

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Implementing 2010 Strategic Plan

HUD leaders from the field recently participated in regional three-day conferences in Denver, Kansas City and Washington D.C. to put the 2010-2015 HUD Strategic Plan into action.



The Strategic Plan serves as the foundation for an aggressive and substantial shift at HUD to deliver more effectively on our critical mission areas, while simultaneously transforming the way HUD does business.

The highly interactive breakout sessions-led by both HUD Headquarters and field senior leaders, and facilitated by personnel from the Office of Strategic Planning and Management-offered participants significant opportunities for input and reflection on what the Strategic Plan means for them.

The following are the five goals of the Strategic Plan:

- Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers.
- Goal 2: Meet the Need for Quality Affordable Rental Homes.
- Goal 3: Utilize Housing as a Plat form for Improving Quality of Life.
- Goal 4: Build Inclusive and Sustainable Communities Free from Discrimination.
- Goal 5: Transform the Way HUD does Business

These five goals are broken down into 22 outcome measures that make the goals more real by establishing baselines and targets to measure HUD's progress.

After participants used the first day to focus on understanding the Strategic Plan and what it means for every manager and employee, conference attendees then began to share insights and ideas on the 22 outcome measures - 11 of which have been made priorities for Fiscal Year 2011.

On the second and third day of the conferences, regional teams began to collaborate on real-life approaches to achieve the measures in their regions and discussed how to work more effectively within and across regions.

Regional participants will be receiving the materials necessary to run Strategic Plan Mini-Workshops for their local HUD offices.

Smoke-Free Housing Policy

Project owners and management agents are now encouraged to implement smoke-free housing policies in their properties.



The policies, however, must be in accordance with state laws; address smoking in a tenant's unit, common areas, etc.; and designate specific smoking areas.

Specific instructions for implementing this policy can be found in Housing Notice H10-21, Optional Smoke-Free Housing Policy Implementation, issued September 15, 2010. See:

http://portal.hud.gov/portal/page/portal/HUD/program_offices/administration/hudclips/notices/hsg/files/10-21hsgn.pdf.

REAC “Pre-Inspections”

It was brought to our attention that one, if not more, REAC inspection companies are soliciting business to conduct “pre-inspections” or “mirror inspections” of HUD projects for a fee to “improve your chances to score high, or as high, as you possibly can on your REAC inspection.”



For this inspection, companies are charging fees ranging from \$12-\$16 per unit for pre-REAC inspections, and from \$800-\$1,500 for mock pre-REAC inspections.

This practice, however, is a conflict of interest and is prohibited. As such, project funds *may not* be used to pay for such services.

If you are solicited by a REAC inspector, please report it to your local HUD Program Center so that appropriate action can be taken.

Termination of NN Technical Assistance Contract



On October 1, 2010, HUD’s technical assistance contract for Neighborhood Network Centers was terminated. This means that this role will now be provided by the local HUD staff.

In order to develop policies to establish a base line for decisions related to the use of project funds to support ongoing operations, all owners were asked to submit an updated NN Business Plan using the online Strategic Tracking and Reporting Tool (START) that is available from the following website:

<http://Inshhq05w.hud.gov/NN/start.nsf/default>

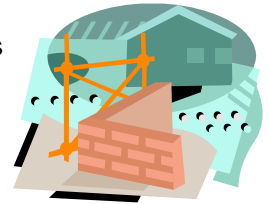
When the Plans are updated, you should pay careful attention to the Budgeting and Fundraising Section, especially the Sources of Funding, so that HUD can have a better understanding of all the resources needed to operate your Center and to achieve long-term sustainability and evaluate emerging opportunities provided by the National Broadband Plan.

If you have any questions, please contact your NN Center Coordinator at you local HUD office, or contact Susan Noce at: (215) 861-7583.

Mortgage Insurance After Construction Started

HUD has received requests to provide mortgage insurance for projects where construction stopped due to the loss of project financing or other sponsor circumstances.

As a result, the temporary authority granted under Mortgagee Letter 2009-26 has been renewed for one year through the issuance of Mortgagee Letter 2010-27. (See: www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-27ml.pdf).



The amount of construction work completed ranges from limited work, such as site infrastructure, foundations and footings to those in more advanced stages of construction, such as a 90% completed condominium project that missed the homeowner market and decided to convert to rental or completed accessory buildings. The waiver authority applies only to projects with “site improvements and building foundation work” (i.e., footings, foundation walls, piers, grade beams, slabs and under slab utilities).

Industry data confirms that the availability of credit continues to be irregular. Due to the illiquidity in the financial markets, Lenders are reluctant to make construction loans, and are backing out of commitments already made to provide construction draws. This tightening of credit will continue to depress current and future multi-family rental construction.

The above situations were not attempts to avoid the Department’s requirements relating to Davis-Bacon wages or the required HUD inspections, since HUD-insured financing was not contemplated as part of their original development concept. The current policy prohibits construction to start prior to the issuance of the Firm Commitment. The policy ensures that the program’s construction and design standards are applied to all elements of building construction, prior to HUD assuming any risk, and that the Department is fully protected under contractor warranty requirements.

This waiver authority applies only to non HUD-insured new construction apartment projects that have started or completed site improvements and building foundation work. Substantial rehabilitation is not eligible. Any project that falls under Section 232 is not eligible. All construction work must have stopped before application submission. Construction financed under the FHA program should commence after Initial Endorsement.

Neighborhood Networks Conference

On August 31, 2010, the Philadelphia Hub Office hosted a conference celebrating the 15th anniversary of the Neighborhood Networks program. Over 75 representatives from the Hub's 247 NN Centers were in attendance.



The theme of the conference was "A Successful Past, a Promising Future." The keynote speaker was Delores Pruden, Director of Neighborhood Networks, who spoke of the program's accomplishments and the future role that Neighborhood Networks centers will play with the implementation of the National Broadband Plan. Ms. Pruden applauded the commitment and service of property owners and managers, Center staff, HUD staff and residents. She gave special recognition to the staff of the Philadelphia Hub for maintaining its lead as the Hub with the most Neighborhood Networks Centers, and presented Encarnacion Loukatos, Philadelphia Hub Director, with a plaque recognizing this outstanding achievement.

Mrs. Loukatos shared with participants HUD's Strategic Goals and emphasized how Center staffs were already achieving Strategic Goal 3, "Utilize Housing as a Platform for Improving Quality of Life," by providing technology access and services that can lead to an improved quality of life for residents of HUD properties.

Thirty Awards of Recognition were presented to center representatives for their performance in achieving one or more of the following sub-goals of HUD's FY 2010-2015 Strategic Plan: 1. Improve Education Outcomes and Early Child Development, 2. Improve Health Outcomes, 3. Increase Economic Security and Self-Sufficiency, and 4. Improve Housing Stability through Supportive Services for Vulnerable Populations.

Representatives from Interstate Realty Management, GN Management, and Federation Housing discussed the following topics: consortiums, partnerships, and using NN Centers as a conduit for healthy living.

Definition of Middle Class

Per the Heritage Foundation, middle class is defined as medium household income between \$25,000 and \$100,000.

U.S. Housing Market Report

HUD recently released the 2nd Quarter report of U.S. Housing Market Conditions for 2010. The report contains a comparative analysis of the multifamily housing sector with previous quarters, updated national data, overviews of economic and housing market, and historical trends.



Some interesting statistics found in the report, concerning the Philadelphia Hub, for the 12 month period ending June 30, 2010, are as follows:

- Multifamily building activity, as measured by the number of units permitted, decreased by 16% in NJ, to 2,300 units, and by 30% to 540 units in DE. A decrease of 25% to 4,100 units occurred in PA. WV issued permits for 173 units- 151 fewer than the previous 12 months.
- Vacancy rates fell from 9.2 to 1.9% in Center City Philadelphia.
- Vacancy rates decreased from 12% to 5% in the Philadelphia metro. area.
- Vacancy rates increased from 3.8% to 4.1% in Central NJ, and from 4.9% to 5.1% in Northern NJ.
- Avg. monthly rents increased from \$1,920 to \$1,995 in Center City Philadelphia.
- Avg. mo. rents increased from \$1,470 to \$1,540 in the Philadelphia metro. area.
- Apt. rents declined by 0.3%, to \$1,150, in Central NJ, and by 0.6% to \$1,490 in Northern NJ.

To read the entire report, see:

www.huduser.org/portal/periodicals/usmc.html

High Cost Areas

HUD Notice H 10-20, issued on September 2, 2010, has established the following high cost percentages and high cost areas for the Philadelphia Hub:

Philadelphia (PA)- 270%
 Wilmington (DE)- 270%
 Newark (NJ)- 270%
 Camden/Trenton (NJ)- 270%
 Pittsburgh (PA)- 265%
 Charleston (WV)- 263%

The assigned geographic HCP ceilings for Pittsburgh and Charleston can be waived, on a case-by-case basis, up to the statutory maximum of 170 (270 multiplier)

Benchmarking Operating Costs

Each year, HUD assesses the operating budgets of the Project Rental Assistance Contract (PRAC) developments for the elderly (Section 202) and disabled (Section 811).



To determine possible improvements to the operating cost standards for these contracts, HUD's Office of Policy Development and Research commissioned Section 202 and 811 Operating Costs Needs. In this study, researchers used benchmarks of expenses based on the location and characteristics of HUD-assisted multifamily properties serving similar populations.

The results show that formulating benchmarks for operating cost subsidies in this manner- accounting for location, development and unit size, type and age of building, type of ownership, neighborhood poverty rate, and tenant clientele- produces accurate benchmarks of operating costs for many Section 202 and 811 PRACs. In some cases, field testing showed that while the model produced credible operating costs benchmarks overall, some local and property-specific factors not included in the model significantly affected costs.

To read the entire 148-page study, see:

http://www.huduser.org/portal/Publications/pdf/Sec_202_811.pdf

Energy Conservation Tips on the Web

The following websites provide valuable information to assist building owners to conserve on their energy costs:

www.energystar.gov
www.greenlivingguy.com
www.retrofitamerica.com
www.energystar.gov/index.cfm?fuseaction=HOME-ENERGY-YARDSTICK.showGetStarted
www.energysavers.gov
<http://resnet.us/>
www.recurve.com



Who is Benefitting from Bedbug Problem?

Bedbugs have become a national problem— infecting apartment buildings, homes, offices, stores, and theaters. Eradication is expensive, and can cost \$750 for a few rooms to \$70,000 for a large apartment building.



Surprisingly, not everyone is upset by this situation. The following occupations are actually prospering from it:

- Exterminators
- Handlers of bedbug-sniffing dogs
- Producers of mattress encasements (e.g., Protect-A-Bed)
- Law firms specializing in bedbug lawsuits

This is America, the land of opportunity.

Bedbugs- A National Problem

The pest control company Terminix has compiled a list of the top 15 cities with the highest number of bedbug infestations. This list was based on the market-specific call volume from its 350 centers.



The list is topped by New York, and includes other major cities such as Philadelphia, Los Angeles, and Chicago. Surprisingly, Ohio receives the dubious distinction as the most bug-infested state, with 3 cities in the top 10, and 4 in the top 15.

The cities on the list included; 1. New York (NY), 2. Philadelphia (PA), 3. Detroit (MI), 4. Cincinnati (OH), 5. Chicago (IL), 6. Denver (CO), 7. Columbus (OH), 8. Dayton (OH), 9. Washington (DC), 10. Los Angeles (CA), 11. Boston (MA), 12. Indianapolis (IN), 13. Louisville (KY), 14. Cleveland (OH), and 15. Minneapolis (MN).

“It’s no surprise that highly trafficked cities such as New York, Chicago, and Los Angeles are on the list,” said Paul Curtis, entomologist for Terminix. “It’s the bedbug problems in cities like Dayton and Louisville that prove bedbugs are back and can pop up anywhere. The bedbug problem in these cities outpace markets of far greater size despite having a fraction of the population and typically fewer travelers and hotels.”

Reminiscence Therapy for Seniors

One way to promote mental health for seniors is the use of reminiscence therapy. Simply put, reminiscence therapy is the discussion of pleasurable past activities, events, and life experiences to improve cognitive impairment.



There is no right or wrong way to participate in reminiscence therapy. It can be with another person or with a group. A variety of mediums can assist the act of remembering that use different senses. These mediums fall into four categories:

- Visually: photographs, slides, painting pictures, looking at objects of autobiographical meaning.
- Music: using familiar tunes from the radio, CDs, or making music using various instruments.
- Smell or taste: using smell kits and different foods.
- Tactile: touching objects, feeling textures, painting and pottery.

In one formal approach, participants are guided by a trained person to reflect on a variety of aspects relating to their lives. This may be themed and center on one period in time, or it may be wider and reflect a guided discussion through an issue. The therapist may use music, photographs, replica documents, drama and sensory gardens to stimulate debate and discussion for the participants.

Reminiscence therapy can also be useful for supporting very frail and confused people to integrate into new living arrangements by acknowledging and respecting their life history. Reminiscence therapy promotes an older adult's sense of security by reviewing comforting memories.

Why not implement reminiscence therapy sessions in your project for the elderly? Your seniors will enjoy the experience of sharing their memories with their friends and fellow residents.

For more information on this topic see:

http://fcs.tamu.edu/families/aging/reminiscence/reminiscence_important_task.php

Neighborhood Networks Week Celebration

Montgomery Townhouses Neighborhood Networks Center in Philadelphia held an event, on August 5, 2010, celebrating Neighborhood Networks Week. It was appropriate that the event be held here because the 13 year-old Center was the first one in a multifamily project in Philadelphia.



The theme of the celebration was "Health Body, Healthy Home and Healthy Mind." It focused on improving the overall health of the community and provided a comprehensive plan to combat childhood obesity and diabetes.

The celebration began with a focus on exercise and diet to maintain a healthy body, and culminated with the Center providing a solution to mental negativity and mental toxicity.

Among the day's activities were: youth cycling sprints, healthy foods cooking demonstration, EPA product demonstrations, healthy living exhibits by local health care providers, local gardening programs, and a "Biggest Loser Contest" for youth participants.

Some of the groups participating were the EPA, City Fire Dept., Penn State Cooperative Extension, Temple University School of Dentistry, Phila. Corporation on Aging, Health Federation of Philadelphia, Linda Creed Safe Circle Breast Cancer, Smoking Cessation and Diabetes, Women of War Ministries, and Rush Hour Express Catering.

Congratulations to Interstate Realty Management Company on a well-planned and well-executed event!

Loan Closings

The following loans closed during the month of September: Insured- PA: Sunbury Farms and Lancaster House South; NJ: Cedarbrook Park Apts.; and WV: Bridgeport Manor, Oak Mound Apts., GW Petroplus; Section 202- PA: Hempfield Apts. South and Lutheran Commons at Pleasant; Section 811- PA: Darlington Road Apts., PMH X- Virginia, Chandler SIL, and Ogden Gardens; and NJ- CPNJ Plainfield Residence I & II and CARING Homes 2008- Atlantic City.



Economic Development– Reading, PA

The federal government has awarded the City of Reading \$750,000 to promote further economic development in Entertainment Square (i.e., the area around 2nd and Washington Streets).



The money, awarded through HUD's Brownfields Economic Development Initiative, is designed to assist cities redevelop idled and underused industrial and commercial facilities in areas where there may be environmental contamination.

Mayor Thomas M. McMahon was quoted as saying, "We are pleased that the city of Reading won another competitive grant...In addition to assisting with planning in the arts district, winning this grant also means that HUD will provide a minimum of \$1.5 million in loan guarantees to further stimulate targeted private-sector economic development...We envision a vibrant and eclectic community, making the area attractive for artists to live, and encouraging an abundance of art studios...By focusing planning and resources in a cohesive way, we can help bring this vision into reality, not in a contrived way, but through an authentic process of neighborhood evolution."

The area already includes the GoggleWorks Apartments – a 59-unit Section 221(d)(4), \$6.2 million new construction project currently in processing; Reading Movies 11/IMAX; RACC's Miller Center for the Arts; and 69-WFMZ-TV and WFMZ.com. Tenants are also being sought for retail space on the lower level of the Albert Boscov Plaza parking garage on the southeast corner.

Roofs & Winter Weather

The upcoming winter season can be especially hard on building roofs. This is caused by freeze/thaw conditions, snow loading, ice ponds, and the "scrubbing" of the roof by moving ice formations.



To prepare a roof for winter, a building owner should insure that the roof has been thoroughly inspected and all leaks have been located and repaired. This simple ounce of prevention can save a lot of money in the long run.

Faulty Doors

Doors are something that we seldom think about. However, a faulty door can create a lot of legal problems for a building owner.



This is because it is the duty of building owners and managers to protect tenants from accidental, negligent, and intentional acts of third parties. Owners are also obligated to provide adequate warning or protection against such potential risks.

Faulty or damaged door hardware should be repaired immediately because it can lead to negligent security lawsuits for a variety of reasons:

- Malfunctioning or broken locks.
- Improper maintenance of door hardware.
- Incomplete or non-existent policies and procedures for inspection and maintenance.
- Negligent or improperly trained personnel who did not follow inspection/maintenance policies.
- Absent or inadequate warning of visitors to the property as to the compromised security.

Green Tips for Renters

Here are a few ways that your tenants can help to make their units "eco-friendly":



- Only run the dishwasher when full, then air-dry the dishes.
- Use aerators on faucets to save water.
- Buy chemical-free cleaning supplies.
- Use vinegar and old newspapers to clean windows.
- Scrub countertops with baking soda.
- Vacuum the coils of the refrigerator and locate it away from the stove.
- Grow fruit and vegetables in a window box or pots.
- Unplug small appliances when not in use.
- Chuck coffee grounds and vegetable and food scraps into a composter.

Carpet Fact

It is estimated that 80% of the soils in carpets are dry, such as dust and grit. An effective vacuum cleaner, employing a HEPA or similar filtration system, can remove these soils and protect indoor air quality. This minimizes the frequency needed for water extraction carpet cleaning.