

# PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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[www.hud.gov/local/shared/working/r3/mfhsq.cfm?state=pa](http://www.hud.gov/local/shared/working/r3/mfhsq.cfm?state=pa)

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### Record-Breaking FHA Business

Quite a bit of attention in the industry and the media has been directed toward FHA's single-family programs' record volume of business.



Our multifamily programs are also experiencing record-breaking levels of business, because FHA financing is an ever-more attractive avenue for developers of both market-rate and subsidized rental housing.

As an illustration of this, in FY 2008, HUD, nationally, endorsed 457 loans for multifamily projects for the development of about 49,000 rental housing units. The total mortgage amount of these loans was \$2.46 billion. In FY 2009, the totals were: 456 loans, a little more than 58,000 units, and \$3.38 billion in mortgages.

The increase was so great that last August, HUD had to go to Congress and ask for an additional \$5 billion in commitment authority for the fiscal year in the multifamily and healthcare insurance fund, in order to prevent the pipeline from shutting down.

From October 1, 2009 through September 30, 2010, HUD endorsed 1,339 loans- a 188% increase over the previous year. This translates to 207,906 housing units, which is over two and a half times the total for FY 2009. The total dollar amount insured in FY 2010 was

\$13.8 billion compared to \$5.4 billion the prior year.

The top four lenders were: P/R Mortgage & Investment Corp.– 88 loans; Berkadia Commercial Mortgage– 85 loans; Wells Fargo Bank– 84 loans; and Red Mortgage Capital– 81 loans.

In addition to spurring the production of much-needed rental housing units, the multifamily insurance programs not only operate at no cost to the taxpayer, they actually generate revenue to the government. Because of revenue collected from insurance premiums, our multifamily business added over \$400 million to the government's coffers in FY 2010.

### FY 11 Fair Market Rents

Section 8(c)(1) of the U.S. Housing Act of 1937 requires the Secretary to publish Fair Market Rents (FMRs) periodically, but not less than annually, to be effective on October 1 of each year. FMRs are used in the Housing Choice Voucher, Moderate Rehabilitation, project-based voucher, and other programs requiring their use.



The FMRs are estimated at 40th and 50th percentile rent levels. Some areas are granted higher FMRs (based on the 50th percentile rather than the 40th percentile of the local rent distribution) to achieve de-concentration of units in high poverty areas by voucher holders.

The tables, documentation system, and a copy of the preamble are available from HUD USER at:

[www.huduser.org/datasets/fmr.html](http://www.huduser.org/datasets/fmr.html)



### Superior Projects

Congratulations to the following management agents which received superior management review ratings and REAC inspection scores of 90 or more during the past 6 months:

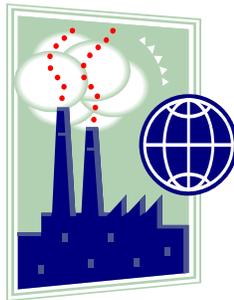


NDC Real Estate Management (Oak Mound Apts., Montani Towers, Market Manor, Marjorie Gardens, Williamson Towers, Bridgeport Manor and Bates Street Apts.); Interstate Realty Management (Adams Landing, Valley Green Apts., Jane Lew Apts., Wildwood House, and Vineland Gardens); Colonial American Development Corp. (Forrest Bluff Apts. and Summersville Place); Arbors Management (Charleston Arbors and Weston Arbors); Crossgates Management (Riverview Towers and Clarksburg Towers); Northwood Health Systems (Ash Grove); Housing Management (Oceana Apts.); Forest City Residential Management (Chapmanville Towers); Pentad Group (Princeton Towers); California Commercial Investment Group (Baughman Towers); Human Resource Development and Employment (Cabell-Huntington Unity Apts.); NHPMN Management (West Virginian Manor); and First American Management (Buckhannon Manor).

### Shrinking Carbon Footprints

Federal agencies are doing their part to reduce greenhouse gas emissions.

Based on an October 2009 Executive Order, agencies must set specific targets for reducing direct greenhouse gas emissions (i.e., from Federal buildings and vehicles) and indirect emissions (i.e., from federal business travelers, employees commuting to work, and the procurement of goods and services) by 2020, as compared with a 2008 baseline.



At a minimum, direct emissions must be reduced by 28% and indirect by 13%.

HUD has taken the lead, among 56 agencies, to voluntarily reduce its direct emissions by 47% and its indirect emissions by 44%.

### Foreclosure Sale

Elders Place I & II, two Section 202 projects, located in Philadelphia, PA, consisting of 16 efficiency, 69-one-bedroom and 2 two-bedroom units, will be offered for sale on November 19, 2010.



Bids will be accepted orally at 11 AM at First District Plaza (New York Ballroom), 3801 Market Street, Philadelphia, PA.

A \$100,000 Earnest Money Deposit is required for bidding at the foreclosure sale. A \$233,990 Letter of Credit (LOC) or Cash Escrow is required to ensure completion of repairs.

A bid kit can be obtained at the following website:

[www.hud.gov/offices/hsg/mfh/pd/elde/eldepage.cfm](http://www.hud.gov/offices/hsg/mfh/pd/elde/eldepage.cfm)

### Façade Ordinance

In February 2010, the City of Philadelphia joined the list of other cities that require façade inspections to protect the public.



The code applies to all buildings 6 or more stories, all buildings with any appurtenance in excess of 60 feet in height, and any building greater than 2 stories in areas yet to be determined. The facades of these buildings must undergo an inspection by a PA licensed engineer or a licensed registered architect who is knowledgeable in the design, construction, and inspection of building facades. The inspection should be performed using a scaffold or other observation platform at a representative sample of the exterior wall.

Violations of the ordinance are Class III offenses, subject to a \$2,000 fine under 1-109 of the Philadelphia Code.

The specific ordinance is PM-304-10, Periodic Inspection of Exterior Walls and Appurtenances of Buildings (Part 3 of the General Property and Structural Maintenance Code of the Philadelphia Building Construction and Occupancy Code).

### **New Regional Administrator**

Jane Vincent has been appointed as the new Regional Administrator for Region III, the Mid-Atlantic region that includes Pennsylvania, Virginia, West Virginia, Maryland, Delaware and the District of Columbia.



Starting November 15, Ms. Vincent 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.

Prior to joining HUD, Ms. Vincent was senior vice president for development for the Delaware Community Foundation, a public charitable institution while also serving as the president of the Vincent Group, a firm that specializes in providing affordable housing market research and support to non-profits and housing authorities.

From 2001 to 2005, Ms. Vincent was vice president at Real Estate Strategies Inc., where she served as a consultant specializing in support to housing authorities, local governments and private-sector developers. While there, she developed comprehensive affordable housing strategy for New Castle County, Delaware; participated in regional affordable housing studies in Pittsburgh and Baltimore; analyzed the market potential for downtown residential development in Wilmington, Pittsburgh, Trenton, and Boston; and performed market analyses of rental and for-sale developments for housing authorities, nonprofit and for-profit developers in urban and rural settings, including HOPE VI developments in Stamford, Pittsburgh, Chattanooga and Wilmington, Delaware.

Over the course of her career, Ms. Vincent has held other housing and community development positions including Wilmington, Delaware's Director of the Department of Real Estate and Housing and Acting Chief of Program Development for New Castle County, Delaware.

She has also been active in National Association of Housing and Redevelopment Officials (NAHRO), serving as a member of the Board of Governors and as their international vice president. In 2006, she was selected as one of 25 U.S. participants for the Tri-Country Conference, held biennially in the U.S., United Kingdom, or

Canada, to examine issues related to affordable housing. In 2009 she led a NAHRO delegation to Shanghai to share housing policies and in 2008 she was the sole US representative to 2008 Chartered Institute of Housing and 2004 NAHRO Fellow for William Sutton Housing Association Exchange, an NPO providing 24,000 units of social housing in England.

Ms. Vincent's leadership and community advocacy work has earned numerous state and local awards from HUD, the University of Delaware, the City of Wilmington, the State of Delaware, Housing Opportunities of Northern Delaware, NAHRO, New Castle County Board of REALTORS, the Sierra Club and the Delaware Chapter of the American Institute of Architects.

Ms. Vincent earned her undergraduate degree in Spanish and Psychology and a Master's Degree in Public Administration from the University of Delaware. She earned the professional designation of Chartered Advisor in Philanthropy from the Richard D. Irwin Graduate School of The American College, Bryn Mawr, Pennsylvania.

### **"Wii-hab"**

In a previous article in this newsletter, the beneficial use of the Wii gaming system was discussed as a recreational activity for elderly residents. Now, physical therapists are using it as part of a patient's rehabilitation. Specifically, to regain strength and balance after ankle sprains, fractures, and major foot and ankle surgeries.



The Wii offers many exercises from yoga and strengthening to balance games. The Orthopedic Foot and Ankle uses the Wii for patients ages 14 to 80. And the Wii Fit plus can spice up a sometimes mundane physical therapy session. It is a great tool to use, because it gives patients visual feedback relearning balance after injury or surgery.

### **Loan Closing**



One Section 202 loan closed in October— St. Catherine Senior Housing, a 35-unit capital advance project located in Berks County, PA.

## Low-Cost Ways to Revive Aging Apartments

There are four basic categories that will improve an apartment's appeal to prospective tenants. They are as follows:

- Building's Outward Appearance (i.e., landscaping, new roofing, new siding, spotless grounds and parking lots, etc.).
- Inside of Unit (new paint, carpeting, thorough cleaning; replacing kitchen cabinets and countertops, changing outdated light fixtures, etc.).
- Energy Efficiency (i.e., energy-efficient light fixtures, high-efficiency furnace and HVAC systems, energy-efficient appliances, etc.).
- Extras (i.e., upgrades to community room, fitness center, pool, etc.).



So, spruce up that apartment!

## ICC Model Codes

The International Code Council (ICC) recently held final hearings to determine the content of the 2012 editions of its model codes. The ICC model codes, like the International Building Codes (IBC) are adopted into building regulations by most state and local jurisdictions.



Some of the most sweeping changes were for the International Fire Code and the safety requirements in the IBC. Modifications that carry significant impact for commercial real estate include:

- Installation of two additional fire service elevators in newly constructed buildings.
- Posting of fire evacuation plans at main entrances.
- Retrofit of fire extinguishers in buildings with automatic sprinkler systems.
- Required special inspections for penetrations in fire-rated wall and ceiling assemblies.
- Mandatory fire official notification when emergency alarm monitoring contracts expire.
- Mandatory automatic fire sprinklers and irrigation systems for roof gardens.
- Prohibition of LGP gas containers on roofs.

## 10 Million More Renters

According to Barron's, by 2015, 36% of all U.S. households will be renters (33% as of 2004). This means that in the next 5 years, 10 million extra persons could be moving into rental housing.



This is attributable to the inability of households to afford homeownership (i.e., due to the economy and slow growth/low wages) and the expanding number of households headed by someone under 35- a prime rental group.

## Outstanding Neighborhood Networks Programs

The Philadelphia Hub wishes to acknowledge several of our Neighborhood Network Centers for implementing the following programs to improve the lives of their residents: West Popular- Building Healthy Lifestyles, Bridging the Gap Program, and Homework Help Club; Wister TH- Youth Mentor/Enrichment Program; Montgomery TH- TWC/ PNNC Worksite Partner Program, and Welcome MARS/NASA Project; Bethlehem TH I- Penn State Nutrition Links Program; Episcopal Square Apts.- Wii Bowling; Sharswood I & II- School and Summer Enrichment Programs, Rites of Passage Program, Welfare-to-Work Program, Townhouses Resident Action Corp., and Community Health Fair.



## Poverty on the Rise in Suburbs

Cities have higher poverty rates- about 19.5%, compared to 10.4% in the suburbs- but the gap is steadily narrowing, according to the Brookings Institution. In a reversal from 2000, the number of poor people living in the suburbs now exceeds those in cities by 1.6 million. In fact, the number of poor people in the suburbs jumped by 37.4% to 13.7 million- double the city rate of 16.7%

Analysts attribute this to years of middle-class flight and substantial shares of minorities leaving cities in the early part of the decade for affordable housing and job opportunities in the suburbs. After the housing bust and the recession, their fortunes changed, throwing millions of people out of work.

Of the 100 largest metro areas, 57 had substantial increases in poverty- from 19 to 29%. Most evident were those in the Sun Belt suburban areas. However, also hard hit were the Rust Belt manufacturing regions. In our area, Allentown, PA is most prominent.

## CLARIFICATION– REAC Pre-Inspections

In the October 2010 issue of Philadelphia Hub Multifamily Housing News, an article entitled, "REAC Pre-Inspections" appeared. The article may have given the erroneous impression that all pre-REAC inspections are "prohibited," and are a "conflict of interest." It further stated that project funds may not be used to pay for such services, and that solicitations to perform Pre-REAC inspections should be reported to the local HUD Program Center for appropriate action. This is not the case.



The sole intent of the article was to make clear that REAC inspectors, **contracted** by HUD, may not solicit business with a property that they will be inspecting for HUD. What is of concern to HUD is the conflict of interest problem, and not the use of in-house staff or private contractors to perform pre-inspections. In fact, this practice is encouraged by HUD.

REAC has issued written guidance recommending that project owners and/or managers of any properties subject to REAC inspections prepare for their REAC inspections by conducting pre- REAC inspections. The relevant guidance document, entitled "Preparing for REAC Inspections- Guidance for Multifamily and Public Housing Properties," is available at: [www.hud.gov/offices/reac/products/pass/qa.cfm](http://www.hud.gov/offices/reac/products/pass/qa.cfm)

The Guidance is meant to "provide helpful inspection preparation information." The Guidance recommends the following:

- Prior to the REAC inspection date each and every property should conduct a complete (100%) inspection of the property.
- The inspection may be conducted by "property staff or a contract inspector."

Project owners and managers are encouraged to properly prepare for REAC inspections. An important element of preparation is pre-inspection to self-police and make certain that properties are brought into compliance with standards. This helps owners, tenants, and serves the objectives of HUD - as the Guidance makes clear.

## Section 202 & 811 Interest Rate



The interest rate for Section 202 and Section 811 loan closings this fiscal year (FY 11) will be 4.125 percent.

## Rental Assistance Report

The Quality Control for Rental Assistance Subsidy Determinations report was recently published on the web by the Office of Policy Development and Research. Based on FY 2008 data, this report is the seventh in a series of studies that provide national estimates of the extent, severity, costs, and sources of rent errors in tenant subsidies for the Public Housing, Tenant-Based Voucher, and Project-Based Assistance Programs. It is a valuable tool for strengthening HUD's procedures and for ensuring administrative compliance with established regulations.



The studies are used to assess HUD's performance in reducing Improper Payments, an important initiative of the Office of Management and Budget. They also point out the sources of errors, thereby enabling the Department to target these areas for further improvement.

To read the study, please see:

[www.huduser.org/portal/publications/pubasst/QC\\_fy08.html](http://www.huduser.org/portal/publications/pubasst/QC_fy08.html)

## A Major Milestone

The Philadelphia Hub wishes to extend happy birthday wishes to Doris M. Pusey, a resident at Cheltenham Apartments in New Castle, DE, who celebrated her 100th birthday, on October 14, 2010. Cheltenham Apartments has 120-one bedroom units and is 100% subsidized building exclusively for the elderly. It is owned and managed by Arbor Management.



## Q & A on Bedbugs



WebMD has two excellent articles entitled, "Bedbugs– Your Questions Answered," and "How to Know if You Have Been Bitten." To read the articles, visit the following links:

[www.webmd.com/skin-problems-and-treatments/news/20100924/bedbugs-signs-and-treatments](http://www.webmd.com/skin-problems-and-treatments/news/20100924/bedbugs-signs-and-treatments)

[www.webmd.com/skin-problems-and-treatments/guide/bedbugs-infestation](http://www.webmd.com/skin-problems-and-treatments/guide/bedbugs-infestation)

### Sprinkler Head Problems

Many REAC scores have been significantly reduced by exigent, health, and safety findings regarding fire sprinklers.

The following are some common deficiencies concerning obstructions, corrosion, and design:



#### *Obstructions*

- Bulkheads, structural components, piping, ducts, light fixtures, baffles, and banners.
- Hanging decorations, art, or clothes.
- Splashed paint or spackle.
- Dust and grease.
- Boxes, supplies, and refuse.

#### *Corrosion*

- Deformity of slight imperfection in the pipe resulting in leaks.

#### *Design*

- Failure to modify the sprinklers to accommodate changes in the purpose of the space or the occupancy.

### Sewer Charge Savings

For high rise buildings that have cooling towers, there is a simple way to reduce the sewer component of a project's bill— by installing a separate meter on the water supply that serves the cooling tower. This saving results because most municipalities charge for sewer service by tying it to the gallons of water used. By metering the cooling tower water that is evaporated, the sewer component of that bill can normally be eliminated.



### Water-Saving Faucet Aerators



You do not have to replace old hand sink faucets to save on your water bill. For less than \$10 apiece, existing aerators can be replaced with 1.0 GPM compensating spray aerators. This will, typically, save a building 15-30% of water usage.

### Cool Roofs

It is a commonly known fact that white roofs are a quick and cost-effective way to save on summer air conditioning bills, as well as to reduce carbon emissions, but did you know the specifics?



A coating of white reflective paint can reduce the temperature of a roof by up to 60 degrees and result in temperatures that are 15 degrees cooler inside. Also, according to California official, Arthur Rosenfeld, an average 1,000 sq. ft. roof painted white can save 10 tons of carbon dioxide, the equivalent of emissions from one car for about 2½ years.

It should be noted that while there are no federal tax credits for roof coatings, there is a tax credit for using cool materials when replacing a roof.

### Difficult Development Areas and QCFs

HUD has designated new Difficult Development Areas (i.e., areas which have high construction, land, and utility costs relative to the area median gross income) and Qualified Census Tracts (i.e., census tracts in which one-half or more of the households have incomes below 60% of the area median income or the poverty rate is 25% or higher). A 20% population cap in each metropolitan area or nonmetropolitan part of a state limits the designation of eligible census tracts as QCTs.



Based on the QCT and DDA designations, developers using the Low-Income Housing Tax Credit (LIHTC) program to build or rehabilitate affordable rental housing can claim 30% more in tax credits than is available to identical projects outside of these areas.

In the Philadelphia Hub's area, the following areas were designated DDAs:

NJ (Metro)- Jersey City, Vineland-Millville-Bridgeton, Hudson County, and Cumberland County  
 DE (Non-Metro)- Sussex County  
 PA (Non-Metro)- Monroe and Wayne Counties  
 WV (Non-Metro)- Calhoun, Roane, Doddridge, Taylor, Grant, and Pendleton Counties

To view the QCTs and other data, see:

[www.huduser.org/portal/datasets/qct.html](http://www.huduser.org/portal/datasets/qct.html)