Pennsylvania, New Jersey, Delaware, & West Virginia

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS

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

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4th Anniversary Issue

The October 2004 issue of Philadelphia Multifamily Hub News marks its fourth year of publication.

We hope that you enjoy our news articles as much as we enjoy bringing them to you!

Section 236 Excess Income

A Final Rule was published in Federal Register 4689-F-02 amending HUD's regulations governing the Section 236 program to establish the terms and procedures for the retention of Section 236 excess income (i.e., rent collected by the mortgagor that is in excess of the HUD-approved Basic Rent). The Rule became effective on October 1, 2004.

The new regulations incorporate changes in the previous August 12, 2002 proposed rule that were based on public comments.

Projects receiving Section 236 interest reduction payments may apply to retain excess income for project expenses unless the mortgagor owes prior excess income and is not current in payments under a HUD Workout or Repayment Agreement.

Examples of some eligible uses are: operating shortfalls, repair costs, Service Coordinators, Neighborhood Network Centers, and supportive services. A mortgagor that retains excess income must provide HUD, on an annual basis, with two copies of a narrative description of the amount and uses made of the excess income during the prior fiscal year of the project.

Requests to retain excess income must be made to the local HUD Program Center. They must describe the use and the excess income time period. After September 1, 2005, a mortgagor may no longer apply for a return of any excess income remitted to HUD.

For additional details, please read the entire text in the Federal Register at: www.hudclips.org.

OMHAR Projects & Lockouts

Many new refinanced FHA projects have housing subsidy contracts that will expire two to three years after the refinance occurs (i.e., the lockout period). Once the housing subsidy contract expires, it is mandatory for the project to be referred to OMHAR for restructuring. Consequently, the lockout provisions and prepayment penalties prohibit a restructure that meets the objectives of OMHAR under the Mark-to-Market program.

Effective September 10, 2004, for projects refinanced with FHA multifamily mortgage insurance which will be the subject of an OMHAR restructuring (with subsidy contracts), HUD will only permit lockout or prepayment penalty provisions that expire on or before the date that the housing subsidy contract expires. In no cases may the term of a lockout or prepayment provision extend beyond the expiration of the project-based housing subsidy contract.

RHIIP and Inspector General

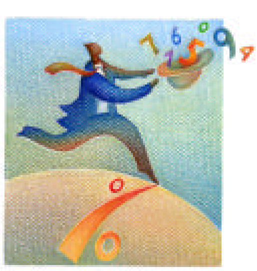
As reported in the July issue of Philadelphia Multifamily Hub News, the Inspector General for Investigation (OIG) and the Philadelphia Multifamily Asset Management staff teamed up to conduct outreach initiatives explaining their respective roles as they pertain to RHIIP (Rental Housing Integrity Program).

As a result of those outreach sessions, the OIG has maintained contact with many owners and management agents who have been referring matters to its office. Some of the investigations include: a tenant in Scranton, PA who was running a business from her Section 8 unit while claiming $0 income and receiving over $1,000/mo. in subsidy benefits; a tenant/employee of a management agent who failed to disclose her husband's income and presence in the subsidized unit; and various referrals of tenants who maintained unauthorized live-ins and/or who were dealing in the distribution of narcotics from their subsidized units.

In addition to conducting investigations, the OIG has been asked to provide fraud detection presentations at the annual district meetings of our management agents.

The multifamily industry is to be commended for fully supporting the RHIIP initiative. It is only through such cooperation that HUD will be able to insure that scarce Section 8 funds reach truly deserving tenants.

Operating Cost Adjustment Factors



Operating cost adjustment factors (OCAFs) for Section 8 rent adjustments at contract renewal under Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 were published in the August 13, 2004 Federal Register.

The OCAFs vary by state and are based on an analysis of cost data for FHA-insured projects for the following nine expenses: wages, employee benefits, property taxes, insurance, supplies/equipment, fuel oil, electricity, natural gas, and water/sewer.

The OCAFS, by state, are as follows: PA– 2.8%, NJ– 3.7%, DE– 2.5%, and WV– 2.3%.

Superior Projects

The following projects were the recipients of superior management review ratings or 95+ REAC physical inspection scores since June 2004:

Superior Management Review Ratings– *Newark*: Baldwin Oaks, Beech Street, Brookside Gardens, Countryside Meadows, Doddtown Plaza, Elm Court, Essex Plaza III, Glassboro Supervised Apts., Roebling Arms, MSAA Commons, M & O Housing, Margate Terrace, Watchung Terrace, Mill Creek Residence, Ocean Manor, Park Terrace, Somers Point Village I & II, Group Home III, Wesley By the Bay, Wittenberg Manor, and Wheaton Pointe; *Pittsburgh*: Park Manor; and *Charleston*: Brookpark Place, Buffalo Creek, Gihon Unity, Oakwood Terrace, Rivermont Presbyterian Homes, Senior Square, South Parkersburg Unity Plaza, and Twin Oaks.

REAC Scores 95 or more– *Philadelphia*: Silver Springs Courtyard, LifeQuest Nursing Home, and Shirley Futch Plaza; *Pittsburgh*: Edinlake; *Newark*: Wheaton Pointe, Barclay Arms, Shalom House, and Beacon Place Apartments; and *Charleston*: Market Manor and Lewis Terrace/Tabor Tower.

The owners, managers, and maintenance staffs of these projects are to be commended for providing an outstanding living environment for their tenants!

Change in Mortgage Insurance Premiums

The mortgage insurance premiums for three multifamily mortgage insurance programs have changed for commitments that will be issued in FY 05 (Oct. 1, 2004-September 30, 2005).

Specifically, the mortgage insurance premium for Section 221(d)(4) new construction and substantial rehabilitation projects without low-income housing tax credits (LIHTC) has been lowered from 50 to 45 basis points (.50 with LIHTC). The premium for Section 232 new construction and substantial rehabilitation of health care facilities and Section 241(a) supplemental loans for Section 232 projects has been increased from 50 to 57 basis points.

To obtain a copy of the notice, you can access the August 23, 2004 Federal Register (Vol. 69, No. 162) at:

Consent Decree

On August 10, 2004, a Consent Decree was entered in the case of U.S. v. Kenna Homes Cooperative Corporation (KHCC). The complaint was brought by the United States to enforce the Fair Housing Act, Title VIII of the Civil Rights Act of 1968.

Kenna Homes Cooperative, owner of a 400-unit dwelling complex located in South Charleston, WV, refused to make a reasonable accomodation for a handicapped tenant, Athalee Prince, who suffers from a mental and emotional disability. Specifically, the complaint alleged that KHCC failed to permit Ms. Prince to keep a dog in her apartment because she failed to comply with a rule requiring the animal to be trained and certified, as well as authorized by a physician specializing in her particular disability. Based on an investigation by HUD's Fair Housing Division, it was determined that "reasonable cause" existed to believe that KHCC's denial of Ms. Prince's reasonable accomodation was discriminatory.

The litigation was settled by allowing KHCC to modify its rules and practices as follows:

Within 45 days, KHCC shall adopt a policy which permits exceptions to its rule or practices that restrict the keeping of animals at Kenna Homes. The exception , however, may be conditioned with the following requirements: 1. The applicant requested an exception based on his/her disability; 2. The applicant must designate the species and breed of the animal; 3. The animal must be kept clean, healthy, and under the control of the applicant; 4. The applicant must clean up after the animal; 5. The animal must not pose a threat to the safety of others; 6. The animal must not make excessive noise; 7. The animal must be leashed while not in the apartment; 8. The need for an emotional support animal must be documented by a licensed mental health professional; and 9. Information that a service animal is able to work or perform tasks for the benefit of an individual with a disability.

First Line of Fire Defense

October is fire prevention month. Now is a good time for project owners and managers to review procedures for handling fires in their buildings.

One of the common fallacies is the assertion that "it won't happen in my building." Even buildings with reinforced concrete construction are vulnerable. According to the National Fire Protection Association, a fire department responds to a fire somewhere in the U.S. every 19 seconds. You should be aware that a fire can grow quickly from a variety of sources- overloaded electrical outlets, overheated coffee pots, oil-soaked rags, chemical reactions, Christmas trees, etc.

The first line of defense in preventing small fires growing into major ones is the existence of portable fire extinguishers and standpipes. The National Fire Incident Reporting System indicates that 95% of direct property damage and 93% cases of loss of life occur when a fire escalates beyond its early stages (i.e., first 5 minutes). Some experts claim that a fire can double in size every 30 seconds. There is no better way to minimize fire damage than to have standpipes and a sufficient number of portable fire extinguishers in place.

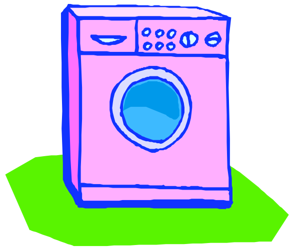
Having the proper number of fire extinguishers, however, is not sufficient. You must insure that your building occupants know how and when to use them. Training is crucial because improper use can make a fire worse or result in personal injuries. It is suggested that you contact your fire equipment supplier or fire department to find out where classes are being held.

For related fire articles, see the July 2003 issue of Philadelphia Multifamily Hub News: "Preparing for a Crisis" and "Fire Ratings."

Occupancy Handbook Change

Change 1 to HUD Handbook 4350.3 REV-1, Occupancy Requirements of Subsidized Multifamily Housing Programs, was issued on August 26, 2004. This Change includes revisions and edits to Chapters 2, 3, 4 and the Glossary. At the present time the revised chapters are only available at: www.hudclips.org.

Water-Saving Devices



This fiscal year, HUD will be stressing energy conservation in its existing and new projects. In this regard, project owners and managers should also be trying to conserve water where possible.

The following is a round-up of the latest water-saving devices, their cost, and their expected savings:

**Dual-Flush Toilet*– Uses .8 gallons for a liquid flush and 1.6 gallons for a solid flush. By, comparison, a low-flush toilet uses 1.6 gallons per flush and pre-1992 toilets use between 3.5-7 gallons. A household of four can save 11,000 gallons per year using a 1.6 gallon toilet vs. a 3.5 gallon toilet. The cost of a dual-flush model ranges between $700-$878.

**Pressure-Assisted Toilet*– Uses 1 gallon per flush. A family of four can save thousands of gallons per year. The cost is about $425.

**Front-Loading Washer*– Uses tumbling action to clean clothes instead of immersing garments in water. This type of washer uses 14-25 gallons per load vs. 50 gallons per load for a top-loading washer. Manufacturers of front-loading washers claim a 68% savings and state that a family of four can save as much as 12,000 gallons per year. Because this type of washer uses less water it also uses less detergent. In addition, because they spin better, less energy is consumed drying clothes and there is less wear and tear on clothes. The cost of this type of washer range from $650-$1,299.

**Faucet Aerator*– Typical faucets emit up to 3 gallons per minute. Aerators restrict flow to as little as on-half gallon per minute. They work well on bathroom sinks but are impractical for tubs or kitchen sinks where a lot of water is needed. A typical family can save as much as 9,700 gallons per year. The cost is minimal at $1.50 per device.

Closings:

The following closings occurred in the Hub for September: *Insured*- PA: Dorado Village, Strawberry Patch, and Roosevelt Arms; DE: Christina Landing and The Elms of Cranbury; and *Section 202/811*- PA: Crease-Dyre SIL, Bustleton SIL, Simpson Midtown; Family Services of Western PA, Neuman Senior Hsng; and NJ– Elmwood House II.

Wages and the Cost of Housing

The Center for Housing Policy, using data compiled by the National Association of Counties, has published a report entitled “Paycheck to Paycheck.” The report investigates the growing concern across the country about the lack of affordable housing for low-and-moderate income working families.

In an effort to put a “face” on the affordable housing problem confronting many low-to-moderate income working families, the hourly wages of the following occupations were compared to the 2004 fair market rent in 30 communities: Retail Salesperson, Janitor, and Construction Laborer. Three of the areas fell within the jurisdiction of the Philadelphia Hub. They were: Wilmington-Newark, DE-MD Metropolitan Area; Washington, DC-MD-VA-WV Metropolitan Area; and Newark, NJ Metropolitan Area.

The study revealed a significant shortfall between the hourly wages of those occupations and the hourly wage needed to afford 1 BR and 2 BR units. See below:

Wilmington-Newark, DE: 1BR= $12.71/hr. ($661/mo.) & 2 BR= $14.83/hr. ($771/mo.)
Construction Laborer= $11.70/hr.
Retail Salesperson= $10.93/hr.
Janitor= $9.13/hr.

Wash., DC-MD-VA-WV: 1BR= 19.98/hr. (1,039/mo.) & 2 BR= $23.42/hr. ($1,218/mo.)
Construction Laborer= $12.00/hr.
Janitor= $10.00/hr.
Retail Salesperson= $7.00/hr.

Newark, NJ: 1 BR= $15.75/hr. ($819/mo.) & 2 BR= $18.98/hr. ($987/mo.)
Construction Laborer= $18.91/hr.
Retail Salesperson= $10.93/hr.
Janitor= $10.85/hr.

To help address the affordability problem, HUD has made extensive use of the Section 202 and 811 programs for the elderly and handicapped. In FY 03, the Philadelphia Hub, alone, closed 70 Section 202 and 811 projects. To date, for FY 04, 37 closings have occurred under these programs.

In addition, from 1995-2001, 610 projects (26,836 units) have either been constructed or rehabilitated, in our Hub, using the Federal LIHTC Program.