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Transformation Update

Multifamily Housing’s Transformation is progressing. As originally proposed, Multifamily Housing is changing from a complex field organization with 17 Hubs and 52 locations to a more efficient business model that can operate with less staff, with 5 Regional Centers and 2 or 3 Satellite Offices in each one.

The reorganization has been staged in five “Waves.” Wave 1 (Ft. Worth), Wave 2 (Chicago) and Wave 3 (Atlanta) have been completed. Now, Wave 4 (New York) is underway. Once complete, on March 7, 2016, the existing Philadelphia, New York, Baltimore and Boston Hubs will be combined to form the New York Regional Multifamily Center and Boston and Baltimore Satellite Offices.

Applications for FHA multifamily mortgage insurance will continue to be processed for developers in the New York, Boston and Baltimore HUD offices. This function, however, will no longer be performed by the Philadelphia, Pittsburgh, Charleston, Newark, Washington, Richmond, Buffalo, Hartford, Manchester and Providence Program Centers. Instead, employees in these non-Regional, non-Satellite Office locations will be restricted to performing the Asset Management function.

The time line for completing Wave 4’s transformation is as follows:

- October 19 - Reassignment letters sent to staff.
- November 27 - Staff off-the-rolls.
- February 8 - Supervisors report to duty.
- February 16 - Supervisory training begins.
- March 7 - Frontline staff report to duty.
- March 14 - Frontline training begins.
- June 12 - End of formal training period.

Integrity & Accountability

“Two of HUD’s core values are integrity and accountability. As an agency, and particularly the Office of Housing, we should all strive to be honest, trustworthy, respectful, and ethical in all our actions. We must take responsibility for our actions and honor our role as stewards of the public trust. Our public service is a public trust that requires us as employees to place loyalty to the Constitution, the laws and ethical principles above private gain...Public service is a public trust. Understanding and observing the ethics rules are essential to fulfilling that trust.” (Edward L. Golding, Principal Deputy Secretary for Housing).

U.S. Market Conditions

The Office of Policy, Development and Research has published a market study for the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan area.

To read the report, see:

http://www.huduser.gov/portal/ushmc/regional_state.html?stateid=11
Senior Leadership Conference

A Senior Leadership Conference was held in Boston, MA, on September 9-10, 2015. Multifamily Regional Center Directors, Hub Directors and Program Center Directors met with Headquarters staff to discuss the following topics: Operational risks, New HUD/AFGE Union Agreement, Wave 4 Transformation, Management Plan Goals, Performance Appraisals and Rental Demonstration Program (RAD).

Debenture Claims

HUD has implemented a cost-savings measure to update its regulations regarding the payment of FHA insurance claims in debentures. Prior to the Housing and Urban Development Act of 1965, the Secretary was required to pay insurance claims on mortgages or loans insured under the National Housing Act in debentures. However, Section 520(a) of the National Housing Act allows for the payment of FHA insurance claims in cash or debentures.

Since HUD has not paid any FHA insurance claims in debentures in approximately 10 years, HUD is suspending the annual agreement with the Department of Treasury (issuer of debentures). This will save the Department over $200,000 per year. The new rule allows for reinstatement, if needed.

The Federal Register can be read at:


Energy Conservation Initiative

HUD’s Renew300 Initiative sets an ambitious goal of 300 megawatts of renewable energy installed in federally subsidized housing—triple the goal initially outlined in the President’s 2013 Climate Action Plan.

Through the Better Buildings Challenge, HUD has engaged 90 multifamily housing partners who have committed to increasing energy efficiency in 400,000 multifamily households.

Housing & Services Homeless Interventions

HUD’s recent report, the Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families, follows 2,282 randomly selected families who were assigned to homelessness interventions from emergency shelters across 12 sites, including Baltimore, MD, Boston, MA and Bridgeport and New Haven, CT, between September 2010 and January 2012. The impact of the interventions was measured across five outcomes: housing stability, family preservation, adult well-being, child well-being and self-sufficiency.

To read the full report, see:

www.huduser.org/portal/pdredge/pdr_edge_research_091415.html

Use of Public Land & Affordable Housing

Affordable housing for low and middle-income families has become a concern in cities across the country, as high demand for rental housing has often resulted in rapidly rising rents. A report released by the National Housing Conference’s Center for Housing Policy, in conjunction with the Washington, DC district council of the Urban Land Institute, analyzes a strategy that utilizes public land to lower costs for the development of mixed-income and affordable homes.

As cities craft policies to make housing more affordable, the use of public land for affordable housing can be one tool in the arsenal of financing options. Tax-credit equity and other gap-financing subsidies are often needed to make a mixed-income or affordable housing development feasible in high-cost markets. Using public land for affordable housing, then, is only one step toward bringing down costs. What this policy strategy can do, however, is promote development in areas that are transit accessible and rich in amenities. As many low and middle-income families struggle to afford housing in many cities, policymakers, advocates, and other stakeholders need to review all available options to make housing more affordable.

To read the full report, see:

www.huduser.org/portal/pdredge/pdr_edge_trending_091415.html
HUD has published *Opting In, Opting Out a Decade Later*, which updates a 2006 research report addressing why HUD-assisted properties leave the affordable market. Specifically, the report focused on Section 8 project-based rental assistance and the Section 236 and 221(d)(3) Below Market Interest Rate (BMIR) mortgage subsidy programs.

By looking at housing data between 1998 and 2004, researchers were able to explain why some property owners would choose to not renew Section 8 contracts or prepay their subsidized mortgages (known as “opt-outs”), thus converting their affordable housing units into market-rate units. The report found that property owners were more likely to opt-out of the affordable housing market if the owners were for-profit corporations, if their properties primarily served families, or if the properties’ rents were low, compared with the Fair Market Rent (FMR) for the area.

The new publication updates the 2006 report with point-in-time, property-level datasets from 2005 and 2014. Here are the major findings:

- Between 2005 and 2014, the Section 8 portfolio was stable. In 71% of cases, property owners actively decided to opt-in and renew their Section 8 assistance contracts. In addition, a significant number of developments continued to receive Section 8 assistance without needing to renew their contracts.

- Section 236 and Section 221(d)(3) mortgage subsidy programs largely wound down during the observed period; by 2014, these loans were terminated due to either prepayment or maturity. However, properties that had both a mortgage subsidy and a Section 8 contract in 2005 were likely to continue as Section 8 properties in 2014, even if their mortgages matured or were prepaid.

- Opt-outs and prepayments were more likely to occur in properties that had low ratios of rent to FMR (indicating that owners would rather place the units on the open market), were owned by for-profit companies, or were designated for occupancy by families (as opposed to seniors or disabled residents). These variables, however, were much less influential than they were at the time of the 2006 report.

Other factors that contributed to opt-outs or prepayments were strong neighborhood rental markets, strong regional home sales markets, lower physical inspection scores and the prevalence of partial rather than full coverage of units in developments with rental assistance contracts.

In addition to looking at Section 8 and Section 236/BMIR properties, the updated study also looked at properties with Section 202 Direct Loan subsidies combined with Section 8 rental assistance and those that were eligible for conversions under the Rental Assistance Demonstration (RAD). Among owners of Section 202 housing that had a Section 8 contract come up for renewal, 96% opted to renew the Section 8 contract. In roughly 50% of these properties, however, the Section 202 loan was terminated, suggesting that a large portion of this inventory is transitioning to new forms of financing. The few properties whose owners did not renew their Section 8 contracts were likely to be small properties built in the 1980s.

Under the RAD program’s Component 2, properties with rental units under older assistance programs, such as Rent Supplement and the Rental Assistance Program can convert their units to project-based Section 8 vouchers. The report found that 63 out of 321 eligible properties converted to Section 8 rental assistance in 2014. Most of these were older, larger properties located in suburban areas.

Preserving the existing stock of affordable rental units is key to maintaining a healthy supply of affordable housing. With a number of HUD programs and contracts set to expire in the coming years, preservation advocates must assess what factors make owners of HUD-assisted properties renew or opt-out of rental assistance contracts. Studies such as this one may help policymakers develop strategies to maintain a healthy stock of affordable housing.

The entire report can be downloaded at:

www.huduser.org/portal/publications/mdrt/opting_in_opting_out.html

**Clarification– BBC- Eligible Mgmt. Fees**

Project owners who are participating in the Better Buildings Challenge, to reduce their portfolio energy and water usage by 20% in 10 years, are eligible for management add-on fees.

The existing instructions state to submit a revised Management Certification, HUD Form 9839-A or B, to the local HUD office and send a copy to IMFBBBC@hud.gov.
**Bathroom Showers**

Bathroom showerheads, installed before 1980, could be using more than 5 gallons per minute (gpm) of water. This is extremely wasteful. Modern showerheads save water and money without sacrificing the shower experience. Current federal law limits the maximum allowable flow rate to 2.5 gpm and some have even lower flow rates.

The following steps can be taken to reduce water consumption:

- Install more efficient showerheads with a 2.5 gpm rating of less.
- Reduce shower time to about 5 minutes.
- Use technology such as thermostatic valves and digital controls.

In order to calculate how much water you can save, you first need to know how much water you use. The USGS Water Science School provides a useful calculator of indoor water use. See:

http://water.usgs.gov/edu/activity-percapita.html

**Getting Buildings Ready for Severe Weather**

In the northeast, severe thunderstorms and hurricanes can cause major damage to residential buildings. Some preparation, however, can help to mitigate against weather damage. Here are six improvements that can be taken to protect buildings:

- Repair or replace windows- This includes re-caulking and investing in some plywood or storm shutters.
- Trim trees and shrubs- This includes the removal of diseased trees or dead branches and anything that can become a projectile in high winds.
- Install an automatic stand-by generator for power outages- This can operate critical appliances such as refrigerators, air conditioners and sump pumps. (KohlerGenerators.com provides informational videos, sizing calculators and other helpful information).
- Install a sump pump to prevent basement flooding and costly damage of vital systems, such as furnaces and hot water heaters.
- Maintain gutters- to prevent flooded basements and ceiling leaks, clogged gutters should be cleared of debris and replaced if damaged.
- Install roof clips/hurricane strips- This will insure that a roof stays on in high winds.

**Reseeding Lawns**

Now is the time to renovate your grounds. We experienced a very hot and dry summer and some grassy areas are thin and sparse, while others may be weedy.

Lawns are a valuable part of a property and greatly increase its curb appeal for potential renters. Additionally, the lawn is important for the environment. It controls soil erosion with its close knit fibrous roots. It filters pollution from runoff into lakes and streams and wastewater treatment systems. It helps to keep our summer ground temperatures cooler and adds oxygen to the atmosphere.

The first step to renovating a lawn is to test the soil to determine the pH, lime content and other nutrients. Contact your local extension office or search the Internet for soil-testing laboratories. The report that you receive will indicate soil amendments, if needed, before you begin reseeding. The lawn should then be weeded, aerated and dethatched. Both aeration and dethatching will help to improve the seed’s contact with the soil. This is very important since it is necessary for germination.

Divide the total amount of seed into two lots. Using a mechanical applicator or spreader, sow one lot in one direction and the second lot at right angles to the first. Lastly, apply a thin layer of mulch or straw over your reseeded area. It will help to keep your seed in place and hold moisture in the soil. Do not fertilize. The seed itself carries all of the nutrition needed for the plant to germinate and begin its growth. You will not help your lawn renovation and you might hurt it.

It is important to find the right mix for your lawn. Before you select a grass seed, consider whether your lawn is in sun or shade, if it will be used as a recreational area and how much watering you are willing to do. There is no single blend or mix that will be adaptable to all sites. The following blends are recommended:

- **Sunny**: 65% Kentucky Blue, 20% Fine Fescue and 15% Perennial Rye.
- **Shady**: 50-75% Fine Fescue & 25-50% Kentucky Blue.
- **Sun/Part Shade**: 85-95% Tall Fescue and 5-15% Kentucky Blue.
The HUD Resource Locator mobile app is available via Apple iTunes, Google Play Marketplace and also on your browser at resources.hud.gov.

Low & Moderate Income Data

The Community Development Block Grant (CDBG) program requires that each CDBG funded activity must either benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or meet a community development need having a particular urgency. With respect to activities that benefit all the residents of a given area, at least 51% of the area’s residents must be low and moderate income.

The Office of Community Planning and Development provides informative estimates, at three income levels, of the number of persons that can be considered low—50% of median family income (MFI), low-to-moderate—80% of MFI and medium income—120% of MFI.

The following link provides local summaries by state:

Departmental Enforcement Center

The Departmental Enforcement Center’s (DEC) mission is to: “Promote program integrity, management accountability and physical and financial viability of HUD-insured and assisted housing by taking effective and aggressive civil or administrative enforcement action against those who violate or abuse HUD’s programs.”

In this regard, the DEC had 2,960 action referrals from Multifamily Housing and the Office of Healthcare Programs, as of June 30, 2015 (1,546—financial, 1,368 financial non-filer, 23—physical and 23—other).

In addition, for the period October 1, 2014 through July 30, 2015, it processed 566 compliance actions (203—proposed debarments, 130—suspending actions and 233—final debarments).
Maintenance Assumptions

The following assumptions are fundamental to the maintenance of any multifamily project:

- All elements of life, including buildings, are affected by time. As building materials age, they weaken, deteriorate, and collapse prematurely unless they are supported by proper maintenance. And, of course, the forces of nature take a much quicker toll when owners fail to diligently maintain facilities.
- Discipline and care in management are essential for long life of the asset. Too often owners may cry “lack of funding,” when the root cause of a problem is more accurately a lack of maintenance discipline. Maintenance, promptly addressed, is a fraction of the cost of deferred maintenance.
- Immediacy is critical in the life of a building. A management policy of “zero tolerance” for maintenance defects is a must. Some problems, such as mold and other water damage, would never exist if appropriate routine maintenance had been performed throughout the life of the asset.
- A key role of any owner/manager is to sustain the facility and grounds so that current and future residents can enjoy a healthy, safe, and attractive living environment. Maintenance personnel also have a responsibility to document, report and make recommendations when they see issues that merit attention. Apartment maintenance is no different than any other function, in the sense that it is time-sensitive, and must be approached assertively using the professional and physical tools available.

Recycled Carpeting

There is a carpet fiber named ECONYL, that is made with 100% regenerated nylon 6. Post-consumer waste is put through a depolymerization process before being repolymerized and extruded.

The recycled fiber has the same properties as nylon 6 made from fossil fuels. The overdyeable polymer is resistant to stains, bleach and wear. It comes in custom colors and 138 tones that range from neutrals to saturated brights.

Seniors & Coffee

The Journal of Alzheimer’s Disease has reported that a study of the possible therapeutic effect of coffee, was conducted by the University of Bari Aldo Moro, in Italy.

The study found that people who consistently drank about 1-2 cups of coffee per day had a lower rate of mild cognitive impairment (MCI) than those who never drank the brew. It was suggested that caffeine may have a neuro-protective effect in minimizing damage from the buildup of amyloid protein plaques—long linked to Alzheimer’s disease.

In addition, moderate caffeine intake might also help the aging brain by boosting insulin sensitivity, cutting the odds for type 2 diabetes.

Researchers, surprisingly, also found that older individuals who never or rarely consumed coffee and those who increased their coffee consumption habits had a higher risk of developing MCI compared to moderate coffee drinkers. This finding will result in a longer follow-up study to strengthen the notion that one of the world’s favorite drinks might help ward off dementia.

Multifamily Housing Utility Analysis– FAQ

RHIIP (Rental Housing Integrity improvement Project), has revised Housing Notice 2015-04, Methodology for Completing a Multifamily Housing Utility Analysis, dated June 22, 2015. The notice was discussed in our August newsletter.

The link to the revised Notice is as follows:


Regional Housing Market Report– Mid-Atlantic

Apartment markets in the Mid-Atlantic region, in general, were tighter during the second quarter of 2015 compared with conditions a year ago. Annual growth in asking rents ranged from 2 to 4%, mostly unchanged from growth during the previous 12 months.

To read the complete market report, see:

www.huduser.org/portal/periodicals/USHMC/reg/Mid-Atlantic_RegRpt_2q15.pdf
“Around the Hubs”

PHILADELPHIA

Smoke-Free Policies

Fifteen public housing authorities (13 in eastern PA and 2 in DE) have adopted smoke-free policies for their projects. Among the PHAs is PA’s largest—the Philadelphia Housing Authority.

Homeless Meeting

HUD’s partners, project owners and management agents attended a meeting, on September 11 in the Philadelphia HUD Regional Office, to learn about the successful multi-family homeless preference program. At the meeting, HUD staff shared ways that housing providers can help meet federal goals to end homelessness, as well as boost occupancy in their projects.

Opening Doors, the nation’s first strategic plan to end homelessness across the country by the end of this calendar year, Dec. 31, 2015. The City of Philadelphia has established an even more aggressive goal—to end veteran homelessness by Veteran’s Day on Nov. 11, 2015. Ending chronic homelessness will be the next target in 2017.

The meeting covered the following topics: how the process works, referral and supportive services and success stories. At the conclusion, awards were presented to owners and management agents that have participated in the initiative.

Resurgence of Reading, PA

The downtown area of the City of Reading, PA is undergoing a revitalization thanks to the transformation of the Willson Goggle Factory into GoggleWorks Center for the Arts and the construction of Goggle Works, a 59-unit $6.3 million, Section 221(d)(4) project, located at 135 Washington Street.

This luxury project, financed with a HUD-insured mortgage and low income housing tax credits, was the vision of Albert Boscov, the owner of Boscov’s Department Stores, LLC, who was committed to restoring Reading to prosperity when it was a city of 120,000 with a solid heavy industry and railroad base. His HUD project has proven to be a catalyst for much needed change. Many other vacant buildings are being renovated and new shops and restaurants are opening, creating new jobs and a safer community environment. It has been instrumental in bringing young professionals, working families and empty-nesters to the downtown area.

The project, which began occupancy in September 2012, is comprised of 15 1-BR and 44 2-BR units. Among the amenities and services it features are: 24-hour on-call maintenance, hardwood floors, outdoor decks, full appliances, cable TV, an exercise room, security cameras and a parking garage for 83 cars.

In continuation of this effort, Albert Boscov is currently involved in the renovation of a 52,000 square-foot industrial building into 27 apartments/studios- Google Works II. This $4.9 million project is being partially funded by HUD and historic tax credits. It should be ready for occupancy by May 2016.

Both projects illustrate what can be done when private industry works in partnership with the Federal government.

Technical Assistance Grant

The Greater Wheeling Coalition for the Homeless and Cabell-Huntington Coalition for the Homeless received technical assistance grants to develop a plan for innovative funding and services delivery strategies for integrating health care into the housing system. West Virginia is one of ten communities to secure this funding.

Downtown Development Grant

The Delaware State Housing Authority (DSHA) is offering Downtown Development Districts (DDD) for business or property owners in one of the designated DDDs in Wilmington, Dover or Seaford. Investors who make qualified real property investments in a DDD will be entitled to receive up to 20% of the cost of their investments. DSHA has $8 million available for large projects and $1 million for small projects. Forms and guidelines reflecting the new changes may be obtained from the following sources:

http://DeStateHousing.com
DDD@DeStateHousing.com
(888) 363-8808
**Lead Hazard Demonstration Grants**

HUD has awarded $101 million in Lead Hazard Reduction Demonstration grants to 32 cities, counties and state governments in the nation. The grant funding will reduce the number of lead-poisoned children and protect families by targeting health hazards in low-income homes with significant lead and/or other home health and safety hazards. The Lead Hazard Reduction Demonstration grant program has a demonstrated history of success, filling critical needs in urban communities where no other resources exist to address substandard housing built before 1940 that threatens the health of the most vulnerable residents. In PA, the following awards were made: City of Philadelphia- $3.7 million, City of Harrisburg- $3.7 million and Lawrence County- $3.2 million.

**NEW YORK**

**Lead Hazard Demonstration Grants**

The following Lead Hazard Reduction Demonstration Grants were awarded: City of New York- $3.7, City of Rochester- $3.7 million, Broome County Health Dept.- $3.2 million and Chautauqua County- $2.3 million.

**BALTIMORE**

**Lead Hazard Demonstration Grants**

The following Lead Hazard Reduction Demonstration Grants was awarded: City of Baltimore- $3.7 million dollar grant.

**End of Veteran Homelessness**

Connecticut, in conjunction with the Reaching Home Veterans Workgroup, has become the first state in the country to end chronic homelessness among veterans.

Ending chronic homelessness among veterans is a milestone for Connecticut in its efforts to end homelessness entirely among veterans by the end of the year. Connecticut is one of just a handful of states designated for, and participating in, the Zero:2016 initiative, which aims to end all chronic homelessness by the end of next year. Connecticut’s announcement means that all known veterans experiencing chronic homelessness are either housed or are on an immediate path to permanent housing, and that the state will be able to rapidly place any veteran who newly experiences chronic homelessness on the path to permanent housing.

**Boston**

**Lead Hazard Demonstration Grants**

The following Lead Hazard Reduction Demonstration Grants were awarded: Massachusetts- City of Worcester- $3.7, City of Boston- $3.2 million, City of Fitchburg- $3.2 million and City of Gloucester- $1.3 million; New Hampshire- City of Manchester- $2.9 million; Connecticut- City of New Haven- $3.2 million, State of Connecticut- $3.7 million and City of Waterbury- $3.2 million; and Vermont- $3.2 million.

**All-Electronic Tenant Application System**

The Housing Opportunities Commission of Montgomery County (HOC) announced the opening of its wait list for affordable housing programs- and that the wait list will be fully-electronic, available online and will stay open year round. Applications must be submitted through the HOCHousingPath.com website. Any Internet connected computer, smart phone or tablet device can be used to submit an application. For those who don’t have access to a computer or the internet, kiosks will be available at HOC office locations and Montgomery County Public Libraries. Individuals must be at least 18 years old to apply; completion of an application does not guarantee housing assistance.

For additional information, visit HOC’s Frequently Asked Questions page, email questions to:

info@HOCHousingPath.com or call the Wait List Hotline at (240) 627-9800 during business hours.