

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Inside this Issue:

In Memoriam.....Pg. 1

SPRAC Award.....Pg. 1

Public Service Award.....Pg. 2

Eye on Servicers.....Pg. 2

Fast Housing Facts.....Pg. 2

FY 14 Income Limits.....Pg. 3

MDDR Reporting.....Pg. 3

End of 40/60 Watt Bulbs.....Pg. 3

RAD Conversion.....Pg. 4

Apts. & Economy.....Pg. 4

De-Icing Products.....Pg. 5

Preventing Winter Falls.....Pg. 6

HUD.Gov Website.....Pg. 6

Loan Closings.....Pg. 6



2014

In Memoriam

The Philadelphia Multifamily Hub suffered a devastating loss with the passing of Walter Kreher, Director Newark Program Center, on January 3, 2014, after a courageous battle with cancer.



As the director of multifamily housing operations for New Jersey over the past 14 years, he processed countless applications for FHA mortgage insurance, as well as direct loans for Section 202 and 811 housing. In addition, he supervised loan servicing activities for 724 projects.

Two examples of his outstanding achievements were the financing of the Capital Health System's state-of-the-art hospital, in Hopewell, NJ, with a \$756 million Section 242 loan- the largest FHA-insured loan since its inception in 1934; and the endorsement of a \$90,583,500 Section 220 loan to finance the construction of South Waterfront Apartments, in Hoboken, NJ.

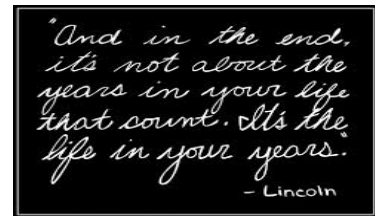
Mr. Kreher's exceptional service as a federal official was recognized by the National Affordable Housing Management Association (NAHMA) which presented him with the NAHMA Industry Partner Award, in March 2013, because of his significant contribution to the cause of affordable housing. Deservingly so, he was recognized for his compassion for tenants, owners and managers, and for being instrumental in establishing the New Jersey Affordable Housing Management Association (JAHMA), being an advisor to JAHMA's "In Time of Need" furniture donation program, and for working with the JAHMA Foundation Committee to address the needs of wounded veterans.

In addition, he also served on the New Jersey Housing Mortgage Finance Agency Management Task Force, assisting management agents and owners in formulating and understanding regulations that affected the lives of thousands of tenants throughout the State of New Jersey.

Our deepest sympathy goes out to Mr. Kreher's family and his co-workers.

We will miss his intellect, his humor, and his vibrant personality. But most of all, his ardent passion for HUD's mission.

HUD has lost a truly great leader and champion of affordable housing.



SPRAC Award

Trent Center East, a 229-unit Section 202 project located in Trenton, NJ was one of 12 projects nationwide that received a Senior Preservation Rental Assistance Contracts (SPRAC) award. The award will cover 48 of its units.



SPRACs will help to preserve the affordability of 1,700 units and keep low-income seniors in their homes, by providing 20-year assistance contracts. SPRAC awarded properties are limited to Section 202 direct loans that will mature over the next five years, and could be at risk of prepayment.

Public Service Award

The New York Housing Conference, a coalition of New York non-profit and private developers, owners, managers and real estate professionals devoted to creating and preserving affordable housing, gave its Public Service Award to Teresa Bainton, Director of the New York Multifamily Hub and Acting Director of the Philadelphia Hub, at its 40th Annual Awards Luncheon, held on December 5 at the New York Hilton in Manhattan.



Over 1,100 government officials and affordable housing leaders attended the event which had former HUD Secretary Henry Cisneros as its keynote speaker.

Under Ms. Bainton's leadership, the New York Multifamily Hub created 4,000 new units of senior housing under HUD's Section 202 Program, amounting to \$372 million in mortgages; preserved over 19,000 housing units under HUD's Section 236 Preservation Program, amounting to over \$1 billion in mortgages; and preserved over 23,000 units under FHA's insured mortgage programs, amounting to more than \$1 billion in mortgages.

In 2016, as part of Multifamily Housing's transformation, she will be taking on new set of responsibilities when her territory expands to include all of the eastern states from Maine to Virginia (Regions I, II, and III), with a Hub office in New York City and satellite offices in Boston and Baltimore.

"I am truly humbled and flattered by honoring me with this year's public service award. You know, the New York Housing Conference and I share something in common this year— a 40th anniversary.

And what a rewarding career it has been for me. It has given me great pleasure, through HUD's programs, to help provide and preserve affordable housing in one of the most expensive housing markets in the nation, assist communities in providing much needed public services, growth through economic development, and helping to provide housing and services for homeless families and our veterans," said Teresa.

Congratulatory comments by HUD clients and remarks by Mrs. Bainton can be viewed at:

www.thenyh.org/2013-honoree-Teresa-Bainton

Eye on Servicers

As part of HUD's risk management strategy, quarterly watchlist review calls are being made with the nation's top mortgage servicers. The reviews are based on watchlist assets that the servicers have recorded in the MDDR system (see article "MDDR Reporting" on page 3).



The following delinquent loan count (based on the past 24 months) was reflected in the December 2013 Risk Committee Report to the FHA Commissioner:

- Capmark Finance— 27
- Prudential Huntoon Paige Associates— 22
- Greystone Servicing— 14
- Gershman Investment— 11
- Red Mortgage Capital— 8
- Paragon Mortgage— 8
- Love Funding— 8
- Reilly Mortgage— 6
- Prudential Huntoon Paige— 6
- Oppenheimer— 6
- Arbor— 6

Fast Housing Facts

- Between 1974 and the mid-1980s, HUD's Section 8 program created about 650,000 units with affordability restrictions lasting 20-30 years.
- Between 2008 and 2012, most of Delaware's LIHTC deals were rehabilitation projects rather than new construction. During this period, DE preserved approximately 1,100 units of rental housing. (Source: DSHA).



FY 14 Family Income & Income Limits

HUD has released its FY2014 Median Family Income estimates and FY2014 Income Limits. The FY2014 Income Limits were published on December 18, 2013, and are effective immediately.



The income limits can be found at: www.huduser.org/portal/datasets/il/il14/index.html

MDDR Reporting Requirements



To provide consistency in servicer reviews and improve the reporting process, HUD is modifying the Multifamily Delinquency and Default Reporting (MDDR) system to provide

improved consistency and a clear reporting process.

On or about March 1, 2014, an update to MDDR will be made so that mortgage servicers can input their Watchlist classifications into MDDR for review by HUD. All delinquent and defaulted loans must be rated when any delinquent or default entries are made into MDDR. For loans not in default, servicers are strongly encouraged to input their loan ratings, using the classification definitions below.

Loans rated Special Mention, Substandard and Doubtful should be included on the Servicer's Watchlist. (Pass/Watch, is included to correspond to Fannie Mae guidelines). These terms are consistent with those used by bank regulators, Fannie Mae and Freddie Mac, with some edits to reflect FHA unique characteristics. Servicer calls will include a discussion on this topic, and the servicer's process in meeting this request. Updates to the Watchlist will be made on a quarterly basis.

Servicers are expected to take actions in an attempt to mitigate issues that resulted in the inclusion of the property on their Watchlist. The MDDR update will provide a listing of potential actions the servicer may take to return the property to a Pass classification. This list is being refined and HUD is open to modifying, adding or deleting the following potential actions:

- Contact owner to discuss how they would cure issues.

- Contact owner's management agent to discuss how they would cure issues.
- Propose or discuss a supplemental or operating loss loan.
- Propose or discuss a Transfer of Physical Assets (sale of property).
- Propose or discuss a partial payment of claim.
- Propose or discuss a prepayment.
- Propose or discuss a refinance.
- Propose or discuss a modification (Interest Rate Reduction).
- Review Reserve for Replacement account usage and impact on cash flow.
- Propose or discuss a release of residual receipts to cure the default.
- Request monthly or quarterly financial information.
- Require the owner to obtain a PCNA.
- Contact HUD Project Manager for proposed Action Plan requirements.

End of 40/60 Watt Bulbs

The modern world is an electrified world. The light bulb, in particular, profoundly changed human existence by illuminating the night and making it hospitable to a wide range of human activity. It was invented in 1879 by Thomas Edison. He was neither the first nor the only person trying to invent an incandescent light bulb- an electric lamp in which a filament is heated to incandescence by an electric current. Today's incandescent light bulbs use filaments made of tungsten rather than carbon of the 1880's.



Starting January 1, 2014, the "Thomas Edison era" will be coming to an end, with the phase-out of the popular 40 and 60-watt incandescent light bulbs. Three of five, or 59%, of Americans say they didn't know that the top-selling 60-watt bulb, plus the 40-watt version, will start disappearing from store shelves during the next 12 months. Replacements will be the more expensive, but energy-efficient, CFL, halogen and LED bulbs.

The two bulbs, which account for 80% of all standard-size bulb sales, are part of the government's multiyear phase-out of inefficient incandescent bulbs, which began in January 2012 with the 100-watt bulb. Last year, the phase-out extended to the 75-watt bulb.

Stores can continue to sell their existing stock of bulbs but they can no longer be made in or imported to the United States.

RAD 2nd Component Conversion

The 2nd Component of the Rental Assistance Demonstration (RAD) has been tremendously successful and has provided a much-needed option to preserve Rent Supplement, Rental Assistance Payment (RAP) and Section 8 Mod Rehab properties with long-term Section 8 HAP Contracts.

Unlike traditional Section 8 project based rental assistance projects, these “orphan” projects do not have the option to renew rental assistance when contracts expire. With the vast majority of these contracts, about 500 of which remain, set to expire by 2016, this affordable housing is at high risk. The 2nd Component of the Rental Assistance Demonstration provides a solution, offering owners of Rent Supplement, Rental Assistance Payment, and Mod Rehab contracts the ability to convert the tenant-protection assistance that would have been issued at contract termination or expiration to long-term Project-Based Voucher (PBV) contracts. Because the PBV contract replaces tenant-based vouchers that would otherwise be issued, the 2nd component does not pose additional cost to HUD. The RAD statutory language allowed HUD the option to convert projects with a triggering event (an expiring or terminating contract) in FY12 or FY13.

During the demonstration period, 55 Rent Supp, RAP and Mod Rehab projects were converted, preserving more than 6,000 units of rental assistance for seniors and families in need. In most cases, the owners used the new 15-year Project-Based Voucher contract to harness outside financing, in the form of debt and Low Income Housing Tax Credit equity, to make project repairs and improvements.

This option was set to expire on September 30, 2013, but Section 149 of the Continuing Resolution (CR) that was enacted by Congress, allowed HUD to extend the 2nd Component of RAD through January 15, 2014 (the duration of the CR). This extended authority allows owners and administering PHAs the opportunity to close out projects that were not able to close prior to September 30, 2013. HUD is currently closing out 18 conversions representing more than 2,000 units (in addition to the 55 projects that have already closed, as noted above) that applied during FY13 but have not yet completed the conversions.

In total, 73 projects are closed or in progress under the 2nd component of RAD. The vast majority of these are Rent Supplement and RAP projects with contracts that were set to expire in FY12 or FY13. More than 50% of all FY13 expiring projects opted to take advantage of the 2nd Component conversion option, and HUD

received letters of interest from dozens more owners, representing approximately 2/3 of all Rent Supplement and RAP owners.

Owners with contract expirations that fall within the period of the CR (October 1, 2013 through January 15, 2014) should reach out to their HUD project managers to request short-term contract extensions, which will allow them time to apply for RAD if authority is granted through the FY14 Budget. If a contract extension is not desired, the project manager will proceed in requesting tenant protection vouchers for affected residents.

Any questions about this process can be directed to the RAD team at: RAD@hud.gov

Apartments & the Economy

Apartments can be a major source of economic activity throughout the country. In a 2012 study by George Mason University's Center for Regional Analysis, it was reported that apartments contributed one trillion dollars to the nation's economy in 2011.



The study was commissioned by the National Apartment Association and the National Multi Housing Council. Their report covers the economic contribution of apartment construction, operations and resident spending on a national level and in all 50 states. Additionally, they focused on construction and operations data in two metro areas.

The full report and all the data can be found on the following user-friendly website:

www.weareapartments.org

The site includes an Economic Impact Calculator and an Apartment Impact by State Tool that calculate the potential economic impact of apartment homes on an existing or proposed community.

The economic impact of apartments on the Philadelphia Hub's four state area is as follows:

<i>Impact</i>	<i>PA</i>	<i>NJ</i>	<i>WV</i>	<i>DE</i>
Apt. Residents	\$874K	\$1M	\$88K	\$77K
Apt. Homes	\$585K	\$566K	\$57K	\$42K
Contrib. to Econ.	\$29B	\$38B	\$2B	\$2B
Jobs Supported	\$664K	\$881K	\$49K	\$54K

De-icing Products

Using a shovel may be the safest way to remove snow and ice from stoops and sidewalks without damaging the masonry of a building, but sometimes it is not enough. For this reason, de-icing products can provide additional help with the task of cleaning snow and ice from walkways and driveways. But they should be used with caution since they can potentially damage a building's masonry surfaces, degrade mortar joints, and harm surrounding plants and shrubbery.



Various de-icing products formulated to melt snow and ice, and make their removal easier, are sold under different brand names at local hardware and big-box stores. Be careful however, when using these products. Repeated heavy applications can promote a slow but harmful process- namely, the scaling and flaking of masonry surfaces. This action, called salt fretting, is often found where the base of the building meets the sidewalk. Continued use of de-icing products on masonry can cause severe fretting and the loss of pieces of masonry from the building or sidewalk.

Here are some helpful hints:

Using a de-icing product requires more than spreading it around. Knowing the age of a sidewalk and the product's ingredients are important to prevent damage. Before buying a de-icing product, consider the following:

- Concrete sidewalks and steps should be at least six months old, otherwise they can be severely damaged by de-icing products.
- Products containing ammonium nitrate and ammonium sulfate should never be used since these will break down even the most durable masonry materials.
- Applying deicers near areas of vegetation can potentially harm plant life if strong enough concentrations build up in the soil.
- To provide better traction, use sand in combination with a de-icer or by itself.

Here are several suggestions to help speed melting and minimize damage to masonry when using a de-icing product:

- Follow the manufacturer's instructions for use and safety.

- Before applying, shovel and remove as much snow and ice as possible.
- Apply the product sparingly in the area of highest foot traffic.
- Apply the product away from the base of the building.
- After applying, assist the melting process by shoveling and removing snow and slush, especially away from the building.
- In the spring, wash down sidewalks, building bases, and areas near vegetation to help disperse the residue of the product.

There are four primary de-icing salts for ice and snow removal:

- Sodium chloride also known as rock salt, is the most common de-icing salt. Rock salt releases the highest amount of chloride when it dissolves. Chloride can damage concrete and metal. It also can pollute streams, rivers and lakes. It should be avoided.
- Calcium chloride is another de-icing salt. It comes in the form of rounded white pellets. It can cause skin irritation if your hands are moist when handling it. Concentrations of calcium chloride can chemically attack concrete.
- Potassium chloride is not a skin irritant and does not harm vegetation. It only melts ice when the air temperature is above 15 F but when combined with other chemicals, it can melt ice at lower temperatures. It is a good choice.
- Magnesium chloride is the newest de-icing salt. It continues to melt snow and ice until the temperature reaches -13 F. The salt releases 40% less chloride into the environment than either rock salt or calcium chloride. It is far less damaging to concrete and plants. It is the best choice.

Always follow label instructions when using a de-icing product. Any de-icer can be mixed with equal parts of sand in order to provide grit for additional traction.

Use de-icers moderately and remove residue during long thaws and again in spring.

If you follow this advice, you and your building will survive the winter!

Preventing Winter Falls

Walking to and from parking lots or between buildings during the winter requires special attention to avoid slipping and falling. Slips and falls are some of the most frequent types of injuries- especially during the winter months.



No matter how well the snow and ice is removed from parking lots or sidewalks, there will still be some slippery surfaces when walking outdoors in the winter. It is important for tenants and property management staff to be constantly aware of these dangers and to learn to walk safely on ice and slippery surfaces.

The following important safety tips should be kept in mind:

- In cold temperatures, approach all wet, dark areas on pavements with caution. Assume that they are slippery and icy.
- During bad weather, avoid boots or shoes with smooth soles and heels. Instead, wear shoes or boots that provide traction on snow and ice; boots made of non-slip rubber or neoprene with grooved soles are best.
- Use special care when entering and exiting vehicles; use the vehicle for support.
- Walk in designated walkways as much as possible. Taking shortcuts over snow piles and other frozen areas can be hazardous. Look ahead when you walk; a snow or ice-covered sidewalk or driveway, especially if on a hill, may require travel along its grassy edge for traction.
- Point your feet out slightly like a penguin! Spreading your feet out slightly while walking on ice increases your center of gravity.
- Bend slightly and walk flat-footed with your center of gravity directly over the feet as much as possible.
- Extend your arms out to your sides to maintain balance.
- Keep your hands out of your pockets. Hands in your pockets while walking decreases your center of gravity and balance. You can help break your fall with your hands free if you do start to slip.

- Watch where you are stepping and go slowly!
- Take short steps or shuffle for stability.
- Wear a heavy, bulky coat that will cushion you if you should fall.
- Try to avoid landing on your knees, wrists, or spine. Try to fall on a fleshy part of your body, such as your side.
- Try to relax your muscles if you fall. You'll injure yourself less if you are relaxed.

HUD.Gov Website



Did you ever wonder how many persons view HUD's informative website, www.hud.gov? Lots!!

In the first 11 months of 2013, HUD's site was viewed by more than 30 million visitors. In the month of November 2013, alone, there were 2,739,970 visits, with an average of 91,332 per day. The average visit duration was almost 7 minutes and 7% were international visitors.

Among the top twenty list of topics viewed were REAC (#2), Rental Assistance (#6) and Limited Denials of Participation (#11).

HUD's website is constantly being updated and improved. If you haven't viewed it in some time, do so now to see what is new!

Loan Closings

The following loans closed in the Philadelphia Hub in the month of December 2013:

Insured- PA: Majestic House and Pheasant Run Apartments;
and NJ: Harborview Apartments, Spring Run Apartments, and Village at Garwood.

