one.

	YES	NO	DK/REF
17c1. There were no other sources of predevelopment funding before initial closing	❑	❑	❑
17c2. DPG was needed to speed up time between fund reservation and initial closing	❑	❑	❑
17c3. The property needed additional funding because it was in a high cost area	❑	❑	❑
17c4. DPG provided greater ability to retain qualified predevelopment contractors (developers, architects, etc)	❑	❑	❑
17c5. DPG provided greater ability to retain qualified development consultants	❑	❑	❑
17c6. Other (Specify:____________________________)	❑	❑	❑

18. We would like to know the extent of sponsor resources needed to fulfill the DPG application requirements. What was the cost to the sponsor in dollars to apply for the DPG for property ________________?

____

19. About how many staff or consultant hours were needed to prepare the DPG application for property _________________?

____

20. We would like to know how difficult your organization found the application process to be. For each of the following components of the application process, please state whether each component was EASY, SOMEWHAT DIFFICULT, or DIFFICULT.

	EASY	SOMEWHAT DIFFICULT	DIFFICULT	DK/REF
20a. Describing the organization's financial need	❑	❑	❑	❑
20b. Determining the proposed predevelopment activities and budget	❑	❑	❑	❑
20c. Determining a development schedule	❑	❑	❑	❑
20d. Complying with the HUD grant application schedule	❑	❑	❑	❑
20e. Navigating Grants.gov submission system	❑	❑	❑	❑

21. Were there any other aspects of the application process you found to be difficult or burdensome?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

21a. **IF YES**, please describe what aspects of the application process you found to be difficult or burdensome:

____

____

____

22. During the DPG application phase, did you ask the HUD field office for any assistance with your application?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

22a. **IF YES**, what kind of assistance did you ask for?

____

____

____

22b. Did you receive the support you asked for/needed?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

22c. **IF NO**, what kind of assistance did you ask for that you did not receive?

____

____

____

23. How did your organization estimate predevelopment costs for the DPG application?

____

____

____

DON'T KNOW / REFUSED .... ❑

INTERVIEWERS WILL RECORD RESPONSES VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

Estimate costs internally based on previous Section 202 properties

Estimate costs internally based on other housing development properties (non-Section 202)

Ask subcontractors to provide estimates

Estimated costs based on industry standards

24. Was your total predevelopment cost estimate in the DPG application accurate at initial closing?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

24a. **IF NO**, were your predevelopment cost estimates in the application too low or too high?

Predevelopment cost estimate too low .... ❑
Predevelopment cost estimate too high .... ❑
DON'T KNOW / REFUSED .... ❑

24b. Please estimate the difference between your predevelopment cost estimate in the application and the actual predevelopment costs at initial closing.

____

25. Please identify any suggestions you have to improve the DPG application process.

____

____

____

DPG Administration

The following questions relate to DPG administration, that is, to the activities that took place after the sponsor received a DPG award. These questions also only pertain to property ________________.

26. HUD administers the DPG funding allocation through its web-based Line of Credit Control System (LOCCS). For property ______________, did your organization have any issues receiving LOCCS Access Authorization within a reasonable amount of time?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

26a. **IF YES**, what were the issues?

____

____

____

(PROBES: ISSUES CAUSED BY SPONSOR, HUD OR OUTSIDE FACTORS? HOW LONG DID IT TAKE FOR THE SPONSOR TO RECEIVE LOCCS ACCESS AFTER THEY SUBMITTED THE HUD FORM 27054?)

27. For property ______________, did you have any issues submitting payment voucher requests and getting them approved within a reasonable amount of time?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

27a. **IF YES**, what were the issues?

____

____

____

(PROBES: ISSUES CAUSED BY SPONSOR, HUD OR OUTSIDE FACTORS? HOW LONG DID IT TAKE FOR THE SPONSOR TO RECEIVE PAYMENTS ONCE THE VOUCHER REQUEST WAS SUBMITTED?)

28. For property ______________________, did your organization request to move DPG funds between budget line items?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

28a. **IF YES**, did HUD approve the transfer of funds?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

28b. **IF YES**, how long did it take for HUD to approve the transfer request?

____

____

____

28c. What was the total amount of funding moved?

____

____

____

28d. Did you have any issues in moving the DPG funding between line items?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

28e. **IF YES**, what were the issues?

____

____

____

(PROBES: ISSUES CAUSED BY SPONSOR, HUD OR OUTSIDE FACTORS? HOW LONG DID IT TAKE FOR THE SPONSOR TO FUNDS TO BE MOVED?)

29. Were there any other issues with the DPG grant during the grant period that the field office helped you with?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

29a. **IF YES**, what were the issues?

____

____

____

(PROBES: ISSUES CAUSED BY SPONSOR, HUD OR OUTSIDE FACTORS? HOW DID HUD RESOLVE THE ISSUE? HOW LONG DID IT TAKE?)

DPG Outcomes

The goal of the Demonstration Predevelopment Grant is to help sponsors reach initial closing more quickly. We would like to know If this was true in your experience with property ________________________.

30. If your organization had not received a DPG for property _____________, do you think the time between fund reservation and initial closing would have been different? Would you say that the DPG:

Significantly decreased processing time .... ❑
Somewhat decreased processing time .... ❑
Made no difference in processing time... ❑
Somewhat increased processing time.. ❑
Significantly increased processing time .... ❑
DON'T KNOW / REFUSED .... ❑

30a. **IF SOMEWHAT** or **SIGNIFICANTLY INCREASED PROCESSING TIME**, what aspect(s) of DPG administration increased processing time?

____

____

____

INTERVIEWERS WILL RECORD RESPONSES VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

The time period between when the Section 202 awards are made and the release of the DPG NOFA

Time to obligate funds in LOCCS

Time period to release DPG payments to sponsors

Time period to approve fund amendment waivers

30b. **IF SOMEWHAT** or **SIGNIFICANTLY DECREASED PROCESSING TIME**, what aspect(s) of DPG administration decreased processing time?

____

____

____

31. Would you say that the DPG had any effect on your organization's ability to access other development funds besides the Section 202 capital advance?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

31a. **IF YES**, what effect did it have?

____

____

____

(PROBE WHAT OTHER SOURCES OF FUNDING WERE RECEIVED BECAUSE OF THE DPG)

Factors Affecting Time From Fund Reservation to Initial Closing

For the following questions, we are interested in identifying factors that may contribute to untimely processing of Section 202 grants from fund reservation to initial closing.

32. Based on your experience with property __________________, for each of the following factors we would like you to tell us how much of a negative impact it had on your organization's ability to get to closing within 18 months. We will first ask whether the factor applies to property ___________. Then we would like to know how great a negative impact the factor had on your organization's ability to get to closing within 18 months. Finally, we will ask whether you think the DPG had a POSITIVE EFFECT, NEGATIVE EFFECT, or NO EFFECT on how the factor influenced your ability to get to initial closing for this property.

		IMPACT					EFFECT OF DPG			
FACTOR	NA	No Impact	Minor Impact	Moderate Impact	Significant Impact	DK/ REF	Positive Effect	Negative Effect	No Effect	DK/ REF
32a. Property is new construction	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32b. Property involves rehabilitation	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32c. Property involves relocation of residents	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32d. Property site zoning approval	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32e. Permits (that is, obtaining and/or cost of permits)	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32f. State and local historic preservation approval	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32g. Site contamination mitigation	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32h. Securing other sources of funding	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32i. Legal challenges	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32j. General local opposition to property	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32k. Need for amendment waiver for processing time	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32l. Need for amendment waiver for fund amount	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32lm.Transferred DPG funds between line items	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
32n. Lack of predevelopment funding	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

INTERVIEWERS WILL SELECT FACTORS THAT HAD A MODERATE OR SIGNIFICANT IMPACT ON PROCESSING TIME TO ASK FOLLOW-UP QUESTIONS.

33a. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

33b. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

33c. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

33d. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

33e. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

34. Please identify any factors, other than those listed above, that may affect processing time between fund reservation and initial closing.

35. Do you have any suggestions for HUD to aid the timely processing of Section 202 properties from fund reservation to initial closing?

36. Do you have any suggestions or comments to HUD about the DPG program?

37. Do you have any other suggestions or comments to HUD about the Section 202 program in general?

This is the end of the survey. Thank you for your time.

Appendix D. Nonrecipient Survey

Appendix D. Nonrecipient Survey

My name is ___________________ and I work for Abt Associates, a research company based in Cambridge, MA. We are conducting a study for the US Department of Housing and Urban Development, Office of Policy Development and Research on the Section 202 Demonstration Predevelopment Grant Program. We are interested in learning about all aspects of the DPG program including why some sponsors do not apply for the grant We are also interested in learning about any issues that may affect general Section 202 processing time from fund reservation to initial closing. We have asked to interview you because of your involvement with _________property. The survey will primarily address your experience with this one specific property.

Your organization was selected to participate in this study because HUD records as of January 2010 indicated that your organization has never applied for or received a DPG. Is this accurate?

IF NO, STOP SURVEY AND THANK THEM FOR THEIR TIME.

This survey will take about 30 minutes to complete. Participating in this survey is voluntary and you can refuse to answer any question. When we're finished with this study, we'll write a report that will only include a statistical summary of the information we obtain from these surveys (no individual respondents or sponsor organizations will be identified). HUD will also receive a copy of the survey dataset of individual responses. HUD may determine at a later date to utilize the data collected for another purpose, however, the responses in the dataset will not be matched to identifying names or organizations. We are inviting 100 Section 202 sponsors to participate in the study.

Your opinions are important to the study and we hope that you agree to participate. The information you provide will help HUD better understand sponsor organizations' perspectives and experiences with respect to the Section 202 and Demonstration Predevelopment Grant programs.

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READ IF CONSULTANT IS PARTICIPATING IN SURVEY

Since there is more than one respondent for this survey, we ask that you come to a consensus on the response for each question. If there are disagreements, we will defer to the sponsor representative for the final response.

Do you have any questions before we begin?

Contact Information

Organization:____

Respondent Name:____

Title:____

Address:____

Phone:____

Email:____

Contact Information—Consultant (if applicable)

Organization:____

Respondent Name:____________________________________

Title:____

Address:____

Phone:____

Email:____

Property Information

Property Name:______________________________________

Property Location:____________________________________

Fiscal Year Awarded:_______________Section 202 Amount:__________________

Processing Time:__________________ HUD Field Office:____________________

# of Processing Waivers Granted________# of Fund Amount Waivers Granted__________

High Cost Area: Yes/No

Interviewer Name:____________________________________

Date Interview Completed:_______________________________

First I would like to ask you questions about your development experience as it relates to the Section 202 and Demonstration Predevelopment Grant program.

***READ IF CONSULTANT IS PARTICIPATING IN SURVEY**:*

These questions pertain to the experience of just the sponsor organization. The housing development experience of the consultant is asked about in a subsequent section of the survey.

2. What type of organization is ___________________? Is your organization local or is it part of a larger organization?

   National organization.. ❑
   Local organization .... ❑
   DON'T KNOW / REFUSED .... ❑

3. What is your title/position?

   ____

Describe your affordable housing development experience:

   ____

   ____

   ____

4. How many Section 202 applications has your organization submitted since fiscal year 2004?

   ____

5. Of those, how many Section 202 applications resulted in an award?

   ____

6. How many Section 202 applications have you personally worked on since fiscal year 2004?

   ____

7. Of those, how many Section 202 applications resulted in an award?

   ____

Property and Sponsor Characteristics of Nonrecipients

For the next several sections of the survey, we will ask about your experience with your most recently awarded Section 202 property: _____________________________ located in _________________________. (Property Name) (Property Location)

***READ IF CONSULTANT IS PARTICIPATING IN SURVEY**:*

We understand that some consultants have worked with other sponsor organizations or properties within the Section 202 and Demonstration Predevelopment Grant program; however this survey only targets one specific property. Therefore, when responding to the survey questions, please keep your responses related to just the experience with property _____________.

8. Did the Section 202 capital advance cover the property's entire development cost?

Yes ❑
No ❑
DON'T KNOW / REFUSED ❑

8a. IF **NO**, approximately what percent of total development cost was funded by the Section 202 program?

____

____

8b. If NO, what other sources of funding were used for the development of property __________________? I will read a list of types of sources of funding and please answer YES or NO. Also, for each type of funding that was used to develop the property, state which types were also used to pay for predevelopment costs, that is, all the costs of the property prior to initial closing.

	USED FOR TARGETED PROPERTY		AVAILABLE FOR PREDEVELOPMENT ACTIVITIES	
SOURCE OF FUNDING	YES	NO	YES	NO
8b1. HOME	❑	❑	❑	❑
8b2. CDBG	❑	❑	❑	❑
8b3. Federal Home Loan Bank	❑	❑	❑	❑
8b4. Sponsor/Owner funds	❑	❑	❑	❑
8b5. Donation of land	❑	❑	❑	❑

SOURCE OF FUNDING	USED FOR TARGETED PROPERTY		AVAILABLE FOR PREDEVELOPMENT ACTIVITIES	
	YES	NO	YES	NO
8b6. Low income housing tax credits	❑	❑	❑	❑
8b7. Other State funding (Specify:__________________)	❑	❑	❑	❑
8b8. City or County funding	❑	❑	❑	❑
8b9. Other (Specify:__________________)	❑	❑	❑	❑
8b10. Other (Specify:__________________)	❑	❑	❑	❑

9. Did your organization have any issues with accessing predevelopment funds?

Yes .... ❑
No .... ❑
DON'T KNOW / REFUSED .... ❑

9a. IF **YES**, please explain.

____

____

(PROBE WHETHER ACCESS TO PREDEVELOPMENT FUNDS HAVE ANY EFFECT ON PROCESSING TIME)

10. For what development tasks did your organization procure outside contractors? I will read a list and select all that apply.

- Developer ❑
- Appraisals ❑
- Architect Services ❑
- Engineering Services ❑
- Environmental Site Assessment ❑
- Consultant Services ❑
- Cost Analysis ❑
- Legal ❑
- Market Study ❑
- Relocation ❑
- None ❑
- DON'T KNOW / REFUSED ❑

10a. Are there any other development tasks for which your organization hired an outside contractor?

Other—Specify:____

Other—Specify:____

10b. IF **CONSULTANT SERVICES**, why did your organization hire a consultant to assist with this property?

____

____

____

11. What activities did the consultant complete for this property? I will read a list and select all that apply.

TASK	YES	NO	DK/REF
Overall project management	❑	❑	❑
Determined the need for supportive elderly housing	❑	❑	❑
Determined development costs	❑	❑	❑
Identified and/or secured other sources of property funding	❑	❑	❑
Wrote the Section 202 application	❑	❑	❑
Monitored budget	❑	❑	❑
Helped procure developer	❑	❑	❑
Helped procure other contractors	❑	❑	❑
Monitored design process	❑	❑	❑

11a. Were there any other tasks that the consultant completed?

Other—Specify:____

Other—Specify:____

11b. Describe the housing development/Section 202 experience of the consultant.

____

____

____

DPG Knowledge and Application Process

The major focus of this survey is to learn about the Demonstration Predevelopment Grant program. While we understand that your organization has neither applied for nor received a DPG, we are still interested in learning about your knowledge of the program. Now we will ask questions about the DPG application process and why your organization decided not to apply for the DPG.

12. On a scale from 1 to 5, where 1 is NOT KNOWLEDGEABLE and 5 is VERY KNOWLEDGEABLE, how would you rate your knowledge of the DPG program?

Not Knowledgeable		Somewhat		Very Knowledgeable
1	**2**	**3**	**4**	**5**

DON'T KNOW / REFUSED....................❑

13. For property ______________, were you aware of the DPG program?

Yes....................❑
No....................❑
DON'T KNOW / REFUSED....................❑

13a. IF **YES**, when did HUD field office staff provide information to your organization about the DPG program? I will read a list of responses and please answer YES or NO to each activity.

TASK	YES	NO	DK/REF
13a1. During the Section 202 application process	❑	❑	❑
13a2. With the Section 202 fund reservation award letter	❑	❑	❑
13a3. At the Section 202 award briefing meeting	❑	❑	❑
13a4. When the DPG NOFA was released by HUD	❑	❑	❑
13a5. Some other time (Specify:______________________________)	❑	❑	❑

13b. IF 13a1–13a5 ARE ALL **NO**, how did you initially hear about the DPG program?

____

____

INTERVIEWERS WILL RECORD RESPONSES VERBATIM AND LATER CODE. POSSIBLE RESPONSES INCLUDE:

From previous Section 202 properties

From other sponsor staff

From consultants

From other contractors

HUD publications

General news

14. How would you rate the field office's knowledge of the DPG program on a scale from 1 to 5 in which 1 is NOT KNOWLEDGEABLE and 5 is VERY KNOWLEDGEABLE.

Not Knowledgeable				Very Knowledgeable
1	**2**	**3**	**4**	**5**

DON'T KNOW / REFUSED .... ❑

15. Why did your organization not apply for the DPG for property __________________? I will read a list of reasons and please state YES or NO for each one.

	YES	NO	DK/REF
15a. Had other sources of predevelopment funding before initial closing	❑	❑	❑
15b. Ineligible property type	❑	❑	❑
15c. The Section 202 capital advance fully covered cost of construction	❑	❑	❑
15d. The Section 202 capital advance was already at maximum amount permitted by HUD	❑	❑	❑
15e. Lack of knowledge about the DPG program	❑	❑	❑
15f. Had previous negative experience with DPG application process	❑	❑	❑
15g. Had previous negative experience with DPG administration	❑	❑	❑
15h. The timing of the release of the DPG NOFA	❑	❑	❑
15i. Award of DPG requires property to reach initial closing within 18 months	❑	❑	❑
15j. The DPG application is burdensome	❑	❑	❑
15k. The cost of completing application is too high	❑	❑	❑

16. Of the reasons provided, which had the greatest impact on your organization's decision not to apply for the DPG?

Had other sources of predevelopment funding before initial closing .... ❑
Ineligible property type .... ❑
The Section 202 capital advance fully covered cost of construction................................ ❑
The Section 202 capital advance was already at maximum amount permitted by HUD .. ❑
Lack of knowledge about the DPG program .... ❑
Had previous negative experience with DPG application process................................... ❑
Had previous negative experience with DPG administration .... ❑
The timing of the release of the DPG NOFA.. ❑
Award of DPG requires property to reach initial closing within 18 months .... ❑
The DPG application is burdensome .... ❑
The cost of completing application is too high .... ❑
DON'T KNOW / REFUSED.. ❑

17. Would your organization consider applying for a DPG for future properties?

Yes.. ❑
No .... ❑
DON'T KNOW / REFUSED.. ❑

17a. IF **YES**, under what circumstances would your organization apply for a DPG for a future property?

____

____

INTERVIEWERS WILL RECORD RESPONSES VERBATIM. POSSIBLE RESPONSES INCLUDE:

No other sources of predevelopment funding before initial closing

To speed up time between fund reservation to initial closing

Insufficient cash flow

Need additional funding for building in high cost areas

Greater ability to retain qualified predevelopment contractors (developers, architects, etc)

Greater ability to retain qualified development consultants

Greater ability to include small businesses in the development process

17b. IF **NO**, why would your organization not apply for a DPG for a future property?

____

____

Factors Affecting Time From Fund Reservation to Initial Closing

For the following questions, we are interested in identifying factors that may contribute to untimely processing of Section 202 grants from fund reservation to initial closing.

18. Based on your experience with property ___________________, for each of the following factors we would like you to tell us how much of a negative impact it had on your organization's ability to get to closing within 18 months. We will first ask whether the factor applies to property ____________. Then we would like to know how great a negative impact the factor had on your organization's ability to get to closing within 18 months.

FACTOR	NA	IMPACT			
		No Impact	Minor Impact	Moderate Impact	Significant Impact
18a. Property is new construction	❑	❑	❑	❑	❑
18b. Property involves rehabilitation	❑	❑	❑	❑	❑
18c. Property involves relocation of resident	❑	❑	❑	❑	❑
18d. Property site zoning approval	❑	❑	❑	❑	❑
18e. Permits (that is, obtaining and/or cost of permits)	❑	❑	❑	❑	❑
18f. State and local historic preservation approval	❑	❑	❑	❑	❑
18g. Site contamination mitigation	❑	❑	❑	❑	❑
18h. Securing secondary financing	❑	❑	❑	❑	❑
18i. Legal challenges	❑	❑	❑	❑	❑
18j. General local opposition to project	❑	❑	❑	❑	❑
18k. Need for amendment waiver for processing time	❑	❑	❑	❑	❑
18l. Need for amendment waiver for fund amount	❑	❑	❑	❑	❑
18m. Lack of predevelopment funding	❑	❑	❑	❑	❑

INTERVIEWERS WILL SELECT FACTORS THAT HAD A MODERATE OR SIGNIFICANT IMPACT ON PROCESSING TIME TO ASK FOLLOW-UP QUESTIONS

19a. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

19b. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

19c. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

19d. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

19e. You noted that _______________ is a factor that negatively affected processing time for the target property. Can you describe how __________ negatively affected processing time?

____

____

____

20. Please identify any factors, other than those listed above, that may affect processing time between fund reservation and initial closing.

____

____

____

21. Do you have any suggestions for HUD to aid the timely processing of Section 202 properties from fund reservation to initial closing?

____

____

____

22. Do you have any suggestions or comments to HUD about the DPG program?

____

____

____

23. Do you have any other suggestions or comments to HUD about the Section 202 program in general?

____

____

____

This is the end of the survey. Thank you for your time.

Appendix E. Factors That Increased Processing Time According to Sponsors

Appendix E. Factors That Increased Processing Time According to Sponsors

	2010 Survey		GAO Survey	
	% Responded That Factor Moderately or Significantly Increased Processing Time	% Responded That Factor Was Present for Property	% Responded Moderate or Significant	% Responded Sometimes or Often
Permits (that is, obtaining and/or cost of permits)	30%	65%	86%	100%
Property site zoning approval	26%	47%	72%	76%
Securing secondary financing	23%	17%	71%	81%
Site contamination mitigation	22%	27%	48%	43%
Legal challenges	20%	12%	57%	19%
Need amendment waiver for processing time*	17%	21%		
General local opposition to project	12%	15%	62%	76%
Need amendment waiver for fund amount*	12%	9%		
State and local historic preservation approval	7%	41%	33%	48%
Lack of predevelopment funding**	2%	12%	62%	57%

Source: DPG Recipient Survey and Nonrecipient Survey combined, N=92; Government Accountability Office (2003) Elderly Housing: Project Funding and Other Factors Delay Assistance to Needy Households, Survey of Section 202 Sponsors and Consultants, N=21
*Factors "Need Amendment Waiver for Processing Time" and "Need Amendment Waiver for Fund Amount" were not included in the GAO survey.
** Factor "Lack of Predevelopment Funding" was listed as "Lacks sufficient funds for pre-construction costs required before receipt of capital advance (for example, environmental review, site control)" in the GAO survey.

References

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