

PHILADELPHIA MULTIFAMILY HOUSING HUB NEWS



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We're Back!

As you know, the government shut-down has ended and all HUD employees reported to work on October 17, 2013. Our staff is working very hard to catch up and to address priorities. Please call your Program Center if you have any concerns or questions.

New DAS MF Housing

Ben Metcalf was appointed the new Deputy Assistant Secretary for Multifamily Housing on August 5, 2013.



BEN METCALF AT IRONHORSE GROUNDBREAKING, 2008

Prior to joining HUD, Mr. Metcalf worked at BRIDGE Housing Corporation, the largest non-profit developer of affordable, mixed-income and mixed-use developments in California. At BRIDGE, he personally directed the development of \$125 million of award-winning mixed-use and mixed-income projects.

We wish him much success in his new leadership position.

Annual Financial Statements

Housing Notice H 2013-23, *Change in Annual Financial Statement (AFS) Submission Requirements for Some Multifamily Housing Projects*, was issued on August 8, 2013.

This Notice revises the financial reporting requirements for some multifamily housing projects. Specifically, it

relieves the owners of small multifamily projects of the burden and cost (approx. \$2,000 to \$10,000) of submitting audited financial statements. The cost savings will free up dollars to be used for additional maintenance, operating costs, or owner distributions. For purposes of this Notice, the term "small multifamily housing project" means a project for which the owner is under an obligation to submit an audited financial statement but receives less than \$500,000 in combined federal financial assistance.

You can find the Notice on HUDCLIPS at the link below:

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

Expansion of Tax Credit Program

Multifamily Housing has expanded its Low Income Housing Tax Credit (LIHTC) Pilot Program for the third time.



In mid-August, five newly approved lenders for the Tax Credit Pilot were trained, bringing the total number of participating lenders to 37. The pilot program now has 70 projects in the pipeline that includes nearly 7,000 units, and eight deals have closed. Multifamily plans to build on the success to date and continue bringing much needed private capital into FHA production with these tax incentives.

The LIHTC Pilot Program is only one of many endeavors implemented to help create and preserve affordable housing, and to support the priorities of HUD and the Administration.



Automated Underwriting System (AUS)

HUD's new long-awaited Automated Underwriting System (AUS) is coming. Last year, FHA made the important strategic decision to invest in a user-friendly computer system to improve how lenders submit applications for FHA insurance on multifamily mortgages, and how FHA processes those applications.



Two major improvements over the current DAP system (Development Application Processing) are on-line uploads and easier processing. AUS will:

- Enable lenders to upload FHA applications through the web.
- Enable field office staff easy access to application documents which will be held in a central, web-accessible document library.
- Enable staff to track and plan their work, to record their conclusions and upload their own analysis and relevant documents of their choosing that they deem relevant to their work.
- Allow HUD field office team members, HQ staff, and lenders involved in application processing to communicate much more effectively through an automated notification system that uses both internal messaging and e-mail.

To avoid the risks and complexities of building a system from scratch, FHA chose a Commercial-Off-The-Shelf (COTS) product that needed only to be customized to meet FHA's needs. The system is from Cassiopae, Inc. which has years of experience dealing with loan tracking and servicing. Overall, it should operate like a sailboat in a favorable breeze, carrying applications from a starting line, past a number of landmarks, to a finish line with a minimum of effort. Navigation will be easy, and, for staff and lenders, GPS will always be available.

HQ staff are overseeing the basic configuration of the system. This effort will continue through December. At that time the system will be ready for more extensive field office testing. The ultimate replacement of DAP- though planned as part of this effort- will not occur until the new system has been fully vetted and audited internally. This is not likely to occur until FY 2015. There will be a transition plan developed to ensure data integrity and the ability to produce accurate reports of application tracking and for FHA budgeting.

Section 236 Transactions

In anticipation of a dramatic increase in the volume of Section 236 project loans reaching maturity, the processing of Section 236 transactions has been streamlined.



As of July 1, 2013, HUD's Office of Affordable Housing Preservation (OAHP) is now reviewing, approving, and processing the following Section 236 activities, instead of local HUD offices:

- Prepayments
- Interest-Rate Payment (IRP) Decouplings
- Flexible Subsidy Deferrals
- Post Transaction Rent-Setting
- Excess Income Compliance
- Housing Assistance Payment (HAP) Assumptions
- Tenant Protection Vouchers and Enhance Vouchers
- Nonprofit Fees and Sales Proceeds
- Modifications to LIHTC/ELIHPA
- FHA Refinancings
- Partial Claims
- Unit Conversions

Preserving Affordable Rental Housing

HUD User has published an informative article that provides a snapshot of the growing need, current threats, and innovative solutions regarding the preservation of affordable rental housing. Specifically, the article focuses on the heightened need to preserve units in the subsidized stock through close collaboration among private and public sector groups working at the federal, state, and local government level.

Among the topics discussed are:

- Demand for Growth of Affordable Rental Units
- Threats to Privately Owned, Unsubsidized Rentals
- Pressures on Subsidized Stock
- Visibility Challenges for LIHTC Units
- Economic Benefits of Preservation
- Federal Solutions to Preserving Affordability
- State and Local Approaches
- Future of Preservation

The entire 7-page article can be read at:

www.huduser.org/portal/periodicals/em/summer13/highlight1.html

Mark-to-Market (M2M)

After more than 14 years of success, HUD's Office of Affordable Housing Preservation (OAHP) continues to implement the Mark-to-Market (M2M) program and process deals on Section 8 Assisted multifamily properties. To date, OAHP has completed processing on more than 3,500 projects, ultimately preserving affordability and availability of low income rental housing on more than 304,000 units.



As background, the M2M program was developed due to the expiration of thousands of housing subsidy contracts on privately-owned multifamily properties with federally insured mortgages. Many of these contracts set rents at amounts higher than those of the local market. As these subsidy contracts expire, the M2M program will reduce rents to market levels and will restructure existing debt to levels supportable by these rents.

There are many benefits to participating in the M2M program, from preserving the physical condition of a property, to providing the owner with the financial stability to accomplish the long term goal of its preservation. One highlight of the M2M program is the Green Initiative Program. Since 2007, M2M has included a Green Initiative, a voluntary pilot designed to incentivize property owners that are rehabilitating their properties through M2M to do so in the most sustainable ways feasible. To learn more about the Green Initiative visit:

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

OAHP provides other assistance to affordable housing areas in the oversight and preservation of a wide spectrum of affordable housing programs. Again, the benefits of participating in M2M are immeasurable to owners and tenants of multifamily properties who meet the criteria for the program. For more information on eligibility visit:

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

Owners who are unsure if their project rents are above market can request a comparability review to determine if they qualify for the M2M program. If you desire to know more about the M2M process, see:

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

The M2M program has been in full swing since 1998 and is still going strong to preserve low income rental housing while reducing the cost of Federal Housing assistance. For more information about the OAHP and/or the M2M program visit:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/hsgmfbus/aboutahp

Bed Bug Prevention & Control

HUD's Office of Healthy Homes has reviewed a pre-move-in packing policy that one of our management agents has implemented. It was determined that the procedure implemented- the spraying of packing boxes- was unnecessary, ineffective and expensive, since the majority of new residents do not have bed bugs.



However, asking tenants to treat their apartments before relocating, if their apartments have bed bugs, is very necessary. This is best done at least two months before moving and should be followed-up with bi-weekly inspection and treatments until elimination. Stating this in the lease will help reduce new introductions. It is acknowledged that this is difficult to enforce. Many residents may not know they have bed bugs or may choose not to report bed bugs before relocating. It is also difficult to inspect the moving boxes for bed bugs.

The best approach is to establish a "moving-in" procedure. Place Climbup interceptors under furniture legs in moving-in apartments and conduct bi-weekly visual inspections. If bed bugs or signs of bed bugs are found, then treat until elimination. This step is the least expensive option and will avoid unnecessary pesticide applications. Once bed bugs are found, the landlord then can determine who is responsible for treating the bed bug infestation.

In a recent study sponsored by EPA, the bed bug infestation rate was reduced by 87% (from 15% to 2%) in the Jersey City Housing Authority after 12 months' implementation of a bed bug prevention and control program. Among the 70 bed bug infestations, only 30% were known by residents or staff. Placing interceptors alone detected 95% of the infestations.

Correction

In last month's "Exceptional Portfolio Ranking" article, there was a typo. It should have read, "Only 4% (\$50 million UPB) of the Philadelphia Hub's insured portfolio and 11% of its non-assisted portfolio are rated as troubled."

Hurricane Sandy Rebuilding Strategy

President Obama's Hurricane Sandy Rebuilding Task Force, chaired by Secretary Shaun Donovan, has released a rebuilding strategy to serve as a model for communities across the nation facing greater risks from extreme weather



and to continue helping the Sandy-affected region rebuild. The Rebuilding Strategy contains 69 policy recommendations, many of which have already been adopted, that will help homeowners stay in and repair their homes, strengthen small businesses and revitalize local economies, and ensure entire communities are better able to withstand and recover from future storms.

The recommendations range from holding contests for architects, engineers, artists, planners, and environmentalists on finding smart designs, to funneling federal money to projects using cutting-edge science. Among the recommendations that will have the greatest impact on Federal funding is a process to prioritize all large-scale infrastructure projects and map the connections and interdependencies between them, as well as guidelines to ensure all of those projects are built to withstand the impacts of climate change. The Strategy also explores how to harden energy infrastructure to minimize power outages and fuel shortages- and ensure continuation of cellular service- in the event of future storms.

The goals of these and other recommendations in the Strategy are to:

- Align federal funding with local rebuilding visions.
- Cut red tape and get assistance to families, businesses, and communities efficiently and effectively, with maximum accountability.
- Coordinate the efforts of the Federal, State, and local governments, with a region-wide approach to rebuilding.
- Ensure the region is rebuilt in a way that makes it more resilient- that is, better able to withstand future storms and other risks posed by a changing climate.

In addition to the recommendations that are directly linked to Sandy Supplemental funding, the Rebuilding Strategy also includes additional policy recommendations that will have a significant impact on how the

region rebuilds. Finally, in recognition of the increased risk the region and the nation face from extreme weather events, the Rebuilding Strategy includes recommendations that, if implemented, will improve our ability to withstand and recover effectively from future flood-related disasters across the country.

Several of the policies and principles developed by the Hurricane Sandy Rebuilding Task Force were also incorporated into President Obama's Climate Action Plan, which laid out a series of responsible and common sense steps to prepare communities for the impacts of a changing climate, including the need for the Federal government to make investments based on the most up to date information about future risks. (See Sept. 2013 Hub newsletter).

As laid out in the Rebuilding Strategy, the Task Force has also taken steps to ensure the implementation of these recommendations, each of which will be carried out by a Federal Department or Agency or an existing interagency working group. Implementation will be tracked by a team which will also build on the Task Force Program Management Office's work to track and release data on Federal spending from the Sandy Supplemental Funding Bill.

The full Hurricane Sandy Rebuilding Strategy can be read at:

http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2013/HUDNo.13-125

Mixed-Income Housing

The latest issue of *Cityscape: A Journal of Policy Development and Research* features a symposium about mixed-income housing in the United States and Europe.

James C. Fraser, Deirdre Oakley, and Diane K. Levy briefly discuss the history of public housing and the evolution of mixed-income redevelopments in the United States and comparable programs in the United Kingdom.

The symposium provides readers with various viewpoints on mixed-income housing and the creation of diverse, healthy communities and also tackles the issue of responsibility for the provision of housing for low-income individuals.

To read the articles, see:

<http://www.huduser.org/portal/periodicals/cityscape/vol15num2/index.html>

Mixed Income Community Dynamics



Researchers are increasingly turning to qualitative analysis to better understand the social dynamics of mixed-income communities. Ethnographic studies complement quantitative research by revealing the mechanisms underlying broad

socioeconomic trends and presenting new perspectives on community development.

Some highlights from the study are:

- The ideal of inclusive, cross-class interaction in mixed income communities is often undermined by the enforcement of social order, including management actions that restrict social gatherings in public spaces and rules relating to housekeeping and noise levels.
- Residents of mixed-income neighborhoods share a desire for high-quality neighborhood institutions and amenities, but they do not always agree on what “high quality” means.
- Attentive design of affordable housing can reduce class-based stigma and promote resident engagement.

The study can be read in its entirety at:

www.huduser.org/portal/periodicals/em/spring13/highlight2.html

Continuity of Operations



On August 14, the Philadelphia Regional Office participated in the 7th annual Liberty Down 2013 Continuity of Operations Deployment Exercise.

This exercise was conducted in cooperation with the Philadelphia Federal Executive Board (FEB) and the Emergency Preparedness

and Security Council.

The exercise presented an opportunity for the Philadelphia Regional Office to simulate an emergency and deploy its continuity team to an alternate facility in order to maintain services to its clients

Housing Profiles

HUD and the U.S. Census Bureau recently released housing profiles for 29 metropolitan areas in the United States. One of the profiles is Pittsburgh, PA. The profiles contain regional information that helps identify housing trends and characteristics in different parts of the country. They can be found at:



http://www.huduser.org/portal/pdredge/pdr_edge_frm_asst_sec_081213.html

Worst Case Housing Needs



The most recent analysis of trends in worst case housing needs shows continued increases in the number of extremely low-income renters who do not receive government housing assistance and who face significant affordability and/or housing quality challenges. This interesting study can be read at:

http://www.huduser.org/portal/pdredge/pdr_edge_research_081213.html

Inclusionary Zoning

In an effort to address the need for affordable housing and encourage the development of mixed-income communities, hundreds of jurisdictions have adopted inclusionary zoning (IZ) policies that vary greatly in how they are structured.



An in-depth look at IZ programs in New York City and Chicago indicates that inclusionary zoning has the potential to produce affordable housing and create socially and economically integrated communities, especially in markets where housing demand is high.

To read more on this topic, see:

<http://www.huduser.org/portal/periodicals/em/spring13/highlight3.html>

Housing to Give Neighborhood a Boost



New housing is giving a boost to the South Kensington area of the City of Philadelphia.

Two planned housing projects are being seen as catalysts for revitalizing the former industrial neighborhood. The first, Soko Lofts, a rather large mixed-use development will include 311 residential units, 4-6 retail spaces, about a hundred parking spaces, and a Piazza-like courtyard for the development's residents. Across the street will be Blackstone Development's Liberty Square- a five-story, 191-unit, mixed-use building. This will complement Blackstone's existing six-story, 247-unit building.

MAP Guide

HUD is currently in the process of updating the *MAP Guide* (2011 version). In addition, a new *MAP Guide* is in the development stage.



The focus of the new *MAP Guide* will be in three areas:

- Incorporate policy changes since 2011 (e.g. Mortgage Letters, Notices, FAQs Meeting Minutes, etc.).
- Make technical changes.
- Incorporate organizational changes, new initiatives LIHTC Processing, RAD, etc.

In early 2014 HUD will initiate comment periods with a number of industry clients. The target is to complete the process in late spring.

Annual High Cost Percentages



The annual high cost percentages for FHA statutory mortgage programs were issued on September 9, 2012 with Notice H 13-27.

Last year's percentage of 270% remains unchanged for all of the jurisdictions in the Philadelphia Hub. Namely, Philadelphia;

Pittsburgh; Wilmington, DE; Charleston; Newark; and Camden/Trenton.

2014 OCAF Factors

The Operating Cost Adjustment Factors (OCAF) for 2014 were published in the September 16, 2013 *Federal Register*.

These factors are used for adjusting or establishing Section 8 rents under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), as amended, for projects assisted with Section 8 Housing Assistance Payments.



The factors are effective February 11, 2014 and can be found at: <http://www.gpo.gov/fdsys/pkg/FR-2013-09-16/pdf/2013-22458.pdf>

Affordable Care Act Enrollment



On October 1, 2013, the Health Insurance Marketplace opened in every state. With a single application, HUD-assisted tenants can see if their families qualify for Medicaid, for the Children's Health

Insurance Program, or for subsidized health insurance premiums, and can enroll in coverage that begins as soon as January 1, 2014.

The best place for the latest, most accurate, information on the Marketplace is the following website:

www.HealthCare.gov.

At the site, you can learn what it is, who can apply for insurance, how to get insurance, how to lower costs, and more. Tenants can also call a toll free number, (800) 318-2596, to speak with a trained customer service representative. The site can also help project owners and managers to people in local communities who can provide HUD-assisted tenants with personal help making insurance choices.

Quick Fact

In 2010, there were 9.9 million low-income renters but , at the same time, there was a shortfall of 5.1 million affordable rental units in adequate physical condition

LGBT Housing

The second LGBT-friendly housing project in the nation, the John C. Anderson Apartments, a 56-unit building, located in Center City Philadelphia, is under construction and will be completed by early next year.

The Anderson Apartments, developed by a partnership between the dmhfund and Pennrose Properties, will work as a place where low-income senior members of the LGBT community can live and function without discrimination.

In addition to the residential space, the building will provide 1,700 square feet of commercial space.

Top Energy-Efficient Technologies

The GSA's Green Proving Ground has released the results of several studies of energy-efficient building technologies. The studies supported the use of the following:

- Condensing Boilers- ultra-efficient water heaters that use waste heat to pre-heat cold water entering boilers.
- Variable Refrigerant Flow- HVAC technology that can simultaneously heat and cool different areas of facilities to enable tighter temperature control.
- Photovoltaic Panels.



The complete studies can be read at: www.gsa.gov/GPG

Continuation of Interest Reduction Payments

HUD has updated the procedures for the optional continuation of Interest Reduction Payment (IRP) assistance when projects under Section 236 are refinanced.



These changes are contained in Notice H 2013-25, issued on August 23, 2013.

The 26-page Notice can be read in its entirety at:

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

Extension of 3-Year Rule

The one-year temporary authority, contained in Mortgagee Letter 2012-13, to waive the 3-Year Rule on Section 223(f) applications for recently completed affordable rental housing, has been extended for another year. At this time, HUD anticipates that this will be the final extension of the 3-Year Rule Waiver. All other conditions and requirements of Mortgagee Letter 2012-13 remain unchanged.



The new Mortgagee Letter 2013-31, issued on September 18, 2013, will benefit applications for affordable properties that otherwise meet all requirements of the Section 223(f) program except that the housing was originally completed or substantially rehabilitated less than three years prior to the date of application for Firm Commitment.

“Affordable” for the purpose of this Mortgagee Letter means properties receiving Project-Based Section 8 through either a Housing Assistance Payment (HAP) Contract or a Project-Based Section 8 Voucher, for greater than 90% of the units, or supported by Low Income Housing Tax Credits (LIHTC), or subject to similar use restrictions.

Loan Closings

The following loans closed during the month of September- the last month of FY13:

Insured

PA: Summit Gardens, Casa Farnese, and Village Garden I.
NJ: Baxter Terrace.
WV: Pineknoll Apartments.



Section 202

PA: Liberty Resources Condos., and Ken Crest PA 2010.
NJ: Egg Harbor Housing, St. Peter's Senior Housing, and West Bergen.