Emphasis on Quality Control

HUD has begun a new initiative to reduce errors in the administration of its Section 8 rental housing assistance funds. The goal is to promote actions that better assure “the right benefits go to the right persons,” enabling HUD’s limited program funding to serve as many low income households as possible.

Specifically, Section 8 Contract Administrators will be provided guidance in conducting on-site occupancy monitoring reviews. The reviews will stress quality control over the owner’s process for verifying tenant income. This is important because this process determines the subsidies that HUD pays on behalf of tenants. This is important because this process determines the subsidies that HUD pays on behalf of tenants. Section 8 Contract Administrators can be HUD staff, Performance-Based Contract Administrators, and non-Performance-Based Contract Administrators. Implementing quality control procedures is a major step taken by the Department to ensure that the “right benefits go to the right persons.”

MF Commitment Authority Reinstated

President Bush has signed the Omnibus Bill which includes HUD appropriations. The Department has received GI/SRI (General Insurance) or Special Risk Insurance) commitment authority for FY 2004 and the FHA can now resume normal multifamily business and will be able to issue GI or SRI-fund multifamily commitments. Authorizations will be sent out by Headquarters for those requests in the funding queue. HUD Program Centers will continue to follow the instructions for HQ authorizations on the website and the general policies for commitments and credit subsidy contained in Mortgagee Letter H 03-21, dated December 3, 2003.

The Mortgagee Letter can be downloaded at www.hudclips.org.

Section 232 Financial Statements

At this time, HUD is unable to accept lessee’s annual financial statements on Section 232 projects electronically. Until HUD has this capability, lessee’s financial statements must be submitted in hardcopy to the appropriate HUD Program Center. In addition, all financial statements must be prepared in accordance with the Department’s requirements using the prescribed chart of accounts.

Tax Credit Ruling

The IRS has ruled (PRL 200335030) that 9% low-income housing tax credits, previously allocated to a build-
Two MAP Clarifications

HUD has clarified its position regarding the roles that the lender’s underwriter may assume. Although the underwriter may act as the architectural/engineering analyst, construction cost estimator, or project needs assessor (so long as they are appropriately qualified and/or licensed), it may not act as the appraiser. Both the MAP Guide and USPAP require that the appraiser perform his assignment with impartiality, objectivity, and independence. The appraisal function must remain independent of the underwriting function, as addressed in Section 7.2B of the MAP Guide. This policy is also applicable to the market analyst function.

There has been a revision in the form used for the HUD Surveyor Instructions and Report (previously HUD 92457). The approved Instructions and Report are now entitled HUD 2457 (dated 8/03). All surveys must now conform with the Minimum Standard Detail Requirements and Classifications for ALTA/ACSM Land Title Surveys, as adopted by the American Land Title Association and American Congress of Surveying and Mapping, dated 1999. Previous instructions referred to the 1992 standards. The certification provided on the survey must also refer to these same standards, as adopted in 1999. Also, the Instructions to the Surveyor’s Report have been modified. The report shall now be considered current if it is not more than 120 days old. The previous instructions required a report to be no more than 30 days old to be considered current.

New Neighborhood Network Centers Open

Congratulations to Mark Hidebrandt, President Prudent Property Management, for successfully opening three Neighborhood Network Centers in some of the Philadelphia Office’s oldest Section 202 projects in Philadelphia—Four Freedoms House, Philip Murray House, and Sidney Hillman Apts. The Centers house 868 elderly residents. Instruction is being provided on Word, Excel, internet usage, printing, and e-mail.

Professional Liability Insurance

Section X of HUD Notice H 01-03 established the requirement that HUD insured healthcare facilities maintain professional liability insurance. Since the notice was published, liability insurance premiums have increased at an alarming rate in some states. Also, a number of carriers of liability products have decided to stop underwriting policies in 15 states—one of which is West Virginia. On January 6, 2004, Asst. Secretary for Housing, John C. Weicher, issued guidance concerning professional liability insurance in mortgage underwriting and in asset management. The guidance is contained in an 18-page Notice- H 04-01. To obtain a copy, visit: www.hudclips.org.

HUD Provides Assistance to 5.3 Million Households

Nationally, HUD provided housing assistance to over 5.3 million households in FY 03. The Section 8 program accounted for over 60%, with 3.4 million units (2.1 million tenant-based and 1.3 million project-based). Overall, Section 8 assistance is up 5.5% from FY 02.

The unit figures for other assisted housing programs are: Section 236- 368,900; Section 202- 70,026; Section 811-34,826; Rent Supplement- 18,107; and Section 235- 10,915. In addition to providing housing assistance, HUD endorsed 1,257 multifamily loans, totaling $6.85 billion, financing almost 168,000 units/beds. FHA and state housing finance agencies also combined for 74 risk-sharing loans, totaling $515 million/10,000 units.

New EPA Policy on Sub-metered Apartment Buildings

Under new guidance issued by the Environmental Protection Agency, (see December 23 Federal Register) projects that sub-meter and bill tenants for water usage, will not have to comply with the Safe Drinking Water Act (SDWA) that applies to public water systems.

In response to Congressional requests, the EPA reversed its position and stated that an apartment owner who individually meters units or bills separately for water is not selling water and, as a result, is not a fully regulated water system.

The National Multi Housing Council and the National Apartment Association had spoken out against the original ruling because it discouraged sub-metering and water conservation.
**Shortage of Affordable Housing**

New Jersey has one of the most expensive rental markets, with Monmouth and Ocean counties among the priciest places to live. Because of this, low-wage workers and those who receive Social Security, permanent disability benefits, or welfare have the most difficult time finding housing. According to Census 2000 projections, these two counties will need 46,000 affordable housing units over the next 10 years. Statewide, the need is for 1 million units. (Note: 24% of the population needs affordable housing).

In response to this challenge, the Philadelphia Hub’s Newark Program Center has marketed its insured and capital grant programs. As a result of this effort, there are 9 affordable housing projects in the development pipeline: 6 Section 811 projects for the disabled (Ocean Allies, Preferred Supportive Housing 2, OMHS Housing 2002, ARC M.U. 11, Monmouth County Independent Living Complex, and Monmouth Homes 2002), 1 Section 202 project for the elderly (Presbyterian Homes at Stafford), and 2 Section 232 projects (Rosewood Assisted Living and Atlantic Highlands Nursing Home).

In addition to the projects under development, there are 41 HUD projects in operation in Monmouth County (35 projects—1,457 units) and Ocean County (6 projects—374 units).

**FY 2004 Income Limits**

Fiscal Year 2004 HUD Income Limits, effective January 28, 2004, are currently available at the following Policy Development & Research web site: http://www.huduser.org/datasets/il/IL04/index.html

Please note that in the present format, FY 2004 Income Limits are presented for the entire United States. To print the limits for your state, you will need to specify the appropriate pages. PD&R will shortly provide the individual state limits that are accessed by clicking on the appropriate state in the map at the bottom of the website page. You may wish to periodically check this website for this update. An Excel file will also be available shortly.

**MF and Healthcare Loan Sale**

HUD will be conducting a multifamily healthcare loan sale on March 30, 2003. The loan population for the sale is 44 loans with an approximate unpaid principal balance of $255 million. One of these loans is Roslyn Nursing and Rehabilitation Center in Abington, PA.

Potential bidders will receive the Announcement Package (Announcement Brochure, Confidentiality Agreement, and Qualification Statement) in the mail and will also be able to retrieve it from the HUD website at: www.hud.gov/offices/hsg/comp/asset/hsgloan.cfm.

Once qualified, potential bidders will be able to access the electronic version of the Bidder Information Package located on the HUD website after being issued a username and password.

Please direct all inquiries concerning the loan sale to the Multifamily & Healthcare Transaction Specialist, Owusuco and Company (e-mail address—mhls2003@owusuco). To obtain a Bid Package, a bidder must submit a complete Bidders Qualification Statement and Confidentiality Agreement.

The next sale of unsubsidized mortgages is tentatively scheduled for September 2004.

**OIG Initiative to Apprehend Felons**

HUD’s Office of Inspector General has launched a joint effort with the U.S. Marshals Service, the Fugitive Felons Program, to identify and arrest recipients of HUD housing assistance who are probation and parole violators. To date there have been 134 arrests. In addition, during the past 6 months, 66 public housing tenants were evicted due to criminal violations.
**Closings**

The following closings have occurred in the Hub:

- **Insured** – Delaware: Terry Apartments; Pittsburgh: Oliver Plaza; Newark: South Mountain Healthcare and Rehabilitation Center, Ferry Station, St. Mary’s Villa, and SJ Rehab. Hospital; and West Virginia: Chateau Hills.

- **Section 202/811 Initials** – Philadelphia: Ken-Crest Apartments; Newark: Shepherd’s Farm Senior Housing, The Presbyterian Home at Stafford, and Community Options Van Houten; and Pittsburgh: Penn Hills Group Home; and **Section 202/811 Finals** – Philadelphia: Pinn Gardens; and Pittsburgh: Pennley Supportive Elderly and Father Tushim Manor.

**New Challenges for Developers**

In the January 2004 issue of *Multifamily Executive*, developers were challenged to shift their emphasis from luxury housing to the creation of more affordable units despite rising land and construction costs.

The Joint Center for Housing Studies at Harvard University states that minorities and “echo boomers” will constitute the fastest growing group of renters. The biggest increases will be among Hispanics who will grow by 1.5 million renters from 2000-2010, and Asians who are expected to add more than 500,000 new renters. The under 25-year old renters will also increase by more than 750,000 during this same time period. In addition, between 2002-2012, 1.7 immigrants will enter the country each year.

According to J. Ronald Terwillinger of Trammell Crow Residential, “if you look at the demographics, it appears that the majority of new renters would be minorities. I think what we have to do as an industry is shift and build more product that is affordable.”

When reaching out to this new group of renters, the *Multifamily Executive* offers the following tips: 1. location must be a primary concern, 2. units should be supersized, 3. build with the idea that young echo boomers and immigrants do not have the income to rent today’s luxury apartments, 4. build projects with fewer amenities, and 5. create a sense of community.

**New Faces in the Hub**

The Philadelphia Multifamily Housing News is pleased to welcome the following employees to the Hub:

- Scott Smith, Supervisory Project Manager (Pittsburgh)
- Ernest Nero, Construction Analyst (Pittsburgh)
- Stephen Gray, Construction Analyst (Charleston)
- Jane Lahage, Project Manager (Philadelphia)

We wish them great success in their new careers!

**Editor’s Note**

You, our project owners and management agents, perform many noteworthy activities and exemplary practices on a daily basis. If you would like to share your stories with HUD, we would be pleased to publish them so that they could be shared with your colleagues. To contribute an article to the newsletter, please e-mail me at the following address: Thomas_langston@hud.gov.

**Correction**

In the January 2004 issue of *Philadelphia Multifamily Hub News*, the handbook citation for Section 8 Special Claims was incorrectly given as HB 4350.1 REV-1. It should have been HB 4350.3 REV-1.