



# PHILA./NEW YORK MULTIFAMILY HUB NEWS



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[www.hud.gov/local/shared/working/13/mfhsg.cfm?state=pa](http://www.hud.gov/local/shared/working/13/mfhsg.cfm?state=pa)

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### New Hub Director

Teresa M. Bainton has been named the Acting Director of the Philadelphia Hub. Ms. Bainton has served as the Director of the New York Multifamily Hub since July 2007. She is responsible for the oversight of approximately \$5 billion dollars and 132,000 units of HUD-assisted housing throughout the State of New York. She is also responsible for the oversight of the annual Section 8 Rental Assistance Contract Administration and for underwriting new FHA-insured projects in New York State.

Prior to her appointment as the NY Hub Director, Ms. Bainton served as the Director of Community Planning and Development (CPD). As such, she oversaw several CPD Grant funded programs within the jurisdiction of the NY State Office, including the Community Development Block Grant (CDBG), HOME, Emergency Shelter Grants (ESG), Housing Opportunities for Persons with AIDS (HOPWA) and Special Needs Assistance Programs for the homeless. During her tenure, her office's annual budget, between formula and competitive grants, amounted to approximately \$625 million dollars.

Ms. Bainton has over 35 years of experience in working on all multifamily housing and community development-related issues, program planning and management. She has held several progressively responsible positions throughout her tenure at HUD and is currently one

HUD and is currently one of the 17 Hub Directors throughout the nation. As such, she has had the opportunity to work on a variety of controversial and complex issues involving the creation and preservation of affordable housing in New York.

We welcome Ms. Bainton to Philadelphia.

### Refinancing Volume at Peak

FHA Commissioner Carol Galante told HousingWire that the FHA's multifamily refinancing volume is most likely at its peak, with low interest rates encouraging refinancings on existing insured loans.



"As those rates go back down, I think we will see it shift again," Commissioner Galante added. "We saw a huge spike in 2009 and 2010 when there was no private capital available in the marketplace and that was around new construction, multifamily loans. The only reason the volume remains high today is because interest rates are low." Higher levels of loan refinancings are actually good for the agency, she pointed out. "It helps the FHA in the long run because it is protecting those assets by letting the borrowers take advantage of low interest rates."

With this pace of activity, however, the agency is fast approaching its \$25 billion limit of Commitment Authority allotted for FY 13. As a result, FHA will begin prioritizing its use on July 15, 2013. The priority order will be: 1. Projects affected by Hurricane Sandy, 2. Affordable Transactions, and 3. Market Rate Transactions [in the following order: NC/Sub Rehab, Market Rate Refinance under Section 223(a)(7), and Market Rate under Section 223(f)].

## Fair Housing Design Requirements

New guidance released on April 30, 2013 by HUD the U.S. Department of Justice reinforces the Fair Housing Act requirement that multifamily housing be designed and constructed to be accessible to persons with disabilities.



The Fair Housing Act prohibits discrimination in housing based on disability, race, color, national origin, religion, sex and familial status. The Fair Housing Act also requires that multifamily housing with four or more units, built for first occupancy after March 1991, contain accessible features for persons with disabilities.

The new guidance is designed to help design professionals, developers and builders better understand their obligations and help persons with disabilities better understand their rights regarding the "design and construction" requirements of the federal Fair Housing Act.

With one of five persons in this nation having a physical disability, housing units that include the required features of accessibility are more important than ever. This new guidance will assist developers in constructing housing that complies with the Fair Housing Act's design and construction requirements from the start and avoid having to deal with costly retrofitting later.

Under the act, new multifamily housing must include:

- Public and common use areas that are readily accessible to and usable by persons with disabilities.
- Doors that are designed to allow passage into and within all premises of covered dwellings and that are sufficiently wide to allow passage by persons with disabilities, including persons who use wheelchairs.

In addition, all premises within covered dwellings must contain:

- An accessible route into and through the dwelling unit.
- Light switches, electrical outlets, thermostats, and other environmental controls in accessible locations.
- Reinforcements in bathroom walls to allow for the future installation of grab bars.
- Usable kitchens and bathrooms such that an individual using a wheelchair can maneuver about and use the space.

The new guidance, issued in the form of a "Q & A," supplements previously-issued guidance and answers

such questions as:

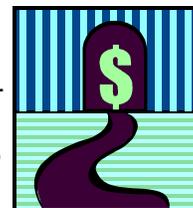
- What are the design and construction requirements?
- Who must comply with the design and construction requirements?
- What types of dwellings are covered by the design and construction requirements?
- What are accessible routes?
- What is an accessible entrance?
- What is an accessible public and common use area?
- What safe harbors are available for compliance with the design and construction requirements?

The new guidance can be found at:

<http://portal.hud.gov/hudportal/documents/huddoc?id=JOINTSTATEMENT.PDF>

## Choice Neighborhoods Grants

HUD is making available \$109 million in grants to revitalize public and HUD-assisted housing and transform communities. These grants are offered through HUD's Choice Neighborhoods Program, a redevelopment approach that provides communities with tools to revitalize hard-hit communities into vibrant, opportunity-rich neighborhoods.



Choice Neighborhoods is focused on three core goals:

1. Replacing distressed public and assisted housing.
2. Improving educational outcomes and services and support for youths and their families.
3. Creating conditions necessary for public and private reinvestment in distressed neighborhoods.

To accomplish these core goals, communities must have in place a comprehensive neighborhood revitalization strategy, or Transformation Plan. Choice Neighborhoods Implementation grants are available for public housing authorities, local governments, nonprofit organizations, tribal entities, and for profit developers that apply jointly with a public entity to extend neighborhood transformation efforts beyond public and/or assisted housing.

Applicants have until September 10, 2013 to apply for FY 2013 Choice Neighborhoods Implementation Grants. HUD anticipates awarding four grants with a maximum award of \$30 million each. Applicants must submit their applications electronically through [www.grants.gov](http://www.grants.gov).

**Previous Participation**

As everyone knows, applicants must submit a Form HUD-2530, Previous Participation Certificate, to the field office responsible for overseeing the specific property, when something relevant to their participation in it changes.



For example: They have applied to refinance or rehabilitate the property, have a change in their organization structure that must be disclosed to HUD, or want to participate in a property in which they already participate and want to assume an additional role, or want to participate in a property in which they do not currently participate. The HUD Project Manager checks to see if the 2530 package is complete. He/she checks to see if the application is certified, signed, and dated. Checks are also made to see if all outstanding flags have been resolved and, if there is a default, foreclosure, suspension, or debarment, that the 2530 application is forwarded to the Policy and Participation Standards Division in Headquarters for review.

Occasionally the Active Partners Performance System (APPS) industry partners or the local HUD offices will encounter errors in data in the APPS system. The 2530 Headquarters analyst who is responsible for that local servicing site can make the necessary correction to APPS. The entity coordinator can make necessary changes to most of the participant information (except for Tax ID, organization legal structure, and type of ownership). To have a correction made to the data in APPS, the industry partners or the local HUD offices can either email a request to the 2530 Headquarters analyst along with the supporting documentation or fax the request to: (202) 708-0684.

With the May 2013 APP release, several features will be added to enhance program functionalities. To address industry concern that a baseline cannot be created without an individual in the entity, a feature will be added that allows a baseline without an individual. Currently, once a baseline is created, industry partners cannot cancel the baseline. A new enhancement added to the program will enable the industry to cancel baselines in process. Previous participation data will be tracking the principal's actual date of joining the entity instead of the entity's date of participation in a project.

With the emergence of revocable trusts as participants

In multifamily projects, a new feature added to the program will enable the trust (only revocable trusts) and the trustee to create both the trust and trustee using the same SSN.

Enhancements that are beneficial to the HUD staff include the addition of submission date to the participant audit report. PPSD staff will be able to pick multiple submissions for assignment. PPSD staff will have the option to pull a report on submissions with critical findings approved by field office staff.

**FEMA Alerts**

Over the past two years, our region has seen numerous major hurricanes and tropical storms. In 2011 Hurricane Irene and Tropical Storm Lee brought fierce winds, and heavy rains.



Last year Superstorm Sandy brought battering storm surge to coastal and bay areas, and heavy snows to inland areas. All areas of our region saw the devastating effects that hurricanes and tropical storms can have on properties.

FEMA offers a free service to provide disaster alerts for residents in every state. You can subscribe at:

[https://public.govdelivery.com/accounts/USDHSFEMA/subscriber/new?topic\\_id=USDHSFEMA\\_153](https://public.govdelivery.com/accounts/USDHSFEMA/subscriber/new?topic_id=USDHSFEMA_153)

**Energy Star Office Equipment**

Your management office could save on its electrical expense by converting to Energy Star office equipment.

Just consider these savings:

| Equipment    | Annual Cost Per Per Unit (kWh) | Savings PU |
|--------------|--------------------------------|------------|
| Computers    |                                |            |
| Monitors     | 200-300                        | \$20-37    |
| Copiers      | 236                            | \$24       |
| Fax Machines | 101                            | \$10       |
| Printers     | 45                             | \$ 4       |

Not only is new Energy Star equipment more efficient, it also typically features a low-power sleep mode for inactive equipment. Such power management features help cut the energy consumption of equipment that workers cannot or will not turn off.

### **MAP Identities of Interest**

Identities of interest between lenders and borrowers applying for multifamily FHA mortgage insurance is prohibited. Although there are certain narrow exceptions, the ability of HUD to delegate authority rests on an arm's length and completely independent credit judgment by the lender. Legal Documents (Mortgagee's Closing Certification and the Request for Endorsement) highlight this in provisions that prohibit "inducements." The *MAP Guide* will be revised based on experience over the past year, and advice given to lenders in specific situations.



Until the *MAP Guide* revisions are published, HUD staff and industry partners may rely on the following guidance:

**Traditional Application Processing (TAP)**- HUD generally does not have the capacity to provide timely processing using TAP. Field Offices should not accept a "TAP-like-MAP" application on an exception basis when there is an identity-of-interest.

**Bridge Loans and other Balance Sheet Debt**- These create an Identity, but are not prohibited unless they are intended to circumvent program requirements (e.g. no cash-out on a Section 223(a)(7) loan.) They must be disclosed prior to submission of the application, and be determined by HUD to be well underwritten, based on well-supported value.

**Inducements**- A prohibited Identity is created when MAP lenders have side deals including "kickbacks," loans between affiliates of either party, or pay Borrower costs for third parties or application fees. Any exception must be approved in advance, in writing, but generally will not be approved.

**Tax Credit Deals**- The *MAP Guide* allows up to a 25% equity position by affiliates of the lender for Low Income Housing Tax Credit transactions that meet certain criteria. Multifamily Hub Directors may approve waivers for transactions with Low Income Housing Tax Credits to allow affiliates of MAP Lenders up to 100% of the 99% Passive Investor under the following conditions:

- The MAP Lender is a Supervised Mortgagee or a publicly owned company (or wholly owned subsidiary of a publicly held company) subject to

oversight by the U.S. Securities and Exchange Commission.

- The Lender submits no more than five Firm Commitment applications for FHA transactions in a calendar year with an identity of interest in the Tax Credit investor.
- The equity investor must remain in a purely passive role throughout the term of the FHA insured loan, including after the Tax Credit compliance period ends.

### **Micro-Apartments**

A new type of housing is starting to appear in America's major cities—the micro-apartment.



These apartments, typically, only 275-300 square feet in size, are cropping up to meet the demand of people who are short on cash but determined to live in areas with otherwise pricey rents.

Micros, also known as "hostel-style" apartments, usually offer less than 200 square feet, including private bathrooms, and they typically come furnished, sometimes with built-in beds and other amenities to save space.

The State of New York is experimenting with this concept. Last year, it launched the adapt NYC Competition, a pilot program to develop a rental building composed of micro-units. The winner of the competition proposed 55 units ranging from 250 to 370 square feet.

### **PBCA Contracts**



The selection of the new PBCAs, will be announced by HUD, pursuant to the NOFA, on August 1, 2013, unless prohibited from doing so by the U.S. Court of Appeals.

### **Scholarship**

A \$2,000 Encarnacion Loukatos Educational Scholarship will be awarded to a tenant whose project is affiliated with the PennDel AHMA.



The scholarship is in honor of Ms. Loukatos, who retired from HUD last month, after 40 years of outstanding public service and was instrumental in establishing and supporting the AHMA.

## Housing Homeless Veterans

The Philadelphia Multifamily Hub Office has partnered with the VA Medical Center, City of Philadelphia's Office of Supportive Housing, the Philadelphia Housing Authority, and PHFA to house homeless veterans.



This partnership is an outgrowth of the HUD and the U.S. Interagency Council on Homelessness (USICH)'s initiative, "Dedicating Opportunities to End Homelessness." The initiative focuses on 10 HUD-identified priority communities: Philadelphia, Atlanta, Chicago, Fresno, Houston, Los Angeles, New Orleans, Phoenix, Seattle, and Tampa. It intends to help them align and supplement existing plans that address homelessness.

On May 15, 2013, the agencies held a conference with a group of management agents whose projects currently have efficiency and 1 BR units. During the conference a variety of topics were discussed such as the benefits of the partnership, the HUD-VASH Program, housing vouchers, homeless preferences/tenant selection plans, and homeless goals.

At the conclusion of the meeting a total of 140 vacant units were identified as possible resources to house homeless veterans. It was agreed to establish a goal of housing 100 veterans by September 30, 2013.

## Discrimination Settlements



The owner and manager of several properties in the Greater Hartford, CT area have agreed to pay \$150,000 to a fair housing advocate group as part of settlement.

The group, Connecticut Fair Housing Center, sued Paul Rosow, the owner of the properties, and Robert Kozikowski, the

manager, in 2010, alleging that they refused to rent to people who receive disability benefits or use state assistance programs.

Specifically, in its 2010 lawsuit, filed in U.S. District Court in Hartford, the fair housing center charged that Rosow and Kozikowski had discriminated against prospective tenants based on their source of income. Both men rejected people who tried to use Section 8 housing vouchers or

rent, the lawsuit said. They also turned away those who couldn't prove they had been employed for at least six months, it said.

"Source of income discrimination such as the refusal to accept rental assistance programs or other government aid causes real harm to individuals and families, particularly those with disabilities, seeking housing," said Greg Kirschner, legal director for the Connecticut Fair Housing Center. "These types of settlements underscore the severity of these violations and further the Center's mission of ensuring all people have access to the housing of their choice, free from discrimination."

The settlement requires Rosow to make available "apartments at all properties to all persons on an equal basis;" to communicate with all prospective rental applicants on an equal and uniform basis; to disclose any available units at the properties to applicants or tenants and allow them to select the unit of their choice; and to advertise apartment vacancies in compliance with fair housing advertising regulations, according to the agreement. It also mandates that Kozikowski attend a training session on fair housing laws and disability sensitivity and that Rosow provide all of his employees with a copy of a non-discrimination policy.

In another case, on May 10, 2013, HUD announced a \$170,000 settlement with the owner of a Nashville, TN, apartment complex, and its managers, resolving allegations that they discriminated against Hispanic tenants in violation of the Fair Housing Act. HUD's Secretary-initiated complaint alleged that the owner,

TriTex Real Estate Advisors, Inc., and its property management company terminated leases, ignored maintenance requests, and engaged in acts of intimidation and harassment based on national origin. Under the Conciliation Agreement, the owner and managers will establish a \$150,000 compensation fund for aggrieved former residents, and pay \$10,000 each to two nonprofit organizations to find potential claimants. Further, the owner and managers will adopt nondiscrimination policies, and their employees will attend fair housing training.

## Quick Population Fact

The number of people living in poverty in the U.S. suburbs (16.4 million) surpassed the number of poor in cities (13.4 million), from 2001 to 2011. The percentage increases were 64% and 29%, respectively.



This has been attributed to the availability of affordable housing, service-connected jobs, and increased use of Section 8 housing vouchers.

### Helping Seniors to Stay Sharp

A little exercise and some mental stimulation may go a long way toward helping your seniors stay sharp, a new study conducted by the University of California suggests.



Researchers have found the memory and thinking skills of 126 inactive older adults improved after they were assigned daily activities designed to engage their minds and bodies.

These activities included stretching and toning exercises, dance-based aerobics; brisk walking; weight training; viewing educational DVDs on arts, history, and science; computer games; etc.

The study concluded that engaging in such activities one hour per day improved memory and thinking skills.

It was also learned that physical exercise can be reduced to a prescription, just like a pill. However, it is not always as straightforward to prescribe mental activities given that different people are drawn to different activities. This, however, should not be a deterrent because the nature of the engaging activity is less important than the actual engagement itself.

The bottom line is to get your seniors involved!

### Cause of Fires

The U.S. Fire Administration, in its June 2012, and January 2013 reports published several interesting findings regarding the causes of fires that occurred from 2008-2010.



They were as follows:

- About 7,600 smoking-related fires and 164,500 cooking fires occur in residential buildings occur each year.
- Cooking was the leading cause of all residential fires and injuries.
- While smoking-related fires accounted for only 2% of all residential building fires, they accounting for 14% of fire deaths.
- Non-confined fires accounted for 93% of residential building smoking-related fires.
- 67% of the non-confined residential smoking-related fires occurred because of abandoned or discarded

smoking materials or products, primarily cigarettes. The bedroom was the leading area of fire origin, at 24%, for non-confined residential smoking-related fires.

- Residential smoking-related fires occurred most often from noon to 8PM, peaking from 2PM to 3PM, accounting for 6% of the fires.
- Residential cooking fires occurred mainly in the evening hours, from 4PM to 9PM, peaking from 5PM to 8PM, accounting for 26% of the fires.
- Residential cooking fires peaked in November, at 10%, and declined to the lowest point from June to August.
- Confined fires involving the contents of a cooking vessel, accounted for 94% of the fires.
- Oil, fat, and grease were the leading types of material ignited in non-confined cooking fires, at 51%.
- Each year, about 15,500 high-rises cause 60 civilian deaths, 930 injuries, and \$252 million in property losses.
- High-rise fires are more injurious and cause more damage than all structure fires.
- 75% of high-rise fires are in residential structures.
- The leading cause of all high-rise fires is cooking, at 38%, but causes vary by property type.
- 69% of high-rise structure fires originate on the 4th floor or below; 60% occur in apartment buildings; and 43% originate in the kitchen.

You can read these topical fire reports in detail, at:

<http://www.usfa.fema.gov/statistics/>

### Reverse Auction

A reverse auction was held on June 15, 2013. A total of 2,427 properties were successfully auctioned off. These included Section 8 only properties and properties that did not make it through several of the last auctions. The reversion auction is a method HUD uses to secure competitive bids for physical inspections. Of the national total, there were 206 in the Philadelphia Hub (NJ- 135, PA- 56, WV- 8, & DE- 7).

### Loan Closings



The following FHA-insured loans closed during the month of June:

PA- Goggle Works Apts. and Cumberland Court

WV- Hancock Apts., Freedom Place I, and Freedom Place II.