



PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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Inside this Issue:

Senate Confirmation.....Pg. 1

Sustaining Our Investments....Pg. 1

Senior Rental Assistance.....Pg. 2

Free Financial Planning.....Pg. 2

NAHMA Award Winner.....Pg. 2

Historic Preservation.....Pg. 3

NJ Fertilizer Law.....Pg. 3

HVAC Maintenance Tips.....Pg. 4

Initial Endorsements.....Pg. 4

Ductless Heating.....Pg. 4

Radon Policy.....Pg. 5

Share Your Stories.....Pg. 5

New CO Detector Law.....Pg. 6

Seniors' Mental Health.....Pg. 6

Loan Closings.....Pg. 6

Inclusionary Zoning.....Pg. 6

FHA Commissioner

Carol Galante was confirmed as the Assistant Secretary for Housing and FHA Commissioner, by the United States Senate, on December 30, 2012.



After the confirmation, Secretary Donovan remarked, that "I want to express my deep gratitude to members of the Senate who appreciate the combination of fiscal prudence and public purpose that Carol brings to this important post at this most critical time...Carol and I look forward to continuing to work with the Congress in the effort to strengthen FHA for future generations of American homeowners."

Under her stewardship as Acting Assistant Secretary and Federal Housing Commissioner, HUD launched and integrated the Office of Risk Management and Regulatory Affairs into the Office of Housing.

In addition, she has worked to expand housing opportunities for elderly and disabled residents and launched HUD's new Office of Housing Counseling.

Further, she directs FHA insurance programs, which allows HUD to provide critical liquidity in the market while balancing two core missions-preserving affordable mortgage financing options for underserved borrowers and protecting our the nation's housing recovery.

Sustaining Our Investments Update

Since April of 2012, the Sustaining Our Investments (SOI) rollout has reached 34 HUD offices coast to coast. Project Managers throughout the Office of Asset Management (OAM) are taking a prioritized approach to risk management, using a wide variety of tools to enhance their ability to identify troubles within their portfolios.



Huddles are transforming the way offices communicate, increasing transparency and knowledge sharing, while monthly Watch-List for SOI calls are giving the field crucial opportunities to work with HUD Headquarters in addressing their questions and concerns regarding SOI and their portfolios.

SOI has been a phenomenal undertaking, Starting in April 2012, it has been rolled out in training "waves." The Philadelphia Hub was in the first wave, and the fourth and final wave will be launched shortly. It will be the biggest rollout yet, touching 20 offices from New England to the Caribbean.

Last year, using the tools introduced during SOI training, Project Managers rated over 98% of the insured portfolio and will, shortly, begin the rating of the uninsured portfolio. This is an unprecedented achievement in the history of the FHA. This would not have been possible without the dedication and hard work of individuals at every layer of OAM.

This accomplishments marks the beginning of a new, proactive way in which we do business. As experienced Project Managers know, portfolios evolve and require constant reassessment. Moving forward, it



is HUD's expectation that the SOI prioritized approach to risk management will become the new normal. Troubled projects will continue to be scrutinized and action plans will be developed. Meanwhile, healthy projects will be monitored with regularity so that we may get in front of future threats to our portfolio before they occur and, thereby, safeguard the housing fund.

Senior Preservation Rental Assistance

On January 8, 2013, HUD published, in the *Federal Register*, the *Advance Notice of the Senior Preservation Rental Assistance Contracts (SPRACS) Award Process*.

In FY-2012, \$16 million was made available for SPRAC funding. The notice advises of HUD's intent to award SPRACs through the proposed application process described in the notice. The Advance Notice also opens a 60-day public comment period. HUD is soliciting comments on the proposed process for awarding SPRACs and the associated criteria for establishing eligibility to apply for a SPRAC.



The Section 202 Supportive Housing for the Elderly Act of 2010, signed into law in January 2011, authorizes HUD to provide SPRACs with 20-year terms to prevent displacement of income-eligible elderly residents of Section 202 Direct Loan properties with original interest rates of 6% or less, when the property is refinanced or recapitalized, and the owner does not anticipate debt service savings from the refinance. SPRAC is an important preservation tool for affordable multifamily properties.

Details about the award process can be read in the following *Federal Register* link:

www.federalregister.gov/articles/2013/01/08/2013-00072/supportive-housing-for-the-elderly-advance-notice-of-senior-preservation-rental-assistance-contracts

Free Financial Planning Assistance

The Living Cities' Cities for Financial Empowerment Fund is being expanded into Philadelphia with the award of a \$3.3 million grant from Bloomfield Philanthropies.



The money will enable the construction of Financial Empowerment Centers where the city, in conjunction with nonprofit firm, Clarifi, will offer free one-on-one financial counseling to low-income residents.

The goal of the Centers will be to increase the financial stability of low-income households by boosting income, decreasing debt, and increasing access to saving and asset-building opportunities. Mayor Michael Nutter, who is also the President of the U.S. Conference of Mayors, remarked, "By offering personalized financial literacy services to low-income individuals, we make it possible for Philadelphia families to move toward self-sufficiency."

The Financial Empowerment initiative, that was started in New York, is also expanding to Denver, Nashville, San Antonio, and Lansing. These cities were chosen based on the presence of committed leadership and public-private partnerships to move the program forward.

Additional information can be found at the following website: www.cfefund.org/

NAHMA Award Winner

Newberry Estates, a 200-unit, Section 236 project, located in Williamsport, PA, has won NAHMA's Community of Quality Exemplary Award for 2012. Representatives from Community Realty Management will be attending the NAHMA Winter Meeting in Washington, DC, on March 25, 2013.



Historic Preservation

HUD is in the process of developing a housing notice and mortgagee letter to address the problem of owners demolishing properties before formally applying for FHA financing in order to avoid Section 106 Historic Preservation Act requirements, which is illegal. This requirement will be brought up during concept meetings. If it has been violated, it will be grounds for rejecting the application.



Section 110(k) [16 U.S.C. 470h-2(k)] of the Historic Preservation Act states:

“When an historic property is destroyed or irreparably harmed with the express purpose of circumventing or preordaining the outcome of section 106 review (e.g., demolition or removal of all or part of the property) prior to application, the agency considering that application is required by section 110(k) to withhold the assistance sought, unless the agency, after consultation with the Council, determines and documents that “circumstances justify granting such assistance despite the adverse effect created or permitted by the applicant” [16 U.S.C. 470h-2(k)].”

The Secretary of the Interior’s Standards and Guidelines for Federal Agency Historic Preservation Programs advise that “full consideration of historic properties includes development of procedures to identify, discourage, and guard against ‘anticipatory demolition’ of a historic property by applicants. Agency procedures should include a system for early warning to applicants and potential applicants that anticipatory demolition of a historic property may result in the loss of Federal assistance” (63 FR 20503).

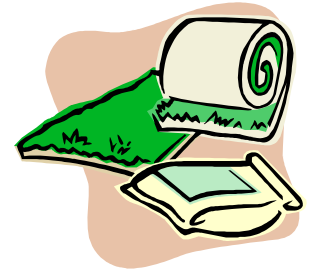
Furthermore, Section 9.2.A.3 states a limitation of activities is only required from the time of pre-application or application submission. In addition, anticipatory demolition is not discussed at Section 9.5.C, Historic Preservation. A violation of 110(k) would necessarily take place before the pre-application or application submission. Thus, MAP changes are forthcoming.

In a related manner, a second housing notice and mortgagee letter will be issued that will state Section 223(f) and 223(a)(7) transactions with no new construction, no rehabilitation, and no associated repairs or physical impacts, except for routine maintenance, have no potential to affect historic properties and do not require a Section 106 consultation.

NJ Fertilizer Law

The final phase of a New Jersey law that puts strict limits on consumer and professional fertilizer use went into effect on January 5, 2013.

The law, heralded as the nation's toughest regarding fertilizer regulation, was designed to reduce pollutants, namely nitrogen and phosphorus, from contaminating NJ's waterways. The final section of the 2011 law set rigid standards for labels on retail fertilizers. Consumer fertilizers cannot contain more than 0.7 pounds of water-soluble nitrogen or more than 0.9 pounds of total nitrogen per 1,000 square feet, and at least 20% of the nitrogen must be slow-release.



Nitrogen and phosphorus, while important for plant growth, are harmful to the environment if they wind up in the water. Nitrogen is a greater threat to coastal water, while phosphorus is more harmful in fresh water. Nitrogen causes algae blooms that deprive water of oxygen and kill marine life, and in New Jersey, environmentalists and scientists said that nitrogen was the primary reason for the slow death of salt water bodies, especially the Barnegat Bay.

Slow-release nitrogen is less likely to seep into groundwater and wash away into the state's water sources, NJAES said. Consumers may not apply fertilizer within 25 feet of a body of water; for professionals, that buffer is 10 feet. The cost of fertilizer is expected to increase between 10-20% due to the higher cost of slow-release nitrogen. Fertilizers in New Jersey may no longer contain phosphorus, except in special circumstances when a soil test indicates need, or when establishing or re-establishing turf. The law also prohibits fertilizer application during or just before heavy rainfall, or onto frozen ground. It establishes blackout dates as well, preventing consumers from spreading fertilizer containing nitrogen or phosphorus from Nov. 15 through March 1. For professionals, the blackout dates are Dec. 1 through March 1.

The 2011 Fertilizer Law can be read in its entirety at:

<http://snyderfarm.rutgers.edu/njfertilizerlawguide.html>

HVAC Maintenance Tips

The January 2013 issue of *Buildings* magazine had 11 excellent tips to upgrade, repair, or reset cooling systems. The performance of such work is advantageous during the heating season due to the availability of HVAC technicians and the avoidance of costly summertime emergency service.



The 11 tips are as follows:

1. Raise thermostat settings for cooling.
2. Reduce the cooling system's operating hours.
3. Reset the chilled water temperature.
4. Improve the water treatment in cooling towers.
5. Clean the evaporator and condenser tubes. (A dirty condenser coil can increase compressor energy consumption by 30%).
6. Clean the fan blades, lubricate bearings, and adjust fan belts.
7. Minimize the use of reheat.
8. Test, adjust, and balance the ventilating systems.
9. Insure that control valves are operating correctly.
10. Use multiple pump controls to reduce pumping-related operating costs.
11. Avoid cooling unused space.

Initial Endorsements

Initial endorsements processed by HUD's program centers, for the period October 1, 2012 through January 30, 2013 have significantly increased over the same four-month period of last fiscal year.

There were 538 initial endorsements comprising 99,682 units and \$6.064 billion in FY13, as compared to 371 loans, 52,786, and \$3.648 billion in FY12.



A breakout, by program, of the FY13 mortgage insurance activity is as follows:

FHA NC/SR– 61 loans, 10,289 units, \$1.11 billion.

223f Refi/Pchse– 195 loans, 45,261 units, \$2.47 billion.

223a7 Refi– 251 loans, 41,193 units, \$2.28 billion.

Risk Sharing/HFA– 21 loans, 1,873 units, \$129 million

Risk Sharing/FNMA/Freddie– 10 loans, 1,066 units, \$69 million.

Ductless Heating & Cooling

ENERGY STAR certified ductless heating and cooling systems are highly efficient products that deliver warm or cool air directly into different zones in a home, instead of routing it through ducts first. They are also called mini-split, multi-split, or variable refrigerant flow (VRF) heat pump systems. They are an increasingly popular, cost-effective solution to replace inefficient baseboard electric heating and window air conditioners in older dwellings. They are also used in new construction, home additions, multifamily (condo or apartment) housing, and to improve comfort in poorly heated or cooled rooms.



ENERGY STAR qualified ductless heating and cooling systems:

- Saves money. Heating and cooling costs the average homeowner about \$1,000 a year- nearly half the home's total energy bill. Replacing an existing system with an ENERGY STAR certified model could cut heating and cooling costs by 30%.
- Provides more comfort and control. In traditional heating and cooling systems, there is generally only one thermostat that controls the temperature of an entire dwelling. With ductless heating and cooling systems, you can have control over the temperature of each zone.
- No ducts are required. The indoor components are mounted directly on the wall. A variety of attractive options are available from ENERGY STAR partners. Traditional forced-air heating and cooling systems use ducts to distribute conditioned air throughout the dwelling. Typically, however, about 20% of the air that moves through the duct system is lost due to leaks, holes, and poorly connected ducts. With ductless heating and cooling, duct losses are eliminated- improving comfort, and saving money.
- Delivers both heating and cooling. Ductless heating and cooling systems are often a convenient, single solution for dwellings that formerly relied on electric baseboard heaters in the winter and window air conditioning units in the summer.
- Are proven technology. Ductless heating and cooling systems have been around for over 30 years and are used widely throughout the world.

Radon Policy

On January 31, 2013, HUD issued Notice H2013-03, HUD Office of Multifamily Development Radon Policy, and Mortgagee Letter 2013-07. The notice stems from the Federal Radon Action Plan that was drafted by a team of Federal agency representatives that included the EPA and HUD's Office of Healthy Homes and Lead Hazard Control. One of the primary goals of the Plan is the incorporation of radon testing and mitigation into HUD programs to improve the health and safety of its housing residents.



As background, two common constituents of soil and rock are the unstable elements uranium and thorium which “decay” into other elements, which themselves decay further in a “decay chain.”

One of the decay products is radon, a colorless, odorless gas. When soil gas that contains radon enters a building, its decay products are either directly inhaled, or attached to dust on walls, floors and the air, which then can be inhaled. These decay products cause mutations in lung tissue which eventually could lead to lung cancer. Radon exposures are estimated to cause 21,000 lung cancer deaths each year in the United States

EPA guidelines recommend mitigation for residences with radon concentrations at or above 4 picocuries per liter of air (pCi/L). The best way to mitigate radon is to prevent it from entering a building in the first place. Radon generally poses the greatest risk to occupants living at or below ground level. Occupants on the lower levels of these structures are at risk of excess exposure if levels are elevated and these structures are not appropriately mitigated, or if new construction in areas with high radon are not built using radon resistant construction methods.

The following requirements discuss the process for identification and mitigation of radon in new FHA Multifamily Insured mortgage applications:

- The Radon Report shall be required for all proposed MAP or TAP (Traditional Application Processing) applications, in the pre-application, or application, as applicable, as an addendum to the Environmental Report required at Section 9.5 of the MAP Guide, unless an exception applies.
- All testing and mitigation must be performed under the supervision of a Licensed Radon Professional.
- For a Section 223(f) refinance transaction, the lender may determine that the activity or project is in the low

Zones (available at: <http://www.epa.gov/radon/zonemap.html>). require a Radon Report.

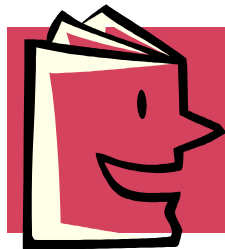
- Section 223(a)(7) applications are encouraged but not required to test for Radon.
- Radon testing must follow the protocols set by the AARST MAMF-2010, Protocol for Conducting Radon and Radon Decay Product Measurements in Multifamily Buildings (AARST MAMF-2010), Section III (available at: www.astm.org/Standards/E2121.htm).
- The minimum number of apartments to be tested shall be at least 25% of randomly selected ground level units.
- Residents of all new applications for Multifamily MAP and TAP programs shall be informed of forthcoming testing.
- Residents shall be informed both prior to and after mitigation activities.
- The Radon Professional must assure that mitigation, when required, conforms to the following standards. ASTM E 2121-11, Standard Practice for Installing Radon Mitigation Systems in Existing Low-Rise Residential Buildings and ASTM E 1465-08a, Standard Practice for Radon Control Options for the Design and Construction of New Low-Rise Residential Buildings.
- Mitigation Timing. For new construction and substantial rehabilitation properties, all mitigation, including follow-up testing, must be completed prior to Final Endorsement. Radon mitigation included as part of Section 223(f) project repairs must be completed as quickly as practicable and in any event, no later than 12 months after Initial Endorsement.

The notice is effective for Firm Commitments or Pre-application packages submitted after 120 days from the date of Publication (starting June 3, 2013).

The Notice can be read in its entirety at:

<http://portal.hud.gov/hudportal/documents/huddoc?id=13-03hsgn.pdf>

Share Your Stories



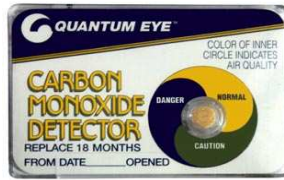
If you have any interesting stories about your project or its tenants, please share them with your industry partners.

Send a Word document to the following address and have your project featured in an upcoming issue of Philadelphia Multifamily Hub News:

thomas.langston@hud.gov

New Carbon Monoxide Detector Law

Effective January 1, 2013, in West Virginia, all newly constructed apartment buildings, boarding houses, dormitories, hospitals, long-term care facilities, adult or child care facilities, assisted living facilities, one- and two-family dwellings intended to be rented or leased, and hotels/motels must have single-station carbon monoxide detectors with a suitable alarm or a combination smoke detector.



Carbon monoxide detectors must be hardwired into an alternating current (AC) electrical source, with battery backup.

Seniors' Mental Health

Researchers from Rush University and the Illinois Institute of Technology have found that reading, writing, and playing cards and board games may help aging brains to stay sharp.



These types of mental activities appear to help preserve structural integrity in the brains of older people. This was discovered based on MRI scans of the brain's white matter (nerve fiber transmitters) of 52 people, with an average age of 81.

Reading the newspaper, writing letters, visiting a library, attending a play, or playing games, such as chess or checkers, are all simple activities that can contribute to a healthier brain.

Property managers of housing for the elderly should encourage such activities to promote a healthy tenant population.

Loan Closings

The following FHA-insured loans closed during the month of January: PA– Bethlehem Townhomes II and Hanover Village; DE– Capitol Green Apartments; and WV– Ravenswood Station.



Inclusionary Zoning's Effect on Affordable Housing

A recent pilot study, sponsored by HUD's Office of Policy Development and Research, "Inclusionary Zoning and its Effect on Affordable Housing: Lessons From Two Counties," was conducted.



The study examined the IZ programs in Montgomery County, Maryland and Fairfax County, VA. Both counties have seasoned inclusionary zoning programs and share contextual similarities in that both are located in the Washington, DC metropolitan area with populations that are relatively affluent, well educated, and racially and ethnically diverse. The housing markets in these counties are strong, despite the current slowdown in new construction.

Local governments have increasingly used inclusionary zoning ordinances, since the 1970s, as a tool to expand the supply of affordable housing. These ordinances typically provide residential developers with incentives to reserve a certain number of homes in a development at prices affordable to low- and moderate-income households, or require them to make affordable homes available at an alternative site, or pay a fee in lieu of development.

Inclusionary zoning (IZ) can be a cost-effective way to provide affordable housing, with the public and private sectors assuming the costs of administration and financing, respectively. Some argue that the merits of IZ also include the social benefits thought to be associated with intermingling affordable and market-rate residential units in mixed-income developments.

At a time when declining household incomes, increased demand for rental units, and curtailed lending intensify the need for affordable housing, policymakers are seeking more information about the impact of local inclusionary zoning (IZ) on the affordable housing supply, and want to learn more about inclusionary zoning programs from those who operate them. The pilot study can be read in its entirety at:

www.huduser.org/portal/pdredge/pdr_edge_research_012513.html