

Appendix L: Restructuring Plan Package

Major headings (**in bold**) must be addressed in the order below. Minor headings may be combined in a single section or other format so long as information is brief and clear. Material in the model should not be duplicated unnecessarily and obvious conclusions (such as use of 1.2 DSC in a standard transaction, use of affordable rents where they are lowest) need not be addressed further if no questions are apparent.

I. **Cover letter**

- Summary of PAE's recommendation (e.g., approve the Restructuring Plan, issue Firm Commitment, etc.)
- Identify savings to the government
- Summary of the status of discussions with the owner
- List of attached documents

II. **Narrative**

Information should be as brief as possible so long as critical issues are addressed and conclusions supported. Support should generally consider the issues addressed in the pertinent sections of the Guide. *Do not duplicate material already included in model.*

A. **PAE's Conclusion on Ownership and Management**

- History and experience of ownership
- History and experience of management
- Results of check of SS#s/Tax IDs through 2530 system
- Conclusion on eligibility of ownership and acceptability of management

B. **PAE's Conclusion on Physical Condition/Reserves**

- General comments on PCA, if needed, and on any additional engineering analyses completed
- Note any critical repairs identified and how they have been addressed
- Provide 12 month Repair List; identify and explain deviations from PCA; address administration of escrow and any decisions needed for escrow agreement
- Explain any significant deviations from the PCA on reserve for replacement items, timing, or cost
- Justify any optional items over \$10,000
- Indicate why balance in the reserve at the end of 20 years is adequate
- Identify any Significant Additions and justify their inclusion as "additions"
- Include bid amounts for significant items (generally for those over \$50,000 or representing more than 20% of the total escrow)
- Signed Form 4.7, showing Owner's Adoption of the PAE's PCA/Findings or statement that issue will be addressed in the Restructuring Commitment only

- Form 4.14 Environmental List; any letter to owner on O and M; results of any additional environmental analyses

C. PAE's Conclusion on Market Rents

- Results of PAE's field review of subject and comparables
- Comments on the appraisal, if needed
- Justification for any market comparable improvements
- Conclusions on rent, including selection of comparables, adjustment grid and reconciliation of PAE's review, the PAE's appraisal, and any owner submission
- Comment on update, if needed

D. PAE's Determination of Net Operating Income

- Affordable rents
- Other income
- Commercial income
- Residential and Commercial Vacancy factors
 - discuss history, market and trends
 - identify bad debt/collection loss separately
- Expense justification by line item, where needed, briefly addressing
 - trends
 - substantial deviations from historical
 - deviations from appraisal
 - management fee
 - other sources of data
 - differences in estimating tenant-based expenses
- PAE's conclusion on NOI and impact; compare to pre-M2M NOI

E. PAE's Conclusion on First, Second and Third Mortgages; Discuss if not clear in the model or obvious questions are present

- Briefly describe overall structure recommended and how various factors are balanced (e.g., cost effectiveness, impact on tenants and the community, IDRR vs. ongoing deposits to the Reserve for Replacements, etc.)
- Financing source, terms, and status
- Handling of any surplus project accounts (if not clear in Sources and Uses)
- DSC
- LTV
- Split of cash selected (if not 75/25, or if owner return is very high)
- Interest rate of second mortgage (if greater than 1%)
- Residual value
- Unusual Transaction costs; allowed payables
- Any recommendations for reduction of Third mortgage or assignment, etc. of Second mortgage

F. Exception Rents (If recommended)

- Justify use of exception rents

- Indicate any required waivers

III. Tenant/Community Consultation

- Briefly describe first tenant meeting; comments made; consideration in the Plan
- Provide copy of notice and indicate how distributed/posted
- Briefly describe second tenant meeting; comments made; consideration in the Plan
- Provide copy of notice of second meeting; indicate how distributed/posted; indicate what materials were made available, where, and for how long

IV. Underwriting Model, or Comparable

- Include all applicable pages

V. Supporting Materials

- Discussion of any waivers obtained; any deviations from the Guide or documentation issues the PAE considers appropriate to address
- RAAP
- Written record of discussion/information from Hub or Program Center
- Form 4.11 F47 Clearance Certification or Form 4.12 F47 Reconciliation Form, as applicable
- From the M2M MIS system, the Form 5.2, and the Property and Loan Information, Property Operating Statement, Debt Restructuring, and Sources and Uses pages
- Three years of financials; other key owner submissions (including the owner's authorization to release information)
- Information on Code Compliance, if available on-site or readily obtainable
- Handling of Multiple or Out-year Contracts (if applicable)
- Subsidy layering review/Certification
- Appraisal (need not be bound into submission)
- Physical Condition Assessment (need not be bound into submission)