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-- SPECIAL MESSAGE --

2003 OUTLOOK

Janet L. Browder, Director, Multifamily Hub

Working Together For Successful Accomplishments

As we envision our goals for the new fiscal year, it is instructive and inspiring to acknowledge what has already been achieved. In a message to all multifamily staff, our acting Multifamily Deputy Assistant Secretary, Fred Tumber, articulated Multifamily’s success in Fiscal Year 2002 in a message to all multifamily staff. It isn’t until one sits down and reflects on the manner that we realize how much we have done. I want to share with you Fred’s message and a few conclusions that originate from that message which provide a “national” perspective on the year. I want to thank you and the Hub Multifamily staff for helping to make these accomplishments possible.

As we enter Fiscal Year 2003 (October 1, 2002 – September 30, 2003) HUD staff need your continued support to build on last year’s achievements and realize new ones.

For 202811 projects we must initially encroach 90% of our pipeline of projects that we funded in Fiscal Year 2000 and prior, and achieve final endorsement on projects that were 100% construction completed by December 31, 2000. This work (25 initials and 17 finals) is a high priority and we need sponsors and their development teams to focus on timelines.

We continue to be committed to make MAP (Multifamily Accelerated Processing) work, and have a goal to ensure at least 52 projects this year. Although we have been particularly challenged by staffing losses due to retirements, we are striving to meet timetables and reduce bottlenecks in our processing. I look forward to our annual Lender’s Meeting, tentatively scheduled for April 2003, as a time to achieve a better understanding of MAP requirements.

Continued on Page 2...
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Janet Browder on Fiscal Year 2003

Continued from Page 1

The “Health” — Financial, Physical and Management — of our Asset Management portfolio continues to be an important goal. Timely compliance with Regulatory requirements, mitigation of existing health and safety conditions and other completed repairs, and good management of our portfolio will be particularly emphasized by our staff. In Arizona, Nevada and Hawaii, the Project Based Contract Administration performances will continue to be closely monitored and ongoing communication is essential for joint HUD – Contractor oversight.

Establishment of new Neighborhood Networks continues to be a goal within our office. In addition, HUD staff coordinating this effort must work with project staff to assure there is effective on-going operations of the centers. Our quarterly newsletter, will particularly focus on Best Practices, enabling other centers to build up their capacities.

The Hub newsletter, PACIFIC CURRENTS, will continue to be our communication link with you. We hope to publish at least a quarterly newsletter, but if administrative funds are not readily available, we will endeavor to place the newsletter on our website. You are encouraged to submit ideas or subject you would like to hear more about.

Thank you for your cooperation last year. We look forward to a busy and productive FY’03.

2002 a Successful Year for HUD

Recently, Fred Tombari III, Acting Deputy Assistant Secretary for Multifamily Housing Programs, sent all Multifamily staff a message concerning 2002 accomplishments. The following are some excerpts from that message that may be of interest to you:

• In the area of Multifamily Development, HUD had a greater than 50 percent increase in overall business. Our commitments increased by $7.2 billion from $4.7 billion in FY 2001. Nearly 50,000 new homes for families of all types are being produced. This is a 60 percent increase over the previous year.

• This year we have placed a renewed focus on clearing out the aged pipeline of Section 202 and 811 projects. We closed on 106 properties, which resulted in 1,800 units (7,317), new units for the elderly and disabled persons.

• For 3 years now, we have awarded grants to sponsors of properties that house elderly individuals to help in the conversion of those properties to Assisted Living Facilities. More heartening is the realization that this year we have awarded over $88 million under this program representing a 15 percent increase over the last year and a 76 percent increase over the year before.

• The Service Coordinator program has also provided a valuable resource for residents in our assisted developments by helping them maintain their independence. For FY 2002, $28 million was available for funding new service coordinators in our assisted developments.

• Neighborhood Networks continues to be a positive influence for children living in our facilities, for helping folks learn computer and job skills, and for keeping our sponsors in touch with their families and the real and virtual world. HUD added another 170 centers, creating a network of nearly 1,000 centers nationwide. I encourage you all to continue to be creative and flexible in helping owners and managers keep their running.
Pacific Currents - February 2003

In Multifamily Asset Management, we now have the most complete picture of our portfolio since FHA was begun in 1934. We have improved the quality of housing. Financial reporting by our owners has improved dramatically with over 85 percent submitting timely. We are moving ahead even further by focusing on those who have not substantially improved their properties by specific enforcement action against those 1,000 owners who continue to have substandard housing and noncompliant financals.

Section 8 Contract Administration: Through our new 41 FBCAs and 53 Section 8 HAP contracts, with 100 percent voucher reviews and annual occupancy reviews by PHAs, MF is already responsive to the Department's Rental Housing Improvement Program (RHIP) effort.

We are seeing Section 3 contract renewals become increasingly important to our preservation activities. We have over 4,000 contract renewals this past year and between OMIHR restructuring older properties that are above market and mark-up-to-market recognizing higher rents in high cost and growth communities, we are seeing a flattening in out, with 243 properties in FY 2000, 251 in FY 2001, and approximately 200 on FY 2002. These 4,000 renewed contracts represent over 200,000 units that will continue to house low and very-low income families and seniors.

Section 8 Voucher Holders and 236 Projects

Recently there has been some confusion concerning whether or not a Section 8 voucher holder could be admitted into a Section 236 project. This office has received clarification concerning this matter.

Section 236 projects can accept Section 8 voucher holders. However, the Section 8 voucher holder cannot occupy a unit subsidized or project-based Section 8. In addition, the rent charged for the unit occupied by a Section 8 voucher holder must be the same as the Basic or Section 8 contract rent.

New State Law Adds Inspection Requirement to Protect Residents

A new California law went into effect on January 1, 2003, which requires owners to implement a new inspection procedure for residents that are moving out of their units. Assembly Bill 3330 is intended to help residents recover their security deposits consistent with the terms of their lease. Under the new law, owners must give residents written notification of their right to an inspection and the resident's right to be present at that inspection. Residents must get a 48-hour notice before the actual inspection takes place and the inspector must be conducted within the last two weeks of occupancy. Owners are required to provide the resident with a list of damages to the unit that could be deducted from the security deposit. The new law also changes the rule on damages for bad faith claims or retention of the security deposit from $300.00 to twice the amount of the security deposit.

HUD and the Food Stamp Program Building Income and Food Security Together

The Food Stamp Program is the largest food assistance program in the nation. Over $15 billion was allotted to hungry families in FY 2001. Still, many eligible families do not participate.

Food Stamps can help HUD residents and HUD administrators. Many HUD residents are likely to be eligible for food stamps. When HUD residents have their food budget supplemented by food stamps, they can cover their housing costs more easily.

Owners/Agents should consider providing Food Stamp Program information with rent notices, in newsletters, on bulletin boards, and at resident meetings. You can order informational materials free of charge in multiple languages at http://www.fns.usda.gov/esa/infg.htm. You may contact the Western Region Food Stamp Program staff for ready-to-use articles for your newsletters, etc., Melissa Dage at 415-705-1320 ext. 304 or Melissa_Dage@fns.usda.gov.

Food Stamp eligibility workers will come to your site to conduct eligibility determination interviews. All you need to do is provide information to residents in advance and provide a room for the eligibility worker. The Western Food Stamp Program can introduce you to the appropriate county contact. Please contact Melissa Dage at the number above for this information.

In addition, the USDA offers Summer Food Service Programs for children, After-School Snack programs as part of the National School Lunch Program and the Child and Adult Care Food Programs, and School Breakfast Programs. For more information: Nutrition Services Division, California Department of Education, 560 J Street, Suite 270, Sacramento, CA 95814-2322, or phone toll free 1-800-952-5689.

Bethany Center Opens Its Computer Learning Center

On September 30, Bethany Center Senior Housing in San Francisco held its official grand opening of their new Neighborhood Learning Center.

One of the unique features of the center is a weekly mentoring program called 'Techniques to Wellness.' The program matches computer savvy and health professional volunteers with grandparents and grandchildren of low income families. It encourages cross training: the grandparents teach the grandchildren on good healthy living and the grandchildren teach the grandparents how to use the computers.

Attending the Grand Opening were HUD Representatives Diana Mann and Maricella de Chavez, as well as representatives of community sponsors Citigroup, Accenture Consulting, Mission Rotary Club, Bethany United Methodist Church, The Breuken Older Adult Fund, the San Francisco Foundation, and the Bank of America.
Lead-Based Paint in Project-Based Assisted Rental Housing

As of March 2002, a lead-based paint risk assessment or a visual assessment should have been performed on all properties constructed prior to 1960 to comply with Federal Regulations published in 1989. Owners of properties constructed between 1960 and 1977 must comply with these procedures no later than September 15, 2003.

Owners must submit to HUD a certification stating that residents were provided preliminary notice of the pending inspection and that residents were notified of the lead-based evaluators (inspection results). If owners have not already submitted their certifications to their local HUD office, they should do so now.

For all properties found to contain lead-based paint, the owner should have submitted a Lead Hazard Control Plan (LHCP) to their local HUD office. The LHCP must be approved by a state licensed and certified Risk Assessor, and it must be in compliance with the regulations and local governmental requirements. The Risk Assessor's approval shall be on the organization/agency stationary along with the state license number. Owners who have not submitted the required LHCP should submit the plan immediately. Failure to comply will result in referral to the Office of Healthy Homes and Lead Hazard Control and the Office of General Counsel for enforcement action.

If the owner needs additional funding to bring the property into compliance with the lead-based paint guidelines, they should contact the state or local community development, housing, or similar agency, for information regarding state and local funding. If there is insufficient state or local funding available, the local HUD office may consider releasing funds from project reserves, assuring sufficient funds are available.

Additionally, on September 26, 2002, Governor Gray Davis signed into law a bill (Senate Bill 460) effective January 1, 2003, that provides major advances in the State’s ability to identify, prevent and eliminate lead poisoning.

The new California law:

- requires reporting of all blood lead analysis results in order to better identify and care for lead poisoned children and occupationally exposed adults.

- allows the Department and local agencies to issue cease and desist orders when people are creating lead hazards.

Casa Natomas Groundbreaking

On Friday, October 25, 2002, a groundbreaking ceremony was held in South Natomas, a neighborhood in Sacramento. A 59-unit low-income elderly housing project is now under construction called Casa Natomas.

This project will provide affordable, decent, safe and sanitary housing for seniors in the community. HUD’s Capital Advance funding provided $49,850,000; the Sacramento Housing and Redevelopment Agency provided financing in the amount of $360,000, and the Weinberg Foundation provided a $138,000 grant to be used for furniture in some of the units to be occupied by the frail elderly. The City and County of Sacramento also waived water and sewer hook-up fees which totaled $172,000.

New Fair Market Rents

On September 30, 2002, the FY 2003 Fair Market Rents were published in the Federal Register. If you have not already obtained a copy, please do so at http://www.hudclips.org

Resident Satisfaction Surveys

We mentioned in a 2001 newsletter that HUD was going to initiate Resident Satisfaction Surveys. We have recently been informed that these surveys have been sent to some of our properties.
2002 SECTION 202/811 Capital Advance Grants Announced

On October 16, 2002, HUD announced the successful applicants for the FY 2002 Section 202 and 811 Capital Advances. The successful applicants for the San Francisco Multifamily Hub are:

**Section 202 Grantees**

- Jubilee Senior Homes, located in Berkeley, California, 28 units
- Gaviota Affordable Conifer Housing, located in Gaviota, California, 75 units
- Gardelle Gardens Senior Housing, located in Livermore, California, 40 units
- Mt. Shasta Senior Housing, located in Mt. Shasta, California, 11 units
- Sister Thea Bowman Marori II, located in Oakland, California, 45 units
- Richard S. Lew Senior Apartments, located in Petaluma, California, 23 units
- Tulare Silvercrest, located in Tulare, California, 63 units
- Mary Oaks Senior Housing, located in Redding, California, 60 units
- Senior Residence at Kapolei I, located in Kapolei, Hawaii, 20 units
- Hale Malaeolani Etha, located in Kinel, Hawaii, 6 units
- Rocky Mountain Mutual Housing, located in Phoenix, Arizona, 64 units
- National Church Residences, located in Tucson, Arizona, 54 units

**Section 811 Grantees**

- Boulevard Apartments, located in Petaluma, California, 15 units
- Oahu Group Home, located in Honolulu, Hawaii, 3 person group home
- Valley of the Sun School, located in Phoenix, Arizona, 5 group homes or scattered sites

FY2003 Superfunds

The 2003 Superfunds has been delayed pending Congressional budget approval. For further information contact Michael Hayes at 415-436-8360.

Terrorism Insurance Not An Insurance Coverage Requirement

On October 22, 2002, Secretary Mel Martinez announced that HUD will not require insurance coverage against acts of terrorism as a condition of its multifamily mortgage insurance.

Following the attacks of September 11, many insurance companies began excluding or limiting coverage for acts of terrorism in catastrophic loss insurance policies, including policies that cover multifamily properties. This insurance, which was not required prior to September 11, could cost a typical 100-unit project owner an additional $5,000 annually, presenting financial constraints for existing properties, and even discouraging the construction of new properties.

In response, Secretary Martinez announced that in the event of an act of terrorism that destroys or partially destroys an FHA-insured multifamily property, HUD would pay the partial or full claim to the lender.

Active Partners Performance System (APPS)

HUD’s APPS system will be coming on line for industry use in the near future. Prior to availability, we would like to remind the industry of common problems we frequently see on current APPS submissions.

**They include:**

1. The Previous Participation Certification, Form 2530, is not complete. Every block on the application should be filled in.
2. All principals should be listed along with their addresses and social security numbers.
3. Part A of the application should also be complete. We frequently receive applications that list the properties and Section 8 contracts the principals have been associated with, but they fail to complete the status of the loan, whether the loan was ever in default, or the last management and/or physical inspection rating.
4. A statement of signature authority should also be submitted indicating which principals have authority to sign contracts, etc.

A Previous Participation Certification (HUD-2530) should also be submitted when changes occur on the Board of Directors for the project.

Industry Meeting

The next HUD property management industry meeting will be held on March 17th, 2003, at 10am at 460 Golden Gate Avenue, 2nd Floor, San Francisco. To add topics to the agenda, contact Betty Wang at 415-436-8465

New OCAF Factors

The new OCAF Factors have been published. The factors are effective February 11, 2003. The factors for California is 2.9%, for Arizona it is 1.8%, Hawaii 2.0% and Nevada 3.2%
In this age of technological progress, there are also environmental consequences that we must deal with. Car exhaust fumes, pesticides, MTDE, PCBs are only some of the invisible industrial chemicals polluting the air that we all breathe.

As the winter months have descended upon us, this is an especially appropriate time to discuss the issue of mold since excess moisture is the underlying cause of indoor mold problems. Hot spots of mold growth in the home include damp basements and closets, bathrooms (especially shower stalls), places where fresh food is stored, refrigerator drip trays, house plants, air conditioners, humidifiers, garbage pails, mattresses, upholstered furniture, and old foam rubber pillows.

When live mold spores encounter moisture from building problems such as flooding, water intrusion, an ongoing leak, or even high relative humidity, they may be able to grow. In addition, moisture can be produced within the home itself. For example, a 10-minute shower puts one pint of moisture into the air, and three meals cooked on a stovetop for a family of four puts five pints into the air. Once mold is established, the amount of mold may increase quickly and colonies can spread if enough moisture is available. Thus, although cleaning the site where mold is found can help mitigate mold proliferation, it is important to remember that permanent mold removal and prevention necessitates moisture control.

Many types of mold can be smelled or seen. The Minnesota Department of Health (MDH) recommends that the first steps of mold detection should always begin with visual inspection to locate sites of growth. Although advanced testing techniques have been developed, the MDH actually discourages such testing in the early stages of mold detection because it is quite costly; and more importantly testing to determine the kinds and amounts of mold present is rarely helpful. Instead the Department of Health suggests that the first steps should always begin with visual inspection to locate sites of mold growth. If a mold site is found, the next step is identifying the source of moisture. Remember, if the conditions causing the mold growth in the first place are not corrected, mold growth will recur.

Guidelines for Reducing Mold Growth

1. Inspect the Building for Signs of Mold, Moisture, Leaks, and Spills
   - Look for water stains or discoloration on the ceiling, walls, floors, and windowsills.
   - Look around and under sinks, and in bathrooms, for standing water, water stains, or mold.

2. Reduce Indoors Humidity
   - Reduce indoor humidity by venting showers and other moisture-generating sources to the outside.
   - Use exhaust fans whenever cooking, dishwashing, and cleaning in food service areas.
   - Control humidity levels and dampness by using air conditioners and de-humidifiers.

3. Mold Removal
   - Because studies of mold’s potential effects on health are still in early stages, caution should be used when employing remediation processes. Please visit the links below for more information on mold and its mitigation.

Check Out These Mold Links
1. You can find out more about mold by checking out the Minnesota Department of Health website: http://www.health.state.mn.us.
3. National Center for Environmental Health has information on mold in English and Spanish: http://www.cdc.gov/nceh/airpollution/mold/.
4. You can order more literature from the California Environmental Investigation Branch by calling (510) 622-4500, or on the web: www.dhs.ca.gov/ehib/. Publications include:
   ii. Fungi and Indoor Air Quality.
   iii. Health Effects of Toxin-Producing Molds in California.

5. The Indoor Air Quality Program of the California Occupational Disease Control offers general information on mold, as well as specific guidance on topics such as: hiring indoor air quality consultants, calendar of upcoming conferences, and air quality-related announcements: www.cal-iaq.org.
Issuances

H 2002-19, Extension of Notice H 99-7, Subordinate Financing by Federal Home Loan Banks Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities Programs

H 2002-20, Clarification Regarding Title Approval Issues, Property Condition at Conveyance, Administrative Offsets, and a New Process for Lender Appeal of Conveyance Issues

H 2002-21, Extension of Notice H 2001-10 (HUD): Cost Not Attributable to Dwelling Use and Site Not Attributable to Dwelling Use in Underwriting FHA Multifamily Mortgages

Notice H 2002-22, Screening and Eviction for Drug Abuse and Other Criminal Activity - Final Rule

Notice H 02-23, Extension of Notice H 95-38 Secondary Financing by Public Bodies for Section 202 and Section 811 Projects

Mortgagee Letter 2002-23, Expiration of FEMA's National Flood Insurance Program

Mortgagee Letter 2002-24, Expiration of National Flood Insurance Program

Federal Register September 30, 2002, Fair Market Rents for the Housing Choice Voucher Program and Moderate rehabilitation Single Room Occupancy Program Fiscal Year 2002; Notice


Federal Register January 22, 2003, Section 8 Housing Assistance Payments Program - Contract Rent Annual Adjustment Factors, Fiscal Year 2003; Notice

COMINGS AND GOINGS
San Francisco Office

Thomas Yip, Multifamily Intern, accepted a position with the Social Security Administration

Robert Bourbeau, Appraiser, Sacramento Office, retired
Carolina Chavez-Lopez, Project Manager, San Francisco Office, retired
Richard J. Johannsen, Architect, San Francisco Office, retired
Steve Langstaff, Supervisory Project Manager, Phoenix Office, retired

Keith Axtell retired February 2003 after 36 years of distinguished federal service. Keith served as the Regional Director of Housing for 20 years.

Welcome To:
Michael Otocki,
Mortgage Credit Specialist, San Francisco Office
Charity Advantage Computer Program

The Northern California Chapter of AHMA has advised that they have negotiated a reduced price with a vendor for 300+ brand name computers and laptops. The office is available to non-profits registered with the TechAdvantage/Charity Advantage Computer Program.

If your organization needs computer(s) or laptop(s) and have a small budget, this is a great opportunity. Please visit their website at http://www.charityadvantage.com/system.htm to see the inventory and place an order.

After School Programs

The Bay Area Partnership and the Partnership for After School Education (FASE) have developed the first Bay Area After School Training and Support Directory. You may find this comprehensive directory useful in starting, expanding, or maintaining an afterschool program. The directory is currently available in hard copy and will soon be available on the web at www.sactechnet.com and www.bayareapartnership.org. In the meantime you can obtain a hard copy by contacting Erin Gabel at the Bay Area Partnership at 510-812-7272 or erin.gabel@bayareapartnership.org.

CALENDAR

February
19th—21st — Certified Occupancy Specialist, NCHM, Phoenix, www.nchm.org
19th—21st — Tax Credit Specialist, NCHM, San Francisco, Los Angeles, NCHM, (800) 368-5625
26th — 20th — Certified Occupancy Specialist, NCHM, Honolulu, www.nchm.org

March
26th — 20th — Certified Manager of Housing, NCHM, San Francisco, www.nchm.org

April
9th—11th — NCAIIA’s Annual Conference, Trade Show and Job Fair, San Jose, CA
15th — Service Coordinator and Alternative Services Conference, 450 Golden Gate Avenue, San Francisco, CA 415-436-8469
16th—18th — Certified Manager of Housing, NCHM, San Francisco, 800-368-5625
17th — HUD Multifamily Industry Meeting, 455 Golden Gate Avenue, (State of California Building) San Francisco, CA
30th—May 2nd — Certified Occupancy Specialist, NCHM, Oakland, 800-368-5625
30th—May 2nd — Certified Manager of Housing, NCHM, Los Angeles, 800-368-5625