

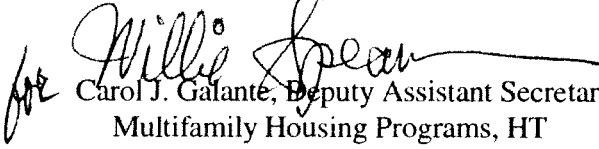


OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

MAR 26 2010

MEMORANDUM FOR: All Multifamily Hub Directors
All Multifamily Program Center Directors

FROM: 
Carol J. Galante, Deputy Assistant Secretary for
Multifamily Housing Programs, HT

SUBJECT: Solicitation of Feedback on Reform to the Section 202 and
Section 811 Programs

The Office of Multifamily Housing Programs is currently seeking stakeholders input on a range of possible reforms being contemplated for the Section 202 and Section 811 Programs. Both programs received no funding for new construction activities in the Administration's proposed Fiscal Year 2011 budget. In part, this reflects the need to focus limited Departmental resources to support existing assets and programs. It also reflects the fact that both programs have suffered from a lack of updating over recent years. An overhaul is now contemplated to better target HUD's resources to more cost effectively meet the current housing and supportive service needs for frail, disabled, elderly low-income households. The direction of reform is still being determined; however, HUD anticipates that modifications to the programs could be legislative and/or administrative.

Attached please find sample questions for your staff's review and comment. If you wish, you may distribute the questions to our stakeholders. These questions reflect possible reform options and are provided only for the purpose of facilitating feedback. You may also direct individuals to the call for comments on the Section 202 and Section 811 Programs posted on the "What's New" section of the Office of Multifamily Housing Programs website. Please note that we are seeking comments in writing prior to April 5, 2010.

If you have any questions or comments, please contact Ben Metcalf at (202) 402-6377 or Benjamin.T.Metcalf@hud.gov.

Attachment

202 & 811 Questions for Feedback and Discussion
Please Provide Written Comment to Benjamin.T.Metcalf@hud.gov by April 5, 2010

QUESTION	PRO	CON
Should HUD require that 202/811 projects leverage low income housing tax credit equity to reduce per unit capital advance amounts?	<ul style="list-style-type: none"> ✓ Tax credit equity can reduce the capital advance required on a per unit basis thereby achieving 202/811 policy goals across a larger number of units ✓ Mixed finance structure ensures local/state government and/or lender/investor accountability and oversight 	<ul style="list-style-type: none"> ✓ Adds to overall transaction cost and timeline of project ✓ Relies on tax credit investors at a moment in time when tax credit industry is not robust ✓ Does not work well for small projects
Should HUD block grant 202/811 to States for allocation and administration of funds (similar to HOME)?	<ul style="list-style-type: none"> ✓ States already administer tax credits programs so some duplication of due diligence and compliance could be avoided ✓ Medicaid waiver programs vary state by state so easier for states to coordinate with priorities for serving frail and disabled populations 	<ul style="list-style-type: none"> ✓ HUD would still have to provide regulatory oversight and take back administration from non-performing State HFAs ✓ Programs could be unevenly administered ✓ Small states would have overly small allocations that could pose administrative hardship
Should HUD provide 202/811 funding only to projects that are substantially ready to proceed (e.g. have local approvals, funding commitments, and underway with working drawings)?	<ul style="list-style-type: none"> ✓ Greater likelihood of 202/811 dollars producing housing ✓ Shorter timeframes to get elderly and disabled households into homes ✓ Avoids conflicts where federal funding is awarded prior to final sign off by local zoning 	<ul style="list-style-type: none"> ✓ Sponsors will need to access local funds to initiate predevelopment work
Should HUD provide 202/811 funding only to sponsors that have a significant track record in developing similar housing?	<ul style="list-style-type: none"> ✓ Greater likelihood of 202/811 funds producing housing ✓ Greater cost-effectiveness overall 	<ul style="list-style-type: none"> ✓ Sponsors without significant housing experience will have to find partners or bring on qualified staff. ✓ Harder for small sponsors to build capacity internally
Should HUD provide 202 funding only for projects that reserve some or all supported units for frail elderly households?	<ul style="list-style-type: none"> ✓ Reduces costs to health care system with lower rates of institutionalization and hospitalization ✓ Through utilization of Medicare or Medicaid waiver programs (eg. PACE), fewer housing dollars needed for services costs lowering per unit operating subsidy 	<ul style="list-style-type: none"> ✓ Housing a riskier population could cause financial operating challenges ✓ Adds complexity to projects and deal structuring ✓ Assumes continued state and federal funding to Medicaid waiver programs
Should HUD reserve 811 funding for projects that integrate disabled households into larger affordable rental projects?	<ul style="list-style-type: none"> ✓ Provides mainstreaming benefit to population being served 	<ul style="list-style-type: none"> ✓ Adds complexity to projects and deal structuring ✓ Model may not work for all disabled populations
Should HUD provide 202/811 funding through a national competition?	<ul style="list-style-type: none"> ✓ Would allow areas of greater need to receive more funding ✓ Would allow for larger project sizes than existing allocations currently provide 	<ul style="list-style-type: none"> ✓ Distribution of funds may be geographically uneven from year to year