

**Training and
Technical
Assistance**

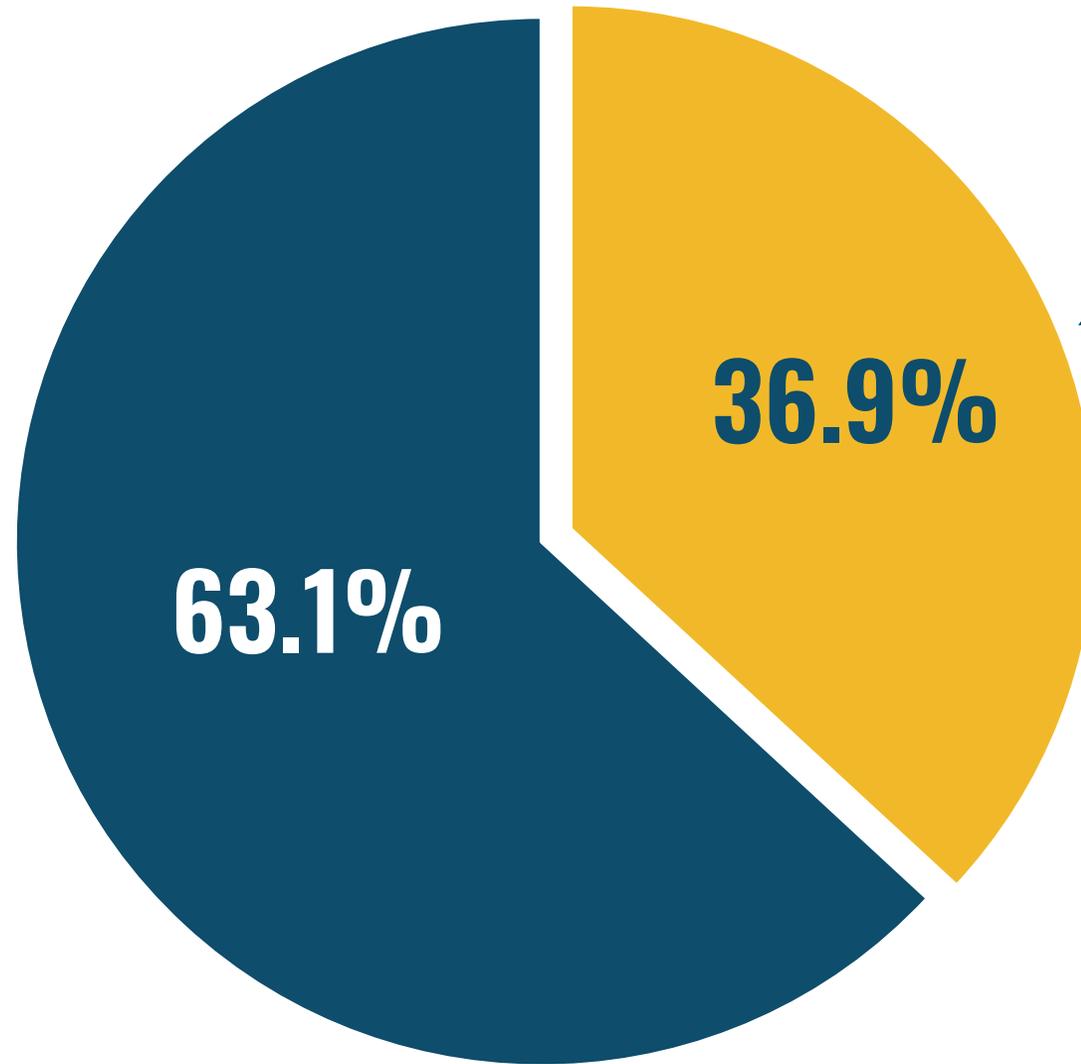
Research

HAC

Lending

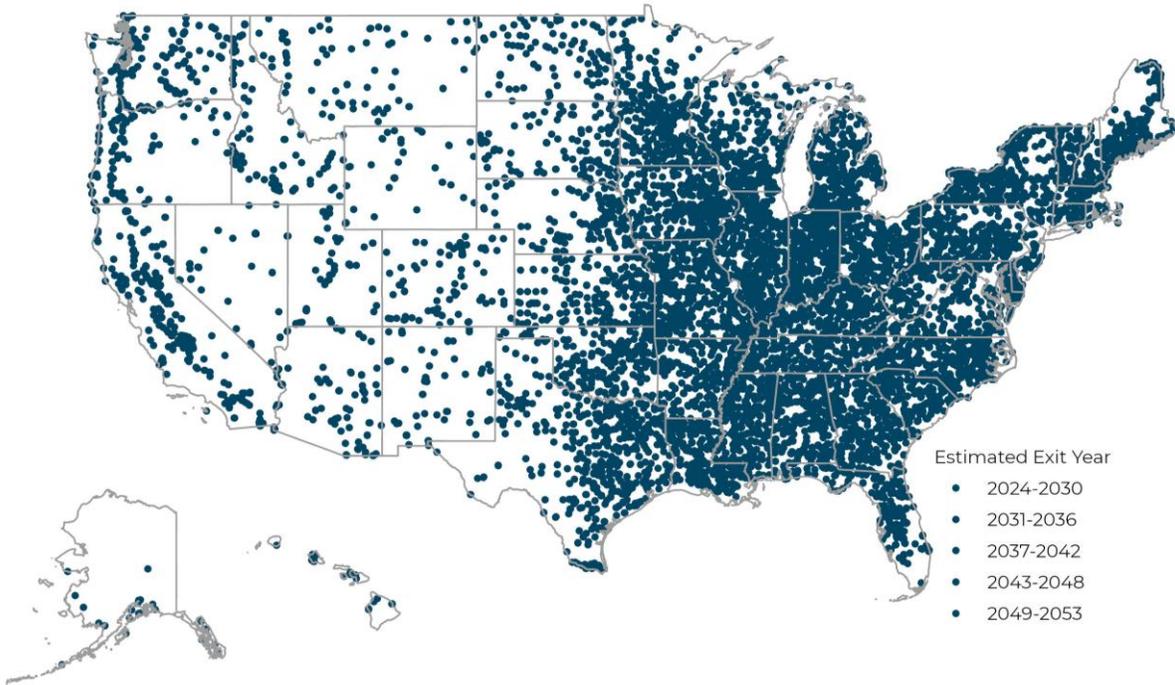
Policy

AFFORDABILITY IS THE GREATEST HOUSING CHALLENGE IN RURAL AMERICA (BY FAR)



Percentage of rural Americans who are cost burdened

What's at Stake

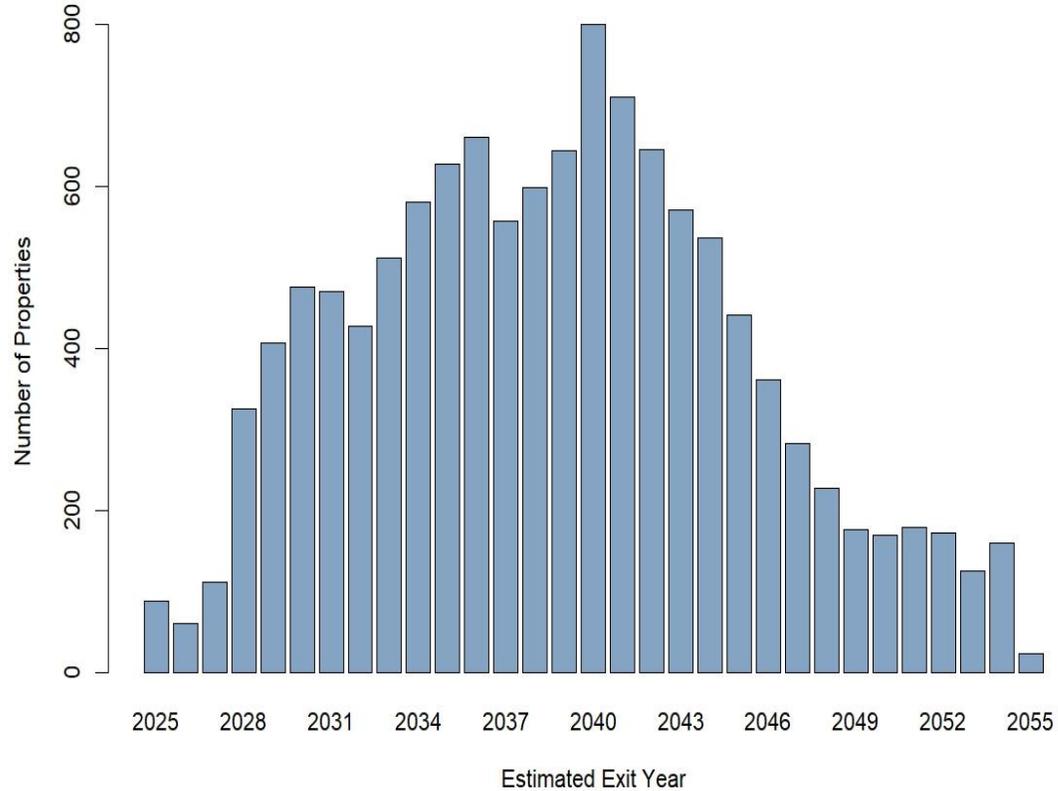


Source: Housing Assistance Council Tabulations of USDA Data

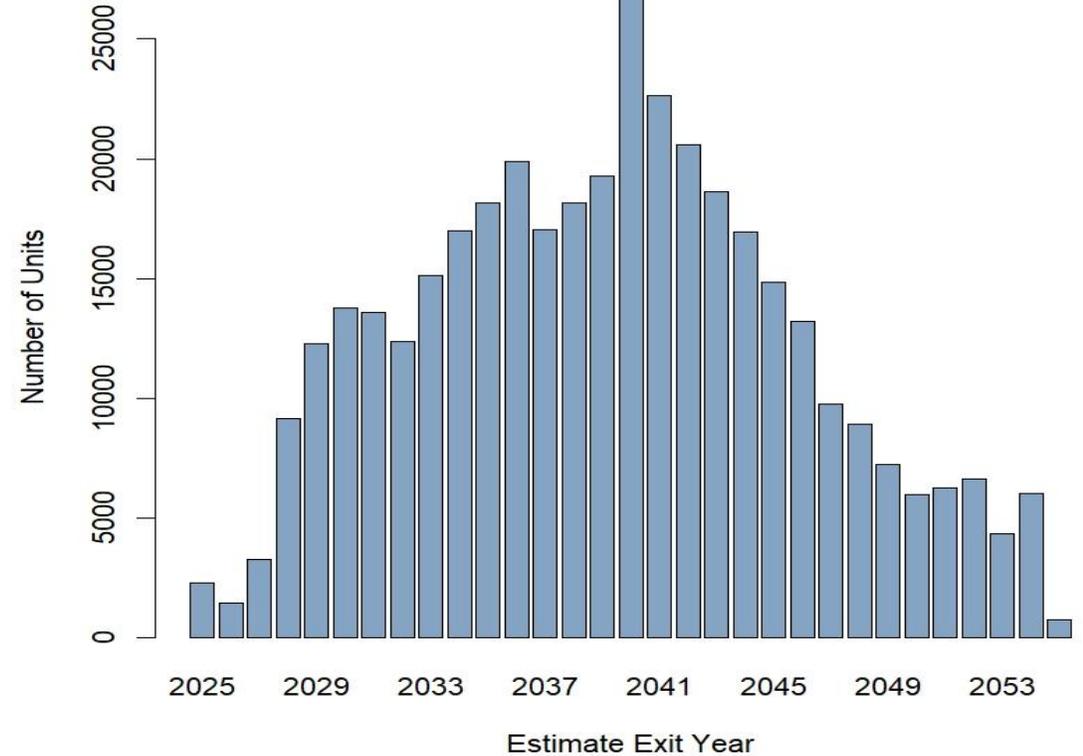
- Rental Assistance + Subsidized Loans since 1963
- Program financed 28,000 properties with over 533,000 rental homes
- 87% of all U.S. counties and 90% of Persistent Poverty Counties have or had a USDA Section 515 Multifamily Property

Most Recent Data Estimated Exit Year

USDA Section 515 Property Exit (6-30-25)



USDA Section 515 Property Exit (6-30-25)



RURAL AMERICA IS LOSING AFFORDABLE RENTAL HOUSING AT AN ALARMING RATE

Estimated USDA Section 515 Rental Properties, 2054



Source: Housing Assistance Council Tabulations of USDA Data

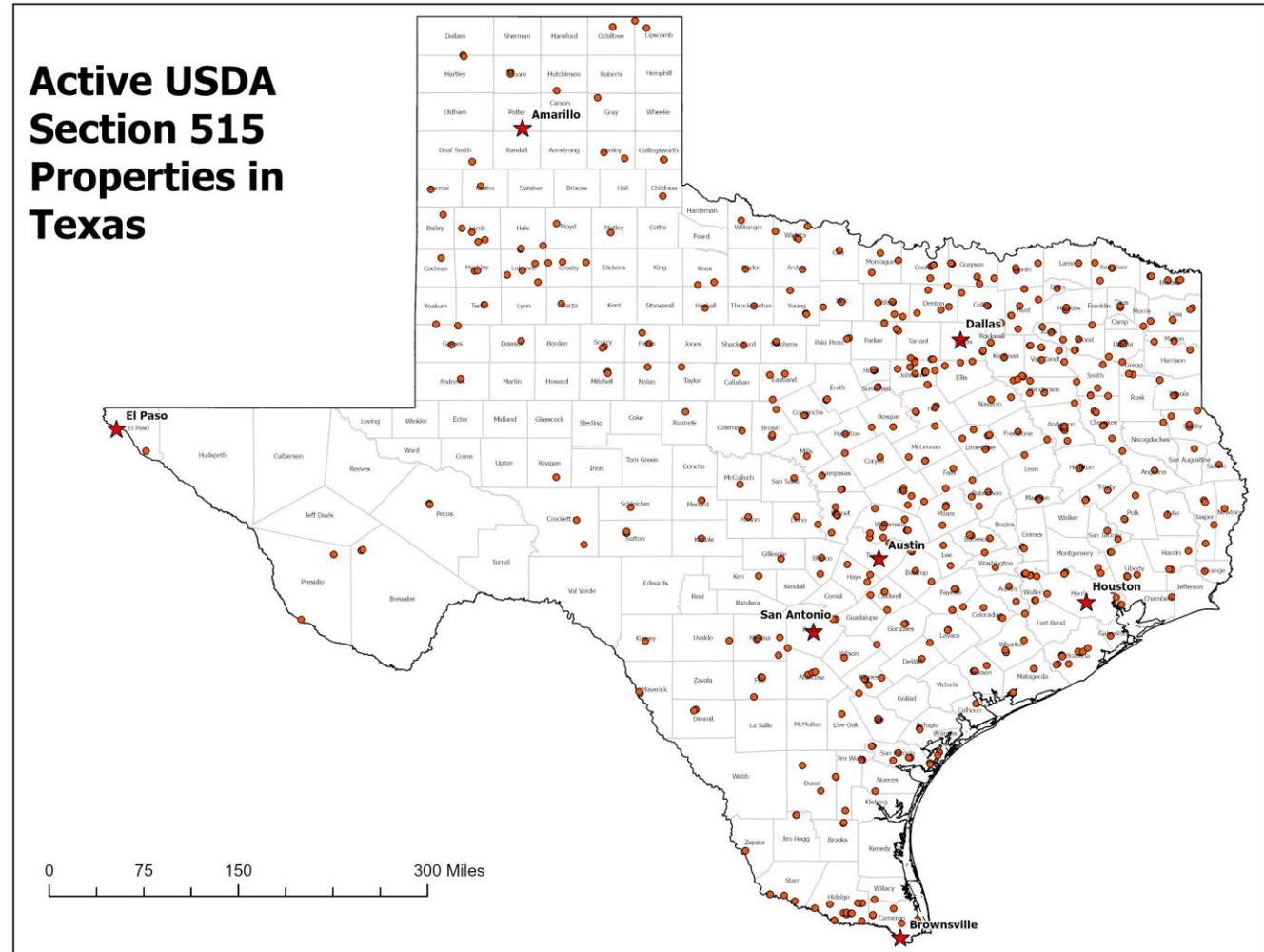


Texas is at a critical moment

Total USDA 515/514 Portfolio:

- 581 Properties
- 21,195 total rental homes
- Average project size of 36 rental homes

Active USDA Section 515 Properties in Texas



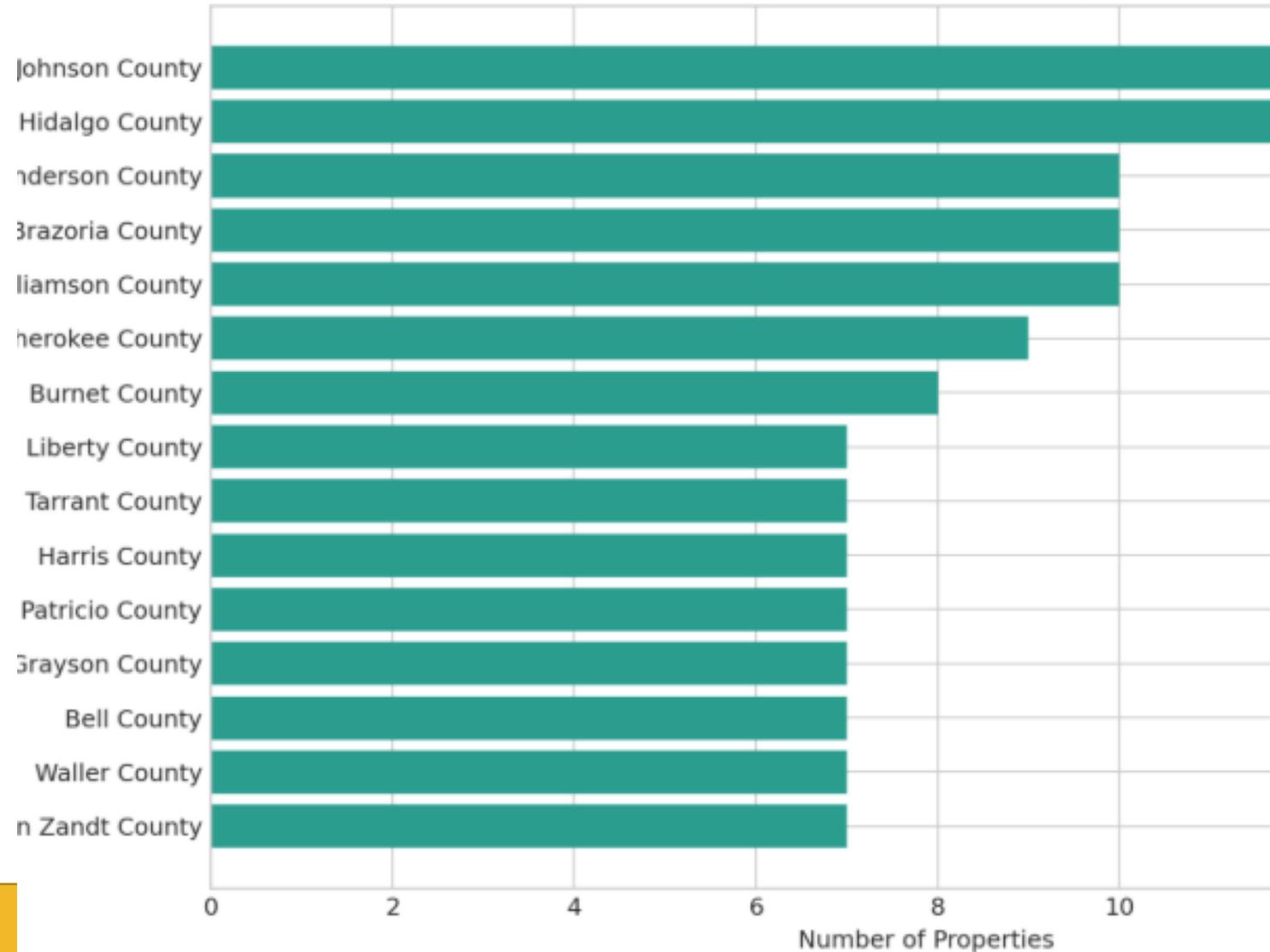
Community members who have homes at risk

Average household income of \$18,083

16,451 of homes have USDA Rental Assistance

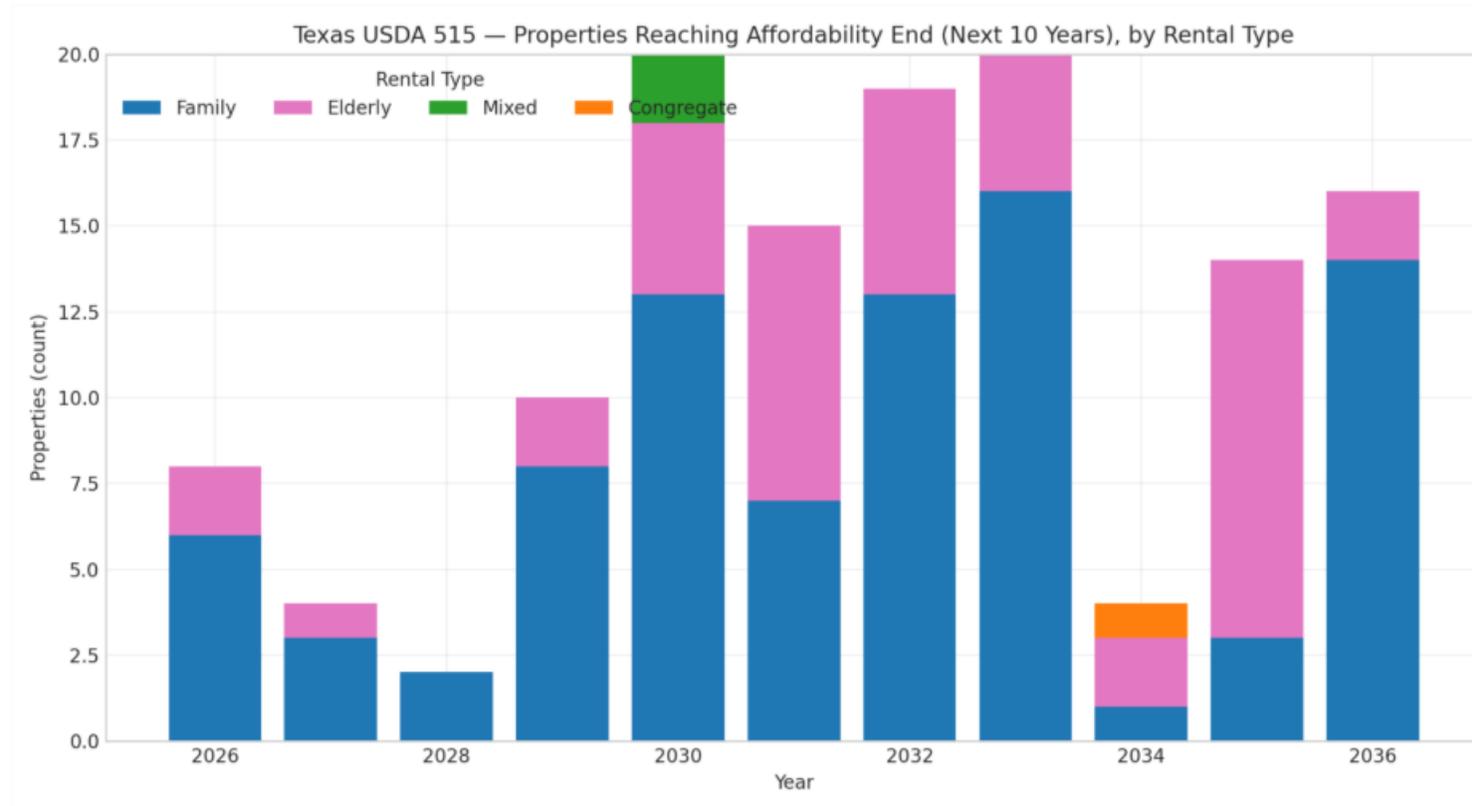
15,031 general occupancy and 6164 set aside for elderly households

USDA 515 Properties by County (Top 15) — Texas



Urgency

- 319 USDA properties with 10,490 rental homes are eligible to prepay & apply to leave USDA program
- 7825 Rental Assistance units
- 42 additional properties will become eligible to prepay over next few years



State of the stock

Most properties developed in the 1970s and 1990s.

Limited new construction in recent decades.

Aging asset base driving increased capital needs.

Many properties now 30–45+ years old requiring reinvestment.

What this means for preservation?

Aging assets often need major capital repairs (roofs, HVAC, accessibility upgrades, energy improvements etc.)

Many deals require layering USDA tools with LIHTC and local gap funding to get his done.

Portfolio-wide planning helps prioritize properties nearing restriction/subsidy changes.

Management Trends: The portfolio is managed by a mix of: Larger regional firms (Hamilton Valley, MAC Real Estate, Megan Properties), local nonprofits or housing authorities, small private owners

Why Preservation intervention is needed



USDA 515 loans are maturing, and properties need rehabilitation



515 deals do not generate significant revenue or financial incentives to recapitalize

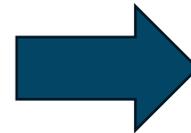


Owners lack capacity to make strategic decision, and USDA has limited staff capacity in the field

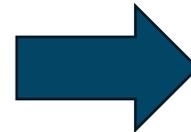


Rural properties experience high management costs and turnover due to lack of services

HAC's 515 Preservation Technical Assistance Response



Center for Rural
Multifamily
Housing
Preservation



515 Non-Profit
Transfer
Technical
Assistance

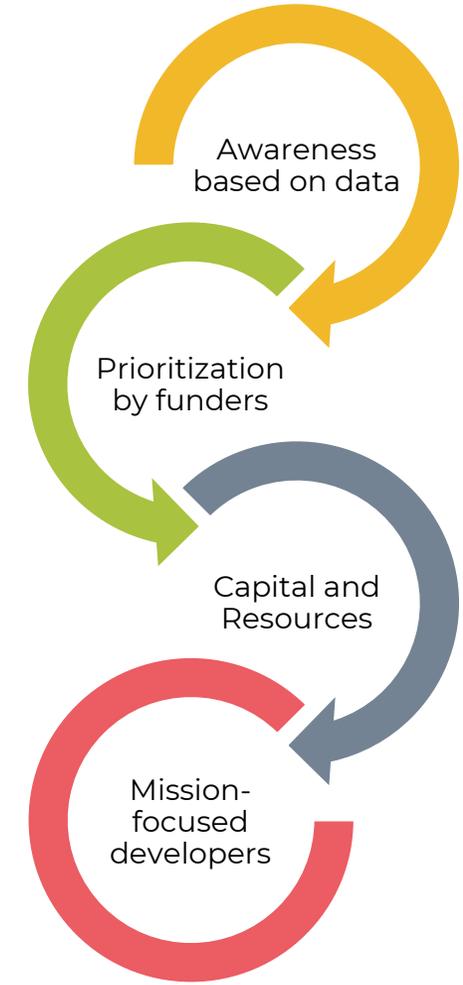
Stand Alone
Rental
Assistance
(SARA) PILOT
Technical
Assistance

Resident
Service
Coordination
Technical
Assistance

Preservation
and
Rehabilitation
Strategy

Creating a strong preservation ecosystem

- ✓ Shared Data & Information
- ✓ Awareness & Communication of preservation needs
- ✓ Policy prioritization (if rural and preservation aren't referenced, they aren't resourced)
- ✓ Prioritized funding & resources
- ✓ Willing developers/owners to take on the stock



HAC's Technical Assistance for 515 Transfers

HAC provides the following scope of services, free of charge, thanks to a grant from USDA

- Assistance to Identify potential property targets.
- Coordination of meetings between buyers and sellers to discuss the property, mutual interest in a transfer and potential timeline.
- Support buyer in conducting due diligence on the properties.
- Assistance with negotiation of purchase and sale contracts.
- Coordination of Concept Call with USDA MFH staff to discuss the transfer process.
- Completion of the Preliminary Assessment Tool (PAT)
- Financial services – HAC will utilize our underwriting capacity to underwrite the project and look at potential preservation scenarios, including analyzing historical performance, and developing projections using past operating expenses, likely rents, occupancy levels etc., and will look at various financing tools and loan options.
- Provide prospective owner with a proforma to understand budget, operations
- Support Management Plan compliance alignment to meet RD and other funder requirements
- Development of a preliminary financing and transfer strategy and timeline. The transfer strategy for the property could be a full transfer or a transfer of general partner interests. The preservation strategy will depend on the capital needs of the project and results of the financial underwriting.
- Evaluation of potential eligibility for Simple Transfer Pilot options.
- Compilation of transfer application materials if needed.
- Assistance with applying for financing or funding for acquisition and rehabilitation of the properties.
- Process through USDA's transfer process and follow up through underwriting and issuance of a Letter of Conditions by the agency.
- Coordinate closing between transferor, transferee and the agency.
- Depending on the capital needs of the project, and the seller's timing needs, a two-step preservation strategy might be explored if acceptable to USDA, where the nonprofit first takes over control or ownership of the property while planning for the property's longer term recapitalization strategy.

HAC can provide prospective buyer up to \$10,000 for 3rd Party Due Diligence Costs

Technical Assistance Steps & Timeline

Initial Due Diligence

30 Days

- Collect Organizational & Ownership Documents
- Review Physical Needs from existing CNA, Appraisal and site visit
- Identify existing sources and requirements
- Order Appraisal & CNA if needed – develop 504 transition plan
- Financial and Budget reports (MFIS & Owner)

Deal Structure

30-60 Days

- HAC develops proforma: provides picture of post-transfer operations & budget
- Enter Purchase and Sales
- Identify other funding needed
- Identify transfer type
- Hold Concept Call with RD

Transfer Application

30-60 Days

- HAC & Transfer Recipient compile full transfer application package.
- Development of Preliminary Assessment Tool (PAT)
- Finalize Management Plan & Budgets
- LOTS of forms!

Underwriting & Deal Adjustments

2-6 Months

- RD Underwriting staff will analyze budget, development plan, reserves and management plan
- Often iterative, with back and forth
- RD Appraiser will review Appraisal and CNA, may require updates

Closing

60 Days

- Office of General Council will review deal: Proposed ownership structure, organizational documents, third-party lending and management agreements, etc.
- OGC will issue Closing Instructions & Agency Closing Document Package

How can you take the next steps?



Become a vocal preservation advocate at resource and policy tables



HAC can provide a list of at-risk properties in your area/region



There are for-sale USDA properties TODAY that could leave the affordable housing portfolio



How can you ready your organization to support preservation?

HAC Loan Fund

Flexible, low-cost capital to support rural affordable housing development and preservation



Photo: Rory Doyle / *There is More Work to be Done*

HAC Loan Fund:
Loan capital for
rural affordable
housing
development
and
preservation

Predevelopment

Property Acquisition

Construction

Mini-Perm/Permanent

HAC is a
flexible and
creative
lender

Fill capital and market gaps

Small loans for small projects

'One stop' construction to permanent financing

Flexible underwriting and terms

Low fees and closing costs

USDA 515 Transactions

Funding Sources:

- 9% LIHTC with new permanent debt
- 4% LIHTC with new permanent debt
- USDA resources - Multifamily Preservation & Rehabilitation (MPR) or Subsequent Loan
- State resources (debt, soft debt, other favorable financing)
- Debt only – USDA Section 538 or other bank/private financing
- Other options: Federal Home Loan Bank and other competitive resources

Preservation with LIHTC

Valley Drive Estates, Lexington Park MD

- 38-unit USDA 515
- Built in the early 1980s; In need of rehabilitation to meet modern standards
- 68% of units have rental assistance

Sources

- 9% LIHTC
- Bank construction loan
- HAC permanent loan (\$500K)
- Existing USDA loans reamortized at 1%

Other

- TDC of \$400,000 per unit (\$15M)
- Hard costs of \$225,000 per unit



Preservation/Rehabilitation with LIHTC

Gap Financing for USDA 515s in Mississippi

4 USDA 515s

- All about 40 years old
- In need of substantial rehabilitation
- Projects needed no new debt (just LIHTC and reamortization of USDA loans)
- Construction cost increases created a gap
- Properties needed permanent financing ranging from \$220,000 to \$350,000
- Increasing RA units



Preservation without LIHTC –

12 USDA 515 in Kansas

- Nonprofit buyer
- Property was well-maintained but was aging (over 40 years old) and needed rehabilitation
- About \$69,000 per unit rehabilitation investment

Typical Sources	Amount	% of total
USDA 538 – 1 st	\$1,020,000	81%
HAC PRLF – 2 nd	\$100,000	8%
USDA 515 – 3 rd	\$61,000	5%
Existing Property Cash	\$73,000	6%
Total	\$1,254,000	



Preservation without LIHTC – “Simple” - Two Step Transfer

Amaryllis Gardens, Pahokee, Florida

- 44-unit USDA 514/515
- Built in 1992
- Needed minor short-term improvements
- Nonprofit buyer/developer acquired the property in June 2020
- Seller was paid \$230,000 in an equity payout
- Additional acquisition loan proceeds were invested in immediate needs/repairs

Phase/Step 1 Sources	Amount
Acquisition/Rehab Loan	\$360,000
USDA 515 Assumption	\$250,000
Total	\$610,000



Preservation without LIHTC – “Simple” - Two Step Transfer

Amaryllis Gardens, Pahokee, Florida – Second Step

- Rehab closing occurred in February 2024
- Budgeted \$1,715,000 in rehabilitation (\$39,000 per unit)

Phase 2 Sources	Amount
New permanent loan	\$893,000
State/County Deferred payment loan	\$1,262,000
Reserves	\$96,000
Total	\$2,251,000



MPR and FHLB – Maple Village, Iowa

- 24 Unit 515 in Greenfield, IA
- Awarded USDA-MPR and FHLB-AHP
- Experienced a gap from rising construction costs
- About \$52,000 per unit rehabilitation investment



Typical Sources	Amount	%
USDA MPR Loan	\$812,000	62%
USDA MPR Grant	\$140,000	11%
FHLB-AHP	\$200,000	15%
HAC Gap Perm Loan	\$165,000	12%
Total	\$1,317,000	

Repair Loan – Bridge to Equity Investment

- Sewer line failure; needed funds in excess of reserves to make the repair and return units to habitability
- USDA approved a rent increase (100% RA property) to support the additional debt
- HAC's loan
 - \$325,000 construction to permanent
 - 15-year term/30-year amortization
 - Closed in 2022
- Larger rehabilitation/recapitalization planned in 3-5 years (4% LIHTC portfolio transaction with other properties)
- Secured LIHTC in 2024; Rehabilitation is underway



GP Interest Acquisition Financing

- Loans to organizations that are acquiring GP interests of Section 515 owners
- Secured by an assignment of the GP interests in the property, and additional collateral
- Repayment from Return to Owner
- Full principal balance is due from the rehabilitation/recapitalization transaction the buyer is planning.



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Thank you!