

**DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**

[Docket No. FR-4370-N-01]

**Fiscal Year 1999 Multifamily Housing  
Mortgage and Housing Assistance  
Restructuring Program Request for  
Qualifications**

**AGENCY:** Office of Secretary, HUD.

**ACTION:** Notice of request for qualifications.

**SUMMARY:** The Department is implementing the Mark-to-Market Program authorized by the Multifamily Assisted Housing Reform Act (MAHRA). The program is intended primarily to: (1) preserve low-income rental housing affordability and availability while reducing the long-term costs of project-based assistance; (2) reform the design and operation of Federal rental housing assistance programs administered by the Secretary, to promote greater multifamily housing project operating and cost efficiencies; (3) encourage owners of eligible multifamily housing projects to restructure their FHA-insured mortgages and project-based assistance contracts in a manner that is consistent with the statute. The statute directs the Secretary to enter into "portfolio restructuring agreements" with "participating administrative entities" (PAEs) for the implementation of mortgage restructuring and rental assistance sufficiency plans to restructure multifamily housing mortgages insured or held by the Secretary under the National Housing Act.

A PAE is a public agency, a nonprofit organization, or any other entity (including a law firm or an accounting firm), that meets the requirements of MAHRA. For purposes of this RFQ, a public agency means a State, county, municipality or other governmental or public body (or agency or instrumentality thereof) authorized to engage in or assist in the development or operation of low-income housing; namely, a public agency is either a State housing finance agency or a local housing agency. The Department is publishing this Notice as a formal Request for Qualifications (RFQ) from entities that seek to become PAEs.

The statute establishes a priority and directs the Secretary to provide a reasonable period during which the Secretary will consider proposals only from State housing finance agencies (HFAs) and local housing agencies. It further directs the Secretary to select such an agency without considering other applicants if the Secretary determines the agency is qualified. By

the end of the period the Secretary shall notify the State HFA or local housing agency regarding the status of the proposal. If the proposal is rejected, the Secretary will provide reasons for the rejection and the public agency will have an opportunity to respond. To comply with these provisions of the statute, the selection of qualified PAEs under this RFQ will be completed in two phases.

**DATES:** See Supplementary Information for dates concerning pre-submission conference, proposal deadlines, and selection schedule.

**FOR FURTHER INFORMATION CONTACT:** George C. Dipman or William S. Richbourg, Program Coordinators, Office of Multifamily Housing, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-4000; Room 6272; Telephone (202) 708-2495 Fax (202) 708-5494. (This is not a toll-free number.) Hearing or speech-impaired individuals may call 1-800-877-8399 (Federal Information Relay Service TTY). Internet address: George\_C.\_Dipman@hud.gov or William\_S.\_Richbourg@hud.gov.

**SUPPLEMENTARY INFORMATION:**

**Paperwork Reduction Act Statement**

The information collection requirements contained in this Request for Qualifications (RFQ) have been submitted to the Office of Management and Budget (OMB) for emergency review and approval in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor and a person is not required to respond to, a collection of information unless the collection displays a valid control number. The OMB control number, when assigned, will be published in the **Federal Register**, together with any changes in the information collection requirements that may result from the approval process.

**Participating Administrative Entities—  
Request for Qualifications**

**I. Background: Multifamily Housing  
Mortgage and Housing Assistance  
Restructuring Program**

The Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) was enacted in title V of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998 (FY 1998 Appropriations Act) (Pub. L. No. 105-65; 111 Stat. 1344, 1384; approved October 27, 1997). Subtitle A of MAHRA contains the FHA-Insured Multifamily Housing

Mortgage and Housing Assistance Restructuring Program. That program provides authority to deal with Section 8 contract expirations occurring in FY 1999 and later. In accordance with section 522(a) of MAHRA, the new program will be initially implemented by an interim rule to be followed by a final rule.

HUD seeks to select Participating Administrative Entities with which it will enter into portfolio restructuring agreements for a term of one year with optional annual renewals. Compensation is expected to include a base fee, a performance-based incentive fee and a provision for reimbursable expenses. Responsibilities will include developing and implementing mortgage restructuring and rental assistance sufficiency plans (Restructuring Plan) to restructure multifamily housing mortgages insured or held by the Secretary under the National Housing Act in order to:

- (a) Reduce the costs of expiring contracts for assistance under section 8 of the US Housing Act of 1937;
- (b) Address financially and physically troubled projects; and
- (c) Correct management and ownership deficiencies.

This Request for Qualifications is being issued in order to select entities that possess sufficient experience, capacity and financial strength, either on their own or in conjunction with other experienced entities to become PAEs and to efficiently and effectively execute the restructuring program.

Attachment A to this RFQ provides a list of insured, subsidized projects with Section 8 rents greater than 90% of the 1997 Fair Market Rent. The report shows the number of contracts initially expiring by year, by State, for a four year period beginning in Fiscal Year 1999. This list is for illustrative purposes only. *It is not a definitive list of eligible projects.* Projects that have already reached their initial contract expirations and are on one year renewals are not included. There may also be some projects with formerly insured, HUD held mortgages that may be eligible. Finally, eligibility will be based on a comparison with rents for comparable projects in the same market area.

Selection criteria for PAEs include, among others, experience working with tenants and tenant organizations, underwriting FHA-insured and conventional mortgages, and negotiating with mortgagees to restructure mortgage debt. If an applicant public agency does not possess this experience in-house it is encouraged to contract for qualified resources that will enhance its response to the RFQ.

The selection of PAEs will be conducted in two phases:

*Phase I: Public Agency Selection:* In Phase I, HUD will consider only State HFAs and local housing agencies (collectively referred to as "public agencies") and will determine which are qualified to be PAEs.

*Phase II: Public Agency Appeal and Non-Public Entity Selection:* After HUD has determined which public agencies are qualified in Phase I, HUD will consider the proposals from nonprofit organizations and for profit entities (collectively referred to as "non-public entities") and will determine which are qualified to be PAEs. At this time, appeals from public agencies that were rejected in Phase I will also be considered. At a later date, these qualified non-public entities will be provided with specific portfolios of assets and a "bidding package" and will be required to prepare a competitive bid for the right to restructure the assets in one or more of the portfolios.

## II. Purpose and Objectives

The objective of this Request for Qualifications is to select those PAEs with which the Secretary will enter into portfolio restructuring agreements (PRAs) to implement Restructuring Plans and carry out the other purposes of the Mark-to-Market Program.

A portfolio restructuring agreement:

- Is an agreement between the Secretary and the PAE that establishes the obligations and requirements of each party;
- Identifies the eligible multifamily housing projects or groups of projects for which the PAE is responsible for developing and implementing a HUD-approved Restructuring Plan;
- Requires the PAE to review and certify to the accuracy and completeness of the evaluation of rehabilitation needs;
- Identifies the responsibilities of both the PAE and the Secretary in implementing Restructuring Plans;
- Requires each Restructuring Plan to be prepared in accordance with the requirements of the statute;
- Includes other requirements established by the Secretary including a right of the Secretary to terminate the contract;
- Provides for indemnifying the PAE if it is a State HFA or local housing agency;
- Includes compensation for reasonable expenses;
- Includes, where appropriate, incentive agreements with the PAE to reward superior performance in meeting the purposes of MAHRA.

In general, the functions that will be performed by the PAE in carrying out its

responsibilities under the portfolio restructuring agreement include, but are not limited to, the following:

1. *Owner eligibility:* Reviewing owner data submitted in connection with expiring contracts in order to determine eligibility for restructuring under the Statute.

2. *Determining initial restructured rent and operating expense levels:* Based on an analysis of market rent comparables and operating expenses from an appraisal from data provided by the owner and servicer, other parties as appropriate, and the PAE's independent due diligence, the PAE will determine comparable market rents or exception rents as well as reasonable operating expenses for projects undergoing a Restructuring Plan.

3. *Preservation of affordable housing:* Either confirming that the project meets the criteria for mandatory project-basing or developing, for qualified projects, a rental assistance assessment plan to determine whether the renewal of Section 8 assistance should be project-based or tenant-based, pursuant to guidance provided by HUD. Meeting with tenants and local community groups to obtain their views and gain other perspectives that may impact the restructuring process.

4. *Rehabilitation needs.* Determining the immediate and long term rehabilitation needs of the project based on a review and certification of the owner's evaluation of rehabilitation needs and a physical condition analysis obtained by the PAE, including sizing contributions to the Reserve for Replacement.

5. *Underwriting:* Determining the Net Operating Income of the project from estimated revenues based on the restructured rent determination, and from estimated operating expenses; determining the size and structure of sustainable new or modified first mortgages based on these estimates, and the size and conditions of the HUD second mortgage; ensuring adequate sources of funds are available from project accounts, the owner's contribution to rehabilitation, the HUD second mortgage, grants, loans, or capital advances to meet approved uses and perform an analysis of tax implications for use in analyzing restructuring options. The analysis of tax implications will not be for the benefit of the owner or constitute legal advice to the owner. The owner will be solely responsible for its own analysis of tax implications.

6. *Negotiations:* Negotiating with owner to reach agreement on restructured rental subsidies, restructured debt, and rehabilitation.

7. *Loan/funding approval:* Obtaining HUD approval of the HUD funding amount (including the amount of the partial or full payment of claim and any HUD funding for rehabilitation) and of the HUD held second mortgage loan. Assist the owner either to obtain approval of the mortgagee to modify the existing mortgage or to obtain new financing.

8. *Closing:* Coordinating the time and place of closing, the drafting, circulation, execution, and recording of documents, establishment of required escrows, and any transfers of funds.

9. *Post-closing document distribution:* Ensuring that copies of properly executed closing documents are circulated to appropriate parties including HUD field offices and/or HUBs, as well as copies for the Washington Docket.

10. *Facilitating the voluntary sale or transfer of projects:* Facilitate the sale or transfer to a qualified purchaser, either of properties disqualified from restructuring (before or during the restructuring) because of the actions of an owner, or at the request of an owner where the PAE determines that sale or transfer may be the best means of achieving the purposes of MAHRA.

Servicing second mortgages and rehabilitation escrow accounts: Servicing is a responsibility that will *not* be initially covered in the PRA, as HUD is still considering this matter. This RFQ is not intended to obtain information to determine an applicant's qualifications to perform ongoing servicing including administering the Section 8 contracts, monitoring compliance with the terms of the Use Agreements, servicing rehabilitation escrows, and servicing the second mortgage. HUD will follow an appropriate public procedure in the future to obtain necessary information to determine how these responsibilities will be handled. (Please indicate your interest in performing these services in Section 2 of Attachment B to this document.)

The following types of entities are invited to apply under this RFQ: State housing finance agencies, local housing agencies, nonprofit organizations and for-profit entities including law firms and accounting firms.

HUD is seeking responses from all entities that are interested and that are potential candidates under the provisions of the statute.

HUD will not process a response from an entity that (1) has been charged with a violation of the Fair Housing Act by the Secretary; (2) is the defendant in a Fair Housing Act lawsuit filed by the Department of Justice; or (3) has

received a letter of noncompliance findings under title VI of the Civil Rights Act, section 504 of the Rehabilitation Act, or section 109 of the Housing and Urban Community Development Act unless the charge, lawsuit, or letter of findings have been resolved to the satisfaction of the Secretary.

### III. Process for Selecting Qualified PAEs

#### A. Selection Schedule

Subject to publication of the interim rule for effect, HUD intends to conclude its selection process according to the following schedule:

- By September 16, 1998, proposals are due from State HFAs and local housing agencies and non-public entities. Proposals from the latter will be held by the Office of General Counsel (OGC) until the conclusion of Phase I.

#### Phase I—Public Agency Selection

- After reviewing the public agency proposals, the Secretary shall announce the preliminary selections of the State HFAs and local housing agencies that are qualified as PAEs with a determination of both technical qualifications and estimated workload capacity. If a public agency proposal is rejected at this time, the Secretary shall provide the reasons and an opportunity for the applicant to respond. HUD intends to make these announcements on or about October 1, 1998.

#### Phase II—Public Agency Appeal and Non-Public Entity Selection

- After the announcement of preliminary selections of the State HFAs and local housing agencies is made, proposals from non-public entities, that meet the requirements of MAHRA shall be released by OGC for review and evaluation.
- Within three weeks after the rejection is sent, a public agency applicant that was rejected in Phase I and chooses to appeal must submit its revised application.
- On or after October 29, 1998, the Secretary intends to issue final determinations concerning selection and estimated workload capacity of State HFAs and local housing agencies as well as all other entities qualified to be PAEs. HUD intends to allocate assets to a qualified public agency PAE, up to its numerical capacity, before allocating assets in the same jurisdiction to a qualified non-public entity PAE. The Secretary shall also notify all entities that were rejected and provide the reasons for the rejection. There is no appeal process for these rejections.

#### B. Evaluation Procedures

For all applicants HUD will review each application against the selection criteria in section III.D. of this RFQ. HUD will review each applicant's qualifications and will assign points for each selection criterion up to the maximum indicated in section III.D. for the respective selection criterion. If HUD determines an applicant fails to meet a selection criterion it will assign zero points for that criterion which will result in the rejection of the application. HUD will rank all applicants that have received points on each selection criterion. Qualified applicants must have at least 70 points. HUD will select applicants that HUD determines clearly meet each of the five selection criteria based on the scoring. From the information submitted, in accordance with selection criterion E, HUD will determine the number of assets the applicant will be assigned at any given time. HUD will negotiate and execute Portfolio Restructuring Agreements (PRA) with only those applicants determined to be qualified.

HUD may select fewer than all non-public entity applicants that receive the minimum qualifying score. Selection may be based upon the projected size of the portfolio in States where there is no public agency PAE.

At a later date, the selected non-public entity applicants will be provided with specific portfolios of assets and a bidding package and will be required to prepare a competitive bid for the right to restructure the assets in one or more portfolios. These portfolios will include projects that are located in jurisdictions where there are no qualified public agency PAEs or projects that are not included in a PRA of any public agency PAE.

HUD will form a limited partnership with each non-public entity that is a successful bidder.

#### C. Conflicts of Interest

##### 1. PAE Applicants

All PAE applicants shall identify the procedures they use, or will use, to identify conflicts of interest.

- *Definitions. Conflict of interest.* A conflict of interest is a situation in which a PAE or other restricted person has: a financial interest in a matter relating to the PRA; one or more personal, business, or financial interests or relationships which would cause a reasonable person with knowledge of the relevant facts to question the integrity or impartiality of those who are or will be acting under the PRA; or is taking an adverse position to HUD or to an owner whose project is covered by a

PRA in a lawsuit, administrative proceeding or other contested matter.

*Control* means the power to vote, directly or indirectly, 25 percent or more of any class of the voting stock of a company; the ability to direct in any manner the election of a majority of a company (or other entity's) directors or trustees; or the ability to exercise a controlling influence over the company or entity's management and policies. For purposes of this definition, a general partner of a limited partnership is presumed to be in control of that partnership.

*Restricted person* means a PAE; any management official of the PAE; any legal entities that are under the control of the PAE, are in control of the PAE or are under common control with the PAE; or any employee, agent or contractor of the PAE, or employee of such agent or contractor, who will perform or have performed services under a PRA with HUD.

- *General prohibitions.* The PAE may not permit conflicts of interest to exist without obtaining a waiver from HUD.

The PAE must establish procedures to identify conflicts of interest and ensure that conflicts of interest do not arise or continue, subject to waiver.

HUD will not enter into PRAs with potential PAEs who have conflicts of interest associated with a particular PRA or identified asset, or permit PAEs to continue performance under existing PRAs when such PAEs have conflicts of interest, unless such conflicts have been eliminated to HUD's satisfaction by the PAE or potential PAE or are waived by HUD.

The PAE has a continuing obligation to take all action necessary to establish whether it or any other restricted person has a conflict of interest.

- *Waivers.* HUD will waive conflicts of interest only when, in light of all relevant circumstances, the interests of HUD in the PAE's participation outweigh the concern that a reasonable person may question the integrity of HUD's operations.

• *Conflicts of interest arising prior to PAE selection. Request for review of conflicts of interest.* A potential PAE may, with its request to HUD for consideration for selection as a PAE, must identify existing conflicts of interest and may make a written request for a determination as to the existence of a conflict of interest, may request that the conflict of interest, if any, be waived, or may propose how it could eliminate the conflict.

If, after submitting request but prior to selection, a potential PAE discovers that it has a conflict, it must notify HUD in writing within 10 days of submitting the

request or prior to selection, whichever is earlier. The potential PAE may, with its notices, request that the conflict be waived or may propose how it may eliminate the conflict. The potential PAE may also request a determination as to the existence of the conflict.

*Review by HUD.* Subject to the restrictions set forth in this section, HUD in its sole discretion may determine whether a conflict of interest exists, may waive the conflict of interest, or may approve in writing a PAE's proposal to eliminate a conflict of interest.

- *Reconsideration of decisions.* Decisions concerning conflicts of interest may be reconsidered by HUD upon application by the PAE. Such requests must be in writing and must contain the bases for the request. HUD may, at its discretion and after determining that it is in its best interests, stay any corrective or other actions previously ordered by pending reconsideration of a decision.

- PAEs will be subject to such additional conflicts of interest requirements and requirements concerning standards of conduct and confidentiality as HUD may prescribe by regulation.

## 2. Reviewers and Technical Advisors

Consultants or experts assisting HUD in rating and ranking applicants under this RFQ are subject to 18 U.S.C. 208, the Federal criminal conflict of interest statute, and to the Standards of Ethical Conduct for Employees of the Executive Branch regulation published at 5 CFR part 2635. As a result, individuals who have assisted or plan to assist applicants with preparing applications for this RFQ may not serve on a selection panel or as a technical advisor to HUD for this RFQ. All individuals involved in rating and ranking this RFQ, including experts and consultants, must avoid conflicts of interest or the appearance of conflicts. If the selection or non-selection of any applicant under this RFQ affects the individual's financial interests set forth in 18 U.S.C. 208 or involves any party with whom the individual has a covered relationship under 5 CFR 2635.502, that individual must, prior to participating in any matter regarding this RFQ, disclose this fact to the General Counsel or OGC's Ethics Law Division.

### D. Selection Criteria

In both Phase I and Phase II, all applications will be considered based on the following selection criteria established under section 513(b) of MAHRA. Please note that the applicant must demonstrate prior experience and/or a relevant plan that satisfies all five

selection criteria. Failure to satisfy one or more of the selection criteria will result in the rejection of the application.

1. Selection Criterion A: Demonstrated experience in, and an adequate plan for, working directly with residents of low-income housing projects and with tenants and other community-based organizations. (15 Points)

In rating this criterion HUD will consider demonstrated experience with residents, tenant organizations, and community-based groups that have worked with the applicant as well as the plan to work with these groups in the restructuring process.

2. Selection Criterion B: Demonstrated experience with, and capacity for successful multifamily restructuring and multifamily financing (which may include risk-sharing arrangements and restructuring eligible multifamily housing properties under the fiscal years 1997 and 1998 Federal Housing Administration multifamily housing demonstration programs) (25 points).

a. *Multifamily Restructurings (15 of the 25 points):* HUD will consider the extent of the applicant's experience within the last five years in restructuring mortgages secured by multifamily properties. Restructuring includes loan modifications, workouts, or other forms of restructuring for both portfolios and single assets. Indicate specific experience in restructuring affordable multifamily projects involving Section 8 subsidies and projects with low income housing tax credits or other affordable housing financing mechanisms. Experience with the analysis of the tax consequences of restructuring will also be considered.

b. *Multifamily Financing: (10 of the 25 points):* HUD will consider the applicant's demonstrated experience in underwriting multifamily loans and providing financing for multifamily properties particularly with regard to affordable multifamily housing utilizing Section 8 subsidies or other public subsidies, including low income housing tax credits and tax exempt bonds.

3. Selection Criterion C: A history of stable, financially sound, and responsible administrative performance (which may include the management of affordable low-income rental housing) (15 points).

HUD will evaluate the administrative and management performance of the applicants and its partners through the review of its organizational history, mission, and administrative performance with specific emphasis on its management of multifamily projects or loans.

4. Selection Criterion D: Demonstrated financial strength in terms of asset quality, capital adequacy, and liquidity (15 points).

HUD will consider:  
Applicant's audited financial statements for most recent two years;

- Auditor's key findings;
- Applicant's most recent annual report; and
- Findings of Bond Rating Agencies.

5. Selection Criterion E: Demonstrated ability and capacity to carry out the specific transactions and other responsibilities under subtitle A of the statute in a timely, efficient, and cost effective manner (30 points).

HUD will review and evaluate applicant and applicant's partners, subcontractors, and other team members' organization and staffing, including individual roles and responsibilities, and the experience of key personnel. The applicant's capacity to manage the anticipated workload will be determined based on information provided.

HUD will consider applicant's workplan and its administrative and management systems, policies, and procedures to ensure timely and effective implementation of the plan.

### E. Submission Requirements

Three (3) copies of the response to the Request for Qualifications should be submitted in the format set out in Attachment B to this RFQ.

### F. Questions and Further Information

Respondents' questions to this RFQ must be submitted in writing, either by fax or e-mail, and received by HUD by August 24, 1998. The questions will be answered at the pre-submission conference. Questions should be submitted to George C. Dipman or William S. Richbourg, Program Coordinators, Office of Multifamily Housing, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-4000; Room 6272; Telephone (202) 708-2495 Fax (202) 708-5494. (This is not a toll-free number.) Hearing or speech-impaired individuals may call 1-800-877-8399 (Federal Information Relay Service TTY). Internet address: George\_C.\_Dipman@hud.gov or William\_S.\_Richbourg@hud.gov.

### G. Pre-submission Conference

HUD will hold a pre-submission conference in Washington, DC, on or about September 27, 1998. The precise time and place will be posted on the FHA/Housing Multifamily Business Homepage at <http://www.hud.gov/fha/mfh/pre/premenu.html>. Further

questions raised as a result of the pre-submission conference should be submitted either by fax (202) 708-5494 or e-mail to

George\_C.\_Dipman@hud.gov or William\_S.\_Richbourg@hud.gov within 24 hours after the pre-submission conference. Within 3 business days after the pre-submission conference, HUD will post responses to questions raised at the pre-submission conference on the FHA/Housing Multifamily Business Homepage at <http://www.hud.gov/fha/mfh/pre/premenu.html>.

#### *H. Proposal Deadline*

The required copies of the response to the Request For Qualifications must be

delivered on or before 5:15 P.M. EDT on September 16, 1998.

#### *I. Submission Addresses*

Proposals must be submitted to the appropriate address as follows:

##### State HFAs and Local Housing

Agencies: M2M Program-Public Agencies, Office of the Deputy Assistant Secretary for Multifamily Housing, George Dipman, HFA Coordinator, Room 6272, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410

Non-Public Entities: Office of the General Counsel, John J. Daly, Associate General Counsel for Insured

Housing, Attn: M2M Program—Non-Public Entities, Room 9226, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410.

#### *IV. Response Contents*

The response should address each of the items described in the template provided in Attachment B to this RFQ and should follow precisely the format of the template.

Dated: August 11, 1998.

**Andrew Cuomo,**  
*Secretary.*

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**ATTACHMENT A**  
**List of FHA-Insured, Subsidized Projects with Section 8 Rents Greater than 90% of the 1997 Fair Market Rents by Year of Initial Contract Expiration**

Ranking	State	FY 1999	FY 2000	FY 2001	FY 2002	Totals
1	OH	85	59	66	64	274
2	CA	85	88	44	51	268
3	NY	42	45	61	84	232
4	PA	81	21	23	18	143
5	KY	34	35	43	26	138
6	IN	48	30	35	9	122
8	IL	27	32	33	26	118
7	MO	27	32	39	14	112
8	NC	24	20	39	26	109
9	TX	46	15	28	15	104
10	AL	19	27	28	13	85
11	SC	22	24	28	10	84
12	MS	27	11	21	22	81
12	WI	29	33	13	4	79
13	MI	19	27	20	12	78
14	IA	27	26	18	6	77
15	MA	24	21	8	19	72
16	MD	9	17	27	19	72
17	WA	21	17	23	7	68
18	FL	28	14	13	10	65
19	GA	17	13	15	13	58
20	WV	11	10	20	17	58
21	TN	16	16	13	12	57
22	KS	15	18	18	2	53
23	NJ	14	9	14	10	47
24	CO	9	14	14	9	46
25	VA	13	9	16	7	45
26	PR	1	16	12	13	42
27	LA	7	7	20	4	38
28	MN	12	13	10	3	38
29	OK	12	9	10	5	36
30	RI	13	13	3	2	31
31	NE	10	7	9	4	30
32	AR	18	1	3	3	25
33	UT	3	8	5	5	21
34	NV	6	2	9	3	20
35	MT	7	6	5	1	19
36	CT	5	1	6	6	18
37	DC	4	4	6	4	18
38	OR	5	11	0	0	16
39	WY	4	4	3	2	13
40	ND	7	2	2	1	12
41	SD	8	4	0	0	12
42	AZ	3	0	3	4	10
43	NH	1	7	1	1	10
44	ID	2	3	3	0	8
45	ME	1	1	2	3	7
46	NM	4	1	0	0	5
47	AK	2	2	0	0	4
48	HI	1	2	1	0	4
49	VI	0	1	0	1	2
50	VT	0	0	1	0	1
51	DE	0	0	0	0	0

**This is not a definitive list of projects that will go through mortgage restructuring. Some of these projects may have rents below comparable market rents. Some owners may renew their Section 8 contracts at market rents without mortgage restructuring. Other owners may choose not to renew their Section 8 contracts.**

**ATTACHMENT B.—FISCAL YEAR 1999 MULTIFAMILY HOUSING MORTGAGE AND HOUSING ASSISTANCE RESTRUCTURING PROGRAM REQUEST FOR QUALIFICATIONS—RESPONSE FORMAT**

Section 1, Selection Criteria Information

- Selection Criterion A: TENANT AND COMMUNITY GROUPS (15 points)
- Selection Criterion B1: MULTIFAMILY RESTRUCTURING, COMPREHENSIVE EXPERIENCE (25 points criteria B1–B5)
- Selection Criterion B2: MULTIFAMILY RESTRUCTURING, PROJECT-SPECIFIC EXPERIENCE
- Selection Criterion B3: MULTIFAMILY FINANCING
- Selection Criterion B4: MULTIFAMILY FINANCING, PROJECT-SPECIFIC EXPERIENCE
- Selection Criterion B5: MULTIFAMILY RENT & EXPENSE ANALYSIS
- Selection Criterion C: HISTORY OF ADMINISTRATIVE PERFORMANCE (15 points)
- Selection Criterion D: FINANCIAL STRENGTH (15 points)
- Selection Criterion E: DEMONSTRATED CAPACITY TO CARRY OUT TRANSACTIONS AND ORGANIZATION STRUCTURE & RESPONSIBILITIES (30 points)

Section 2, Additional Response Information

Selection Criterion A: TENANT AND COMMUNITY GROUPS: Provide a summary of your experience working with residents of low-income housing projects and the tenant groups and other resident-based organizations. Identify the concerns and the actions taken regarding the tenant issues.

Criteria	PAE Experience (Note the tenant issue(s) and how resolved. Provide dates, duration, and current status.)
Experience working directly with individual residents of low-income housing projects.	
Experience working with tenant organizations and other community-based organizations.	
Describe how you plan to work with tenants, tenant organizations and communities in the restructuring process.	

Selection Criterion B, Part 1: MULTIFAMILY RESTRUCTURING: Demonstrated experience with, and capacity for successful multifamily restructuring which may include loan workouts, loan modifications and bond refundings. You may also include risk-sharing arrangements and restructuring of eligible multifamily housing properties under years 1997 and 1998 FHA multifamily housing demonstration programs. HUD will consider the applicant's experience within the last five (5) years for restructuring mortgages secured by multifamily assets. In particular, specific experience in affordable multifamily restructuring including projects involving FHA insured mortgages and Section 8 subsidies. Restructuring explanation should include determining the eligibility of a mortgage requiring loan modifications, workouts or other forms of debt and/or subsidy restructuring for multifamily assets.

Criteria	PAE	Teaming partner	Total
Multifamily Debt Restructurings in last 5 years: Total number of units Total number of projects Total dollar amount			
Multifamily Subsidy (for example, Section 8) Restructurings in last 5 years: Total number of units Total number of projects Total dollar amount			
Defaulted Loans Foreclosed: Total number of units Total number of projects Total dollar amount			
Bond Refundings: Total number of units Total number of projects Total dollar amount			

Selection Criterion B, Part 2: MULTIFAMILY RESTRUCTURING: Provide information for at least 5 projects that have been restructured by the PAE or teaming partner in the last 5 years. Please note the request to identify key personnel who did the restructuring; the firm if different than the PAE and the time required to complete the restructuring.

Project name	Description and nature of restructuring (e.g., workout, loan modifications, foreclosure, ongoing litigation, and associated tax analysis)	Status of Re-structuring (complete, on-going, etc.)	Key Personnel	Time to complete (months)	Date completed
1.					
2.					
3.					
4.					
5.					

**Selection Criterion B, Part 3: MULTIFAMILY FINANCING:** Demonstrated experience with financing multifamily properties to include underwriting multifamily loans, providing financing for affordable multifamily housing utilizing Section 8 subsidies or other public subsidies, including low income tax credits and tax exempt bonds (may include risk sharing).

Criteria for multifamily financing	PAE	Teaming partner	Total
Total Number of multifamily loans financed 1992–1998:			
Total Dollar Amount			
Total Number of Units			
Total Number of Affordable Housing Units			
Percentage (%) of Loans Defaulted			

**Selection Criterion B, Part 4: MULTIFAMILY FINANCING:** Provide information for at least 5 projects that have been financed by the PAE or teaming partner. Please identify key personnel, their firm if different than the PAE, and the time required to complete the financing.

Project name	Financing type; project description; and role of PAE or teaming partner in the financing	Key personnel	Time required to complete (months)
1.			
2.			
3.			
4.			
5.			

**Selection Criterion B, Part 5: MULTIFAMILY RENT AND EXPENSE ANALYSIS:**

- (a) In determining Market rents and expenses, an owner might not agree with your position based on the appraisal, market study and your inspection. Provide an example of how you would determine and support your rents and expenses in resolving rent and expense disputes with the owner.
- (b) Explain what database or other resources you have in completing a rent and expense comparability analysis.

**Selection Criterion C (Part 1): HISTORY OF ADMINISTRATIVE PERFORMANCE:** A history of stable, financially sound, and responsible administrative performance (which may include the management of low-income rental housing).

Criteria	PAE	Teaming partner
General History and Mission of Applicant		
Property Acquisition and Operations (include description of current operations)		
Management of Multifamily Portfolios (include description of current portfolio)		



Selection Criterion C (Part 2): List at least 5 properties that have been acquired, developed or managed or loans that have been originated or serviced by the proposed PAE and/or Teaming Partner. Please illustrate how you have effectively administered or managed these assets. Note if the properties are for low-income, elderly, or handicapped.

Property	Description (noting if properties are for low-income or handicapped)
1.	
2.	
3.	
4.	
5.	

Selection Criterion D: FINANCIAL STRENGTH: Demonstrate financial strength in terms of asset quality, capital adequacy & liquidity.

The following is a checklist of items to be provided by the PAE and Teaming Partner, if applicable.

- \_\_\_\_\_ 1. Applicant's Audited Financial Statements for last two (2) years
- \_\_\_\_\_ 2. Annual Report
- \_\_\_\_\_ 3. Most recent credit rating report published in either Moody's Weekly Credit Perspective or Week in Review; and/or Standard and Poor's Credit Perspective or Week in Review; and/or Standard and Poor's Credit Week or other comparable rating agency report.

Selection Criterion E: DEMONSTRATED CAPACITY TO CARRY OUT TRANSACTIONS AND ORGANIZATION STRUCTURE & RESPONSIBILITIES: Provide information to demonstrate that the PAE and Teaming Partner will carry out the specific transactions and other responsibilities under this subtitle in a timely, efficient, and cost-effective manner. Provide information regarding the organization including staff responsibilities and the following:

The following is a checklist of items to be provided by the PAE and Teaming Partner:

- \_\_\_\_\_ 1. Provide organization and staffing chart for proposed PAE and other team members
- \_\_\_\_\_ 2. Provide resumes for each team member
- \_\_\_\_\_ 3. Describe method by which organization will provide project management and oversight
- \_\_\_\_\_ 4. Provide matrix of relevant experience of key personnel in the following format:

	Communi-ty in-volvement	Data col-lection and underwrit-ing	Deal nego-tiations	Loan re-view and approval	Closing and post-closing	Knowledge of HUD programs	Knowledge of alter-native fi-nancing Source (FNMA, FHLMC, tax credits, tax exempt bonds, etc.	Multifamily construc-tion and rehabilita-tion exper-tise
Individual 1								
Individual 2								
Individual 3								

NOTE: Check appropriate boxes to indicate relevant experience of each of the key personnel listed.

5. Restructuring Capacity: Based on a projected timeline of 180 days to complete the restructuring process, from assignment of the asset to closing, indicate in the following table your quarterly capacity to accept projects and the estimated number of restructurings you can complete annually.

Criteria	1st quarter FY 99	2nd quarter FY 99	3rd quarter FY 99	4th quarter FY 99	Total
(a) Multifamily Restructuring Capacity: Based upon the proposed team, indicate the number of properties you can accept during the next twelve (12) months, by quarter, for restructuring before you have reached your multifamily restructuring capacity					
(b) Closing Capacity: Based on the projected 180 day timeline, the proposed staffing capacity as presented, estimate the number of multifamily restructurings you can close in the first twelve (12) months, by quarter					
(c) Increasing Capacity: What is your plan for increasing capacity, beyond the proposed team, if there is an increase in the volume of assets eligible for assignment?					

6. Preliminary Determination of Cost-Effectiveness: To both comply with Section 513(b)(1)(e) of MAHRA, and to help in establishing appropriate PAE compensation, HUD is requesting an estimate of your fee to perform the restructuring

of properties. This will include only your fee to perform the restructuring and should not include reimbursables. The request is for information purposes only and does not bind the respondent or HUD to any commitment with respect to the fee estimates provided. This information will be confidential.

The steps involved in the restructure process for which you are asked to estimate your costs, are summarized as follows:

**Owner Eligibility, Determining Rent Levels:**

- perform due diligence and collect financial information for each property including: market rents, appraisal, operating expenses;

**Preservation of Affordable Housing:**

- meet with the tenants and local community groups to gain perspectives that may impact the restructuring process;

**Rehabilitation Needs:**

- obtain a Physical Condition Analysis (PCA) report (reimbursable);

**Underwriting:**

- obtain an environmental review (to be provided by HUD)
- perform analysis of potential restructuring options;
- perform analysis of tax implications for use in developing restructuring options;
- perform financial modeling to underwrite the property at market rents; while ensuring that any current and long term repairs, replacement, maintenance, and rehabilitation are provided for in the restructuring;

**Negotiations with Owner:**

- conduct negotiations with the owner;
- reach agreement on restructured rental subsidy, restructured debt, and rehabilitation;

**Loan/Funding Approval:**

- coordinate final deal terms and closing documentation with HUD and obtain HUD's final approval;

**Closing**

- coordinate closing and distribution of closing documents.

Number of loans	Estimated restructuring fees		
	Unpaid principal balance	In basis points **	In dollars
1 .....	\$1,600,000	.....	.....
5 .....	\$8,000,000	.....	.....
25 .....	\$40,000,000	.....	.....
50 .....	\$80,000,000	.....	.....
75 .....	\$120,000,000	.....	.....

\*\* Stated as a percentage of the Unpaid Principal Balance.

In completing these costs estimates, please use the following assumptions:

1. Negotiations could result in several different restructuring scenarios. Sample scenarios include: (a) projects which are viable once restructured and result in partial payment of claim on the mortgage insurance, (b) projects with negative NOI after marking the rents to market levels—where tax implications for the ownership entity will be a driving factor in negotiations, and (c) projects with negative NOI after marking the rents to market levels—where project costs and other factors (such as rehabilitation needs) will require rent levels which are above market levels.
2. The majority of the loans are currently performing and thus this process would not involve taking control of the property, hiring property managers, or initiating and managing a foreclosure process.
3. Certain asset related subcontractor costs including the cost of the appraisal and the PCA are reimbursable costs by HUD.
4. Responsibilities for this phase will end after closing documents have been distributed.
5. Projects are distributed around the country, except for Public Agency assets that will be restricted geographically.
6. Loans can vary in size from \$200,000 to over \$10,000,000 and average approximately \$1,600,000.
7. Once an asset is assigned to a PAE, it must go through the restructuring process through closing.
8. Information that will be provided by HUD will include: the asset management file, project file, loan documentation, payment history, and project financial statements.
9. Level of reporting requirements to HUD will be moderate. HUD will be providing reporting systems and financial models for the use of the PAEs.
10. [The HFA participants in the fiscal years 1997 and 1998 demonstration programs received a minimum base fee of \$25,000 for each mortgage restructured.]

**Section 2 Additional Response Information: Please provide the following information.**

The following is a checklist of items to be provided by the PAE and Teaming Partner, if applicable.

- \_\_\_\_\_ 1. PAE conflicts of interest: Disclose any conflict of interest as defined in Section C.(1) of this RFQ.
- \_\_\_\_\_ 2. Describe the geographic area in which you will assume the restructuring responsibility.
- \_\_\_\_\_ 3. If you are a State Housing Finance Agency and plan to work with local housing agencies, please indicate the name of the local agency and how you would work with them if they are selected as a qualified PAE.
- \_\_\_\_\_ 4. Provide evidence of your ability (either with your existing organization or through team partner) to evaluate the tax implications of the restructuring.
- \_\_\_\_\_ 5. Indicate if you would like to be considered for future solicitations to provide the following services:
  - \_\_\_\_\_ (a) Servicing of second mortgages.
  - \_\_\_\_\_ (b) Servicing of Rehabilitation Escrow Accounts.
  - \_\_\_\_\_ (c) Monitoring Use Agreement.