NOVOGRADAC
& COMPANY LLP®
CERTIFIED PUBLIC ACCOUNTANTS
GUIDANCE YOU
CAN TRUST
Knowledge
Service
Experience
HUD makes the rules;
We help you use them
to structure a deal.

# About the Firm

**Novogradac & Company LLP** has countless resources to help with clients' tax credit needs. Our background and experience in the affordable housing industry is enhanced by a team of professionals well-versed in the HUD multifamily industry who offer new and experienced developers a broad range of professional services to assist in the challenges within the HUD multifamily housing arena. Our professionals' extensive knowledge of and familiarity with the demands of today's developers and investors allow them to consider all aspects of investing in and developing HUD projects. From the appraisal of new construction or refinance loans, to assistance with the lease-up and ongoing compliance reviews, we offer an array of services to keep projects on track and in line with HUD's requirements. We use our extensive experience with governmental agencies to help developers navigate the world of HUD and work with our clients to facilitate open communication and build sound relationships within the HUD structure. Our professionals are experts in guiding clients through the processes of HUD's various multifamily guidelines, whether it be 221(d)(4), 221(d)(3), Section 8 Contracts, Section 202/811, Section 232/223(f) or other HUD programs.

# Transaction/ Compliance Consulting

Whether it's a compliance issue that arose during a HUD inspection, or it's a matter of being proactive to mitigate potential issues, Novogradac & Company's HUD team provides clients with extensive consulting in many key compliance areas. We possess what it takes to move a project to the next level.

## Identification and resolution of key financial compliance issues

When operating under HUD program guidelines there are many areas on which to maintain focus, and that isn't always easy. Novogradac & Company offers its clients assistance in identifying and correcting compliance issues in current operating and financial transactions and procedures. We can also help prepare responses to HUD-related issues in order to resolve compliance concerns.

## Property management compliance consulting

Whether the property is new or established, property management companies that operate within HUD's programs must ensure compliance with regulatory operating procedures. Compliance with HUD requirements is vital for maintaining a good standing in HUD's Active Partners Performance System (APPS). Novogradac & Company can assist with identifying areas for improvement in clients' management practices.

## Tenant File Reviews

HUD-assisted multifamily properties are required to adhere to extensive compliance requirements for tenant files and monthly housing assistance payment (HAP) voucher requests. We can assist owners and management agents in setting up complete tenant files so they meet HUD requirements. We can also review an entire project's tenant files and report any deficiencies, increasing the likelihood that a client's files will pass the annual Management and Occupancy Reviews as well as the annual audit requirements.

## Client assistance in responding to DEC referrals

Recipients of HUD insured mortgages and assisted multifamily properties may be referred to the Departmental Enforcement Center's Operations Division (DEC) if material physical or financial deficiencies are identified. We work with our clients to respond to any deficiencies and to establish a corrective action plan to achieve compliance of the project.

## Evaluation of partnership agreement structuring

It is important to start out on the right foot with any partner. Novogradac & Company, with its lengthy background structuring partnerships for tax credits, can assist in structuring partnership agreements for HUD projects, as well as combining HUD and tax credit structuring.

## Accounting Services

Novogradac & Company works closely with developers and managing agents to complete quick turnarounds of time sensitive data that help keep clients in good standing with HUD. We offer a range of accounting services required for a development's life-cycle.

### Cost certifications — mortgagor and contractor

Recipients of HUD insured mortgages are required to submit a Mortgagor's Cost Certification on HUD Form 92330 along with an accountant's opinion. If an identity of interest with the mortgagor or a cost plus construction contract was created at initial endorsement, the general contractor is required to submit a Contractor's Certificate of Actual Cost on HUD Form 92330-A along with an accountant's opinion. We can work with clients throughout the construction process to determine exactly which costs are includable in mortgageable basis on either of the required forms. We can perform the audit necessary to provide the accountants' opinions and audited statements to be submitted to HUD for final endorsement.

### Annual REAC submission

Owners of HUD projects must submit annual financial statements (AFS) via HUD's online Real Estate Assessment Center (REAC) system. We can assist clients in entering the appropriate data and submitting the required financial statements.

## Annual HUD audits

In addition to the reporting requirements of a standard financial audit, HUD requires an annual compliance report based on requirements of the applicable HUD programs. Novogradac & Company has an extensive understanding of compliance with HUD programs, including but not limited to project-based Section 8 housing assistance payment contracts (HAP), 221(d)(4), 221(d)(3) and Section 236.

## Determinations of distributable cash flow

Restrictions are placed on the cash flow distributions of all HUD projects that receive HUD financial assistance. We can help determine before a project distributes cash whether the distribution qualifies under HUD's restrictions and also whether certain related party transactions are subject to surplus cash.

## Annual and semi-annual surplus cash calculations

HUD provides specific guidelines in calculating surplus cash. Novogradac & Company professionals possess the knowledge required to accurately calculate both mid-year and year-end surplus cash position.

## Annual HUD Multifamily Accelerated Processing (MAP) Quality Control Reviews

HUD requires lenders to establish and maintain a quality control plan and perform independent reviews of their MAP lending operations in order to receive or continue to receive MAP privileges. Novogradac & Company has assembled a team of professionals who perform reviews that will ensure adherence to the client's quality control plan and to the requirements stated in the Multifamily Accelerated Processing Guide, including a third-party review of the cost analysis and architectural reviews. To avoid any conflict of interest, we contract the review of the market study and/or appraisal, if originally performed by Novogradac's GoVal Group (see following), to an independent third party. We document all findings, both favorable and unfavorable, and present them to senior management of the project's owner.

# GoVal Group — Government Consulting and Valuation Services

Novogradac & Company's GoVal Group specializes in providing high quality market research, and market rate and affordable housing development support. The complexities of today's marketplace require a thorough understanding of a wide variety of housing programs and how local markets affect their success. Novogradac & Company takes great pride in its blending of primary research with available demographic and secondary data to help determine the viability of a proposed project.

The GoVal Group completes nearly 1,200 market studies and appraisals each year throughout the United States and its several territories. The purpose of these studies is to assess the market feasibility and/or, in the case of affordable projects, determine the value of low-income housing tax credit (LIHTC) developments. Our expertise extends to additional subsidy overlays such as public housing, HOPE VI, rural development (Section 515, 538), Section 8, Section 236 and Section 202 housing.

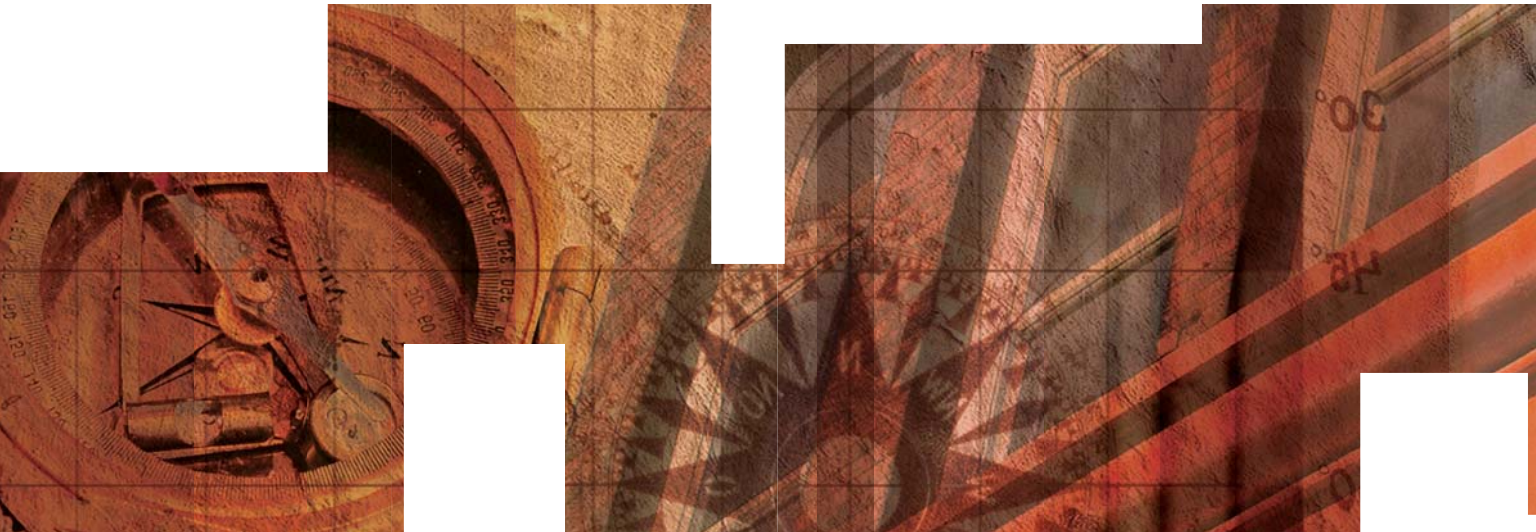
## What We Do

- 24 CFR Part 91 HUD Consolidated Plans and Plan Updates
- HUD Multifamily Accelerated Processing (MAP) Pre-Application and Firm Commitment Market Studies and Appraisals
- HUD Section 8 Rent Comparability Studies
- Public Housing Authority Flat Rent Studies
- Public Housing Authority Rent Reasonableness Studies

## CompsMART+®

Novogradac & Company is also pleased to offer its newest service to the housing and community development industries. CompsMART+®, our comparable market analysis and research tool, combines demographic information and mapping capabilities with our national property database. This online tool was designed for housing professionals who are looking for timely and accurate rental market and demographic information.

To mine detailed occupancy and rental information for metropolitan areas nationwide, CompsMART+® draws on our



national database, to which new property surveys are added daily, and to existing surveys that are updated continually. Surveyed properties include tax credit, market-rate and subsidized properties. Users will be able to perform searches on our geospatial database of approximately 75,000 properties; view all properties and search results on an interactive map; find instantly all of the properties within a specified radius of a user identified point of interest (POI); and retrieve key demographic information on a user defined area of interest (AOI).

## GIS Services

Novogradac & Company is a licensed user of the ESRI Business Analyst GIS software. The software allows us to do in-house GIS and data analysis of locations nationwide. With this ArcView compatible software, we can analyze any spatial area — our system contains all U.S. political boundaries, census tracts, block groups and blocks. We can also input custom boundaries to focus our analysis on customer defined areas such as by a specified radius from an identified point or custom-drawn polygon. Clients are obviously better served by project specific, custom drawn study areas that take into account their entire project needs. This, together with our new CompsMART+® analysis and research tool, which is built upon our GIS capabilities, enhances the overall product Novogradac is able to provide.

## Novogradac & Company

offers new and experienced developers a broad range of professional services to assist in the challenges within the HUD multifamily housing arena. Our HUD team is dedicated to developing and implementing creative solutions to everyday difficulties with HUD's financial compliance requirements. Our firm's experience in the HUD multifamily housing industry includes a range of services in connection with combining HUD financing with tax credits, as well ongoing financial compliance of HUD properties. Whether you own, manage or develop HUD projects, we can help you. Just give us a call or send us an e-mail.

## Novogradac & Company LLP's HUD Team Leaders

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