

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Collection of Excess Income

All federal agencies are engaged in an effort to reduce waste and save money, as part of Congress' emphasis to reduce the federal government's \$1.4 trillion debt.



One of the areas under close scrutiny is the collection of Section 236 excess income payments from project owners. Section 236 mortgages, generally carrying a 40-year term, provide for a monthly interest reduction payment (IRP) to be made to the mortgagee in satisfaction of a portion of the project's debt service. When the Section 236 projects were developed in the 1960s and early 1970s, the IRP was calculated to effectively reduce the borrower's mortgage payment requirement to a level that would approximate a 1% interest rate.

A basic rental charge that was deemed sufficient to meet operating expenses, plus debt service expenses at the 1% rate of interest, was determined for each unit. Every tenant was required to pay the basic rental charge or up to 30% of income, whichever is higher. Tenants who were determined to be over-income had to pay the unassisted market rent, as reflected on the project's HUD-approved Rental Schedule.

Rents collected from market-rate tenants were considered "excess income." All excess income was payable to HUD on a monthly basis.

The current issue concerns project owners who have failed to report excess income, or who have not transmitted the collections to HUD. In the coming weeks, those project owners will be contacted by Project Managers and be asked to either

remit payment in full, or enter into repayment agreements with HUD.

Retirement

Dolores Pruden, Director of Neighborhood Networks, retired on December 31, 2010, after 45 years of outstanding federal government service.



Under Ms. Pruden's watch, more than 1,500 Neighborhood Network Centers were established throughout the United States, Puerto Rico, and the U.S. Virgin Islands.

Through the years, Neighborhood Networks Centers have served more than 1.1 million residents; used more than 7,000 computers to deliver technology access to America's communities; assisted with the placement of more than 70,000 residents into jobs; advanced in classification levels from Designated to Certified to Model status; formed consortia to garner resources; formed partnerships with local and national organizations; participated in numerous HUD training conferences and Regional Technical Workshops; and participated in HUD on-site technical assistance.

Her exceptional leadership and passion for this initiative will be greatly missed.

DUNS Number & CCR Registration

Notice H 2011-01-11, issued on January 5, 2011, requires owners of Section 202, 811, and Section 8-assisted projects, to obtain a DUNS number and have an active, valid registration in CCR within 60 days of the publication date of the Notice.

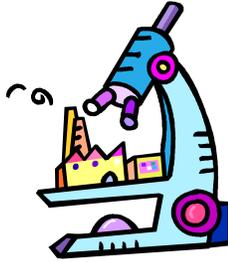
For additional details, see: www.hud.gov/offices/adm/hudclips/notices/hsg/

2011



HUD Audit

HUD has received an unqualified, or "clean," audit opinion, and for the third consecutive year, there were no material weaknesses identified on the Department's consolidated financial statements from its independent Office of Inspector General.



FHA and Ginnie Mae also received unqualified opinions on their financial statements. These favorable financial audit results affirm our continued commitment to financial and management excellence.

Violence Against Women Act



Housing Notice, H09-15 "Implementation of the Violence Against Women," and Justice Department Reauthorization Act of 2005 for the Multifamily Project-Based Section 8 Housing Assistance Payments Program, is currently being revised to include the requirements found in the a Final Rule, published in the October 27, 2010 Federal Register.

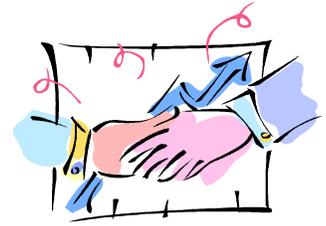
This final rule follows a November 28, 2008, interim rule that conformed HUD's regulations to those provisions of the Violence Against Women Act (VAWA), as enacted in January 2006, and subsequently amended in August 2006, that were determined to be self-implementing. VAWA provides statutory protections for victims of domestic violence, dating violence, sexual assault, and stalking. Such protections apply to families receiving rental assistance under HUD's public housing and tenant-based and project-based Section 8 programs. This rule adopts, as final, the regulations in the November 28, 2008, interim rule, along with certain clarifying changes made in response to public comment, and with some restructuring of the regulations to improve organization within the Code of Federal Regulations.

The Final Rule became effective on November 26, 2010. It can be found at:

<http://edocket.access.gpo.gov/2010/pdf/2010-26914.pdf>.

University Square Plaza Cogeneration

On December 14, 2010, a dedication was held to launch the operation of a cogeneration (combined heat and power) plant at University Square Plaza, a 442-unit high-rise project, located in Philadelphia, PA.



Made possible through a public-private partnership and funded by a \$1 million competitive, matching grant from the State of Pennsylvania's Green Energy Works! Program, the combined heat and power (CHP) system will provide electricity, hot water and heat to the project. It is the first CHP grant initiative in the state to be completed under the program.

CHP technology simultaneously produces useable heat and electricity from one fuel source- in this case natural gas. By using CHP technology, AIMCO is increasing the building's system efficiencies and reducing its carbon footprint by 2,500 tons. The system is 85% electrical and thermal efficient- a 52% efficiency rate increase over traditional power stations.

HUD is delighted that AIMCO has taken the lead in our area to install this innovative technology in University Square Plaza- a project with a long history of providing quality affordable housing to the elderly residents of Philadelphia since 1978.

Congratulations on a job well done!

New Disaster Guidance

As a means to improve HUD's response to Presidentially Declared Disasters, a new Chapter 38 to the HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing has been released.



Chapter 38 is entitled Emergency/Disaster Guidance - Office of Multifamily Housing Programs. The guidance in this chapter applies to all HUD insured and/or assisted property damaged/vacated by a Presidentially Declared Disaster (PDD). Response requirements have been updated with knowledge obtained since Hurricane Katrina.

To view the Handbook transmittal, go to: www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.1/43501trnch38HSGH.pdf

Rental Assistance Report



HUD's Office of Policy Development and Research recently published a Quality Control for Rental Assistance Subsidy Determinations report.

The study is the eighth in a series of annual analyses designed to yield national estimates of the extent, severity, costs, and sources of rent errors in tenant subsidies for nearly

all of HUD's current housing assistance programs, including Housing Choice Vouchers, public housing, and privately-owned subsidized rental projects.

The entire report can be viewed or downloaded at:

www.huduser.org/portal/publications/pubasst/QC_fy09.html

What is the Best Way to Melt Ice?

Now that we are into the dead of winter, we should be prepared for snow and ice storms. When sidewalks and drives get slippery because of ice and snow, what is the best way to prevent accidents (and potential lawsuits)?

Basically, there are four products that are commonly used to melt ice. They are as follows:

- Calcium chloride
- Magnesium sodium
- Sodium chloride (rock salt)
- Fertilizer

Based on a one-hour test, fertilizer melted the ice a little bit, but not as well as the other three products. The magnesium sodium mixture melted it pretty well, but the heat-producing calcium chloride mix, by far, did the best job. It started melting the ice the second it was put down- all the way down to the blacktop. Because it does not chemically bond to concrete, it poses the least amount of damage from freeze-induced expansion. Common rock salt also melted the ice, but not as well as the calcium chloride. However, it tends to damage concrete surfaces.

If you're more worried about money slipping out of your



pocketbook, than slipping on the ice, then the calcium chloride may not be the product for you. That's because, per pound, the mix is the most expensive of the products made specifically to melt ice— at \$.94 a pound. The magnesium mix costs about half as much at about \$.41 a pound. Rock salt is the best buy at just under \$.10 a pound. Fertilizer is the most expensive product at nearly \$2.00 a pound. Even though it is the most expensive and does not do much to melt the ice, it does serve double duty. After the ice melts, it won't harm your lawn, but will actually help it come spring.

Although calcium chloride is the most expensive of the ice melt products that were tested, it is concentrated, so you can spread it out sparingly. You can further stretch it by mixing it with rock salt or sand. Combining the two will help you quickly chip the ice off your sidewalks and drives without chipping too much away from your operating funds.

Award Winners!

Congratulations to Michaels Development Company and PRD Management for receiving two prestigious industry awards!

Michaels Development Company was named the 2010 Multifamily Development Firm of the Year by the National Association of Home Builders, as part of its Pillars of the Industry Awards Program. The award was presented to the firm that best demonstrates superior leadership in the multifamily housing industry and excellence in development strategies, practices, financial performance, innovation, and achievement of company goals. The company is ranked as the most active and wide-ranging affordable housing developer in the nation with a portfolio of 230 properties (38,000 units) and a pipeline of 54 properties (11,000 units).

PRD Management was awarded the Management Company of the Year 2010 by the NJ Apartment Association (NJAA). PRD manages 17 subsidized properties, totaling 18,000 units. It has also served as a management and housing consultant to other properties with more than 900 units. Previously, PRD has won Communities of Quality Awards from NAHMA and JAHMA, best practice awards from HUD, as well as numerous other awards from NJAA.



Vital “Middle Market” Neighborhoods

The Preservation Alliance of Greater Philadelphia held its second annual conference in October called, “A Sense of Place: Preserving Philadelphia Neighborhoods.” The conference focused on “middle market” neighborhoods that could use a boost to their marketability.

The Vital Neighborhoods Initiative is modeled after the very successful Healthy Neighborhoods Program in Baltimore, MD. The objective of the program is to strengthen “middle market neighborhoods”- neighborhoods that are relatively stable, but could benefit from marketing and improvement projects to encourage housing sales and investment. A major component is community building and getting people engaged with one another.

After working with nine community organizations in a pilot phase, NeighborhoodsNow selected three neighborhood organizations to work with on the first phase of implementation: New Kensington CDC, Fairmount CDC, and Mt. Airy Revitalization Corp. Each group is developing a neighborhood marketing program and website and undertaking a series of projects to improve the character and appearance of their neighborhood.

In Fairmount, for example, the 2900 block of Harper Street was given the funding to create a more friendly environment for both sides of the street through a painting and fencing initiative that covered up garages that were dominating one side. The initiative is now entering a second phase, in recent months, with 15 areas throughout the city eligible for funding this year.

For more details about this project, see:

www.preservationalliance.com/programs/vital-neighborhoods.php



Unfair Advertising

In November 2010, the Justice Department announced the settlement of a lawsuit alleging that Lee Enterprises Inc. and its subsidiary, Lee Publications Inc., violated the Fair Housing Act (FHA) by publishing an advertisement that discriminated on the



basis of familial status in the Elko Daily Free Press. The Elko Daily Free Press is a newspaper serving Elko, Nev. Lee Enterprises Inc. is a publisher of 49 daily newspapers and nearly 300 specialty publications across 23 states.

The case began when the Silver State Fair Housing Council (SSFHC) filed a fair housing complaint with the Department of Housing and Urban Development (HUD). SSFHC alleged that in or about November 2008, the defendants published in the Elko Daily Free Press an advertisement for rental housing stating that "no kids" were permitted. After investigating, HUD issued a charge of discrimination and referred the matter to the Justice Department, which filed this lawsuit in November 2009.

Under this nationwide settlement, which must still be approved by the U.S. District Court for the District of Nevada, the defendants will adopt procedures to screen out discriminatory advertisements for housing from all the defendants' publications that include advertisements for housing. The settlement requires the defendants to screen out discriminatory advertisements for housing that appear in print or that appear both in print and on any associated websites. The settlement also requires the defendants to undergo training on the requirements on the Fair Housing Act, post notices informing readers about the requirements of the FHA, provide monetary compensation to SSFHC, and make periodic reports to the government.

"The Fair Housing Act applies to all those who participate in the housing industry, including those who publish advertisements for dwellings," said Thomas E. Perez, Assistant Attorney General for the Civil Rights Division. "This settlement will help eliminate the atmosphere of intolerance created by discriminatory advertisements."

Affordable Housing Revitalizes Neighborhoods



Affordable housing fuels economic gains in distressed neighborhoods, according to a new study of New York low-income housing.

The study, commissioned by the Local Initiatives Support Corporation (LISC) and Enterprise Community Partners, points to the following three conclusions that can connect to a significant return on the LIHTC (Low Income Housing Tax Credit) investment:

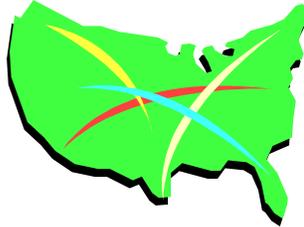
1. Family financial stability.
2. Increased local purchasing power.
3. Higher property values.

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Copies of the studies can be obtained at: www.lisc.org and www.enterprisecommunity.org.

Interactive Economic & Market Analysis Website

HUD has unveiled a new interactive website that consolidates a wide variety of economic and housing market data at the regional, state, metropolitan area, and county levels.



Using data from the Census Bureau, Labor Department, state and local governments, housing industry sources, and research conducted by HUD's own field economists, the new Regional and Economic Market Analysis pages employ interactive maps that allow visitors to access a variety of reports- from a region-wide look at employment and housing activity to individual county-level figures on population trends, rental activity, and vacancy rates.

To access this exciting new tool, see:

www.huduser.org/portal/Regional.html

Energy Codes

Sweeping changes have been made to the 2012 edition of the International Energy Conservation Code (IECC). The modifications that were approved at International Code Council hearings in October, will result in a substantial 25-30% increase in energy efficiency over earlier code editions. For details, see:

<http://www.energycodes.gov/status/30-30vision.stm>

Section 202 Commemorative Booklet

Below is the link for the Great Places to Call Home booklet. It was compiled during the Section 202 50th Anniversary Activities to showcase Section 202 projects throughout the country. Fifteen projects in the Hub are included.



The Philadelphia Hub ranks 3rd in the nation with a \$1.4 billion portfolio comprised of 466 Section 202 projects and 26,426 units.

The 130-page booklet can be read or downloaded at:

www.hud.gov/offices/hsg/mfh/progdesc/sec202booklet.pdf

LEAD-BASED PAINT SETTLEMENT

In December 2010, the U.S. Attorney's Office for the Southern District of Ohio, HUD, and the EPA announced two settlements against Combined Development Company I, LLC; Combined Development Company II, LLC; Combined Development Company III, LLC; Fairbanks-Sunset, LLC; 319 Howell Ave., LLC; 3026 Robertson Ave., LLC; Reading Observatory, LLC; and Linwood-Collins, LLC (collectively "Combined Development"); and Kogan Realty Enterprises, LLC ("Kogan Realty") for failing to inform tenants that their homes may contain potentially dangerous lead.



The agreements require the landlords to replace windows and cleanup lead-based paint hazards in 31 residential properties containing a total of 294 units. In addition to the \$480,000 worth of lead abatement work being performed, the landlords also agreed to pay civil penalties totaling \$12,500.

HUD, EPA and the Department of Justice are continuing similar enforcement efforts around the nation, and so far have taken enforcement actions in which landlords have agreed to conduct lead-based paint hazard reduction in more than 186,253 apartments and pay \$1,317,399 in civil penalties. In addition, a total of \$703,750 has been provided by the defendants to community-based projects to reduce lead poisoning. In settling these cases, landlords have committed to expend more than an estimated \$31 million to address lead-based paint hazards in the affected units.

Market Conditions

HUD recently released the 3rd Quarter report of U.S. Housing Market Conditions for 2010. The report contains a comparative analysis of the multifamily housing sector with previous quarters, updated national data, overviews of economic and housing market, and historical trends.



Some interesting statistics found in the report, concerning the Philadelphia Hub, for the 12 month period ending September 30, 2010, are as follows:

- Multifamily building activity, as measured by the number of units permitted, increased by 16% in PA, to 2,750 units; 145 units were permitted in WV (20 fewer) and 380 in DE (195 fewer than last year).
- Vacancy rates decreased from 9.9% to 4.6% in Philadelphia.
- Vacancy rates increased from 3.8% to 4.1% in Central NJ, and decreased from 5% to 4.9% in Northern NJ.
- Avg. monthly rents increased from \$1,950 to \$2,090 in Center City Philadelphia.
- Avg. mo. rents increased from \$1,535 to \$1,590 in the Philadelphia metro. area.
- Apt. rents increased by less than 1%, to \$1,150, in Central NJ and remained unchanged in northern NJ at \$1,500.

To read the entire report, see:

www.huduser.org/portal/periodicals/ushmc/fall10/index.html

Disposal of Used CFL Bulbs

CFL bulbs contain small amounts of mercury sealed within the glass tubing (an average of 4-5 milligrams). While they pose no danger, if used properly, care should be taken concerning their eventual disposal.



Better and safer disposal options are available than throwing away bulbs in household trash. These options can be found at:

www.epa.gov/epawaste/hazard/wastetypes/universal/lamps/index.htm

<http://earth911.com/>

www.lamprecycle.org

You can also contact your local waste-management agency for community guidelines, or call the U.S. Environmental Recycling hotline at: 1-877-327-8491.

Brownfields

The research symposium in PD&R's newest issue of Cityscape: A Journal of Policy Development and Research (Volume 12, Number 3) examines perspectives and approaches to brownfield issues.



The collected studies focus on whether state voluntary cleanup programs support brownfield redevelopment, the effects of brownfields on industrial land sales and prices, the conflict between economic development and environmental improvement, the issues associated with HUD brownfield redevelopment policy in 2003 and site contamination, and barriers to brownfield redevelopment that include uncertainty regarding cost and environmental liability.

The symposium's guest editor, Edwin Stromberg, contextualizes these studies in an historical account of brownfields as a federal policy issue.

The entire research report can be read at:

www.huduser.org/portal/periodicals/cityscape.html

Loan Closings

The Philadelphia Hub had the following five FHA-insured loan closings in PA and DE during the month of December:

PA: Goggle Works Apts. (Reading)- Section 221(d)(4), 59 units; Rutherford Park Townhouses (Hummelstown)- Section 221(d)(4), 85 units; York Towne House (York)- Section 223(f), 200 units; Twin Towers (Mount Lebanon)- Section 223(f), 115 units; Brockerhoff House (Bellefonte)- Section 223(a)(7); and DE: School Bell Apts. (Bear)- Section 223(a)(7), 240 units.

