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

Inside this Issue:

Largest FHA Loan in History!

In October, Carol Galante, Acting FHA Commissioner, participated in a ribbon-cutting ceremony for Capital Health System's state-of-the-art hospital in Hopewell, New Jersey.

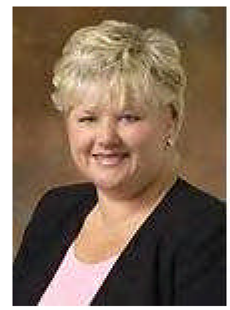
The hospital was financed through a $756 million Section 242 loan guarantee, the largest mortgage that FHA has insured since its inception in 1934.

The new hospital replaces two outdated facilities in Trenton, NJ, and includes an integrated medical office building. When completed, the combined facilities will offer 494 acute care beds and a wide range of services.

The new construction project will support an estimated 4,500 jobs in the community and will provide an economic stimulus of $1.7 billion during the construction period. The completed project will also support 2,200 jobs and provide an estimated annual economic benefit of $424 million.

The hospital serves as a great example of what FHA mortgage insurance is intended to do- serve as a source of liquidity for important investments in communities.

New DAS Appointed



Marie Head was appointed last month as the Deputy Assistant Secretary for Multifamily Housing Programs by President Obama and Secretary Shaun Donovan.

Ms. Head's new role effectively makes her responsible for the overall management, development, direction and administration of the Multifamily Housing Programs, a position previously held by Carol Galante, Acting Assistant Secretary for Housing and Federal Housing Administration (FHA) Commissioner.

The new deputy assistant has figured prominently in the housing industry in the past 30 years, spending two decades as part of the HUD team in Atlanta where, among other roles, she served as the production chief of the Atlanta Hub.

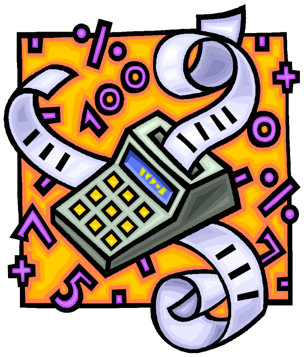
Prior to this appointment, Head served as the president of Prudential Huntoon Paige, the FHA lending business of the Prudential Mortgage Capital Company. Prudential Huntoon Paige manages a $7.8 billion FHA multifamily, healthcare and hospital portfolio, and achieved FHA production of $2 billion in 2010, setting a company record.

Revised Management Fee Ranges

Notice PHL 10-2011, dated October 24, 2011, revised the management fee yield for eastern PA and DE. The new yields are as follows:

Lower Fee Yield= $41.00 PUPM
Upper Fee Yield= $47.00 PUPM

Fair Market Rent Calculations



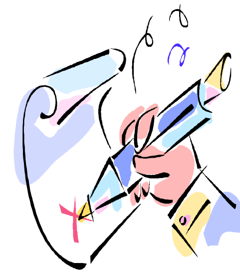
On Sept. 30, 2011, HUD published FY 2012 Fair Market Rents (FMRs) in the *Federal Register*, effective October 1, 2011. The FMRs were calculated using data from the American Community Survey. An area's FMR is the amount needed to pay the gross rent (shelter rent plus utilities) of a privately-owned, decent, and safe non luxury rental unit. HUD publishes separate FMRs for each metropolitan area defined by the Office of Management and Budget as well as each nonmetropolitan county in the United States, including Puerto Rico, the Pacific Islands (Guam, Northern Marianas, and American Samoa), and the U.S. Virgin Islands.

HUD is required to calculate FMRs using the most recent data available. Because calculating FMRs requires large amounts of data, HUD relies primarily on data collected by the U.S. Census Bureau. As a result, for decades nationwide data was updated once every 10 years, with additional information gathered through HUD-commissioned local rent surveys. The information collected using the decennial long-form questionnaire, including housing characteristics such as renter statistics, owner costs, and household type, was critical for calculating FMRs.

In 2005 the Census Bureau implemented a new survey, the American Community Survey (ACS) to collect new data annually. The proposed FY 2012 FMRs are the first to benefit from aggregated 5-year ACS data collected between 2005 and 2009. This aggregation of ACS data provides geographic coverage at the most local level possible and allows HUD to set a new base rent for each FMR area. The 5-year base rents are updated using 2009 one-year ACS data in areas where statistically valid 1-year ACS data are available, typically for the largest metropolitan areas. Data from the Consumer Price Index for rent and utilities are used to further update ACS data from 2009 to the end of 2010. A nationally calculated trend value carries the ACS-based rent calculations into FY 2012 from the end of 2010.

For more information about HUD's Fair Market Rents, please visit: www.huduser.org/portal/datasets/fmr.html, and for more information about the ACS, please visit: www.census.gov/acs/www.

Zero-Based Budget Certification



HUD is clarifying its policy regarding whether or not an owner must accept an OCAF rent adjustment for a Section 524 project.

Previously, it was HUD policy that an owner could submit a budget justifying no rent increase in lieu of an OCAF adjustment. However, based on industry feedback, HUD is issuing a broader policy. Namely, that an owner may submit a zero-based request in lieu of an OCAF rent adjustment by providing HUD with a written certification that it has reviewed the project's income and expenses and elects a zero-based budget in lieu of the OCAF rent adjustment for that year.

A sample certification form will be available in your local HUD Program Center.

Social Security COLA

Monthly Social Security and Supplemental Security Income (SSI) benefits for more than 60 million Americans will increase 3.6% in 2012. The cost-of-living adjustment (COLA) will begin with benefits that nearly 55 million Social Security beneficiaries receive in January 2012. Increased payments to more than 8 million SSI beneficiaries will begin on December 30, 2011.

Based on the increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase from $106,800 to $110,100.

Information about Medicare changes for 2012, when announced, will be available at: www.Medicare.gov. For some beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums.

The Social Security Act provides for how the COLA is calculated. To read more, please visit: www.socialsecurity.gov/cola

Neighborhood Networks Week Celebration

In honor of Neighborhood Networks Week 2011, the Shirley Futch Plaza Computer Learning Center in Philadelphia, celebrated “Get to know your Neighbors Day” with a Talent Show and Tell.

Flyers were distributed to each resident advertising the event and providing categorized details and ideas on how they could be involved. Suggestions included live entertainment (singing, music, and comedy); cooking or baking; and arts and crafts.

Over 56 residents, wearing name tags, attended. A total of 32 residents, including staff, participated in the show. The wide array of talent included paintings, dancing, embroidery, crocheting, knitting, crafts, inspirational readings, safety/fireprevention tips, music, and horticultural demonstrations. At the conclusion of the event, participants also demonstrated their cooking skills by providing vegetable rolls, shrimp appetizers, cookies, fudge, and cupcakes to all of the attendees.

A great time was had by all!

This 100-unt, Section 8-assisted project is managed by Interstate Realty Management Company.

NJ Food Aid

Faced with an increasing number of people receiving food stamps, some states, have toughened eligibility requirements for their federally funded food assistance programs.

The State of New Jersey, however, has done the opposite. Recognizing the level of need for food assistance as a result of the recession, New Jersey has eliminated the requirement that applicants list their assets. The expansion of the Supplemental Nutrition Assistance Program (SNAP) has benefited about 35,000 people. From December 2007 to July 2011, the number of persons covered rose 82%, from 422,951 to 771,724 (8.8% of NJ’s population).

The annual gross income for a single person to be eligible to participate in SNAP (formerly known as food stamps) was raised in April 2010, from $14,702 to $20,146. Deductions for things like utility bills figure into the limits. The maximum allowable income for a family of three went from $23,803 to $34,281.

Developer Pleads Guilty to Asbestos Violations

Community Development Corporation of Kansas City, MO plead guilty to criminal charges brought under the Clean Air Act for asbestos violations. Specifically, for improperly removing asbestos-containing materials during the demolition of numerous houses to build Citadel Plaza, an $85 million retail center that included HUD-assisted housing.

Anthony Crompton, real estate director, and William Threatt Jr., president, were charged criminally in June 2010 with failing to properly inspect for asbestos inside structures that were being demolished, and then failing to remove much of the carcinogen. They faced up to five years in prison without parole and a $250,000 fine.

As background, the development corporation purchased much of the property from Research Hospital more than a decade ago. It later announced plans to build a 35-acre shopping center, including a full-service grocery, restaurants, other retailers and residential living.

However, after the work began, both the Environmental Protection Agency and the Missouri Department of Natural Resources (DNR) investigated the corporation’s improper handling of the asbestos.

In 2007, DNR reached a settlement with CDC-KC for violating state asbestos laws. The agreement called for the development corporation to pay $450,000, including a $50,000 civil penalty to the Jackson County school fund and $300,000 to clean up the asbestos. In addition, it agreed to spend $100,000 on green initiatives that would make Citadel Plaza one of the most visionary environmental projects in the city. That, unfortunately, did not occur because the developer ran out of money and litigation ensued.

To read more about this issue see:

http://www.kansascity.com/2011/10/05/3190032/citadel-plaza-air-violations-are.html#ixzz1aKI8Nq2N

Financing Energy Efficiency Improvements

Owners are reporting positive results from incorporating energy-efficiency features in multifamily housing and many are responding to these energy savings by adopting efficiency features throughout their portfolio. Over the long term (10-15 years), such improvements can free up capital for property owners for other maintenance and improvement needs by reducing operating costs. Efficiency improvements have become more commonplace in maintaining multifamily housing, including using fluorescent bulbs, Energy Star appliances, environmentally friendly products, and incorporating recycling as part of our normal maintenance procedures. Such modest investments can produce energy-efficiency gains of 25 to 30%, making units more energy efficient, reducing operating expenses for tenants and owners, and providing owners with better access to low-interest, long-term financing.

One financing vehicle for such energy efficiency improvements is Green Refinance Plus- an enhancement of the existing Risk-Share program in which FHA assumes 50% of the risk of loans for refinancing or property acquisition underwritten and issued by Fannie Mae's lending network. In Green Refinance Plus, at least 5% of these loans is dedicated to renovations or green retrofits, and FHA insures this portion of the loan under relaxed but still responsible underwriting standards. This way, FHA can demonstrate the cash-flow benefits of green retrofits, but borrowers will not default even if the improvements do not yield the expected savings.

The private sector is also starting to recognize this potential market. Bank of America recently announced the availability of $55 million in low-interest loans to community development financial institutions (CDFIs) for energy-efficiency programs. The financing is intended for CDFIs that have started pilot programs to finance energy savings in multifamily retrofits. Most of these funds will provide long-term financing to 12 CDFIs judged to have the most effective, nationally applicable solutions for funding energy-efficiency improvements. Bank of America will work with Bright Power to track the energy and water savings post-retrofit in buildings funded through the program.

One area of focus for the Bank of America's program will be finding a scalable model for stand-alone retrofits (that is, retrofits not connected to mortgage initiation or refinancing). These investments are particularly difficult to finance because the risk for the lender is not bundled with other, less risky investments. In addition, because loans for retrofits are relatively small compared with the mortgage for an entire building, underwriting costs will be much larger relative to the expected return, making the loan comparatively more expensive. Moreover, owners of properties with individually metered utilities do not capture the energy savings from retrofits, which limits the revenue that can be applied to debt payments. However, stand-alone retrofits have the benefits of stabilizing tenants through decreased utility costs and increasing owners' solvency because of the net increase in cash flow.

Utilities' investments can provide multifamily owners with much-needed capital for energy-efficiency retrofits, but an even more basic need is for more data to help owners and lenders assess energy savings. The innovation and collaboration currently underway in the multifamily green retrofit market to address such problems are encouraging. These developments may soon make capturing the untapped energy savings in the multifamily sector a reality.

For additional details, see: www.huduser.org/portal/periodicals/em/summer11/highlight1.html#title

Smoke Detectors

Project owners and managers are reminded that, in order to meet Housing Quality Standards (HQS) and regulatory requirements, after October 30, 1992, at least one smoke detector is required on each level of a rental dwelling unit assisted or insured by HUD. In addition smoke detectors must be inspected once a year to ensure that the devices are in proper working condition, and that the batteries have been replaced, as necessary.

Residents are also responsible, under the lease, to maintain and care for their units. This extends to not tampering with smoke detectors and ensuring that the batteries are kept in place. They must also inform the owner of any problems with the smoke detectors, including the failure of the batteries, in the same manner that they are responsible for informing the owner of any malfunction or maintenance needs in their units. (Reference HUD Handbook 4530.1, Chapter 35).

Market Analysis Profiles

Market analysis profiles are available for Allentown-Bethlehem-Easton, PA, State College, Pa, and Morgantown, WV. See:

http://www.huduser.org/portal/chma/reg3_spotlight.html

Hub Census Facts

Did you know the following demographic facts about the Philadelphia Hub (PA, NJ, DE, & WV)?

- 24,245,201 population.
- 74,266 square miles.
- Highest population density: NJ- 1,185 persons/ sq. mile.
- Lowest population density: WV- 77 persons/sq. mile.
- Highest # renter properties: NJ- 1,111,895 (34.6%).
- Lowest # renter properties: WV- 202,818 (26.6%).

If you are interested in obtaining more statistical information about the Philadelphia Hub, see:

http://quickfacts.census.gov/qfd/index.html

Stove Top Fire Suppressors

Several HUD projects have installed stovetop fire suppressors in the kitchens of their units. These UL-listed automatic fire extinguisher canisters attach magnetically in the range hood over the stove. When a stovetop fire occurs and the flame reaches the canisters, the fire suppressing powder is automatically released onto the fire. After the stove has been turned off and is cool to the touch, the powder can be cleaned-up with a vacuum and wet cloth.

We think this is a great fire prevention idea for all housing projects, since unattended cooking is the cause of 68% of multifamily residential fires, as reported by FEMA.

Excellence in Affordable Housing Award

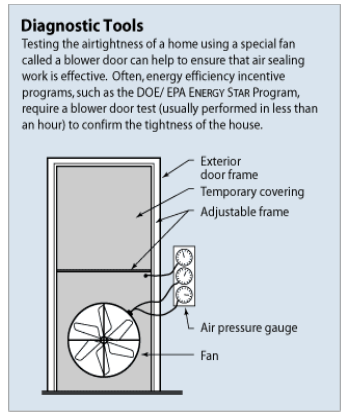
Congratulations to Ingleside Homes, Inc. (Wilmington, DE) for winning the 2011 MetLife Foundation Enterprise Excellence in Affordable Housing Award.

Further details and a video can be found at:

www.enterprisecommunity.org/programs/awards_and_fellowships/awards/metlife_foundation_awards/

Blower Door Test

Professional energy auditors use blower door tests to help determine a home's air tightness.



These are some reasons for establishing the proper building tightness:

- Reducing energy consumption due to air leakage.
- Avoiding moisture condensation problems.
- Avoiding uncomfortable drafts caused by cold air leaking in from the outdoors.
- Making sure that the home's air quality is not too contaminated by indoor air pollution.

A blower door is a powerful fan that mounts into the frame of an exterior door. The fan pulls air out of the house, lowering the air pressure inside. The higher outside air pressure then flows in through all unsealed cracks and openings. The auditors may use a smoke pencil to detect air leaks. These tests determine the air infiltration rate of a building.

They consist of a frame and flexible panel that fit in a doorway, a variable-speed fan, a pressure gauge to measure the pressure differences inside and outside the home, and an airflow manometer and hoses for measuring airflow.

There are two types of blower doors: calibrated and uncalibrated. It is important that auditors use a calibrated door. This type of blower door has several gauges that measure the amount of air pulled out of the house by the fan. Uncalibrated blower doors can only locate leaks in homes. They provide no method for determining the overall tightness of a building. The calibrated blower door's data allow the auditor to quantify the amount of air leakage and the effectiveness of any air-sealing job.

To learn more about this energy-saving test, see:

http://www.energysavers.gov/your_home/energy_audits/index.cfm/mytopic=11190

Industry Award

On Oct. 26, 2011, the PennDel AHMA honored the Philadelphia Program Center with its “Industry Partners Award.”

Cities in Transition

Over the past few decades, a number of European cities have made a remarkable comeback after suffering the nearly complete collapse of their industrial sectors. From Bilbao and Barcelona in Spain, to Torino in Italy, and Lille in France, these cities have halted the spiral of decline, vacancy, and disinvestment. They may never regain their peak population or rebuild their old industries, but through a combination of innovative land use transformations and bold economic development strategies, they have achieved stability and built a new vision for their future.

Last fall, the Urban and Regional Policy Program of the German Marshall Fund (GMF) launched the 3-year Cities in Transition Initiative to explore the parallels between older industrial cities in the United States and those in Europe through intensive study tours and workshops. With funding from the Kresge Foundation and the Surdna Foundation, GMF is building a network of land use and economic development practitioners from Detroit, Flint, Cleveland, Youngstown, and Pittsburgh, as well as federal officials from HUD and other agencies, for sustained policy exchange with their counterparts in Europe.

In December 2010, GMF led the initiative's first study tour to Leipzig in Germany and Manchester in the United Kingdom with a focus on land use and planning strategies. GMF is now preparing for a second study tour to the Ruhr Valley and to Barcelona to examine regional and place-based approaches to economic development. As the participants in this study tour become a part of the growing GMF network, they will add to the lively exchange that is the hallmark of this initiative.

To read more about this initiative, see:

http://www.huduser.org/portal/pdredge/pdr_edge_hudpartrpt_082611_1.html

OCAF Factors

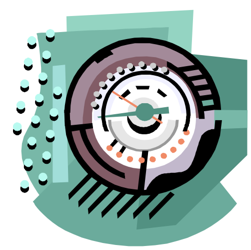
Operating Cost Adjustment Factors (OCAFs) for Section 8 MAHRA rent renewal adjustments, eff. Feb. 11, 2012, are as follows: PA– 2.0; DE– 1.3; NJ– 1.2; and WV– 2.3. See: http://www.gpo.gov/fdsys/pkg/FR-2011-10-26/pdf/2011-27816.pdf.

Tips on Choosing a Contractor

Choosing a competent contractor is an important first step in any repair or remodeling project. The following tips are suggested:

- Ask other project managers if they have worked with the contractor and would recommend him.
- Focus on local companies.
- Look for licensed, insured contractors.
- Ask about previous experience.
- Check references.
- Inquire with the Better Business Bureau.

Thermostat Myth



A common misconception associated with thermostats is that a furnace works harder than normal to warm space back to a comfortable temperature after the thermostat has been set back several degrees, resulting in little or no savings. This misconception has been dispelled by years of research and numerous studies.

The fuel required to reheat a building to a comfortable temperature is roughly equal to the fuel saved as the building drops to the lower set back temperature.

Fuel is saved between the time that the temperature stabilizes at the lower level and the next time heat is needed. So, the longer the dwelling remains at the lower level, the more energy is saved.

FY 2010 Budget & Section 8 Rental Assistance

Based on the challenging FY 10 budget environment, Section 8 Project-Based Rental Assistance Program, funds currently held in project residual receipt accounts will be used to reduce Section 8 Project-Based Rental Assistance Payments.

This policy, however, will only pertain to Section 8 contracts generally known as "New Regulation" and subject to regulatory authority at 24 C.F.R. §§ 880.205(e), and 883.306(e).