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REAC Physical Inspections Are You Ready?

This issue of Pacific Currents will be devoted to assisting owners and agents of Multifamily properties in preparing for upcoming REAC inspections. It will also provide tips for understanding the REAC physical inspection process and the most common REAC deficiencies. We’ll provide information on how HUD staff will be working with owners and agents prior to their inspections in order to reduce the number of properties that receive REAC physical inspection scores under 60.

REAC recently provided guidance to assist owners of Multifamily properties in preparing for their upcoming REAC inspections. It is important to review and follow the guidance well ahead of the REAC inspection date and set aside time to prepare and pre-inspect your property as discussed in the guidance. REAC recommends that you conduct a complete (100%) inspection of your property including the site, all building exteriors, all building systems, all common areas and all units.

We developed the list of common deficiencies included in this newsletter after reviewing ten recent inspection reports of properties in our Hub. These frequently cited deficiencies should give you an idea of what the REAC inspectors are focused on and can help in conducting a pre-inspection of your property.

The San Francisco Hub has consolidated a list of important reminders and tips that we think are critical in understanding the REAC physical inspection process including the postponement requirements, appeals process, and the requirements for developing a Compliance, Disposition and Enforcement Plan as a consequence of a second under 60 REAC score. It is also important to note that commons areas such as community rooms, landscaping and fences greatly affect the REAC scoring.
This edition of Pacific Currents focuses on the topic of how to thrive and not just survive when dealing with REAC inspections. REAC inspections are an important and valuable tool for HUD to determine the physical condition of HUD assisted and insured projects. At the same time, we recognize that the score is an indicator taken at a specific time, and sometimes the results give inaccurate assessment of the project’s physical condition, just like one’s blood pressure reading may not reflect the true health of an individual.

We hope some of the articles help you understand how to improve your REAC scores, so that you can deal with some of the big picture matters that are also demanding your attention.

One of our Hub’s main goals is the preservation of our existing affordable housing portfolio. We are taking a proactive approach and encouraging owners to remain in the subsidized housing business. Examples include providing regular meetings with the industry to promote partnering, issuing Hub notices to encourage long term HAP contracts, and encouraging refinancing of the existing portfolio, in particular Section 202s, so that needed repairs and improvements can be made.

In addition, Multifamily Housing is taking incremental steps to increase HUD-insured loans in the market. It is anticipated that rental housing demand will increase in many areas due to fallout in the homeownership market. Multifamily has numerous initiatives in the pre-release phase, and hopes to have these available over the next 6 to 12 months.

This newsletter also highlights recent project completions of a Section 811 and a Section 202 project.

Tony Perez, from our Phoenix office, retired in early 2007 due to illness. He passed away this February. Beyond all the numerous contributions he made to HUD over the years, he was a Veteran, father and grandfather, in addition to his numerous other roles throughout his life. His positive presence remains in the many people and projects that he touched. Tony’s death puts in perspective that the toils of the many micro tasks that we handle daily, are not what are most important in our lives or work.
Preparing for a REAC Inspection

The San Francisco Hub has an ongoing goal to preserve affordable housing. We have established procedures to assist owners in preparing for REAC inspections and we hope by doing so to improve the physical condition of our properties. Throughout this newsletter we have included guidance, reminders and tips for owners/agents in preparing for the REAC inspection. It is our hope that by strengthening our Hub’s overall approach, owners will achieve REAC physical inspection scores of 80 and above. We hope that a proactive collaborative approach between Project Managers and owners, working together, will achieve an outcome of resolving any deficiencies before the inspection. This collaboration should reduce the number of Under 60 REAC scores and help owners avoid any second Under 60 scores, which can result in serious consequences to their property.

To further assist in the preparation for an inspection, Project Managers will be contacting owners to schedule a meeting or conference call prior to a scheduled REAC inspection. The primary purpose of these calls is to review common REAC deficiencies; discuss specific deficiencies the property has had in the past; raise awareness as to the seriousness of an Under 60 REAC score; and to remind the owner that the second inspection will likely be conducted by a different inspector and different random units will be selected.

In the unlikely chance that YOUR project receives an Under 60 REAC score, your Project Manager will contact you again after the score has been released to discuss the following:

- The current and previous REAC physical inspection reports (deficiencies). This will be an item by item discussion of all deficiencies noted in the current under 60 REAC physical inspection report (if applicable) and all past inspection reports;
- The property’s action plan (such as a Comprehensive Needs Assessment) to cure all of the physical deficiencies, including those noted in the Under 60 inspection report;
- The Notices sent to the owner from the Los Angeles DEC of the Regulatory Agreement violations and/or Defaults of the Housing Assistance Payments Contract; and
- An explanation of the consequences of a 2nd Under 60 REAC score, i.e., the required Compliance, Disposition and Enforcement Plan and the options available to the Hub (foreclosure, abatement of Section 8 subsidy, prepayment, mortgage sale, restructuring by OAHP, transfer of physical assets, change of management, or a combination of these).

A Management Agent’s Perspective

One of the scariest things to hear in the property management world is this: “The REAC inspector is coming!”

The learned management agent has no doubt had the occasion to ponder questions when faced with a REAC score of below 60. These questions include:

- “How’d I get a 16.5 point deduction for a speck of paint on one lousy fire sprinkler head?”
- “Can’t anyone see that this is a work of art, not graffiti?”
- “What crack on the switch plate?”
- “What exposed wires?”
- “What the heck is a scunsion???”

Agent concerns are valid: one inspector looks for one thing while another looks for something completely different; the rationale behind the point deductions seems unfathomable; the REAC appeals process can be quite tedious; however, agents have looked at the REAC process and concluded that conforming to REAC standards = decent, safe and sanitary housing. This is the sacred promise we make to all of our residents and, in our profession, nothing is more important.

(1) www.hud.gov/offices/reac/faqs/pass_faqs.cfm
This website is a treasure trove of information. The 31 page “Compilation Bulletin” (which was revised in January 2008) and the “User Guides and Documents” sections are particularly indispensable. Don’t even try to commit this information to memory, but an agent, and the agent’s maintenance team, must know where to look, must keep these documents handy, and must be guided by them regularly.

(2) Get the cooperation of your residents. When Management observes potential unit findings such as sofas blocking egress points, stove control knobs removed, and kitchen smoke detectors unhinged, notices should be sent to all residents requesting their cooperation. Residents should be encouraged to do their share to ensure a successful inspection.

(3) Network, talk to peers and get formal training. Preparation is the key. If an agent knows that hairline cracks on a switch plate are the REAC findings du jour, then the agent should prioritize accordingly.

Have a party after scoring 90 or above. Site teams appreciate the effort taken to show that the agent cares... and the fact that the REAC inspector won’t be showing up for another 3 years!
The Hub has consolidated a list of important reminders and tips that we think are critical in understanding the REAC physical inspection process including postponement requirements, the appeals process and the requirements for developing a Compliance, Disposition and Enforcement Plan as a consequence of a second under 60 score.

1. REAC inspectors must notify the owner/agent not less than 15 days in advance to arrange a date and time to conduct a REAC inspection.

2. Owners must provide written notice to the residents at least 15 days in advance that the inspection will take place.

3. Timing of Inspections:
   - 90 points or higher – inspected every three (3) years
   - 80 to 89 points – inspected every two (2) years
   - 79 or less – inspected annually

4. Requests to HUD to postpone a REAC Inspection must have a justifiable reason. These include:
   - Property prepaid the loan and there is no Section 8 HAP Contract or other rental assistance
   - Property is scheduled to prepay within the next 90 days
   - Property is undergoing major rehab
   - Property is about to be rehabilitated with funding in place and has estimated starting and ending dates of rehab work
   - Property is in process of refinancing, decoupling, in OAHP for mortgage restructuring, has submitted a Transfer of Physical Assets application, or has an assignment of the Section 8 HAP contract to a new owner in Process
   - A REAC physical inspection is not due
   - Other serious circumstances such as litigation
   - Property is in foreclosure and/or subsidy has been abated, or the mortgage is scheduled for a HUD multifamily note sale

5. Requests to HUD that certain units and/or buildings be taken off-line before a REAC inspection will be considered if:
   - certain dwelling units had recent extensive fire Damage
   - minor rehabilitation work is ongoing
   - there are police restricted areas
   - there are other hazards or unforeseen circumstances

The owner must:
   - contact the Project Manager, preferably prior to the inspection being scheduled
   - provide the total # of buildings and/or units involved
   - provide the reason for taking off line
   - advise how long unit/building has been off-line
   - advise when unit/building will be back on-line.

If HUD approves the request, the owner will be provided with a letter to present to the REAC inspector on the day of the inspection.

6. Exigent Health and Safety (EH&S):
   - If the owner receives a “ticket” from the REAC Inspector on the day of the inspection for Exigent Health and Safety (EH&S) hazards found during the inspection, the owner is reminded to correct all hazards and submit a certification to HUD/PBCA that the findings were corrected within 3 business days:
     a. submit the certification on company letterhead
     b. fill in all the spaces with the correct info
     c. have the owner sign a completed certification
     d. fax the certification and supporting docs to HUD/PBCA
     e. keep a copy for your records

7. Appeals:
   - If an owner believes that the inspection was not conducted in accordance with REAC inspection protocol or feels that certain inspection data was recorded in error and if corrected will result in an improvement in the property’s overall score there are two options available to appeal a REAC physical inspection score:
     a. Technical Reviews:
        Only objectively verifiable, material errors will be considered for a technical review. Material errors are those that exhibit specific characteristics and meet specific thresholds.
        The three types of material errors are:
Owners must submit requests to:

HUD/PIH/REAC
Attn: PASS Database Adjustments,
550 12th Street, S.W.,
Suite 100, Washington, D.C. 20410

Requests must be received by REAC within 45 days following REAC’s release of the report.

- Owners will not accept any database adjustment requests without appropriate documentation, such as a local code citation.
- The following conditions do not qualify for a database adjustment: Deficiencies noted during the inspection that were corrected during or after the inspection, and deficiencies caused by residents do not qualify.
- Turnaround time on appeals is 30 days. If you have not heard back from REAC on the status of your appeal, contact your Project Manager.

8. If an owner refuses the REAC inspection, the result is an automatic failure (0 points) and referral to the Departmental Enforcement Center (DEC) for enforcement action.

9. Remember that common areas such as community rooms, landscaping and fences greatly affect the REAC scoring.

10. HUD will take the following steps if a project receives a 1st and/or 2nd Under 60 REAC physical inspection score:

   - Flag the principals & management agent in the Active Partners Participation System (APPS).
   - If you get two Under 60 scores, you get flagged twice in APPS.
   - Change the status of the project to Troubled
   - Refer the project to the Departmental Enforcement Center for enforcement action.

11. Compliance, Disposition and Enforcement (CDE).

   - The current Headquarters protocol for projects that receive a 2nd Under 60 REAC physical inspection score requires that the Hub develop a CDE Plan. The acceptable actions in the protocol are:
     - Foreclosure
     - Prepayment
     - Abatement/termination of Section 8
     - Mortgage sale
     - Transfer of Physical Assets
     - Restructuring the mortgage with OAHP
     - Changing the management agent

   - Due to the limited options available, it is important for owners to avoid scoring less than 60 points. Owners should begin making preparations for correcting all physical deficiencies and seek funding sources to address the repairs/replacements in advance of the inspection.
REAC has recently provided the following guidance to assist the Multifamily Property Owners and Management Agents in preparing for REAC inspections. It’s important to review and follow this guidance well ahead of the REAC inspection date and set aside time to prepare and pre-inspect your property as discussed in the guidance. REAC recommends conducting a complete (100%) inspection of the property including the site, all building exteriors, all building systems, all common areas and all units.

Preparing for a REAC Inspection

Prior to the REAC inspection date the property should conduct a complete (100%) inspection of the property. It should include the site, all building exteriors, all building systems, all common areas, and all units. For clarification purposes: all areas within a building that are not residential units are considered common areas for the REAC inspection and you will need to provide access to each of these areas.

- The “Pre-REAC” inspection can be completed using the 2.3 public version of the inspection software, which is available for download from the REAC website, http://www.hud.gov/offices/reac/products/pass/software.cfm, if you choose to complete the inspection electronically.

- If you prefer to complete it manually (on paper) there is a formatted inspection form available that allows you to inspect all the inspectable items, but it does not have the definitions readily available for each of the deficiencies. However, using this form allows you to enter the level and then check the accuracy of the findings after returning to the office or completing the inspection. The URL for this document is: http://www.hud.gov/offices/reac/products/pass/materials.cfm.

> While conducting the “Pre-REAC” inspection keep in mind that if an inspectable item exists on your property it must function as designed by the manufacturer.

> The REAC inspection is a hands-on inspection. Whether the property staff or contract inspector conducts the “Pre-REAC” they must physically test the function of all windows, doors, fixed lighting, stoves, etc. You will not be able to accurately determine if the inspectable item(s) functions properly without first checking the operation (i.e., if a door is designed to latch/lock, then the door should latch/lock). However, if whoever is conducting the “Pre-REAC” inspection fails to check the door for both these functions it would be recorded as a defect on the REAC inspection if that area/item were selected in the sample.

- In addition to the “Top 20 Deficiencies” which can be found at: http://www.hud.gov/offices/reac/products/pass/materials.cfm, special attention should be directed at any possible “Exigent Health & Safety” deficiencies that may be found. They are:

  - Propane, natural, or methane gas leaks
  - Exposed wires or open electrical panels
  - Water leaks on or near electrical equipment
  - Blocked or unusable emergency or fire exits
  - Blocked fire escapes or ladders
  - Missing or misaligned chimney for gas-fired water heater or HVAC unit
  - Window security bars preventing exit
  - Expired fire extinguishers
  - Inoperative or missing smoke detectors

Property staff should adhere to the following when preparing for the REAC inspection:

Electrical

- All electrical boxes, electrical panel boxes, fuse boxes, disconnect boxes, timer boxes, etc., are subject to inspection by the REAC inspector regardless of the location. These boxes will be inspected even if behind locked doors for any electrical deficiency that exists.

- All electrical panels and fuse boxes must be made available for inspection whether located inside or outside and secured or unsecured.

- All other electrical boxes, disconnects, timers, etc., will not be opened by the REAC inspector and no deficiency cited if secured at the time of the inspection. A box is considered secured by REAC definition if it cannot be opened using only your hands. (No tools are allowed.)

Blocked Egress

- All individual living areas/rooms in a unit and all common area rooms must have two independent and unimpeded means of egress.
The property staff is required to provide the inspector with access to all inspectable areas within the sample units and sample building common areas.

You are allowed to do the following during the inspection:

- In a unit or common area you may install a light bulb to demonstrate that a fixture functions properly, if so, it is not a defect.
- If a pilot is out on two or more burners you may light the pilot and test the burners. If they both function, a Level 1 deficiency is recorded in lieu of a Level 3.
- If the exhaust fan in the bathroom has been unplugged you may plug the exhaust fan in and if it functions properly there is no deficiency recorded.

Supplemental Guidance

The “Compilation Bulletin” and Inspector Notices are clarifications of the definitions and take priority over the written definitions in the inspection 2.3 software. The “Inspector Business Rules” detail the protocol for conducting the REAC inspection. You will need to familiarize yourself with these documents:


Current regulations require owners to submit all Data Base Adjustments (DBA) or Technical Review (TR) appeals directly to the Real Estate Assessment Center, not to their Hub/PC staff [Reference: 24 CFR 200.857(d) and (e)].

REAC’s mailing address is: HUD/PIH/REAC, 550 12th Street S.W., Suite 100, Washington DC 20410.

Additional guidance concerning the CFR, DBA and TR requirements can be found at:


and

http://www.hud.gov/offices/reac/products/pass/pass_guideandrule.cfm
Edenvale Supportive Housing provides 14 units of affordable, accessible housing to very low income adults living with developmental disabilities. Residents pay just 30% of their incomes for rent and utilities.

Edenvale Supportive Housing will provide 14 independent living apartments in a single two-story elevator building. Each living unit will include a full kitchen and full bath, in addition to living/dining room area. All corridors and community spaces, as well as the elevator, are wheelchair accessible.

The site of Edenvale Supportive Housing, approximately 0.45 acres, is surrounded on three sides by an existing Eden Housing-owned and managed family rental property of 145 living units.

The site also has frontage along Monterey Highway. Edenvale Supportive Housing has been designed to encourage social interaction with residents of the existing project, and the sharing of resources and programs; thereby promoting the mainstreaming of the special needs residents of Edenvale Supportive Housing into the greater community.

The project sponsor, Eden Housing, Inc., of Hayward, CA, has partnered with Housing Choices Coalition, another non-profit located in San Jose, to provide resident coordination services.
# US DHUD - San Francisco Multifamily Hub

600 Harrison Street, 2nd Floor, San Francisco, California 94107

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### Section 202/811 Production Team (Entire Hub)

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<td>Andy.F.Lai</td>
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<td>Angela.L.Morrison</td>
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<td>Loy, Marcus</td>
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Sacramento Multifamily Office - 650 Capital Mall, Suite 4-200, Sacramento, CA 95814

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Fresno Field Office, 855 M Street, Suite 970, Fresno, CA 93721

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<td>Perales, Rhea</td>
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<td>Rhea.A.Perales</td>
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<td>Yamate, Ray</td>
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Performance Based Contract Administrators - PBCA

PBCAs - We outsource key section 8 project servicing to these valued contractors. We are fortunate that over the last few years they have individually and collectively partnered with HUD and the industry to promote high quality work to enhance HUD’s objectives.

Northern California Project Managers may call:
California Affordable Housing Initiatives, Inc.
505 14th St., Suite 940
Oakland, CA 94612-1468
(510) 238-5300 Tel (510) 268-8545 Fax
PBCA@cahi-oakland.org

Arizona Project Managers may call:
Paula Scott
Contract Administrator
1110 W. Washington St., Suite 310
Phoenix, AZ 85007
(602) 771-1000 Tel (602) 771-1002 Fax
paulas@housingaz.com

Nevada Project Managers may call:
Timothy H. Johnson
Contract Administrator
Washoe Affordable Housing
1004 Forest St.
Reno, NV 89509
(775) 334-3199 Tel (775) 334-3195 Fax
tjohnson@renoha.org

Hawaii Project Managers may call:
Mary I. Morton
Hawaii Compliant Manager
Contract Management Svcs
345 - 6th Street, Suite 200
Bremerton, WA 98337
(808) 591-6507 Fax
mmorton@contractmgtm.org

General Inquiries and Tenant Complaints
Northern California
1-800-982-5221

Arizona
(602) 771-1000

Nevada
1-888-202-9036

Hawaii
1-808-591-6235

San Francisco Hub Organizational Chart

Hub Director

Development Director

Insured

202/811

Construction Admin

Operations Director

SPM Sct/Sp

SPM LV

SPM HI

Operations Staff

Chief Asset Management

Section 8 AM Team

Non-Section 8 AM

Phoenix PCD

Production

Asset Management
Citizen’s Housing Corporation renovated a vacant church in the Haight-Ashbury neighborhood of San Francisco into 40 units of affordable senior housing. The abandoned Third Church of Christ, The Scientist, was an historic and abandoned church that had been idle for many years. The project site is located directly across from Buena Vista Park and is just a few blocks away from nearby Golden Gate Park.

The site originally consisted of two adjacent lots totaling approximately one-third acre, and it contained a 1915 Romanesque Revival style church and a one-story reading room constructed in the 1950s. The church was a steel-framed structure, with an ornate, non-reinforced masonry exterior. The reading room was demolished to make way for driveway access to the parking area, as well as an outdoor patio and garden for the residents.

Sitting across from Buena Vista Park, the development has experienced a rebirth as both the valued affordable housing resource it now is, as well as the architectural gem it was when it was first built. As such, Buena Vista Terrace has once again become a significant asset to the Haight-Ashbury community.

Project/Location:  
1250 Haight Street  
San Francisco, CA

Description:  
39 Revenue Units  
1 Manager’s Unit

Project Size:  
13,700 sq. ft.

Unit Size:  
33 - Studio Units - 335 sq. ft.  
6 - 1 Bdrm Units - 523 sq. ft.  
1 - Manager’s Unit - 512 sq. ft.

Status:  
Completed August 2007

Sponsor:  
Citizen’s Housing Corporation, San Francisco, CA

Architect:  
Hardison, Komatsu, Ivelitch and Tucker Architects, Oakland, CA

Contractor:  
Cahill Construction, San Francisco, CA

Funding Source:  
Section 202 Capital Advance:  
$ 5,086,000

City and County of San Francisco:  $ 2,780,191

HOME: $ 4,005,740

Citizen’s Housing Corporation:  
$12,580
Clothes dryer - not properly ventilated to outside from units or laundry rooms
Improper storage of flammables

Building Systems:
- HVAC – inoperable/missing covers
- Water heaters – damaged/inoperable/not properly strapped;
- Pressure valve discharge tube extends within 18 inches of floor
- Breaker switch & electrical covers – no access to panel/missing/damaged/exposed wires
- Electrical systems – GFI inoperable

Miscellaneous:
- Trash chutes— no hardware/not securing

EXTERIOR
FHEO:
- No accessibility to main floor entrance/common areas obstructed/missing accessibility routes – sidewalks/main entrance/common areas
- Electrical hazards – exposed wires/open panels
- Walkways – trip hazards/raised sidewalks
- Stairs – broken/damaged/missing steps
- Decks – dry rot/tripping hazards/cracks

Structural:
- Walls – dry rot/paint peeling/cracks
- Parking lots/driveways – pot holes/loose material/cracks
- Roofs – ponding/missing/damaged components from downspout & gutters

Miscellaneous:
- Fencing – leaning/missing/rotten sections/falling
- Play areas & equipment – damaged/broken equipment
- Vegetation – overgrown/penetrating
- Gutters & downspouts – missing/damaged
- Storm water sewers—clogged with trash/leaves
- Sewer covers – damaged caps
- Elevator-misaligned with floor more than ¼ inch/elevator not level
- Chimney – misaligned vent stack on water heaters/furnaces
- Trash receptacles – overflowing/inadequate size
- Auxiliary lighting – backup lighting works even when test light does not
- Domestic water – leaking supply/hose bibs

Findings in common areas such as community rooms, or landscaping and fences greatly affect the REAC scoring
The San Francisco Multifamily Hub has placed a high priority on halting the loss of project-based Section 8 subsidy. Over the last decade, our Hub has had significant losses and nationally the number of project-based units declined from 2 million to 1.4 million project-based Section 8 units.

We believe that promoting 20 year HAP contracts is the most effective way to preserve affordable housing. It gives owners protection and stability while reducing the number of opt-outs and “at risk” properties annually.

Recently, the Hub issued letters to owners and agents about this new local policy. Owners interested in obtaining a 20 year HAP contract should contact their local HUD office to discuss the process. To qualify for a 20 year HAP contract, contracts cannot be in their original term and owners must be in compliance with HUD physical, financial, and management requirements. HUD staff will be happy to provide additional information and respond to owner questions and concerns.

The Region’s interpretation of the Handbook 4350.3 guidance is that a smoke-free policy may be adopted as part of an owner’s House Rules or, under certain circumstances, in tenant lease addenda. In all cases, smoke-free policies must comply with HUD Handbook requirements and must ensure that occupants retain the full use and enjoyment of their apartments.

Handbook 4350.3 states “There are no statutory or regulatory provisions governing smoking in assisted housing. HUD assisted properties are required to comply with applicable state or local laws, which would include any laws governing smoking in residential units. Owners are free to adopt reasonable rules that must be related to the safety and habitability of the building and the comfort of the tenants. Owners should make their own informed judgment as to the enforceability of house rules.”

However, if the owner’s House Rules conflict with HUD requirements, those rules must be modified. HUD does not approve changes to House Rules, however, if HUD becomes aware of House Rules that circumvent or conflict with HUD requirements, the rules must be modified to conform to those requirements.

If an owner wishes to adopt a smoke-free policy into their House Rules, such a policy will not be allowed unless it “grandfathers” in existing tenants, who would not be subject to the new smoke-free policies except those rules prohibiting smoking in common areas. Relatives and visitors of existing tenants will not be included in “grandfathering” provisions.

If an owner elects to include smoke-free language in a lease, HUD must provide prior approval of such language. HUD will approve smoke-free language in a lease only if a documented state or local law mandates the policy.

REAC Physical Inspection Training Materials can be found at:

http://www.hud.gov/offices/reac/products/pass/materials.cfm

These materials include: Inspector helpful hints; top 20 deficiencies; and special training presentations; and a link to an Inspection Day Video.

Next Industry Meeting:
Thursday, July 17th - 10:00am
HUD 600 Harrison Street, 3rd Floor, San Francisco
A review of information in TRACS has indicated that there are a significant number of residents receiving Section 8 rental subsidy who are reporting zero or nominal (less than $100 per month) income.

One of the goals of the Rental Housing Integrity Improvement Program (RHIIP) is to identify and reduce errors in the administration of HUD’s rental assistance program. In an effort to maximize the benefit of this resource, HUD expects each owner/agent to implement procedures that confirm zero and nominal income residents on a quarterly basis. The San Francisco Multifamily Hub has developed procedures and tools for your use in this effort.

If you have zero or nominal income residents at your property, please contact your Performance Based Contract Administrator for a copy of these procedures.

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### Inspection Keys

Remember that owners must have keys to all units at the time of the REAC inspection. If the owner does not have a key and the inspector cannot access the unit, that unit will receive “0” points on the REAC inspection report.

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### Tax Rebates Excluded From Income

The Economic Stimulus payments (tax rebates) received by applicants applying for assisted housing and by tenants participating in HUD’s rental assistance programs are excluded from income for the purposes of determining eligibility and rent. The Economic Stimulus Act of 2008 requires this exclusion and the payments are an income exclusion under 24 CFR 5.609(c)(17) of HUD’s regulations.

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### Zero Income Residents

We are very fortunate to have worked with many partners, internally and externally over the years, many who are now taking well deserved retirements. We thank them for all they have contributed over the years.

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### Comings and Goings

#### Welcome

Marilyn Yazzie, Asset Management, Phoenix Multifamily
Susan Dorr Raborn, Shreveport HUD to Sacramento HUD Office

#### Retirements

Frank Aranzubia, San Francisco Multifamily Production
Lee Bartok, San Francisco Multifamily Production
Margaret Beane, Sacramento Multifamily Asset Management
Nancy Greer, Program Assistant, Sacramento Multifamily Office
Pat Goray, San Francisco Multifamily Operations
Melvin Gunn, San Francisco Multifamily Production
Erma Harris, San Francisco Multifamily Asset Management
Clarita Mijares, San Francisco Multifamily Production
Tony Perez, Supervisory Project Manager, Phoenix Multifamily
Gus Ruiz, San Francisco Multifamily Asset Management
Lynn Serfling, Project Manager, Phoenix Multifamily
Frank Spillman, San Francisco Multifamily Production

#### Transfers

Shelley Batker, San Francisco Multifamily Asset Management to Minnesota HUD
Wayne Harris, San Francisco Multifamily Production to Portland HUD Office
Kevin Hutchinson, Appraiser, Phoenix Multifamily to Little Rock, Arkansas HUD Field Office
Sharon Lane, San Francisco Asset Management to Albany, New York HUD Office
Michael Otocki, San Francisco Multifamily Productions to Miami HUD Office

#### Transitions

Silvia Cuellar, Supervisory Project Manager, Multifamily Asset Management
Matt Naish, Chief, Asset Management, San Francisco
Stephanie Smelnick, Supervisory Project Manager, Production, Phoenix, AZ

#### Departures

Tracie Terry, Multifamily Student Intern, Phoenix Multifamily to Veterans Administration
On Thursday, November 1, 2007, Bethany Center Senior Housing celebrated it’s 40th anniversary of providing housing and supportive services to seniors in need. Bethany also collaborated with Academy of Art University. “NightCapp” was an indoor and outdoor festival hosted by Honorary Co-Hosts Mayor Gavin Newsom and Academy of Art University President Elisa Stephens. Six of the Academy’s Fine Art MFA Sculpture students created works for Bethany Center. The work of Robert Abrams, Daniel J. Burt, David Duskin, Paul Harmon, Lucia Hye Yoon Joo, and David Whippen resulted in an infusion of modern sculpture through the interior gathering spaces at Bethany.

In addition, Bethany Center has a new logo which was created by the Academy’s School of Graphic Design student Kyung Hwa Yun. Finally, Academy School of Photography students Sungjim Kim and 2006 MFA graduate Jeong Myeong Kim provided photos for Bethany Center publications which featured the diverse community of residents at Bethany Center. This exciting collaboration between the Academy and Bethany Center is a meaningful result of the Academy’s core community-minded mission of creating opportunities for students to enrich the world beyond the boundaries of the classroom.

Results of Fair Housing Poster Contest

These four posters were among the 14 winning entries of the fair housing poster contest organized by Fair Housing of Marin County, a FHIP-funded agency. The contest celebrates Fair Housing Month in April, as observance of the anniversary of the signing of the Federal Fair Housing Act. Congratulations and job well done!
**Development Corner**

**Section 202/811 Initial Closings**
- Bledsoe Lane Apartments, Section 811, 24 units, Las Vegas, NV
- Manteca Senior Housing II, Section 202, 40 units, Manteca, CA
- Casa Montego II, Section 202, 33 units, Walnut Creek, CA

**Section 202/811 Final Closings**
- Mountain Vistas II, Section 202, 40 units, Redding, CA

**FHA Insured Initial/Final Endorsements**
- Captain Cook, Section 223(f), 21 units, Captain Cook, HI
- Kewalo Apts., Section 223(a)(7), 38 units, Honolulu, HI
- Monsignor CT Shallow Senior Apts., Section 223(f), 80 units, Las Vegas, NV
- Evergreen Mountain View Health and Rehabilitation, Section 223(f), 144 beds, Carson City, NV
- Retreat at Santa Rita Springs, Section 231, 196 units, Tucson, AZ
- Broadway House Apts., Section 223(f), 80 units, Phoenix, AZ
- Crescent Ridge II, Section 221(d)(4), 80 units, Tucson, AZ
- Crescent Ridge I, Section 223(f), 192 units, Tucson, AZ
- La Mariposa Senior Villas, Section 542(b), 59 units, Yuma, AZ
- Summit Vista Apartments, Section 221(d)(4), 288 units, Tucson, AZ
- Mark Twain Convalescent Hospital, Section 223(f), 99 beds, San Andreas, CA
- Northridge Coop Homes, Section 221(d)(4), 300 units, San Francisco, CA
- Napa Creek Manor, Section 542(c), 84 units, Napa, CA
- Napa Park Apartments, Section 223(f), 140 units, Napa, CA
- San Luis Convalescent Hospital, Section 223(f), 71 beds, Newman, CA
- Franciscan Convalescent Hospital, Section 223(f), 68 beds, Merced, CA
- Evergreen Health & Rehabilitation, Section 223(f), 96 beds, Petaluma, CA
- El Estero Senior Apartments, Section 223(f), 26 units, Monterey, CA
- Ceatrice Polite Apartments, Section 221(d)(4), 91 units, San Francisco, CA

**Service Coordinator Grants**

The San Francisco Multifamily Hub was recently advised that funds for the Service Coordinator program are extremely limited. Consequently, there will be no 2008 NOFA for the Service Coordinator Program.

There are funds available for extensions of existing Service Coordinator grants. A new Notice # 08-02 has been issued which describes how the limited Service Coordinator resources are being utilized.

In the near future, Hub staff will be issuing letters to all grantees where the project’s Section 8 contract is for 100% of the project’s units. Since Section 8 is a much more stable source of funding, and service coordinator funds are so limited, we will be encouraging those properties to include service coordinator expenses in their next budget cycle. Those grantees who are only partially subsidized should continue to utilize service coordinator funds, unless they are financially able to incorporate this expense into their budget and it would not be a burden for their residents.

Owners who will be submitting a budget-based rent increase to include the Service Coordinator expense should included with their rent increase package a copy of the letter from HUD and also a Multifamily Housing Service Coordinator One-Year Budget, HUD-91186-A detailing the service coordinator expenses.
Notice H-08-02, Fiscal Year 2007 Grant Extension Procedures for Service Coordinator and Congre- 
gate Housing Service Program Grantees.

Notice H 2007-06, Fiscal Year 2007 Annual Operating Cost Standards Section 202 Supportive 
Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities Programs

Federal Register, October 1, 2007 – Final Fair Market Rents for Fiscal Year 2008 for the Housing 
Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program; Notice

Federal Register, October 15, 2007 – Pet Ownership for the Elderly and Persons with Disabilities; 
Proposed Rule

Federal Register, October 25, 2007 – Notice of Certain Operating Cost Adjustment Factors for 2008

Federal Register, January 22, 2008 – Section 8 Housing Assistance Payments Program-Contract 
Rent Annual Adjustment Factors, Fiscal Year 2008

Federal Register, January 23, 2008 – Notice of Funding Availability for the Section 202 Demonstra-

Federal Register, February 1, 2008 – Final Fair Market Rents for the Housing Choice Voucher Pro-

Federal Register, March 19, 2008 – Notice of HUD’s Fiscal Year (FY) 2008 Notice of Funding Avail-

Federal Register, February 25, 2008 – Continuation of Interest Reduction Payments after Refinanc-

Federal Register, February 25, 2008 – Privacy Act of 1974; Notice of Matching Program Between the 
Department of Housing and Urban Development (HUD) and the department of Health and Human 
Services (HHS); Matching Tenant Data in Assisted Housing Programs

Federal Register, April 25, 2008, NOFA for FY 2007 Demonstration Program for Elderly Housing for 
Intergenerational families.

**Enterprise Income Verification (EIV) System**

Although EIV is not yet mandatory, HUD has been encouraging owners, management agents and others 
to obtain access to the system. EIV is a tool to be used to verify the employment and income of current 
participants at recertification.

The EIV system now contains Social Security (SS) and Supplemental Security Income (SSI) benefits data from the Social Security Administration (SSA) and monthly employer new hires (W-4), quarterly wage for federal and non-federal employees, and quarterly unemployment data from the department of Health and Human Services’ (HHS’) National Directory of New Hires (NDNH) and should be used as a verification of any and all of these sources. In cases where the tenant does not dispute the data in EIV, EIV will serve as third-party verification, thus eliminating the more time-

Consuming, costly, and less accurate third party verification process. Independent third party verification will be used to complement EIV data under the following circumstances: (1) when the tenant disputes the EIV data; (2) when the tenant is unable to provide the owner/management agent with acceptable and current income documentation; (3) when there is incomplete EIV data for a tenant; and (4) when there is no EIV data for a tenant.
## CALENDAR

### July, 2008

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<td>8</td>
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<td>Certified Occupancy Specialist</td>
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<td>San Francisco, CA, NCHM,</td>
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### August, 2008

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San Francisco Multifamily Industry Meeting, USDHUD, 600 Harrison Street, 3rd Floor, SF - 10:00 a.m.