




OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

MAR 5 2014

MEMORANDUM FOR: Multifamily Stakeholders

FROM: 
Benjamin T. Metcalf, Deputy Assistant Secretary for Multifamily
Housing Programs, HT

SUBJECT: Multifamily Policy Priorities for Calendar Year 2014

I am pleased to share news about a small yet important part of the Multifamily Headquarters Transformation related to the development and publication of policy by the Office of Multifamily Housing Programs. Last month, we established the Program Administration Office within my immediate office. This office will act as my policy team and is designed to make Multifamily programs and services more responsive to stakeholder feedback and to approach policy development in a more strategic and transparent manner. The office is staffed by specialists in the areas of policy development, strategic thinking, project management, communications, as well as subject matter experts from within Multifamily program areas. I am very excited about this new approach to policy development in Multifamily and I am confident that it will result in better service delivery to our stakeholders. A staff listing for the Program Administration Office is included as Attachment 1.

One of the first achievements of the Program Administration Office was to assist me in establishing my highest priority policies for development during calendar year 2014. I am very happy to share these priorities with you now. These priorities reflect my commitment to achieving five broad and overarching goals:

- Producing and preserving affordable housing for those most in need and in locations where it's most needed;
- Preserving affordable housing by improving risk management practices and expanding or enhancing preservation programs;
- Strategically controlling program costs by taking innovative approaches to managing our portfolio;
- Making the business case for increased investments in our programs to provide the tools we need to do our work; and
- Continuing to provide quality customer service while transforming the way we work to 21st century best practices.

To achieve these goals, my Senior Team and I have identified 25 policy priorities, which are outlined in Attachment 2. I will be personally engaged in the development of these policies and they are on the fastest time cycle for completion. Be assured that many more than these 25 are under development, but I highlight these because I believe they will be the most impactful in achieving my five broad goals. In the near future, we will share with you anticipated publication dates for each policy as well as other

information regarding when stakeholders will be engaged to provide input. In reviewing these priorities, you will note that they range from items where a policy is under development and nearing issuance to items that are still in the conceptual stage and may not actually be issued until sometime in 2015. Again, anticipated publication dates for all priorities will be provided to you shortly, and opportunities for stakeholder feedback will also be provided to assist us in calibrating or reprioritizing this list based on policy development progress over the next 6 months. I look forward to your active engagement in that process.

Finally, I would like to note that our new efforts around policy development are designed to support the goals and objectives of the Multifamily Transformation in the Field. For example, we have established a Hub Director Policy Advisory Committee to: 1) act as a resource to the Program Administration Office in providing field input to policies under development, 2) strategize on the most effective outreach and training methods when policies are published, and 3) provide input to future prioritization of policies. We are also embedding curriculum on policy items into the training that will occur as part of the Multifamily Transformation in the Field. I feel strongly that by clearly defining our priorities and by maximizing field participation and knowledge, our work in the field will be better informed and supported, resulting in better product delivery to our stakeholders.

Thank you again for your partnership and commitment to Multifamily's programs. Please contact Nancie-Ann Bodell, Director, Program Administration Office, at 202-402-2472 or by email at Nancieann.Bodell@hud.gov with questions or comments.

ATTACHMENT 1 – Program Administration Office Staff Listing

| Immediate Staff | | | |
|------------------------|---|--|---------------------|
| <i>NAME</i> | <i>TITLE</i> | <i>E-MAIL</i> | <i>PHONE</i> |
| Nancie-Ann Bodell | Director | Nancieann.Bodell@hud.gov | (202) 402- 2472 |
| Mara Blitzer | Senior Policy Advisor | Mara.N.Blitzer@hud.gov | (202) 402-2208 |
| Brendan McTaggart | Program Analyst | Brendan.B.McTaggart@hud.gov | (202) 402-2047 |
| Claire Brolin | Management Analyst | Claire.T.Brolin@hud.gov | (202) 402-6634 |
| Karolyn Kaelin | Public Affairs Specialist | Karolyn.A.Kaelin@hud.gov | (202) 402-3304 |
| Vacant | Innovations Policy Advisor (to be filled on a rotational basis with existing Departmental staff) | | |
| Racquel Tyce | Administrative Assistant | Racquel.N.Tyce@hud.gov | (202) 402-2921 |

| Subject Matter Expert Liaisons to Program Administration Office | | | |
|--|--|--|---------------------|
| <i>NAME</i> | <i>OFFICE</i> | <i>E-MAIL</i> | <i>PHONE</i> |
| James Carey | Office of Development | James.F.Carey@hud.gov | (202) 402-3293 |
| Stan Houle | Office of Housing Assistance and Grant Administration | Stanley.R.Houle@hud.gov | (202) 402-2572 |
| Yvette Viviani | Office of Housing Assistance and Grant Administration | Yvette.M.Viviani@hud.gov | (202) 402-2366 |
| Lessie Evans | Office of Housing Assistance and Grant Administration | Lessie.P.Evans@hud.gov | (202) 402-3390 |
| Aretha Williams | Office of Housing Assistance and Grant Administration | Aretha.M.Williams@hud.gov | (202) 402-2480 |
| Claude Dickson | Office of Affordable Housing Preservation | Claude.C.Dickson@hud.gov | (202) 402-8372 |
| Lauryn Alleva | Office of Asset Management | Lauryn.K.Alleva@hud.gov | (202) 402-2609 |
| Winfred Chan | Office of Program Systems Management | Winfred.G.Chan@hud.gov | (202) 402-4751 |
| Bob Barrick | Office of Housing Assistance and Contract Administration Oversight | Robert.F.Barrick@hud.gov | (202) 402-4909 |

ATTACHMENT 2 - Multifamily Policy Priorities for Calendar Year 2014

Producing and preserving affordable housing for those most in need and in locations where it's most needed.

1. LIHTC Pilot for 223(f) loans: Policy adjustments to provide more flexibility to facilitate use of the Pilot by properties with Low Income Housing Tax Credits.
2. LIHTC Pilot Extension to 221(d)(4) loans: Expand availability of the Pilot timelines and underwriting standards to Low Income Housing Tax Credit transactions that want to access FHA insurance but don't qualify for 223(f).
3. Inclusionary requirements: Review the implications of Thompson v. HUD with respect to implementing Multifamily Housing programs. Thompson v. HUD found that HUD violated the Fair Housing Act of 1968 by unfairly concentrating African-American public housing residents in the most impoverished, segregated areas of the city of Baltimore, MD. As a result of this finding, HUD published a Federal Register Notice in 2012 announcing a demonstration program to encourage owners and developers of multifamily housing properties in Baltimore City "communities of opportunity" (as defined by Thompson v. HUD) to make their properties available to low-income persons. We will analyze the results of this demonstration and consider how FHA programs may be used to facilitate replication in other communities.
4. Small Multifamily Buildings Risk-Share: Facilitate the development of small multifamily properties (5 to 49 units, and/or with loan balances under \$3 million) by implementing the initiative, noticed in the Federal Register in November 2013 that will facilitate the origination of risk share loans by CDFI and other mission oriented lenders.
5. RAD: Lift the RAD cap from 60,000 units of public housing and Section 8 Mod Rehab, and extend the demonstration timeframe for Rent Supplement and RAP. Work to encourage the use of RAD to achieve the neighborhood revitalization goals of the new Promise Zone Program. In addition, establish the Recapitalization Office to replace the Office of Assisted Housing Programs (OAHP), thus better aligning our staff with the needs of the functions of the department.

Preserving existing affordable housing by improving risk management practices and expanding or enhancing preservation programs.

1. Section 8bb Notice: This Notice will set forth the Department's policies and procedures for transferring all or a portion of any remaining budget authority of a project-based Section 8 Housing Assistance Payments (HAP) Contract to one or more contracts where the existing HAP contract is terminated by mutual agreement.

2. **Flex Portfolio Pilot (Aggregated Asset Management) Notice:** This Notice will announce our intent to conduct a pilot program that would provide high-performing owners and sponsors of certain multifamily properties with the opportunity to exercise greater flexibility in the management of their properties and to receive reduced compliance requirements if they agree to merge affordable properties into portfolios that will be managed as one unit.
3. **Issue the Handbook 4350.4:** Revise the Mortgagee servicer handbook to reflect current policies and procedures, and include new counterparty oversight and monitoring guidelines.
4. **Expand Delegation of Reserve for Replacement Release and Transfer of Physical Asset Approval to Lenders:** A Mortgagee Letter and Housing Notice will allow certain lenders to voluntarily assume responsibility for approving releases from the Reserve for Replacement accounts.
3. **Establish Chief Underwriter Review for Lender Approval Process:** Require qualifying lenders to establish a Chief Underwriter, who would have responsibility for administering the staff underwriter approval process in accordance with HUD guidelines, in lieu of qualifying all underwriters employed by a given lender.
4. **Revamp 2530/APPS:** Transform APPS for the 21st century and make the 2530 process and APPS work for HUD and the industry, to insure we are doing business with the best partners in the least burdensome way. This is a longer term item with a 2015 completion course.
5. **Issue the 4350.1 Handbook:** Provide clear and current guidelines to industry partners and field staff to improve risk management practices, enhance portfolio oversight and ensure the availability of high quality assisted and insured housing opportunities.
6. **Establish Owner Counterparty Ratings:** A rating system will be developed to rate borrowers and assisted housing owners to ensure we continue to do business with the best partners possible. Rating the borrowers will also facilitate risk mitigation by preventing continued business with "bad borrowers." This is a longer term item with a 2015 completion course.
7. **Heighten Enforcement on Failing Assets:** Implement enforcement requirement imposed by Section 230 of the 2014 appropriations bill for all properties receiving REAC scores below 30 and certain properties receiving scores below 60. This provides for enforcement tools (civil money penalties, full/partial abatement of the Section 8 contract, transfer of contract to another owner, judicial receivership) against owners that do not meet specific timetable for correcting deficiencies.

Strategically controlling program costs by taking innovative approaches to managing our portfolio.

1. **Energy Reduction through Better Buildings Challenge (BBC):** Participants in the BBC will receive guidance regarding shared savings models for Section 202 and 811 Project Rental Assistance Contract properties and Section 8 Project Based Rental Assistance properties; allowing energy efficiency measures as part of the management fee; expedited approval for energy efficiency measures and pulling from the R4R; inviting on-bill repayment waivers; and allowing the IPF for M2M Waiver deals using the GCNA.
2. **Energy Reduction through Information:** The CNA E-Tool is a standardized and automated solution for preparing Capital Needs Assessments that includes a utility conservation component capable of cost/benefit analyses of conservation measures at individual properties. Upon availability, this will replace the tool currently required for RAD and Mark to Market transactions; in time, all capital needs assessments required by HUD and USDA programs would use the CNA E-Tool and use of the tool will be available to other agencies. Projected energy savings will be evenly shared between owners and HUD.
3. **Energy Reduction through Benchmarking:** Issue guidance that will facilitate owners' ability to benchmark their portfolios. This means getting energy intensity for buildings and comparing it to comparable properties. Our goal is to have the entire assisted portfolio benchmarked over time, as well as all properties that use the CNA E-Tool. This will help target properties in need and improve our energy data.
4. **Rent Comparability Study (RCS) Changes:** Review and analyze the current requirements for owner submission of RCS's and determine what changes may be necessary to ensure accuracy in determination of market rent levels.
5. **Budget-Based and PRAC Rents:** Review the current process and requirements for HUD and PBCA review of budget based rent increases and analyze whether the process is sufficient for ensuring accurate rent determinations.

Making the business case for increased investments in our programs to provide the tools we need to do our work.

1. **202 Demonstration NOFA:** The FY 2014 Omnibus Appropriations bill authorizes sweeping of residual receipts and using other available Section 202 funds to fund demonstration programs testing housing with services model to avoid or delay nursing home services. The bill also made changes to Section 202 Statute to eliminate capital advance requirements and authorize operating assistance-only grants. Multifamily will utilize these new authorities to issue a 202 Demonstration NOFA.

2. **IT Business Cases/Budgeting:** Provide compelling case to Office of Chief Information Officer (OCIO) as to importance of up to date technology to support the work of the Office of Multifamily Housing.

Continuing to provide quality customer services while transforming the way we work to 21st century best practices.

1. **Multifamily Transformation:** The Office of Multifamily Housing Transformation includes four initiatives: workload sharing to address fluctuations in volume; risk-based underwriting and processing in Production; Account Executive and Troubled Asset Specialist support in Asset Management; and streamlined organizational model in both headquarters and the field. Integrating these business changes with the policy development process will lead to improved policy changes.
2. **Enhance Service Coordinator Program:** Promote an outcomes oriented approach to services coordination for our elderly residents. This may include standardizing the work that service coordinators perform, mandating best practices and facilitating training on best practices, different tracking of outcomes by updating the semi-annual performance report, and by promoting the use of service coordinators in certain PRAC properties.
3. **Revise Delegations of Authority:** Continue efforts to delegate responsibilities and authorities to the Field to maximize field empowerment in support of the Multifamily Transformation.
4. **Modernize Property Disposition Guidance:** Issue updated guidance pertaining to property disposition efforts on determining the disposition method that will bring the highest rate of return to the Department, while still ensuring mission goals where possible.