

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 4: OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for fiscal years 2000 and 2001.

SUMMARY OF BUDGET REQUEST

No funding is requested for fiscal year 2002 in the Salaries and Expenses (S&E) Budget for the Office of Multifamily Housing Assistance Restructuring (OMHAR). The current office will be terminated at the end of fiscal year 2001 and the function, along with the full-time permanent staff, will be transferred to the Office of Housing effective the beginning of fiscal year 2002. All resources required in fiscal year 2002 to support the continuation of the program are reflected in the Office of Housing's portion of these justifications.

SCOPE OF ACTIVITY

OMHAR was established for 2 fiscal years, 1999 and 2000, by the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act of 1998 to administer the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA). On schedule, OMHAR will be terminated at the end of fiscal year 2001. The continued administration of MAHRA will be conducted by the Office of Housing beginning October 2001.

MAHRA intends to provide a long-term solution to a rapidly growing cost to the Federal Government of assisting affordable rental housing. Approximately 14,000 multifamily projects have been financed with FHA-insured mortgages and approximately 8,500 of these are supported by project-based Section 8 housing assistance payment (HAP) contracts. In many cases, these HAP contracts currently provide for rents for assisted units that substantially exceed the rents for comparable unassisted units in the local market. The purpose of this program is to preserve low-income housing affordability while addressing the long-term costs of Federal rental assistance, including project-based assistance, and minimizing the adverse effect on the FHA insurance fund. These competing goals are being accomplished by: (1) reducing project rents to no more than comparable market rents for all projects except those that fall in the exception category; (2) restructuring the HUD-insured or HUD-held financing so that the monthly payments on the first mortgage can be paid from the reduced rental levels; (3) addressing needed rehabilitation of the project, and (4) reviewing the management of the project. All restructured projects are subject to a long-term use affordability restriction.

WORKLOAD

OMHAR established four regional offices in areas with the largest concentration of potentially eligible Mark-to-Market (M2M) properties. The regional offices are located in New York, Chicago, San Francisco, and Washington, DC. At the beginning of fiscal year 2002, the full-time permanent staff in these offices will be reassigned to the Office of Housing in the same locations.

1. HEADQUARTERS

Headquarters staff are responsible for the development of regulations, program policies and procedures; the oversight of Participating Administrative Entities (PAEs); the assignment of assets to PAEs; and the oversight of field staff.

2. PARTICIPATING ADMINISTRATIVE ENTITIES

The hands-on restructuring responsibility was delegated by OMHAR to qualified public and non-public PAEs, who were supervised by OMHAR. Under a Project Restructuring Agreement (PRA) signed with OMHAR, the PAE has the following responsibilities:

- review owner eligibility;
- collect and verify data;
- determine type of Section 8 renewals (project-based or tenant-based assistance);
- evaluate rehabilitation needs;
- determine size/structure of new or modified mortgage;
- negotiate restructuring with owner;

- obtain public comments from tenants and community groups;
- prepare a draft restructuring plan;
- help owners obtain loan/funding approval;
- work with owners on closing;
- oversee reserves for rehabilitation and administer any rehabilitation escrow;
- distribute closing documents; and
- when applicable, facilitate sale or transfer of projects.

In addition, the PAE can be selected to service the second mortgage, administer Section 8 contracts and monitor compliance with Use Agreements.

3. HEADQUARTERS AND FIELD

Both Headquarters and field office staff are responsible for reviewing and approving the draft restructuring plans submitted by PAEs, conducting loan committee reviews for non-conforming cases, and reviewing any Section 223(a)(7) FHA loan application that is proposed as part of the restructuring plan. In addition, these staff are responsible for periodically performing on-site monitoring reviews of the PAEs; reviewing and approving invoices submitted by the PAE for payment of fees and reimbursable expenses; and, acting as liaisons between the PAE and the HUD Multifamily Processing Center with jurisdiction.

TRAVEL

The table below identifies travel requirements unique to this activity.

	ACTUAL 2000	BUDGET ESTIMATE 2001	CURRENT ESTIMATE 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
	(Dollars in Thousands)				
Travel (HQ)	\$143	\$553	\$160	....	-\$160
Travel (Field)	\$290	\$687	\$320	....	-\$320
Total.....	\$433	\$1,240	\$480	\$0	-\$480

No travel funds are requested for fiscal year 2002. The funding provided in fiscal years 2000 and 2001 allowed OMHAR Headquarters to continue to participate in OMHAR field office loan committee reviews of non-conforming cases; allowed both OMHAR Headquarters and field office staff to perform on-site monitoring reviews of PAEs; conduct on-site reviews of specific projects (if deemed necessary); participate in industry meetings; and conduct/attend OMHAR technical assistance briefings and various other training sessions.

CONTRACTS

The table below identifies contract requirements unique to this activity.

	ACTUAL 2000	BUDGET ESTIMATE 2001	CURRENT ESTIMATE 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
	(Dollars in Thousands)				
Technical Services	\$200	\$2,470	\$837	....	-\$837
General Support	\$105	....	\$120	....	-\$120
Total.....	\$306	\$2,470	\$957	\$0	-\$957

No funding for contractual services is requested for fiscal year 2002.