

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Deputy Asst. Sec. Interview

Carol Galante, Deputy Assistant Secretary for Multifamily Housing Programs, was interviewed last month by Apartment Finance Today. Here are some excerpts from the interview:



AFT: "What were your biggest concerns, and how have you addressed them?"

GALANTE: "What I didn't really expect was how frozen the credit markets were going to be and how much impact that was going to have on the multifamily FHA work...We did (however) manage to do a lot of good work on the affordable housing side."

AFT: "Has HUD's focus on affordable housing diminished in light of the flood of market-rate deals?"

GALANTE: "Not exactly. Strategically, we want our projects to be more user-friendly for tax credits. And so we're continuing to focus on that, but at the same time, the pressure has been on us to continue to provide liquidity to the broader multifamily market."

AFT: "How are you achieving the balance between FHA's appetite for market-rate deals and its affordable housing side?"

GALANTE: "It's about making sure that as a strategic objective, our programs are working for the affordable housing side better than they have been. And at the same time, we haven't lost focus on what has been the traditional role of FHA, which is financing for the broad middle of rental housing...I know you're familiar with our new underwriting standards, but that wasn't because we don't want to do "market-rate housing." It's just that, in this financial environment, we have to do it prudently."

AFT: "If I'm a borrower considering a 223(f) or 221(d)(4) loan right now, what does the FHA want me to know in terms

of processing times?"

GALANTE: "We're working as hard as ever to deliver to our customers...would also want you to know that we are actively working on re-engineering some of our processes to help be able to swallow the peanut butter, as I like to say, because the reality is we can't expect a lot of new resources in terms of staff...we've got to work smarter because there really isn't any other way to do this."

AFT: "Word is that the FHA has four requirements for any new market-rate (d)(4) loan- sustainability, green building, urban and affordable. How important are those requirements?"

GALANTE: "Those four principles are part of our strategic plan goals for HUD. It's a strategic goal versus literally a priority for processing. It's not at all saying that if you're a plain vanilla two-story walkup apartment in a suburban community that FHA isn't interested in financing that product."

AFT: "How are things going with the national loan committee?"

GALANTE: "Most of the lenders now who have been through it a couple of times and for the staff who have been through it a couple of times, it really is going very smoothly."

AFT: "I've heard that the FHA plans to expand the 223(f) program to allow for much higher levels of rehab. Do you expect to roll that out this year?"

GALANTE: "Hopefully, yes. I think the biggest groundwork we've done is just some work around the legal aspects of how we define what's substantial rehab... we have a lot more flexibility in how we define what goes into a substantial rehab versus what goes into a 223(f)."

To read Mrs. Galante's enlightening interview in its entirety, see:

www.housingfinance.com

Section 202 Pre-Development Grants

The following five Section 202 projects in the Hub have been selected to receive FY 2009 Section 202 Demonstration Pre-Development grants:



- Nativity BVM Place (PA)- \$400,000
- NCR of Penn Hills II (PA)- \$320,250
- Jack & Margaret Senior Residence (PA)- \$400,000
- Ridge Oak II (NJ)- \$400,000
- Ridge Oak III (NJ)- \$396,950

The grants will be used to assist the sponsors of these projects that received Fund Reservation Awards, pursuant to the FY 2009 NOFA for the Section 202 Supportive Housing for the Elderly Program, by providing funding for architectural and engineering work, site control, and other planning related expenses.

Emergency Capital Repair Grants

Three Section 202 projects in the Hub have been awarded a total of \$953,185 in FY 2009 Emergency Capital Repair Program Grants:



- Cheshire House (PA)- \$251,953
- Riverside Apartments (PA)- \$294,265
- Steelworkers Tower (PA)- \$406,967

The grants will be used to provide one-time assistance for emergency capital needs items that present an immediate threat to the health, safety, and quality of life of the tenants.

Section 223(a)(7) Reviews

Per Housing Notice H 2010-13, "Elimination of Hub and National Loan Committee Reviews for Section 223(a)(7) Transactions," effective February 14, 2011, all Section 223(a)(7) refinancing transactions will no longer be reviewed by the Hub or National Loan Committee as part of its risk mitigation initiative. Previously, a Hub Loan Committee review was required when the project exceeded 150 units or \$15 million in loan amount, and a National Loan Committee review was required when the transaction exceeded 250 units or \$50 million.

The notice can be read in its entirety at:

<http://portal.hud.gov/hudportal/documents/huddoc?id=11-04hsgn.pdf>

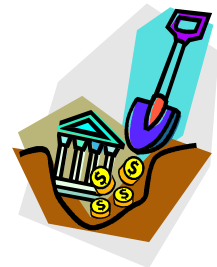
Innovation & Open Government

Recognizing the benefits of innovation to help accomplish our mission, HUD has established formal channels with the public to generate and implement good ideas.

Visit the Innovation and Open Government website at: www.hud.gov/innovation to see how HUD is promoting transparency, participation, and collaboration among staff, stakeholders, and members of the public.

Affordable Housing Program

The Federal Home Loan Bank of New York ("FHLB-NY") is conducting a \$32.6 million competitive offering in 2011 for the submission of Affordable Housing Program (AHP) applications for eligible housing projects in New Jersey and Pennsylvania. It is expected that this offering will result in 62 housing initiatives and 2,813 units of low and low-to-moderate income housing.



The AHP subsidy must be used exclusively to assist in financing the purchase, construction, or rehabilitation of a single-family or multi-family rental housing project where at least 20% of the units (or beds, if applicable) in the project are reserved for and occupied by qualified households whose income does not exceed 50% of the area median, adjusted for family size, based on the median income standard that the project. An application for a rental project will be awarded the maximum number of points available under this scoring criterion if 60% or more of the units in the project are reserved for occupancy by households with incomes at or below 50% of the median income for the area.

Applications from sponsors and developers, for the FHLB-NY's 2011 AHP offering, will be due in August. Paper applications must be received by the FHLB-NY by 5:00 PM EDT on Tuesday, August 9, 2011. Applications in electronic format must be received by the FHLB-NY by 5:00 PM EDT on Friday, August 12, 2011.

The 2011 AHP application package will be accessible on the FHLB-NY website on or about April 15, 2011. The 2011 AHP Implementation Plan, that contains the scoring criteria, can be accessed at: http://www.fhlbny.com/aboutus/bankforms/HCD/AHP/AHP_100.pdf.

Additional information can be obtained from the FHLB-NY's Community Investment team via telephone at: (212) 441-6850, or e-mail at: ahp@fhlbny.com.

Top Ten Affordable Housing Lenders

The top ten affordable housing lenders of 2009 in loan volume (in millions) were:

1. Bank of America Merrill Lynch- \$1,580
2. NY City Housing Development Authority- \$1,480.38
3. Chase Community Development Banking- \$682.22
4. Citi Community Capital- \$551.00
5. U.S. Bank- \$400.0
6. Prudential Mortgage Capital- \$324.90
7. Community Preservation Corp.- \$311.90
8. Capital One Bank- \$285.0
9. Oak Grove Capital- \$262.80
10. NY State Housing Finance Agency- \$243.0



Accessible Parking



Last month, HUD charged the owner and management company of an apartment complex in the Town of Oyster Bay in Long Island, New York with violating the Fair Housing Act for allegedly denying an accessible parking space to a resident with disabilities. Additionally, HUD's charge alleges that 4 Anchorage Lane Owners, Inc. and Total Community Management Corp. refused to modify its parking policy to accommodate the resident's request.

According to the charge, the owner and manager of the apartment complex repeatedly denied a disabled tenant's requests for a reasonable accommodation in the form of an assigned accessible parking space. The resident suffers from neuropathy, a neurological disease that makes it impossible for him to walk long distances and maintain balance. Unable to reserve one of the two designated handicap parking spaces closest to the entrance, the tenant was forced to compete for an accessible space with other residents or park further away from his apartment. The owner and manager refused to accommodate his request, stating management was in full compliance with local codes for providing accessible parking for all residents.

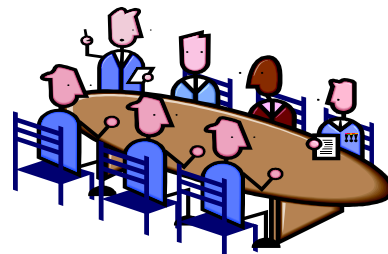
The HUD charge will be heard by a United States Administrative Law Judge unless any party to the charge elects to have the case heard in federal district court. If an administrative law judge finds after a hearing that discrimination has occurred, he may award damages to aggrieved persons for the damages caused them by the discrimination. The judge may also order injunctive

relief and other equitable relief to deter further discrimination, as well as payment of attorney fees. In addition, the judge may impose fines in order to vindicate the public interest. If the matter is decided in federal court, the judge may also award punitive damages to the aggrieved persons.

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Loan Committees

The Office of Multifamily Housing Development has successfully implemented a new Loan Committee policy, as part of its approval process for issuing commitments for the FHA multifamily mortgage insurance programs.



Under Housing Notice 2010-13, effective August 19, 2010, the new loan committee approval process applied to all deals in the pipeline that did not yet have a Firm Commitment issued.

Loan Committees now provide FHA with a strong risk mitigation strategy which is aligned with an established industry practice to assure that the best lending and deal structuring decisions are being made on large, complex and higher risk loan transactions.

Because interest in FHA financing has dramatically increased as other sources of commercial financing have decreased, FHA is committed to playing a critical role in restoring health to the multifamily housing market by helping qualified borrowers access construction and permanent financing when private capital is scarce. With this increased role comes increased risk and responsibility for the integrity of the FHA mortgage insurance fund. Loan committees at the Hub and National levels are vital to properly managing FHA's credit risk.

The National Loan Committee (NLC) consists of six standing members and six alternate members. To date, the National Loan Committee has reviewed 75 transactions valued at over \$2 billion, 68 of which were approved.

The Local Hub Loan Committee in Philadelphia consists staff from the Hub's four Program Centers, including Encarnacion Loukatos, Hub Director; Michael Torreyson, Chief Asset Management (Charleston PC); Rick Shaw, Appraiser (Newark PC), Bob Hanna, Mortgage Credit Specialist (Pittsburgh PC); and Gary Passage, Project Manager (Pittsburgh PC).

Red Cross I'M OK Program

Residents living alone at 17 Lehigh Valley living facilities are resting easier thanks to the Red Cross I'M OK Program. The program ensures that senior residents will have someone check on them each day.



"The program is a real neighbor-helping-neighbor opportunity. I'M OK helps all who are involved, both residents and management," said Bob Duld, chief operating officer at the American Red Cross of the Greater Lehigh Valley. "The program is so simple and it saves lives." No fancy technology is needed. In fact, all you need is a simple laminated door hanger. Here's how it works:

1. Residents are given an I'M OK door hanger.
2. The hanger is hung on the outside doorknob of their apartment at an appointed hour each morning.
3. In the morning, a resident volunteer checks each door for the I'M OK hanger. If the hanger is on the doorknob, the volunteer turns the hanger to its blank side, letting the occupant know that he or she has been "checked on." Residents then remove the hanger from the door.
4. If the volunteer doesn't see an I'M OK hanger, help is summoned.

It's as simple as that- and it works!

To date, 30 lives have been saved. At Little Lehigh Manor, a non-insured Section 8 project in Allentown, three residents received lifesaving support thanks to their participation in the program. Likewise, one resident at the Oliver C. Border House in Nazareth received lifesaving support through the I'M OK program. If someone had not been looking for the door hanger, it's conceivable that the residents could have gone unnoticed for many more crucial hours, or even days.

The I'M OK program started in Rochester, N.Y., in 1974. In 2002, the Greater Lehigh Valley Red Cross piloted the program at Little Lehigh Manor. Now, in addition to Little Lehigh Manor, 17 other projects in the area are participating, including these Section 8 projects: Phoebe Apartments, Shiloh Manor, Lehigh Elderly Apartments, Strawberry Patch Apartments, and Whitehall Zephyr Apartments.

For more information on this neighbor-helping-neighbor opportunity, call Bob Duld, Chief Operating Officer at the Greater Lehigh Valley Red Cross at: (610) 865-4400, ext. 229.

Non-Disturbance Agreements

Effective February 18, 2011, with the issuance of Notice H 2011-07, HUD now allows the use of Subordination, Non-Disturbance and Attornment Agreements (SNDA) for commercial leases for non-assisted or non-subsidized FHA insured multifamily projects under all Sections of the Act, except Section 232.



HUD has determined that SNDAs are necessary to induce higher quality commercial tenants to rent in insured properties. They provide a benefit to a property's operating stability, particularly if the commercial tenants are nationally recognized or have national brands. FHA benefits by allowing borrowers the latitude to negotiate with the widest pool of credit qualified commercial tenants. A stronger tenant increases the certainty of the commercial income stream, enhances the property's marketability and decreases risk to the FHA Insurance Fund.

Therefore, the notice permits the use of SNDAs when a commercial lease is negotiated (including rooftop, cell phone tower, cable television, and internet access leases) at a property with an existing insured mortgage, for a new property with a newly originated insured loan (Note-MAP lenders report that most national retail chains require an SNDA and will not execute a long term lease without the non-disturbance assurance), or when a building owner with existing commercial tenants seeks an insured loan for refinancing.

For additional details, see:

<http://portal.hud.gov/hudportal/documents/huddoc?id=11-07hsgn.pdf>

Three-Year Rule Waiver

Effective February 17, 2011, with the issuance of Notice H 2011-06, HUD is extending the temporary authority that permits Hub Directors to waive the Three-Year Rule for Section 223(f) applications. This will provide liquidity to recently constructed or substantially rehabilitated, self-sustaining properties that are unable to secure permanent long-term financing due to the freeze in the capital markets which hampers the ability to transfer ownership.

The Housing Notice will benefit applications that meet all of the qualifications of the Section 223(f) program, except for the fact that the property was originally constructed or substantially rehabilitated less than three years prior to the date of application for Firm Commitment

Worst Case Housing Needs Report



HUD recently released Worst Case Housing Needs 2009: A Report to Congress. This report, part of a long-standing series, details major housing problems faced by American renter families. HUD defines the term "worst case needs" as very low-income families who do not receive housing assistance and who either pay more than half their monthly income for rent, or live in severely substandard housing, or both. In 2009, there were 7.10 million worst case needs households- a major increase (i.e., 20%) over the level previously reported in 2007.

Some key findings were:

- There has been a disturbing overall upward trend in worst case housing needs, with an almost 42% increase since 2001. More than 6% of all households are now facing such needs.
- Dramatic increases in worst case needs were caused by shrinking incomes, as well as rent increases due to increased competition among low-income families for fewer affordable units.
- Worst case needs affects all demographic groups and household types. Every racial/ethnic group experienced increases in worst case needs during 2007–2009, with Hispanic households having the largest increase in incidence (i.e., 8 %).
- Higher-income families are competing for a limited number of affordable rental units, further driving down already low vacancy rates for the lowest-rent units. Only 36 of every 100 extremely low-income renters have affordable units available to them.
- The share of worst case needs among very low-income renters with disabilities increased from 37.5% to 40.7% between 2007 and 2009.
- The availability of affordable rental housing varies across regions of the country. The supply is most scarce in the West, where only 53 units are available per 100 very low-income renter households, compared with 65 in the South, 66 in the Northeast, and 87 in the Midwest.

To read the entire report, visit the huduser web site at:

www.huduser.org/portal/publications/affhsg/wc_HsgNeeds09.html

Intelligent Energy Meters



"Smart" energy meters are now available that identify wasteful energy practices in buildings and assist in developing energy-efficient action plans.

Depending on the model, these electric sub-meters can gather data on voltage, wattage, kWh used, power factor, and greenhouse gas emissions. The equipment can also be used to measure benchmarks, monitor usage trends, and assess the performance of energy-efficient improvements. Some can even assist in providing a cost analysis by interfacing with central computers and utility-issued meters.

Wireless Cameras

A new and flexible tool that can be used for building security is a wireless camera system.



Wireless cameras have the flexibility, portability, and mobility to be placed in optimal locations without the limitation of cost, and the complexity of hard-wiring. They can also be used as a short-term covert surveillance system that can be quickly installed with no costly installation work.

When installing these cameras, care must be taken to avoid locations where their signals can be interfered by other wireless devices, cordless telephones, or metal walls/floors. Also, to avoid a denial-of-service attack, systems should have a built-in firewall and a 128-bit encryption.

Industrial "Legacy" Areas



Industrial areas in the city of Philadelphia account for 13% of its current land use. A comprehensive plan has been developed, "Philadelphia 2035," to transform seven former industrial ("legacy") areas to mixed use developments (i.e., office, residential, and commercial),

primarily because of their proximity to transit lines and major roadways. The seven areas are the central Delaware waterfront, the Navy Yard, the airport, the lower Schuylkill, Hunting Park west, North Broad Street and the Far Northeast Regional Center. The plan can read at: www.philaplanning.org.

Delaware Unsung Hero

Dianne Bingham, President and founder of the Krysti Bingham Cerebral Palsy Foundation and owner of Mechanical Design Solutions, Inc., has been selected by The News Journal as one of the "50 Who Matter"- individuals who are working to make the Delaware region a better place.



Mrs. Bingham was nominated due to her leadership in acquiring capital grants to build two wheelchair-friendly Section 811 projects for people with physical disabilities – Black Diamond Hope House in Townsend and the Llangollen Hope House in New Castle. She became involved with the Section 811 program as a way to assist her daughter, Krysti, who suffers from cerebral palsy, as well as other parents with disabled adult children.

As a result of her efforts, the six residents of Black Diamond Hope House and the four residents of Llangollen Hope House live independent, safe, and productive lives. Both projects were built specifically to make life easy for the physically disabled. Among the many accessibility features are wide hallways, spacious bathrooms, angled walls, wall-mounted big-screen HD televisions, pull-down clothes hangers, etc.

We applaud Mrs. Bingham for her vision and devotion.

New Housing Search Tool

In last month's newsletter, we informed you of a new web-based locator, PAHousingSearch, that was developed by PHFA.

Here are some features of the locator:

- Free on-line service, available 24/7, that is supported by a toll-free, bilingual call center.
- Free vacancy listing for housing choice, project-based, and tax credit vacancies that can be updated/managed on-line.
- Rental comparables (helps determine rent reasonableness for potential lease-ups and property-specific utility allowances).
- Map links, photos, and neighborhood amenities.
- Basic, advanced and accessible searches.
- Local housing market data.

Visit www.PAHousingSearch.com or call 1-877-428-8844 to sign up for a free account to lost properties.

Employee Recognition



Philadelphia Multifamily Hub news wishes to congratulate Barbara Barilla, Supervisory Project Manager of the Newark Program Center, on her 25th anniversary as a Certified Property Manager. Ms. Barilla was awarded an anniversary pin, by Ronald L. Goss, CPM,

2011 IREM President, on February 18, at the 2011 Tri-State Conference and Expo in Atlantic City.

Video History of Philadelphia

The following web site contains an interesting 9-minute video of the Philadelphia metropolitan area, as it was 56 years' ago:

<http://www.archive.org/details/Miracleo1955>



Statutory Mortgage Limits

The basic statutory mortgage limits for Multifamily Housing programs for 2011 were adjusted, effective January 1, 2011. This indexing includes Sections 207, 213, 221(d)(3), 221(d)(4), 223(f), 220, 231, and 234.



The new limits can be found in Federal Register Vol. 76, No. 37, February 24, 2011. See:

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

Loan Closings

The following loans closed during the months of February: *Insured*-PA: Haverford House, Spring Garden, and Lutherwood; DE: Christina Landing; NJ: Gotham; and WV: Buckhannon; and Section 202-NJ: Linden Independent.



Be a Reporter!



Philadelphia Multifamily Hub News is always seeking good stories to share with its readers. If you have an interesting story about your project, or one of your tenants, and would like to see it published in a future issue, send it to: thomas.langston@hud.gov.