

**Preparation for the New MAP Guide**  
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HUD released the draft MAP Guide on February 26, 2015. The comment period has ended and HUD has been going through the multitude of comments and suggestions from industry stakeholders. Indications from HQ target a September release of the final Guide. It is believed that MAP Lenders will have a 6 month grace period with the option to utilize either the Old or New Guide. For a practitioner who produces complex third-party reports, this 6 month *Optional* or *Phase-in Period* creates consternation. The following scenarios (or mutations as I like to say) are likely to result from a bifurcated process with two (2) versions of guidance:

- a. Mutation #1: Lender wants to cherry pick items from Old and New Guides.
  - *This cannot be done.*
- b. Mutation #2: Project is processed as a 223(f) under the Old Guide, but borrower delays occur resulting in the Lender requesting an update per the New Guide.
  - *This is no longer a simple update and, in essence, a 223(f) CNA Update just took on the scope of work of a typical RAD assessment.*
- c. Mutation #3: Project starts off as 223(f) under the Old Guide. However, upon seeing the draft report and knowing that higher 223(f) non-critical repair limits can now be submitted, the Lender requests a revised report per the New Guide.
  - *Uh-oh, this revision of scope would require higher qualifications for inspectors, the inclusion of an energy audit, and utility benchmark analysis. This second draft is really a whole new report and, if not planned well by the 3<sup>rd</sup> party, may require re-inspection.*
- d. Mutation #4: Project starts off just as Mutation #3, but the additional deep-energy retrofit repairs are by definition an IEBC Level II or Level III scope of work.
  - *Double uh-oh. This revision of scope, assuming repairs exceed \$15,000 per unit but are less than \$40,000, would require that a licensed design professional and a general contractor be engaged by the borrower for additional CNA submission documents. This simple 223(f) just became a cross breed of a RAD and LIHTC Pilot 223(f) project!*
- e. Mutation #5: A smooth “vanilla” 223(f) project is done under the New Guide with energy audit and utility analysis; however, submission to HUD is delayed until spring of 2016.
  - *This is the big wildcard for Needs Assessors. All indications are the CNA e-Tool Platform will be required within 6-months of a functional*

*release. It is possible that CNA reports in early 2016 will have to be converted from paper to the electronic data entry tool, which will not be a simple task.*

These variations and mutations are conceivable and likely to happen with dueling Guides and an imminent future requirement for the CNA e-Tool platform. A goal at D3G has always been to forecast industry concerns and implement solutions, but the first part is to understand potential concerns:

### **1. Educational Programming**

Both internal staff and external user training is necessary for competence with the new CNA and energy concepts. The New MAP Guide added three (3) potential new studies to be completed by the Needs Assessor: (1) the ASHRAE Level II Energy Audit, (2) the EPA Portfolio Manager Benchmark (Statement of Energy Design Intent (SEDI) or Statement of Energy Performance (SEP)); and (3) architectural review/cost estimation of heavy repairs. Fortunately for our clients, D3G worked on the original demonstrations/pilots for the GRP, M2M-Green, SPRAC, and RAD programs, which are the basis for the new MAP Guide energy concepts. D3G has also been the go-to firm for the LIHTC Pilot 223(f) program which is the basis for the Level 1, 2, or 3 Section 223(f) with increased repair limits. Our affiliate D3GUniversity has been busy building HUD MAP specific training modules, as well as achieving the necessary accreditations for our staff. External client education has already included four (4) webinars on the new MAP guide, and our efforts are being expanded to include industry recognized training curriculum vital to understanding the New MAP Guide concepts.

### **2. System and Process Changes**

The concepts of the New MAP Guide require Lenders and 3rd Parties to look at everything from the contract engagement process to CNA reporting. A large concern of the new HUD processes is that there is no longer a “Vanilla 223(f) Project”, and most MAP Lender master service agreements will require revision to represent the expanded scope of the 223(f) assessment. Also, Lenders will need to understand that many 223(f) studies will become moving targets with adjusted scopes of work as projects evolve (just read the Mutations above!). So this begs the question “*How much in borrower funds does a Lender escrow for the new Section 223(f) CNA?*” Does a Lender estimate worse-case scenario or assume best case scenario with the intent of revisiting the proverbial well for more funds?

CNA reporting needs to be expanded to integrate the 3 technical studies of a Capital Needs Assessment, an ASHRAE Level II Energy Audit, and a Utility Baseline study. Lessons learned from HUD’s GRP, Green M2M, RAD, SPRAC and

LIHTC Pilot programs become very important during this transitional period and shows credence to flexible reporting templates that allow dynamic changes to occur mid-stream in a project. Furthermore, Needs Assessors will have to expand the skills learned from the LIHTC Pilot program in order to work with the higher repair limits of the heavy Section 223(f) program.

And the largest transformation may well be the required use of the CNA e-Tool platform, which changes the way CNAs are performed, reported, and submitted. The CNA e-Tool demonstrates that the Paperwork Reduction Act is certainly in effect, as HUD specifically requests that Needs Assessors do away with the verbosity of reporting. Within the New MAP Guide Appendix 5G, Item IV.K, HUD stresses "*brevity is encouraged*" in the Needs Assessor's narrative and attachment provided to the Lender. HUD is putting more focus on the financial metrics of a project and is requesting more data but less narrative. The School House Rock song "Conjunction Junction" has little function within the new CNA e-Tool platform where conciseness is encouraged.

In summary, D3G is prepared for the New MAP Guide and has leveraged our educational programming with the lessons learned over the past 20 years of working with an evolutionary HUD. We offer assistance to all our clients in anticipation of squashing ill-desired mutations that can stymie a transaction.