What is REAC?

The Real Estate Assessment Center (REAC) was established in 1998. It is a support organization which provides certain services to program offices of HUD. In the case of Multifamily Housing, REAC conducts all physical inspections using a uniform, objective approach to physical inspections. REAC also provides financial analysis services to Housing. Because of the physical inspections and the financial analyses, Housing is better able to insure the health of its portfolio of approximately 30,000 rental housing properties.

Over 100,000 inspections have been completed since the inception of REAC (Note: all insured properties are inspected by the mortgagee but the inspection is processed, analyzed, quality checked and released to the owner by REAC). Results of the first year of inspections revealed an average score of 66 on a scale of 100. The average score then increased to 77. Our analysis of the results of the most recent inspections revealed an average score of 85. In June 2002, the Asst. Secretary for Housing, John Weicher, instituted the Under 60 Protocol which concentrated Housing’s focus on those properties that continue to receive scores indicating that they are in unacceptable condition. In many cases, when Housing reviews the inspection history, it finds that there is a pattern of poor management over the years. The information gathered by REAC, Housing (and the Departmental Enforcement Center) allows Housing to pinpoint those properties that require the most attention. At the end of Fiscal Year 2003, there were 200 properties that fell into the seriously troubled category, which, according to the present protocol, requires the local Program Center to concentrate its efforts and to develop a permanent solution to the problem. These properties are tracked and receive Headquarters’ attention and oversight. A Headquarters Loan Committee has been established to review each Program Center’s recommendation on properties that have a second score of less than 60 and for which a Notice of Violation has been issued by the Enforcement Center.

With the establishment of the Under 60 Protocol, building on the work of Housing, REAC, and the Enforcement Center, the Department is now better equipped to effectively manage its portfolio of HUD insured and subsidized properties. As you are aware, the multifamily housing industry has been involved, working with Housing, with the establishment of REAC and its protocols since the inception. Project owners and management agents have proven to be helpful partners in improving the nation’s rental housing stock.

FY 2004 Income Limits

HUD has issued the fiscal year 2004 income limits for assisted housing programs, as well as the estimated national and state metropolitan and nonmetropolitan area median incomes. The income figures can be obtained at:

www.huduser.org/datasets/il.html
HUD Focusing on Co-op Housing

The Federal Housing Administration has separate offices for single family and multifamily housing, while cooperatives have characteristics of both. In order to bridge this gap, Congress, several years ago, created the position of special assistant for cooperative housing.

Allan H. Jones, who has an extensive background in primary and secondary loan origination, was sworn in as Special Advisor and Special Assistant for Cooperative Housing in May 2003. His main goals are the following:

* Produce a report assessing the strength and weakness of cooperative housing. This assessment will address the history of cooperative housing programs, current conventional and government programs, the demand for new cooperative product, the delivery of HUD program guidance, and how cooperative housing fits into the Administration’s Blueprint for the American Dream Partnership.

* Incorporate cooperative housing issues into a new chapter of HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing.

* Offer multifamily accelerated processing (MAP) to ensure that Section 213 applications are processed in the same speedy manner as rental loan applications.

* Develop a regulation allowing the Home Equity Conversion Mortgage Program (HECM) to be extended to cooperatives, so that “aging in place” residents can avail themselves of it.

Aging-In-Place

The February 15, 2004 New York Times published an article, “Eviction Threat Can Loom for Independent Elderly.” The following are some excerpts from the article:

The courts are only beginning to address the issue of when a landlord can order an elderly resident to leave.

In a recent survey of people 45 and older by AARP, the Association for Older Americans, 84% said they preferred to stay in their current home as long as possible.

F. Willis Caruso, Director of the John Marshall Law

Fair Housing Clinic in Chicago, a center that defends people facing eviction, said, "The aging population is healthier, and people are not looking for assisted or nursing-home housing until they are well into the frail elderly years."

Pioneers on this legal frontier are supported by federal fair housing laws that bar discrimination against those with disabilities. Of the five cases involving elderly residents that Mr. Caruso’s clinic has settled in the past three years, all have gone in favor of the tenant.

The Fair Housing Act allows landlords to evict tenants if they pose a "direct threat to the health or safety of other individuals" in the building. Allen Lynch, a lawyer in Boston who represents senior housing providers, said landlords "have to balance the safety and well-being of the community versus the independent autonomy rights of the individual."

Some evictions, however, do not seem to be based on endangering others. Last year, in its first such case, the Department of Housing and Urban Development, which investigates complaints of Fair Housing Act violations, ordered a retirement community in Strawberry Point, Iowa, to let Melva Platt, 75, who is a quadriplegic, stay in her apartment. She has assistants who prepare meals and help her move between wheelchair and bed. The retirement community had argued that Ms. Platt was no longer able to live independently. Carolyn Y. Peoples, HUD’s Assistant Secretary for Fair Housing and Equal Opportunity, said a landlord must adjust leases to allow disabled tenants "to live a decent quality of life." That could include letting residents bring in home health care even if a lease requires the ability to live independently.

Tensions between landlords and aging residents have spilled over into housing marketed to older people as developers build so-called independent living complexes that do not offer health care on site. A lawsuit filed in February 2004 in Federal District Court in San Antonio, by the Fair Housing Council of Greater San Antonio, accuses a local retirement community, the Summit of Newforest, of evicting 20 residents it deemed mentally or physically disabled. A revised lease, excerpted in the complaint, said all residents had to be able to "live safely without assistance or health care." John P. Relman, a lawyer who is representing two evicted residents, said the community changed the lease because it wanted to attract “active seniors.”
Groundbreaking of 1st Assisted Living Facility in PA

Members of the Philadelphia Hub picked up shovels on February 12, 2004 along with representatives of Presby-Homes', Estelle Richman, the Secretary of Public Welfare for the Commonwealth of Pennsylvania and Anna Verna, President of Philadelphia’s City Council. These federal, state and local participants were celebrating the groundbreaking of the assisted living conversion at the Ann Thomas Presbyterian Apartments campus in southwest Philadelphia.

HUD recently awarded a $3,260,983 grant for the conversion of 28 units in this 74 unit Section 202 project. The Ann Thomas Presbyterian Apartments, constructed in 1991, will undergo a major renovation. All of the apartments on the 2nd and 3rd floors will be rehabilitated and become completely accessible for individuals with mobility impairments. Renovations will take approximately 12-18 months.

The assisted living conversion grant will allow for the renovation of these apartments, as well as the addition of new space for community and programmatic activities. The assisted living program will benefit the elderly who need assistance with the activities of daily living, such as bathing, dressing, grooming and eating. The site’s staff will directly provide these services.

This grant, the first awarded by HUD in Pennsylvania, as previously stated, will fund the cost of the construction and renovation expenses. The owner is responsible for securing and arranging funds for the operation of the assisted living program. The residents will still continue to pay 30% of their adjusted monthly income for rent.

The owner’s campus is home to another Section 202 facility, as well as a skilled nursing facility. The addition of this assisted living program will provide frail and “at risk” elderly residents with an affordable continuum of care as they age in place and, most importantly, the residents will be able to continue to live in the place they call “home”.

TRACS Access for Contract Administrators

Traditional Section 8 Contract Administrator’s can now access TRACS On-Line Queries to view information on contracts assigned to them. In order to see traditional properties a CA must: Apply for and receive a User ID and password; and Assign contracts to the new User ID. To apply for a User ID and password see the TRACS web page. Fill out the form and submit to WASS as directed in the instructions. Once an ID has been assigned, the coordinator must assign contracts to the User ID (see the TRACS User Guide for instructions). If you have any questions, please contact the TRACS Help Desk at: (800) 767-7588. The TRACS website is as follows:

www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm

Section 202 & 811 Interest Rates

In the event of a default, the interest rate for Section 202 and Section 811 capital advance programs will be 5.375% for all projects which proceed to initial closing by September 30, 2004.

Vineland, NJ Transportation Center

The Vineland Regional Transportation Center, a $4.0 million facility that opened last year, has helped to revitalize the Cumberland County Empowerment Zone area by addressing the transportation needs of local area residents. The Center is in the heart of the HUD-designated zone and receives special federal financial assistance, as well as business tax credits to revitalize its distressed neighborhoods. The Vineland Regional Transportation Center is the first phase of a regional transportation strategy for Cumberland County that will provide a hub for the NJ Transit System and for countywide transportation efforts. It will include such amenities as on-site day care, retail businesses, and a touch-screen kiosk offering informational assistance and employment resources. It is expected that 25 new jobs will be created as a result of this project. It is a sterling example of how the public and private sectors working together turned Vineland into the “gateway” for Cumberland County.
Closings

The following closings occurred in the Philadelphia Hub during March 2004:

Superior Physical Condition

Congratulations to the owners and management agents of the following projects which scored 95 or better on their last REAC inspection:

Annual High Cost Percentages

The annual base city High Cost Percentages (HCPs) for Section 202 and 811 capital advance projects were issued on March 3, 2004.

The HCPs for Independent Living facilities will be as follows: 199%- Phila., PA; 184%- Wilmington, DE; 167%- Pittsburgh, PA; 195%- Camden/Trenton, NJ; 211%- Newark, NJ; and 159%- Charleston, WV.

The HCPs for Group Homes will be as follows: 207%- Phila., PA; 192%- Wilmington, DE; 174%- Pittsburgh, PA; 203%- Camden/Trenton, NJ; 220%- Newark, NJ; and 166%- Charleston, WV.

The HCPs will be applied to the Section 202 and 811 Development Cost Limits that were originally published in the Federal Register on Jan. 21, 2001, and again in the FY 02, FY 03, and FY 04 SuperNOFAs.

Flexible Voucher Rental Assistance

In its fiscal year 2005 budget, HUD has proposed to Congress sweeping reforms of the Housing Choice Voucher Program, also known as Section 8 Assistance. The "Flexible Voucher Program" (FVP) reforms are designed to help Public Housing Authorities (PHAs) transition more low-income families through the program to self-sufficiency - reducing the number of families on long waiting lists around the country.

HUD is proposing a new dollar-based grant program that will provide incentives to PHAs to help more families achieve self-sufficiency. FVP shifts the rental assistance program from a unit-based distribution system to a dollar-based system to give PHAs the freedom to adjust their programs to address the changing needs of their communities and better control increasing voucher costs. The average cost for each voucher has increased at an alarming rate - 23% in the last two years alone. FVP will allow PHAs to set rents using local rental market data rather than HUD's Fair Market Rent (FMR) data. Giving PHAs the authority and incentive to pay no more than true market rents will allow PHAs to maximize their funding and serve more families. Currently HUD gives PHAs a specific number of vouchers they distribute to qualified families. This puts a cap on the number of families a PHA can assist. With a dollar-based program, PHAs can use their funding to design programs to serve more families based on local needs - as was done prior to shifting to a unit-based program in 1999.

Dun and Bradstreet Numbering System

Based on a new Interim Rule, applicants for funding assistance (i.e., Section 202/811/service coordinator and assisted living conversion programs) must have a Dun and Bradstreet Universal Data Numbering System to receive funding from HUD. The “DUNS Rule” was published in the Federal Register on March 26, 2004. A copy can be obtained from the grants internet page at:

http://www.hud.gov/grants/index.cfm