Rental Policy Working Group

Federal Rental Alignment Opportunities –Conceptual Proposals

Draft

July 2011 Revision

Contents

Purpose

This document is part of an ongoing effort to better align Federal rental policy across the Administration and is sponsored by the Rental Policy Working Group. The Rental Policy Working Group is composed of the White House Domestic Policy Council (DPC), National Economic Council (NEC), Office of Management and Budget (OMB), and the U.S. Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Treasury.

The specific areas of concern identified herein emerged from July 2010 stakeholders gathering at the White House on areas of Federal rental policy inconsistency across the administration. The revised conceptual proposals for alignment articulated within this report are preliminary in nature and have not been endorsed by any Federal agency or office.

With any questions, please contact the Rental Policy Working Group Agency Alignment Leads: Larry Anderson, Director of Multi-Family Housing Preservation and Direct Loans at USDA-Rural Development, Ben Metcalf, Senior Advisor at HUD's Office of Multifamily Housing Programs; or Michael Novey, Associate Tax Legislative Counsel in Treasury's Office of Tax Policy.

Physical Inspections

Lead Office: USDA-RD

Participating Offices: USDA-RD, HUD-MF, HUD-PIH, HUD-CPD, HUD-OGC, Treasury-IRS

Prepared by: Stephanie White, USDA

Issue Statement:

Today, a property that has multiple Federal funding sources may be subject to multiple physical inspections using multiple physical inspection standards. This Alignment Team was formed to see if the various Federal funding sources could reduce the frequency and number of inspections to no more than one federally-sponsored visit to each property per year. A property that has multiple Federal funding sources is the target of this initiative and is considered a 'Combined Funding property.' [1]

Proposed Alignment:

Alignment Summary: The solution to reducing the number of physical inspections required by Federal funding sources is to have one periodic and regularly-occurring Federal physical inspection acceptable to all Federal funding sources and the local and State agencies to which appropriate authority has been delegated. In order to achieve this alignment, the Rental Policy Working Group propose to investigate a common physical condition inspection standard, a format of inspection results that can be utilized by each Federal funding source, an acceptable inspection frequency, and an acceptable sample size (number of units to be inspected). Achieving alignment in all these areas may not be possible for all programs, and alternatives are presented for consideration.

Although this alignment effort may be achievable in the global context, each department maintains different enforcement standards based on physical inspection findings, and enforcement standardization is not being proposed. Each agency still retains the ability to follow-up on any compliance issues with subsequent agency-specific inspections or actions, as permitted by loan or business agreements and Federal regulations.

Specific Actions to Effect Alignment: One periodically-scheduled physical inspection performed by one agency for the benefit of Federal agencies with a vested financial interest in that property will create efficiencies for the government, for property owners, and for residents of affordable housing whose apartments are subject to inspection. Alignment may be achieved by the following, which will be pursued in sequential order. (Once the results from the pilot program are in hand, a decision will

[1] The entire universe of Combined Funding properties are those that combine any number of federally-sourced subsidy or tax credit programs, including LIHTC, USDA-RD programs and loan guarantees, as well as HUD programs like FHA insurance, CDBG, HOME, HOPEVI and PBRA (State and Federal level). Data related to a subset of this universe of properties (i.e., those properties for which the LIHTC is combined with any number of other Federal programs, including USDA-RD and HUD programs) is sourced from HUD-PD&R, at http://lihtc.huduser.org.

be made whether alignment in these ways for HFAs should be promulgated as recommended best practices or in some stronger fashion.)

1. Alignment of inspection standards:
   A. Use of the Uniform Physical Condition Standards (UPCS) protocol as the common inspection standard for on-going physical inspections on aligned properties for the LIHTC, HOME, Rural Development, Public Housing, project-based Section 8, Section 202 and Section 811 and FHA-insured Multifamily programs; Or
   B. Use of the Uniform Physical Condition Standards (UPCS) or local code, whichever is more stringent, as the protocol and the common inspection standard for on-going physical inspections on all properties that have units supported by HOME funds. The Housing Choice Voucher Program (HCV) uses Housing Quality Standards which differ from UPCS and local code;
2. Use of a statistically valid sample size from all assisted units in a building on aligned properties;
3. Use of an established inspection frequency of not less than every three years, providing for the flexibility that each participating Federal, State or local agency may need to do more inspections depending on inspection findings (e.g., risk-based scheduling of subsequent inspections) and non-compliance issues. A review at least every three years ensures prudent but not intrusive oversight.

Current Status: One area where Congress has already initiated the standardization effort is the Housing and Economic Recovery Act of 2008 (HERA). The Act states that if the tax credit allocating agency (HFA) is already performing periodic inspections on a multifamily property with an FHA-insured mortgage, no such inspections need be done by the mortgagee. However, HUD has not yet completed its rule-making process for implementing this provision.

In addition, there is already some alignment between programs that could be formalized by this standardization action:

- For example, HUD's Real Estate Assessment Center (REAC) which covers HUD-PIH[2] and HUD-MF[3] programs, and State housing finance agencies (HFA) which perform physical inspections for the Low Income Housing Tax Credit (LIHTC) program, do or can use UPCS as the basis for their inspections[4].
- USDA-RD accepts third-party inspections, so alignment with HUD and Tax Credit programs is relatively straightforward.
- Under § 1.42-5(d)(3) of the Income Tax Regulations, a State HFA is not required to do a physical inspection of a LIHTC property if the building is financed by USDA-RD under the Section 515 program, USDA-RD inspects the building, and the State HFA and USDA-RD enter an agreement for USDA-RD to notify the State HFA of the inspection results.

[2] Public Housing and properties with project-based Section 8 assistance including Housing Choice Vouchers.
[3] Multifamily properties with FHA-insured mortgages.
[4] HFAs may also use local health, safety, and building codes for the LIHTC program.

- Under § 1.42-5(d)(4), a State HFA agency may delegate inspection to an Authorized Delegate, which may include HUD or a HUD-approved inspector. The utilization of UPCS as an accepted standard for such projects is logical since it forms the basis for most inspections now. However, utilizing UPCS raw data does pose a problem for HUD programs that score projects under the REAC system, which is discussed more fully below.

Future Alignment: This alignment effort covers a multitude of programs, mostly at HUD, with varying standards, sample sizes, and frequency requirements. Some programs are project-based, meaning they cover all units in all buildings of a development; and some programs are unit-based and cover only some units in some buildings of a development. Due to the differing scales of programs, alignment across every program may not be possible. However, in an attempt to identify which agency might perform the inspection on aligned properties and provide results to other agencies, the following chart was developed:

Aligned Property Type	**Lead Inspection Agency/Protocol**
HUD-MF/PIH properties	HUD/UPCS-REAC
Tax Credit properties	HFAs (using local code)/UPCS
Rural Development properties	USDA-RD
HUD-MF/PIH + Tax Credit properties	HFAs/UPCS with uniform format
HUD-MF/PIH + USDA-RD	HUD/UPCS-REAC
Tax Credit + USDA-RD	HFAs/UPCS or USDA-RD
HUD-MF/PIH + Tax Credit properties + USDA-RD	HFAs/UPCS with uniform format
HOME + Tax Credit properties	HFAs/UPCS or local code, whichever is more stringent
HOME + USDA-RD	To Be Determined
HOME + HUD-MF/PIH +/or Tax Credit +/or USDA-RD properties	To Be Determined
HUD Project-Based Vouchers	To Be Determined

Generally, agencies will follow their own inspection protocols on non-aligned properties. For example, Rural Development will continue utilizing its current physical inspection protocol on non-aligned properties with only RD financing. However, if an RD property should receive the benefit of tax credits or a project-based Section 8 subsidy contract, the physical inspection protocol on that property would ideally change to the common standard, with inspections conducted by either the State HFA or HUD, as USDA-RD lacks the financial resources to train and certify field staff in the

UPCS standard. In addition, given the relative remote location of many USDA-RD properties, it may not be practical to find other certified UPCS inspectors. This would ensure that the 'one scheduled physical inspection' solution is maintained.

In order to establish MOUs that would allow one agency to take the lead as the inspecting agency on aligned properties, there would need to be adequate guidance for the field staff of Federal agencies and for the State HFAs.

Resource Estimate for Implementation

Uniform Reporting Format: HUD's Public Housing, project-based Section 8-assisted housing, and Multifamily housing programs currently use a highly automated system to manage their inspections and processes, the Real Estate Assessment Center system (REAC). This system utilizes UPCS inspection standards at its base level, but also involves the interpretation of UPCS inspections into REAC-designated scores. This proposal will allow for options to be selected by the inspecting agency, yet due to the broad reach of UPCS and REAC, the Rental Policy Working Group suggests either of the following:

1. Use of the UPCS inspection standards by non-REAC inspectors that could be inputted into or "read" by HUD's REAC software system, so that the inspection results could be scored according to HUD's REAC protocol. The Team proposes adopting a common set of criteria that would ensure that all UPCS inspectors that inspect aligned properties are competent to perform the type of physical assessment required.
2. The REAC training and software protocols could be required of all UPCS inspections on federally-assisted properties, i.e., whenever UPCS is used, it would be a REAC inspection. In order to support this adoption, HUD-REAC will make available training webcasts. This adaptation will enable the Rental Policy Working Group to test these alignments in the context of a pilot, where participation is voluntary.

Once the results from the pilot program are in hand, a decision will be made whether alignment in these ways for HFAs should be promulgated as recommended best practices or in some stronger fashion.

The Physical Inspection alignment proposal denotes that UPCS will be the common inspection standard, but does not require that the REAC system be used. This poses a challenge for HUD programs that utilize UPCS and other data to score a property under REAC. The uniform UPCS inspection format could be based on a paper inspection form or on an electronic (XML) form.

The costs associated with processing the inspection data and the costs of developing/modifying REAC's databases so that non-HUD related data can be managed separately would largely be upfront to HUD. HUD estimates that the development costs for this initiative are estimated at $1,080,000 and could not be completed until April 2013 at the earliest. Costs for an "all-REAC" alternative would incur to both HUD and stakeholders who pay for inspections, such as HFAs.

System modification is a lesser cost than development of another input or processing method, and involves a shorter timeframe. In summary, the money/time cost of these alternatives is:

- Modify software/systems to expand the universe - $120,000 / 18 months
- Create an alternative input/processing method - $1,080,000 / 24 months

Establishing a common set of quality assurance criteria for all UPCS inspectors as an alternative to a REAC certification would have a cost associated with it, for which a funding source or sources would need to be identified. If the certification criteria mirror generally accepted criteria in the industry, however, this premium would be de minimis.

The average cost of a REAC inspection in FY2010 was $396 per inspection. For costing purposes below, that figure has been rounded to $400 per inspection.

<u>Most inspections to be conducted by HFAs:</u> This proposal recommends that the State Housing Finance Agency be designated as the lead inspection agency in most multiple funding situations. The LIHTC program is today's primary source of financing for new or rehabilitated affordable housing units and the dollar-size of the investment is several times that of other financing provided by HUD or USDA-Rural Development. HFAs conducting the majority of these inspections results in Federal government cost savings, but also is a natural extension of the HFAs' fiscal responsibilities under Section 42 of the Internal Revenue Code. As of 2007, the universe of properties with multiple Federal funding sources is detailed below. Based on this information, the three agency entities in each State would have performed 22,546 separate inspections on 10,485 properties.

Number of Program Subsidies in addition to LIHTC	Properties	Total Inspections x Subsidy programs	Low-Income Units
Tax Credit Properties with No Subsidy	27,594		
1 Other Subsidy Program	9,177	18,354	645,924
2 Other Subsidy Programs	1,081	3,243	79,366
3 Other Subsidy Programs	187	748	12,066
4 Other Subsidy Programs	35	175	2,470
5 Other Subsidy Programs	4	20	386
6 Other Subsidy Programs	1	6	10
TOTALS	10,485	22,546	740,222

* Other subsidy programs include only Tax-Exempt Bonds, HOME, CDBG, HOPE VI, USDA 515, Project-Based Rental Assistance (Federal and State), and FHA insurance. Excludes properties no longer monitored for program compliance. Chart includes only properties placed into service through 2007. For more information see: http://lihtc.huduser.org/

<u>Inspectors (Training or Contractors):</u> HFAs may elect to use their own staff to conduct these inspections or use outside contractors. Some HFAs will choose to train inspectors in the UPCS standard. There is no cost for this training; however, at this time, the course is offered only in

Washington, DC as a one week course with a certification exam. All expenses (travel, lodging and per diem) are solely borne by the participant. An online version of the training is still being developed but will not be available until 2012. Separately, there is no charge for use of the REAC software. The cost to participating HFAs would likely include any premium paid for inspections by contractor inspectors who have completed REAC training and who have invested in REAC compatible computer hardware.

<u>On-Going Dedicated Staff Resources:</u> Each agency involved in this implementation – not just the three departments at the Federal level but also Participating Jurisdictions (PJs) and State HFAs – will need to dedicate staff resources to serve as an agency liaison to ensure implementation and continuation of this proposal. These responsibilities would entail problem resolution, ensuring inspections are conducted in a timely manner, and that inspection report data is shared among the agencies within a specified timeframe. Although not a full-time job, it will be a commitment on the part of each agency to maintain the flow of communication and be alert for potential reporting problems. Ideally, agencies should identify two people per agency who have responsibility for this effort. It is estimated that these liaison duties may constitute 8-16 hours per month for most agencies.

<u>Estimated Cost Savings to Owners, Operators, Developers, Investors and/or Lenders</u>

Extrapolating from data compiled by PD&R, in 2007, an estimated 22,546 separate inspections took place on an estimated, current national universe of 10,485 properties. Per industry estimates of the cost of a Federal physical inspection for their properties, at an estimated cost of foregone staff time of $2000/inspection[5], costs for 22,546 duplicative inspections could total up to $45 million per year, nationally. By conducting aligned inspections, savings realized within one year would be up to approximately $24 million.

Additionally, agencies may choose to further pursue a future reduction in the frequency of inspections. Over three years, there is an estimated duplicative inspection cost of $135million. If the proposal to perform one Federal inspection every three years on each Combined Funding property (at a cost of $24 million for an estimated, current national universe of 10,485 properties, per year) proceeds, it may result in savings of approximately $111 million over three years from the current non-aligned costs, and an additional $48 million over three years from an aligned inspection schedule of one inspection per year. Although these savings will not necessarily be reflected in reduced rents, they will lower expenses at the multifamily property.

<u>Estimated Cost Savings for State, Local and Federal Governments</u>

Utilizing the proposed inspection protocol will result in cost savings at the government level generally by a reduction in the number of inspections. These savings will be realized in the reduction of staff time out

[5] Estimates for cost of inspections based on assumptions made in the Housing Development Center study in Oregon

of the office, savings in travel expenses, and savings in contractor cost if inspections are conducted by an outside contractor.

Extrapolating from data compiled by PD&R, in 2007, an estimated 22,546 separate inspections took place on an estimated, current national universe of 10,485 properties. Based on the estimated Federal cost of approximately $400 per inspection, the cost of duplicative inspections required on properties with multiple Federal funding sources is approximately $9 million per year. Alignment of these inspections so that one inspection is performed on each Combined Funding property per year would result in approximate savings of $4.8 million in one year. Additionally, if agencies choose to further pursue a future reduction in the frequency of inspections to once every three years, savings realized at the end of a three year period would be approximately $22.2 million from the current non-aligned costs and $9.6 from an aligned inspection schedule of one inspection per year.

A percentage of these properties will require more frequent inspections to ensure that corrective action was taken by the owner or to follow-up on compliance issues. In order to estimate this percentage, the Team considered that seven percent of properties scored less than 60 on recent REAC inspections and required a follow-up inspection. Assuming a similar percentage of owners would require re-inspections of their properties, it is estimated that this would reduce savings to governments by $293,600 per year.

Challenges to Effecting Proposed Alignment:

Agreement from all HFAs: The LIHTC program has given substantial latitude to HFAs to carrying out the administration of the program. As such, implementation of the proposed standard protocol will require individual agreements with each HFA. In order to better understand the complexities that overall implementation may face, the Team is undertaking a pilot program with several HFAs to determine obstacles or complications In implementation of alignment.

Development of a Model Memorandum of Understanding: There are several versions of Memoranda of Understanding (MOU) that are currently in use among various agencies in several States, including the full-scale alignment of USDA-RD and State HFAs. The Team proposes development of a standard model that can be used with all States, HUD, and USDA-RD. Such an MOU would provide details on specific performance (format, sharing, timeliness, re-inspections, agency actions as a result of inspection findings) and remedies if data is not shared timely.

HOME Involvement: Additionally, when funding combined-funding rental projects with HOME dollars, HUD-CPD encourages HOME PJs to determine whether it can voluntarily align with the property inspection standards and (frequency) schedules for the project with other funders. In determining the feasibility of a voluntary alignment, the PJ must consider whether its ongoing property standard and maintenance requirements for HOME units meet or exceed the requirements of other funders, and remain cognizant of its obligation to repay HOME funds invested in noncompliant properties that cannot be remedied.

Privacy Issues: The Team suggests that it may be necessary to obtain a release from property owners to share the property data among agencies. The Team believes Federal agencies' General Counsel(s) should make a determination whether this is needed.

Regulatory Challenges: The Team found two potential regulation challenges:

- Immediate waivers of current regulations for properties participating in the pilot programs and
- A regulatory challenge in selecting a representative sample of assisted units for inspection from properties that multiple sources of Federal assistance supporting different units in a project.

Properties that participate in the pilot would need regulatory waivers for the three-year inspection requirement which may differ from current practice. In addition, if there are other actions taken as a result of using the proposed protocol, the property should be held harmless by the funding agencies while the pilot is active. Most of these issues cannot be determined at this time, but would become evident as the process and pilots evolve.

At present, for example, HUD selects a random sample from project-based section 8 units while an HFA would inspect 20% of the LIHTC units. Deficiencies found in a sample of section 8 units may not support enforcement action on LIHTC units, and vice versa. One possible solution for inspecting properties with non-overlapping assistance on different units would be to select a statistically valid, random sample from the total of federally assisted units, and only in the case of observed deficiencies, would further inspection be required. A second possible solution would be for the UPCS inspector to inspect according to each agency's sampling standard. For instance, in the case of a property that contains both LIHTC and project-based section 8, the inspector would have to inspect enough project-based units to satisfy HUD's requirements and 20% of all LIHTC units. Each Federal program would reserve the right to do additional inspections using a different sample of units if compliance issues were discovered as a result of the first inspection. Alternatively, HUD, IRS, and USDA could institute regulatory changes such that a compliance issue found in a statistically valid sample of all federally-assisted units would apply to each assisted unit, regardless of funding source, and thus each agency would be authorized to take enforcement against the units assisted under its program (even if those units were not the actual units inspected).

Cost Challenges: Cost and timing challenges were outlined above under Resource Estimate for Implementation.

Procedural Challenges: In addition to the regulatory challenge, there may be a procedural challenge in selecting a representative sample of assisted units for inspection from properties that combine Federal funding sources that require differing processes for obtaining statistically valid samples. For example, performing one inspection that covers a statistically-valid sample of LIHTC units, a statistically-valid sample of Section 8 units, and a statistically-valid sample of RD units for a property for which these three sources of funds were combined would involve one inspector coordinating and processing data about which units in a project fall under each program and creating the valid sample for each grouping. The Team believes consistent data sharing with the lead agency for the project's inspections will be required (in the MOUs and in practice) in order to ensure that a valid sample of each program's units are inspected. The Team recommends that a valid statistical sample of all units be used as the basis for selecting units for inspection.

Schedule for Alignment Implementation

The Federal agencies should create a model MOU among State HFAs, HUD and USDA to agree on the lead agency that will perform the inspections and how inspection data information will be shared. The MOU should be developed timely but no later than 60 days following approval of this proposal.

During the time that the MOU is being developed, individual program guidance for participating agencies can be developed, which is generally limited to regulatory changes. These could be accomplished according to each Department's regulatory schedule.

As the MOU and individual agency guidance are being finalized, a pilot program should be started with several States to determine the viability of the proposal and identify implementation obstacles. Team members and points of contact at HFAs, HUD and USDA-RD should adopt a short-term agreement on pilot program parameters. The Team proposes a model agreement to be used by all pilot States. The model would be similar to agreements already in place in some States among participating entities. The Team believes a pilot program could be underway during June 2011. For inspections, the pilot should cover a six month period. During the pilot period, the agencies' MOU and regulatory changes could be completed. Following the end of the pilot, the Team expects a three-month period in which program guidance would be finalized for dissemination to all field staff for HFAs, HUD and USDA.

Once the MOU among Federal agencies and participating HFAs has been signed, several programs can begin alignment implementation immediately:

- HUD-MF/PIH + USDA-RD
- Tax Credit + USDA-RD
- HOME + Tax Credit Properties

On a longer-term implementation schedule, the following programs can be more properly aligned over a period of time:

- HOME + HUD-MF/PIH
- HUD-MF/PIH + Tax Credit Properties
  HUD-MF/PIH + Tax Credit properties require approximately 24 months to be aligned on one format for UPCS inspection that can be used by all programs.

Income Reporting and Definitions

Lead Office: Treasury-IRS

Participating Offices: Treasury-IRS, USDA-RD, HUD-MF, HUD-PIH, HUD-CPD

Prepared by: Michael Novey - Department of the Treasury, Office of Tax Policy

Issue Statement:

Various Federal programs to support affordable housing have slightly differing requirements for income certifications and require property managers to submit information on different forms. This may lead to inconsistencies in determinations of income and rents. In addition, property managers and owners sometimes submit income information through different processes. This may lead to inconsistencies and/or add to owners' or governmental agencies' administrative burden.

Evaluation of program differences**:**

1. In general, sections 42(g) and 142(d) of the Internal Revenue Code (Code) require income determinations for purposes of the Low Income Housing Tax Credit (LIHTC) to follow the determinations in HUD's Section 8 program.[6] That is, both programs use identical definitions for amounts that are included in—or excluded from—gross income. There are, however, two[7] significant differences—
   - Under section 142(d)(2)(B)(ii) of the Code ,for determinations made before January 1, 2012, certain basic military housing allowances are not taken into account in determining a tenant's income. This exclusion does not apply for purposes of programs under Section 8 of the Housing Act.
   - Even when various programs employ the same theoretical definitions of income, the amounts actually determined may vary because of differential access to relevant data. HUD programs may avail themselves of the information in HUD's Enterprise Income Verification system (EIV) for access to data from the Social Security Administration. USDA and IRS, however, are statutorily prevented from using this information.
2. Even if the definitions are the same, there may be variations in the ways that different programs use those definitions. For example—
   - Annual recertifications under section 42 of the Code attempt to determine a tenant's annual income. By contrast, Section 8 of the Housing Act provides monthly rent supplements. In order for these supplements to be adjusted for short-term variations in the tenant's economic circumstances, more-frequent-than-annual adjustments to income may be required, based on "interim" certifications. Adjustments of this sort would have no role to

[6] Section 142(d)(2)(B) provides in relevant part, "The income of individuals and area median gross income shall be determined by the Secretary [of the Treasury or the Secretary's delegate] in a manner consistent with the determinations of lower income families and area median gross income under section 8 of the United States Housing Act of 1937 …."

[7] A third statutory difference relates not to ascertaining a tenant's income but to determinations of area median gross income for property located in certain rural areas. *See* section 42(i)(8) of the Code.

play under section 42. Because this difference responds to basic differences between the programs, alignment as to timing would be inappropriate. Similarly, the HUD HOME program does not use interim recertifications.

- Individuals who are HUD or RD compliant may have been living in a building for several years at a time when the building owner receives LIHTC support for rehabilitation. The LIHTC program provides 'grandfathering' for tenants whose circumstances have improved since their initial LIHTC qualification, but the Code does not extend grandfathering to the tenants' status under other Federal affordable-housing programs. Thus, even though assessment of the tenants' current income does not differ from that used for HUD or USDA-RD purposes, the practical consequences may differ drastically. By not recognizing HUD and USDA-RD 'grandfathering,' the LIHTC program treats units that these tenants occupy as not being low-income units.
- Even programs that directly or indirectly use HUD data regarding Area Median Income may make their own annual data updates applicable with effective dates that differ from HUD's and from each other's. Also, under USDA procedures, median income for an area does not decrease, even if new HUD data show such a reduction.

3. Developers operating in multiple States encounter a number of significant annoyances that impose additional costs. The LIHTC program sets general substantive and procedural requirements with which State HFAs have to comply, but many of the implementing details are left to the States' discretion. Some stakeholders believe that this flexibility is one of the strengths of the LIHTC program. Others, however, contend that the absence of cohesive, specific, mandatory Federal guidance means that multi-State developers incur extra costs for, among other items, software and staff training. Following are some examples of these differences:
    - Some States compute amounts of income to the nearest penny, while others round to the nearest dollar. HUD-MF, HUD-PIH, and USDA-RD follow the latter practice. (Some believe that greater precision is appropriate for LIHTC computations, which produces a binary result—eligible vs. ineligible—than for computations that contribute to a monthly subsidy.)
    - Varying relation codes are used to communicate to the owner's software the role that an individual may play in a (potential) resident family. This variation seems to be only partially due to the fact that only HUD can access the level of detail in EIV data.
    - For LIHTC purposes, owners are required only to retain sufficient documentation to show that a tenant is qualified. As a result, States vary in the volume of data (for example, underlying worksheets of components of a reported total) for which they require reporting. HUD, with its EIV access, requires full detail of income and assets.
    - For purposes of the LIHTC requirements, States vary in some of the details of income computation (e.g., whether to include a portion of the earned income of a family member that turns 18 during the coming year). This may be due to HFA confusion about how this circumstance is treated for HUD Section 8 purposes.

<u>Proposed Alignment(s):</u>

<u>Alignment(s) summary:</u>

1. Alignment will be sought for varying definitions of income.

2. Alignment will be sought for other variations in the use of income that do not relate either to the different purposes for which the various programs use measured income or to the different sources of data available to different programs. The development and promulgation of a single tenant income form for all Federal programs would be one example of this.
3. The team will further explore the extent to which State-to-State variability can be reduced consistent with statutory rules that implicitly promote State flexibility. One course of action would be the promulgation of specific requirements. Another would be identifying and promulgating best practices for the States to adopt voluntarily.

<u>Specific actions to effect alignment:</u>

1. Differences in application
   - Preliminary inquiry suggests that legislation may be needed in order for the LIHTC program to "grandfather" pre-existing tenants who qualify under a HUD or USDA-RD program but who are over-income (or otherwise not qualified) at the beginning of a LIHTC rehabilitation. Any such relief could be specifically focused on the terms and timing of the HUD or USDA-RD qualification. Alignment of this sort, however, is unlikely to extend beyond the continuing tenants that would have been qualified for LIHTC at the time that they first qualified for some other Federal affordable-housing program.

   - All affected programs could examine the possibility of coordinated adoption of new annual Area Median Income data. (This may be an appropriate context in which to revisit the effective date rules in the HUD releases.)
   - All affected programs could examine the possibility of developing and promulgating a common tenant-income certification form.
2. State-to-State variability
   - Some stakeholders and Federal personnel urge that reduction in the avoidable inefficiencies that plague developers would greatly help the tenants who might receive housing but for the developer's difficulties. That goal might justify Federal imposition of greater State-to-State uniformity of State-administered requirements. Others believe that considerations of federalism require rejection of this mandatory approach. In either case, however, there seems to be no reason why the various Federal programs could not promulgate best practices for States voluntarily to adopt.

     Such an effort would be analogous to the development of the State HFA LIHTC Data Transfer Standard. The National Affordable Housing Management Association (NAHMA) developed an open data standard to assist with the computer-to-computer exchange of information required for the LIHTC program. To facilitate access to the standard, NAHMA chose a very widely used format for its publication—Extensible Markup Language (XML). There appears to have been incomplete acceptance of this standard by the State agencies for which it was designed.

<u>Challenges to effecting proposed solution(s):</u>

- Legislation, rather than regulatory action, may be needed to address possible "grandfathering" of continuing occupants who are over income for purposes of a LIHTC-funded rehabilitation.
- Regulatory or IT changes may be necessary in order to coordinate applicability of updated median income data.

- Federal promulgation of voluntary best practices may require more resources than can be justified by an outcome that would still tolerate substantial State-to-State variation.

Financial Reporting

Lead Office: USDA-RD (Short term alignment), HUD-MF (Long term alignment)

Participating Offices: HUD-MF, USDA-RD, Treasury-IRS, HUD-PIH, HUD-CPD

Prepared by: Megan Thibos - HUD Office of Public and Indian Housing

Issue Statement:

Properties with funding from different Federal programs may have to submit duplicative financial statements and have multiple audits prepared according to different audit standards. Owners with large portfolios, including high-capacity mission-driven owners, also incur significant and unnecessary staff and infrastructure costs when properties across their portfolio are required to file financial reports in different formats and submit audits according to different guidelines.

Proposed Alignment(s):

Alignment(s) summary:

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**
Approximately 1,200 properties representing 28,000 units are jointly subsidized by USDA and HUD-MF, and are currently subject to duplicative and overlapping financial reporting requirements. These properties were constructed using USDA Section 515 (of the Housing Act of 1949) financing, but the ongoing project-based rental assistance subsidy is provided by HUD-MF in the form of a Housing Assistance Payment (HAP). The Team proposes to align the majority of conflicting and/or overlapping requirements for this select group of properties through specific actions taken by USDA-RD and HUD-MF to modify requirements or exempt these properties from certain requirements. This proposal is a 'quick win' in that it is comparatively simple, straightforward, and inexpensive to implement, but it provides limited impact.

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**
Currently, HUD-MF, USDA-RD, and the State HFAs that administer Treasury's Low Income Housing Tax Credit (LIHTC) program all require owners to submit financial statements using some type of agency-specified chart of accounts (or specific line items).[8] Each funding agency also requires many (although not all) owners to obtain an audit of their financial statements that has been prepared according to agency-specified audit guidelines. The Team proposes to (a) create a unified chart of accounts acceptable to both HUD-MF and USDA-RD; (b) create a unified set of audit guidelines

[8] The decision was made to exclude HUD-PIH from alignment implementation because (1) public housing is operated and regulated significantly differently from other types of federally-subsidized housing, (2) the universe of entities that operate both public housing and other types of federally-subsidized housing is comparatively small, (3) those entities that do operate both public housing and other types of federally-subsidized housing do so in a very 'siloed' fashion, and (4) stakeholders did not express significant complaints over lack of harmonization between public housing and other programs. The decision was made to exclude HUD-CPD from alignment implementation because HUD-CPD does not require submission of financial statements under its HOME program, and stakeholders had few complaints about harmonization between HOME and other programs, reporting that the local jurisdictions that administer the HOME program are primarily concerned with financial reporting during construction rather than ongoing financial reporting.

acceptable to both HUD-MF and USDA-RD; and (c) actively encourage State HFAs to adopt the new Federal standards for chart of accounts and audit guidelines. This proposal is significantly more ambitious and will require more time and resources than Proposal 1; however, it is believed to be accomplishable and would produce significant cost savings to owners.

<u>Specific actions to effect alignment:</u>

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**

    a. *Align eligibility for exemption from audited financial statements requirement*
    USDA-RD currently exempts properties with less than 24 units from submitting audited financial statements (owners submit owner-certified financial statements instead). HUD-MF is in the process of developing a policy to exempt properties with less than 20 units from submitting audited financials. The Team proposes that HUD-MF modify its pending policy to exempt properties with less than 24 units in lieu of the currently-planned 20 unit standard. This will benefit not only the owners of jointly-subsidized properties by eliminating the special class of properties with 20-23 units, but also owners that manage portfolios with different properties subsidized by the two agencies will no longer have to keep track of two different standards. HUD-MF has tentatively agreed to this policy change. This policy change will actually produce alignment on this specific issue across the entire HUD-MF and USDA-RD portfolio, not just the jointly subsidized properties.

    b. *USDA defers to HUD-MF on audit guidelines*
    For those properties that must submit audited financials, HUD-MF currently has one set of audit guidelines, whereas USDA-RD has a different set of audit guidelines. Specifically, USDA-RD requires submission of their "Agreed Upon Procedure" (AUP) – a specific set of criteria a CPA must investigate and opine on – for all properties with 16 or more units.[9] For properties with 16-23 units, the AUP serves as a "light" audit. For properties with 24 or more units, which are required to submit fully audited financial statements, the AUP is required as a supplement to standard audit procedures. In light of the fact that HUD-MF is providing the ongoing rental assistance/operating subsidy on these properties, the Team recommends USDA-RD exempt jointly-subsidized properties from their AUP requirement and from any USDA-specified audit requirements. USDA-RD would either exempt these properties from submitting audited financials to USDA entirely, or will agree to accept a copy of the HUD-specified audited financials.

    c. *Financial statement format requirements remain the same*
    Because both HUD and USDA collect financial statements (whether audited or unaudited) in an electronic format, it is not presently possible for either USDA or HUD to accept financial statements in a format other than the agency's specified format. Therefore, USDA will continue to request that jointly subsidized properties submit financial statement information to their electronic system in their format, even though USDA is not requiring jointly subsidized properties to obtain an audit or AUP on this submission. (If properties did not submit unaudited financial statements to USDA in USDA's format, USDA would have no

[9] Non profit or local government-owned properties receiving more than $500,000 in combined federal assistance must submit an audit to OMB in compliance with the Single Audit Act, OMB circular A133. Those properties are exempt from USDA's AUP requirement, and instead submit a copy of their OMB A-133 audit plus the HUD Uniform Chart of Accounts as a supplement to HUD, and a copy of the OMB A-133 audit to USDA-RD. This policy would remain unchanged under Proposal 1.

data on them whatsoever). This continued duplication underscores the need to agree on a common format as outlined in Proposal 2. However, the team still believes that despite this remaining duplication, removing the additional audit requirements as outlined in Proposal 1-a and 1-b is of significant benefit to owners and should be implemented regardless of whether Proposal 2 is implemented.

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**
Upon implementation, Proposal 1-a will provide a uniform set of rules across HUD-MF and USDA-RD for determining which properties are exempted from the audited financial statements requirement. Proposal 2 seeks to move beyond the limited-impact of Proposal 1-b (in which USDA simply agrees to defer to HUD-MF on audit guidelines for the small subset of 1200 jointly subsidized properties) and address the remaining duplication noted in Proposal 1-c. To accomplish this, the team proposes to create cross-agency standardization on both (a) the format of financial statements (also known as chart of accounts or supplemental schedules) and (b) the audit guidelines governing the preparation of audited financial statements (for those properties that must submit audited financials). (See Appendix 1 for a summary of program requirements.)

Although HFAs are a significant source of conflicting requirements and owner frustration, the team recommends concentrating on producing a Federal standard acceptable to both HUD-MF and USDA-RD, with consultation from key HFAs and/or the National Council of State Housing Agencies (NCSHA) to ensure that the Federal standard has a good chance of being adopted by HFAs. Similarly, it would be ideal if the Federal standards for financial statement format and audit guidelines were also acceptable to major investors, lenders, and syndicators so that properties would only have to submit *one* audit. The interagency working groups established under this Proposal should also consult with key members of these industries early on in the process to assess whether these private sector partners would be amenable to accepting this Federal standard, and what key features the Federal standard would need to include in order to facilitate adoption by the private sector.

a. *Convene an inter-agency working group to agree upon a standardized format for financial statement submissions*
This working group needs to have representatives from HUD-MF and USDA-RD that have deep expertise in the detailed definitions of the line-items currently used in the existing financial statement submission formats. It should have representatives of units within HUD-MF and USDA-RD that review submissions and make decisions based on those submissions, as well as representatives of units that have a stake in changes to those line items or definitions (e.g., HUD-REAC, HUD-OGC, USDA-RD-IT, USDA-OGC). Appendix 2 includes an initial list of offices that should probably be included. The task of the group would be to design a prototype of a new format that is acceptable to both agencies.

b. *Convene an inter-agency working group to agree upon standardized audit guidelines*
This working group needs to have representatives from HUD-MF and USDA-RD that have deep expertise in the audit guidelines currently in place in each agency. It should have representatives of units within HUD-MF and USDA-RD that review audited financial statements and make decisions on the basis of those audits, as well as representatives of units that have a stake in changes to the audit guidelines (e.g., HUD-REAC, HUD-OGC, HUD-OIG, USDA-RD-IT, USDA-OGC, USDA-OIG). Appendix 2 includes an initial list of offices that

should probably be included. The task of the group would be to design a prototype of a new audit guide that is acceptable to both agencies.

Resource estimate for implementation:

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**

   No additional resources should be necessary. The program staff from USDA and HUD-MF should be able to implement the policy changes in the course of their regular duties. Co-project leads (one from HUD-MF, one from USDA) should be appointed to keep each other up to date on their respective agency's project and coordinate public release of information.

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**

   This proposal will require significant staff time and a modest amount of travel funding to bring the relevant stakeholders together for in-person meetings. Each working group (financial statement formats, audit guidelines) will require a facilitator or project lead. In order to produce results quickly, that project lead should be given temporary relief from his/her regular duties to focus on the project full-time or nearly full-time. Other working group members should be given partial relief of their regular duties so as to give the project the deep and focused attention it will require.

   The proposal would require IT funding to make the necessary adjustments to the databases. The IT staff in HUD-REAC estimates that making the required changes to its outdated database could cost in the vicinity of $400,000 to $500,000. The IT staff at USDA-RD has suggested that depending on how extensive the changes are, the cost could be as little as $200,000 or as much as $800,000.

Estimated cost savings for owners, operators, developers, investors and/or lenders:

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**

   The owners of approximately 1,100 jointly subsidized projects with 16 units or more should save approximately $3000 each from not having to do the USDA audit and/or AUP. This would amount to around $3.3 million per year. Approximately 300 projects with 23 units or less could save as much as $10,000 each, or as much as $3 million total, from not having to complete a HUD audit. Total savings from the two parts of the proposal could total as much as $6.3 million per year.

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**

   With HFA participation, standardization of audit guides could save approximately 4,800 properties as much as $3,000 each, or as much as $14.5 million per year.

   Stakeholders suggest that, particularly for high-capacity owners, the dollar savings in staff costs of standardization on both audit guides and financial statement submission formats could exceed the dollar savings on audit costs.

Estimated cost savings for state, local, and Federal government:

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**

   Savings from this alignment primarily accrue to owners.

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**

   Savings to the Federal government from standardization will be somewhat difficult to pinpoint, but there may be staff efficiencies and administration efficiencies when separate entities of the Federal government act in tandem. As HFAs sign up, the savings to them could be considerable as they will not need to expend staff resources on maintaining their own standards.

<u>Schedule for alignment implementation:</u>

While a specific timeline for implementation is yet to be determined, the following provides estimates of the expected length of time required to complete each action-step required for successful implementation. These estimates provide a foundation for developing more definite deadlines.

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**

Action	**Timing (Start – End)**
Decision to proceed	Immediately
MOU executed with USDA exempting HUD-subsidized properties from AUP	3 months
MF policy issued changing audit exemption threshold to 24 units	6 months
Implementation of new audit guidelines	9 months
Implementation of new financial submission formats	Will depend on completion of Electronic Systems Alignment

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**

Action	**Timing (Start – End)**
Decision to proceed	Immediately
Convening of financial statement format and audit guideline work groups	3 months
Approval of prototypes created by work groups	2 months
Implementation of new audit guidelines	9 months
Implementation of new financial submission formats	Will depend on completion of Electronic Systems Alignment

<u>Challenges to effecting proposed solution(s):</u>

1. **USDA-RD & HUD-MULTIFAMILY ALIGNMENT ON JOINTLY SUBSIDIZED PROPERTIES**

   a. The USDA OIG may need to opine on whether or not USDA-RD is allowed to agree to exempt jointly subsidized properties from the AUP and USDA-specific audit procedures.

2. **MULTI-PROGRAM STANDARDIZATION OF FINANCIAL REPORTING REQUIREMENTS**

   a. Each program has invested time and effort in developing its requirements and may be reluctant to relinquish them.
   b. Programs must be truly committed to the principles of harmonization. It is not advantageous to align requirements only to have one program later decide that it is going to require supplemental forms in order to meet its needs.
   c. While standardization between HUD-MF and USDA-RD will be beneficial to owners, to achieve the full potential of this effort the Team must coordinate with HFAs. However, negotiating with all 50+ HFAs as full stakeholders from the beginning would be challenging. Thus, the Team must proceed with HUD-MF and USDA-RD standardization in such a manner as to encourage the eventual adoption of our standard by the HFAs, through pilot implementation and working with industry groups such as NCSHA.
   d. Syndicators and lenders may already be imposing financial reporting or auditing requirements. The working groups need to determine how to take these requirements into consideration.

Appendix 1: Summary of financial reporting requirements

HUD-MF

Format

1. HUD-MF requires all owners to submit financial statements using the HUD Uniform Chart of Accounts. The Uniform Chart of Accounts is a standardized format for the submission of owner-certified and audited financials that requires certain line items specific to the operation of rental housing, which provides a greater level of detail and disaggregation than would be found in a typical financial statement or the OMB A-133 single audit standard.
2. Entities that are subject to OMB A-133[10] must also submit the HUD Uniform Chart of Accounts to HUD as a supplement.
3. Submissions are collected electronically using REAC's FASS (Financial Assessment Sub-System) database and web portal. Manual entry into FASS is required (XML upload capability is not available).

Audit

1. Audited financials are required for all for-profit owners.
2. Non-profit owners with less than $500k in Federal awards may submit owner-certified financials, those with $500k must submit an OMB A-133 audit with supplemental schedules in the HUD chart of accounts format.
3. New policy (2005) requires audited financials from all owners upon transfer of ownership, even if the original owner was not required to submit audited financials.
4. Policy in development will exempt all owners with less than 24 units from the audit requirement (will accept owner-certified financials in lieu of audited financials).
5. HUD's audit guide specifies detailed requirements for the preparation of audits.

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[10] Non-profit or governmental entities that receive more than $500,000 per year in combined federal assistance are subject to OMB A-133 Single Audit. Non-profit or governmental entities that receive less than $500,000 per year in combined federal assistance, and all for-profit entities, are not subject to OMB A-133.

Format

1. All owners must use USDA-RD's standardized forms 3560-7 (detailed cash flow and expense statement) and 3560-10 (balance sheet).
2. Owners that are subject to OMB A-133 may submit their OMB A-133 audit to USDA, but would still need to submit the forms 3560-7 and 3560-10 as a supplement.
3. Submissions are collected electronically using USDA's MFIS (Multi-Family Information System) database and web portal. MFIS allows for XML upload capability.

Audit

1. Properties with 24 units or more are required to submit audited financial statements, while properties with less than 24 units may submit owner-certified financial statements.
2. Owners that are subject to OMB A-133 may submit their OMB A-133 audit to USDA, but would still need to submit the forms 3560-7 and 3560-10 as a supplement.
3. If the entity is required to submit an audit but is not subject to OMB A-133, the audit is required to be prepared to GAGAS (Generally Accepted Government Accounting Standards), also known as "Yellow Book Standards."
4. USDA-RD also imposes an additional audit requirement called the Agreed Upon Procedures (AUP), which functions both as a supplement to the audit for those properties (24+ units) required to submit audited financials, and a requirement in lieu of audit for some properties (16-24 units) not required to submit audited financials. The AUP is not required for properties less than 16 units. The AUP is a limited scope of work performed by a CPA requiring the CPA to examine specific financial records of interest to USDA-RD.

Appendix 2: Offices to be included in working groups for proposal 2

HUD

Multifamily Asset Management Division

Multifamily Office of Evaluation & Risk Management

REAC FASS-Multifamily Division

HUD Inspector General

HUD Office of General Counsel, Multifamily Program Counsel

Department Enforcement Center

Multifamily Field Staff -- HUB directors and/or Program Staff

REAC

Portfolio Management Division – National Office

Deputy Administrator, MFH

Administrator, RHS

USDA Inspector General

USDA Field Staff

External Subject Matter Expert

Common Energy Efficiency Requirements

Lead Office: HUD

Participating Offices: Department of Energy, Treasury-IRS, USDA-RD, EPA, HUD-OSHC, HUD-MFH, HUD-CPD, HUD-PIH

Prepared by: Stockton Williams, Department of Energy and Rachel Kirby, HUD-OSHC

Issue Statement:

Today, the Federal programs that help produce and preserve rental housing vary widely in terms of their energy efficiency requirements. While some variety is appropriate, given that the Federal government provides various forms and levels of assistance to properties along a continuum of physical and financial condition, there is an opportunity to achieve greater alignment and in the process maximize the potential for energy savings in rental housing, generating significant financial savings.

The Common Energy Efficiency Requirements (EE) Team recognizes the challenges in implementing Federal energy requirements for rental housing. Building codes are largely a State and local responsibility. Code compliance and enforcement is highly uneven across the country. And the limited data available suggests that stronger energy requirements tend to increase development/rehabilitation costs. Having said that, HUD and USDA, recognizing the economic as well as energy benefits, have already begun to significantly strengthen and align energy requirements in Federal rental housing programs. Building on that progress and extending it to cover more rental housing production and rehabilitation programs has the potential to save time, reduce duplicative efforts and clarify Federal policy intent for agencies and the end-users of their programs, while supporting progress on important energy efficiency goals of the Administration. HUD, USDA, and the Department of Energy (DOE), will work closely together on implementation.

Proposed Alignments:

Alignments summary: A four-part framework is recommended:

1. New construction and "gut rehabilitation"[11] of rental housing supported with *Federal grants* should meet or exceed the current Energy Star[12] requirement or Builder's Challenge Quality Criteria;

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[11] For the purposes of these recommendations, "gut rehabilitation," "substantial rehabilitation," "moderate rehabilitation" and "minor rehabilitation" are defined in accordance with the primary HUD definitions of those terms.

[12] The Energy Star requirement for new homes is at least 15% more energy efficient than homes built to the 2004 International Residential Code (IRC). For new or substantially rehabilitated multifamily high rise (MFHR) buildings, the Energy Star requirement is at least 15% more energy efficient than MFHR buildings built to American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2007. Alternatively, MFHR buildings may pursue a "performance path" to meet the requirement. The Builder's Challenge Quality Criteria are a mix of prescriptive and performance-based requirements; some are merely code requirements while others are very similar to provisions in Energy Star.

2. New construction of rental housing supported with *Federal insurance, loan guarantees, or public housing capital and operating funds* should meet the most current applicable International Energy Conservation Code or American Society of Heating, Refrigerating and Air-Conditioning Engineers Standard that is deemed feasible to apply on a nationwide basis;
3. "Substantial" rehabilitation of rental housing should implement energy improvements that a new Capital Needs Assessment (CNA) template tool, as recommended by the Capital Needs Assessment Work Team, determines are financially feasible for the property[13];
4. "Moderate rehabilitation," minor rehabilitation" or capital improvement of rental housing should replace systems and appliances as needed with the most energy efficient options, including Energy Star, to the extent they are financially feasible.[14]

The Low Income Housing Tax Credit (LIHTC), Weatherization Assistance Program (WAP), and Public Housing Operating and Capital Fund programs are treated differently for the purpose of these recommendations. The EE Team recommends the following with respect to these programs:

1. A qualified allocation plan must contain a variety of selection criteria. These criteria include "the energy efficiency of the project." 26 USC 42(m)(1)(C)(ix). In light of the alignment effort described in this document, Treasury will work with NCHSA to determine how States are administering this statutory energy-efficiency criterion, and will consider appropriate follow up action.

2. For WAP, no change should be made. Under the WAP regulations, grantees are required to hold average costs to a defined level and only perform a limited group of energy interventions. The measure of cost effectiveness for weatherization efforts is described at 10 CFR 440.21(d), which states that weatherization measures "must result in energy cost savings over the lifetime of the measure(s), discounted to present value, that equal or exceed the cost of materials, [and] installation." Thus, WAP already has a specified regulatory regime for establishing energy requirements; the regime imposes a "cost effectiveness test," to help ensure that the maximum level of efficiency is achieved with available funds. The EE Team believes that this is an appropriate framework for WAP.

3. For Public Housing Capital and Operating Funds, no change should be made for substantially or moderately rehabilitated properties or continuing capital improvements. Public Housing funds through these programs are heavily oversubscribed and operating funds are required to meet multiple needs, including building maintenance, a portion of utilities, services for residents, and Public Housing Authorities (PHA) employee salaries and benefits. The EE Team notes that PHAs are required to conduct energy audits of their projects at least every five years and incorporate the most cost-effective measures into their capital improvement plans, including insulation, weather stripping, storm doors and windows, flow restrictors for hot water lines, improved boiler controls, solar energy systems, and installation of individual utility meters. PHAs are also required to choose Energy Star or FEMP-designated products in their procurement activities, unless the products are not cost effective (essentially the same

[13] The Capital Needs Assessment tool to be developed by Capital Needs Assessment Work Team will remain optional for HFAs.

[14] Pending further development of the template tool recommended by the Capital Needs Assessment Work Team, some properties in this category may be able to utilize a CNA as well.

as recommendation 4 above). HUD has issued a proposed rule for the Public Housing Capital Fund that clarifies and strengthens these provisions (RIN–2577–AC50).

Specific actions to effect alignment: The EE Team recommends that the following framework be articulated as a joint notice of agency policy by HUD and USDA, subject to the timetable outlined below. The notice would describe the framework, its rationale, the affected programs and how HUD and USDA will ensure compliance and provide support to stakeholders in implementing the requirements.

As noted above and summarized below, most HUD and USDA new construction programs reflect the Energy Star, IECC or ASHRAE standard, i.e., recommendations 1 and 2.

New Construction Requirement	**Already Reflect the Requirement**	**Would Reflect After Alignment**
Energy Star	HUD: Choice Neighborhoods; Housing Trust Fund; Indian Community Development Block Grant; Neighborhood Stabilization Program -3; Section 202; Section 811; Self-Help Ownership Opportunity Program. USDA: Section 515 New Construction; Section 514/516 Farm Labor Housing; Multifamily Preservation & Revitalization; Housing Preservation	HUD: HOME; Hope VI CDBG.
IECC/ASHRAE	HUD: Public Housing; Multifamily Insurance Programs.	HUD: Native American Housing.

In the case of recommendation 3, the EE Team refers to the recommendation of the CNA Work Team (CNA Team), which recommends that participating Federal agencies direct and procure the development and implementation of a new, single CNA template tool for programs that require CNAs. The new, single CNA template tool will include traditional, comprehensive property evaluation, an assessment of green building and energy efficiency needs and opportunities, and a utility data collection component. With respect to actions to effect alignment, the CNA Team noted that:

> *Development and adoption of a single CNA template tool will require a robust training and implementation component for Agency and stakeholder users of the new CNA template. This training will include, at a minimum, a comprehensive user guide, in-person training for respective Agency staff, regional in-person training for CNA providers and other stakeholders, and a webinar (or potentially multiple webinars targeting various stakeholder audiences) conducted jointly by the Agencies and the contractor responsible for development of the template, as part of its overall engagement*.

The EE Team builds on the CNA team's recommendation by establishing a uniform utilization of the template tool across all covered programs: substantial and moderate rehabilitation projects supported by programs that adopt the new, single CNA template tool would be required to adopt the recommendations generated by the tool to the extent they are financially feasible for the property.

The major action to effect recommendation 3 is linking the results of the CNA to the financial underwriting model used by each covered program to support funding award decisions, loan sizes etc. This process may require a significant investment of staff time and resources, as discussed below.

In the case of recommendation 4, the EE Team recommends the agencies adopt a policy along the lines of the policy HUD already has adopted for the Housing Trust Fund program:

> *ENERGY STAR-labeled and WaterSense-labeled products must be installed when older obsolete products (such as windows, doors, lighting, fans, water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers, dryers, dishwashers, toilets, showers, and faucets) are replaced as part of the approved rehabilitation work, and such products are appropriate for achieving energy efficiency for the climate area in which the housing is located.*

Finally, the EE Team notes that Energy Star and the IECC and ASHRAE standards (relevant for recommendations 1 and 2) are regularly revised and generally made more demanding over time. The EE Team recommends aligning all major Federal rental housing production programs to the specified levels summarized above as a major first step. The EE Team is not at this time recommending that as underlying standards are revised, that the requirements in all Federal programs would automatically follow suit. Instead, the EE Team recommends that the participating agencies follow the approach contained in the Energy Independence and Security Act of 2007, which generally established certain minimum energy requirements for HUD programs and further required the agencies to adopt revised standards as they were promulgated, provided their analysis determined that doing so would not adversely affect affordable housing.

Resource estimate for implementation: The EE Team believes that sufficient staff resources and expertise are already available to implement the first phase of these recommendations: developing and issuing a joint HUD-USDA notice articulating the alignment policy. Both agencies have dedicated staff that could continue to flesh out the framework if approved to do so by their Departmental leadership.

In the case of recommendations 3 and 4, self certification is likely the only feasible way to ensure compliance.

Estimated cost savings for owners, operators, developers, investors, and/or lenders: The issues of costs and benefits (i.e. savings) associated with energy efficiency requirements for newly constructed and rehabilitated rental housing is complex. The most comprehensive study to date found that building and rehabilitating low-income developments to the Energy Star for Homes standard or a similar standard added only 2.1 percent to average total project costs. The study also found that the projected lifetime cost savings were greater than the average additional upfront costs on a net present value basis.[15] These findings are consistent with other research on the costs and benefits of broader “green building” improvements that include energy criteria. In other words, the limited available data suggests that stronger energy requirements do lead to modestly increase development costs for the private sector.[16]

According to a somewhat more theoretical analysis, improving energy efficiency by 30 percent in the multifamily housing stock (which mostly consists of rental properties) could generate $9 billion in savings annually to renters and owners, while achieving energy savings equivalent to the annual electrical output of 20 coal plants and the entire natural gas usage of California, Oregon, and Washington states and avoid the emission of at least 50 - 100 million tons of CO2 per year – equivalent to the emissions associated with the current energy use of 4 - 8 million U.S. households.[17]

<u>Estimated cost savings for state, local, and Federal governments</u>: HUD’s own recent experience further affirms that significant savings are achievable in existing multifamily rental properties. The 20,000 apartments in 221 properties that benefitted from the HUD Green Retrofit Program are expected to reduce energy consumption by more than 25 percent on average and save an estimated $12 million annually on utility bills. Of course, in rental properties, the party that incurs the cost of making energy improvements may not be the same party that benefits from resulting savings. This “split incentive” challenge is in and of itself a major barrier to retrofitting existing rental properties of all kinds. There are not expected to be additional costs to State or local government as a direct result of the recommended alignments, although those levels of government may be motivated to invest more in energy code compliance, in part as a result of this effort.

<u>Schedule for alignment implementation</u>: The Federal agencies generally expect to have a policy framework in place for implementing all or most of the recommended alignments by the end of 2011. As noted above, the policy implementation plan may phase-in certain components over a period of time.

<u>Challenges to effecting proposed alignment(s)</u>:

The EE Team recognizes the challenges in implementing Federal energy requirements for rental housing that are both internally consistent and sufficiently robust. Building codes are largely a State and local responsibility. Code compliance and enforcement is highly uneven across the country, due to gaps in knowledge, capacity, and resources, as well as concerns about cost. These issues may be especially acute for affordable rental housing. (As noted above, there is a general consensus that stronger energy requirements generally add to development costs; is not clear however that the incremental increase is significant enough to reduce the number of affordable housing units that would otherwise be available.)

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[15] Dana L. Bourland, “Incremental Costs, Measureable Savings: Enterprise Green Communities Criteria,” Enterprise Community Partners, 2009.

[16] Davis Langdon, “Cost of Green Revisited: Reexamining the Feasibility of Sustainable Design in the Light of Increased Market Adoption,” Davis Langdon, 2007.

[17] Benningfield Group, Inc, “U.S. Multifamily Energy Efficiency Potential by 2020,” Prepared for the Energy Foundation, October 29, 2009.

In addition, codes are not always the most effective tool for addressing energy performance in existing properties, and tools to serve that market – such as CNAs that reflect energy consumption and cost-effective opportunities to reduce it – are at a more nascent state of development and deployment.

The EE Team believes that it is possible, and necessary, to continue to strengthen energy requirements for rental housing programs. Not only does it appear that it is possible to do so without imposing infeasible additional costs on developers and owners, recent research suggests that energy requirements can directly lead to positive energy and environmental outcomes. According to one recent study, for example, stronger residential energy codes are associated with a 4 percent decrease in electricity consumption and a 6 percent decrease in natural-gas consumption.[18]

[18] Jacobsen and Kotchen, "Are Building Codes Effective at Saving Energy? Evidence from Residential Billing Data in Florida," The National Bureau of Economic Research, July 2010.

Appraisal Primer

Lead Office: HUD-MF

Participating Offices: USDA-RD, HUD-MF, HUD-PIH, HUD-CPD, HUD-OSHC, Treasury-IRS

Prepared by: David B. Wilderman, HUD-MF

Issue Statement:

Federal law indirectly requires the use of the Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for real estate appraisal work; however, Federal and State housing agencies' capabilities and methods for enforcement vary. In existence only since 1987, USPAP remains widely misunderstood and, in some cases, is even unknown to rental housing program staff and participants who are not themselves professional appraisers. In addition the specific ways in which USPAP applies to valuation of rental housing in various subsidy situations is frequently misunderstood or ignored.

Subject matter experts have pointed out that numerous variations exist among State housing agencies and Federal programs as to when an appraisal assignment is needed and the scope of work the particular agency requires. USPAP makes appraisers accountable to their clients to know and understand a correct scope of work for any particular assignment. But in many cases, the appraiser's client is a lender or an agency, not a property owner or developer. As a consequence, the appraiser is often not informed of the property owner/developer's intent to seek multiple financing sources that may trigger an expanded scope of work, or indeed, the decision to seek additional or alternative financing sources may occur after an initial appraisal assignment has been completed. Lack of communication with the appraiser about the prospective uses of the appraisal report and lack of user knowledge about how to describe an appropriate scope of work create situations where completed appraisals are not responsive to the demands of all funding sources engaged in a project. In addition, the passage of time from one funding application to another may exceed the acceptable shelf life of an initial appraisal.

These circumstances expose end users of rental housing programs to inconsistent use of appraisals among Federal and State offices and the periodic frustration of obtaining additional or updated appraisal work. Lack of knowledge about USPAP fundamentals among users and laypersons (non-appraisers, in and out of government) weakens USPAP as a tool intended to discipline and standardize appraisal practice.

Proposed Alignment:

Alignment Summary**:** To improve use and understanding of USPAP among rental housing professionals who are not appraisers, the Team proposes to develop and publish a primer (see attached draft specification) intended to be freely available, both in print and on the web, and widely distributed, and to promote this learning tool among agencies and industry participants. The primer should explicitly describe the general USPAP principles that apply to valuation of rental housing when public subsidies are provided. In addition the primer should either contain as an appendix, or reference as a source, a table setting out general lender and agency scope of work requirements for appraisals as well as their acceptable shelf life so that all users can make informed decisions when scoping an appraisal assignment. It should be noted that the primer represents an education strategy to solve a knowledge problem and to enable appraisal users to be more 'informed consumers' of appraisal products and hence reduce confusion and miscommunication. To the extent that informed consumers exert market discipline, appraiser carelessness or misconduct will also be reduced.

Creation of the primer does not require any Federal rule making, but it does involve some decision making and an actionable plan by certain participants**,** together with a potential need for modest funding and the allocation of some personnel resources.

<u>Specific actions to effect appraisal alignment</u>**:**

A. The Appraisal Institute has expressed an interest in publishing the proposed primer as a public service relying on expertise of its individual members obtained through an internal proposal process. The Appraisal Institute is the largest publisher of appraisal education resources and is well equipped to prepare and publish (in multiple formats/media) the envisioned primer. It is anticipated that the primary means of distribution will be electronic.

A. Should the Appraisal Institute not proceed with such a primer (or the primer not fully address the concerns identified), an alternate means of procurement or production must be selected which could be:
   (1) Writing and production by a competent subject matter expert or organization under a Federal procurement contract or grant.
   (2) Writing and production by agency staff, with lesser assistance in publication or web posting by contractors as needed.
   (3) In either event, funding must be found, although the amount should be relatively modest.

<u>Resource Estimate for Implementation:</u> Should it be necessary for the federal government to undertake writing and production of a primer, it is anticipated that at least one staff person from HUD and one from USDA-RD would commit significant time to coordinating the effort, soliciting the views and comments of subject matter experts, obtaining internal reviews and editing the document. Over the course of a year, it is reasonable to expect at least one to two person/months of time from each of these agency lead persons. There will be numerous contributions of hours by other agency staff as they are asked to review, comment or contribute to the drafting and editorial effort. A small procurement will be required and this will engage a greater allocation of staff time to manage the procurement process. In addition, funds will be necessary to compensate the successful contractor. Use of the

procurement process will add significantly to the elapsed time before the primer can be completed. A reasonable estimate of the costs is $40,000 to $50,000.

Estimated Appraisal Costs: There are at least two ways to consider possible results from publication and wide distribution of the appraisal primer. The first is quantitative. Will the government or program users save money or time? How much? The second is qualitative. Will the quality of real estate decision making be improved and will this have any particular impacts?

Appraisals are transactional due diligence documents normally prepared in association with the purchase, recapitalization or construction of a real estate asset. So, a key data item is the average number of transactions per year. Obtaining such a figure only for multifamily properties is not that easy. Activity varies widely with economic conditions, interest rates, employment and household growth and similar factors. But data suggest that in an average year:

1. About 2,600 new multifamily projects start construction.
2. The number of refinance and purchase transactions exceeds new starts by a factor of about 4 to 1, meaning that in an average year there may be 10,000 to 11,000 refinancing or sale transactions.
3. There are about 1,300 new tax credit transactions per year and of these about 900 are new constructions and 400 are acquisition and rehabilitation.
4. Of the other new construction starts, about 125 are FHA-insured starts. Historically, few FHA insured starts have LIHTCs. By contrast, 80% to 85% of USDA-RD transactions are LIHTC deals and there is an average of 130 USDA-RD multifamily transactions per year. All FHA and USDA-RD starts require appraisals. While many State agencies do not require appraisals for allocation of tax credits, some do, and most deals will encounter an appraisal requirement by either or both the lender and investor.
5. A significant and probably growing percentage of LIHTC transactions involve multiple funding sources that could trigger additional or duplicative requirements for appraisal work. If all additional sources required such documentation, the number of additional appraisal requirements would average about 1,400 appraisal assignments per year. However, it is reasonable to estimate that no more than half of supplementary funding sources require additional appraisal work and the preponderance of this would be revisions to an existing document rather than an entirely new appraisal report. Accordingly, an estimated 700 modified or additional appraisal assignments per year are generated by supplementary funding sources
6. Accordingly, a reasonable estimate of annual multifamily appraisal activity suggests that there are 14,000 appraisal assignments for transactions each year (2,600 new, 11,000

existing and 500 to 700 duplicates). At an average cost of $8,000 per appraisal the multifamily appraisal industry generates about $112,000,000 per annum.

Estimated Costs Savings to Owner/Developers: The maximum savings to developers by eliminating duplicates would be $5,600,000 (700 x $8,000). Although the primer will be helpful in eliminating some duplicates, it will not be 100% effective. The Team hopes that the primer will result in a 25% reduction in duplication costs or $1,400,000. Every instance where there are dollar savings will also represent a time savings as the time to discover a need for a new or amended appraisal as well as the time to prepare the actual document will be eliminated. Lenders and investors do not typically bear appraisal costs since they charge borrowers or owners for the costs of third party reports.

Estimated Cost Savings to state, local and Federal governments: There will be no direct savings in costs to governments. However, it is reasonable to expect that improved knowledge of appraisal practice, more accurate and more correctly written scopes of work and other qualitative improvements in the use and understanding of appraisal documents will improve real estate decision making and reduce waste of government staff time spent dealing with poor or inappropriate appraisal documents. More importantly, improved decisions should result in more efficient use of Federal rental housing dollar resources, reduced exposure to default risk for lenders as well as for the Federal mortgage insurance programs of HUD-FHA and USDA-RD.

Schedule for Alignment Implementation: Work on the primer can proceed promptly after approval and should be completed on a 12 month or shorter, schedule.

Challenges to effecting proposed solution(s):

If the Appraisal Institute does not proceed with a primer along the lines discussed above or if their product does not fully address the issues that this team has raised, then the following challenges will arise:

- Identifying a means of production and procurement for the primer which is modest in scale comparable to the nature of the endeavor.
- Securing the participation of non-governmental subject matter experts/authors who likely would require compensation.
- Identifying sources of funding, albeit modest.

Market Study Standards

Lead Office: HUD-MF

Participating Offices: USDA-RD, HUD-MF, HUD-PIH, HUD-CPD, HUD-OSHC, Treasury-IRS

Prepared by: David B. Wilderman, HUD Multifamily

Issue Statement:

While some excellent model practice standards exist for market studies, there is no national standard of practice for market studies comparable to Uniform Standards of Professional Appraisal Practice (USPAP) for appraisals and no broadly acknowledged 'keeper' of such standards comparable to the Appraisal Foundation, which promulgates and periodically amends USPAP. The absence of a national practice standard is not for lack of effort. There are two primary sources of best practices or standards for market studies for rental housing. One of these is the code of ethics and practice guidance for rental housing market studies published by the National Council of Affordable Housing Market Analysts (NCAHMA), which have been adopted by a number of State housing agencies and endorsed by the Affordable Housing Investors Council (AHIC)[19]. This guidance is specific to affordable housing, but also broadly applicable to all rental housing. Indeed, NCAHMA has been and remains an advocate of a national practice standard with broad applications. Another is the market study portion of HUD's Multifamily Accelerated Processing Guide (MAP Guide), which addresses market study guidance for both affordable and market rate multifamily housing, but in the context of HUD's multifamily mortgage insurance programs.

The absence of a fully developed, national practice standard and guide for market analyses results in a wide disparity in the content, methodology, quality and reliability of studies that are used for three primary purposes:

1. By State Housing Finance Agencies (HFAs) to allocate Low Income Housing Tax Credits and establish feasibility for new development of rental housing;
2. By HUD-FHA and USDA-RD lenders and field staff to underwrite applications for mortgage insurance or direct loans; and
3. By developers, investors and lenders to identify investment opportunities in rental housing.

Among states, practice varies widely, with some States prescribing sound but unique methodologies, while others have only loosely defined standards and others, as noted, have adopted NCAHMA's guidance in whole or in part. In spite of existing guidance provided by HUD-FHA and USDA-RD, studies prepared in support of applications for Federal mortgage insurance and direct loan programs are inconsistent in content, methodology, quality and reliability. HUD-FHA has taken a significant step forward by preparing new guidance as a portion of the revised Multifamily Accelerated Processing Guide

[19] A table of States which have adopted (either fully or partially) NCAHMA Market Study Guidelines is included at the end of this report.

(MAP Guide), which is presently in HUD clearance, with publication expected in mid-2011. The revised MAP Guide provisions for market analyses closely parallel in substance the guidance published by NCAHMA.

The effects of disparate market study practice and quality can be both specific and cumulative. Specific effects include confusion, loss of time and extra expense for developers and owners who pay for market studies that may add little value to the quality of real estate decision making. Sometimes, these developers and owners may be required to pay for additional market studies when a study prepared for one purpose proves unacceptable for another. Cumulative results include higher and/or unforeseen risks of failure, with losses for developers and investors and loan defaults for lenders, with consequent impacts on HUD-FHA and USDA-RD mortgage insurance pools rising from poor or uninformed real estate decisions.

Subject matter experts indicated that a major obstacle to formation of an independent 'keeper entity' for market study practice standards has been inadequate economies of scale. Relative to the entire appraisal profession, independent market analysis engages a small number of practitioners. The effort to form and sustain a 'keeper entity' exceeds the resources of the profession when the range of interests is limited to rental housing. An independent, privately-supported, but widely-recognized 'keeper entity' for market study practice requires a broader base of practitioners engaging in specialties beyond rental housing. But even with a broader base of practitioners, the feasibility of a 'keeper entity' is uncertain. Accordingly, the immediate and primary means of aligning rental housing market study practices is found by assuring consistency and quality of Federal agency guidance in cooperation with State and private sector entities that wish to participate.

Proposed Alignments:

Alignment Summary: Federal agency coordination of market study standards based on revisions to existing HUD-MF guidance, with the advisory influence of USDA-RD, NCAHMA, and National Council of State Housing Agencies (NCSHA) Best Practices guidance would establish a baseline useful for current rental housing practice and consistent with longer term, private sector efforts to develop a 'keeper entity' for a comprehensive national standard.

To align market study practices, the Team recommends:

A. Using HUD-MF Multifamily Accelerated Processing Guide (MAP Guide) market study guidelines as the starting point for alignment efforts, given the fact that HUD-MF has recently completed a stakeholder feedback process in tandem with guideline development and that the HUD-MF guidelines substantially conform to National Council of Affordable Housing Market Analysts (NCAHMA) standards, the Team will work to align USDA-RD and create an interagency Federal standard which could be available to State and local housing agencies for adoption in the future; and

B. Provide technical assistance as needed to support emerging 3rd party market study standardization efforts, such as those currently underway by NCAHMA.

NOTE: The Team effort has been limited to rental housing without special, assistive or health services. Subsequently, no consideration has been given and there is no intent expressed here to align market study practices unique to assisted living, sheltered housing, or the various types of senior care facilities.

The anticipated market study practice recommendations probably do not involve Code of Federal Regulation (CFR) changes, but may result in revised guidance to be published consistent with HUD and USDA-RD clearance processes. Implementing these recommendations does contemplate use of significant personnel resources.

<u>Specific actions to effect alignment:</u>

A. Agency and stakeholder staffing for this review and drafting effort is essential and should be formalized by the appointment of a working group or 'drafting team' composed of subject matter experts from HUD, USDA-RD and key stakeholders to the extent permitted by law.

   (1) HUD and USDA-RD should designate subject matter experts to participate on the guidance review team. HUD participants should include at least HUD-FHA Multifamily and the Policy Development and Research (PD&R)-Economic and Market Analysis Division (EMAD).
   (2) Interested State agencies who wish to participate should be identified and invited to designate a subject matter expert.
   (3) Relevant stakeholder groups, notably lenders and market study practitioners should be invited to designate subject matter experts.

B. USDA-RD shall be designated as the agency lead for the short-term alignment of market studies; HUD shall be designated as the agency lead for providing federal technical assistance to emerging 3rd party market study standards.

C. Assuming that interagency consensus can be and is achieved on the content of market study practice standards for rental housing, the results should be published as:
   - Agency guidance with appropriate adaptations by HUD, USDA and as many State agencies who choose to do so, as the market study recommendations will be optional with allocation of tax credits LIHTC by State agencies.

<u>Resource Estimate for Implementation:</u> The resource needed for implementation is time; time of Federal and State agency staff as well as time of private practitioners and subject matter experts. It is reasonable to assume that several agency lead staff will spend 20% of work hours available in a year on this project; other non-lead entities will spend significant but perhaps lesser levels of effort. Agency processes to adapt and adopt the proposed practice standards will consume additional staff hours.

<u>Estimated Cost Savings for Owners, Investors and Lenders:</u> Market studies typically are needed during the development process and occasionally when a property is refinanced or repositioned. Accordingly, the minimum number of market studies conducted in a year approximates the number of multifamily housing starts, about 2,600 in an average year. (The current economic climate has made such 'averages' problematic.) However, market studies are often conducted for proposed

developments that are never built. So, the number of studies prepared each year is a function of the number of new starts times a factor for development proposals that never get to closing.

The price for a study depends on the complexity of the development proposal and the market for which it is proposed, but a typical LIHTC-oriented market study likely would cost $4,000 to $6,000. An estimated 700 transactions per year have multiple funding sources that result in duplicate studies. If this duplication could be eliminated by alignment of study requirements, the savings to owner/developers would be in the range of $3,500,000 (700 x $5,000). Generally, lenders and investors do not pay for market studies but charge these costs to their clients.

Estimated Cost Savings to State, local and Federal governments: Governments generally do not pay for market studies. There will be no direct dollar benefit to government. However, high quality market analysis is essential to sound real estate decision making, and useful in working to minimize failure and poor performance in rental housing assets. To the extent that decision making is improved, all parties will experience fewer losses and government agencies will see fewer claims on government mortgage insurance funds or other credit enhancements.

Schedule for Implementation: The preparation of a national practice standard for market studies is technically straightforward and already well-developed, given the existing guidance. Nonetheless, the process of reconciling agency guidance, securing stakeholder participation and agreement, multiple editing steps, and agency clearance procedures will certainly require 12 to 18 months to complete. The implementation of a national 3rd party market study standard is assumed to be several years away.

Challenges to effecting proposed alignments:

- Agency and stakeholder inertia.
- Securing agency commitment of personnel resources required to coordinate and draft revisions to existing guidance.

States which have adopted (either fully or partially) NCAHMA Market Study Guidelines

State	**Utilizes NCAHMA Standards**	**Level of NCAHMA Standards Usage**
Arizona	x	If ADOH Market Study Guidelines have not been followed, then the analyst followed NCAHMA model.
California	x	2010 California Market Study Guidelines use very similar language to MCAHMA standards throughout - in certain places, identical language is used.
Georgia	x	DCA would prefer the Principal(s) of the firm to be certified members of the National Council of Affordable Housing Market Analysts
Indiana	x	The Preferred Market Study Provider Application asks if the applicant belongs to NCAHMA.
Kansas	x	Incorporates NCAHMA's full Model Content Standards and Checklist
Kentucky	x	In its 2010 RFQ, KHC lists as a preferred requirement: "Professional affiliations, such as National Council of Affordable Housing Market Analysts, that contribute to the ability to complete the work described in this proposal."
Louisiana	x	Consultant must include the following in application packet: Proof of membership to the National Council of Affordable Housing Market Analysts

Maine	x	The study must be prepared by a qualified professional acceptable to Maine Housing in accordance with the MCAHMA Model Standards for Market Studies for Rental Housing in effect 120 days prior to the deadline for Applications for the applicable Credit round.
Maryland	x	Applications must include a market study prepared by an independent professional who has experience with multifamily rental housing and/or tax credit housing in Maryland and whose firm appears either on the list of acceptable market analysts maintained by the Department or on the list of firms who have undergone peer review by NCAHMA.
Massachusetts	x	The Department will accept membership in the NCAHMA organization as indication that the market analyst is a qualified professional acceptable to the Department. DHCD strongly encourages sponsors to direct their market analyst to produce a market study consistent with NCAHMA guideline materials and standards.
Minnesota	x	These guidelines were adopted in part from NCAHMA recommended practices.
Mississippi	x	
Missouri	x	A statement is inserted in market studies prepared by market analysts that are members of NCAHMA. Signed by the analyst that prepared the market study, the statement will certify that the analyst has no financial interest in the project and that the market study has been prepared in conformance with NCAHMA's Market Study Terminology and Model Content Standards (and, in areas where it does not conform, the reasons for non-conformance).
New Jersey	x	Requires a statement of the competency of the analyst conducting the study, certifying that he or she is a certified member of NCAHMA.
New Mexico	x	Verbatim language used to make up a majority of NM's requirements.
Ohio	x	The Preferred Market Study Provider Application asks if the applicant belongs to NCAHMA.
Oklahoma	x	References NCAHMA's definition of Capture Rate
Rhode Island	x	Prior to closing, Rhode Island Housing requires that a comprehensive market study conforming to NCAHMA standards be conducted as a condition of credit allocation analyzing the market area, including the depth and breadth of demand, comparable properties and rates, comparable operating expenses, market absorption rates as well as a study of the needs of the prospective population.
South Carolina	x	Prefers the Principal(s) of the firm to be a certified member, in good standing, with NCAHMA.
Vermont	x	Market Study Standards uses language very similar to NCAHMA's - and in some cases, identical - throughout its text.
West Virginia	x	Notes that NCAHMA's website provides guidance on the determination of the market area.
Wisconsin	x	WHEDA Market Study Guidelines uses very similar, and in some cases identical language to NCAHMA's Model Content Standards.

Subsidy Layering Review

Lead Office: USDA-RD

Participating Offices: Treasury-IRS, USDA-RD, HUD-MF, HUD-PIH, HUD-CPD

Prepared by: Larry Anderson - USDA Rural Development

Issue Statement:

The Housing and Economic Recovery Act of 2008 (HERA) encouraged the Federal government to standardize its subsidy layering review processes, but consistency is still lacking. In many cases, Federal programs have a common denominator approach where some Federal programs overlap only when another Federal program mirrors all of their requirements. Absent this, subsidy layering review processes remain inconsistent. Inconsistency in review processes leads to slow and uncoordinated processing and decision making, and creates problems related to data collection and timing of the subsidy layering reviews, particularly as they may relate to the 'critical path' of the development project.

Background: Section 102 of the Department of Housing and Urban Development Reform Act of 1989 requires all projects receiving HUD subsidy combined with any form of other Governmental Assistance to undergo a Subsidy Layering Review. This review will certify that there is no overlap of government subsidies when combining housing assistance programs administered by FHA with other forms of Federal funds administered by Federal, State, or local agencies. Subsequently, this requirement was merged with the Section 911 reviews required by Housing Finance Agencies (HFAs) per LIHTC involvement to comply with the regulatory requirements of Section 42(m)(2) of the 1986 Internal Revenue Code.

The issue of subsidy layering is addressed differently by Treasury, HUD, and USDA. Subsidy layering is a statutory requirement to assure that Federal resources are neither duplicative nor wasteful when applied to affordable rental housing. These differences largely turn on the extent of subsidy layering analysis that the agencies require, ranging from USDA-RD requirements that rely on the subsidy layering review performed for LIHTC subsidy layering review purposes, to HUD-CPD's HOME program, which provides detailed guidance on how the analysis must be completed.

Developers often approach the subsidy funding process without a full picture of what resources will be used or obtained. This may result in a significant stretch of time between the start of the process and the final assembly of all funding sources. In addition, while there is a description of 'best practices' administered by Housing Finance Agencies, some funding review processes are more robust than others.

Other issues that may create challenges include timing issues (i.e., Does a review of resources require a commitment of all resources? Will professional reports such as an appraisal be used within their effective period?), data definitions (i.e. Will the appraised value or CNA findings be acceptable to all programs? How will reserve account deposits be determined, and how will operating costs be defined?), or how to resolve findings or issues (i.e., What happens when one program disagrees with another on underwriting data or terms being provided? What kind of notice will be required when a problem is found? Will joint actions against developers be used? How will issues be communicated to the developer community?).

Proposed Alignment:

Alignment summary: The Team proposes to pursue the following, with the ultimate goal of reducing redundant reporting and increase the timeliness of SLR and funding approvals:

- *Agree on a standard set of SLR facts:* Standard 'facts' include information about sources and uses of funds, appraised values, current and projected capital needs and market information;
- *Collect the SLR facts in a standard format:* The standard 'format' includes forms, applications or submissions to an automated database;
- Establish a process and timeline to immediately share the facts and findings between all Federal funders and the LIHTC allocating agencies: 'Sharing' refers to how and when the information can be used by Federal funders and participating LIHTC allocating agencies to conduct the subsidy layering review and other funding approval decisions.

Specific actions to effect alignment: To implement this recommendation, the Team has established a working group to review existing data and data collection currently performed by several programs within HUD and by Housing Finance Agencies in support of the LIHTC program. Based on that review, the working group will propose a standard set of SLR facts for acceptance by all Federal funders and LIHTC allocating agencies.

A second working group will review internal protocols to share and make recommendations using SLR information to further align the process of reviewing the information and approving the transactions. Since much of the information captured in the SLR involve issues being considered by other alignment teams, such as those reviewing Capital Needs Assessments, appraisals, and market studies, a strong effort will be made to ensure our recommendations fit with those being developed by other teams. A third working group will provide recommendations on the most effective way to communicate to the development and professional community the changes to current protocols and requirements.

To achieve full implementation, the Team expects to adopt a data collection and review protocol that resembles the following five steps:

1. Establish a point of contact for each State HFA and each Federal rental program.

2. Establish or adopt an SLR/Sources and Uses Form that is agreed upon by all stakeholders. This form should require the developer's signature certifying all sources applied for as of the date of application or that will be applied for are included and their uses do not overlap. The form should also include the developer/borrower agreeing to release all submitted data to any applicable funding source or government agency.

3. The developer/borrower submits the form as a part of the initial application for funding. Each source of financing listed would be emailed a copy of the SLR/Sources & Uses form as approved by the subject agency after their underwriting (the form is still an estimate at this

point).

4. An updated/interim submission of the same SLR form should be submitted to all overseers of the sources of financing at construction close. This updated form would be emailed to each of the sources of financing listed after underwriting review (the form is still an estimate at this point).

5. A final SLR should be submitted by developer/borrower to all sources of financing once substantial lease up occurs (or if tax credits, when 8609's are issued). This form would include the final uses and which sources of financing covered those final uses. Each financing source would be emailed a final copy of this form after review and certification by the reviewing agency.

   This would satisfy the goal of public disclosure of sources and uses. It would also allow us to have verification from each of the sources of financing at the appropriate stages; application, construction close, and lease up. Currently, many agencies have a cost certification process in which the developer/borrower submits their paid construction invoices to the financing agency and they verify those costs as eligible uses of their funds. Each agency would have a register of project expenses (uses) and a corresponding register of sources.

State-level Pilots: To initiate this process, pilots will be implemented in several States to see if these SLR alignment actions can be implemented quickly at a State level. The goal of the pilots will be to have an MOU established between the State HFA, HUD, and USDA that states what entity will perform the subsidy layering review and identify how data will be shared between parties to assure that all further funding review and approval decisions are made using the same information. The implementation efforts of the pilots will be used as a basis for the working groups to complete their tasks and establish a national format that can be used in other States.

Resource Estimate for Implementation: It is anticipated that the resources needed to implement this proposal as a pilot will be limited since many subsidy layering reviews are already being conducted by housing finance agencies, and the basic product of the alignment concept is an agreement or memorandum of understanding on how to proceed. However, for national implementation, depending on the level and extent of existing efforts, resources will be needed to review the current situation, resolve issues and differences, and establish an agreement to proceed.

For the pilot, the Team anticipates a series of meetings will be necessary to determine best how to implement these provisions in each State where an agreement is established. Representatives from the HFA, USDA and each program to be covered by that agreement in HUD will need to be represented during these meetings and legal assistance will be necessary to prepare the agreement. The Team anticipates decision making for the funding of approximately 200 USDA projects and 300 HUD projects with LIHTC resources will be affected by this proposal each year, after full implementation (about 50 during the pilot).

Additionally, there may be merit to eliminating or streamlining any subsidy layering requirements that cause any Federal program to be treated differently. One possibility is to mutually agree to a single point of contact for all SLR reviews, such as the State HFA. This may require development of a compensation schedule for any project’s SLR which the HFA completes on behalf of one of the agencies but which doesn't receive direct Federal funding through that particular State agency.

Estimated cost savings for owners, operators, developers, investors and/or lenders: The Team anticipates the primary benefit will be faster subsidy layering reviews that result in quicker transactional decisions. This will reduce some of the developer’s risk and lead to fewer instances where seed capital or dependent 3rd party funding is lost because of delayed subsidy layering or underwriting reviews. The Team also expects there to be some reduction in the costs to submit approval documentation as the goal will be for the developer to submit their information to only one agency. The Team will be able to identify more realistic cost savings once the pilot proceeds and additional feedback from stakeholders has been received.

Estimated cost savings for State, local, and Federal governments: For example, HUD-PIH estimated staff time related to reviewing and approving a complete and error-free SLR application is 4 hours, with a policy-based limitation of 30 days total for review. For pilot States, staff time related to approvals equals approximately 980 hours on the 121 CF properties for which a SLR was performed in 2007. Staff time savings due to SLR alignment would be dependent upon the number of subsidy streams each property has; however, if SLR alignment had been implemented for the CF properties in 2007, approximately 496 staff hours could have been saved.

Additionally, the Team anticipates an additional benefit to government will be consistent reporting of facts by applicants leading to faster and better informed decision making. The Team also expects faster access to information and an opportunity to reduce the number of reviews associated with transactional approval. Ultimately, the instances of poorly informed decision making to be reduced will save the government unwise expenditures of limited housing resources. The Team will be able to identify more realistic cost savings once the pilot proceeds and additional feedback from stakeholders has been received.

Schedule for Alignment Implementation: The initial steps in implementation are the pilot, followed by the finalization and approval of the conceptual approach, after which full implementation will follow. It is anticipated that during March the Team will make contacts with target pilot States, establish working groups to implement the State pilots and receive final direction from DPC and RPWG to pursue pilot milestones. During late March and April, the Team will proceed with discussions on a State by State basis and seek to establish MOU’s once a decision is made to begin implementation. Once the pilots are under way and the resulting conceptual approach is approved, a full national roll out could be achieved within 12 months of a successful pilot.

Capital Needs Assessment

Lead Agency: HUD

Participating Offices: Treasury-IRS, USDA-RD, HUD-MF, HUD-PIH, HUD-CPD, HUD-OSHC

Prepared by: Ted Toon, HUD, and Meghan Walsh, USDA

Issue Statement: Federal agencies and programs currently have different requirements for what constitutes a valid Capital Needs Assessment (CNA). While some of these differences are necessary consequences of using CNAs for different purposes, administrative alignment of minimum requirements and standards of CNAs across Federal rental housing programs will help avoid duplicative studies if owners and developers introduce a new Federal funding source to the project. In addition to CNAs completed for a specific action or transaction, some CNAs are completed for property and portfolio assessment, long-term capital planning, and asset management purposes, which translate into a different overall scope. Minimum qualifications for providers of CNAs are inconsistent across agencies and programs, and in some cases, are non-existent. Finally, CNAs today generally do not capture utility consumption data that would allow measurement, benchmarking, and establishment of baselines.

Proposed Alignment(s):

Alignment(s) summary: The participating FFederal agencies will direct and procure the development and implementation of a new, single CNA template tool for use by Federal and State agencies that administer rental housing program funds that require CNAs. The CNA template will include the actual CNA assessment tool, protocols for its use, reporting requirements, and minimum professional qualifications for the providers performing the CNA reviews. The CNA template will include a traditional, comprehensive property evaluation, an assessment of green building and energy efficiency needs and opportunities, and a utility data collection component. HUD and USDA will adopt the CNA template as the standard required protocol for all programs currently utilizing or requiring CNAs, while Treasury/IRS will share the CNA protocols and template tool as a 'best practice' with State Housing Finance Agencies (HFAs) that administer LIHTC, through the National Council of State Housing Agencies (NCSHA), for potential use by HFAs in administration of their programs.

These recommendations are based on a detailed assessment of the requirements, standards, and components of several CNAs currently in use by the participating agencies and some major lenders, as well as a review of a NCSHA report on CNA recommended practices for State LIHTC providers. The CNA team's outreach efforts on this alignment initiative have received overwhelmingly positive feedback from subject matter experts and stakeholders, including property owners and owner associations, lenders, State administrators, and CNA providers.

Specific actions to effect alignment: Two primary actions will most effectively advance the CNA alignment effort:

1. Creation of a single CNA template tool for use by entities that administer Federal rental housing funds, in the form of an electronic model (e.g., Microsoft Excel workbook , web-based software application, Oracle application, or other [TBD]) designed to allow housing developers and

agency users to access pages in the template that are specific to funding sources or programs. Upon opening the template and selecting the agency or program that is requiring the CNA, the template will show the pages appropriate to that program and the level of CNA review and analysis required for that program.

This single template CNA tool will include:

- An assessment of all building systems, components, and elements to determine current needs and a standard 20-year projection of physical needs.
- A data collection page to record (often for the first time) information critical to efforts to benchmark performance for properties relative to their peers, in order to establish baselines for measurement of future performance. Data collection points and protocols will be consistent with industry-accepted standards, and will include utility configuration options (who pays for which utilities), fuel sources and costs, water and sewer costs and responsibilities, and whole-building utility consumption data, normalized for weather and occupancy variances.
- Two levels of review and analysis. Agencies would require the assessment level most appropriate to fulfill the needs of the applicable program.
    - **Level 1**: Agency programs using the CNA for asset management purposes, capital needs assessments, portfolio reviews, and purposes other than specific rehabilitation planning, will presumably require the Level 1 CNA review. Level 1 will be less expensive than Level 2 to complete, and will have less action-oriented recommendations than a Level 2 analysis, but would include the primary elements of energy efficiency, green building, and life cycle analysis to facilitate informed future decision making about underlying properties.
    - **Level 2**: In general, programs using the CNA to support property development, rehabilitation, refinancing and repositioning, long-term capitalization and capital planning, and energy efficiency and green building retrofits, will presumably use Level 2, which would be the most rigorous level of CNA review and analysis. Two CNA standards in use today illustrate the approximate scope of review proposed for Level 2 of the new CNA template – the Enterprise Green Communities program CNA protocols and the HUD Recovery Act/Green Retrofit Program CNA model.
- The CNA template will build in life cycle cost analysis for all CNAs to allow users to consider these attributes when determining the size of reserve accounts and to assist in investment decisions that may result in reducing utility costs going forward.
- The standard template CNA will include built-in analytics and logic models to enable the tool to make recommendations about the most cost-effective solutions to needs identified through the assessment. These analytics would include:
    - Cost-benefit /payback analyses
    - Early replacement analyses
    - 'Cradle to grave' review of materials and components, to the extent possible and as this information becomes more widely available
    - Other environmental benefits of systems and components, such as indoor air quality benefits, recycled content, recyclability, durability/useful life, etc
    - Origin of materials and local sourcing
- It is important to note that while the CNA template will include the sophisticated analytics and logic to develop recommendations (as described above):

    - All recommendations made by the tool can be manually overridden by the user, for any number of reasons (i.e., cost constraints, availability of materials, physical constraints, etc). A built-in audit function will allow the user to view an inventory of overridden fields.
    - The CNA review may identify a need for further supplemental, specialized assessments such as lead-based paint testing, an ADA accessibility study, asbestos review, feasibility testing for some alternative energy installations, underground storage tank testing, etc. The CNA itself will not include these specialized assessments, but will include 'flags' to alert the CNA provider to the potential need for further studies, either because of the funding source requirements or because property characteristics warrant further study.
    - The template CNA will assess and report on the physical needs and opportunities at the subject property, but will not <u>require</u> any work to be completed. Any requirements for action to be taken based on the CNA report will be driven solely by the agency and/or program utilizing the tool. In other words, the CNA tool provides the assessment but the agency/program applies its rules to the use of the CNA tool and the actions that may be required to address the assessment.
    - Any agency using the template CNA can exercise its discretion to waive or modify the CNA requirements for very small properties, where the cost of assessment would be prohibitive.
- The CNA may include a link between the CNA template and an online industry source for accurate and current construction cost data and estimated useful life (EUL) tables for materials and building systems that will be maintained and updated on an annual basis, to improve the accuracy and consistency of CNAs across all users.
    - It may also be possible to retain an outside contractor to link the CNA template to accurate and current construction cost data, and to maintain this data on an annual basis. This would greatly improve the accuracy of CNAs across the country.
- Further adaptation of these standards by the agencies could be additive but presumably not be subtractive, i.e., the minimum assessment standards would apply in all cases, but some agencies or programs may layer additional requirements beyond the CNA review.

Capital Needs Assessment Tool and the HUD-PIH Physical Needs Assessment Tool
Currently, HUD-PIH is working on the development of a Physical Needs Assessment (PNA) tool which will be used by Public Housing Authorities (PHAs) for capital planning. The HUD-PIH capital planning PNA is being created based on a CNA constructed by HUD-MF's Office of Affordable Housing Programs (OAHP) for its Green Retrofit program. Pilot testing slated for the summer of 2011, and roll out to all PHAs in 2012.

The HUD-PIH PNA is anticipated to be very closely aligned with the CNA. The major difference between the two products relates to the level of complexity and associated burden, and the level of control the agency has in the process. The HUD-PIH PNA will be completed by PHAs every five years and updated annually by over 3,100 PHAs, including some 2,100 small PHAs. However, the CNA tool is intended to be transactional, and thus would be undertaken by a much smaller subset of entities much less frequently, potentially only once every 15 or 20 years.

PHAs would only infrequently use the CNA tool for capital planning as the level of sophistication and complexity associated with it would be greater than with the PNA. It should be noted however that the CNA protocol would apply to HUD-PIH transactional programs (such as Choice Neighborhoods or Public Housing Capital Grants) that typically require CNAs. Major recapitalization and substantial rehabilitation events generally require borrowers to meet a higher standard to justify the long term commitments implicit in the financing.

CNA training
Development and adoption of a single CNA template tool will require a robust training and implementation component for users. This training will include, at a minimum, a comprehensive user guide, in-person training for respective agency staff, regional in-person training for CNA providers and other stakeholders, and a webinar (or potentially multiple webinars targeting various stakeholder audiences) conducted jointly by the agencies and the contractor responsible for development of the template, as part of its overall engagement. This webinar training will continue to be available nationally, and archived for future use by anyone, accessible on the respective agencies' websites. CNA providers using existing CNA templates have emphasized the critical need for training and technical assistance, as the learning curve for a new tool and protocol (even for experienced providers) can be steep. Additionally, the presumed streamlining savings anticipated are dependent upon up-front training.

2. In conjunction with the new CNA template tool, the team proposes development of a minimum professional qualification standard for providers of CNAs, to ensure that providers have the experience and ability to assess the capital needs of rental housing properties. The CNA template proposed is more in depth than some CNA protocols in use today, including the energy audits/assessments, life cycle cost analysis, and accessibility standards components, each of which requires specific knowledge and experience. It is critical that the new CNAs are completed by professionals capable in these areas so that assessments are correct and usable. The common qualification standard will likely reference and accept any number of broadly available industry qualifications, standards, certifications, or accreditations.

<u>Resource Estimate for Implementation:</u> Based on CNA team research into the resource requirements to develop other CNAs currently in use by other parties, the team estimates that the total cost to design, develop, implement, provide training on, and maintain the CNA template tool would be approximately $1 million - $1.5 million. This estimate includes procurement, design, development, testing, training development, training delivery, implementation and roll out of the CNA electronic tool, and associated protocols, user guide, and training materials. This total cost breaks down approximately as:

- CNA design and development: $0.8 - $1.25 million. This estimate assumes that one or more of the existing CNA templates can be used as a basis for design and development
- Implementation, training, technical assistance, user guide development: $0.25 - $0.5 million

It is critical that the full range of activities associated with the initiative is funded together.

This investment is recommended to be a shared cost between two of the Rental Policy Working Group lead agencies. HUD, as the most intensive user of CNAs, will assume the largest share of cost, with USDA assuming part of the responsibility commensurate with demand. Because Treasury works to provide guidance to State HFAs, but does not otherwise provide resources with which State HFAs are to administer the LIHTC program, Treasury/IRS may issue guidance related to the CNA tool but will not require HFAs to make the new CNA a required component of HFAs allocation process and will not contribute to costs of development. This initiative includes elements of Information Technology, Technical Assistance, and Transformation, and the team recommends pooling resources from each of these areas in the respective Agencies. This resource allocation is a strategic investment in a tool and protocol that will streamline operations, and save considerable Agency and stakeholder resources in the long run.

<u>Estimated cost savings for owners, operators, developers, investors and/or lenders:</u> Cost savings are anticipated as providers of CNAs gain familiarity with the standardized requirements of CNAs across agencies. While difficult to estimate, the standardized CNA template tool could conservatively be expected to save 10-20% on the cost of an average, comparable CNA assessment and report, primarily due to the efficiencies of a standardized assessment approach. CNA providers, regardless of agency, program, or location of the property (depending on which State LIHTC administrators adopt the standard CNA), will be familiar with the tool, protocols, and expectations of the assessment.

Streamlining for providers should result in reduced costs to the consumers of the reports, i.e. the owners, developers, lenders, and/or investors. A back-of the envelope estimate of potential savings assumes approximately 3,000 CNAs are performed per year in the various HUD, USDA, and LIHTC refinance and/or rehab programs' assisted or subsidized properties. At an average cost of $10,000, and a conservative, average assumed efficiency savings from using this new CNA template of 10%, annual savings from this alignment will be (3,000 x $10,000 x 10% =) $3 million.

The CNA tool will include, as described, cost/benefit analyses and life cycle cost analyses, informing investment decisions in components and technologies that will result in measurable savings generated from utility and water efficiency savings. These savings may accrue to the owners, investors, lenders, agencies, and/or residents, depending upon utility configuration, subsidy structure, etc.

Savings to stakeholders will also result from the elimination of the need for duplicate CNAs on the same transaction. For example, a property currently may need to meet one CNA standard for an agency (HUD or USDA) and another standard for the State administrator of LIHTCs, requiring two similar but distinct CNAs to be produced. Additionally, equity investors and lenders may continue to require their own independent CNAs. Properties subject to multiple program requirements across multiple agencies may similarly be required to produce (and pay for) multiple CNAs to satisfy each agencies' unique requirements.

<u>Estimated cost savings for State, local, and Federal governments:</u> The single CNA template will simplify future coordination and updates to all of the agencies' CNAs, as regulations and requirements change, energy efficiency advancements are made, and new components and technologies become available, all of which will affect the rental housing industry and will be reflected in future versions of the CNA tool. Currently, HUD and USDA hire outside contractors to separately develop, update, and maintain these various templates. These costs average more than $1 million per year. When there is only one standard template, there will be savings by reducing overlaps in work between agencies to keep templates updated.

The CNA tool will include, as described, cost/benefit analyses and life cycle cost analyses, informing investment decisions in components and technologies that will result in measurable savings generated from utility and water efficiency savings. These savings, while difficult to estimate, should equate to tens of millions of dollars per year in the near term; HUD and USDA alone spend in excess of $6 billion annually on utilities in some form (i.e., tenant utility allowances, inclusive rents, budget-based operating subsidies, etc). CNAs that drive owners and investors to make efficiency investments that result in very modest utility savings of 10-20% will generate millions in savings in a very short time. (These savings are very achievable: EnergyStar requires a standard that is 15% more efficient than local code, and experience in some HUD retrofit programs has shown that 20% savings are readily realized with modest investment.) The long-term goal is to utilize a CNA that includes an energy audit component, as recommended here, to make the agencies' portfolios much more efficient and affordable over time.

The agency program administrators that utilize the CNA reports and recommendations to support programs will benefit through saved staff time by having a standardized tool; currently, the lack of a standard format for presentation of CNA findings and recommendations result in a great deal of back-and-forth between the agency staff and the CNA provider. A standard tool with a clear and explicit protocol for reporting and on which all parties are trained will greatly reduce the time and effort to successfully complete a property assessment.

Finally, the CNA tool, if linked to cost-estimating software or data, will save agency time and money (as well as owner/investor time and money) through more accurate and timelier cost estimating and capital planning than can be performed currently.

<u>Schedule for Alignment Implementation:</u> The total development and implementation time for the single, multi-agency CNA template is estimated to be 24 months. Thus includes:

- Development of specifications and scope of work: 3 months
- Procurement of services: 3 months

Major Milestone at 6 months: Contract procured/Contractor selected for development of CNA

- Design and drafting of detailed template functionality and interface specifications with selected contractor: 4 months
- Development of beta version of template tool: 4 months

Major Milestone at 14 months: Beta tool developed for testing

- Testing, revisions, finalization of template tool: 3 months
- Limited release for final testing: 2 months
- Creation of user guide, training materials, on-line training sessions, technical assistance materials, etc: 3 months (concurrent)
- Finalization of template tool: 1 month

Major Milestone at 21 months: Final tool and training materials released; training begins

- Public release of final CNA template tool, training for agency staff, CNA providers: 3 months (and ongoing via on-line training materials)

Major Milestone at 24 months: First round of training for agency staff and CNA providers completed, archived webinars and training materials available for public use

It is recommended that participating agencies adopt the CNA template for all programs requiring the use of a CNA within six months of public release of the template.

Challenges to effecting proposed alignment(s):
Stakeholders have raised concerns that a CNA template and protocol that involves more rigorous review and reporting requirement than may currently be required, such as the addition of an energy audit component, will lead to increased costs per CNA.[20] These are legitimate concerns, as some agency programs that convert to the new template CNA will increase the rigor of the review and likely the cost to have a review performed. However, any increase in the rigor of CNA requirements are most likely coming regardless of this alignment initiative. In fact, the aligned CNA template should minimize the cost increases because of the cost-reducing effects of standardization. As detailed above, many programs' CNAs should fall in cost due to the alignment.

A related cost concern raised by stakeholders is that establishing minimum professional qualifications and training requirements for the professionals performing CNAs could, at least in the short term, increase the cost of finding a qualified professional to perform the CNA, particularly in rural areas and for owners that perform CNAs using internal staff who may or may not meet the aligned qualification requirements. While the development of common CNA provider qualifications promotes useful and proper CNA assessments, the enactment of such minimum qualifications or certifications may lead to an increase in the cost of providing/attaining a CNA, at least initially until the market catches up to the qualification standard .These challenges are believed to be short term, as the provider industry gets up to speed on qualifications, and that this potential cost increase is more than offset by the savings resulting from standardization.

The use of CNAs to meet the requirements of the various agencies and program offices varies greatly. The development of each of the primary forms of CNAs in use or development by the respective agencies today has been a lengthy and expensive process, involving considerable contract dollars and internal agency resources to guide the development and implementation of the tool. Modifications recommended through this alignment process, if adopted, may result in time-intensive and costly changes to guidance, software, training, and roll-out, which could render their implementation challenging. For example, many public housing authorities (PHAs) have a CNA system in place, either internally or through a third party provider. Some of these third party arrangements involve an ongoing contractual relationship for maintenance of the database created through the CNA. Some of these databases are further integrated into the PHAs other internal operating systems. Further, many PHAs perform the CNA activity for strategic planning with qualified in-house staff; a professional qualification requirement, if greater than today's requirements, would potentially force PHAs to bear the expense of third party providers or of extensive re-training for their staff to obtain professional certification.

Another example comes from the green CNA developed to support HUD's Green Retrofit Program; the tool was developed using an existing HUD CNA tool as the baseline, and considerable time and contract dollars to develop, test, train, and implement the tool. That CNA tool is designed to support a specific program, in that the results of the CNA are automatically electronically linked into the financial underwriting model used to support award decisions, loan and grant sizing, and loan committee reviews.

The development of a single CNA template capable of supporting the specific requirements and nuances of each of the application templates, with the functionality to allow the user to select the agency and program and have the appropriate screens appear, would in itself be a considerable undertaking in terms of agency resources, as described above. Once created and tested, there will be a considerable

[20] The savings from efficiencies estimated above are savings over a similar-scope CNA.

commitment of time and resources to then provide training and support to the various stakeholders in becoming familiar with the tool. There will be an ongoing need for maintenance and updating the tool, and technical support to the users of the tool.

On the other hand, once in place, this template CNA tool will be easier to maintain and update with newer, more accurate information than multiple CNAs between qgencies. With an increased emphasis on energy efficiency in rental housing, energy subsidies would correspondingly be reduced as well.

Despite these challenges, it is the team’s collective recommendation that this undertaking is a strategic investment in a tool and protocol that will streamline operations and save considerable agency and stakeholder resources in the long run.

Improve Sharing of Data on Owner Defaults

Lead Office: HUD-MF

Participating Offices: Treasury-IRS, USDA-RD, HUD-MF, HUD-PIH, HUD-CPD, HUD-OSHC

Prepared by: Janet Stouder, USDA

Issue Statement:

Multifamily participants are required by most HUD multifamily mortgage insurance and subsidy programs, and by USDA-RD, to submit an application for previous participation clearance when new business is proposed. The application clearly identifies the participant, its proposed role in a multifamily property, and its portfolio of multifamily properties, which includes HUD Multifamily-insured and/or subsidized cases, USDA-RD financed cases, and State/local government housing agency financed cases. By reviewing this information, HUD and USDA-RD are able to identify instances of prior noncompliance with agency requirements. For example, applicants are required to disclose the most recent results of physical inspections and management reviews, disclose defaults on any cases in the last 10 years, and even identify debarments. This information is used to determine whether new business should be conducted with the applicant, and always takes into consideration whether the problems were satisfactorily resolved.

HUD's Office of Multifamily Housing Programs (HUD-MF) uses an automated system ('Active Partners Performance System,' or APPS) for storing this information, and HUD-MF staff reviews it when considering new applications for previous participation clearance. Outside clients (i.e., owners and management agents) can access the system to create and update their entity's organizational information and portfolio. APPS is also updated by feeds from other HUD systems (i.e., IREMS) regarding physical inspections, management reviews, and defaults for HUD multifamily cases. At this time, HUD has to verify information from other agencies with regard to compliance with RD- and State-agency financed cases.

Proposed Alignments:

1. *Grant USDA-RD access to HUD's APPS database.*

As noted above, USDA-RD programs require Previous Participation Clearance; however, only staff of HUD's programs has direct access to the APPS system. Therefore, USDA-RD personnel must contact a HUD office for information if they wish to learn whether a participant has a record of non-compliance, or if they wish to share information on a participant within their respective programs. As this automated APPS system is already in existence, giving (at minimum) read-only access to counterpart agencies like USDA-RD will help to streamline and speed up the process of approving new business. Reducing the processing time would improve delivery of services to our clients.

2. *USDA-RD provides compliance information to HUD's APPS database.*

USDA currently has a management information database that contains compliance status for the USDA Multifamily borrowers. The compliance information is similar to HUD's APPS database that reports on financial, physical, management, owner and civil rights non compliance issues. Including USDA compliance issues into the database would provide the two departments with a central depository of information on a multifamily property program participant's performance that would in turn provide both departments with important information when making determinations of eligibility and continued performance. If USDA-RD were granted data input access to APPS, this would also provide increased access to information and would improve review of the multifamily participant's performance.

Specific actions to effect alignment:
HUD is currently in the beginning stages of upgrading the APPS system to address several other unrelated issues. Therefore, if this proposal is acceptable, HUD will need to include these requirements in the business design of the upgrade. In addition, USDA-RD will need to provide HUD APPS system with performance information from USDA-RD MFH Information System.

Resource Estimate for Implementation:
This information is still to be determined, but there is likely low incremental cost if alignment is included as part of the business design for overall upgrade.

Estimated cost savings for owners, operators, developers, investors and/or lenders:
There will be a small benefit for owners, operators, developers, investors and or other lenders due to quicker review by the Federal government of the data submitted.

Estimated cost savings for State, local, and Federal governments:
There is limited monetary savings. However, non-financial savings will be gained by more reliable data and efficiency in gathering and reviewing data by HUD and USDA-RD.

Challenges to effecting proposed alignment(s):

1. Funding for the IT enhancement will need to be in place to incorporate the additional business requirements
2. HUD is required to contact Congressional oversight committees for any changes to the APPS database.
3. Regulations will need to be modified to notify the public that HUD will be sharing information with USDA-RD.
4. Security issues for access to APPS system by USDA-RD users will need to be reviewed by both departments' CIO staff.

Fair Housing Compliance Enforcement

Lead Office: HUD-FHEO

Participating Offices: USDA-RD, HUD-FHEO, HUD-OGC, DOJ & Treasury/IRS

Prepared by: Jack Malgeri, HUD-FHEO

Issue Statement:
In 1997, the Secretaries of HUD and Agriculture signed a memorandum of understanding (MOU) between the two agencies concerning cooperation in the processing of USDA civil rights cases, joint investigations of civil rights issues, sharing of documents, and cooperation in the conciliation, informal resolution of cases, and the development of sanctions. While initially operational, the HUD-Agriculture MOU has largely not been followed and its dormancy has produced a lack of meaningful dialogue between the two agencies concerning the resolution of significant civil rights issues and proactively cooperating to address common civil rights problems in housing programs, frequently financed with both HUD and USDA financing. Little effort has been made on coordinating a common approach to the statutory requirement to affirmatively further fair housing, and how a coordinated effort by USDA, HUD, and DOJ program staff could enhance USDA efforts in the realm of affirmatively furthering fair housing its housing assistance programs.

In 2000, the Secretary of the Treasury, the Secretary of HUD, and the Attorney General of the United States signed a Fair Housing Act Memorandum of Understanding (MOU) among the three agencies seeking to improve Fair Housing Act enforcement, educational outreach, and IRS agency guidance addressing significant civil rights concerns in the low-income housing credit program. Since 2000, the Fair Housing Act MOU has been successful in leading to the resolution of dozens of civil rights cases involving low-income housing credit projects referred to the IRS by HUD and DOJ. Specifically, through a coordinated process, the IRS has sent advisory letters to project owners based on the underlying HUD or DOJ civil rights action, noting the potential loss of low-income housing credits if the project owners fail to address the underlying civil rights issue. The three agencies also engaged in significant educational outreach to project owners, syndicators, and housing credit agencies on civil rights matters, including disabled accessibility requirements. In addition, the IRS improved its guidance on civil rights issues for project owners, housing credit agencies and others based on technical assistance from HUD and DOJ.

Nevertheless, a limitation of the existing Fair Housing Act MOU is that its practical focus has been limited to improving inter-agency technical operations issues, rather than focusing on addressing substantive civil rights policy concerns. There is also a need for more robust and regular discussions among the three agencies concerning emerging civil rights issues.

The need for greater harmonization among federal agencies concerning fair housing and civil rights issues has grown significantly. For example, issues of harmonization emerge in: 1) the need for closer cooperation and more effective coordination among the Department of the Treasury, the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Justice in addressing civil rights problems involving commonly funded housing projects including disabled accessible housing problems, local opposition to the development of affordable housing, patterns of discrimination by builders, lenders, property management firms, and local governments, and unified remedies when encountering developers, syndicators, lenders, with funding sources among several

federal programs; 2) the need for improved and coordinated data collection about demographics about tenants and housing locations; 3) the lack of uniform guidance among the federal housing programs about discrimination against HUD and USDA voucher holders; 4) the need for greater unified educational outreach by the federal housing agencies and the Department of Justice concerning civil rights problems and solutions to developers, project investors, property managers, lenders, syndicators, and tenants; 5) the lack of consistent
application of affirmative fair housing marketing in the low-income housing credit program that are utilized in other federal housing programs; and 6) the lack of consistent site and neighborhood standards which would help avoid predominant placement of housing in highly minority and poverty concentrated areas.

Proposed Alignment:

Alignment summary

The outline for greater fair housing and civil rights alignment includes: (1) reconstituting and restarting the coordination process established in the original 2000 Fair Housing Act Memorandum of Understanding (MOU) among Treasury, HUD, and Justice, and the 1997 HUD-Department of Agriculture MOU; alternatively, consideration should be given to making USDA a signatory to the existing operational 2000 Fair Housing Act MOU. Specific actions are listed in the approximate order in which they could be achieved, with the understanding that many of these proposals may be pursued simultaneously.

Specific actions to effect alignment:

1. **Reinvigorate the Interagency Coordination Process Set Forth in the MOUs**
   - Designated Staff. Designate career staff from each agency to serve as the point person for implementing the 1997 and 2000 MOUs and to confer on key guidance and enforcement issues set out below. Establish semi-annual meetings of IRS, HUD, USDA, and DOJ personnel to discuss fair housing issues applicable to the low-income housing credit program and improvements to processes, agency guidance, and cooperation among agencies.

2. **Enhance Educational Outreach and Training for State Housing Credit Agencies, Syndicators, Project Managers, and Developers**
   Within the existing structure of the 2000 MOU, the federal agencies should reinvigorate:
   - Cooperation among HUD, USDA, IRS, and DOJ officials in conducting annual training seminars, and meetings with:
     - State and Local Housing Credit Agencies about their obligation to comply with the Fair Housing Act when allocating LIHTCs and to answer questions about Fair Housing topics.
     - Associations of developers, syndicators, property managers, and investors that receive the LIHTCs and USDA loan assistance about how they can comply with the Fair Housing Act, including training on exclusionary zoning law and practices, and accessibility requirements.

3. **Enhance Quality Control of Non-Compliance Reporting to IRS**
   Within the existing structure of the MOU, the federal agencies should reinvigorate the process of reporting federal and state civil rights actions:
   - Form 8823. Help ensure that housing credit agencies are timely and comprehensively reporting to the IRS and notifying owners when HUD has reported a charge or a reasonable cause

determination by a substantially equivalent fair housing agency, regarding an LIHTC project, or when DOJ has filed a Fair Housing Act lawsuit. Establish a mechanism whereby DOJ and HUD can notify IRS directly of these events as well through a point of contact with the IRS Service Center processing the forms 8823.

Resource Estimate for Implementation:
The resources necessary for implementation of these recommendations is very minimal. It is anticipated that one staff FTE from each of HUD, USDA, IRS, and DOJ would need to commit to one-quarter of their time over the course of the one year implementation period in coordinating the effort to work on refining the existing Memorandum of Understandings, and in implementing the development of educational outreach programs, improved agency guidance, and operational details. The only expenditures contemplated would be for HUD and DOJ training, travel, and educational outreach efforts to stakeholders in the syndicator, lending, property management, and housing credit agency communities, which again is contemplated under the existing Fair Housing Act MOU.

Estimated cost savings for owners, operators, developers, investors and/or lenders:
The savings to owners and developers will largely result from avoiding litigation, retrofitting, and civil penalties as a result of clearer, better guidance and educational outreach which will mitigate the potential for fair housing violations. Lenders and syndicators will also save money, time, and resources in having greater knowledge and awareness about investing in proposed housing projects without adequate due diligence of the civil rights ramifications of site placement, development standards, and rental practices in a housing transaction.

Estimated cost savings for State, local, and Federal governments:
State and local governments will benefit from avoiding litigation as a result of more informed knowledge and awareness of potential civil rights violations as a result of a lack of understanding in areas such as segregated housing, failure to provide accessible housing, and disparate impact legal challenges. The Federal Government will benefit from cooperative foresight and inter-agency cooperation which will help mitigate the need for resources devoted to litigation to correct civil rights deficiencies that could have been prevented through more effective educational outreach and proactive compliance civil rights compliance monitoring.

Schedule for Alignment Implementation:
Work on the enhancements to the respective MOUs and improved guidance and educational outreach can be completed on a one year schedule. Please see the following projected schedule:

- August 2011 Convene agencies to discuss existing MOUs and suggested improvements;
- October 2011 Revise existing memorandum(s) of understanding;
- January 2012 Begin educational outreach to housing credit agencies, syndicators, developers, and project managers;
- August 2012 Reassess quality control efforts, educational outreach, and new processes developed under the MOU for effectiveness.

Challenges to effecting proposed solutions:
The challenges for adopting these proposed solutions will require inter-agency cooperation. IRS, HUD, USDA, and Justice have cooperated in the past and recognized the benefits of a unified effort to address civil rights problems in their respective housing programs. A key challenge is maintaining energy, commitment, and purpose, which was sometimes absent in past inter-agency civil rights initiatives.

From past experience with the Fair Housing Act MOU among Treasury, HUD, and DOJ, the private housing industry, housing credit agencies, and developers will be somewhat reluctant to implement requirements such as affirmative fair housing requirements, or site and neighborhood standards, perhaps because of erroneously perceived conflicts with neighborhood revitalization. We believe that this initial reluctance can be overcome by active outreach to the developer, syndicator, lending, and housing credit agency organizations to fully explain the rationale and benefits of enhanced civil rights planning and compliance. Such outreach efforts occurred in 2000 in conjunction with the signing of the Fair Housing Act MOU and these outreach efforts significantly eased concerns and promoted the active partnership of key stakeholders such as the syndicator, property management, and housing credit agency communities.

APPENDIX 1 – Contributing Subject Matter Experts (Federal / Stakeholder)

Name	Agency	Name	Agency
Andrew Lee	HUD-OGC	Lynn Wehrli	HUD-MF
Bill Downs	USDA-RD	Marcia Sigal	HUD-CPD
Brandt Witte	HUD-MF	Megan Thibos	HUD-PIH
Brett Morgan	HUD-MF	Meghan Walsh	USDA-RD
Brian A. Murray	HUD-MF	Mehul Patel	HUD-PIH
Bruce Rieder	HUD-PIH	Meti Zegeye	HUD-OGC
Candace Simms	HUD-PIH	Michael Hollar	HUD-PD&R
Carlton Jarratt	USDA-RD	Michael Novey	Treasury
Christopher Bailey	HUD-PIH	Michael Sharkey	HUD-MF
Christopher Wilson	Treasury-IRS	Michael Torreyson	HUD-MF
Craig Clemmensen	HUD-DEC	Michelle Aronowitz	HUD-OGC
Danielle Frazier	HUD-CPD	Mike Flores	HUD-PIH
David Lee		Milagros Hernandez	HUD-CPD
David Lipsetz	HUD-PIH	Nicholas Minter	HUD-PIH
David Selig	Treasury-IRS	Nicole Faison	HUD-PIH
David Wilderman	HUD-MF	Nicole Puri	HUD-PIH
Dean Greenwalt	USDA-RD	Nora McArdle	HUD-PIH
Debra Kaplan	HUD-MF	Perrin Wright	HUD-OGC
Denise Cotten	HUD-PIH	Peter Huber	HUD-CPD
Diane Larson	HUD-MF	Peter Khaemba	Energy
Dianne Montoya	HUD-MF	Rachel Kirby	HUD-OSHC
Donna Binder	HUD-MF	Ron Cianciosi	HUD-PIH
Dottie Troxler	HUD-MF	Sabra Loewus	HUD-CPD
Eric Lucas		Sherry Engel	USDA-RD
Gail Williamson	HUD-MF	Stephanie White	USDA-RD
Ginny Sardone	HUD-CPD	Stockton Williams	Energy
Grace Robertson	Treasury-IRS	Ted Leopkey	Environmental Protection Agency
Harry Messner	HUD-MF	Ted Toon	HUD-MF
Jack Malgeri	HUD-FHEO	Thomas E. Tyler	HUD-MF
James Arcara	HUD-PIH	Tim Colón	HUD-CPD
James Holmes		Tom Ale	USDA-RD
Janet Stouder	USDA-RD	Tom Perez	HUD-MF
Joan Atkinson	USDA-RD	Vicki Shultz	Department of Justice
Julie Hanlon-Bolton	Treasury-IRS	William Kelleher	HUD-CPD
K.J. Brockington	HUD-PIH	Larry Freeman	HUD-PIH
Kimberly Wize	HUD-PIH	Larry Maxwell	HUD-PIH
Larry Anderson	USDA-RD		

Name	Organization	Name	Organization
Brian Tracey	Bank of America	George Mensah	City of Miami, FL
David Leopold	Bank of America	Lelia Allen	City of Orlando, FL
Tony Perez	Berkadia Capital	Terrie Monroe	City of Plano, TX
David Gasson	Boston Capital	Sean Glennon	City of Quincy, MA
Bud Clarke	Boston Financial Investment Management	Bonnie Moore	City of Shreveport, LA
Aliesha Khan	Building Codes Assistance Project	Murphy Cheatham	City of Shreveport, LA
Bill Pavao	California Tax Credit Allocation Committee	Valerie Ervin	City of Shreveport, LA
Thomas Nutt-Powell	Capital Needs Unlimited	Christina Ramirez	City of Surprise, AZ
Ronnie Thielen	Centerline	Nancy Robbins	City of Tulsa, OK
Leila Ahmadifar	Citi Community Capital	Marcy Krumbine	Collier County, FL
Donna Wickes	City of Amarillo, TX	Mary Beth Bowman	Community Development Agency
Elizabeth Spencer	City of Austin, TX	Scott Reithel	Community Housing Partnership
John Beatty	City of Beaumont, TX	Colleen Fischer	Council for Affordable and Rural Housing
Patrick Sullivan	City of Bedford, MA	Dee McClure	CW Capital
Laura Delgado	City of Boston, MA	Peter Lawrence	Enterprise Community Group
Robert Gehret	City of Boston, MA	Rod Solomon	Hawkins Delafield Wood
Kerri Spear	City of Champaign, Il	Doug Ryan	Housing Opportunity Commission of Montgomery County
Oren Henry	City of Cincinnati, OH	Maryann Dillon	Housing Opportunity Commission of Montgomery County
Barbara Ross	City of Denton, TX	James Graham	Independent Consultant
Candyce Waters	City of Fort Smith, AR	Jacob Sipe	Indiana Housing and Community Development Authority
David Smith	City of Fort Smith, AR	Carla Pope	Iowa Finance Authority
Sandra Anderson	City of Greenville, NC	Dave Vaske	Iowa Finance Authority
Francis Smith	City of Jackson, MS	Patrick Nash	JP Morgan/Chase
Patricia Williams	City of Jackson, MS	Vince O'Donnell	Local Initiatives Support Coalition
Susan Fink	City of Lawrence, MA	Tanya Hahnel	Malden Redevelopment Authority
Rhonda Dean	City of Lexington County, SC	John Maneval	Maryland Department of Housing and Community Development
Phyllis Brown	City of Lubbock, TX		
Tenisha Fisher	City of Marshall		
Patricia Rynn	Maryland Department of	Gira Bose	National Council of State

Sylvester	Housing and Community Development		Housing Agencies
Raymond Skinner	Maryland Department of Housing and Community Development	James Tassos	National Council of State Housing Agencies
Alan Sharkey	Mass Housing	Sally Malone	National Council of State Housing Agencies
Catherine Racer	Massachusetts Department of Housing and Community Development	Joe Hagan	National Equity Fund
Claudia Brodier	McCormack Baron Salazar	Thom Amdur	National Housing & Rehabilitation Association
Melanie Kibble	Mercy Housing	Clare Duncan	National Housing Conference
Steven Lathom	Michigan State Housing Finance Agency	Denise Muha	National Leased Housing Association
Jim Cegla	Minnesota Housing Finance Agency	Lisa Blackwell	National Multi Housing Council
Denise Holter	Minnesota Housing Finance Agency	Rob Prasch	Network for Oregon Affordable Housing
Julie LaSota	Minnesota Housing Finance Agency	Debra Urban	New Jersey Housing and Mortgage Finance Authority
Renee Dickinson	Minnesota Housing Finance Agency	Dan Murphy	New York State Homes and Community Renewal
Michael Luzier	NAHB Research Center, Inc.	Linda Kedzierski	New York State Homes and Community Renewal
Kris Cook	National Affordable Housing Management Association	Roberto Rosado	New York State Homes and Community Renewal
Carmel McGuire	National Association of Home Builders	Margaret A. Feml	New York State Homes and Community Renewal
Claudia Kedda	National Association of Home Builders	David Muniz	New York State Homes and Community Renewal
Michelle Desiderio	National Association of Home Builders Research Center	Susan Coughron	New York State Homes and Community Renewal
Kellie Jones	National Church Residences	Richard Price	Nixon Peabody
Carl Freeman	National Community Development Agency	Paul Kimball	North Carolina Housing Finance Agency
Ellen Lurie Hoffman	National Council of State Housing Agencies	Mark Shelburne	North Caroline Housing Finance Agency
Garth Reiman	National Council of State Housing Agencies	Brian Carnahan	Ohio Housing Finance Agency

Sean Thomas	Ohio Housing Finance Agency
Kevin Clark	Ohio Housing Finance Agency
Arthur Krauer	Ohio Housing Finance Agency
Holly Glauser-Abel	Pennsylvanian Housing Finance Agency
Todd Crow	PNC Multifamily
Andrew Spofford	Preservation of Affordable Housing
David Smith	ReCap Advisors
Steve Baden	RESNET
Jean Peterson	Reznick Group
Bill Kelly	Stewards for an Affordable Housing Future
Paul Weech	Stewards for an Affordable Housing/Housing Preservation Network
Patricia Murphy	Texas Department of Housing and Community Affairs
Charles Durnin	The Michaels Organization
Lester Severe	TM Associates Management
Susan Dewey	Virginia Housing Development Agency
Brenda Hawkins	Virginia Housing Development Agency
Patrick Sheridan	Volunteers of America
Tim Sovold	Washington State Housing Finance Commission
Kim Hermand	Washington State Housing Finance Commission
Bob Peterson	Washington State Housing Finance Commission
Steve Walker	Washington State Housing Finance Commission
Martha Johnson	Wells Fargo
Maureen Fitzgerald	Wells Fargo
Karen Newsome	Winn Residential