Kansas City Multifamily Hub News


January 2012

Volume 2, Issue 1

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

Inside this issue:



What's New on HUD Clips:

- Use of Reserve for Replacement Accounts in Restructured Market –to-Market (M2M) Properties Reports
- Notice H-2011-25 — Enterprise Income Verification (EIV) & You Brochure -- Requirements for Distribution and Use

## 202/811 Grant Recipients:

The Kansas City Hub would like to congratulate the recent grant recipients under the combined Fiscal Year 2010 and 2011, Section 202 and Section 811 Notice of Funding Availability (NOFA). Within the Hub's jurisdiction, five (5) Section 202 projects and six (6) Section 811 projects were funded.

Combined, the Hub's Section 202 awards total $22,440,700 in Capital Advance development funding and $591,900 in available 3-year rental assistance. This funding will create 155 units of affordable housing for very-low income elderly persons age 62 years and older.

The Section 811 awards within the Hub total $11,339,900 in Capital Advance funding and $295,700 in available project rental assistance. The Section 811 program provides affordable housing for very-low income persons with disabilities and these awards will create 77 new such units.

The below is a list of the Sponsors who received funding in the Hub:

**FY2010/11 Section 202 Funding — Kansas City HUB**

| State | City | Sponsor | Capital Advance | PRAC (Project Rental Assis tance Contract) |
|---|---|---|---|---|
| IA | Burlington | W. Central IL Area Agency on Aging | $2,147,500 | $156,300 |
| KS | Wichita | Mental Health Assn Of S. Central KS, Inc. | $3,149,700 | $279,600 |
| MO | St. Louis | National Church Residences | $6,773, 100 | $540,000 |
| MO | St. Louis | Lutheran Senior | $4,643.600 | $380,400 |
| NE | Papillion | Immanuel | $5,726,800 | $419,400 |

**Continued on Page 2...**

## *Season's Greetings from the Hub Director...*

As we approach the New Year, it is a time to look back and celebrate obstacles we have overcome and the good things we have and will accomplish going forward. We hope you had a happy and safe holiday season and look forward to working with you in the new year.

The Kansas City Multifamily Hub welcomes a new Supervisor, Charles Miller. Charles has been with the multifamily development team for the past 9 years working as a Project Manager. His new duties will include supervising the Multifamily Development team. Lantrina Stewart also accepts her new role as Supervisory Project Manager of the Development Team for the Kansas City Program Center.

Both Charles and Lantrina are enthusiastic about the new challenges that lie ahead and we are very happy to have them on the Multifamily Team.

## *202/811 Grantees Continued...*

**FY2010/11 Section 811 Funding — Kansas City Hub**

| State | City | Sponsor | Capital Advance | PRAC |
|---|---|---|---|---|
| MO | Branson | Dignity Now, Inc | $2,147,500 | $163,200 |
| MO | Cuba | Pathways Community Behavioral Healthcare | $2,004,400 | $171,900 |
| MO | Farmington | East Missouri Action Agency, Inc, | $2,004,400 | $171,900 |
| MO | Kansas City | restart Inc. | $2,147,500 | $163,200 |
| NE | Bellevue | Sheltering Tree, Inc. | $1,604,300 | $115,500 |
| OK | Muskogee | Greater Muskogee Comm Fund | $1,431,700 | $101,400 |

Congratulations to all Grant Recipients! The funding announcement containing the complete list of applications awarded funding under the Fiscal Year 2010/11 NOFA can be found at the following URL:

http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2011/HUDNo.11-266

**The Demonstration Pre-Development Grant Notice of Funds Availability (NOFA)** has been posted to HUD's website. This grant provides pre-development funds to Sponsors of Section 202 projects, prior to initial closing. All Sponsors who received funding under the FY2010 Section 202 NOFA are eligible to apply. The application deadline date is January 18, 2012.

**http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/nofa10/sec202demopre**

# What's New in Development?

Like the color of the leaves, autumn saw many changes occur in the world of Multifamily FHA. A revised Multifamily Accelerated Processing (MAP) Guide became effective at the beginning of November, replacing the version created more than nine years earlier. A revision quickly followed this release, and REV-1 of the MAP Guide became effective on November 23, 2011. The MAP Guide's implementation was also supplemented by a new Mortgagee Letter which provided further guidance on Commercial Space (ML 2011-32).

Links to the Guide and all related subject matter can be found by visiting HUD's MAP Home Page at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/map/maphome

# What's New In Asset Management?

On November 10, 2011, the Department of Housing and Urban Development issued HUD Notice H 2011-31 "Policy for Treatment of Proceeds Resulting from the Sale of FHA-insured or Secretary-held formerly insured Multifamily Projects by Nonprofit Owners". This notice provide guidance and clarification regarding the use of sale proceeds from a multifamily project sold by a Nonprofit Owner that has an FHA-insured or Secretary-held formerly FHA-insured mortgage. This Notice does not apply to properties with Section 202 Direct Loans.

In the past, the Department has limited Nonprofit Owners from receiving the proceeds from the sale of an FHA-insured or Secretary-held property. This limitation has created a deterrent for Nonprofit Owners to sell properties to purchasers seeking to preserve properties and maintain their long-term affordability. This Notice provides the parameters under which a Nonprofit Owner may retain proceeds from the sale of a property to complete a preservation transaction prior to mortgage maturity.

This Notice supersedes the following existing requirements:

- Chapter 13, Section 19 of HUD Handbook 4350.1, *Multifamily Project Servicing*, involving the sale of a property by a Nonprofit Owner to another entity.
- Nonprofit Owners seeking prepayment approval of Section 250 mortgages and/or approval of Section 236 Interest Reduction Payment (IRP) Decoupling Applications only with regard to treatment of sales proceeds and the length of required Use Agreements.

**For further guidance regarding the treatment of proceeds resulting from the sale of FHA-insured or Secretary-held formerly insured Multifamily Projects by Nonprofit Owners, please review Housing Notice H 2011-31.**

# Planning an Energy Program, Part I:

Whether you own or manage a modest seven unit apartment complex or a large 180 unit apartment, the basic steps toward lower energy use are the same:

- Conduct an energy audit to determine where and how your facility uses energy.
- Create an energy savings plan and enact changes to reduce use.
- Monitor and measure energy use to determine success.

The increased focus on energy and climate change across the nation makes this an ideal time to take action to save energy. Many States have implemented a wide range of new laws and programs to improve building efficiency, promote alternative energy and cut greenhouse gas emissions. By taking steps to cut energy use at your facility, you will be helping your particular state protect its energy grid from disruption and lower emissions of greenhouse gasses - both while ensuring that your facility meets current and future building code standards for efficiency. State and local utilities are also offering a wide range of incentive programs to make saving energy even more beneficial to your facility.

### General Guidelines For Creating An Energy Action Plan

- Conduct an energy audit to determine current and future energy needs based on current use and available improvements.
- Establish achievable goals for conservation in your facility.
- Appoint an energy team or energy manager* to oversee your energy plan. You might use a task force to brainstorm specific conservation steps the facility could take.
- Develop a draft. It is important to consider issues beyond energy when creating your energy plan to be sure that you are not creating problems in other areas such as water use.
- Engage employees, tenants and solicit comments from anyone affected by the energy plan.
- Finalize your plan and create mechanisms for implementation and evaluation of results. Identify key players for implementation and evaluation, clearly defining roles and responsibilities and consequences for not staying on target. The plan will not help you if it sits on a shelf collecting dust.


*An energy manager is responsible for facilitating and coordinating the planning, procurement and utilization of energy resources at a property, facility, or portfolio of properties. Successful energy managers depend on their relationships with co-workers, such as building and maintenance staff, business managers and company executives, as well as external partners, such as vendors, contractors, energy service providers and the local utilities.

### Energy Teams

The next step is to bring together the knowledge needed to develop and execute the energy action plan. An energy team's makeup could range from a single staff member at a small apartment complex or building taking on energy as one of many duties, all the way up to a team of full-time, dedicated energy specialists overseeing dozens of properties.

Stay tuned for Part II in our next newsletter or for more information, check the article out on the web at: http://www.fypower.org/com/bpg

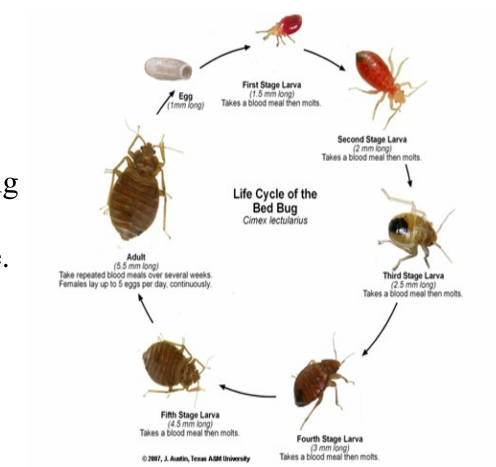
# Bedbug Control and Prevention Guidelines:

In response to the serious and growing bed bug problem in United States, the U.S. Department of Housing and Urban Development, Office of Housing has issued Housing Notice 2011-20, which provides guidance to staff on bed bug control and prevention in HUD Insured and Assisted Multifamily Housing.

The Notice advises that the best approach to bedbug management is prevention and strongly encourages all Multifamily Owners and agents (O/As) to develop an Integrated Pest Management Plan (IPM Plan), describing the project's efforts to prevent and respond to pests. Additional information on IPMs may be found at www.stoppests.org. IPMs should include:

- raising awareness through staff training and resident education
- prompt inspections and treatment
- detailed record keeping including dates and locations where pests are found

O/As should respond with *urgency* to any tenant report of bed bugs. Within 24 hrs (O/As) should make contact with the tenant; provide information about bedbugs; and discuss measures the tenant may take prior to inspection or treatment. A qualified third party professional or trained staff should inspect the affected unit. Treatment in accordance with the IPM plan should cover affected units and no less that surrounding units above, below and flanking apartments and should be completed within 3 calendar days of a tenant complaint.




HUD may honor requests for releases from the Reserve for Replacements or Residual Receipts accounts for reimbursement or requests to add an increased pest control line item to the operating budget if there is an on-going pest prevention program. Owners are encouraged to make advances when no reserves are available.

Tenants should be advised of their rights and responsibilities. Tenants should:

- *immediately* report suspicion of bed bugs
- cooperate with management
- be advised tenancy may not be denied to potential renters on the basis of a prior infestation
- be advised they will not be expected to contribute to the cost of treatment
- be advised that they will not be reimbursed for any additional expense the household incurs such as furniture or clothing replacement or cleaning services

If the Real Estate Assessment Center (REAC) detects bedbugs during an inspection, points will be deducted. Units/buildings affected will be noted on the inspection report and an email will be sent to the HUB/Program Center Director. HUD staff will monitor the actions being taken to eradicate the infestation and the owner must inform HUD when the problem has been completely eradicated.

# Impact of HUD's Fiscal Year 2012 Budget on Section 8 Project Based Rental Assistance:

On November 18, 2011, President Obama signed HUD's Fiscal Year 2012 budget into law, which provides the Department with funding through September 30, 2012. As Secretary Donovan said in announcing the passage of the Department's budget, HUD's "final budget protects the vulnerable American families currently assisted by our rental assistance and public housing programs" but "several of our key initiatives that help needy families and struggling communities will be reduced."

The 2012 budget climate is clearly challenging for HUD's programs and we expect it to become even more so in 2013. Although Section 8 Project Based Rental Assistance (PBRA) was funded in 2012 at levels sufficient for the Department to continue full funding of all contracts, the Department is committed to achieving certain savings in order to slow the growth of PBRA expenditures and to effectively manage the account within appropriated levels. This is to inform you about policy changes that will be formally announced through Housing Notice within the coming months to implement PBRA savings and constrain future expenditures.

First, funds currently held in project residual receipts accounts will be used to reduce assistance payments. We are formulating a process to apply these funds to PBRA expenditures and we are committed to implementing this policy in a way that is minimally disruptive to the current voucher and disbursement process.

Second, all Option 4 renewals and annual rent adjustments will be limited to Operating Cost Adjustment Factor (OCAF) increases if proposed rents exceed market. This policy was announced and commented on over the last year by the industry as part of our revision and reissuance of the Section 8 Renewal Guide.

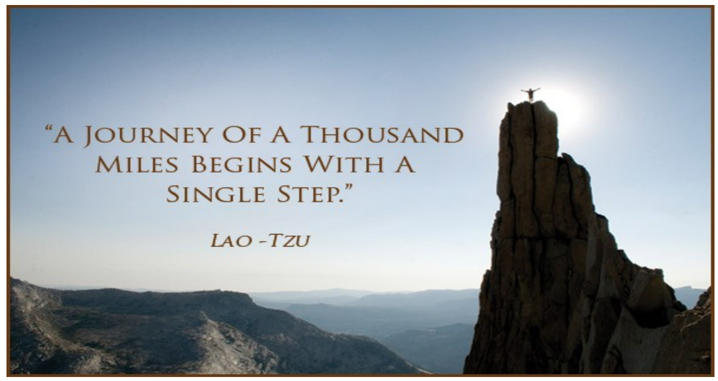
Third, all rent comparability studies will be required to justify proposed rents that exceed 110% of Small Area Fair Market Rents (SAFMR). Forthcoming guidance will contain instructions on the additional analysis required to justify proposed market rents in excess of this SAFMR benchmark.

Once again, the increasingly difficult budget environment has challenged the Department and our partners to implement programs more efficiently than ever. These three policy changes to be implemented in 2012 will be continued and likely expanded in 2013. We ask for your understanding and cooperation in executing these changes, which are necessary to ensure the long term stability and availability of PBRA for all program participants.

# Long time employees say Farewell to HUD:

**Glenda Fisher:**

Glenda Fisher worked HUD for 27 years and was fortunate to work in all areas of housing, even the Support Branch. It was during her tenure there that she was able to meet and work closely with many of those who work in multifamily offices across the hub. Glenda's plans for retirement are to simply to be retired and just let life come along. If she feels the need for a trip she will take one or she feels the need to sit on her porch and gossip with the neighbors, that is where she will be. Glenda sends Best Wishes to all her HUD friends!




**Charles Hester:**

After 30 years of Federal Government service, Charles Hester retired on November 30, 2011. Mr. Hester served as the Saint Louis Program Center Director.

**Don Johnson:**

Don Johnson has been with the Department of Housing and Urban Development for over 35 years (31 years in the Omaha Office). He has been involved with single and multifamily housing programs his entire career. He started as a Mortgage Credit Analyst in the Des Moines, IA office, and is currently the Director of the Omaha Multifamily Program Center. He also serves as the Chief Underwriter and MAP Team Leader.

Don earned his undergraduate degree in Accounting from Wayne State College in Wayne, Nebraska and his Masters degree in Business Administration (MBA) from the University of Nebraska, Lincoln. He has attended numerous training courses including the Management Training Program through the University of Michigan Business School; Community First Leadership Program at Portland State University in Portland, Oregon; Multifamily Appraiser Certification through the Appraisal Institute, Chicago, Illinois; and the Management Development Seminar through the Office of Personnel Management at the U.S. Coast Guard Academy at Kingsport, New York. In addition to HUD loan programs, Don is familiar with State, Federal and Private Industry loan programs and sources of funding, including Low Income Housing and Historic Tax Credits. Don retired on December 31, 2011.

**Mike McConnell:**

After 44 years of working, 25 of those years in government service, Mike McConnell retired on December 31, 2011. Mike plans to enjoy retirement while taking care of his 15 year old son. In addition, he will assist his brother, also a retiree, with his Water Blessings ministry. The ministry is be a 501(c)(3) non-profit organization created to provide clean drinking water using filters and other technologies to people in developing countries. For more information check out their website at: http://www.waterwithblessings.org/.

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