

NAHMAanalysis

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Final Notice of Senior Preservation Rental Assistance Contracts (SPRAC) Awards Process

Effective Date or Deadline

The SPRAC application due date is September 3, 2013. Applicants who are interested in being considered for a SPRAC award must submit electronic versions of all required application elements specified under the final HUD Notice FR-5667-N-02. Applications must be sent to SPRAC@hud.gov.

Please follow this link to view the [final Notice of the SPRAC Award process](#)

Please follow this line to view [FAQs on the SPRAC program](#)

Background

Senior Preservation Rental Assistance Contracts (SPRACs) are intended to prevent the displacement of elderly residents of certain projects assisted under HUD's Section 202 Supportive Housing for the Elderly program, specifically in the case of the refinancing or recapitalization of Section 202 Direct Loan properties with original interest rates of 6% or less. The contracts have a 20 year term for eligible owners/applicants. SPRAC assistance is also intended to support the long-term preservation and affordability of pre-1974 Section 202 Direct Loan projects. HUD oversees a portfolio of approximately 200 Section 202 properties with original interest rates of six percent or less that were financed prior to 1974. Overall, HUD's portfolio of Section 202 Direct Loan properties includes approximately 18,200 unassisted units; over the next decade an average of 2,000 unassisted units per year are at risk of expiring affordability due to maturing Section 202 loans.

The SPRAC initiative was authorized under the Section 202 Supportive Housing for the Elderly Act of 2010, with \$16 million in appropriations made available in fiscal year 2012. On January 8, 2013, HUD issued an advance Notice to solicit public comment on the proposed eligibility and award criteria. NAHMA and affordable housing industry groups submitted [joint comments](#) on the advance Notice. The comments recommended that various alterations be made to eligibility requirements and that HUD should seek additional funding for SPRACs.

On July 3, 2013, HUD issued the final Notice for the SPRAC program which outlined the final eligibility requirements for Section 202 properties. SPRAC funds will be awarded to support currently unassisted tenants who may be either Low-Income (80 percent of the applicable Area Median Income (AMI)) or Very Low-Income Families (50 percent AMI). To qualify to receive a SPRAC award for unassisted units,

the Owner-Applicant and the property must meet all SPRAC eligibility requirements as listed in the final HUD Notice.

As a condition to receive SPRAC funds under this final Notice, Owner-Applicants must successfully close on the refinance of the current Section 202 Direct Loan before the loan's mortgage maturity date. If the loan refinance does not close before the mortgage maturity date HUD will void the award of SPRAC funds to the Owner-Applicant, and the Department has the authority to award the funds to another eligible Owner-Applicant who was not selected under the initial round of SPRAC awards.

HUD has also determined that the proposed repairs to the property may consist of either capital repairs or substantial rehabilitation. The Notice defines capital repairs as: "a scope of proposed repairs that are no less than the needs and requirements identified in the Owner-Applicant's Property Capital Needs Assessment (PCNA) report (neither reaching nor exceeding substantial rehabilitation limits)." Substantial rehabilitation has the same meaning as the definition under the HUD Multifamily Accelerated Processing (MAP) Guide. Alterations financed with a SPRAC award under this final Notice, including both substantial rehabilitation and capital repairs, must comply with the Section 504 accessibility requirements.

If HUD determines that a SPRAC application submission does not meet the program eligibility requirements due to missing or incomplete information and/or documentation (and NOT due to HUD's determination that the proposed project is not eligible for SPRAC), HUD may allow such Owner-Applicant the opportunity to cure any such deficiency or deficiencies within ten business days from the date that HUD notifies the Owner-Applicant of said deficiency or deficiencies.

SPRAC Eligibility Requirements

Eligible Owner-Applicants may apply for SPRAC assistance for properties that meet the following criteria.

1. The subject property must be an existing Section 202 property with an original mortgage interest rate of six percent or less (funded prior to 1974) and unassisted units. Furthermore, the property must have a mortgage which is not scheduled to mature either prior to, or within sixty (60) calendar days following July 3, 2013. Neither properties with mortgage maturity dates that predate the SPRAC application deadline, nor properties with mortgage maturity dates within 60 calendar days immediately following July 3, 2013, will be eligible for SPRAC awards, and will not be ranked for funding consideration purposes.
2. The Owner-Applicant's most recent Real Estate Assessment Center (REAC) score at the property must be 60 or above, and the property must have no open Exigent Health and Safety findings. HUD will consider granting exceptions to the REAC threshold if the Owner Applicant or purchaser can demonstrate that a plan has been established to obtain financing to address physical needs of property. A statement that has been signed and dated by the Owner-Applicant or purchaser describing the progress that has been made to secure the financing necessary, and a timeline of property repairs, must be included in the initial SPRAC application.
3. The most recent Management and Occupancy Review score at the property is considered to be satisfactory or better. HUD will consider exceptions to the MOR threshold if the Owner-Applicant or purchaser can demonstrate that a plan has been established to replace the management agent or take

other corrective actions. Documented evidence that this plan has been executed by must be submitted as a part of the Owner-Applicant's or purchaser's prepayment application.

4. The property must have no open referrals to the Departmental Enforcement Center. HUD will consider exceptions to the DEC threshold if the Owner-Applicant or purchaser can demonstrate that a plan has been established to address open DEC findings.
5. An Owner-Applicant commits to target SPRAC assistance exclusively to existing low income and very low-income tenants residing at the subject property during the 202 Direct Loan prepayment, and exclusively to very low-income applicants upon unit turnover (tiers one and two) or to low-income applicants upon unit turnover (tiers three and four).
6. The Owner-Applicant must intend to refinance the existing Section 202 mortgage under the terms and conditions of the American Homeownership and Economic Opportunity Act (AHEO), as amended. The Owner-Applicant must demonstrate that without SPRAC assistance, the rents for existing unassisted tenants will be raised to compensate for the increased debt service costs resulting from prepayment at a higher interest rate. A purchase/acquisition transaction is also eligible.
7. The Owner-Applicant's proposed rehabilitation work at the subject property meets the standards of either Capital Repairs or Substantial Rehabilitation, as defined under this final Notice.
8. The subject property is located within an eligible High Need county, as identified by HUD. A list of these counties begins on page 76 of the final Notice.
9. A) The subject property is proximate to the amenities and services needed by property tenants;

B) or documentation verifying that if the property is not currently proximate to social, recreational, educational, commercial, and health facilities or services, the preservation of this Section 202 property is an integral part of a concerted community revitalization plan that will, among other things, include the establishment of these services and amenities in locations that are proximate to the site of the subject property, and the Owner-Applicant's certification of the nexus between the proposed preservation of the Section 202 property by the Owner-Applicant and the Livability Principles as they are being advanced in the Preferred Sustainability Status Community where the subject property is located;

C) or documentation verifying that supportive services for the 202 property have been arranged for through a direct service provider in the absence of direct or general proximity to such services in the neighborhood and surrounding community, consisting of a letter from the Owner-Applicant verifying what specific services and amenities are available to property tenants, and which has been approved by the applicable HUD field office.

Deficiencies are defined as an Owner-Applicant's failure to provide the required information accounting for the subject property's vacancy rate (either current or averaged over the 24-month period preceding the SPRAC Application submission) where the rate exceeds ten percent, and/or detailed information describing what actions the Owner-Applicant will take or is taking to mitigate this circumstance.

SPRAC Award Prioritization

Funding for SPRAC Awards is scarce. HUD Has decided to award SPRAC funds using an application process where eligible applications will be ranked under four separate tiers. The four tiers include:

1. Properties that commit to serving very low-income tenants and to completing substantial rehabilitation.
2. Properties that commit to serving very low-income tenants and to completing capital repairs.
3. Properties that commit to serving low-income tenants and to completing substantial rehabilitation.
4. Properties that commit to serving low-income tenants and to completing capital repairs.

HUD will give priority to those qualified Owner-Applicants that commit to target 100 percent of SPRAC assistance to very low-income and low-income tenants residing in the project at the time of the Direct Loan prepayment, and exclusively to very low-income tenants at unit turnover. (under tier one). Eligible projects under tiers one through four will be ranked further by mortgage maturity date. Beginning with tier one, projects will be awarded SPRAC in chronological order by mortgage maturity date until funding is exhausted. If funding is not exhausted by awards made to eligible projects under tier one, awards will be made in chronological order of mortgage maturity date for projects under tier two, and so on through tier four, as applicable. If two properties in a given tier have the same mortgage maturity date, the project located in the county with the greater need for affordable elderly housing will be given priority. If the need is equal, the project with the greatest number of unassisted units will take priority.

SPRAC Market Eligibility

Project eligibility for a SPRAC award is based, in part, on whether the property is located in a county that has a higher rate of need for affordable housing for the elderly. HUD defines this need as the percent of all households in a county with at least one person above the age of 62, that are renters at or below 80 percent of Area Median Income (AMI), and that reside in housing that exhibits one or more of the following standard housing problems:

- Lack of sufficient plumbing and/or kitchen facilities;
- Overcrowding more than one person per room; and
- Rent Burden: household pays more than 30 percent of its monthly income on rent

Projects must be located in a county where more than 6 percent of its elderly households are 80 percent AMI renters with at least one housing problem. A table that compiles the percentage of elderly households that are currently experiencing one or more of these housing problems is included in the final HUD Notice.

SPRAC Application Process

HUD included a flow chart of the steps necessary to complete and identify the SPRAC Award application eligibility requirements:



