

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Top MAP Lenders

The four top Multifamily Accelerated Processing (MAP) lenders in FHA endorsements, based on the first two quarters of FY 2004, were:



Reilly Mortgage Group- \$356.4 million (62 loans), GMAC Commercial Mortgage Group- \$272.0 (89 loans), Highland Mortgage Co.- \$226.8 (49 loans), and Prudential Huntoon Paige- \$178.2 (28 loans).

In the summer 2004 issue of Apartment Finance Today, FHA was described as a "revitalized" agency "which has changed its image as a decision-making turtle and, as a result, has gained credibility as an important financing partner...Where (borrowers) once might have avoided FHA programs because of the reputation for slowness, they have some good reasons to take a look at what FHA has to offer now... The single most important factor making FHA a viable force in the industry has been its MAP program, in which FHA delegates loan originations to private lenders. It has helped speed up the loan approval process and has attracted some lenders who wouldn't touch FHA programs before...MAP reduced the average processing and underwriting time from up to 24 months down to four or six months."

The article also states although developers are aware of the major FHA programs [e.g., Section 207, 220,221(d)(3), 221(d)(4), 232 and

241(a)], "many tax credit developers don't realize that they can use FHA financing with their other public and private financing sources (to make deals work)."

For further information regarding the benefits of FHA MAP processing, please visit our website at:

<http://www.hud.gov/offices/hsg/mfh/map/maphome.cfm>.

Settlement Against Minnesota Owners

HUD, the U.S. Attorney, and the EPA recently announced settlements against one of the largest Midwest property management companies, Dominion Management Services Inc., and a Minnesota landlord, Robert Zeman, for failing to warn their tenants that their homes may contain lead-based paint hazards. Combined, the settlements will result in the complete removal of all lead-based paint in nearly 4,500 apartments in four states.

Dominium Management Services, Inc. owns and manages 22 residential properties, including 4,474 units subject to this consent decree, has agreed to remove all lead-based paint in its units at a cost of nearly \$1 million and pay a \$10,000 civil money penalty. In addition, Dominium will spend \$70,000 on lead abatement work to be performed by the Sustainable Resources Center, a Minneapolis-based children's health project.

Nationally, enforcement action has been taken in over 166,626 apartments in 34 cases across the country resulting in \$561,302 in civil penalties.

Professional Liability Insurance

Notice H 04-15, Professional Liability insurance for Section 232 Programs was issued on 8/3/04. See HUDCLIPS at: www.hudclips.org to obtain a copy.

MAP Clarifications



Two Frequently Asked Questions have been added to Chapters 5 and 6 the MAP Guide. Summaries of the responses to the questions are as follows: Chapter 5, Question 13- The Office of General Counsel has stated that a survey map/plat may contain both the HUD certification language (per Form HUD 247, HUD Survey Instructions and Report), as

well as the ALT/ACSM mandatory certification; and Chapter 6, Question 5- Builder's Risk Insurance must be taken out by the mortgagor. The insurance premium belongs on line G.55, Insurance, of Form HUD 92264, and not under General Requirements.

Income Calculation- Prescription Drug Cards

Housing Notice 2004-11, issued July 15, 2004, provides guidance on how to determine annual and adjusted income in HUD's assisted housing programs under the Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003. Information in this Notice is important because MMA mandates that the benefit provided by the act cannot be taken into account in determining an individual's eligibility for, or amount of benefits under, any other Federal program. The result is income determinations, assistance, or rent must not be affected in any way by this Medicare benefit. You must be sure that owners in your area are aware of this requirement. The Notice is available at: www.hudclips.org/cgi/index.cgi.



NJ Towns/Counties Awarded \$76 Million

HUD has awarded \$76 million in grants to 29 NJ county and local governments. The funding is meant to stimulate job growth, increase business opportunities, increase home-ownership, provide shelter for the homeless, and rehabilitate affordable housing.



The top four recipients were: Bergen County- \$17.2 million, Hudson County- \$9.4 million, City of Camden- \$4.8 million, and Middlesex County- \$4.8 million.

Faith-Based Ownership

Effective August 9, 2004, religious organizations were permitted to become owners of Section 202 elderly housing and Section 811 housing for the disabled projects.



The Final Rule, which was published in the July 9, 2004 Federal Register, states that faith-based organizations are eligible, on the same basis as any other entity, to participate in HUD programs. Faith-based organizations may retain their independence from federal, state, and local governments in carrying out their religious mission. They may use their facilities for HUD programs without removing religious symbols, and name board members and hire personnel on a religious basis.

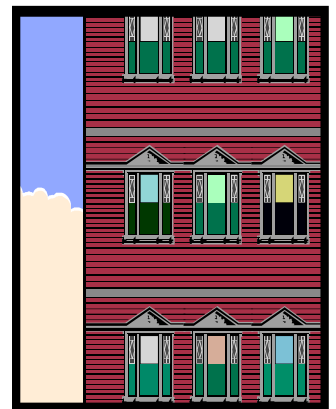
Along with this new eligibility, however, are several restrictions: religious activities must be offered separately in time or location from HUD programs; HUD funds may be used to acquire, construct, or rehabilitate structures only to the extent that they are used for HUD programs; HUD funds may not be used for principal places of worship; and faith-based entities may not discriminate on the basis of religion against beneficiaries or prospective beneficiaries of HUD-funded programs.

To learn more about this ruling, see:

<http://frwebgate.access.gpo.gov/cgi-bin/multidb.cgi>

Closings

The following closings occurred during the month of August: *Insured*- PA: Dorado Village, Philadelphia, 80 units; Strawberry Patch, Whitehall, 51 units; and Roosevelt Arms, Pittsburgh, 191 units; and NJ: The Elms at Cranbury, Cranbury, 110 beds; and *Section 811*- PA: Family Services of Western Pennsylvania GL III, Lower Burrell, 6 units.



Higher Heating Costs

Energy analysts are predicting higher energy prices for heating oil this winter, in the Northeast and the Midwest, if temperatures are in the normal range. Estimates range from \$200 to \$500 more per 1,000 gallons as compared to last winter. This forecast is based on heating oil prices that are currently above \$1 per gallon and lower inventories of distillate fuel, due to refineries maximizing production of high-priced gasoline and diesel fuel.



Housing Data

For the latest, most comprehensive data on housing in the U.S., view the recently released "Housing Data Between the Censuses: The American Housing Survey" at:

<http://www.census.gov/hhes/www/ahs.html>.

Low-Income Housing Tax Credits

The LIHTC database has recently been updated with data on projects placed in service through 2001. The Low-Income Housing Tax Credit (LIHTC) is the most important resource for creating affordable housing today. Created by the Tax Reform Act of 1986, the LIHTC program gives states the equivalent of nearly \$5 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. HUD's database is the only complete national source of information on the size, unit mix, and location of individual projects.

The database contains information on nearly 20,700 projects and more than 1,041,000 housing units placed in service between 1987 and 2001. The database includes project location, number of units and low-income units, number of bedrooms, year the credit was allocated, year the project was placed in service, whether the project was new construction or rehab, type of credit provided, and other sources of project financing. In addition, the database is geo-coded, which enables researchers to look at the geographical distribution and



neighborhood characteristics of tax credit projects.

"Updating the Low-Income Housing Tax Credit Database: Projects Placed in Service through 2001" presents the results of the new data and also describes the addition of 132 projects and 11,832 units placed in service between 1995 and 2000 that were not included in the previous updates.

LIHTC data is available to the public. Users can select variables of interest, retrieve data on all projects in a particular state or group of states, restrict the search to projects with a particular characteristic or set of characteristics, select only projects in a particular city or county, or all projects within a user-selected radius of the center of a city. Also available are the tract-level data for the geocoded projects placed in service from 1995 through 2001.

All LIHTC data, including 2001 data, is available as a free download or through HUD USER's query system at:

www.huduser.org/datasets/lihtc.html.

Camden Garden Program

In the city of Camden, NJ there are more than 6,000 vacant and trash-strewn lots. Over 2,000 residents, however, have decided to make a difference. They belong to the Camden City Garden Club, a non-profit organization funded by the state Department of Community Affairs.



For \$40 a year, the club- which also operates the Camden Children's Garden adjacent to the NJ State Aquarium- supplies community groups with all of the necessary tools, supplies and support to participate in the city's Adopt-A-Lot program. In the club's 21-year existence, more than 100 gardens have been created from urban blight. In addition, for \$25 a year, residents may also receive similar support in their desire to garden in their own yards.

Besides helping to combat urban blight, gardening also serves another very important purpose. According to Mike Devlin, head of the Camden City Garden Club, "Community gardens give you roots. When you are invested in what happens, you care more." This is good advice for apartment managers in order to encourage tenant pride and involvement in their projects.

York, PA Market Study

A comprehensive analysis of the York, Pennsylvania Housing Market Area (HMA) can be obtained from HUDUSER at: www.huduser.org/Publications/PDF/FINAL3_YorkPACom.pdf.

The analysis discusses the York HMA's economy, demand-supply conditions, and future trends. Of interest to the multifamily industry are the following findings:

- * Production of multifamily units is keeping pace with demand. Conditions in the sales and rental housing markets are expected to remain balanced during the two-year forecast period ending January 2006.
- *The median family income in the York HMA is estimated to be \$61,300 in 2004 while the median income in the City of York is only \$30,762 as of the 2000 Census.
- *As of February 1, 2004, the population of the York HMA was estimated to be 399,500, or an average annual gain of 1.2% since the 2000 Census.
- *The housing inventory in the York HMA increased an estimated 2,625 units annually from 2000 to the current date. Approximately 87% of the change in inventory since 2000 has been in sales housing, predominantly single-family homes located in the Remainder of the HMA.
- *During the 1990s, construction of multifamily units averaged approximately 220 units annually. Since 2000, multifamily permit activity has averaged approximately 330 units annually to the current date. Nearly all multifamily activity since 2000 has occurred in developments located in the Remainder of the HMA, particularly along Interstate 83 and Route 30, accessible for commuting to employment in the Harrisburg, Baltimore, and Lancaster metropolitan areas.
- *As of the 1990 Census, the rental vacancy rate was 5.6%.
- *The rental vacancy rate has increased from 5.6% in 2000 to 7.4% in 2004. This increase is driven in part by the continued shift of renters to homeownership.
- *The rental market in the York HMA is currently balanced; however, softer, more competitive conditions exist in some segments of the market. Upscale developments built 5 or more years ago, particularly those in the suburbs, have been directly affected by the construction of new rental units.
- *Relatively soft market conditions in the City of York are due to the lack of significant household growth, an older rental stock, and out-migration of City of York residents to the Remainder of the HMA. The area around York College, however, is a tighter rental market than in the city overall.

*Most of the future demand for new rental housing will occur in the Remainder of the HMA.

*Construction has begun on approximately 250 apartment units that are expected to be completed within the next 18 months in the Remainder of the HMA. New units are absorbed as soon they are finished.

*The average gross rent for a two-bedroom/ two-bath unit in a newly completed Class A development in the York HMA is \$ 1,000/mo.

*Based on anticipated household growth and current market conditions, it is estimated that there will be a demand for 460 rental units during the 2-year forecast period ending February 1, 2006. This level of construction will allow for balanced market conditions.

NAHMA Calendar Contest

The 2005 NAHMA Calendar Contest winners were recently announced. There were 13 Grand Prize winners and 13 Honorable Mentions for the "Come Share My World" calendar theme. Locally, the following children were award recipients: *Grand Prize Winner*—DeAndre Patterson, age 13, Montgomery Townhouses, Philadelphia, PA (IRM); and *Honorable Mention*—Nicole Carmichael, age 10, 8 Diamonds Apts., Philadelphia, PA; and Jeremy Hilerio, age 12, Winteringham Village, Toms River, NJ (IRM). Congratulations to these young artists!



OMHAR

HUD's Office of Multifamily Housing Assistance Restructuring (OMHAR) was established by Congress to administer the Mark-to-Market (M2M) program. Preservation of affordable housing is one of OMHAR's primary missions, as is minimizing contract rent subsidies.



Since OMHAR has been in existence, more than 2,000 project transactions (over 1,000 mortgage restructurings), involving 160,000 units have been completed. The Office is staffed with an expert staff who understand real estate restructuring deals in a very detailed way.

Interested owners should visit OMHAR's website at: www.hud.gov/offices/hsg/omhar for more details.