



Ohio Hub Connector

Keeping HUD Partners Connected

Summer 2008

New HUD Model Leases

Volume 1, Issue 1

Special points of interest:

- Assisted –Living Conversion Program (ALCP)
- Free, convenient advertising for property managers. State agencies have collaborated to support a free online rental housing locator. You can register at the site, OhioHousingLocator.org.

By Patricia Richardson
 HUD Model Leases have now been assigned a HUD form number, OMB approval number and OMB expiration date. Owners and agents must begin using the new HUD Model Leases for all new admissions immediately and for current residents beginning with the annual recertification effective January 1, 2009, or later. Because the leases now contain an OMB approval number and an OMB expiration date, the leases can no longer be modified. If your current lease contains a HUD-approved modification, you will need to develop a lease addendum to incorporate the lease modification. These addendums will not require HUD approval. Any other lease addendums created

will require HUD approval prior to implementation and residents must be given notice of the addendum in accordance with HUD Handbook 4350.3 REV-1 Chapter 6, Paragraph 6-12 D.

The four HUD Model Leases can be found on HUDCLIPS* under form HUD-90105-A. They will be separated out under their individual numbers in the near future. The list of Model Leases, which were formerly Exhibits A–D, have new identification numbers.

New designations are:

HUD-90105a—Model Lease for Subsidized Programs (Family Model Lease)

HUD-90105b—Model Lease for Section 202/8 or Section 202 PAC

HUD-90105c—Model Lease for Section 202 PRAC

HUD-90105d—Model Lease for Section 811 PRAC

*HUDCLIPS is found at:

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



HUD Unit Conversion Policy Effective 2/1/08

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By Lynn Zapp
 This new policy allows for the conversion of efficiencies into one-bedroom units. This policy has been adopted in order to assist owners in better serving resident needs, alleviate recurring vacancies, and provide the financial relief necessary to avoid default. All conversion requests must demonstrate consistency with local demands for affordable

housing and must result in the long-term financial and physical repositioning of the project.

The applicable programs for this policy are:

- Section 202 Direct Loan without Rental Assistance Section
- 202 Direct Loan with

Rental Assistance (Rent Supplement, Rental Assistance Payment (RAP) or project-based Section 8)

- Section 202 Capital Advance with Rental Assistance (PRAC and PAC)
 - Section 811 Capital Advance with Rental Assistance (PRAC)
- (cont. on Page 3)

Utility Reimbursement Statewide Waiver of 4350.3 Rev-1 Change 2

By Janice O'Dell
 Our office has provided a statewide waiver, allowing for up to ten (10) business days after receipt of HAP to provide residents utility reimbursement.

Please note: The waiver is applicable for Owners whose

only requirement for the reimbursement timeframe came from the HUD Handbook 4350.3 Rev 1, Change 2 requirement.

Some Owners have original HAP contracts that stipulate the Utility Reimbursement be provided within five (5) business days from receipt of HAP.

This waiver is not applicable to

those properties. Please review your original HAP contract to ensure compliance.



Assisted-Living Conversion Program (ALCP)

By Molly Logan

Aging is an irrevocable progression of life and with age comes wisdom. But for those whose wisdom is accompanied by the declination of health/wellness, disability, or instability, the need for sufficient living conditions catering to these needs becomes essential. As we age, we may be able to live independently but still need assistance with the activities of daily living (such as eating, bathing, grooming, dressing, and home management activities), so the Assisted-Living Conversion Program (ALCP) Grant was created to provide the aid needed to make this assistance possible.

The ALCP provides funds to private nonprofit owners of eligible developments, such as Section 202 properties, Section 221(d)(3) Below Market Interest Rate properties, Section 236 properties, and properties receiving project-based Section 8 assistance. The funds are used to convert some or all of the dwelling units in the project into an Assisted Living Facility (ALF). The facility must be licensed and regulated by the State (or if there is no State law providing such licensing and regulation, by the municipality or other subdivision in which the facility is located).

Assisted-Living Facilities are designed to accommodate the frail elderly and people with disabilities. Eligible residents are those who meet the admissions/discharge requirements

as established for assisted-living by State and local licensing, or HUD frailty requirements under 24 CFR 891.205 if more stringent. The residents must be able to live independently but need assistance with activities of daily living. ALF's must provide support services such as personal care, transportation, meals, housekeeping, and laundry.

Typical ALCP funding covers the physical costs of converting some or all of the units of an eligible development into an ALF, including the unit configuration, common and services space and any necessary remodeling, consistent with HUD or the State's statute/regulations (whichever is more stringent). There must be sufficient community space to accommodate a central kitchen and dining facility, lounges, recreation and other multiple-use areas available to all residents and office/staff space. Funding for the supportive services must be provided by the owners, either directly or through a third party, such as Medicaid, SSI payments, State or Area Agency on Aging, etc.

Recently, Stygler Commons, owned by National Church Residences of Ohio, was awarded the FY07 ALCP Grant in the amount of \$2,194,899.00. Located

in Columbus, the project will undergo a complete conversion of all units, with the construction of a building extension to house a central kitchen, dining and common space etc., and the addition of a gurney sized elevator. The completion date for this project is projected to be January/February 2010.

This Fiscal Year several other organizations are seeking to participate in the program, and \$4,810,557 in grant money has been allotted to this region.

For more information regarding the Assisted Living Conversion Grant, or to view the FY '08 NOFA, please go to

<http://www.hud.gov/offices/hsg/mfh/progdesc/alcp.cfm> . or

<http://www.hud.gov/offices/adm/grants/nofa08/grpalcp.cfm>



Communication Improves Among HUD, AHSC and Industry

By Pamela Huson-Douglas

As an owner or agent with properties having project-based Section 8 contracts, you may have occasion to interact with Assisted Housing Services Corporation (the performance-based Section 8 contract administrator) as often as --or even more often than-- you do with HUD staff. AHSC is, after all, the organization processing your requests for rent adjustments and also the organization conducting your Management and Occupancy Reviews.

HUD and AHSC certainly recognize the importance of effective working relationships among an owner/agent, AHSC and HUD. To better foster those effective relationships, the management industry (through MAHMA and AOPHA) has joined with AHSC and HUD in a series of conferences to address questions or issues of concern to the indus-

try. We anticipate that those meetings will continue to be held periodically. Already, the communication has resulted in HUD and AHSC considering changing some policies, and in a better understanding by the industry of the reasons behind certain other policies.

Many of the matters discussed relate to Management and Occupancy Reviews. An example of a recent protocol modification is that owners/agents may now simply use a checklist containing the tenants' signature acknowledging receipt of specific documents (Resident Rights and Responsibilities, HUD 9887-9887A Fact Sheet, and HUD Fact Sheet "How Your Rent is Determined") that are provided to tenants at move-in and annual re-certifications, rather than including each document in the file.

If you didn't attend any of the recent meetings coordinated by MAHMA, please watch for an announcement of the next meeting on the MAHMA, AOPHA, and AHSC websites. Your involvement in the ongoing communication among AHSC, HUD and the housing industry groups will help assure that the parties continue to be responsive to the industry's ever changing needs.

Finally, consider bookmarking the AHSC website, www.ahscoho.org for valuable information related to the day-to-day business of project-based assisted housing in Ohio. HUD and AHSC are working together to create a "reading room" for contract administration policy decisions which will affect the industry statewide.

By Bonnie Sims

Not far off Ridge Road in Willoughby sits the Lithuanian Center - home to 82 elderly residents, many of Lithuanian descent. At any point in time during the day the community room is filled with residents either playing cards, watching TV or just visiting with one another. Though the building had its own small library and exercise room in addition to the community room, the onsite manager envisioned a room with computers where the residents could learn new skills.

On October 1, 2007, that dream was realized when the Leap Forward Neighborhood Networks Computer Lab opened its doors. On February 20, 2008, Eric Swiatek, Project Manager, along with Bonnie Sims, the Cleveland Office Neighbor-

hood Networks Coordinator, made a visit to the property. Four computers with printers sat atop individual desks. There were two gentlemen seated at the computers who took a moment of their time to share a thank you for helping to make the lab a reality.

"I never thought at my age I could learn to use the computer!!" stated one gentleman. "I can send 'mail' to my nephew in Germany. AND HE sent by 'mail' a picture of himself to me. I learned how to print the picture and it is now framed and sits in my unit."

The second gentleman spoke next saying his son travels all over for his job and was currently in Japan. He wanted us to know his son had a 'camera' on his computer allowing the father to actually view his son from so far away.

The lab has a volunteer who comes in

weekly to teach those interested in learning the wonders of computers and the internet. Many of the residents are able to use Instant Messaging and are now in contact on a regular basis with family and friends keeping up with current life. Neighborhood Networks Centers are a terrific means for residents to use technology to learn and to communicate. For more information, check out HUD's Neighborhood Networks web page at <http://www.hud.gov/offices/hsg/mfh/nnw/nwindex.cfm>, or contact your Project Manager or Neighborhood Networks Coordinator (Bonnie Sims at 216-522-4058 in Cleveland, Barb Bickham at 614-469-5737 in Columbus, or Lois Wright at 513-684-3451 in Cincinnati).

"Lesser of Test" Could Result in a Rent Reduction

By Jack Leach

On December 20, 2006, HUD issued new instructions for Option 4 of the Section 8 Renewal Guide. The change was implemented on April 19, 2007 and required that every contract renewed under Option 4 be subject to the "lesser of test." Specifically, at initial and subsequent renewals, the contract rents shall be set at the lesser of current rents as adjusted by the published OCAF or at the approved budget-based

rent level. If the approved budget does not support the current rents, then the current rents must be reduced.

Guidance for preparing a budget-based rent increase may be found in HUD Handbook 4350.1 REV-1, Chapter 7. Remember, the owner has the burden of proof as to the original amount of the owner's initial equity, when requesting a return on initial equity as part of the budget.

Owners might consider requesting a multi-term contract in order to avoid the addi-

tional work involved in preparing a budget-based rent increase each year. As a means of preserving low income housing, HUD has been amiable to granting long-term contracts upon request. Owners could also elect to have a Rent Comparability Study (RCS) completed which could demonstrate that their rents were at or below comparable market rents and select Option 2 for renewal of their HAP Contract, thus avoiding the "lesser of test" under Option 4 altogether.

Unit Conversion Policy

(cont. from front page)

- Section 236 insured and non-insured with or without Rental Assistance
- Section 221(d)(3) Below Market Interest Rate (BMIR) with or without FHA insurance
- Section 8 Project-Based Rental Assistance with or without FHA insurance
- RAP
- Rent Supplement
- Properties subject to a HUD Use Agreement or Restriction

The following threshold requirements must be satisfied in order for an Owner to submit a conversion request:

1. The Owner must be in compliance with all business agreements with the Depart-

ment. In the event of non-compliance that the Owner believes is directly related to a condition that the conversion will cure, a description of how the conversion will result in compliance should be submitted.

2. The proposed conversion must be consistent with local demands for affordable housing. The Owner must demonstrate a sustained effort to market the units proposed for conversion and must also demonstrate that there is a demand for the proposed post-conversion unit type.

3. The average vacancy in the efficiency units must have been at least 25 percent for 24 months over the prior three-year period.

4. Upon completion of the unit conversion, the project debt service coverage ratio must be 1.1 or greater.

5. The proposed conversion may only involve units of the same subsidy type (i.e. 202 with 202, 236 with 236, etc).

6. A request for conversion of units in a project subsidized through any type of

rental assistance payments will not be considered if the conversion will result in an increase in the amount of existing budget authority available to the project.

The proposed conversion must comply with the requirements of Section 504 of the Rehabilitation Act of 1973, and HUD's implementing regulations at 24 CFR Part 8, specifically 24 CFR §8.23 (Alterations of Existing Housing Facilities) must be met.

Note: For the purposes of applying 24 CFR §8.23(b), conversion of two or more efficiencies into a one-bedroom apartment constitutes an "alteration of a dwelling unit." For further guidance regarding Section 504 applicability and requirements, please refer to HUD Handbook 4350.3, REV-1.

The Owner must contact their project manager in order to arrange a meeting with HUD staff prior to submitting a unit conversion request to review project eligibility and submission requirements.

Rental Housing Integrity Improvement Project

By Janice O'Dell

The Rental Housing Integrity Improvement Project (RHIP) is a priority Secretarial initiative designed to reduce income and rent errors and improper payments in the administration of both public housing and Section 8 programs.

RHIP is a comprehensive strategy to correct program errors in HUD's high-risk rental housing subsidy programs and related management control deficiencies. HUD's objective is to ensure that the correct amount of assistance goes to

the people who need it. RHIP has a website specifically for the multifamily industry. The address is:

<http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm>

This web site contains RHIP Tips that have been archived, Income Verification System (EIV) for Multifamily Housing Program Users Information, 4350.3 Handbook information, and Student Rule information. It is a one-stop resource for most of your occupancy, policy, and training needs. You can also sign up to receive e-mail bringing

you the latest RHIP-related information. Our office strongly encourages you to sign up for this valuable tool. HUD is using this means of communication to provide guidance to the industry when new policy/guidance is needed or has changed related to topics of Occupancy, Contract Renewals, and Funding. The RHIP Tips also inform you of upcoming training related to EIV and/or other changes in our industry.

To subscribe, click on [Multi-family RHIP Tips](#) on the right-side of the RHIP web page cited above.



REAC Inspection Top 20 Deficiencies

The anticipation of a physical inspection by HUD's Real Estate Assessment Center (REAC) can certainly cause concern, but that concern can sometimes diminish (and preparation for the inspection can improve) through better familiarity with REAC's inspection process. A key source of information about that process is REAC's physical inspection web page at :

<http://www.hud.gov/offices/react/products/prodpass.cfm>. That

page links to such key articles as "Preparing for REAC Inspections," and "Most Frequently Cited Deficiencies." For your reference, here are examples of maintenance items that, if repaired prior to the physical inspection, could make a significant difference in the overall score. Be sure that...

1. **Water Heater** - the pressure relief valve discharge tube extends to within 18 inches of the floor.

2. **Misaligned Chimney** - the vent stack on gas operated water heaters or furnaces is properly aligned.

3. **Missing HVAC Covers** - there are covers on all baseboard heaters.

4. **Access to the Electrical Panel** - access to the electrical panels is not blocked by furniture or other items not easily removed.

5. **Missing Covers** - electrical panels that have interior covers (aside from the panel lid box itself) to prevent exposure from the wire connections are in place.

6. **Open Breaker/Fuse Ports** - open breaker/fuse ports are covered.

7. **Doors Damaged Seals** - the factory-installed seals on exterior doors, such as building or unit doors, are in place and undamaged.

8. **Doors Damaged Hardware** - exterior door hardware locks or latches properly and fire doors function as designed.

9. **Security Doors** - security doors **do not** have dual-side key locks.

10. **Kitchen** - stove burners

are working.

11. **Plumbing** - pipes and faucets are not leaking, and areas around any leaks are cleaned up and repaired.

12. **Damaged Sinks/showers** - any hardware problems are repaired, diverters are working, drains have stoppers, hot and cold water handles are in place and working.

13. **Clothes Dryers** - are properly vented to the outside from units or laundry rooms.

14. **Storm Water Sewers** - are not clogged with trash or leaves.

15. **Sanitary Sewer Damaged Covers** - caps located in the grass on the exterior of the building that have been damaged by a lawn mower are cleaned out and repaired.

16. **Trash Chutes** - hardware is in place and the chute door closes properly.

17. **Trash Receptacles** - are not overflowing and are adequate in size for the property.

18. **Auxiliary Lighting** - the back-up lighting works even

when the test light does not work.

19. **Leaking Domestic Water** - there are no leaks in the domestic water supply, including the hose bibs located on the exterior of the building

20. **Outlet and Switch Plate Covers**—are not cracked or broken.

One word of caution: Do not think that, simply because you get a call seeking to set an inspection date, you must at that point agree to an inspection. Circumstances may warrant a delay in the scheduling of an inspection. For example, owners have sometimes unwittingly agreed to an inspection that occurs while rehabilitation is underway, resulting in many points being deducted for matters that reflect work in progress. If you believe you have a legitimate reason to postpone scheduling an inspection, consult with your project manager. It is easier to postpone scheduling an inspection than to reschedule an already scheduled inspection.

Also, please be attentive to the timing and procedures for requesting either a technical review or a database adjustment review. If you believe the score does not accurately reflect the property's condition, you should consider seeking such a review from REAC.

OhioHousingLocator.org

Property Managers:
Register Now!

Five state agencies have collaborated to support a free online rental housing locator. You can register now at the site, with a single login at www.OhioHousingLocator.org. Users can search by location, cost, unit size and accessibility features. This site is widely promoted by government and non-profit organizations throughout the state.

DEVELOPMENT CORNER

By Chris Cook and John Hartung

Section 202 direct loan refinance applications continue to be a sizeable percentage of the processing conducted by the Ohio Multifamily Hub. Out of 41 initial endorsements processed by the Hub this fiscal year (since 10/1/2007), ten were refinances of existing 202 projects. A total of 708 affordable housing units for very low income residents were refinanced under the Department's Section 223(f) program. These projects were scattered throughout the state. In most cases, the refinance transaction was critical in enabling the project to complete necessary repairs, and/or to properly fund the Reserve for Replacement account well into the future. In addition, a reduction in debt service requirements in each case will provide additional funding sources to meet the projects' future capital needs. Lastly, in several cases, multiple projects were combined into a single loan, thus providing for additional operating expense savings.

Mixed-finance transactions involving the use of tax credit equity are becoming increasingly common. Among the mixed-finance transactions are new Section 202 capital advance developments. The Hub has worked with sponsors to articulate the need for regulatory waivers, where doing so would bring more tax credit equity to the transaction and thereby facilitate more units and better materials. The Hub will continue to be proactive in this respect. An example of success in this regard has been the approval of using capital advance funds to collateralize bonds in a tax credit transaction.

Things Service Coordinator Grantees Need to Know

By Lois Wright

The Cincinnati Field Office administers the Service Coordinator (SC) Grant Program for the Ohio HUB. We strive to be consistent throughout all the components of our program. As issues and concerns arise, Grantees and Service Coordinators will be updated by email as well as by this newsletter.

Notice H-08-02 provides guidance on FY 2008 Grant Extension Procedures for the SC and Congregate Housing Service Program Grantees. Field staff does not have the authority to approve funding requests that exceed 97% of the amount awarded in FY 2007 or the amount expended during the past year. SC grantees are responsible for meeting program requirements set forth in the Notice of

Funding Availability through which they were funded, the Grant Agreement and the Management Agent Handbook.

In the event the ownership changes, please notify the Cincinnati Field Office immediately. The assignment of the grant agreement should be signed at the closing. Once LOCCS information is updated, the seller **cannot** draw from LOCCS or submit an extension request. The seller must draw funds that are due and if applicable submit an extension request before the property is sold.

Please send the following documents to Cincinnati for processing; Warranty Deed, Evidence of Tax ID Change (on IRS Letterhead), Assignment of Grant

Agreement, Direct Deposit Form w/ Voided Check, LOCCS Authorization Form and a Certification that residents will continue to be seniors and/or / handicapped.

If you have any questions regarding the grant program, please contact Lois Wright at (513) 684-3451 ext. 2350. You may contact your Project Manager for questions pertaining to funding service coordinator activities through budget-based rent increases or residual receipts..

UPCOMING EVENTS

September 9—11, 2008 Cleveland, OH Assisted Housing Management (AHM) Certification Workshop

November 5—7, 2008 Columbus, OH Ohio Housing Conference at the Greater Columbus Convention Center

HUD's Ohio World

Spotlight on HUD Staff

The Federal Executive Board has given its "Wings of Excellence" Award to Region V Special Agent Eric Bizjak and Betsy Phillips, Senior Project Manager with HUD's Multifamily Division. Eric and Betsy were instrumental in getting a federal indictment against Marty Shulman for money laundering. The case involved alleged falsification of documents, forgery, co-mingling of funds, and violations of HUD's Regulatory Agreement.

New HUD Staff

Scott Hunley, Ohio Hub Director

Cleveland

Jimmie Thomas III, Supervisory Project Manager (Asset Management)

Tashara K. Mc Cain, Project Manager (Asset Management)

Columbus

Michelle Whitfield, Project Manager (Asset Management)

Vera Howard, Project Manager (Asset Management)

Asha Littlejohn, Project Manager (Asset Management)

Sondra King, Project Management (Asset Management)

Kristin Padavick, Project Manager (Asset Management)

Departed HUD Staff

Cleveland

Joan Hospodka, Housing Program Assistant

Columbus

Geoff Warthman, Senior Project Manager

Matthew McGuire, Contract Administrator Oversight Manager

Recent Issuances

New Notices

08-03 [Enterprise Income Verification \(EIV\) System](#)—HUD Notice 2008-03 was issued June 25, 2008, it provides pertinent information for owners/agents on accessing and utilizing the Enterprise Income Verification (EIV) System for verification of applicant/resident income and how HUD/PBCA will use the information in EIV in monitoring/compliance reviews.

08-02 [FY 2008 Grant Extension Procedures for Service Coordinator and Congregate Housing Services Program Grantees](#)

08-01 [FY 2008 Interest Rate for Section 202 and Section 811 Capital Advance Projects](#)

Mortgage Letters

08-04 [FHA Multifamily Statutory Loan Limit Adjustments and Changes in Annual Base City High Cost Percentage for FHA-Insured Multifamily Housing in High-Cost Area](#)