

# **San Francisco Hub Guidance on Implementing Section 2-8 of the Revised Section 8 Renewal Policy Guide Relating to Early Termination and 20 Year Renewal of the HAP**

## **Milestones of Events, Roles, and Responsibilities between the Owner, HUD, and the PBCA**

### **MILESTONE 1 – HUD CONDUCTS A CONCEPT MEETING WITH THE OWNER**

#### **HUD and OWNER’S RESPONSIBILITIES**

##### **HUD Concept Meeting and Review**

Prior to submitting to the PBCA, Owners are required to have a concept meeting with HUD to determine the best options for the owner. HUD performs all eligibility due diligence.

Once HUD approves the O/A’s application, HUD will provide the PBCA—in writing—the Option, increase type, notification of change in ownership along with approval to work with the new owner, and any other applicable information to expect when the O/A submits their Request for Early Termination and 20 year Renewal package to the PBCA for processing. HUD will also inform the PBCA with what type of early term the package is, Straight Request for Early Termination and 20 year Renewal package or Preservation Transaction Request for Early Termination and 20 year Renewal package.

### **MILESTONE 2 - PBCA RECEIVES AN EARLY TERMINATION WITH 20 YEAR RENEWAL PACKAGE FROM THE OWNER/AGENT (O/A).**

#### **PBCA’S RESPONSIBILITIES**

##### **Receipt of Package from the O/A**

PBCA informs HUD of the receipt of the package and forwards an electronic copy to appropriate HUD staff.

If the submission from the owner is incomplete, the PBCA will forward the incomplete package to HUD and continue to follow up with the owner for a complete package.

A complete Request for Early Termination and 20 year Renewal package consists of:

- Copy of HUD comfort letter or other documentation of prior HUD commitments relating to the Early Termination process
- Complete 20 year Contract Renewal and Rent Adjustment Package in alignment with HUD comfort letter (if applicable) and any other documents discussed during the concept meeting.

The property should submit under the Option and rent increase type previously agreed upon by HUD. If the property submits under an unapproved option or rent increase type, PBCA will notify the O/A and cc appropriate HUD staff. PBCA will cease processing pending further instruction from HUD.

If the PBCA receives a Request for Early Termination and 20 year Renewal package without prior approval from HUD, the PBCA will notify the O/A and cc: appropriate HUD staff. **The PBCA will cease processing pending further instruction from HUD.** To avoid a delay in processing, the Owner is encouraged to follow up with HUD, prior to submitting a package, to ensure the PBCA has received HUD approval and notification to expect the owner's submission.

When all applicable information is received from HUD, the PBCA will proceed with processing the contract renewal.

If applicable, the PBCA will complete the memorandum as specified in Section 2-8 of S8RPG which reads as follows:

*\*The PM/CA should document this action by including a memorandum to the file for the project that states as follows: "By mutual agreement, the Owner and the CA have determined to terminate the Renewal Contract that runs from \_\_\_\_\_ to \_\_\_\_\_ and, instead, to enter into a 20-year contract, which will run from \_\_\_\_\_ to \_\_\_\_\_. The owner has also executed the Preservation Exhibit which states that upon expiration the 20-year Renewal Contract shall renew the contract for an additional term at least equal to the number of years remaining on the existing HAP contract that is being terminated subject to all applicable laws and regulations in effect at that time\**

The PBCA will prepare the Preservation Exhibit and will send electronic copies of the Preservation Exhibit (Attachment 1 to H2011-31) and the memorandum to HUD. The completed Preservation Exhibit and memorandum will become part of the HAP renewal documents.

If the renewal will be completed with "as is" and "post-rehab" rents, the PBCA will request HUD confirmation of which form, either Appendix 15 2A or Appendix 15 2B to be used. The PBCA will also request HUD to provide the date of commencement of capital of repairs which is not to exceed a specific number of days as required in Appendix 15 2A, paragraph 4.

The PBCA will update iREMS to reflect the new 20 year term.

The PBCA will process the Rent Adjustment, noting items requiring HUD clarification due to refinancing, sale, etc., and forward Rent Adjustment documents to HUD for review.

### **MILESTONE 3 – PM APPROVES NEW RENTS**

#### **HUD'S RESPONSIBILITIES**

Once new rents are determined, HUD will notify the PBCA of the new rents for the 20 year contract.

#### **PBCA'S RESPONSIBILITIES**

The PBCA will complete the Contract Renewal process per usual. This includes generating the rent schedule with HUD approved rents and obtaining owner signature. PBCA will then execute RS and send to HUD, requesting Exhibit X funding.

Upon receipt of the Exhibit X from HUD, the PBCA will generate a new contract as per the below guidelines if applicable (i.e. using the new owner/buyer information, etc).

#### **Other procedures related but not included in the Contract Renewal Process per Section 2-8 of the S8RPG:**

For projects with a change in Ownership and whose early termination-20 year renewal is a requirement in the Transfer of Ownership and HAP contract from the Current Owner to a New Owner:

- Buyer Submission of Renewal Request: Buyer (rather than current Owner) may submit the termination and renewal request to HUD under the purview of Purchase Agreement between the Current Owner and New Owner subject to HUD approval.
- HUD will forward the request to the PBCA and instruct the PBCA, under the purview of the ACC between HUD and the PBCA, to process the contract in the same manner as they would any other contract renewal based on the Buyer's chosen option per S8RPG.
- In closing of Escrow for the Preservation transaction, the Buyer can sign the final HAP contract under the purview of the Purchase Agreement; in these cases, HUD will sign the HAP contract before the PBCA signs. The PBCA will return the HAP contract to HUD, who will ensure that it is executed by the Buyer at closing or after the Buyer has taken ownership, following HUD requirements. This allows the lines of authority to continue without a break. (The Rent Schedule, however, will be signed only by the new Owner and PBCA).
- In cases of Buyer Submission, the PBCA will update iREMS to reflect the new 20 year term, just as in a regular process. However, the PBCA will not send the contract to HUD Accounting in Ft. Worth until directed to do so by HUD, which will take place after closing of escrow and/or transfer to the new Owner.