



U.S. Department of Housing and Urban Development  
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<http://www.hud.gov/local/nyn/>

**Bookletter #1**  
**FY 2007 – 2AHMLAP**

December 1, 2006

MEMORANDUM FOR: Owners/Management Agents of Projects Restructured/Restructuring  
Through OAHP

FROM: Deborah Van Amerongen, Director, New York Multifamily Hub, 2AHMLA

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SUBJECT: OAHP Post-Closing Project Reviews

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The New York Multifamily Hub is reviewing all developments that have participated in the Office of Affordable Housing (OAHP), formerly known as the Office of Multifamily Housing Assistance Restructuring (OMHAR), Mark-to-Market Full Debt Restructuring program.

You may be contacted to arrange a post-closing review session with HUD analysts. In particular, HUD analysts will pay attention to the following items:

**Rehabilitation Escrow:**

- ✓ All repairs required in the Rehabilitation Escrow Deposit Agreement (REDA) are to be completed within one year of closing. However, if there is a known delay (not under the owner's control), ensure that an extension is requested from OAHP immediately.
- ✓ After completion of the REDA, any remaining funds must be used in accordance with the terms of the REDA, which is usually to pay down the Mortgage Restructure Note. However, OAHP and the Multifamily Hub will also consider using the excess funds in another manner provided the work required by the REDA has been completed in accordance with the REDA and the account is closed in a timely manner.

**20-Year Physical Condition Assessment:**

- ✓ The physical condition assessment plan was based on two Capital Needs Assessments, one performed by the owner's engineer and one performed by the Participating Administrative Entity's engineer (working on OAHP's behalf). All parties, prior to closing, agreed to the scope of work in the plan. Therefore, any material deviations from the plan should be discussed *in advance* with the HUD Project Manager.
- ✓ Work performed based on the Physical Condition Assessment must be funded from the Reserve for Replacement Account, not project operations.

### **Management Performance:**

- ✓ The property should be maintained in good physical condition. REAC scores must be kept above 60 in order to be in compliance with the Regulatory Agreement and for the ownership to be eligible to collect the Capital Recovery Payment and the Incentive Performance Fee. Deposits to the Reserve for Replacement account(s) must be made monthly.
- ✓ Management should ensure that vacancies are turned over within a reasonable period of time.
- ✓ Receivables and payables ought to be low and within acceptable HUD limits.

### **Financial Operations:**

- ✓ The OAHF Restructuring Plan included the budget that should be adhered to, whenever possible. This plan was agreed to when the owner signed the OAHF Restructuring Commitment. Any needed deviations from the budget should be discussed with the HUD Project Manager.
- ✓ Cash flows generated should be consistent with the budget model to ensure surplus cash is generated.
- ✓ The second and/or third mortgage notes should be paid from surplus cash.
- ✓ Distributions should be made in accordance with the payment terms of the Mortgage Restructuring Note/Contingent Repayment Note. Unauthorized distributions should not occur.
- ✓ Electronic submission of audited financial statements should be timely and utilize HUD's chart of accounts.
- ✓ Any FASS findings should be resolved quickly.
- ✓ Capital improvements are to be paid for from the Reserve for Replacement account as opposed to operating funds. This will enable the generation of surplus cash and the payment of the Mortgage Restructure Note.
- ✓ Withdrawal requests from the Reserve for Replacement account should be made quarterly unless an emergency exists. Additionally, owners should make reimbursement requests during the same (project) fiscal year in which the expenditure occurred, preferably at least sixty days prior to the close of the project's fiscal year in accordance with HUD Handbook 4350.1 Rev-1. Requests made for work completed more than a year earlier may not be honored.

### **Related Parties or Identity-of-Interests:**

1. If related parties are used, Requests For Proposals should be performed regularly (and maintained on file) to justify contracting decisions.
2. All related parties must be documented in the audited financial statements and the project should not contract work out that can be done in-house.

If you have any questions, you may call Roy Schaeffer at (212) 542-7885 or Veronica Flanders at (212) 542-7820.