

# PACIFIC CURRENTS

## Multifamily Housing News

U.S. Department of Housing & Urban Development — San Francisco Multifamily Hub

*Hawaii*

*Northern California*

*Nevada*

*Arizona*

Volume 9, Issue 2

October 2007

### Inside This Edition of Pacific Currents

Greetings from the Director	— 2
Service Coordinators Help Seniors	— 3
Presentation Senior Community and HUD's Congregate Housing Services	— 4
Aging Affordably: The California Assisted Living Waiver Pilot Project	— 5
HUD's Section 231 Lives On! Ceatrice Polite Renovation Celebration	— 6
Senior Resident at Kapolei Ceremony	— 7
HUD's Assisted Living Conversion Prgm.	— 8
The WellElder Program, Reverse Mortgages and the PACE Program	— 9
Mt. Valley Haven II & Strauss Manor	— 10 & 11
Previous Participation and EIV News	— 12
Change 2 to Handbook 4350.3 REV-1, Revised forms and Status of Waiting Lists	— 13
Update Your Tenant Selection Plan	— 14
Policy Changes to Renewal Contracts	— 15
Energy Efficiency-Based Utility Allowance	— 16 & 17
Working to Build a Stronger FHA	— 18

### SPECIAL EDITION

## Aging In Place - What is it?

Regardless of your age, race, class, income, religion, education or gender, you will get older. Will you have to leave your home? What kind of help will you get? These are questions that millions of seniors in the United States are facing today. By 2030, older adults are expected to make up 20 percent of the population, doubling from 35 to 70 million people.

The quality of healthcare and housing are interrelated. Nine out of ten seniors live in conventional, non-age restricted housing, and home ownership rates among seniors are high. If an older person's housing is inadequate for their condition, their health may decline. If their health has declined, they may not be able to maintain their living environment. Problems like a leaky roof or broken heater can make someone ill or feel out of control. In addition, the physical deterioration of a house can cause mental health deterioration.

It used to be thought that as an individual grew more frail, he or she should physically move from one facility to another as the need increased. Instead, it is now possible to modify the environment by adding supportive services or reconfiguring the residence, allowing the senior to age in place. Aging in place is growing older without having to move from one's present residence in order to secure necessary support services in response to changing needs. This can mean living where you have lived for many years, or living in a non-healthcare environment and using in-home services to enable you to remain in your home as your condition changes. Limiting physical relocation helps seniors maintain their social networks and avoid the negative effects of relocation.

*Continued on Page 8*

### NEWS FLASH!

CHANGE 2 to HUD's

OCCUPANCY  
HANDBOOK

HAS BEEN ISSUED!

[HTTP://WWW.HUDCLIPS.ORG](http://www.hudclips.org)

#### Where To Find Our Previous Pacific Current Issues

The San Francisco HUB publishes Pacific Currents quarterly. While we try to furnish our 4,000+ subscribers with a printed copy, sometimes we are only able to post the newsletter on our website due to insufficient printing funds. Look for our latest issue here:

<http://www.hud.gov/local/ca/working/localpol/mfhsgnews.cfm>

#### Section 232 Program

SEE PAGE 4!

#### Presentation Senior Community



## Multifamily Hub News Staff

Multifamily Hub Director  
[Tom Azumbrado](#)

Editor-In-Chief — [Christine Day](#)  
Layout and Design — [Larry Chauvet](#)

Contributors:

Claire Michaels  
HUD Summer Intern

Shannon Bergman  
HUD Housing Representative



The Multifamily Hub News is distributed to Hub clients as well as other interested parties. Comments may be directed to Christine Day at (415) 489-6610 or [Christine.J.Day@hud.gov](mailto:Christine.J.Day@hud.gov)

**Subscriptions:** The San Francisco Multifamily HUB, USDHUD "Pacific Currents" newsletter is published on a quarterly basis and distributed free of charge to registered subscribers.

**To subscribe for the online edition please visit**

<http://www.hud.gov/subscribe/index.cfm>

**Disclaimer:** This publication provides general coverage of its subject area. It is distributed with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice or services. If legal advice or other expert assistance is required, the services of a competent professional should be sought. The publisher shall not be responsible for any damages resulting from any error, inaccuracy, or omission contained in this publication.

### Hub Lines . . .

"None are so old as those who have outlived enthusiasm."

- *Henry David Thoreau*

"We turn not older with years, but newer every day."

- *Emily Dickinson*

## Greetings From Tom Azumbrado Director, San Francisco Multifamily Hub

This issue focuses on senior housing issues. This topic touches many of us on both professional and personal levels.

The Joint Center for Housing Studies of Harvard University notes in their 2006 "The State of the Nation's Housing" that "baby boomers are driving a dramatic shift in age distribution of households." From 2005 to 2015, total projected household growth is estimated to be a little over 14.6 million households for the nation. Within this growth is an estimated increase of 13.8 million households for age 50 and over, compared to just an 870,000 thousand increase for combined households under age 50. Over the next decade, there will be challenges and opportunities when dealing with these demographics.

Households age 55 and over have the highest percentage of homeownership (over 80% versus just under 70%). Many have equity and income to support second homes, move to retirement communities if so inclined, and are able to pay for assisted living facilities (ALFs) if the need should arise. HUD/FHA mortgage insurance is actively used to help promote unsubsidized elderly rental housing (Section 231), ALFs and nursing homes (Section 232) within this market. We will have an increased role as we move forward to streamline the processing of these loans.

We observe the apartments in our portfolio, in particular our subsidized portfolio, and note the aging population. Our Section 202 (subsidized elderly housing) average age is approaching those of assisted living facilities (i.e., over 80) and many residents need services that go beyond what a typical Section 202 can provide. There are many examples of "aging in place" that owners and managers are using to help residents stay in their existing homes. This issue gives some examples of how housing providers have implemented services within the current constraints.

We are currently processing this year's Assisted Living Conversion Program that provides grants to help HUD-assisted elderly housing make physical modifications so that portions of these facilities can be licensed as ALFs. But for the most part, there is a lack of funding for services for frail individuals within existing elderly housing. Our Service Coordinator program and funding helps identify and coordinate needed services for such residents, however, we are unable to directly provide services.

We are excited about the opportunities and challenges that senior housing presents and now over the next decade. We appreciate your work in serving the most needy elderly in our jurisdiction. We could not accomplish our mission without the work done by you and others. If you would like to discuss how to HUD/FHA may be a possibility for your project, please contact me at your convenience.

*Tom Azumbrado*  
Director, San Francisco Multifamily Hub  
415.489.6604  
[thomas.w.azumbrado@hud.gov](mailto:thomas.w.azumbrado@hud.gov)

## Service Coordinators Help Seniors Stay In Their Homes

About 40 percent of the residents of older federally subsidized Section 202 properties are over age 80. Service Coordinators help in the coordination of, referral to, and delivery of supportive services that help seniors age in place. Before HUD even funded Service Coordinators, nonprofit housing providers were hiring people to link frail residents with services available in the community. HUD funds Service Coordinators through operating budgets and through specific grants.

The most prevalent services to which residents are linked are housekeeping, home health, and personal care. Nora Nolden is the Senior Service Coordinator at Palo Alto Housing Corporation. "People call me because I know whom to call. They feel better if they make the call themselves; it makes them feel accomplished." If a Service Coordinator cannot find a service for a resident, sometimes the service has to be organized. This takes resourcefulness and ingenuity. Jude Mariah is a Service Coordinator at Burbank Heights



*Jude Mariah and resident*

Orchards, sponsored by Christian Church Homes of Northern California. She explained how she called the local food bank; the bank came out and signed up all of the residents who were eligible to receive 40 pounds of food a week. Other times, service coordinators arrange for volunteers to provide services for residents. As Jane Graf, president of Mercy Housing says, "for every \$1 spent on Service Coordinators we pull \$4 of services out of other agencies."

Donna Murphy is a Service Coordinator at Sojourner Truth Manor, sponsored by Christian Church Homes. As she says, "We service coordinators are a lifeline for residents." She explains how administration staff, the maintenance staff, and the other residents become like a family, watching out for residents who are in need. Karen Lenoir,



*Karen Lenoir and Donna Murphy*

Director of Social Services at Christian Church Homes, was a Service Coordinator for many years. "Service Coordinators are here not only for the very frail residents but also for the at-risk ones," she explained. For example, health and wellness programming on topics such as preventing falls can help healthy seniors stay independent.

Even without giving direct help, Service Coordinators provide access to services for elderly residents who otherwise would not be able to stay in their homes.

### Certified Aging In Place Specialist (CAPS)

In looking at the private housing market, it is easy to tell how important the idea of aging in place has become. One example is the Certified Aging In Place Specialist (CAPS) program. This certification program was created by the National Association of Homebuilders (NAHB) and the American Association of Retired Persons (AARP).

The program teaches technical, business management, and customer service skills to help entrepreneurs compete in the fastest growing segment of the residential remodeling industry: home modifications for older people who want to age in place and can afford to remodel their homes. Participants include remodelors, general contractors, designers, architects, and health care consultants. They learn how to evaluate a homeowner's needs and implement a project in a professional, aesthetically pleasing way. More than 1,000 people have been certified since 2002. The affordable housing and multifamily housing industry should pay attention to the market for home modification services and begin thinking about how to make this type of service available to all seniors who may need it.

## Presentation Senior Community

Presentation Senior Community has 92 Section 202 subsidized units and an Adult Day Health (ADH) Center on the ground floor. The collaboration between Mercy Housing and North and South of Market Adult Day Health was part of a ten year planning process “We’re glad to have one door,” said Nicole Clause, Program Director for Presentation Day Health. “It keeps us connected to housing. The connection is concrete.” As Ms. Clause explains, “Adult Day Health programs try to keep disabled adults and seniors living in their homes,



in the community.” The partnership between subsidized senior housing and ADH achieves this through a flexible program that includes comprehensive health services and monitoring, exercise, social activities, and communication between the two organizations’ staffs.

Receiving a subsidized unit can be an incredible life improvement for some seniors. 85% of the residents at Presentation Senior Community are Chinese, and many came from extremely cramped quarters in San Francisco’s Chinatown. As Abelle Cochico, Community Operations Manager explained, “If a frail person lives at home, they don’t go out.” On one home visit, a woman had been sleeping in a unit on a bunk bed with a window that had been broken for twenty-five years. It is not only access to health services that residents enjoy. Ms. Cochico pointed out that residents “enjoy the community and the social environment. Many of them have changed, their health has improved.” Ms. Cochico lives on site. Sometimes when residents see her in the evenings they ask her why she doesn’t go home and she says, “I am home!” While some residents do not feel safe in the neighborhood, others have joined the “Greening Team” and help clean next door Boeddecker Park each month. This effort was recognized by the Aging Services of California’s 2007 Community Service Award.

Communication between the ADH staff and property management can prevent unnecessary evictions. In order to avoid HIPA privacy restric-

tions, the ADH Program has participants sign a consent form so that medical information can be shared with the housing staff as needed. Ms. Clause gave the example of a delusional resident who refused to pay her rent. The ADH staff talked to the manager and explained that the resident she needed a few more days for her increased medication to take effect.

About one-third to one-quarter of the ADH participants are residents of Presentation Senior Community; the rest of the participants live in the local community. In order to participate in an Adult Day Health program, a senior or disabled adult must have a health problem. The ADH staff includes an activities coordinator as well as nurses, physical, occupational and speech therapists, social workers and program aides. Before a senior is even enrolled in the program, staff members visit the home to assess their level of need and to begin getting them the in-home support they require. Attendance is flexible and depends on Medical’s determination of need. Ms. Clause explained, “We’re open five days a week but some people only come twice a week.”

This partnership between subsidized housing and adult day health can serve as a model for matching seniors’ needs with the type of services that can keep them in their homes.

## HUD’s Congregate Housing Services Program

The Congregate Housing Services Program (CHSP) was authorized in 1978, renewed in 1990, and has not funded new grants since 1995. CHSP is unique in that it offers 55 project-based grants around the United States for the provision of meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. States, units of local government, public housing authorities, tribally designated housing entities, and local nonprofit sponsors are eligible to apply. For example, the grant could be used to hire a housekeeper for residents. HUD provides funds of up to 40 percent, grantees pay at least 50 percent, and program participants pay fees amounting at least ten percent of the program costs. Although not currently an active program, CHSP demonstrates HUD’s past and present commitment in preventing premature and unnecessary institutionalization of frail elderly and disabled persons through the provision of services in conjunction with housing.

Please see <http://www.hud.gov/offices/hsg/mfh/progdesc/chsp.cfm> for more information.

## Ground Broken for New Senior Project

A 60-unit affordable housing project for seniors, Senior Residence at Kapolei, broke ground in the city of Kapolei, on the island of Oahu, on July 23, 2007. Dignitaries attending the event included Hawaii Governor Linda Lingle, Honolulu Mayor Mufi Hannemann and the Rev. William Kaina, who officiated the traditional Hawaiian blessing of the



ground. The sponsor is Pacific Housing Assistance Corporation and the owner is Pacific Housing Oahu Corporation Kapolei Residence. The \$13.5 million project is funded with \$10.75 million in Section 202 Capital Advance funds, \$1.75 million in Home funds through the City and County of Honolulu and \$1 million in Rental Housing Trust Funds through the State of Hawaii. The State is also leasing the land to the project owner for \$1 per year for 75 years.

The project will consist of 60-one bedroom apartments in 13 single story four- and six-plex buildings. A community center to serve the residents will also be constructed on the site. The project will serve elderly residents with incomes at or below 50 percent of Oahu's median income.

The project, which is expected to be complete in the summer of 2008, will help meet the high demand for affordable elderly housing in Hawaii.



From right: Governor Linda Lingle, Cheryl Fukunaga, Multifamily Housing Project Manager, USDHUD, Alton Kunoka, Treasurer, Pacific Housing Assistance, and Dan Davidson, Executive Director, Hawaii Housing Finance Development Corporation

## Ageing Affordably: The California Assisted Living Waiver Pilot Project

Senior residents of publicly subsidized housing are less likely than senior homeowners to have family members they can rely on. Residents subsidized in senior housing are also less likely than unsubsidized renters to live in properties that offer supportive services. How can low-income seniors afford to age in place without unnecessary institutionalization?

California's Assisted Living Waiver Pilot Project (ALWPP) was created by Assembly Bill 499 in 2000 in order to determine whether assisted living could be an effective alternative to long-term placement in a nursing home. The California Department of Health Services (DHS) was required to develop and implement a project with the aim of enabling low-income, MediCal eligible seniors and persons with disabilities in Sacramento, San Joaquin, and Los Angeles counties, to receive assisted living services instead of going to a nursing home. Services are provided to participants in Residential Care Facilities for the Elderly (RCFEs) as well as publicly subsidized housing. The project currently has about 300 seniors receiving care from 28 providers and is looking for more participating home health agencies to partner with housing facilities. Please see <http://www.californiaassistedliving.org/> for more information.

If you are a senior property or service provider in Sacramento, San Joaquin or Los Angeles counties and would like to find out more information, please contact Mark Mimnaugh at (916) 552-9379.

### Claire Michaels



Claire Michaels has provided a major role for this edition of *Pacific Currents* with articles entitled: "Aging In Place, What Is It?", "Service Coordinators Help Seniors Stay In Their Homes", "Certified Aging-In-Place Specialist

Program", "Presentation Senior Community", "HUD's Congregate Housing Services Program" "Housing for the Elderly HUD's Section 231 Lives On!" "Ceatrice Polite Apartments Renovation Celebration" "HUD's Assisted Living Conversion Program" and "Program of All-Inclusive Care for the Elderly—PACE".

Claire was an intern with us this summer and is currently a graduate student with the Goldman School of Public Policy, U.C. Berkeley.

## Housing for the Elderly HUD's Section 231 Lives On!

When was the last time you considered using HUD's Section 231 Program? Well, now may be the time to reconsider. This program insures mortgage loans to facilitate the construction, rehabilitation and purchase of detached, semi-detached, walk up or elevator-type rental housing (consisting of eight or more rental units) designed for elderly or disabled individuals. Although already a successful program, it is now included in MAP (Multifamily Accelerated Processing).

When processing an application under Section 231, the underwriting instructions and procedures set forth for the basic Section 207 Rental Housing Program prevail, except as noted in Handbook 4570.1. Although similar in nature to Sections 221(d)(3) and 221(d)(4), there are some differences between the Sections of the Act. Some points to remember with this Program are:

- (1) For new construction cases, Section 231 is a replacement cost program like Sections 221(d)(3) and 221(d)(4).
- (2) For substantial rehabilitation cases, Section 231 is a value-limited program like Section 207. At Firm Commitment, an "as is" value and a value after the completion of rehabilitation are required.
- (3) Section 231 mortgages have the same restrictions on mandatory meals and services, central kitchens and dining areas, and non-shelter spaces as Section 221(d)(3) and 221(d)(4) mortgages. Currently institutional central kitchens are not permitted, nor may the project provide meal services on either a mandatory or optional basis. However, that may change. Please contact us if this is an issue for your project. The prohibition does not preclude the installation of modest (non-luxury) equipment in a common use kitchen (e.g., sink, stove, or refrigerator) in a non-shelter space for use of tenants or by outside entities providing catered meals.

For additional information about this program, please refer to the Handbook 4570.1 and the Mortgage Letter 2007-05. It's worth taking another look at this program. Please contact Bob Katz at [Robert.H.Katz@hud.gov](mailto:Robert.H.Katz@hud.gov) or (415) 489-6663.

## Ceatrice Polite Apartments Renovation Celebration

On July 13, 2007, San Francisco Multifamily Hub staff joined in the celebration of the renovation of Ceatrice Polite Apartments in San Francisco, CA.

The nine story facility was developed by TODCO (Tenants and Owners Development Corporation) Group. This project was initially built in 1983 with HUD's Section 202 Direct Loan funding. The project has a Section 8 project-based HAP contract for all 91 units. In 2006, through Red Mortgage Capital, new HUD/FHA Section 221(d)(4) mortgage insurance was utilized, in conjunction with tax exempt bonds and Low Income Housing Tax Credits to rehabilitate the facility. The scope of work included new roofing, alarm system, laundry equipment, carpeting, kitchens, bathroom upgrades, accessibility improvements and refurbishment of the elevators.



*Ceatrice Polite Apartment*

Using FHA with other financing sources enhanced the owner's ability to maximize capital for the improvements and created a means to utilize equity and developer fees for resident services and other missions of the nonprofit. This transaction demonstrated that HUD can be a powerful refinancing tool to revitalize older Section 202 projects, improve residents housing conditions, and foster nonprofits' financial health and mission.

We thank TODCO for giving us an opportunity to work with them on this complicated transaction that produced many positive results.

HUD's Next Industry Meeting: Thursday, October 18th, 2007



**FHA Section 232 Program,  
Health Care Financing**

America's senior population is showing steady growth. In 2002, the U.S. Census Bureau estimated that there were 61 million people over age 55 and their numbers are projected to grow over 103 million in 2025. This growth will increase the percentage of the population aged 55 or older from 22 percent of the nation's population to 30 percent. Within this population segment, there are many questions and concerns we will face such as aging-in-place and ever increasing healthcare needs. One such way we can meet this need is for developers to take advantage of HUD's Section 232 mortgage insurance program to finance health care facilities such as nursing homes, board and care facilities, and assisted living facilities.

This program can be used for existing rental residential healthcare properties either for acquisition or refinance, as well as to fund construction for a new facility or to substantially rehabilitate older facilities. Eligible borrowers include individuals, limited liability companies, partnerships, trusts, private corporations, nonprofit corporations, and public bodies. Contact a MAP-approved Lender today through [www.HUD.gov](http://www.HUD.gov) for a detailed discussion of terms and conditions!

The FHA Section 232 Program has many advantages over conventional financing, such as non-recourse debt and fully assumable, up to 40-year amortization. Pre-payment terms are negotiable, there is a fixed interest rate throughout loan term, and secondary financing is permissible and payable from surplus cash within HUD approved limits.

During Fiscal Year 2006, HUD endorsed 68 assisted living/board & care facilities and 156 nursing homes. This was 24% of the loans endorsed under basic FHA programs.



Section 202/811 Team

From left to right: Manual Aguilar-Soto, Margaret Salazar, Blair Lund, John Tedesco, Rhea Perales and Supervisor Bill Rogina review and evaluate applications submitted for the Section 232 program.

*Acquisition or Refinance.* The Mortgage Term cannot exceed 35 years or 75% of the remaining economic life of the physical improvements.

The maximum insurable mortgage is based on the lesser of the following:

Profit Motivated

- 85% of HUD appraised value
- 85% of net income
- 85% of acquisition or refinance cost

Non-profit Sponsor

- 90% of HUD appraised value
- 90% of net income
- 90% of acquisition or refinance cost

*New Construction or Substantial Rehabilitation.* The Mortgage Term cannot exceed 40 years or 75% of the remaining economic life of the physical improvements in the case of a substantial rehabilitation. For new construction projects, HUD insures the construction loan and will automatically convert to a 40-year amortized permanent loan upon satisfactory completion of construction.

The maximum insurable mortgage is based on the lesser of the following:

Profit Motivated

- 90% of HUD appraised value
- 90% of net income

Non-profit Sponsor

- 95% of HUD appraised value
- 95% of net income

**Funding Potential for Energy Conservation.  
Looking for Northern California Projects.**

HUD and the Department of Energy (DOE) have been working together to promote the use of combined heat and power (CHP) in multifamily housing. CHP - or cogeneration - systems generate electricity on site, recycling heat usually wasted and converting it to useful energy. CHP systems can achieve overall efficiencies higher than 80% compared to 33% from central power stations, and thus reduce utility expenses.

HUD is testing a new version of computer software prepared by DOE's Oak Ridge Lab that helps building owners and managers calculate whether it may pay to take a closer look at CHP. We want to test it on a few buildings in northern California and tap support from DOE's Oak Ridge Lab and Pacific Regional Application Center in analyzing the prospects.

Buildings with 80+ units, master-metered for electricity and with access to natural gas, would provide a useful test. If you are interested in providing a year's utility data and rates and some basic information about the building for such an analysis, please contact Tom Azumbrado at:

[thomas.w.azumbrado@hud.gov](mailto:thomas.w.azumbrado@hud.gov)

or Bob Groberg at:

[robert.groberg@hud.gov](mailto:robert.groberg@hud.gov)

## HUD's Assisted Living Conversion Program

The goal of the Assisted Living Conversion Program (ALCP) is to provide private nonprofit owners of eligible developments with a grant to convert some or all of the dwelling units in the project into an Assisted Living Facility (ALF) for the frail elderly, which must be licensed and regulated by the State.

Assisted-Living Facilities (ALFs) are designed to accommodate frail elderly and people with disabilities who can live independently but need assistance with activities of daily living (e.g., assistance with eating, bathing, grooming, dressing and home management activities.) ALFs must provide support services such as personal care, transportation, meals, housekeeping, and laundry.

Funding covers the basic physical conversion of existing project units, common areas and services space. There must be sufficient community space to accommodate a central kitchen or dining facility, lounges, recreation and other multiple-areas which are available to all residents of the project. In addition, owners must provide supportive services either directly or through a third party.

The ALCP can provide much needed help to nonprofits who are looking to convert to assisted living facilities. However, there are several challenges that must be overcome in order to make the conversion work. Financing supportive services must be secure enough to attract long term development investors. Deadlines and eligibility requirements must be coordinated between HUD and third parties. Some nonprofits may even face situations where mortgage lenders require a guarantee of Medicaid funding for services before releasing funds for housing development. However, the State Medicaid agency requires facilities to obtain state assisted living licensure before allocating Medicaid funds and the State assisted living licensing agency will not provide a license until a facility is completely developed and operational.

An example of an ALCP project is The Kivel Manor in Phoenix, Arizona. The owners of Kivel Manor converted 30 Section 8 apartments to assisted living units with Arizona's first Assisted Living Conversion Program Grant. This Assisted Living Facility (ALF) provides supportive services including three meals per day plus one snack, assistance with activities of daily living (ADL's), housekeeping, medication management, laundry, transportation to doctors appointments, and service coordination. It is staffed with 24-hour certified caregivers. Although not required, the facility Director of the ALF is a Licensed Professional Nurse. The fully staffed treatment team

includes an Assisted Living Director, Director of Residential Services, Service Coordinator, Therapeutic Recreation Director, and Activity Coordinator. The residents can choose from activities seven days per week, such as bowling, games, bingo, arts and crafts, and outings like shopping and events, puzzles and entertainment. For example, each year the Israeli Scouts put on a dancing program. The residents also have the opportunity to use the computer center and participate in a program called "Brain Savers" which attempts to improve older adults' cognitive skills through a combination of exercise, nutrition and cognitive training.

For more information, please see <http://www.hud.gov/offices/hsg/mfh/alcp/alcp/home.cfm>

*Continued from Page 1 ...*

Aging in place should be based on choice, so that individuals and family members of all incomes can afford to choose from a range of housing and health care alternatives. Matching the level of service to the level of need is an important part of aging in place. This often means not sending seniors to a long term, full-care facility unless they absolutely require that level of care. Doing this will not only improve the quality of life of individual seniors, it will also create a more cost effective housing and health care system for everyone.

The senior housing industry has adopted the term "aging in place" to describe their multilevel campus model, in which a location offers residents the opportunity to move from independent living to assisted living to skilled nursing, depending on their need. Remodelors have even created a special certification for Aging in Place Specialists (see CAPS article on page 3.)

As the elderly population grows, our country's senior services will be stretched. For this reason, it is important to pursue the most efficient and equitable way of providing services. This issue of Pacific Currents will highlight HUD programs that are helping seniors to age in place.

### Senior Housing in the San Francisco Multifamily Hub

Elderly Properties	555
Elderly Units	45,639
Elderly Properties with a Service Coordinator	185



## The WellElder Program

Over ten years ago, Northern California Presbyterian Homes and Services (NCPHS) convened service providers to talk about how to address issues of aging in place. The challenge was how to market home and community based services to senior residents in order to increase participation. After exploring many options, they came up with the idea of supplementing Service Coordination with individual health education counseling by a trained nurse. The WellElder program seeks to help residents understand and agree to use available services. As Ramona Davies, Director of Community Services, explained, this requires that residents be willing to redefine themselves, to recognize that they have changes in their health and functioning that threaten their independence and their ability to live safely at home.

The WellElder program is a ten year old collaboration between NCPHS and the Institute on Aging and has four Health Educators who are nurses at four HUD sponsored properties in the Bay Area. They work five to fifteen hours a week.

## Reverse Mortgages

HUD created one of the first reverse mortgages, a kind of loan that can help seniors age in place. HUD's reverse mortgage is a federally-insured private loan that lets a homeowner convert part of the equity in their homes into tax-free income without having to sell the home, give up title, or take on a new monthly mortgage payment. Reverse mortgages are available to individuals 62 or older who own a home. No mortgage payments are due during the life of the loan. Borrowers can choose to receive the proceeds from a reverse mortgage as a lump sum, fixed monthly payments for as long as they reside in their home, a line of credit, or as a combination of monthly income and line of credit.

Seniors can use the funds any way they wish - for home repairs and improvements, healthcare expenses, in-home care, education, and supplemental retirement income. A reverse mortgage becomes payable when the borrower sells the home or permanently moves out. The repayment amount can't exceed the current value of the home. For more information, see <http://www.hud.gov/offices/hsg/sfh/hecm/hecmhome.cfm>.

## Program of All-Inclusive Care for the Elderly - PACE

Imagine truly comprehensive care if you are an elderly frail person in your home: You wake up in the morning and a geriatric aide arrives to help you bathe, get dressed, and prepare breakfast. A van comes to pick you up and brings you to an Adult Day Health Center, where you have access to meals, social activities, laundry service, a dentist, speech therapy, occupational and physical therapy, podiatry, an optometrist, a gym, nurses, and on-site doctors. At the end of the day you are taken home and perhaps assisted again by an aide. This is a day in the life of a participant in On Lok Senior Health in San Francisco, California, which served as the model for a national program of comprehensive care for the elderly.

The Program of All-Inclusive Care for the Elderly (PACE) is a capitated benefit authorized by the Balanced Budget Act of 1997 (BBA). PACE features a comprehensive service delivery system and integrated Medicare and Medicaid financing. The model was tested through the Center for Medicare and Medicaid Services (CMS) demonstration projects that began in the mid-1980s.

The PACE model was developed to address the needs of long-term care clients, providers, and payers. It promotes aging in place for participants and allows providers to deliver all services participants need rather than be limited to those reimbursable under the Medicare and Medicaid fee-for-service systems. As a permanent entity within the Medicare program, participating states must include PACE as an optional Medicaid benefit before the State and the Secretary of the Department of Health and Human Services (DHHS) can enter into program agreements with PACE providers.

Participants must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care by the appropriate State agency. As the sole source of services, PACE provides participants with assessment by an interdisciplinary teams, consisting of professional and paraprofessional staff, the development of care plans, and integrated social and medical services primarily in an adult day health center, supplemented by in-home and referral services in accordance with the participant's needs. If the participant is not low-income, they can pay monthly premiums equal to the Medicaid capitation amount but no other out-of-pocket expenses. PACE service providers receive monthly capitation payments for each participant and assume full financial risk for participants' care without limits on amount, duration, or scope of services.

The On Lok House in San Francisco is a HUD 202 property with an Adult Day Health Center located on the bottom floor. This collaboration between HUD housing and a PACE program demonstrates how comprehensive and flexible funding for health care can work in conjunction with housing to keep frail seniors in their homes and communities.

## Mountain Valley Haven II

**Project/Location:**  
151 Hyampom Road  
Hayfork, CA 96041

**Description:**  
10 Units, 1 BR/1 BA

**Project Size:**  
52,713 sq. ft.

**Unit Size:**  
1 Bedroom - 560 sq. ft.

**Status:**  
Completed October 2006

**Sponsors:**  
Eskaton Properties, Inc.,  
Carmichael, CA and  
Mountain Valley Elder Care,  
Hayfork, CA

**Architect:**  
Peter Givas

**Contractor:**  
Shasta Services Inc. dba  
Timberworks

**Funding Source:**  
HUD Section 202, Capital  
Advance: \$ 998,500  
CDBG: \$ 521,009



EQUAL HOUSING  
OPPORTUNITY



**M**ountain Valley Haven II, located in Hayfork, California, is the newly constructed second of three phases that provides additional units of affordable supportive housing for the elderly in rural Trinity County in Northern California. The first phase, Mountain Valley Haven I, also ten units, was completed in October 2004. The final phase of ten units, Mountain Valley Haven III, held its groundbreaking ceremony along with this grand opening.

The town of Hayfork, established in 1851, is located in the Hayfork Valley. It is the second largest community in rural Trinity County. The scenic valley and the surrounding mountains complement the frontier-like Hayfork community. It was originally called Hay Town because of the large amount of hay and grain products grown in this agricultural valley. The town is far enough inland to avoid the dampness of the marine layer and sits at a twenty-three hundred foot elevation escaping the heat of the Sacramento Valley. Hayfork has about twenty-six hundred residents.



## Gerd & Inga Strauss Manor



**Project/Location:**  
370 North Pantano  
Tucson, AZ 85710

**Description:**  
80 units, 1-BR/1-BA  
2-BR/1BA Manager's unit

**Project Size:**  
138,700 sq. ft.

**Unit Size:**  
1-Bedroom - 504 sq.ft.  
2-Bedroom Manager's unit  
- 1,026 sq. ft.

**Status:**  
Completed 2006

**Sponsor:**  
B'nai B'rith Housing Inc.  
Washington, D.C.

**Architect:**  
BMG Inc., AIA  
Tucson, AZ

**Contractor:**  
TA Wallick Const. LLC  
dba Tofel Construction

**Funding Source:**  
HUD Section 202 Capital  
Advance: \$ 6,526,900

Pima County: \$ 30,000

**B**'nai B'rith Gerd & Inga Strauss Manor on Pantano is an apartment complex with eighty one-bedroom apartments for very low income, elderly residents. The property includes a large community room, a neighborhood network center, library, wellness center and thrift store. Each resident can help themselves to what they need in the thrift store. If a resident has a need, the sponsors and community contacts have been able to accommodate that need by providing small appliances, house wares, decorative items, clothing, and other items.

There is constant activity at Strauss Manor. The Sponsoring Board, a number of volunteers and management use the common areas daily. The residents have a wellness program held by two fitness professionals who have volunteered to run the classes. There are weekly computer classes held by a volunteer teacher.

The large community room is used for many activities. The small community room is used for the resident's art classes, card playing groups, and coffee klatches. This is a popular place for residents.

This project and its dedicated partners is an extraordinary example of what can be accomplished when owners, HUD and management work together.



EQUAL HOUSING  
OPPORTUNITY

### Previous Participation Requirements

On June 21, 2007, HUD's Office of Multifamily Housing issued a memorandum regarding Previous Participation procedures. The memorandum details the changes to filing requirements as a result of the Preservation Approval Process Improvement Act of 2007. This new law requires HUD to take certain actions in regard to Previous Participation operating procedures until HUD submits a proposed new rule to the House and Senate for review. The revised rule will be published in the Federal Register with the appropriate comment period.

The new law requires HUD to suspend immediately all filing requirements for limited liability corporate investors who own, or expect to own, an interest in entities which are allowed or are expected to be allowed low-income housing tax credits under Section 42 of the Internal Revenue Code. The law also directs HUD to suspend mandatory electronic filing of Previous Participation certificates.

Only Limited Liability Corporate Investors (LLCI) with the following characteristics are qualified: (a) it is organized under a State limited liability company statute, an investor corporation, an investor limited partnership or an investor limited liability limited partnership; (b) it is an investor with limited or no control over routine property operations or HUD regulatory compliance; (c) it may have rights to take control of the ownership entity or assume the operating responsibilities in the event of the default of the operating partner or upon specific events defined under the investment contract/agreement; (d) it must be investing in a property for which the State Tax Credit Agency issued an allocation of or issued a letter of intent to allocate Low Income Housing Tax Credits under Section 42 of the Internal Revenue Code; and (e) it invests under an agreement with the owner of a property and must pay all agreed upon sums as long as the owner is not in default under the contract.

### What's New with EIV

On June 27, 2007 Enterprise Income Verification training was held via a HUD webcast. If you missed this training, you still have a chance to view it by logging on to <http://www.hud.gov/webcasts/archives>.

There is also a July 17, 2007 Public Housing webcast entitled "Upfront Income Verification: Streamlining the Income Verification Process with HUD's EIV System." HUD staff have viewed this broadcast and found it very informative.

### Violence Against Women's Act

Recently we have received a number of questions about the Violence Against Women's Act (VAWA). On June 23, 2006, the Office of Public Housing published Notice PIH 2006-23 titled Implementation of the Violence Against Women and Justice Department Reauthorization Act of 2005. The law prohibits the eviction and/or removal of assistance from certain persons living in public or Section 8 assisted housing if the grounds for such action is an instance of domestic violence, dating violence, sexual assault, or stalking, as those terms are defined in Section 3 of the United States Housing Act of 1937 as amended by VAWA (42 U.S.C. 13925).

Many multifamily housing owners were wondering if this notice applied to multifamily housing as well as public housing. Multifamily housing owners should be aware of the Act, but will not be required to implement its requirements until Housing issues guidance in the near future. To learn more, please visit <http://www.gpoaccess.gov/plaws/index.html>, Search "Previous Congresses", select 109<sup>th</sup> Congress and search for Public Law 109-162 or <http://thomas.loc.gov/bss/d109/d109laws.html>.

### Management Agent Change of Address

Did you know that if your company moves you may have to change your address in APPS? For those management agents who have entered their baseline in APPS, whenever they have an address change, they must access APPS to make the change. HUD staff no longer own the database, and can no longer assist with the address change. Those agents who have not entered a baseline in APPS may still notify their Project Manager of the address change. The Project Manager will advise HQ staff of the change and HUD systems will be updated.

### New Management Fee Schedule

On April 17, 2007, the San Francisco Multifamily Hub issued a Management Fee schedule effective July 1, 2007.

The new schedule, which applies only to those properties located in the San Francisco office jurisdiction, increased the basic rate per month to \$50. Other changes included the add-on fee for subsidized properties being increased to \$5 and the fee for special clientele was reduced to \$3.

## Change 2 to Handbook 4350.3 REV-1

On June 29, 2007, Change 2 to Handbook 4350.3 REV-1 was issued. Although the changes are effective June 29, 2007 owners and/or management agents have 90 calendar days, or until September 24, 2007, to implement those changes requiring modifications to their TRACS software.

Some of the most notable changes to the Handbook are as follows:

- Added information concerning "Limited English Proficiency (LEP)" in Chapter 2.
- Added requirements for determining the eligibility of college students for assistance in Chapter 3. Also added the eligibility of students to receive assistance as a required topic for the Tenant Selection Plan in Chapter 4.
- Added the owner's responsibility to market projects to those least likely to apply includes marketing to the LEP population in Chapter 4.
- Added in Chapter 4 that in addition to receiving applications onsite, owners may also send out and receive applications by mail or make reasonable accommodations for persons with disabilities, if requested.
- Added new language stating that an applicant or resident may review their file upon request or by a third party who provides signed authorization for access from the applicant or resident in Chapter 4.
- Added in Chapter 5 that past one-time nonrecurring medical expenses that have been paid in full are not applicable when calculating anticipated medical expenses at move-in.
- Changed language in Chapter 5 to reflect that verifications are now valid for 120 days.
- Added language that minimum rent does not apply to Rent Supp/RAP, BMIR, Section 202 PAC, Section 202 PRAC or Section 811 PRAC properties.
- Added income inclusions of financial assistance in excess of tuition for persons enrolled as students at an institution of higher education in Chapter 5.
- Changed language regarding nutritional supplements and non-prescription medicines in Chapter 5 to state that to be eligible as a medical expense, it must be recommended in writing by a licensed health care provider and that the drug is treatment for a specific condition diagnosed by a physician or health care provider.
- Added a note advising that leases may need to be conveyed in languages other than English for LEP persons in Chapter 6.

- Added in Chapter 7 that the owner must pay the costs of a unit transfer if the resident is being transferred as a reasonable accommodation unless doing so would be an undue financial and administrative burden for the owner.
- Added revised language to the model lease.
- Added revised language in paragraph 23 of the model lease, as the existing language is not supported by statute.

## Forms HUD-9887/9887-A Have Been Revised

As of February 2007, HUD-9887, "Notice and Consent for the Release of Information," and Form HUD-9887-A, "Applicant's/Tenant's Consent to the Release of Information," have been revised. The major change was to add the Department of Health and Human Services (HHS) National Directory of New Hires (NDNH) as a verification source. Once the NDNH data becomes available to multifamily owners and management agents (O/As) through the Enterprise Income Verification (EIV) system, the tenant's signature on the forms will give consent to the O/A to use NDNH data to verify their income. In addition, O/As have been added throughout the forms as one of the parties the tenant is giving consent to for the release of information.

This notification was made by the RHIP Listserv on March 6, 2007. If you have not already done so, please sign up for the Listserv at <http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm>, click on "Multifamily RHIP Tips" under "Want More Information?"

## Status of Your Waiting List

Please be sure your waiting list, at a minimum, contains the following information:

- ☞ Date and time the applicant submitted an application. (If applicants are placed on the waiting list according to the results of a lottery, add a column to indicate their place in the lottery.)
- ☞ Name of head of household.
- ☞ Annual income level (indicate extremely low-income, very low-income, low-income).
- ☞ Identification of the need for an accessible Unit.
- ☞ Preference Status.
- ☞ Unit size.

A sample waiting list format is contained in Handbook 4350.3-REV, Change 2, Chapter 4, Figure 4-5 on page 4-36.

## Do You Need To Update Your Tenant Selection Plan?

With the issuance of Change 2 to the Handbook 4350.3, now is a good time to determine if your Tenant Selection Plan needs updating. The Handbook now requires that your Tenant Selection Plan includes the requirements regarding the eligibility of college students.

Your Tenant Selection Plan should contain the following:

1. Project Eligibility Requirements (Chapter 4, paragraph 4-4, C). This section should include:

(a) Project specific requirements – is the property designated for a special population, such as elderly or disabled,

(b) Declaration of Citizenship/Immigrant Status. Describe how citizenship/immigration requirements are implemented, including policies regarding verification of citizenship, etc.

(c) Social Security Number verification. Requirements for providing SSNs.

2. Income Limits

3. Procedures for taking applications and selecting from the waiting list.

**Taking Applications.** The plan must include policies for taking pre-applications.

**Preferences –** Indicate whether or not the property has adopted preferences, and any rating, ranking, or combining of the preferences that will affect the order in which applicants are selected from the waiting list.

**Income-targeting.** This applies to Section 8 properties only. The plan must describe the procedures used by the owner to meet the income-targeting requirements, if applicable.

**Applicant screening criteria.** How will the property's standards be used to screen for information on drug-related or criminal activity as well as other screening criteria?

4. Occupancy standards. What standards are used by the owner to determine an appropriate size unit and procedures to place families on lists for more than one bedroom size.

5. Unit transfer policies. Include procedures for selecting between applicants on the waiting list and current residents who need a unit transfer

due to family size, changes in family composition, deeper subsidy, medical condition, or need for an accessible unit.

6. Policies to comply with Section 504, the Fair Housing Act, and Title VI.

7. Policy for opening and closing the waiting list. Policy must describe how the waiting list is maintained.

8. Eligibility of college students.

9. In addition to the required topics, there are several other topics recommended for inclusion in your Plan. Some of these are:

- › Applicant notification and opportunity to supplement information already provided.
- › Procedures for identifying applicant needs for the features of accessible units or reasonable accommodations.
- › Updating the waiting list.
- › Policy for notifying applicants of changes to the Tenant Selection Plan.
- › Procedures to assigning units with originally constructed design features for persons with physical disabilities.
- › Charges for facilities and services.
- › Security deposit requirements.
- › Unit inspections.
- › Annual recertification requirements.
- › Interim recertification reporting policies.
- › Implementation of House Rule changes.

## Excess Income

The Department of Treasury has requested that HUD start processing the reporting and collection of Excess Income using the services of the Bank of America.

Effective October 1st, 2007, the owners and management agents required to prepare form HUD-93104 will start sending this form, and any accompanying checks, to the following address:

HUD Multifamily Excess Rental  
Income Payments  
P. O. Box 105423  
Atlanta, GA 30348-5423

## Changes to the Section 8 Contract Renewal Policy Changes

As many of our owners and agents may know, HUD HQ recently determined that the language contained in Section 2 of existing Section 8 contracts required that contracts receive an entire 12 months of funding on their anniversary dates or at initial or subsequent renewal.

In the past, HUD has received funding sporadically throughout the year. To assure that all Section 8 vouchers were paid in a timely manner, they were unable to fund renewals and multi-term contracts for a full 12 months on their anniversary dates. Contract funding usually occurred in quarterly intervals.

To remedy this situation, HUD changed the language in Section 8 contracts and instituted a notification letter for multi-term contracts. As a result of these changes, initial and subsequent renewals have been delayed until the new contracts were available. These new contracts became available on August 30, 2007 and HUD staff and the PBCAs are working diligently to get new contracts out to the owners for signature as quickly as possible.

The new Section 8 contracts contain language that allows HUD to fund incrementally. The new contracts contain a paragraph that states "Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of \$\_\_\_\_\_, an amount sufficient to provide housing assistance payments for approximately \_\_\_\_\_ months of the Renewal Contract Term."

The changes did not affect processing of multi-term contracts; however, these contracts will now receive a notification letter when receiving funding for their anniversary date. The notification letter states that "HUD has determined ...that sufficient appropriations are not available at this time to make housing assistance payments under the Renewal Contract for the entirety of the next annual increment." The letter further notifies the owner the amount currently being obligated and the approximate number of months for which that amount should provide HAP payments.

HUD will also provide written notification to owners when additional funding is obligated for the contract. HUD HQ is still working on the language for those notification letters.

## Energy Efficient Utility Allowance Schedule



One policy area of interest to multifamily housing sponsors is bringing utility allowances more in line with utility costs for projects that are energy efficient. The rationale for establishing energy efficient utility allowances is that housing sponsors should be provided an incentive for making investments in additional energy measures and a means for covering the additional costs of measures that substantially lower property and resident utility costs.

When there is only one utility allowance schedule applied to all properties, efficient or not, owners and developers have no incentive to invest in improvements.

On the other hand, a lower utility allowance reflecting lower utility costs of energy efficient properties results in increase net operating income (that the utility company would have otherwise collected) without increasing the residents' total housing burden (rent plus utilities).

In California, the Heschong Mahone Group (HMG), launched an initiative to assist Public Housing Authorities (PHAs) set utility allowances for buildings meeting ENERGY STAR building standards. In effect, this approach recognizes energy efficient buildings meeting the energy standard as a unique building type for the purposes of setting allowances under the Section 8 Housing Choice Voucher program.

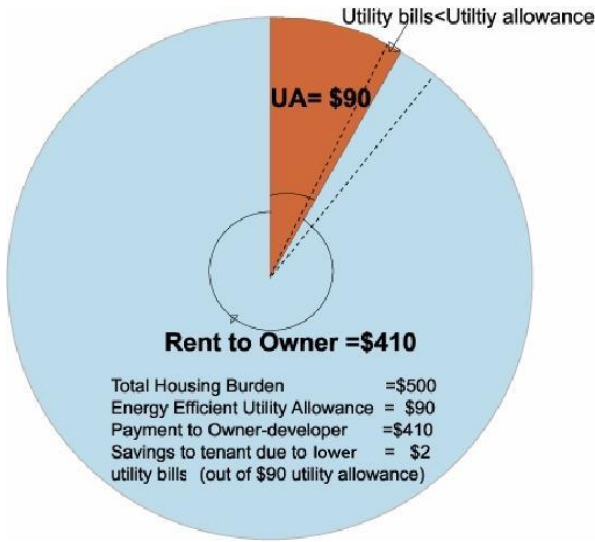
The engineering model used to calculate the energy efficient utility allowance relies on the methodology and approved energy software used by national Home Energy Rating System (HERS) raters. To ensure proper use of the energy efficient utility allowances, housing authorities rely on a home energy rater (HERS) to verify that a project meets the policy's energy efficiency requirements.

The approach developed by HMG provides a long-term mechanism to provide a payback for investments in energy efficiency. Figure 1 below shows the concept and impact of an Energy Efficiency-Based Utility Allowance on (1) housing costs to the resident, (2) rent to the developer, and (3) utility costs. Note that the total housing burden (rent and actual utility costs) is no higher with the energy efficient unit.

**HUD's Next Industry Meeting: Thursday, October 18th, 2007**



**The Impact of an Energy Efficiency-Based Utility Allowance**



*Owner's rent increases \$10/mo and tenant's net utility costs decrease \$2/mo without changing total calculated housing burden.*

**With a Standard Utility Allowance**

Total Housing Burden	\$500/mo
Utility Allowance	\$100/mo
Developer Rent	<b>\$400/mo</b>
<i>Tenant Utility Costs</i>	<i>\$100/mo</i>

*Versus:*

**With an Energy Efficiency-Based Utility Allowance**

Total Housing Burden	\$500/mo
Utility Allowance	\$ 90/mo
Developer Rent	<b>\$410/mo</b>
<i>Tenant Utility Costs</i>	<i>\$88/mo</i>

*Figure 1: Impact of Energy Efficiency-Based Utility Allowances*

In the preceding chart, the Standard Utility Allowance (and the actual utility costs for the inefficient unit) was \$100; the section within the dotted lines represents the reduction in utility costs that the tenant pays. The dark gray area between the dotted line represents the reduction in utility allowance from the Standard Utility Allowance to the Energy Efficient Utility Allowance and is the amount the developer receives in increased rent. The \$2 difference between these (the "mini-slice within the larger EEBUA slice) is savings for the tenant.

**An Example of the Impact of an Energy Efficiency-Based Utility Allowance on Increased Cash Flow for the Owner-Developer**

The following is a case study to illustrate the impact that an Energy Efficiency-Based Utility Allowance schedule would have on a hypothetical new construction project. We use a project with 40 two-bedroom units and 12 three-bedroom units. Some of the assumptions (e.g., rents, allowable housing burdens for tenants, "other" laundry income associated with the property, etc.) were drawn from a 53-unit apartment complex in Southern California called, "Vista Verde Apartments." All but one of the units was designed to be affordable to low and very low-income families (41%-47% of median area income). The other unit is the manager's apartment.

Table 1 shows what the different rents and income figures would have been had an Energy Efficiency-Based Utility Allowance schedule been in place and utilized for this project. Table 1 also shows the difference between the rental incomes using the two schedules. Notice that the developer receives an additional \$4,426 in rents per year without increasing the tenants' total housing burden.

Table 2 shows the fifteen year annual net income for our hypothetical project, both with the Standard Utility Allowance schedule and with the Energy Efficiency-Based Utility Allowance schedule. The top half of the table shows the income and expense estimates from the actual application for the project proposed to the local PHA. The bottom half shows what the income and expenses would have been with an EEBUA,

- > \$5,000 additional first costs (52 units X \$96/unit) for efficiency upgrades
- > Rents from the Table 1 above
- > Repayment (to the lender) of the additional \$5000 over the life of the 15-year mortgage
- > No additional "Other" income or additional operating expense (e.g., the laundry facilities are assumed to be unchanged)



**Pacific Currents - October 2007**

Standard Schedule						
Unit Type	Bedrooms per Unit	Number of Units	Total Cost of Housing per Unit	Monthly Utility Allowance per Unit	Monthly Net Rent per Unit	Yearly Gross All Units
2-BR	2	40	\$543	\$101	\$442	\$212,367
3-BR	3	12	\$543	\$111	\$432	\$62,270
Total Rent per Year						\$274,637
Energy Efficiency-Based New Construction Schedule						
Unit Type	Bedrooms per Unit	Number of Units	Total Cost of Housing per Unit	Monthly Utility Allowance per Unit	Monthly Net Rent per Unit	Yearly Gross All Units
2-BR	2	40	\$543	\$94	\$449	\$215,727
3-BR	3	12	\$543	\$104	\$440	\$63,336
Total Rent per Year						\$279,063
Total Rent per Year (w/o Energy Efficiency-Based Utility Allowance)						\$274,637
Difference						\$4,426

Note that in both sections of the table, years 8-12 are present in the calculations but collapsed (not shown) in the presentation since they add little additional information. The most notable lesson of the table is that even with a larger debt service payment (more than enough to cover the additional cost of measures even with out a utility program incentive), the residual cash is significantly larger. The cumulative residual cash by the 7<sup>th</sup> year is about \$28,477 larger and \$68,419 larger after 15 years. The developer is able to make more return on his/her investment while the tenants' total housing burden is slightly decreased. Meanwhile, tenants also enjoy increased comfort.

An essential element of this policy is reliable third party verification of efficiency improvement before the PHA grants the lower utility allowance. In the long run, this means new markets for HERS raters, a market-based incentive for developers to

*Table 1: Hypothetical Project Rental Income*

recoup investments in energy efficiency, more comfortable and affordable housing for low-income tenants, and energy savings for a large portion of the state's housing stock that is often neglected.

*Table 2: Income and Expense Comparison*

Mortgage Amount	\$963,000	Rental Income (Tier 1)	\$274,637	Other Income	\$4,800					
Upgrade Cost	\$5,000	Rental Income (Tier 2)	\$279,063	Operating Expense	\$105,000					
Mortgage Rate	4.50%	Vacancy Rate	5.00%	Expenses	3.50%					
				Rent and other Rates	2.50%					
Standard Schedule										
Year	1	2	3	4	5	6	7	13	14	15
Rental Income	\$274,637	\$281,503	\$288,541	\$295,754	\$303,148	\$310,727	\$318,495	\$369,356	\$378,590	\$388,055
Other Income	\$4,800	\$4,920	\$5,043	\$5,169	\$5,298	\$5,431	\$5,567	\$6,455	\$6,617	\$6,782
Gross Income	\$279,437	\$286,423	\$293,584	\$300,923	\$308,446	\$316,157	\$324,061	\$375,812	\$385,207	\$394,837
Vacancy	\$13,972	\$14,321	\$14,679	\$15,046	\$15,422	\$15,808	\$16,203	\$18,791	\$19,260	\$19,742
Effective Gross Income	\$265,465	\$272,102	\$278,904	\$285,877	\$293,024	\$300,350	\$307,858	\$357,021	\$365,947	\$375,095
Operating Expense	\$105,000	\$107,625	\$110,316	\$113,074	\$115,900	\$118,798	\$121,768	\$141,213	\$144,744	\$148,362
Net Operating Income	\$160,465	\$164,477	\$168,589	\$172,804	\$177,124	\$181,552	\$186,090	\$215,808	\$221,203	\$226,733
Debt Service	\$89,669	\$89,669	\$89,669	\$89,669	\$89,669	\$89,669	\$89,669	\$89,669	\$89,669	\$89,669
Residual Cash	\$70,797	\$74,808	\$78,920	\$83,135	\$87,455	\$91,883	\$96,422	\$126,139	\$131,535	\$137,065
Cumulative Residual	\$70,797	\$145,605	\$224,525	\$307,660	\$395,115	\$486,998	\$583,420	\$1,263,823	\$1,395,357	\$1,532,422
Energy Efficiency-Based New Construction Schedule										
Year	1	2	3	4	5	6	7	13	14	15
Rental Income	\$279,063	\$286,040	\$293,191	\$300,521	\$308,034	\$315,735	\$323,628	\$375,309	\$384,692	\$394,309
Other Income	\$4,800	\$4,920	\$5,043	\$5,169	\$5,298	\$5,431	\$5,567	\$6,455	\$6,617	\$6,782
Gross Income	\$283,863	\$290,960	\$298,234	\$305,690	\$313,332	\$321,165	\$329,194	\$381,765	\$391,309	\$401,091
Vacancy	\$14,193	\$14,548	\$14,912	\$15,284	\$15,667	\$16,058	\$16,460	\$19,088	\$19,565	\$20,055
Effective Gross Income	\$269,670	\$276,412	\$283,322	\$290,405	\$297,665	\$305,107	\$312,735	\$362,676	\$371,743	\$381,037
Operating Expense	\$105,000	\$107,625	\$110,316	\$113,074	\$115,900	\$118,798	\$121,768	\$141,213	\$144,744	\$148,362
Net Operating Income	\$164,670	\$168,787	\$173,007	\$177,332	\$181,765	\$186,309	\$190,967	\$221,463	\$227,000	\$232,675
Debt Service	\$90,134	\$90,134	\$90,134	\$90,134	\$90,134	\$90,134	\$90,134	\$90,134	\$90,134	\$90,134
Residual Cash	\$74,536	\$78,653	\$82,872	\$87,198	\$91,631	\$96,175	\$100,833	\$131,329	\$136,865	\$142,540
Cumulative Residual	\$74,536	\$153,189	\$236,061	\$323,259	\$414,890	\$511,065	\$611,897	\$1,321,435	\$1,458,300	\$1,600,841
<b>Yearly Difference</b>	<b>\$3,739</b>	<b>\$7,584</b>	<b>\$11,536</b>	<b>\$15,599</b>	<b>\$19,775</b>	<b>\$24,066</b>	<b>\$28,477</b>	<b>\$57,612</b>	<b>\$62,943</b>	<b>\$68,419</b>

## Working to Build a Stronger FHA

The 8<sup>th</sup> annual Western HUD Lenders Conference, sponsored by the Western Mortgagee Advisory Council, was held in Las Vegas April 23<sup>rd</sup> through April 25<sup>th</sup>. The conference, held at the recently renovated Golden Nugget Hotel and Casino, was attended by approximately 150 people representing 43 companies including FHA multifamily lenders, legal firms, title companies, engineering companies, appraisers, industry trade publications, as well as seven HUD offices, and Mr. Hank Williams, Deputy Assistant Secretary for Multifamily Housing.

This annual conference originated with HUD's MAP program and was designed to present an opportunity for lenders and HUD staff to meet in person for the common goal of strengthening the MAP program through discussion of problems and issues affecting both sides of the business of multifamily lending.

Over the three-day period, a mix of HUD staff and industry professionals participated in panel-type discussions with topics ranging from "Public Relations and Customer Service" to "Previous Participation and APPS". Other areas of discussion concerned Asset Management, common application errors and deficiencies in MAP applications, Section 223(f) repair issues and requirements, as well as a lengthy discussion concerning the Section 232 Health Care loan product.

One of the many highlights of this year's conference was Keynote Speaker Honorable Michael L. Montandon, Mayor of North Las Vegas. Mayor Montandon spoke at the welcome luncheon regarding how important housing growth has been to North Las Vegas' economic markets. The Mayor emphasized the rising median home sale price due to increased land costs and construction costs. He expressed concern that a large percentage of North Las Vegas residents run the risk of getting priced out of home ownership. Mayor Montandon ended his speech by expressing that perhaps government institutions can alleviate part of this problem by granting land it holds to developers for use in affordable housing development.

Seattle Multifamily Hub Director, Reneé Greenman, led a discussion regarding her office's streamlined processing of Small Projects Program Demonstration (SPP-D). The audience was interested to learn that HUD is reaching out in the marketplace to offer competitive products for small apartment project owners. Details of this pilot loan program for projects with a minimum of five (5) units, can be found on [Region X's website](#).

Another highlight of the conference was a panel discussion led by Noreen Beiro of PNC Bank and Tom Azumbrado, San Francisco Multifamily Hub Director, regarding creativity used in underwriting and processing complicated affordable housing transactions. HUD staff and lender representatives were paired together to present case-study discussions highlighting some of the more complicated affordable housing transactions that were completed last year in Denver, Los Angeles, San Francisco, and Seattle. The case studies involved refinance transactions, all of which had some level of rehabilitation and required multiple sources of equity, including secondary debt and/or tax-exempt bonds and tax credit equity. Complicated underwriting concepts featured a decoupled IRP subsidy, Section 8 rent increase request, and various levels of income-qualified rent restrictions. Waivers and special considerations covered the existing reserve for replacement accounts and how it could be used in the transaction on several levels, real estate property tax exemption, and secondary debt considerations, including various State-level regulations.

A well-attended panel discussion regarding APPS opened up considerable issues surrounding the Previous Participation electronic process and how the industry and our clients are coping with this new requirement. Other highlights included an opening night reception that fostered a casual "meet and greet" among the conference attendees and The Shark Tank Water Slide at the Golden Nugget held a certain charm for two Hub Directors who shall remain nameless!

After many hours of discussion, the 8<sup>th</sup> annual Western HUD Lenders Conference ended with hearty handshakes, a whirlwind of business card exchanges, and a promise to see everyone next year!

## Development Corner

### Section 202/811 Initial Closings

Senior Residents at Kapolei, Section 202, 60 units, Kapolei, HI  
Shelborne Supportive Housing, Section 811, 24 units, Las Vegas, NV  
Avondale Haciendas, Section 202, 69 units, Avondale, AZ  
Hillcrest Senior Housing, Section 202, 40 units, Daly City, CA

### Section 202/811 Final Closings

Casa Mia, Section 202, 64 units, Phoenix, AZ  
Cottonwood Manor VIII, Section 202, 9 units, Cottonwood, AZ  
Saint John's Manor, Section 202, 42 units, Glendale, AZ  
Lupine Gardens Apts., Section 811, 21 units, Salinas, CA  
International Hotel Senior Housing, Section 202, 105 units, San Francisco, CA  
Lincoln Oaks Apartments, Section 811, 11 units, Fremont, CA  
Presidio Village Senior Housing, Section 202, 104 units, Pittsburg, CA

### FHA Insured Initial/Final Endorsements

Hale Mahaolu Ekolu Apartments, Section 223(f), 42 units, Maui, HI  
Bienstar Apts., Phase II, Section 542(h), 64 units, San Luis, AZ  
Sandstone Highland Apts., Section 542(h), 71 units, Flagstaff, AZ  
Mesa Park Apts., Section 223(a)(7), 139 units, Mesa, AZ  
Gene Rice/Rosa Linda Apartments, Section 223(f), 84 units, Peoria, AZ  
Guadalupe Huerta Senior Apts., Section 223(f), 42 units, Phoenix, AZ  
The Courtyard at Little Chico Creek, Section 223(f), 41 beds, Chico, CA  
Summerfield Plaza Apts., Section 221d4, 40 units, Sacramento, CA  
Sierra Vista I Apts., Section 223(a)(7), 34 units, Mountain View, CA  
Millbrook Park Apts., Section 223(a)(7), 75 units, Fresno, CA  
Ukiah Convalescent Hospital, Section 223(a)(7), 57 beds, Ukiah, CA  
The Clock Tower Building, Section 223(f), 30 units, San Rafael, CA

## Issuances

Notice H 07-01, Disaster Recovery Guidance by Multifamily Housing After a Presidentially-Declared Disaster

Notice H 07-02, Guidelines for Continuation of Interest Reduction Payments after Refinancing: "Decoupling," Under Section 236(e)(2) and Refinancing of Insured Section 236 Projects into Non-Insured Section 236(b) Projects

Notice H 07-03, Fiscal Year 2007 Interest Rate for Section 202 and Section 811 Capital Advance Projects

Notice H 07-04, Fiscal Year 2007 Policy for Capital Advance Authority Assignments, Instructions and Program Requirements for the Section 202 and Section 811 Capital Advance Programs, Application Processing and Selection Instructions, and Processing Schedule

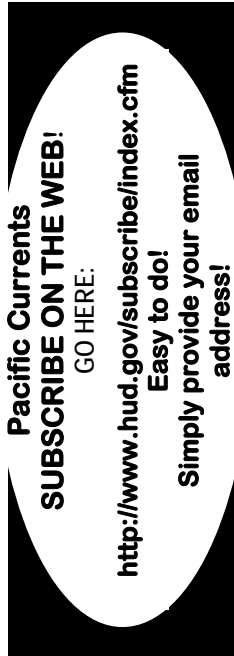
Notice H 2007-05, Guidelines for Assumption, Subordination, or Assignment of Mark-to-Market (M2M) Program Loans in Transfer of Physical Assets (TPA) and Refinance Transactions

Mortgagee Letter 2007-05, Underwriting Section 231 Mortgages and Inclusion in Multifamily Accelerated Processing (MAP)

Federal Register, July 12, 2007, Proposed Fair Market Rents for Fiscal Year 2008 for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program; Notice

Transmittal for Handbook 4350.3, REV-1, Change 2, issued June 29, 2007, Occupancy Requirements of Subsidized Multifamily Housing Programs

U.S. Department of Housing and Urban Development  
Office of Multifamily Housing, 9AHM  
600 Harrison Street  
San Francisco, CA 94107-1387



## CALENDAR

### September, 2007

- 13 - 14 Realistic Approaches to Drugs and Alcohol Reduction (RADAR), NCHM, Oakland, CA - [www.nchm.org](http://www.nchm.org)
- 17 - 18 AHMA-NCNH 26th Annual Conference, Hilton Hotel, Concord, CA
- 19 - 21 Certified Occupancy Specialist (COS), NCHM, Sacramento, CA - [www.nchm.org](http://www.nchm.org)
- 26 - 28 Tax Credit Specialist (TCS), NCHM, San Francisco, CA - [www.nchm.org](http://www.nchm.org)

### October, 2007

- 17 - 19 Certified Occupancy Specialist (COS), NCHM, Santa Rosa, CA - [www.nchm.org](http://www.nchm.org)

- 17 - 19 MOR Specialist (MORS), NCHM, Honolulu, HI - [www.nchm.org](http://www.nchm.org)
- 18 HUD Industry Meeting, 600 Harrison Street, 3rd Floor, San Francisco, CA
- 24 - 26 MOR Specialist (MORS), NCHM, San Francisco, CA - [www.nchm.org](http://www.nchm.org)

### November, 2007

- 5 - 7 Certified Occupancy Specialist (COS) San Francisco, Ca and Phoenix, AZ, [www.nchm.org](http://www.nchm.org)
- 12 - 14 Tax Credit Specilaist (TCS), Oakland, CA, [www.nchm.org](http://www.nchm.org)

