

# PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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### Higher Ceiling Limits Proposed

The White House addressed a problem that has resulted in the suspension of the FHA mortgage insurance program three times in the past 12 months because FHA exceeded its spending.



Effective with the FY 2005 budget, the total value of loans that FHA can insure (i.e., credit subsidy) has been increased from \$25 billion to \$35 billion. The budget also drops some developers' premiums by 5 points— from 50 to 45.

Congress will be debating the president's budget throughout the year and a final budget approval is expected by September 1, 2004.

### Loan Sale

The Multifamily and Healthcare Loan Sale 2004-1 that took place on March 30, was a success. HUD offered 43 loans (22 on multifamily projects and 21 on healthcare projects) with an unpaid principal balance of \$252,874,844. The sale resulted in all 43 loans being sold, with gross proceeds of \$138,766,608 (54.9% overall sale price). There were 16 bidders and 5 were successful.



The next sale of unsubsidized mortgages will take place in September 2004.

### Annual Base City High Cost Revisions

Mortgagee Letter 2004-11, "Increase in High Cost Percentage for FHA-Insured Multifamily Housing in High Cost Areas," was issued in April.



The amount that the Secretary may increase the dollar amount limitations (Basic Limits) has been increased from 110% to 140% on a geographic basis for the following Sections of the National Housing Act: 207(c)(3), 213(b)(2)(B)(i), 220(d)(3)(B)(iii)(III), 221(d)(3)(ii)(II), 221(d)(4)(ii)(II), 231(c)(2)(B), and 234(e)(3)(B).

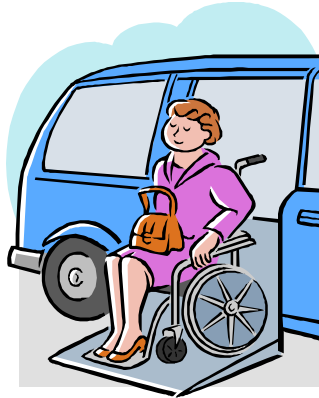
In addition, the amount that the Secretary may increase the Basic Limits in the above sections, on a project-by-project basis, has been increased on a two-tier system: 1. High Cost Areas may be increased by up to 170% above the Basic Limits; and 2. All other areas (with the exception of Alaska, Guam, Hawaii, and the U. S. Virgin Islands) may be increased by up to 140% above the Basic Limits.

The Department has prepared a list of High Cost Areas that are eligible for the maximum 170% increase. The High Cost areas within the Philadelphia Hub are as follows: Philadelphia, PA— 239%; Pittsburgh, PA— 200%; Camden, NJ (Trenton)— 232%; Newark, NJ— 240%; and Charleston, WV— 189%. The High Cost Percentages for these areas may be increased by a multiplier of 270% times the Basic Mortgage Limits on a case-by-case basis.

The national listing of High Cost Areas, High Cost Percentage multipliers, and Statutory mortgage limits, can be found at: <http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm>.

## **Fair Housing Act & Model Building Codes**

The national HUD website contains an informative report that identifies the variances between the design and construction requirements of the Fair Housing Act and four model building codes- the International Building Code (IBC), the Uniform Building Code (UBC), the Standard Building Code (SBC), and the National Building Code (NBNC).



As background, the Fair Housing Act mandates that all covered multifamily dwellings built for first occupancy after March 13, 1991, (i.e., with 4 ground floor units or more, or 4 or more units with an elevator) shall be designed and constructed so that: 1. The public and common use areas are readily accessible to and usable by persons with disabilities; 2. All doors designed to allow passage into and within all premises in covered dwellings are sufficiently wide to allow passage by persons using wheelchairs; and 3. All premises within dwellings contain the following features of adaptive design: a. An accessible route into and through the dwelling; b. Light switches, electrical outlets, thermostats and other environmental controls in accessible locations; c. Reinforcements in bathroom walls to allow later installation of grab bars; and d. Usable kitchens and bathrooms such that an individual using a wheelchair can maneuver about the space.

The Act emphasizes that Congress did not intend the Department to require States and units of local government to include the Act's accessibility requirements in their state and local procedures for the review and approval of newly constructed covered multifamily dwellings. However, Congress authorized the Department to encourage the inclusion of these requirements into their procedures. Nothing in the Act, however, precludes a jurisdiction from adopting accessibility standards that provide a greater degree of accessibility than is required under the Act. Builders and developers may choose to depart from the accessibility guidelines that have been promulgated by HUD and seek alternate ways to demonstrate that they have met the requirements of the Act. HUD has also published a Fair Housing Act Design Manual. In addition to describing the design and construction requirements of the Act, the design manual provides further technical guidance of a practical nature on the applications. In the event that HUD receives a potential housing discrimination complaint alleging violations of the design and con-

struction requirements of the Act, it first makes an initial determination whether it has jurisdiction to investigate the complaint. An investigation of an accessibility discrimination complaint under the Act typically involves a review of building permits and certificates of occupancy, plans and specifications showing the design of the buildings and the site, and an on site inspection of the project. When the Department or DOJ finds that the design and construction requirements of the Act have been violated, the Department or DOJ seek to remedy the violation, including appropriate remedies for the victim of discrimination. Where technically and otherwise feasible, the Department or DOJ seek to have the property retrofitted so that it meets the requirements of the Act. The requirement to retrofit applies even though a building code may not require properties to be altered in order to meet the requirements of the Act. Where it is not feasible to retrofit the property, the Department or DOJ explore with all parties other remedies that will provide accessible housing opportunities for persons with disabilities.

For a complete discussion of the four model building codes and their conformance to the Fair Housing Act, see: [www.hud.gov/fhe/modelcodes/](http://www.hud.gov/fhe/modelcodes/)

### **PennDel AHMA Website**

The Pennsylvania-Delaware Affordable Housing Management Association has established its own website at: **[www.penndelahma.org](http://www.penndelahma.org)**.



The PennDel AHMA is a nonprofit corporation formed in 2003 by several interested management agents and owners. It is recognized by HUD, PHFA, and DSHA. The purposes of this organization are to provide a medium for the exchange of information, promote better business methods, solve common management problems, facilitate communications, encourage and develop better service to owner-clients, provide assistance to management personnel, and engage in some legislative activity based on common interests.

The website provides a calendar of events, membership information, employment opportunities, as well as links to the National Affordable Housing Association, the Institute of Real Estate Management, and federal governmental agencies.

### **Self-Cleaning Windows**

Several major international glass manufacturers are now producing “self-cleaning” window glass. The exterior panes have a special self-cleaning coating that is actually invisible and is durable as the window glass surface itself.



The coating self-cleans the window by two continuous processes. Safe chemicals in the glass surface create a photocatalytic process when sunlight (especially ultraviolet rays) strikes the glass. This process breaks down and disintegrates organic dirt, which is the majority of dirt on windows.

The special surface also has a hydrophilic property that causes water to sheet and flow down the glass instead of forming beads when it rains. The glass can be cleaned by simple rain water or by a garden hose. Because of the sheeting action, you can see outdoors during a heavy rain almost as well when the weather outside is dry.

Another benefit is that the treated glass is energy efficient because, during the winter, the clean glass allows more solar heat to enter the interior living space.

### **Record Number of FASS Submissions**

In the three-day period from March 29 to March 31, the Financial Assessment Subsystem (FASS) received over 5,000 financial statements from owners of multifamily projects. This is the largest three-day receipt total since FASS officially began operations on January 1, 1999. On March 30 alone, FASS received 2,139 financial statements. To date, FASS has collected and electronically analyzed over 117,000 financial statements.



We applaud the entire community of industry users—owners, management agents, and CPAs—for their support and cooperation!

### **New RHIP Website**

Visit the Rental Housing Integrity Improvement website at: [www.hug.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm](http://www.hug.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm).

### **REAC Scoring**

When projects are inspected by REAC (Real Estate Assessment Center), an overall numerical score is given as a value from 0 to 100. Separate numerical scores are also given for each of 5 areas: site, building exterior, building system, common areas, and units.



To compute the numerical scores for these five areas, a unique random sample is generated for each property that is inspected. The number of units inspected is based on the size of the property (number of building and units). The most units that will ever be inspected and scored is 28. The numerical values for each of the five areas are computed each time the inspected sample is scored. They are not standard values and there are no standard point deductions for individual deficiencies.

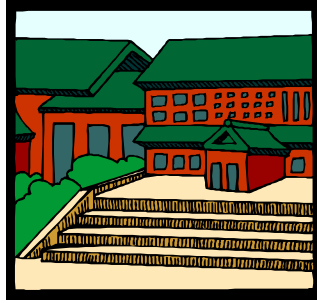
The inspector, however, does not know how many points will be deducted from each of the five categories. This is because the deficiencies are scored when they are up-loaded to REAC. The DCD device used by the inspector only records the deficiencies. The actual scoring is not done by the inspector. As mentioned above there are no standard scores. The algorithm used to generate the score, however, places a higher weight on E H & S, capital deficiencies and the severity of the condition than on ordinary and non-E H & S deficiencies. The size of the project also plays a role in the value of each deficiency, as well as the overall value assigned to each of the five areas that are inspected.

### **MAP Revisions**

Several changes were recently made to the MAP Guide-Rev.- Chapter 5 & 7 and Clarification- Chapter 7, FAQ. Specifically, in Chapter 5 (Architectural Analysis) lenders processing new construction or substantial rehabilitation multiple-structure projects must submit an itemized Gross Floor Area and Dwelling Unit Breakdown list. This must include the unit count and unit areas, for each individual structure in the project. For Section 223(f) projects where no measured architectural drawings are available, the lender must also prepare a Dwelling Unit Breakdown list. However, the Gross Floor Area for each individual structure will be based on the best estimate of the Needs Assessor. For more details see: [www.hud.gov/offices/hsg/mfh/map/maphome.cfm](http://www.hud.gov/offices/hsg/mfh/map/maphome.cfm).

## Closings

The following closings occurred during the month of May 2004: Insured–Parkview Nursing and Rehab. Center (Wilmington, DE), Harborview Healthcare and Rehab. Center (Wilmington, DE), Midtown Towers (Pittsburgh, PA), Hep Park Village (Pittsburgh, PA), Corinthian Towers (Newark, NJ), Penns Grove Apts (Camden, NJ), Kings Highway Towers (Camden, NJ), Oakland Park (Camden, NJ), and Pineknoll Apts. (Charleston, WV); Section 202/811– Greenway Presbyterian (Philadelphia, PA), Lapatcong Consumer Home (Newark, NJ) and Sturgis Consumer Home (Newark, NJ).



## Renting Advice

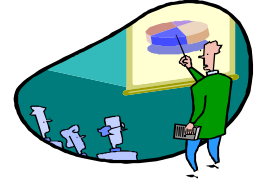
Many real estate experts are advising tenants that there is more to consider when renting an apartment other than its size and the monthly rent. The following are some of the many “little things” smart shoppers should take into consideration:



- \*Don’t “fall in love” with the apartment. Take a friend to get an objective opinion and visit more than once.
- \*Bring a tape measure and measure doorways and rooms to see how your furniture will fit.
- \*Look for styling tricks when you walk through samples (e.g., few pieces of furniture).
- \*Notice how much storage space is available.
- \*Observe the level of natural lighting in the unit.
- \*Carefully inspect the condition of the carpeting, hard wood floors, and quality of interior painting.
- \*Notice the number of exterior steps to the building.
- \*Observe the lifestyle and “pace” of the community.
- \*Drive through the apartment complex at different times of the day on different days of the week. Experience the rush hour commute to work and observe traffic patterns.
- \*Observe the number of children.
- \*Look for nuisances such as railroad tracks, flight paths, and dogs.
- \*\*For personal security, observe the night-time lighting level.

## Erie, PA Housing Market

HUD’s Policy Development and Research Office has published “An Analysis of the Erie, Pennsylvania Housing Market.” The following are some brief excerpts from this 15-page study:



The Erie, PA Housing Market Area (HMA) is defined as Erie County, a small single-county metropolitan area located in the extreme northwestern part of the state. Within the county are two cities– Erie and Corry. The median family income was \$50,600 in 2003– 10% lower than the \$56,500 U.S. average.

Currently, housing demand-supply conditions in the Erie housing market range from being balanced to soft. Soft housing conditions exist in various neighborhoods within the City of Erie, with more balanced housing conditions in the HMA. Most new multifamily and single-family housing construction has occurred outside of the city limits.

Currently, the highest vacancy rate is in the city where 1,950 units (9.8%) were vacant. In the remainder of the HMA., there were 1,000 vacant units (6.4%). (It is significant to note that 2,000 Gannon University students occupy rental housing in downtown Erie).

Because of a current excess supply of rental housing, demand for additional market rate rentals will be limited to 290 units (130 1-BR, 80 2-BR, and 35 3-BR) from October 2003 to October 2004. Except for limited new construction on infill lots and housing renovation in the city, the demand will be in close-in suburban communities, including Millcreek, Harborcreek, Fairview, McKean, and Summit townships. (Note: A 40-unit Section 202 project is currently under development in Harborcreek). This level of housing production will allow for the absorption of excess rental supply and a more balanced housing market.

Housing developments financed with Low-Income Housing Tax Credits (LIHTC) will remain an important component of the overall assisted housing market in the HMA. Over the past 10 years, an estimated 560 units of rental housing financed by tax credits have entered the market. Recently, however, the absorption of both elderly and general occupancy LIHTC rental properties has slowed, and waiting lists in existing properties in both the city and the remainder of the HMA have declined.

To read the entire study, visit the following website:  
[www.huduser.org/Publications/PDF/ErieHMA.pdf](http://www.huduser.org/Publications/PDF/ErieHMA.pdf).