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Des Moines, IA Kansas City, KS Oklahoma City, OK Omaha, NE St. Louis, MO

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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 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.

HUD Notices:

- 10-21 — Optional Smoke-Free Housing Policy Implementation

What's New on

HUDClips?

- HUD 9250 OMB exp 7-31-13 — Reserve for Replacement
HUD 935.2a — Affirmative Fair Housing Marketing Plan (AFHMP)

Breaking News...

Please join us in welcoming our new Regional Director, Derrith Watchman-Moore!

Mrs. Watchman-Moore was recently selected by President Obama to serve as HUD's Regional Administrator for the four Great Plains states - Kansas, Missouri, Iowa, and Nebraska. In her new position, Watchman-Moore will serve as HUD's liaison to mayors, city managers, elected representatives, state and local officials, congressional delegations, stakeholders and customers. She will be responsible for overseeing the delivery of HUD programs and services to communities, as well as evaluating their efficiency and effectiveness.

Her reputation as a knowledgeable, passionate advocate for the environment, community builder and her work with

people from underserved communities has made her a well-respected leader among business, labor and educational institutions. Watchman-Moore, a member of the Navajo Nation, served as the Chief Operating Officer of the Navaho Housing Authority, prior to her appointment with HUD, where she oversaw housing development and construction management, including housing design that incorporated energy efficient building, conservation and Navajo cultural relevancy while maintaining affordability of over 7,000 public housing units.

She credits her commitment to public and community service to the inspiration of her father, the late, long serving New Mexico -

state representative, Leo Watchman, Sr. who was first elected in the mid 1960s.

She earned her undergraduate degree from Colorado State University in Fort Collins and her MBA from the University of Phoenix in Albuquerque, New Mexico.



Brenda L. Waters
Director,
Kansas City Multifamily Hub

What's New in Development?

In response to the changing real estate and financial markets the Department has made significant revisions to Multifamily Housing's Federal Housing Administration (FHA) mortgage insurance programs. The changes, which were fully implemented in October 2010, are intended to mitigate loan loss risks and ensure the continued viability of the FHA insurance fund. Mortgage Letter 2010-21 is presently in effect to communicate the risk mitigation changes to the industry and the document revises core FHA underwriting standards, policies and procedures.

One of the most notable changes under the new risk mitigation strategy is the Department's distinction between market rate projects and property's with 90% or greater rental assistance and/or projects defined as "affordable". Property's with 90% or greater rental assistance will largely be unaffected by the risk mitigation protocol while market rate projects will require significantly more equity in order to meet the new program requirements. This distinction, and the resulting financial impact, illustrates the Department's continued commitment toward creating and preserving affordable and subsidized housing, despite major market volatility.

Program related changes, from the implementation of the risk mitigation guidelines, include: [a] New Construction /Sub-Rehab (NC/SR) market rate applications are no longer allowed to be submitted straight to firm, [b] The \$3 per \$1000 (30 basis points) FHA Application Fee is now paid in halves on NC/SR transactions, with the first payment (15 basis points) due at the Pre-Application Stage, [c] A schedule of Real Estate Owned (REO) is required from all key principal partners, and [d] Section 223(a)(7) applications now require Project Capital Needs Assessments.

If you are considering a FHA loan for the new construction, substantial rehabilitation, or refinance of a multifamily project, I strongly encourage you to read over the risk mitigation guidelines. Mortgage Letter 2010-21 can be found at the following URL: <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-21ml.pdf>

What's New in Asset Management?

Twenty (20) Year HAP Contracts...

The Kansas City Multifamily Hub has placed a high priority on halting the loss of project-based Section 8 subsidy. Nationally, the number of project-based units declined from 2 million to 1.4 million project-based Section 8 units. We believe that promoting the 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, 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.

PROPERTY HIGHLIGHTS...

MacArthur Manor Senior Residences Wichita, Kansas:



MacArthur Manor Senior Residences is the latest HUD 202 project of Mennonite Housing Rehabilitation Services, Inc, in Wichita, Kansas. The complex is a 44 unit facility, which opened in October, 2010 and has many great amenities.

There is a great patio area complete with outdoor ceiling fans, water misters for keeping cool in the summer, a beautiful outdoor pond, a fitness room with a commercial treadmill and bike, a library equipped with a computer lab for residents, a craft room, which includes a work bench for woodworking and other hobbies and a community room designed to be a safe room for those Kansas storms.

All apartments are equipped with dishwashers and a Rescue Alert emergency system which gives peace of mind to the residents, a new feature for Mennonite Housing's senior complexes.

A security system has been installed in the facility to provide 24 hour video surveillance for the residents, along with a new feature of using key fobs for entrance into the building as well as the apartments.

Check out more pictures of this amazing property throughout the newsletter!

Property Highlight continued....

Legend Park Apartments - An Initial Endorsement was held for Legend Park Apartments on June 23, 2009. The project has a HUD insured mortgage of \$22,659,900 and is located in Lawton, Oklahoma, just east of Lawton's central business district. Consisting of 264 units, Legend Park has had a successful leasing rate and is currently 97% occupied. Some of the amenities and features include a private lake with a jogging/walking trail, detached garages which are available to tenants, pool with spa, misting sunbathing area, poolside fireplace, business center, fitness/health center, play area, volleyball court and 9 foot ceilings in apartments.



Congratulations to the owner and management agent for a successful lease-up of this project!

REAC Tips, Part II:

By: Shanna McClarney

Have any of you recently noticed a change in your REAC scores? As a Project Manager I have personally seen a number of properties with lower scores lately which is why I find it very important to be familiar with REAC's inspection process. Scoring below 60 lends its share of rigorous work for all of us associated with HUD properties, so let's all play our part and educate ourselves in the inspection process!

A new protocol has recently come into play for properties receiving a score below 60. If a property should be the recipient of one of these ratings, the owner and agent can expect to be notified by their Project Manager to set up a conference call to discuss the situation. Notice of Default and/or Violation as applicable will be sent via mail. The owner will have 60 days to certify that an Owner's Survey has been performed and that all deficiencies

found therein and in the REAC report have been corrected.

Last quarter I gave you 10 frequently cited deficiencies in REAC physical inspections. This quarter I'm providing you with 10 more and I urge you to become familiar with all of these so that scores of below 60 may be avoided. Ten frequently cited deficiencies:

- 1) HVAC- the hot water heater Pressure Relief Valve discharge tube must extend to *within* 18" of the floor.
- 2) Misaligned Chimney- the vent stack on gas operated hot water heaters or furnaces must be properly aligned.
- 3) Security doors *must not* have dual-side key locks.
- 4) Damaged Stoves/Ovens-stove burners must be working.
- 5) Plumbing- be sure pipes and faucets are not leaking and any areas around any leaks are cleaned up and repaired.
- 6) Damaged Sinks/showers- be sure that any hardware problems are repaired, diverters are working, drains have stoppers, and hot or cold water

handles are in place and working. Make sure the water valves located under the sinks are turned on prior to inspection.

- 7) Clothes dryers must be properly vented to the outside from units or laundry rooms.
- 8) Sanitary Sewer Damaged Covers- caps located in the grass on the exterior of the building that have been damaged by a lawn mower should be cleaned out. Replace and mark the areas to prevent further damage.
- 9) Trash Chutes- Be sure hardware is in place and the chute door closes properly.
- 10) Trash receptacles must not be overflowing and must be adequate in size for the property.

Next quarter check out our newsletter for the final installment of REAC's frequently cited deficiencies.

FY 2010 NOFA: Emergency Capital Repair Grant Program

By: Margaret Burley

As of November 29, 2010, the U.S. Department of Housing & Urban Development is accepting applications for the Emergency Capital Repair Grant Program. This grant program provides funds to make emergency capital repairs to eligible multifamily projects designated for occupancy by elderly tenants and owned by private nonprofit entities.

HUD will accept applications on a first-come, first-serve basis and will award emergency capital repair grants until available amounts are obligated or funds expire, whichever comes first.

For additional information, please contact your local HUD office or visit the website at:

<http://www.hud.gov/offices/adm/grants/nofa10/grpecrg.cfm>

REMINDER!!!

Bonding Requirements for Agents:

Management Agents are required to have adequate bonding coverage for multifamily properties. Listed below are the basic level asset protect requirements:

- 1) The management agent must certify in the Management Agent Certification that it carries a fidelity bond or employee dishonesty coverage policy.
- 2) The fidelity bond or coverage must name the mortgagee and HUD as additional loss payee.
- 3) Coverage may be through one or more bond, and one bond may cover one or more projects, including projects whose mortgages are not insured or held by HUD.
- 4) Each project must be insured for at least the value of two months' gross potential income for the project.

More detailed information regarding bonding requirements for agents can be found in HUD Handbook 4381.5, REV-2, P. 2-17 and P. 2-18.

Hub Personnel Changes:

New Employees/Position Changes:

Eric Aldinger, Project Manager, Asset Management, Omaha, NE

Krystle Carter, Project Manager, Development, Kansas City, KS

Rachel McGuire, Project Manager, Support Team, Kansas City, KS

Retirement:

Barbara Hopgood, Supervisory Project Manager, Development, St. Louis, MO — Dec.31, 2010



“Have you noticed...?”

By: Tangela Weiss

Have you noticed the changes to the HUD-9250, Funds Authorizations form? Effective January, 2008, the Department of H.U.D. released a revised form HUD-9250 for the release of funds from the Reserve for Replacements and Residual Receipts accounts of Multifamily Housing projects. Although this form has been in use for quite a while now, the subtle, yet important changes may have gone unnoticed.

The form now includes a field which asks whether the withdrawal request is to replace appliances and/or major components with energy efficient products/systems. Please note that such replacements are not a requirement, but are strongly encouraged where feasible.

You may also have noticed a statement in the Remarks or Comments section of the form stating that “HUD encourages all requests for appliance disbursement and other disbursements from Reserve for Replacements that can exercise energy conservation to utilize energy saving devices including Energy Star construction standards and appliances. Please explore such energy savings methods and devices in your property replacements.”

The Department monitors these efforts and tracks releases approved for energy efficient replacement items. Project Managers follow up on requests where the energy efficiency rating of replacement appliances or systems was not indicated. Owners and agents may expedite the processing of Reserve and Residual Receipts requests by identifying items that have Energy Star or high efficiency ratings in their cover letters.

The changes to the Form HUD-9250 and the ensuing monitoring activities are a result of the Department’s increased efforts to reduce long term energy costs in Multifamily housing projects while enhancing the environmental benefits of reduced energy consumption.

The new form may be found on HUDCLIPS at:

<http://www.hud.gov/offices/adm/hudclips/forms/hud9.cfm>



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