Pennsylvania, New Jersey, Delaware, & West Virginia

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS

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Inside this Issue:

Multifamily Reorganization

Multifamily Housing has started a transformation to better serve its customers and stakeholders, operate more efficiently and consistently, and improve its risk management.

The transformation builds on the success of past initiatives, *Breaking Ground* and *Sustaining our Investments*. These initiatives helped Multifamily respond to the financial crisis by reducing backlogs and improving application speed, while classifying assets according to risk. This provided liquidity and stability during and after the crisis.

The transformation includes four initiatives:

1. Launching workload sharing to more equitably distribute workload across the country in both Development and Asset Management.
2. Introducing risk-based processing and underwriters in Production to increase the efficiency of processing applications, provide improved customer service, and better manage risk.
3. Creating the positions of Troubled Project Specialists in Asset Management to allow senior staff to focus on risky, complex, or troubled assets.
4. Streamlining its organizational model in both Headquarters and the field to streamline decision-making and enhance accountability.

In Headquarters, Multifamily will streamline and focus its structure, with four main offices: Production, Asset Management and Portfolio Oversight, Recapitalization, and Field Operations. These changes will reduce duplication and provide better support and service to both the field and our external customers and stakeholders. In the field, Multifamily is consolidating 17 Hubs into 5 future regions. Each region will have two field offices– one hub and one satellite– for a total of 10 offices.

This structure will more closely mirror the model used elsewhere in HUD and will increase national consistency across Multifamily. The future locations, by region, will be: New York and Boston; Atlanta and Jacksonville; Chicago and Detroit; Fort Worth and Kansas City; and San Francisco and Denver.

All Multifamily Housing work currently performed by the Philadelphia Hub, as well as its staff will be transferred to the New York Hub. Implementation of changes other than workload sharing, which is already being piloted in multiple Hubs, will not begin until this Fall and will continue gradually over the next two to three years to minimize the risk of business disruption.

Collectively, Multifamily expects these changes to deliver significant increases in operational effectiveness, customer service, and risk management. In addition, they will generate roughly $40-45 million in annual savings once implementation is complete.

Although this transformation will achieve significant savings in a tight budget environment, the primary goal is improving Multifamily Housing's ability to deliver on its mission.

Welcome Back!

The Philadelphia Hub welcomes back Carolyn Anastasi, Contract Administration Oversight Monitor.

Carolyn has been on a special assignment, since February 2012, as one of five “Core Navigators” for Asset Management’s Sustaining Our Investments Initiative (SOI).

SOI is a process whereby HUD uses its Online Property Integrated Information Suite (OPIIS) to analyze financial factors, market factors, loan factors, age factors, physical factors, and qualitative factors in order to identify root causes of financial risk and work with owners to define mitigation actions.

As a Core Navigator, it was her responsibility to train “Navigators,” in various HUD Program Centers, to teach the SOI procedure to Project Managers. Over a 15-month span, she performed this function in the Philadelphia, Denver, Seattle, Los Angeles, New York, and Baltimore Hubs.

Carolyn is an outstanding employee and credit to the Department. We are happy that she is finally “home.”

Penn-Del AHMA

The Penn-Del AHMA, celebrating its 10th anniversary this year, was the recipient of the AHMA Innovation Award at the NAHMA Winter Meeting, held in Washington, DC on March 26, 2013.

Congratulations!

Federal Home Loan Bank Grants

On March 22, 2013 it was announced that the following sponsors of affordable housing developments across the City of Philadelphia would receive a total of $960,000 in grant money to help them complete their projects:

- People’s Emergency Center- Bigham Place; 7 units; $210,000.
- Impact Services Corporation- Impact- Veterans and Family Housing Counseling Center; 26 units; $250,000.
- CATCH- Pennrose Transitional Housing- 38 units; $250,000.
- Women Against Abuse- Women Against Abuse Phase II; 3 units; $250,000.

The grants, made under the Federal Home Loan Bank (FHLBank) of Pittsburgh’s Affordable Housing Program (AHP) with the assistance of Citizens Bank of Pennsylvania, PNC Bank and TD Bank, will help provide much-needed housing to challenged veterans, women with special needs and their children, individuals with chronic mental illness and victims of domestic violence. A total of 74 additional units of affordable housing will be available in the city once all four projects are completed. FHLBank Pittsburgh is a congressionally chartered co-operative of local financial institutions operating across Delaware, Pennsylvania and West Virginia. The Bank uses private money, not taxpayer funds, to assist local lenders in serving the affordable housing and community and economic development needs of the communities in which they operate. Each year, FHLBank sets aside 10% of its net income for AHP grants, which are awarded to project sponsors on a competitive basis.

The awards bring the total amount of AHP grants to lower-income and special needs housing projects within the City of Philadelphia to more than $43.1 million since FHLBank began funding the program in 1990. Since AHP’s inception, the Bank has funded 5,844 lower-income housing units in the city, plus 63 others for individuals above 80% of the area median income.
In 2013, FHLBank will offer approximately $13.5 million in AHP funds, nearly three times the amount awarded in 2012. The Bank has also increased its maximum per-project AHP grant amount from $250,000 to $500,000.

The Bank’s new funding round will open on July 8**,** and all applications must be received by August 29. All 2013 grant awards will be announced on Dec. 9, 2013. In preparation for the funding round, informational webinars will be offered this month, along with in-person workshops to be held in June. The webinars will provide a higher level, general overview of the 2013 AHP funding round, while the workshops will provide more detailed coverage of the AHP application process, including the processes for application scoring and feasibility. There will also be time allotted to address specific project-related questions.

To register for the workshops see:
http://www.fhlb-pgh.com/housing-and-community/programs/affordable-housing-program.html

Tenant Protection Vouchers

HUD has issued PIH Notice 2013-08, Funding for Tenant-Protection Vouchers for certain at-Risk Households in low vacancy areas.

The notice is initially providing $4 million for housing choice voucher assistance to residents residing in low-vacancy areas and who may have to pay rents greater than 30% of household income.

An owner is eligible to request assistance for unassisted households/units at the property if he is in compliance with civil rights threshold requirements, the property is in a low-vacancy area, there are at-risk households residing at the property (i.e., not currently receiving other project-based or tenant-based Section 8 rental assistance), and the property experienced one of the following three events in or prior to FY 12:

- The maturity of a HUD-insured, HUD-Held, or Section 202 loan that requires the permission of HUD prior to loan prepayment;
- The expiration of a rental assistance contract for which the tenants are not eligible for enhanced voucher or tenant protection assistance under existing law; or
- The expiration of affordability restrictions accompanying a mortgage or preservation program administered by HUD.

The deadline for owners to request assistance is June 14, 2013.

The Notice can be read in its entirety at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih

PBCA Contracts

The U.S. Court of Federal Claims has cleared the way for HUD to proceed with its NOFA awards for the PBCA contracts. However, the issue of the in-state PBCA preference within the NOFA was not addressed. The plaintiff PBCAs regard the in-state preference as an arbitrary and unfair restriction of competition. Forty-two PBCA contracts have been extended through 12/31/2013. This is exercising two three month option renewals. Several of the PBCAs may file additional motions with the court in hopes of preventing HUD from issuing awards under the NOFA until the court rules on the appropriateness of the in-state preference.

LIHTC Mapping Tool

Novogradac & Company LLP has available free mapping tools for Low-Income Housing Tax Credits (LIHTC) and New Markets Tax Credit (NMTC.

The LIHTC Mapping Tool features data from HUD's LIHTC Database, which includes information on more than 33,000 LIHTC properties and almost 2,203,000 housing units placed in service between 1987 and 2010. LIHTC property information can be searched by congressional district, state, county, city, census tract, ZIP code or property name.

The NMTC Mapping Tool, among other things, allows users to determine if a location meets various distress criteria included in the NMTC application. The online tool also includes thousands of data points representing billions of dollars of low-income community investments made from the beginning of the program through 2010. The tool, similarly, can be searched by congressional district, address, city, county, state or ZIP code to display NMTC investments.

The tool can be accessed at:

http://www.novoco.com/low_income_housing/resources/maps_data.php

Migration Data

Every year, about 10 million Americans move from one county to another in the U.S.

The core of large metropolitan areas- cities of at least 1 million- drew a net 2.7 million young adults in the decade that ended in 2010. But they lost a net 1.4 million children and family-age adults (from 30 to 49). Conversely, their suburbs gained a net 3.9 million people in the same age groups. Suburbs attracted people in every age group except ages 20 to 24.

Migration data, sorted by age, race, and ethnicity, from 1950 to 2010, is available at:

www.netmigration.wisc.edu

Tenant Safety

Tenant safety involves more than just fire protection, it includes a host of threats such as, domestic assault, terrorism, civil disturbances, shootings, workplace injuries, suspicious packages, medical emergencies, and carbon monoxide.

In order to avoid serious breaches in life safety, project owners and managers should avoid these common oversights:

- Overdue fire extinguisher inspections.
- No annual testing of emergency procedures.
- Compromised passive fire protection (ie., gaps in fire barriers due to retrofits).
- Reluctance to adopt new retrofit technology.
- Poor emergency exit signage, emergency lighting, and obstructed egress.

Calculate Retrofit Savings

Did you ever wonder how much your project will save on energy conservation retrofits? You can now calculate these savings by following these four steps:

- Quantity of existing fixtures x wattage of existing fixtures/1000= *kW demand reduction*.
- Quantity of existing fixtures x wattage of existing fixtures x annual hours of use/1000 minus Quantity of proposed fixtures x annual hours of use/1000= *annual kWh savings.*
- Annual savings x charge per kWh from utility= *annual dollar savings.*
- Cost of installation minus incentives/annual dollar savings= *net payback period.*

*(*Source– *Buildings,* March 13, 2013).

Quick Population Fact

Center city Philadelphia is thriving according to the *State of Center City 2013 Report.*

The population has grown by 11%, between 2000 and 2012. In addition more than 24,000 children were born to Center city couples.

Michaels Development Company

The Michaels Organization has announced that Ava Goldman, former Senior Vice President, has been named the new president of Michaels Development Company, the largest private sector affordable housing owner in the nation, and one of the most active housing developers. Ms. Goldman succeeds Robert J. Greer, who retired after 35 years with Michaels.

Enhancements to 4.0 Physical Inspections

On March 28, 2013, HUD's Office of Public and Indian Housing provided online training on the new 4.0 Enhancement Software for physical condition inspections.

You can view the training at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodpass/dcd4.0

Mark-to-Market Green Initiative

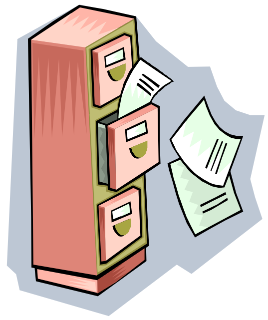
In July of 2007 HUD introduced its Mark-to-Market Green Initiative, a nationwide pilot initiative to encourage owners and purchasers of affordable, multifamily properties to rehabilitate and operate their properties using sustainable Green Building principles.

These principles comprise sustainability, energy efficiency, recycling, and indoor air quality, and incorporate the Healthy Housing approach pioneered by HUD. The Green Initiative will focus on properties within HUD's Section 8 portfolio, specifically properties in the Mark to Market (M2M) Program administered by the Office of Affordable Housing Preservation (OAHP).

For more information, visit the Green Initiative web page at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/presrv/presmfh/greenini

"Saving Trees"

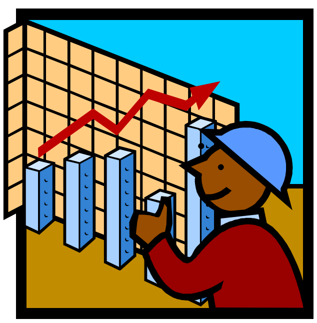


As we all know, we are awash in a sea of paper. In the Jan.-Feb. 2013 issue of *Multi Housing Pro*, the question was asked, "what would happen if the U.S. rental market (i.e., leasing) went paperless for one year?" Here are the amazing results:

- Save 1.5 billion sheets of paper.
- Save 184,075 trees.
- Save 222.5 billion BTUs.
- Save $34 million in annual rent checks.
- Save $796 million in paper and printing for landlords.

(Source: *Multi Housing Pro*, Jan.-Feb. 2013)

Tight Rental Markets



The slowdown of new construction during the economic downturn, coupled with growing demand has produced a tight rental market.

Over the next 20 years, demand for rental units will continue to grow. This is due to four factors:

- Baby Boomers downsizing.
- Echo Boomers moving out on their own.
- Post-foreclosure homeowners.
- Recent immigrants to "gateway" cities.

The following is the projected growth in rental households from 1990 to 2030:

1990- $31 million
2000- $37 million
2010- $40 million
2020- $47 million
2030- $50 million

(Source: *Multi Housing Pro*, Jan.-Feb. 2013)

Concept Meetings

Concept meetings are not required for Section 223(f) and Section 223(a)(7) applications for FHA mortgage insurance. A 30-minute telephone conference call will be sufficient.

Energy Retrofits

The Pennsylvania Housing Finance Agency (PHFA) has a one-stop-shop, the PA Multifamily Energy Team (PMET), to assist owners and management agents of affordable multifamily housing developments, located in PA, in providing energy efficiency upgrades to their properties.

PMET is the direct result of the knowledge and expertise gained through retrofitting of 8,300 affordable rental units via PHFA's Preservation through Smart Rehab Program.

Through that process, it became evident that there was an extraordinary need to create a one-stop-shop designed to guide owners and management agents through every step of the retrofit process, from initial benchmarking of the property's energy usage through post-retrofit performance monitoring and maintenance review.

The e-mail contact for the PMET team is: info@pmet.com

Loan Reviews

The Office of Risk Management & Regulatory Affairs (ORM) will be conducting five post-commitment loan reviews per month, on a random basis, of newly insured FHA loans. These loan reviews are to evaluate the quality of multifamily underwriting, identify trends, and ensure the MAP underwriter complied with the *Multifamily Accelerated Processing (MAP) Guide.*

ORM will evaluate variations in underwriting, as well as market trends and will monitor programmatic utilization (e.g. waivers, loan type, etc.) of transactions. The review will permit ORM to track trends, provide quality control, and to mitigate risks in the future. The ORM reviews will assist in verifying and maintaining a desired level of underwriting quality, and identifying corrective actions, as required.

To date, 47 reviews have been completed nationally- 3 in the Philadelphia Hub. Findings have focused on borrower's financials, credit history, lender submissions, and unusual applications that require regulation waivers.

Rental Housing Finance Survey

Although approximately 20% of American households live in multifamily rental buildings, until now little was known about how these larger rental properties are financed. HUD and the U.S. Census Bureau recently released the new *2012 Rental Housing Finance Survey*, which provides a more complete picture of the nation's multifamily rental properties, including data on property values, how their mortgages are financed, and characteristics of the structures.

This new survey builds on previously known information and collects data on property values of residential structures, characteristics of residential structures, rental status and rental value of units within the residential structures, commercial use of space within residential structures, property management status, ownership status, a detailed assessment of mortgage financing, and benefits received from federal, state, local, and nongovernmental programs.

HUD recognized that there was a gap in knowledge about who owns multifamily rental housing (mostly individuals, not large companies, as it turns out), how it is financed, and the financial health of the housing. The nation's recent housing crisis underscores the need to understand the financing that supports this important segment of the rental housing market, including the performance of the mortgages that support the housing in which one in five American families live.

With this data, HUD can better understand loan origination volumes, property characteristics associated with these originations, and operating costs and revenue characteristics for U.S. multifamily rental properties. The survey will also enable the Federal Housing Finance Agency (FHFA) to set affordable housing goals for the government-sponsored enterprises (GSEs) and to develop standards for underwriting multifamily mortgages. In addition, the rental apartment industry, including property owners, managers and investors, will be able to use the data to benchmark individual project performance against national data to help them make better business decisions.

The *2012 Rental Housing Finance Survey* was conducted in the winter and early spring of 2012 by the Census Bureau and includes information from detailed interviews of a nationally representative sample of 2,264 properties. Major findings from the survey include:

- There are 2.3 million such properties in the U.S.
- 73% are just one building, while 4% have 20 or more buildings on the property. In properties with 50 or more units, 45% have 20 or more buildings.
- 77% provide parking.
- 19% contain buildings built prior to 1920.
- 67% are owned by households or individuals.
- 70% are managed day-to-day by the owner or an unpaid agent such as a family member.
- 54% of two- to four-unit multifamily rental properties have a mortgage, compared to 85% of properties with over 50 units.
- 73% were acquired by their owners prior to 2005.
- 87% of multifamily properties owners reported making repairs to their housing units. The median cost of repairs was $699 per housing unit in 2011.
- 69% of all multifamily rental property owners reported making capital improvements to their properties in 2010 or 2011. The median cost of capital repairs was $1,167 per housing unit.

Emergency Capital Grant

Brooks Manor, a 57-unit, 5-story mid-rise property that serves low income seniors and disabled households in Charleston West Virginia, was a recipient of a $332,000 Emergency Capital Repair Grant in 2010.

This property constructed in 1970, had several emergency items that needed to be mitigated. The boiler heat system, roof and windows had become functional obsolete and were in need of immediate replacement, failure of any of these systems would have resulted in displacement of the residents. The grant funded repairs not only cured the most immediate emergency capital repair needs of the properties, it significantly improved the building's energy efficiency. The historic heating bill was $15,000 a month to $3000 a month after converting the heat from a centralized gas fired boiler system to individual electric PTAC units. This savings has allowed the owner to reinvest back into the property to complete upgrades in the units, making this aged property a more attractive housing option

Loan Closings

The following loans closed during the month of April: Insured- PA: Lutheran Knolls North, Rittenhouse Broomall; DE– Residences at Christiana Landing; NJ– Union Gardens; and WV– Elkins Manor.