



NORTHEAST MULTIFAMILY REGIONAL HOUSING NEWS



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www.hud.gov/local/shared/working/r3/mfhsg.cfm?state=pa

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HUD 2016 Budget

HUD’s FY16 budget was released on February 2, 2015. It focuses on helping to secure quality housing for Americans, to end homelessness, to make communities more resilient from natural disasters, to protect people from housing discrimination and to provide critical rental assistance for millions of extremely poor families. The 2016 budget includes \$49.3 billion to support these efforts, representing a \$4 billion, or an 8.7% increase over current FY15 levels.



The budget maintains a core commitment to provide opportunity for families receiving rental assistance and the opportunity for homeownership. The following budget items are of interest to the multifamily housing industry:

- Proposes a new model of affordable housing integrated with supportive services for the elderly to fully fund the renewal of more than 21,000 units and support 700 new units, at \$177 million.
- Restores certainty to the Project-Based Rental Assistance account by requesting full, calendar year funding totaling \$10.8 billion. This will support 12 months of funding for rental assistance contracts with private owners who maintain affordable rental housing for 1.2 million families and \$6.6 billion

in operating and capital subsidies to preserve affordable public housing for 1.1 million families.

- Eliminates the Rental Assistance Demonstration (RAD) cap and provides an appropriation of \$50 million to convert approximately 25,000 public housing units to project-based assistance contracts that can leverage private funding to make capital improvements.
- Invests \$250 million, through the Choice Neighborhoods Program, for the rehabilitation and replacement of HUD-assisted housing and the transformation of areas of poverty into functioning sustainable mixed-income neighborhoods with appropriate services, schools, public assets, transportation and access to jobs.
- Provides \$85 million for the Family Self-Sufficiency Program to link HUD-assisted households with job training, child care, transportation, financial literacy and other supportive services, and help them build assets through interest-bearing accounts.
- Increases Tenant-Based Rental Assistance to serve 2.4 million low-income families and restore approximately 67,000 vouchers lost in 2013, due to sequestration for new units.
- Funds Homeless Assistance Grants at \$345 million above FY 15 levels to continue supporting emergency programs. This includes 25,000 new permanent supportive housing beds and 15,000 rapid re-housing interventions.

The full FY16 HUD budget can be viewed at:

www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/hud.pdf



Financing LIHTC Projects

Financing affordable and Low Income Housing Tax Credit (LIHTC) housing is a top priority for Multifamily Housing at HUD. The LIHTC Pilot, started in 2011, has been immensely successful and well-received. FHA-Insured LIHTC projects more than doubled from 2013 to 2014, from roughly \$0.9 to \$1.8 billion in mortgages. Pilot processing times remain very low, at less than 100 days from firm application to closing.



Building off the strides we already have made, HUD has incorporated several proposed changes into the draft proposed *MAP Guide*. These are as follows:

- **Equity Pay-In-** HUD will underwrite the fixed minimum pay-in schedule as follows: On or Before Initial Closing- 20% Maximum Equity Installment, 20% Cumulative Equity Paid-in; At 65% Construction Completion- 30% and 50%; At Stabilization- 45% and 95%; and At Delivery of IRS Form 8609 or Within One Year of Date of Delivery of Form to Investors- 55% and 100%.
- **Bridge Loans-** Bridge loans play an important role in maximizing LIHTC equity. Any or all of the LIHTC equity paid, according to the conditions cited above, can be funded out of partners' cash, tax credit syndication proceeds, or a temporary bridge loan. If the equity is funded by a bridge loan, the borrower may be the project sponsor or an upper tier entity. The term of the promissory note evidencing a bridge loan may extend to one year following the date of the delivery of the Form HUD 8609 to the investors.
- **Identity-of-Interest-** FHA has increased the number of transactions in which the MAP lender holds up to a 100% ownership in the LIHTC limited partner from 5 to up to 10 transactions per calendar year. This exception is available to certain supervised or publicly held MAP lenders. FHA allows any MAP lender to carry a 25% or smaller interest in the tax credit equity on any number of projects.
- **Developer Fees-** FHA has broadened its underwriting of Developer Fees. It will now underwrite developer fees up to 15% of Total Development Costs that comply with IRS regulations for the LIHTC program and the prevailing Qualified

Allocation Plan (QAP) for any project that is not claiming Builder's and Sponsor's Profit and Risk Allowance (BSPRA) or Sponsor's Profit and Risk Allowance (SPRA). Projects eligible for BSPRA and SPRA can opt for those costs or a Developer fee. The Developer Fee now may also be treated as a mortgageable cost.

- **Subordinate Debt-** Subordinate debt, including seller financing on LIHTC deals, may represent up to 100% of total project costs and be secured by the project so long as the subordinate debt provider agrees to HUD's standard form of subordination agreement and standstill. Temporary bridge loans are discrete from subordinate debt. Subordinate debt must remain subject to the following conditions: Payments only from surplus cash, if available; Payments for all secondary debt combined not to exceed 75% of surplus cash; Documentation with a promissory note; and Subject to automatic re-subordination in any refinancing of the first mortgage.
- **Vacancy Rates-** FHA is revising the minimum underwritten vacancy and collection loss rates to distinguish between classes of multifamily housing. The following standards better align FHA practice with the broader multifamily lending market. Underwriting will continue to be at the greater of the minimums below and actual levels: Minimum Vacancy and Collection Loss Rate- 3% for HUD-assisted properties with HAP Contracts on 90% or more of the units, In-place rehab with greater than 90% occupancy and greater than 90% of the units set aside for LIHTC, with attainable tax credit rents at least 10% below market; 5%- 80% of the units are set aside for LIHTC units, with attainable tax credit rents at a 10% discount to market; and 7%- LIHTC without a 10% discount to market, or 20% or more of the units are market rate.

Stakeholders are encouraged to comment on the draft *MAP Guide*, through April 30, 2015, at the following website:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/MFH_policy_drafts

NAHMA Scholarships

The NAHMA Educational Foundation 2015 scholarship applications are now available!



High school seniors, high school graduates, and adults holding a high school diploma or GED living at an Affordable Housing Management Association (AHMA) member "affiliated property" are invited by the Board of Directors of the National Affordable Housing Management Association (NAHMA) Educational Foundation to apply for scholarship grants for higher education to be awarded in 2015.

The NAHMA Educational Foundation issues this invitation to distinguished residents who are pursuing some type of higher education in college, university, community college, trade/ professional school or institute. The Foundation is a privately-funded, non-profit organization that was created in 1994. It awarded its first scholarships in 2007, to further charitable and educational opportunities on behalf of residents living at an AHMA member "affiliated property."

Please contact Dr. Bruce W. Johnson of the Foundation at 215-262-4230 or bwjrec@comcast.net if you have any questions concerning any phase of the Foundation's work to help students living in the AHMA sites.

The application deadline is May 29, 2015 at 10:00 PM. The 2015 scholarship application form can be downloaded at:

<https://scholarship.indatus.com/nahma>

Section 811 Project Rental Assistance (Awards)

The second round of Section 811 Project Rental Assistance (PRA) awards have been announced. A total of \$150,369,989 in rental assistance was awarded to 25 state housing agencies. They will provide permanent affordable rental housing and needed supportive services to approximately 4,584 households who are extremely low-income persons with disabilities, many of whom are at high risk of homelessness or transitioning out of institutional settings.

In the Northeast Region, 8 state housing authorities received a total of \$53,260,551 to assist households. This represented 35% of the total national award. Funding for the specific state housing agencies is listed in the "Around the Hubs" section in this newsletter.

Collaborative Strategy on Bed Bugs

The EPA has published a Collaborative Strategy on Bed Bugs. It was developed by the Federal Bed Bug Workgroup to highlight ways that all levels of government, community, academia and private industry can work together within a community to reduce bed bugs across the United States.



Through collaboration, communities can develop customized training programs, communication materials and treatment plans. Implementing these plans, at the local level, can reduce costs and achieve a better level of bed bug control.

The strategy outlines four priority areas for bed bug control:

- Prevention.
- Surveillance and Integrated Pest Management (IPM).
- Education and Communication.
- Research.

The study can be downloaded at:

www2.epa.gov/sites/production/files/2015-02/documents/fed-strategy-bedbug-2015.pdf

2015 Annual Adjustment Factors

On February 9, 2015, a Notice of the Revised Contract Rent Annual Adjustment Factors (AAFs) for 2015 was published. The AAFs are used to adjust the contract rents on the anniversary date of the assistance contract for some multi-family projects. The AAFs were effective February 9, 2015.



A copy of the Federal Register containing the revised AAFs is located at:

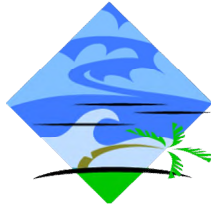
www.gpo.gov/fdsys/pkg/FR-2015-02-09/pdf/2015-02622.pdf

The HUDUSER website has been updated to include the revised AAFs and can be viewed at:

www.huduser.org/portal/datasets/aaf.html

Emergency App

The Dept. of Energy (DOE) has launched a mobile app, Lantern Live, that allows users to quickly identify and share information about utility power outages and gas stations during energy emergencies in real time.



Taking lessons learned from Hurricane Sandy, Lantern Live is part of the White House Office of Science and Technology Policy's Disaster Response and Recovery Initiative, which aims to further develop open data practices for power outages.

Future releases of Lantern Live will likely include the ability to crowdsource information on the status of gas stations, via standardized hashtags for social media. Lantern Live's code will be open source, allowing technology innovators and entrepreneurs to reuse the code in their own apps, explore new opportunities for other sectors and applications and further leverage the power of open data.

The app can be found at:

<https://play.google.com/store/apps/details?id=gov.doe.lanternlive>

Smart Plug Strips



A way to save on energy costs for computers is to use smart plug strips. These devices use timers, load sensors, or occupancy sensors to shut off power when they are not in use.

A strip with a timer can reduce energy at night and over weekends, while an occupancy sensor could be used to shut off some devices (such as speakers or the monitor) when no one is present. Some models cut power to selected peripherals, whenever the computer enters sleep, stand-by, or disconnected mode.

Smart plug strips can be especially useful in projects with Neighborhood Network Centers that use multiple computers.

Worst Case Housing Needs

HUD has released *Worst Case Housing Needs 2015: A Report to Congress- Executive Summary*. This report, part of a long-standing series, measures critical housing problems faced by American renter families.



HUD defines the term "worst case needs" as very low-income households who do not receive housing assistance and who either pay more than half their monthly income for rent, or live in severely substandard housing, or both. In 2013, there were 7.7 million worst case needs households- a significant drop from the previous record high of 8.5 million in 2011, but nearly 50% higher than in 2003.

Some of the key findings in the report are as follows:

- Worst case housing needs declined by 9% between 2011 and 2013, yet the figure remained 9% greater than in 2009 and 49% greater than in 2003.
- The vast majority (97%) of worst case housing needs resulted from a severe rent burden- paying more than half of income for rent. Inadequate housing caused only 3% of worst case needs.
- Low-income renters from all racial and ethnic groups are affected by worst case needs. During 2013, the prevalence of worst case needs among such renters was 44% for non-Hispanic Whites and Hispanics, 35% for non-Hispanic Blacks and 42% for others.
- All types of households experience worst case needs. In 2013, 2.8 million families with children, 1.5 million elderly households without children, 2.7 million other "non-family" households (unrelated people sharing housing), and 0.7 million "other family" households experienced worst case needs.
- A decline in the number of very low-income renters who lack housing assistance explains about 600,000 cases of the 800,000 reduction in worst case needs from 2011 to 2013.

The entire report can be read at:

www.huduser.org/portal/publications/affhsg/wc_HsgNeeds15.html

Rental Facts

Americans paid \$20.6 billion more in rent in 2014 (\$441 billion) compared to 2013 (\$420 billion). The total rent paid by six metro areas, within the jurisdiction of the future Northeast Regional Multifamily Center, was as follows:



- Pittsburgh- \$2.4 billion (up 10.6%)
- Boston- \$9.8 billion (6.9%)
- NY-Northern NJ- \$50 billion (up 4.9%)
- Philadelphia- \$8.1 billion (up 4.4%)
- Baltimore- \$4.3 billion (up 3.0%)
- Wash., DC- \$13.4 billion (up 2.1%)

(Source: *Multihousing Professional*, Ja./Feb. 2015)

NAHMA Award

NAHMA™ The National Affordable Housing Management Association (NAHMA), the leading voice for affordable housing management, was presented with the 2015 Friend of the Elderly Award, given by the Retirement Housing Foundation, Inc. (RHF) at its 54th anniversary celebration on February 27 in Cerritos, CA.

Past recipients of this award include Meals on Wheels Association of America, LeadingAge, Alzheimer's Association, former HUD Secretary Henry Cisneros and media personality Willard Scott, among others.

The Friend of the Elderly Award is given annually to an individual or organization making a substantial and/or unique contribution to the health, housing, social, psychological and/or spiritual quality of life of older adults.

HUD-Funded Award-Winning Program

The 8th International IPM Symposium is awarding the StopPests in Housing Program as a recipient of the International IPM Award of Recognition. This is the OLCCH program that operates out of Cornell University under an interagency agreement with USDA.

The award will be presented at the 8th International IPM Symposium in Salt Lake City on March 24, 2015.

Congratulations, StopPests!

ENERGY STAR Dryer

Adding to the more than 70 product categories covered by the program, ENERGY STAR has an exciting new product—clothes dryers. Those that earn the label are independently certified to be at least 20% more efficient than conventional models, delivering an average of \$245 in lifetime savings. Savings are even greater for consumers buying an ENERGY STAR washer-dryer pair.



Unlike clothes washers, which have seen a 70% drop in energy use since 1990, dryers have largely remained inefficient. Clothes dryers consume more energy than any other appliance in the home, and 80% of American homes own dryers. If all residential clothes dryers sold in the U.S. were ENERGY STAR certified, Americans would save \$1.5 billion each year in utility costs and prevent greenhouse gas emissions equivalent to more than two million vehicles.

As many as 45 certified models from Whirlpool, Maytag, Kenmore, LG and Safemate are now available in-store and online at prices comparable to standard dryers. Plus, several utilities across the country are offering rebates on select models.

For information on brands, retailers and rebates, visit: energystar.gov/newdryers

Tankless Water Heating

A good way to save energy costs is to switch to tankless hot water heating.

Tankless water heaters have several advantages over standard hot water heaters:

- Runs on electricity or gas.
- Provides an infinite supply of hot water.
- Only consumes energy when there is a need. Uses a microprocessor to determine proper temperature and flow rate.
- Saves space. Can be installed in utility closets, basements, attics, or outside.
- Can be scaled to size to meet project's demand.



If you decide to retrofit your project with tankless heaters, shop around for a plumbing company which has experience with this type of installation.

"Around the Hubs"**PHILADELPHIA****Easing the Rental Crisis**

HUD provides 493,486 households in the Philadelphia Hub with rental assistance. That impacts 803,863 individuals who reside in those households. The state numbers (households/individuals) are as follows: PA- 221,822/403,007, NJ- 174,234/316,715, WV- 33,619/58,508 and DE- 13,811/25,633.

Crime Fighting- NJ Security Cameras

On February 5, 2015, the New Jersey General Assembly approved legislation that will allow municipalities throughout the state to enact ordinances establishing voluntary video surveillance camera registries. These registries would enable home and businesses owners to share their cameras with local law enforcement who could use footage from these feeds to investigate crimes that may have taken place in the area. This is similar to the City of Philadelphia's SafeCam program, that was reported in the August 2013 issue of this newsletter.

Under the law, a "private outdoor video surveillance camera," is defined as a device installed outside a residence or business that captures footage of the area outside the residence or business for security purposes. It further provides that information contained in a municipal private outdoor video surveillance camera registry is to be made available only to law enforcement officials investigating criminal activity and will not be considered a public record.

A state, county, or municipal law enforcement agency would be authorized to contact a person who registered a private outdoor video surveillance camera in order to request access to footage that may be useful to a criminal investigation. A person who registers a camera may voluntarily submit the camera's footage to a law enforcement agency, but would not be required to do so under the law.

Equitable Development

The Philadelphia Association of Community Development Corporations (PACDC), has issued a report entitled, *Beyond Gentrification Toward Equitable Neighborhoods*.

The report makes the case that despite current housing and economic growth in the Center City, University City, Northern Liberties, Francisville, Point Breeze and Passyunk Square areas, some moderate-income neighborhoods that have been stable for decades are seeing decreasing homeownership-rates, property values flattening or declining and properties that are staying vacant for too long. It states that it is imperative that Philadelphia nurtures new market-rate development and investment in order to strengthen its tax base and turn vacant properties into vibrant spaces.

To insure that this occurs, the PACDC has established the following policy platform regarding equitable development:

- Strengthen the Ability of Neighborhood Groups and Residents to Create Inclusive Communities.
- Create and Preserve Quality, Affordable Home Choices in Every Part of the City.
- Expand Economic Opportunities on Our Neighborhood Corridors and Increase Local Hiring and Sourcing by Major Employers and Developers.
- Understand the Threats and Impacts of Displacement and Expand Assistance Programs.
- Attack Blight, Vacancy, and Abandonment in All Neighborhoods.

To read the report in its entirety, see:

<http://pacdc.org/>

Top Three City

The *New York Times*, in its January 9, 2015 travel section, named the City of Philadelphia as the third best travel destination in the world.

The paper cited Philadelphia's transformation into an "outdoor oasis." Specifically, it mentioned the green pedestrian space of city hall's Dilworth Park, Delaware River waterfront, Schuylkill River boardwalk, Spruce Street Harbor Park, Race Street Pier, mini-parklets, open-air beer gardens and a bike share program.

In addition, the March 2015 issue of *Philadelphia* magazine cited "the breath of change" that is occurring in the city, "with new buildings and revitalized neighborhoods and inviting public spaces...We're calling it the New Boom."

Section 811 Project Rental Assistance (PRA) Awards

The following state agencies have received PRA awards: Pennsylvania Housing Finance Agency- \$8,557,014 (200 households) and New Jersey Housing Mortgage Finance Agency- \$5,099,229 (206 households).

NEW YORK**Easing the Rental Crisis**

HUD provides 605,101 households in the New York Hub with rental assistance. That impacts 1,204,145 individuals who reside in those households.

BOSTON**Easing the Rental Crisis**

HUD provides 402,716 households in the Boston Hub with rental assistance. That impacts 680,868 individuals who reside in those households. The state numbers (households/individuals) are as follows: MA- 211,989/355,317; CONN- 91,338/158,340; RI- 36,330/63,178; ME – 27,674/46,700; NH– 22,565/35,682; and VT– 12,820/21,471.

Section 811 Project Rental Assistance (PRA) Awards

The following state agencies have received PRA awards: New Hampshire Housing Finance Authority- \$8,634,824 (150 households), Massachusetts Dept. of Housing and Community Development- \$6,803,050 (100 households), Rhode Island Housing Mortgage Finance Corp.- 5,627,829 (150 households), Dept. of Housing, State of Connecticut- \$4,112,900 (150 households) and Maine State Housing Authority- \$2,000,000 (66 households).

Hiring Peace Corp Volunteers

The Boston Hub has lead an outreach effort with the Peace Corps and HUD Human Resources to create a new recruiting process to attract Returned Peace Corps

Volunteers (RPCV), with transferrable skills, for entry level positions in Asset Management and Production. The RPCVs gain a one year noncompetitive eligibility for federal jobs after successful completion of Peace Corps service.

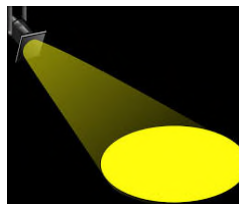
The Peace Corp Career Link has been used to make three multi-position announcements. Also, Peace Corps job fairs were attended in New York and Atlanta to build momentum for the RPCV recruitment. This past month nine RCPVs stated working in HUD Multifamily offices in San Francisco, Denver, Detroit, Chicago and Minneapolis.

BALTIMORE**Easing the Rental Crisis**

HUD provides 256,305 households in the Baltimore Hub with rental assistance. That impacts 494,254 individuals who reside in those households. The state numbers (households/individuals) are as follows: MD- 115,449/203,701; VA- 103,153/217,529; and DC- 37,704/73,024.

Section 811 Project Rental Assistance (PRA) Awards

The following state agencies have received PRA awards: Maryland Dept. of Housing and Community Development- \$9,808,054 (150 households) and D.C. Dept. of Housing and Community Development- \$2,617,645 (60 households).

Spotlight on Your Project

If you have an interesting story about one of your projects and would like to have it featured in a future issue of *Northeast Multifamily Regional Housing News*, please send a brief write-up (in Word format) to:

thomas.langston@hud.gov