

Navigating HUD in Today's Challenging Market

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In today's challenging environment of securing financing for multifamily developments, more and more of our clients are looking at HUD's 221 d-4 program for financing of new construction... some for the first time. Others can explain this process in a more clinical manner, I am going to share my observations from years of doing d-4 deals from the design team perspective.

First and foremost, if you are looking at doing a d-4 deal, establish a relationship with a MAP (Multifamily Accelerated Processing) underwriter. We view the MAP underwriter to be an essential partner to our clients in these deals. As with any project, our clients have typical goals and while the work of the design team is not that different on a d-4 project versus a conventionally financed one, the prioritizing of information and the timing of certain levels of documentation are not intuitive to the design team. This is where the MAP underwriter comes into play. Based on project specific details a strategy to develop a very complete set of documents early on may be established, conversely a number of jobs we have worked on were paced to provide increments of documentation at various stages of the process. Working with a MAP underwriter to create a strategy for your development and communicating that strategy to the design team is critical.

Once a sketch plan has been prepared and a basic project program has been set, a pre-application conference with the local HUD office is recommended. We used to be non-participants in this meeting, satisfied to learn the results and just go down the development road doing our architect thing. What we have realized over time is that this is an extremely strategic opportunity to shape the delivery of the job, not merely just a courteous meet and greet of the development team. From a design team perspective, MAP underwriters that educate our clients on a number of key topics during the pre-application conference are the most effective. An example of this would be having the MAP underwriter ensure that the appraiser is present at the conference and familiar enough with the proposed development and the market area to review methodology with HUD's economist. This alone can avert weeks of back and forth efforts during the review of pre-

application. Upon completion of the pre-application conference, a strategy should be set for creation of the pre-application. This is one of the key decisions about the pace of a project, where as a design team; we see the MAP underwriters and our clients creating a variety of scenarios for us. HUD has minimum criteria for the pre-application submittal which hopefully leads to an invitation letter. We seem to do most of our work in the arena of least amount of work, as fast as possible. While the process allows for this, it does leave the door open for a degree of risk moving forward as variations from invite to firm application usually are expected in the 5% range; beyond that the risk of starting over again comes into play.

So, you go through the pre-application and get an invitation letter, now it is on to the firm application. Again, processing, timeline and responsibilities for a complete application are best choreographed by the MAP specialist. The design team's role is pretty straight forward, assuming they are ready to respond to review comments from the architectural analyst. This goes back to the earlier statement about prioritizing and packaging of information. Sometimes the design team already has a permit set-in-hand prior to the architectural analyst completing the review of the firm application, other times it's the opposite. Coordination of review comments can be complicated and this can be compounded if the applicant has not yet cemented its deal with a general contractor. The process of working through these subtle variations ahead of time saves on confusion and possible delays of a closing... something no one wants to be responsible for.

During construction, the construction administration process is a bit more formal compared to projects where our clients self perform. The most significant difference is that there is a HUD designated inspector that reviews our processing of pay applications, maintenance of job files on site and conducts interviews for compliance with Davis Bacon Prevailing Wages.

This is just the tip of the HUD iceberg from the architect's point of view. My observation is that clients who go through HUD for the first time suffer some bumps and bruises... they probably miss a few opportunities... but they seem to come back and do repeat projects with the program. The key to a successful project is finding a MAP specialist early on in the process, hiring a knowledgeable architect, setting a strategy and letting the design team know how your job is being tackled.