

SUPPORTING STATEMENT

0575-0190

**Section 515 Multi-Family Housing Preservation and Revitalization  
Restructuring Demonstration Program (MPR) for Fiscal Year 2006**

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006 (Pub. L. 109-97) provided funding for, and authorizes USDA Rural Development, which administers the programs of the Rural Housing Service (RHS), to conduct a demonstration program for the preservation and revitalization of the Section 515 multi-family housing portfolio. The Section 515 multi-family housing program is authorized by Section 515 of the Housing Act of 1949 (42 U.S.C. 1485) and provides RHS the authority to make loans for low income multi-family housing and related facilities.

The authorities to be demonstrated through this program will allow the Agency to test the efficacy of many of the preservation and revitalization tools identified in a fiscal year 2004 study report titled, "Rural Rental Housing- Comprehensive Property Assessment and Portfolio Analysis." The report reviewed the Section 515 Loan Portfolio and concluded that although the portfolio has been well managed, it has matured and needs attention now to assure that it can continue to deliver decent, safe and sanitary affordable rental housing into the future. The report suggested a long term comprehensive approach and recommended a number of potential restructuring tools that could assist in this effort. The restructuring tools are defined in the Notice of Funds Availability and include debt deferral, revitalization grants, a bullet loan (deferred payments with a balloon), traditional 515 loans, and other existing regulatory approvals including transfers, subordinations and consolidations that are part of a restructuring transaction. The Agency expects the long-term revitalization effort supported by many of the restructuring tools to be tested in this demonstration program to be reflected in proposed legislative changes in the near future.

The application used for this program is designed to afford all respondents an equal chance to participate in this revitalization and preservation of Section 515 financed properties and provides an instrument that the Agency can use to evaluate the request to assure that the demonstration program tests the authorities provided.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.

The Agency will be collecting information from the proposer to evaluate the strengths and weaknesses to which the proposal concept possesses or lacks the attributes set forth in the proposed content and evaluation criteria. RHS will use the collected information to select the most feasible proposals that will enhance the Agency's chances in accomplishing the demonstration objective. The information will be utilized to sustain and modify RHS' current policies pertaining to revitalization and preservation of affordable rental housing in rural areas.

The forms to be completed and signed by those that receive restructuring assistance include:

- MPR Preapplication - Form is used by Section 515 borrowers to inform the Agency of their interest in participating in the MPR and is used by the Agency to evaluate the project for funding potential.
- Debt Deferral Agreement - Legal document completed by a recipient to document the understanding that the debt is being deferred by the Agency.
- Restrictive Use Covenant - Legal document that is required as a condition of receiving assistance under the MPR that is completed by the recipient with professional legal assistance and filed with the property's deed that limits the uses of the property for 20 years.
- Restrictive Use Subordination Agreement - Completed by the Agency and recipient and filed as a public record. It documents the Agency's subordination of existing loan agreements to the Restrictive Use Covenant.
- Form of Legal Opinion - Provided by recipient's attorney to the Agency assuring legal requirements of MPR have been met.
- MPR Grant Agreement - Legal document that is required as a condition of receiving a grant under the MPR that is completed by the recipient with professional legal assistance. It documents the federal requirements for receiving federal grant funds.
- MPR Loan and Grant Resolution (Nonprofit corporation) - Provides evidence that a non-profit organization has properly considered the terms and conditions of the restructuring and has authorized the acceptance of the condition. The recipient completes it with professional legal assistance.
- Restructuring Conditional Commitment - The Agency and recipient complete the form that states the terms and conditions under which the Agency will defer debt service for up to 20 years.

The servicing of this demonstration program is done in accordance with 7 CFR Part 3560. The remainder of the items listed on the grid is those servicing items reiterated from the 0575-0189 docket. We have approval to collect this information through November 30, 2007.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

The Agency has established a website which contains the application in a "fillable form" format that can be completed online and sent electronically to the Agency. The forms can also be printed from <http://www.rurdev.usda.gov/regs/formstoc.html> or obtained from the Agency, completed manually, and submitted to the Agency by postal service or private carrier. The Agency will be able to evaluate and score the applications for processing primarily through electronic means. We estimate that 95% of this information will actually be collected electronically.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The information collected is not duplicated. The Agency will use the information to identify the applicant, applicant's contact person, the properties involved and the service requested. All other information will be obtained from the Agency's database, to the extent practical.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.

This information collection will not have a significant economic impact on a substantial number of small entities. However, small businesses will be involved in the demonstration. Care was taken in developing the preapplication to enhance, rather than burden, respondents. The data requested is appropriate to the professional and economic sophistication of the respondents. If a project is selected for further consideration, applicants will need to retain the services of an outside consultant to provide a capital needs assessment (CNA) in order to determine the amount of financial assistance necessary. With a clear statement of work and a streamlined reporting format, this will help CNA providers who are generally small businesses deliver a product to the government with less reporting burden. This is necessary for the Agency to determine financial viability of the request.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The collection of information is done only on a one-time basis for each proposer approved. Without this one time reporting requirement, RHS could not provide assistance in a timely and effective manner.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information more than quarterly.

There are no information collection requirements that require specific reporting on more than a quarterly basis.

- b. Requiring written responses in less than 30 days.

Because this is a demonstration program and the funds must be used this fiscal year, it is imperative that the responders advise the Agency in a timely manner if they are interested in proceeding with a full application.

- c. Requiring more than an original and two copies.

There are no specific new information collection requirements that require more than an original and two copies.

- d. Requiring respondents to retain records for more than 3 years.

There are no such new requirements.

- e. Not utilizing statistical sampling.

There are no such requirements.

- f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

No such requirements exist.

- g. Requiring a pledge of confidentiality.

There are no such requirements.

- h. Requiring submission of proprietary trade secrets.

There are no such requirements.

8. Describe efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

The 60-Notice was published as part of the Notice of Funds Availability on March 16, 2006 (71 FR 13569). A copy of that Notice is attached for your information.

Contacts have been made with persons who have knowledge of the Rural Housing Demonstration programs. The persons selected for consultation provided a cross section of participation in the program that would be representative nationally. They were recommended by the Agency because of their thorough knowledge of Rural Development programs and their experience with the Agency. They had no issues with the amount of information we are requesting for this demonstration program. The following persons were contacted.

Sherry Engel  
Assistant to the State Director  
4949 Kirschling Court  
Stevens Point, WI 54481  
1-715-345-7620 Ex. 151

Yvonne R. Emerson  
Multi-Family Housing Program Director  
Alexandria LA 71302  
318-473-7655

Michael Wayne Rodgers  
Multi-Family Housing Director  
Stephens Federal building  
355 E. Hancock Ave.  
Athens GA. 30601-2768

ICF Consulting  
9300 Lee Highway  
Fairfax VA 22031-1207

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.

There are no payments or gifts given to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy.

There has been no assurance of confidentiality provided to the respondents by the Agency.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

Information is being requested to require an accurate and realistic assessment of the proposer's concept in relation to the specific criteria contained in the proposal content and evaluation criteria including market potential and feasibility of the innovative project. There are no questions or information collection of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

See attached spreadsheet.

RHS estimates that 3,600 property owners will respond to a notice of funds available. Of this number, only 150 will actually submit a formal application. These numbers are based on the Agency's initial response from the NOFA. The pre-application was specifically designed to attract 515 borrowers that are interested in revitalizing and preserving rental properties. It adequately addresses the data needed in order to effectively evaluate the proposal for the characteristics necessary for

the program. The wages rates of \$125, \$50, and \$25 per hour are estimated rates for a rural attorney, an administrative assistant, and a clerk, respectively. These are the highest classification that may be required to complete the documents. The wage rates listed in the 90 percentile column listed in the "National Compensation Survey: Occupational Wages in the United States, June 2005 Supplementary Tables" were reviewed, but were significantly adjusted upward to reflect our "hands on" understanding that legal and documentation preparation expenses are often more expensive in the specialized field of affordable, subsidized rental housing financing.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

There are no start-up costs.

14. Provide estimates of annualized cost to the Federal Government.

The annual cost to the Federal Government is estimated to be \$1,932,000. The estimated cost is based on the following chart. The cost includes salary and administrative expenses for Government employee time associated with the information collection. There is no special equipment aside from that needed for day-to-day operations or material resource. The hourly rate used is an estimated average cost for GS-11 and GS-12 wage classification, which is the grade level of the employees that will typically complete these documents. This is based on a long-term series of budget reviews and site visits currently required by regulations that will be used to confirm that the capital needs scheduled over a 20-year period by a CNA are in fact being addressed as scheduled. The regulations require both functions to be performed annually, averaging 12 hours a year over the 20-year period converted by the CNA.

Summary of cost to the Government

(1) Review of the application, proposal content, and evaluation criteria for completeness and accuracy.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
.25	\$40	3600	\$36,000

(2) Evaluate the proposals for special consideration and additional points.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
.5	\$40	150	\$3,000

(3) Evaluate the proposals for classification.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
.5	\$40	150	\$3,000

(4) Notify applicants of selection status.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
.5	\$40	3600	\$72,000

(5) Site visit and CNA review.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
3	\$40	150	\$18,000

(6) Underwriting, Summary of Recommendations/Denial, and Funding to Applicant.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
36	\$40	150	\$216,000

(7) Closing of transaction and document review.

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
24	\$40	150	\$144,000

(8) Monitoring of development.\_

<u>Hours</u>	<u>Cost/Hrs</u>	<u>#of Units</u>	<u>Cost</u>
240	\$40	150	1,440,000

Total Cost			\$1,932,000
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15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-I.

There is an adjustment increase of 2,750 hours from our previous submission. This was a new program and the Agency had underestimated the demand from the public.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

The collection of information will not be published for statistical purposes.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

It is not cost effective for the Agency to display the expiration date on any of the forms.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-I.

There are no exceptions requested.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept?

This information collection is not related to the Service Center Initiative.