NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

NAHMANews

March April 2011

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

IN THIS ISSUE

COMMUNITIES OF QUALITY

Federal Budgets for 2011 and 2012 Collide

President Obama submitted his fiscal year (FY) 2012 budget request to Congress on February 14, 2011. As of press time, however, the federal government was still operating under a continuing resolution, meaning that a final budget agreement for FY 20111 was still being hammered out (see Washington Update on page 11). Under normal circumstances, Congress would take the following actions on the FY 2012 budget between now and October.

- Adopting a non-binding budget resolution which sets spending caps for the upcoming fiscal year (April);
- Holding hearings on the President's budget (through May);
- Beginning the FY 2012 Appropriations process (May through September or until completed); and
- Resolving outstanding differences on the House and Senate versions of Appropriations bills which are likely to be introduced by the Subcommittee Chairs in late May or early June.

Although nothing is set in stone, here is a summary of what the Obama Administration proposed for affordable rental housing programs in FY 2012. To read the full *NAHMAnalysis*, go to the Members' Entrance at www.nahma.org.

continued on page 4

Threat to Regular Release of FMRs

THE ADMINISTRATION IS PROPOSING TO DELETE THE requirement to publish fair market rents (FMRs) on October 1. In the HUD section of the FY 2012 budget document under General Provisions, Section 222, the changes proposed by the Administration for the Section 8 program would strike the sentence that requires that "Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year…."

The provision would be replaced with language that would publish FMRs with the vaguer "not less than annually" [see page 614 in the budget document]. Based on NAHMA's analysis, HUD's budget language would set no firm effective date for FMRs. HUD would only be required to publish them annually. This could be quite chaotic, since HUD would be able to change the date every year if it wanted. Lack of predictability about the FMRs' availability could also complicate underwriting and rent setting for properties across HUD's multifamily housing program. Finally, this change could have repercussions for the LIHTC program, which uses HUD's income limits to determine maximum rents. However, HUD needs the FMRs to calculate some income limits—specifically to determine high and low housing cost adjustments.

To see the proposed language, go to www.whitehouse.gov/omb/budget/Appendix, which is the link to the website with all of the agency budgets. Scroll to the HUD section and click on the PDF.

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BY KRIS COOK, CAE

Tools for Working Harder with Less

LET'S FACE IT: WE ARE EXPERIENCing some tough economic challenges. Working inside a context of potentially diminished federal budget outlays for housing, we all need to get used to the idea of working harder with less.

As the saying goes, however, we can still work smarter. NAHMA is your partner in making it possible for you to do this.

STAYING AHEAD OF THE CURVE

All of the benefits you have access to as NAHMA members are designed to keep you at the top of your game. One of the most important: the **NAHMA website** at www.nahma.org. Here you will find easy access to meeting information, legislative news, the latest in regulatory guidelines related to HUD, RHS and the LIHTC program, and much more.

Also on the website are **Searchable Directories** that can take you to AHMA contacts in your area, the Communities of Quality® (COQ) National Registry, the NAHMA Credential and Membership Directory and HUD Software Vendors. You can also subscribe to NAHMA's News Release Listserve.

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The **Communities of Quality® National Recognition and Awards** programs acknowledge high standards in our industry. Recognition through this program is an outstanding way to promote your company and its properties.

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NAHMA Maps is a search engine that can be an effective advocacy and marketing tool, providing the most comprehensive and up-to-date listing of affordable housing properties nationwide.

A special **Members' Entrance** on the website grants you access to the NAHMA Membership Directory, for easy networking with your peers; updates on work being done by NAHMA committees and workgroups; *NAHMAnalysis*, which, along with email alerts, keeps you up to date on what's happening with federal legislation; and links to all the relevant federal agencies.

NAHMA's **Career Center** is the industry's exclusive resource for online employment connections, for job seekers who want to advance their careers and get email alerts of new jobs and employers who want targeted advertising for their job openings.

In addition to what is available via our website, we also offer publications, a poster contest now entering its 25th year and conferences that coalesce a tremendous amount of new information in a short period of time (see the story on page 15).

DON'T JUST SURVIVE—THRIVE!

NAHMA wants you to continue to thrive regardless of the economy or insecurities caused by federal cost-cutting. With all that NAHMA has to offer, you can keep your business—and our advocacy on your behalf—working smarter. **NN**

Kris Cook is Executive Director of NAHMA.

AN INCREASE PROPOSED BUT UNLIKELY

The Obama Administration has proposed a HUD budget of $48 billion in FY 2012, an increase of $1.9 billion over FY 2010 Appropriations. However, funding increases in the FY 2012 budget were provided only for programs that assist the neediest Americans.

The FY 2012 budget provides full funding for the Project-based Section 8 and Tenant-based Section 8 accounts. The Obama Administration has once again proposed $1 billion for the Housing Trust Fund, since Fannie Mae and Freddie Mac cannot fund the program for the near future.

The FY 2012 budget reduces funding for several grant programs in comparison with FY 2010 Appropriations. First, the budget request proposes cutting Section 202 and 811 funding below FY 2010 levels. Nevertheless, the FY 2012 budget proposes keeping some funding for new construction in the Section 202 and 811 accounts.

President Obama requested less funding for HUD's Transforming Rental Assistance compared to FY 2011. For a second time, HUD has requested cutting HOPE VI from the budget and replacing it with the Choice Neighborhoods Initiative. The Administration has requested that CDBG be cut by $300 million when compared with the FY 2010 Appropriations.

HUD has once again proposed LEP be eliminated as a line-item funding account.

HUD and Treasury have proposed two LIHTC reforms in the FY 2012 budget: income averaging and a basis boost for the preservation of public and assisted housing.

SIGNIFICANT CUTS PROPOSED FOR RHS

For USDA Rural Housing Service (RHS), the Obama Administration has proposed significant spending cuts in FY 2012 from the programs below FY 2010-enacted spending levels.

Under the proposed FY 2012 budget, Rural Rental Assistance would receive a $73 million cut. The Multifamily Housing Revitalization Program would receive $16 million to only fund vouchers. USDA has not requested funding for the program's rehabilitation and demonstration programs. The White House has suggested eliminating Section 538 Guaranteed Loans. Nevertheless, USDA has proposed increasing the Section 515 account by $25 million to help offset the funding loss to the Multifamily Housing Revitalization Program.

During the Bush Administration, the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) scorecards acted as a rating system to examine the effectiveness of every federal program. However, under the Obama Administration, OMB has provided supplemental documentation justifying the termination of, and cuts or savings for, affected federal programs. These justifications have been incorporated into the *NAHMAnalysis* program summaries.

A copy of OMB's "Terminations, Reductions, and Savings" document for the FY 2012 budget can be found at: www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

FUNDING FOR SPECIFIC MULTIFAMILY HOUSING PROGRAMS

HUD

Tenant-based Section 8: $19.2 billion total funding; $17.1 billion for contract renewals

The FY 2012 Presidential budget request is an $800 million increase over the FY 2010 Appropriations. However, it is a $600 million decrease below the FY 2011 budget request for housing choice vouchers. The Obama Administration claims the FY 2012 budget provides new vouchers to make progress on HUD's high priority performance goals by increasing the number of families receiving rental assistance and for reducing the number of homeless veterans. The FY 2012 budget request also includes $114 million to renew 15,000 Section 811 vouchers, which have been statutorily moved from the Section 811 account to the Section 8 account in order save administrative resources.

In order to improve HUD's three largest rental assistance programs—Housing Choice Vouchers, Project-based Rental Assistance, and Public Housing—the Administration has also proposed:

- Broadening the extremely low-income targeting requirement by applying it to families with the higher of 30 percent of AMI or the federal poverty level;
- Increasing the standard deduction for elderly and disabled households from $400 to $675 and raising the deduction for excess medical expenses from 3 percent to 10 percent of income;
- Streamlining the program by permitting three-year annual re-certification for fixed-income families;
- Providing PHAs the authority to approve exception rents for disabled voucher households; Producing more timely Fair Market Rent data on an annual basis; and
- Authorizing a rent demonstration project.

Project-based Section 8: $9.4 billion total; $9.1 billion for contract renewals

The Obama Administration has committed to providing full funding for 12-month contracts through a $500 million increase over the FY 2010 Appropriations. The FY 2012 budget request includes a $400 million advanced appropriation for FY 2013. This funding will preserve approximately 1.3 million affordable rental units and support 18,000 contracts with private owners of multifamily properties. The budget also provides $289 million for contract administrators and $10 million for tenant capacity building.

Transforming Rental Assistance Initiative (TRA): $200 million

HUD has requested $200 million for a demonstration program that would offer PHAs and private owners of RAP, Rent Supp, and Mod Rehab properties the option of converting to long-term project based rental assistance or project-based vouchers. The Administration requested $350 million for a similar proposal in FY 2011, which Congress did not fund.

Although HUD submitted TRA Appropriations language in the FY 2012 budget, HUD has not made the new version of the TRA authorization language available yet. NAHMA is still cautious to make any predications as to what it will contain.

Section 202: $757 million

The Obama Administration has recommended some cuts to the Section 202 program. They have requested a $68 million cut below the FY 2010 Appropriations allocation. However, this is a $483 million increase above the FY 2011 budget request.

The FY 2011 HUD budget proposed eliminating new construction funding for Section 202 due to poor performance reviews. After Congress successfully passed S. 118, the Section 202 Supportive Housing for the Elderly Act, in December 2010, the Obama Administration felt sufficient statutory changes to the program had been made to justify including $387 million for capital advances and initial project rental assistance contracts (PRAC) in the budget. The Administration believes developers can create 2,813 new 202 units with the FY 2012 proposed capital advances.

The FY 2012 budget also includes $259 million for contract renewals for existing Section 202 housing and $91 million to support service coordinators. Finally, the FY 2012 budget proposes $20 million for converting elderly housing units to assisted living facilities and service-enriched housing. HUD also included a $25 billion budget request for loan guarantee authority for the General and Special Risk Insurance Fund in the budget request, which will provide an estimated 190,000 units in multifamily housing properties and an estimated 98,000 beds in healthcare facilities, many of which will benefit elderly tenants.

The Obama Administration will be seeking additional reforms, both legislative and administrative, for Section 202 new construction.

The Obama Administration has proposed a HUD budget of $48 billion in FY 2012, an increase of $1.9 billion over FY 2010 Appropriations. However, funding increases in the FY 2012 budget were provided only for programs that assist the neediest Americans.

Section 811: $196 million

The Obama Administration has recommended some cuts to the Section 811 program. They have requested a $104 million cut below the FY 2010 Appropriations allocation. However, this is a $106 million increase above the FY 2011 budget request. The decrease in funding also reflects the shift of fiscal responsibility of the Section 811 Mainstream Vouchers program to the Tenant-Based Section 8 program between FY 2011 and FY 2012. In FY 2012, the Obama Administration has requested $114 million for 811 vouchers that would be provided through the Tenant-based Section 8 account, which is $27 million above the FY 2010 811 voucher funding level.

The FY 2012 budget proposes $85 million to renew and amend operating subsidy contracts for existing Section 811 housing.

The Obama Administration is seeking further reforms, both legislative and administrative, for Section 811 new construction to target populations with the greatest need for special needs housing, while ensuring the greatest savings for state and federal health care budgets by reducing institutionalization and emergency room utilization. HUD may circulate draft legislation that would help leverage non-federal sources of financing to fund new Section 811 projects and shift away from PRACs to a Project-based Section 8 type contract model.

HOME: $1.65 billion

The Obama Administration's funding request for HOME is $200 million below the FY 2010 Appropriations levels but meets the FY 2011 budget request. The funding provided in the FY 2012 budget is estimated to produce an additional 72,215 units of affordable housing through new construction, rehabilitation and/or acquisition. HUD has also estimated that communities will use a portion of their funding to support Tenant-based rental assistance for over 17,955 units. The Administration believes increases in affordable rental units can also be achieved through the Housing Trust Fund and the Neighborhood Stabilization Program.

HOPE VI: $0

Despite the inclusion of $200 million in the FY 2010 Appropriations, the Obama Administration feels that the HOPE VI program has accomplished its goal to demolish 100,000 severely distressed public housing units.

Remaining balances of HOPE VI grants will be spent out over several years as redevelopment projects are completed.

Choice Neighborhoods Initiative: $250 million

The Choice Neighborhoods Initiative is a program the Obama Administration first requested in its FY 2010 budget. The initiative expands the HOPE VI program beyond public housing by including assisted and private distressed housing as eligible projects for funding and allowing public, private, and nonprofit partners to become eligible grant recipients. It is also intended to expand the scope of the program's initiatives beyond the demolition of distressed housing and improve school, transportation and community programs; provide access to jobs; and help alleviate concentration of poverty in urban areas.

The FY 2010 Consolidated Appropriations Act provided $65 million for a demonstration of the Choice Neighborhoods Initiative through the HOPE VI account. HUD planned to award its first Choice Neighborhoods planning and implementation grants in spring and fall 2011, respectively.

Community Development Fund: $3.7 billion for the Community Development Block Grant (CDBG)

The 2012 budget funds the CDBG formula grant program at $3.7 billion to help state and local governments address local priorities and needs. This amount is $300 million below FY 2010 Appropriations and $300 million below the FY 2011 budget request. The reduced program request reflects the need to balance federal budget constraints with the difficult fiscal conditions confronting state and local governments.

Limited English Proficiency (LEP) Program: $0

The Obama Administration has once again recommended eliminating LEP as an individual line-item account.

Affordable Housing Trust Fund: $1 billion

Because of the financial troubles that led to federal receivership of Fannie Mae and Freddie Mac, the Federal Housing Finance Agency has indefinitely suspended contributions from the agencies that were intended as a funding stream to the National Housing Trust Fund. The Obama Administration has once again recommended providing $1 billion to increase and preserve the supply of rental housing and housing ownership for extremely low-income and very low-income families through the Trust Fund. Although no dedicated funding source has been specified, Secretary Donovan has stated HUD will seek a mandatory, non-appropriated source for the Trust Fund.

General HUD Budget Provisions

Section 209 extends HUD's authority to transfer Project-based Section 8 rental assistance between properties in FY 2012 and 2013.

The general provisions also proposed a limited number of reforms from the Section 8 Voucher Reform Act. Section 222 would increase the standard deduction for elderly and disabled households from $400 to $675 and raise the deduction for excess medical expenses from 3 percent to 10 percent of income. The provision would change the FMR notice and publication requirements. However, the LEP guidance language that NAHMA supports was not included in the FY 2012 budget legislative language.

Section 223 would give Public Housing Authorities the authority to conduct limited rent policy demonstrations in order to determine the effectiveness of different rent policies.

Section 224 would extend Mark to Market restructuring authority from October 1, 2011 to October 1, 2015.

IRS/Treasury

LIHTC Reforms

The FY 2012 budget request proposes two reforms to the Low Income Housing Tax Credit (LIHTC) program to work in conjunction with HUD's preservation agenda. The first is an income averaging proposal that would allow new LIHTC projects to be occupied by individuals or families earning up to 80 percent of the area median income

(AMI), so long as they are offset by units occupied by individuals or families earning less than 60 percent of AMI, resulting in an average of 60 percent of AMI.

HUD and Treasury claim replacing the AMI cap for new LIHTC projects will:

- Allow greater income-mixing at the project level, creating opportunities for workforce housing;
- Align LIHTC with HUD's and USDA's affordable housing programs, which define low-income at 80 percent of AMI; and
- Help create and preserve more units targeted to the lowest income households.

The second proposal would make the four percent tax credit a more viable source of funding for affordable housing preservation by giving qualifying properties a 30 percent basis boost. This would increase the equity that could be raised by the credits by providing higher yields, which HUD and Treasury believe will generate more interest in LIHTC preservation deals.

HUD and Treasury/IRS plan to work with Congressional Legislative Counsel to draft legislative language for these proposals.

USDA-RHS

Multifamily Housing Revitalization Program: $16 million

The Obama budget proposes terminating the Multifamily Housing Revitalization Program, with the exception of $16 million for housing vouchers for residents of projects whose sponsors prepay their USDA Section 515 mortgages and leave the program.

The proposal terminates funding for the revitalization and demonstration programs.

Section 515 Multifamily Housing Direct Loans: $95 million

The Obama Administration has requested a $25 million increase to the Section 515 loan program over FY 2010 Appropriations. This proposal equals the FY 2011 budget request. The program received an increase in funding due to the shifting focus of the Multifamily Revitalization program from rehabilitation and demonstration programs to housing vouchers.

Rural Rental Assistance: $907 million

The FY 2012 Obama Administration budget request represents a $59 million decrease below the Obama Administration's FY 2011 budget request and $73 million decrease below the FY 2010 Appropriations for the one-year rural rental assistance contracts. Nevertheless, RHS has indicated that this is the amount necessary to fund all existing rural rental assistance contracts for their one-year terms.

Section 538 Multifamily Housing Loan Guarantees: $0 million

The Obama Administration has suggested eliminating Section 538 in the FY 2012 budget.

POSITIVE ASPECTS OF THE BUDGET REQUEST

NAHMA is pleased that HUD has included one of its strategic goals of improving inter-agency Collaboration in the FY 2012 budget. Examples of inter-agency collaboration include the LIHTC proposals, efforts to serve homeless veterans and meeting the needs of elderly households.

NAHMA is heartened that the Obama Administration has requested full funding for Tenant-based Section 8, Project-based Section 8, Section 202 and 811 PRACs, and Section 521 rural rental assistance contract renewals. Providing full funding for these programs ensures consistent, timely payments.

NAHMA was also pleased that the Administration has requested funding for new Section 202 and 811 construction in FY 2012 and that it had included some provisions from the Section 8 Voucher Reform Act (SEVRA). These included PHA rent policy demonstrations, increases to elderly and disabled household standard deductions, and extending the Mark-to-Market restructuring authority. While these requests were positive first steps, NAHMA would have preferred inclusion of a revised version of the SEVRA legislation, which would have provided a cost savings to the federal government of $731 million over five years.

Last year, the bipartisan National Commission on Fiscal Responsibility and Reform and the President's Economic Reform and Accountability Boards both proposed eliminating corporate tax breaks in order to simplify the tax code. Their proposals called for eliminating several tax credits that help the multifamily housing industry, including the LIHTC. The inclusion of proposals to reform the LIHTC program to help facilitate occupancy and preservation in the FY 2012 budget is a good sign that the Administration remains supportive of the program. The LIHTC proposals originated from the White House's rental policy harmonization working group, which NAHMA participates in, indicating the Administration is listening to and seriously considering feedback from the industry on how to improve multifamily housing programs across departments. These proposals would increase income-mixing at the project level, allowing owners to accept lower-income tenants for tax credit properties than they have in the past. These proposals also make the LIHTC program more user-friendly with other federal rental programs.

Although these are innovative ideas, NAHMA believes further discussion is necessary in order to make these proposals work in practice.

ISSUES OF CONCERN TO NAHMA

Several controversial policy changes proposed by HUD in the FY 2011 budget have been revised for 2012. HUD continues to request authority for the Transformation of Rental Assistance (TRA) proposal. Last year, HUD's draft TRA proposal—the Preservation, Enhancement, and Transforming Rental Assistance (PETRA) Act—and Rep. Keith Ellison's (D-MN) legislation—HR 6468, the Rental Housing Revitalization Act—were strongly opposed by industry and Congress.

NAHMA was extremely concerned that these legislative proposals would have given HUD the authority to make broad and far-reaching decisions that could destabilize existing programs that work well, like Project-based Section 8. Furthermore, NAHMA believed the legislative proposals did not offer enough incentives for Project-based Section 8 properties to convert to the new assistance, and no efficiencies could be achieved through the conversion program.

Nevertheless, HUD insists that it has downsized the TRA proposal considerably and will focus on a demonstration program to preserve and recapitalize public housing projects and privately owned RAP, Rent Supp, and Mod Rehab properties. The demonstration program would reportedly give public housing and orphan multifamily projects the option of converting to long-term project based Section 8 rental assistance contracts with a mobility feature or the Project-based voucher program.

NAHMA is very troubled that HUD has again proposed eliminating the Limited English Proficiency (LEP) Program as a line-item account. HUD has not specified if LEP translation funding would be funded under Fair Housing and, if so, from which account the translations would be funded.

The LIHTC proposals originated from the White House's rental policy harmonization working group indicating the Administration is listening to and seriously considering feedback from the industry….

NAHMA is concerned that without the line-item the money may be used for other purposes.

NAHMA has worked tirelessly to secure funding from Congress for LEP translations of multifamily documents. NAHMA will continue to advocate for comprehensive LEP authorization language that will:

- Create a task force of industry and civil rights stakeholders to identify vital documents;
- Require HUD to translate the vital documents;
- Create a HUD-administered 1-800 hotline to assist with oral interpretation needs; and
- Authorize Appropriations.

Also troubling are the FY 2012 budget request decreases to the CDBG, HOME and the RHS Multifamily Housing Revitalization programs below FY 2010 Appropriations levels.

NAHMA was also disappointed with the Obama Administration's decision to zero out of the Section 538 program.

NAHMA'S POSITION

With the levels recommended in the FY 2012 Budget, the Tenant-based Section 8, Project-based Section 8, Section 202 and 811, and Section 521 rural rental assistance programs should continue to receive full funding for 12-month contracts. Nevertheless, NAHMA encourages members to keep it informed if there are disruptions in the housing assistance payment (HAP) and PRAC processes or other ongoing problems. Members should also promptly communicate problems with late or short-funded contract payments to their Congressional delegations.

NAHMA will work to ensure the necessary Appropriations to fully fund all affordable housing rental assistance contracts in the FY 2012 Appropriations legislation. **NN**

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REALPAGE

BY MICHELLE KITCHEN

Federal Government on Autopilot

THIS MONTH, I AM ABANDONing my matter-of-fact, impartial tone. This month, I want to speak plainly, make editorial comments and share my feelings.

Consider me frustrated, with some righteous indignation thrown in for good measure.

At press time, it is now more than six months into federal Fiscal Year 2011. Congress has just passed the **sixth** stop-gap spending bill, also known as a continuing resolution (CR). This latest CR extends the federal government's operations for a whole three weeks at last year's spending levels. Keep in mind that Fiscal Year 2011 began on October 1, 2010; President Obama submitted his budget request for Fiscal Year 2012 on February 14, 2011; and Congress is already holding hearings on the FY 2012 budget request. In other words, most federal programs are being funded at 2010 levels, and there is no 2011 baseline to use in preparing the 2012 budget. I think it's fair to call this situation pathetic.

It is Congress' job to write federal laws, oversee the executive branch and make decisions about federal taxes and spending. There are legitimate policy differences among Democrats, Republicans, the House and the Senate. This is to be expected. But the American people have every right to expect members of Congress to make the difficult decisions facing this country. Enough political posturing—the FY 2011 budget should have been finalized before October 1, 2010. It's long past time for Congress to finish the job. Putting government spending on autopilot for six months is not good government; it is an exercise in dysfunctional political theater.

CONSEQUENCES OF INACTION

Plus, there are real-world consequences of this political tug-of-war. Reasonable people have to ask themselves, if this Congress has been deadlocked on spending decisions since the first day of session, how will any important decisions be made as the 2012 Presidential election approaches?

Let's put this into perspective. According to the Congressional Budget Office, federal spending in 2010 was divided as follows: 55 percent mandatory spending (Social Security, Medicare, etc.), 6 percent interest on the debt, 20 percent defense discretionary spending and 19 percent non-defense discretionary. So, if Congress paralyzes itself over the less than one-fifth of the budget related to non-defense discretionary programs, how will they ever deal with entitlement reforms? Congress is embarrassing itself and undermining its credibility with the American people.

Of course, there are more immediate consequences for affordable housing programs if Congress fails to act. Project-based Section 8, Housing Choice Vouchers, PRACs and rural rental assistance contracts have all been funded through the short-term CRs. Under these circumstances, administering the programs becomes more difficult for agency staff, who must track and process the funding allocations. The absence of a final budget and talk of a potential government shut-down raises concerns about the reliability of federal funding commitments among apartment owners, managers, lenders and residents.

Likewise, property owners and managers must make contingency plans for paying the mortgages and continuing operations if the agencies do not have funding available to renew the contracts or make housing assistance payments.

As time slips away, funding at FY 10 levels for Project-based Section 8 HAPs will not be sufficient to meet the government's contractual obligations. Soon, HUD will not have enough money to obligate the full 12 months of funding for Project-based Section 8 contracts.

Congress must act quickly to fully fund Project-based Section 8 contract renewals. Otherwise, the shortfall will undo years of effort by HUD, Congress and housing providers to correct widespread, chronic and harmful delays in subsidy payments, *which were caused by insufficient funding* in the first place. In fact, the House-passed version of the 2011 Full-Year Continuing Appropriations Act (HR 1) and the Senate substitute would have fully funded Project-based Section 8 renewals. Unfortunately, the Senate rejected both bills, which required yet another CR.

GET SERIOUS!

It's time for Congress to stop chest-thumping and start getting serious about finding common ground. If an agreement on the FY 11 Appropriations bill (HR 1) cannot be reached before the current CR expires, Congress should include all necessary FY 2011 Appropriations to renew and fund the full terms of Section 8, PRAC and rural rental assistance contracts in the next CR. **NN**

Michelle Kitchen is Director, Government Affairs for NAHMA.

When Considering Bonds in 2011

AFTER A THREE-YEAR SLUMP IN which the market for them evaporated, 4 percent low-income housing tax credits are starting to return as an equity option for affordable housing developers. In larger markets, developers have been able to find investors willing to purchase 4 percent tax credits at competitive rates. This year, banks will continue to need Community Reinvestment Act (CRA) credit, and more banks are expected to report profits, which should increase their demand for both 4 percent and 9 percent low-income housing tax credits.

While pricing has not recovered to 2008 levels of around 85 cents on the dollar, it has improved dramatically over this time last year, when a dollar of credit provided less than 65 cents of equity. Currently average pricing has hovered around 75 cents, with recent numbers approaching 80 cents in larger markets.

Sophisticated developers have been negotiating their own tax credit pricing with their banks and have been re-pricing projects with multiple syndicators. With new investors in the market, such as Google and larger insurance companies, pricing is expected to improve in the coming year. This means that there is more equity money available in 4 percent tax credit projects, making them a more viable financing option.

The slow revival of non-competitive equity, and agency-enhanced bonds' ability to provide competitive construction financing, behooves borrowers to once again put tax-exempt bonds on the table alongside taxable notes and compare the cost of capital and other benefits, opportunities and concerns. There are several reasons enhanced tax-exempt bond transactions can provide competitive financing:

- Unlike 9 percent tax credits, most states do not have strict timing restrictions on when 4 percent applications can be submitted, so funding cycles can be more flexible. This benefits borrowers who seek acquisition financing or have existing loans with hard maturity dates.
- Even when tax-exempt interest rates are only slightly lower than taxable rates, the cost savings can be considerable for larger projects, which have economies of scale and can offset the extra closing costs associated with tax-exempt bonds.
- Newer rehabilitation projects that do not require extensive repairs can use tax credits to limit the equity required at closing.

Staying on top of the taxable/tax-exempt comparison and on various enhancements' availabilities will help attentive borrowers adapt their plans to capitalize on the most cost-effective methods. To do this, borrowers pursuing capital in 2011 will need to do the math, investigate available bond enhancements, and stay abreast of pending regulatory and budgetary changes to ensure they are aware of and have access to every option.

DO THE MATH

Tax-exempt bonds' additional closing costs, including negative arbitrage escrows and fees for trustees, underwriters and attorneys, have historically been offset by the lower interest rates provided by tax-exempt bonds. From 1981 through 2006, the interest rate on 30-year, AAA-rated, tax-exempt municipal bonds on the last day in December was an average of 88 percent of the interest rate on 30-year taxable Treasury notes. Few anomalies disrupted this fairly steady relationship, which, while not an exact comparison of the rates housing borrowers were receiving, provides a comparable point of reference.

For the past couple of years, however, the need to run cost comparisons of taxable and tax-exempt bonds was moot: taxable loans were going to be less expensive every time. Since 2008, the tax-exempt securities noted above have averaged higher interest rates than 30-year taxable Treasury notes.

Tax-exempt bonds have simply been more costly and, since 4 percent tax credits were drawing few investors, they did not even offer much access to tax credit equity.

In the past several months, tax-exempt pricing has begun to drop again, if slowly. The ratio at the start of 2011 was 106.8 percent. On average, it has trended downward since then and was at 102.6 percent on Feb. 17.

With the market fluctuation and uncertainty, borrowers should work with their lenders to monitor the impact of further potential drops in the interest cost of tax-exempt bonds and the related ability to access 4 percent LIHTC equity.

INVESTIGATE ENHANCEMENT

Currently, one of the greatest challenges with both taxable and tax-exempt bonds is finding an investor willing to buy bonds at an interest rate affordable to the borrower. Few affordable housing developers can issue highly rated investment-grade debt on their own credit strength. Fortunately, numerous options exist to enhance a bond offering and increase its appeal to investors.

BY BRIAN COATE

Fannie Mae, the U.S. Department of Agriculture, the Federal Housing Administration and Standard & Poor's each offer credit enhancement options that can be utilized with tax-exempt (or taxable) bonds. While raising the credit rating on a tax-exempt bond issuance may not reduce the interest rate to below taxable levels, it may bring it down low enough to make it affordable to a borrower who could then have access to 4 percent LIHTC equity, without the competitive 9 percent tax credit application process.

Each of these enhancements has its own restrictions and nuances. Borrowers should seek a lender familiar with both tax-exempt underwriting and various enhancement types in order to receive the most comprehensive capital cost comparison.

KEEP AN EYE ON THE HILL

Major regulatory and budgetary changes on the horizon would affect LIHTC financing options.

In its February 11, 2011 report to Congress, the Treasury Department included two 2012 budget proposals that would change the way LIHTCs are calculated.

The first proposal would allow income averaging, which would allow more tenant flexibility for owners.

The second proposal would allow a 30 percent basis boost for certain "bond financed projects in the context of preserving, recapitalizing and rehabilitating existing affordable housing." This also would increase the number of projects that could qualify for tax-exempt financing. The Reforming America's Housing Finance report includes strong support for the affordable rental market, saying, "[t]he Administration will explore ways to provide greater support for rental housing. One option would be to do so by expanding FHA's capacity to support lending to the multifamily market."

Many of the proposed plans mandate that the programs be able to fund themselves, a requirement Lancaster Pollard believes would ensure their long-term sustainability. The Obama administration also plans to increase partnerships with private lenders and industry experts to improve the viability of these sweeping changes. Partnering with an experienced development and financing team is more important than ever to ensure borrowers remain compliant with changing regulations and make use of some very positive proposed changes.

CONCLUSION

The market for tax credits has expanded into non-traditional buyers, and demand is forecast to continue to rise in the near future. While the relationship between taxable loans and tax-exempt bonds will not revert immediately to more typical ratios, affordable housing borrowers who stay on top of market movements and changing program regulations will be better prepared when more viable tax-exempt opportunities arise. **NN**

Brian Coate is a vice president with Lancaster Pollard Mortgage Company, an FHA/USDA/Fannie Mae/GNMA-approved lender specializing in affordable housing finance. He can be reached at (614) 224-8800 or bcoate@lancasterpollard.com.
This article was originally published in the Lancaster Pollard company newsletter, The Capital Issue.

HUD Set to Stop Section 202 PRAC Project Waivers

IN MID-FEBRUARY, NAHMA STAFF spoke with HUD Multifamily Housing staff regarding the Office of the General Counsel's determination that HUD does not have authority to waive age and income requirements in Section 202 PRAC projects because they are written into statute.

Although HUD stopped processing age and income waivers for Section 202 PRAC projects struggling with vacancies, they have begun approving new waivers once more. However, this is likely to be the last set of age and income waivers HUD will approve for Section 202 PRAC properties. HUD staff has informed NAHMA that properties seeking age and income waivers should apply through local field offices while they still can.

The good news is that HUD will allow tenants already living in Section 202 properties with PRACs under previously approved waivers to remain in the properties.

However, under current waivers, if an age- and income-eligible tenant requires a unit in a Section 202 project and there are no vacancies, the tenant admitted under the waiver may have to vacate that unit. Tenants allowed in Section 202 properties are subject to an initial one-year lease, but then go month-to-month.

Projects also may not bill for PRAC on units that contain tenants brought in through an age or income waiver.

HUD has not yet announced a date to end the waiver applications and it is uncertain when an announcement may come. NN

A Banner Meeting for March 2011

NAHMA'S ANNUAL WINTER MEETING always focuses on legislative and regulatory issues. The need to fight for affordable housing programs and to advocate on behalf of fair and sensible regulations led to a convergence of the most members ever at the meeting, held March 7-9, 2011 in Washington, D.C.

In addition to panel discussions on these topics, NAHMA members visited members of Congress and their staff, networked with one another and participated in ceremonies honoring Communities of Quality® (COQ) award winners and Industry Award winners (see article on page 16).

NUMEROUS IMPORTANT GUESTS

All of NAHMA's committees met to bring the benefit of their considerable experience to issues of concern to the entire industry, including rural housing, senior housing, tax credits, TRACS, and HUD, RD, regulatory and federal affairs.

Other dedicated NAHMA members met in committees to discuss issues of internal importance to NAHMA: education and training, membership and marketing, budget and finance, and others.

The depth and breadth of information relayed during the meeting owed a great deal to the special guests who felt it was important to meet with NAHMA members, including senior officials from HUD, the IRS, Rural Housing and Congressional staff. **NN**

LEFT: Elizabeth Battaglino, Executive Director, HealthyWomen.
CENTER: David Vargas, Deputy Assistant Secretary, REAC, Public and Indian Housing, HUD.
RIGHT: Dr. Dini Miller. Associate Professor, Dodson Urban Pest Management Laboratory, Virginia Tech.

Kudos to Winter Meeting Sponsors

NAHMA and its Board of Directors would like to thank the following for their support of its important meeting in the nation's capital, including their hosting of breakfast and lunch networking sessions:

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NAHMA thanks the following corporate partners for their support of the Communities of Quality® Awards program.

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Thank You to HD Supply, Sponsor of NAHMA's COQ Awards

HD Supply is a leading wholesale distribution company, providing a broad range of products and services to professional customers in the Infrastructure & Energy, Maintenance, Repair & Improvement and Specialty Construction markets. HD Supply has sponsored the COQ Awards program since 2003.

Best in the Industry Honored by Peers

On March 7, 2011, NAHMA presented its annual Industry Awards to five individuals and eight organizations, including a previously unannounced winner of its prestigious President's Award. This award was made by NAHMA President Scott Reithel to NAHMA Past President Michelle Norris, Senior Vice President, Acquisitions and Development, National Church Residences, in recognition of her outstanding contribution to the cause of affordable housing.

NAHMA instituted the Industry Awards to create awareness of the high degree of commitment and professionalism that now sets the standard for this industry. "Truly the bar has been raised by people and organizations such as those honored this year," said event host Bill Wollinger, President of WinnResidential. "They show by example the importance and many benefits that affordable multifamily housing brings to communities. We are all enriched by their work and by their ceaseless dedication."

The keynote speaker for the Industry Awards Ceremony was The Honorable Robert Menendez, U.S. Senate (D-NJ).

PRESIDENT'S AWARD

The NAHMA President's Award is presented annually to a NAHMA member or other affordable housing organizational partner that has made an outstanding contribution to the cause of affordable housing in the previous year(s).

Michelle Norris, Senior Vice President, Acquisitions and Development, National Church Residences, Columbus, Ohio, received this award in recognition of her long career in the industry, the depth and breadth of her knowledge of the field and her service to NAHMA. She served as president of NAHMA from fall 2006 through fall 2008. During her tenure as NAHMA president, she undertook a leadership role in promoting the Specialist in Housing Credit Management Certification Program, which was launched in late 2005. She helped guide SHCM's growth by serving on the key Special Advisory Board comprising volunteers from NAHMA, AAHSA and the National Apartment Association. Also during her tenure as president and in pursuit of one of the goals of NAHMA's current strategic plan, NAHMA launched discussions with NAA on the possibility of co-locating its summer conferences. Michelle represented NAHMA in numerous meetings and as a presenter at countless conferences, with the fruition this past summer of the first NAHMA-NAA co-located meeting held in New Orleans.

AHMA OF THE YEAR

The AHMA of the Year Award is presented to the local or regional Affordable Housing Management Association that demonstrates outstanding success in its membership recruitment and retention, training programs, financial stability, frequency and attendance at meetings, and other factors.

Large: SAHMA (The Southeastern AHMA)

SAHMA has won this award for the sixth consecutive year. The organization continues to serve nearly 500 management companies and have a retention rate of nearly 90 percent. It offers educational seminars in all eight of its southeastern states, Puerto Rico and U.S. Virgin Islands. In 2010 SAHMA planned 20 events and trained more than 700 students. SAHMA hosted nine state-level meetings throughout the spring and a regional conference in August. This was the sixth year it hosted a meeting in Puerto Rico, and the attendance increases annually. In addition, SAHMA continues to take on a greater role working with its colleagues in Kentucky as a partner in the Kentucky Housing Management Conference. SAHMA continues to be an active supporter of NAHMA's certification courses and credentialing programs. It partners with Rocky AHMA, the Fair Housing Institute and Grace Hill to provide online education to its members. SAHMA members continue to support the Communities of Quality® National Recognition Program, with 246 SAHMA-region properties accepted into the program. SAHMA continues to provide a diverse

and extensive catalog of member services. These include its SAHMA Outlook online newsletter, AHMA Drug-Free Kid Poster Art activities (which in 2010 had more than 1,000 participants), scholarships and awards (including the Ed Sisson Leadership Award, which includes a trophy and a $1,000 prize presented at its regional conference), and Excellence in Management and Maintenance programs.

Medium: AHMA-PSW (Pacific Southwest)

2010 was a record-breaking year for AHMA-PSW, which experienced increases in attendees at its annual seminar, in contribution to reserves, in attendance at educational classes, in number of certification classes offered and in AHMA Drug-Free Kid Calendar contest submissions. AHMA-PSW has 142 members and a 90 percent retention rate. It hosted nearly 2,500 training attendees in 2010 (a 35 percent increase over the previous year) and had a 75 percent increase in certification classes.

Its annual seminar saw a 22 percent increase, with more than 1,000 attendees. AHMA-PSW experienced tremendous growth in the number of Nationally Recognized Communities of Quality. The organization is financially stable and holds 20 months of operating expenses in reserves. Noteworthy is that, in 2010, AHMA-PSW donated $32,000 to the AHMA-PSW Foundation. AHMA-PSW hosts numerous meetings throughout the year, including quarterly agent/owner legislative sessions, HUD liaison meetings, general membership and legal updates, among others. It has an active committee structure. Fifty training sessions were held in 2010, a 67 percent increase over 2009. Covering a large geographic area, AHMA-PSW has held classes in outlying areas such as Bakersfield, Ventura, San Bernardino, Riverside, San Fernando Valley, Las Vegas, Tucson and Phoenix. It also communicates with its members online, through a biweekly eNews and websites, and is actively involved in the larger community.

Small: PennDel AHMA

PennDel AHMA, still only six years old, has created an incentive program for bringing in new members, boosted income, increased its number of training sessions, and added new sessions to its fall conference. More than 700 people attended its training sessions in 2010. To date, PennDel AHMA has 49 Communities of Quality among its membership. The AHMA placed a great deal of importance on its credentialing program, with certifications given for National Affordable Housing Maintenance Supervisors (NAHMS), the Specialist in Housing Credit Management (SHCM) program and the National Affordable Housing Professional (NAHP) and NAHP-executive programs. It encouraged active participation in the AHMA Drug-Free Kid Poster contest, and the NAHMA Educational Foundation awarded post-secondary school scholarships for three students who live in properties owned by PennDel AHMA members. Its fall conference attracted 300 participants. Awards given out at the conference included 71 property managers who were recognized for excellence in housing management from the Pennsylvania and Delaware state housing agencies. In 2010 PennDel AHMA contributed $5,500 to the NAHMA Educational Foundation, a 550 percent increase over the previous year.

AHMA MEMBERSHIP RECRUITMENT

This award is presented to those organizations who achieve outstanding recruitment of members in relation to their size and history.

Large: SAHMA

SAHMA has enjoyed high retention rates over the last dozen years. Despite the downturn in the economy, it achieved nearly a 90 percent retention rate, renewing 435 memberships. Its board of directors is always looking for ways to grow numbers. During 2009 SAHMA used state tax credit lists and was able to recruit several new members with large portfolios of tax credit or layered properties. Its 2011 marketing campaign includes a Housing Authority membership category with related benefits, and an incentive for prospective members to attend a complimentary SAHMA meeting so they can experience the value of membership first hand. SAHMA members continue to report that education, email alerts about breaking industry news, and networking and/or educational opportunities at its state meetings and regional conference provide good value for their membership investment.

Small: Oregon AHMA

Oregon AHMA continues to grow, retaining as it does all of its founding members. Its members live and work in every quadrant of the state, representing property management companies, housing authorities, nonprofit housing agencies, attorneys, owners and developers. The AHMA offers a full spectrum of continuing education classes, responds to members' suggestions about the kinds of trainings they want and need, offer a free registration to one of its Boot Camp Casual Friday programs and a free registration to its annual conference to each new member company. It offers discounted and free classes to members on tight budgets. Members can use the Oregon AHMA website to post job opening and apartment vacancy ads. Its classes are offered all over the state, which is very meaningful to members who live four to eight hours away from the Willamette Valley, which is the largest population center of Oregon and also where it runs many of its monthly trainings. The AHMA is continually adding new seminars and certification classes. Its annual conference was once combined with that of Oregon CARH, but since that organization closed its doors, Oregon AHMA has undertaken the entire conference. Its 2010 conference enjoyed an attendance of 240. The AHMA recently began hosting an annual membership luncheon meeting. Several new committees, a professionally designed website and publications are also assets to attracting new members.

AHMA COMMUNITIES OF QUALITY® AWARDS

NAHMA is pleased to acknowledge AHMAs with the highest number of COQ properties and an active COQ recruitment and recognition program.

Large: SAHMA

2010 was a banner year for participation among SAHMA members in the Communities of Quality National Recognition Program. As of early November, 56 properties joined the program. The corporate designation is being well received. SAHMA markets the program through direct mail and distributes the applications at all of its meetings. The AHMA places prominent signage at each state meeting to recognize participating properties, along with specially designed ribbons for participants to wear at meetings, balloons and award prizes. SAHMA is extremely proud of the 245 SAHMA properties that have risen to the challenge to submit and be accepted into the program.

Small: PennDel AHMA

PennDel AHMA boasts 49 Communities of Quality in its membership, which represents 90 percent of the PennDel management companies that participate in NAHMA. In addition, three management company members of PennDel AHMA are COQ Corporate Partners, a distinction held by only 11 companies across the nation.

AHMA INNOVATION AWARD

The need for innovation and new ideas is ever present when an industry hopes to keep expanding its reach and the value of its services.

MAHMA, the Midwest AHMA

MAHMA partnered with Indiana Quadel for its annual Agent Owner Update, providing marketing and administrative assistance that led to an outstanding conference. The day proved to be a success for both entities. MAHMA was able to gain new membership and participation in Indiana and Quadel was pleased to have more than 170 attendees at the annual conference. As a result of the new relationship, MAHMA saw significant growth in additional offerings in Indiana, including a 4350.1 Chapter 6 training held in Indianapolis. In addition, MAHMA saw a substantial increase in Indiana attendees at its annual Regional Conference. MAHMA looks forward to continuing the partnership and working with Quadel in the future. The partnership provided a valuable inroad into Indiana and allowed MAHMA to gain recognition as a leader in affordable housing and education. It is the hope of both MAHMA and Quadel that this partnership can continue to blossom in the future.

NAHMA MEMBERSHIP RECRUITMENT AWARD

The NAHMA Membership Recruitment Award is given annually to a NAHMA member or organization who leads in new member recruitment for the previous 12-month period.

Rocky AHMA

Rocky AHMA serves the needs of industry members in Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming. Its members manage approximately 60,000 units of HUD, RHS and tax credit-financed affordable housing. Through its strong program offerings and promotion of the benefits of regional and national membership, Rocky AHMA was able to recruit several new members into NAHMA in 2010.

NAHMA COMMUNITIES OF QUALITY® AWARD

This award is given annually to a NAHMA member who has the most properties listed on the NAHMA National Recognition Program COQ Registry, as well as to the NAHMA member who has the most new COQ properties in the past year. This year there were two awards given.

CSI Support & Development Services, Warren, MI

CSI is a nonprofit consumer cooperative that provides affordable housing for elderly and special needs residents in 54 apartment buildings in four states. Each housing complex revolves totally around its residents. CSI had the most Nationally Recognized Communities of Quality in 2010 and also became a Corporate Partner of the COQ program, which means more than half of its portfolio has earned national recognition in the COQ program.

AIMCO, Denver, CO

AIMCO is a real estate investment trust (REIT) that engages in the acquisition, ownership, management and redevelopment of apartment properties. The company rents and leases its apartment units to a diverse base of residents. It also provides management services to third-party owners. By the end of 2010, AIMCO owned or managed 768 apartment properties containing approximately 123,000 apartment units located in 43 states, the District of Columbia, and Puerto Rico. AIMCO has the most properties overall to receive COQ National Recognition since the program's inception, with 150 properties designated as Nationally Recognized Communities of Quality. In addition, AIMCO is also a COQ Corporate Partner, with at least half of its affordable portfolio designated with COQ National Recognition.

INDUSTRY PARTNER AWARD

The Industry Partner Award is given to a government agency, nonprofit, business or other partner that has made a significant contribution to the cause of affordable housing in the previous year.

Rose Guerrero, California State Treasurer's Office, California Tax Credit Allocation Committee (CTCAC)

Rose Guerrero is a life-long resident of California. In 1989, she joined the State Treasurer's Office working in the Public Finance Division, where she handled General Obligation Bond Sales. Rose has been with the State Treasurer's Office for 19 years, the past 13 years with the California Tax Credit Allocation Committee (CTCAC). Rose has a genuine passion for affordable housing. In April of 2005, Rose was appointed as Chief of the Compliance Section, overseeing the State of California's Regulatory Agency responsible for monitoring the largest tax credit portfolio in the nation. One of Rose's many strengths is her ability to focus on the strength of teamwork. She has been extremely supportive of the work of both AHMA-PSW and AHMA-NCNH and served on NAHMA's Specialist in Housing Credit Management Special Advisory Committee. Rose manages about 20 compliance managers and a third-party vendor who assists in completing required compliance monitoring audits. Rose also works on annual trainings, speaks at numerous industry conferences, keeps practitioners up to date on the latest monitoring and compliance issues, and reviews audit corrections and appeals—all while maintaining positive relationships with countless owners, syndicators and management agents.

NAHMA INDUSTRY ACHIEVEMENT AWARD

NAHMA's Industry Achievement Award is given to a NAHMA member who has exhibited significant or noteworthy leadership.

Christopher White, NAHP-e, SK Management, Encino, California

Christopher White's career in affordable housing began in 1970. Needing housing and a part-time job while getting his master's degree in psychology, Chris responded to an ad for a property manager. This part-time job turned into a career spanning more than four decades with SK Management Company, LLC. Since 1978 Chris has served as Executive Director of SK Management. He is well regarded for his profound industry knowledge, meticulousness and no-nonsense style. Chris has been a leader in affordable housing for the past 40 years. His numerous achievements include being a Past President of AHMA-PSW; a member of the AHMA-PSW Board in many capacities; and a member of NAHMA's Board of Directors as well as an active member of the legislative, federal affairs and budgetary committees. He brings technical expertise in HUD policies and procedures, provides sound guidance and leadership on a wide variety of topics including affordable housing preservation, Section 8 contract renewals, budget-based rent increases and EIV, and is an industry leader in legislative and regulatory issues. Through NAHMA and AHMA-PSW he has used his time and leadership abilities to improve affordable housing to the benefit of all concerned.

NAHMA INDUSTRY STATESMAN AWARD

NAHMA's highest honor is its Industry Statesman Award, which is given to a NAHMA member either in or nearing retirement in recognition of many years of outstanding leadership and service to NAHMA. Two distinguished career statesmen were recognized for 2010.

Allan B. Pintner, Vice President Emeritus and Real Estate Broker for Millennia Housing Management, Ltd., Cleveland, Ohio

Allan served with Millennia from June 1996 until his recent retirement. At Millennia he was responsible for creating and implementing company operating policies and procedures, defining the direction of company growth and being accountable for the management and operation of the properties in the Millennia portfolio. Allan also served as the owner's representative with regard to construction projects and supervised draw and inspection procedures. One of Allan's strengths was his hands-on experience in the development, ownership and management of many types of real estate including conventional and assisted housing. His experience in affordable housing includes Low Income Housing Tax Credit properties, HUD Project-based Section 8 properties, Section 236s, Section 202 and 811 PRACS, and Rural Development Properties. Allan has had extensive experience working with federal agency staff at all levels, has helped develop state housing preservation plans and has utilized state programs in the redevelopment and preservation of affordable housing. Allan also has extensive experience working with a variety of nonprofits such as community development corporations, community action agencies, and other social and religious based owners. Allan is past president and a member of the Midwest Assisted Housing Management Association Board (MAHMA), a past president of the Northeast Ohio Apartment Association, a past member of the Advisory Committee to the Ohio Housing Finance Agency on LIHTC, and a past member and multifamily subcommittee chair of the Annual Plan Advisory Committee to the Ohio Housing Finance Agency. He has served NAHMA on numerous committees, as chair of its Senior Housing Committee, and as chair of its Affordable 100 Survey. Allan is a state licensed residential appraiser and a licensed real estate broker in Ohio and Michigan. He holds the National Association of Realtors Green Designation.

Jim Henderson, Past President of Interstate Realty Management Company, Marlton, New Jersey

Jim Henderson has been instrumental in furthering the cause of excellence in affordable housing and maintaining its high standards in the industry. Jim has been involved in multifamily development and management since 1971. Prior to joining IRM in 1982, he was associated with a number of land development and property management companies, and served as a consultant to the Arkansas Housing Development Agency and the Florida Housing Finance Agency. Jim joined Interstate Realty Management Company as an Executive Vice President in 1982. He was responsible for developing and implementing a new management system as well as the creation of a proprietary computer system. Jim was promoted to President in 1984. Under his direction IRM has been recognized nationally for its comprehensive supportive services program as well as its site-based computer learning centers. The company has received 15 National Community of Quality® awards. Interstate's portfolio currently consists of 30,089 apartments in 28 states, the U.S Virgin Islands and the District of Columbia. Jim has served on numerous panels at seminars and conferences sponsored by major trade organizations. He serves on the task force of the New Jersey Housing and Mortgage Finance Agency, is a board member of the New Jersey Affordable Housing Management Association, of which he was a founder, and is a founder and past board member of NAHMA who currently serves on its Executive Council. Jim holds a Bachelor of Science degree from LaSalle University. He is a Certified Property Manager, a NAHP-e and a New Jersey licensed real estate salesperson. He has devoted his life to advancing excellence in multifamily affordable housing. **NN**

Industry Advocates for Section 8 Funding

In early March, members of Congress received an advocacy policy paper on *The Implications of Inadequate Funding of Project-based Section 8 Contracts and Rental Assistance Contracts for Rural Properties*, which was prepared by NAHMA and 10 other industry organizations. An accompanying letter noted that funding for programs that enable the elderly, disabled and low-wage families to afford their rental housing "will not be sufficient to meet the government's contractual obligations and will have wide ranging implications for residents, communities, the economy and the Treasury" if they continue to be funded at FY 2010 levels.

The advocacy paper pointed out that underfunding the existing government obligations would impact the solvency of the Federal Housing Administration, the Rural Housing Insurance Fund and state and local economies—particularly in rural America. "This will have a short- and long-term negative impact on the condition and availability of affordable rental housing stock across the country," the paper stated.

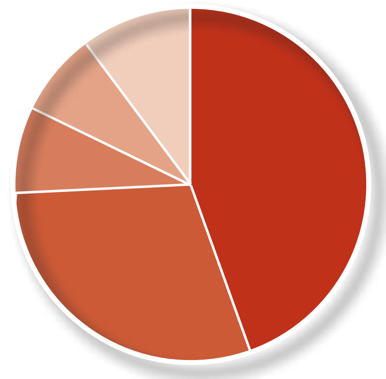
Currently only one of four households eligible for rental assistance actually receives it, attesting to the dire need for such assistance. Furthermore, the conventional rental market predicts a large gap between supply and demand over the next five years, making it even more difficult for those with low and moderate incomes to find affordable rental housing. Even more important than preserving this housing stock is "protecting vulnerable Americans from losing their homes," the paper stated.

WHO ARE THESE VULNERABLE AMERICANS?

The advocacy paper contains the following charts, which highlight the various income and demographic groups served by the Project-based Section 8 Housing program.

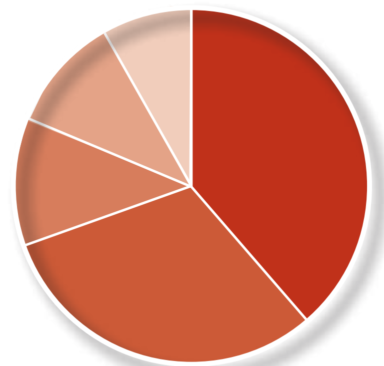
PROJECT-BASED SECTION 8 AGES

- **9%** Households where the head or spouse is < 24 years
- **25%** Households where the head or spouse is 25–50 years
- **13%** Households where the head or spouse is 51–61 years
- **44%** Households where the head or spouse is 62–84 years
- **9%** Households where the head or spouse is 85 + years



PROJECT-BASED SECTION 8 INCOMES

- **14%** Households with annual income < $5,000
- **37%** Households with annual income $5,000–$9,999
- **28%** Households with annual income $15,000–19,999
- **13%** Households with annual income $15,000–$19,000
- **8%** Households with annual income > $2,000



Nine percent of project-based Section 8 households are headed by residents aged 85 years or older; 44 percent of families living in Project-based Section 8 housing are elderly households headed by residents between the ages of 62 and 84. In addition, 17 percent of all tenants are disabled. Veterans, who are overrepresented in the homeless population, are in great need of federally-subsidized housing.

The advocacy paper also points out that the Section 8 Project-based program provides housing to the working poor. The myth that residents do not work is unfounded. Only 4 percent of tenants count welfare as their primary source of income. Although they may be working, 75 percent of Section 8 residents earn below 30 percent of the area median income (AMI), while 96 percent of tenants earn below 50 percent of the AMI.

IMPACT ON OWNERS

If Congress cuts funding for the Project-based Section 8 program, owners may not be able to pay their mortgages, or they may cut operational spending, which includes rehabilitation of the property and/or amenities for low-income tenants. Probable outcomes include that:

- Owners will begin selecting the highest-income tenants they legally can select in order to mitigate the impact of missed or reduced assistance payments;
- Maintenance of the property may also suffer because rehabilitation will be postponed; and
- Frustrated owners will opt out of the Section 8 program, eliminating property affordability and taking their properties to market rents, which very-low and low-income tenants will not be able to afford.

Ironically, providing enhanced vouchers and tenant protection vouchers for properties that opt out of the

Section 8 program is much more expensive than maintaining existing project-based rental assistance.

FHA FACES FINANCIAL JEOPARDY

If the Section 8 program is underfunded, the Federal Housing Administration (FHA) will be put in serious financial jeopardy and taxpayer risk will be heightened.

- There are more than 1.2 million units in nearly 18,000 properties with active Section 8 contracts, including nearly 10,000 insured by the FHA. Insufficient appropriations to pay contractual obligations or renew contracts may cause defaults and significant costs to the Treasury.
- If defaults increase, the FHA may need to increase mortgage insurance premiums on all FHA multifamily mortgage insurance programs to ensure there are adequate reserves to pay future defaults. This would raise the cost of development for new construction and the rehabilitation of existing rental properties, also forcing rents upward.
- Prices realized by HUD in selling foreclosed properties with Section 8 subsidies would decline.
- There are broader implications in the capital markets. A default by the United States in any area could send further shock waves throughout the markets. The potential for default by the United States could raise borrowing costs for Treasury.

ECONOMIES HURT, JOBS LOST

When Congress cuts funding for Section 8, the impact may be either a loss of units through contract abrogation or significant payment delays. Both have serious consequences on state and local economies.

In addition to job loss and housing loss for vulnerable families, housing properties are great contributors to local economies through the vendors with whom they contract, from security companies to pest control to painting companies and others who perform routine maintenance.

- If Congress cuts or delays funding for Section 8 assistance, unless the properties have significant reserves, maintenance and repair contracts may be stalled. Workers will walk off the jobs if they aren't being paid. And if reserves are drained, eventually mortgage payments will be late; with ensuing defaults, owners and managers won't be able to take advantage of savings that come with paying bills quickly. Utility payments will need to be paid at the last possible moment. All these payment issues impact local economies.
- The last time HUD had insufficient funds to pay all contract renewals for all 12 months, staff members went without paychecks, invoices were not paid and workers' medical insurance was cancelled. In many communities across the country, work under contract—like lead and asbestos removal—and property renovation, including energy efficiency work, was stopped in mid-stream.

RURAL COMMUNITIES DISPROPORTIONALLY HURT

- There are 267,665 units of Rural Development (RD) Rental Assistance, which accounts for 64.7 percent of all rural rental multifamily units. Failure to fund this subsidy will undermine the ability of the majority of the nearly 16,000 Section 514/515 multifamily apartment complexes to meet obligations, jeopardizing the federal government's $11 billion investment.
- Current proposed legislation would eliminate funding for the comprehensive preservation program known as Multifamily Preservation Revitalization (MPR), which provides the framework for the recapitalization of the aging Rural Development multifamily rental housing portfolio to enable its long term preservation.
- Any loss of stock due to inadequate RD Rental Assistance will displace rural renters, whose average incomes are $11,000 per year. These are the poorest of the poor with no other housing options.

HOUSING DETERIORATED OR LOST

Affordable rental housing stock will deteriorate and may be permanently lost. Reasons include:

- For those projects remaining in the program, there will be an increase in deferred maintenance and little likelihood of obtaining tax credits or other financing for rehabilitation.
- Lenders will be less willing to make long-term loans for mortgage refinance or purchases of Section 8 or RD projects, transactions which help in the rehabilitation and long-term preservation of the properties.
- Investors and syndicators will be less willing to purchase low income housing tax credits (LIHTCs), which are paramount to the sale and rehabilitation of those projects.
- The lack of sufficient Section 8 funds will also thwart the refinancing of older Section 202 and RD projects for the elderly and disabled that have Section 8 subsidies. Many of these projects are 20 to 30 years old and can be preserved for another long period with recapitalization and rehabilitation, but lenders and investors would be wary of participating as the government's ability to honor its contracts will be in doubt.
- Participation in other federal programs, dependent on ongoing federal funds, would be compromised if participants felt the United States defaulted on its Section 8 contracts.

For these reasons and more, industry leaders contend that the Project-based Section 8 program is indispensable and should continue to be funded at acceptable levels. If not, even more families than those already impacted by the recession will be hurt, as will the economy itself. **NN**

New Laws for Section 202 and 811 Housing

In response to the dire need for affordable housing for the elderly and the disabled, President Obama on January 4, 2011, signed into law Senate bills 118, *The Supportive Housing for the Elderly Act*, and 1481, *the Frank Melville Supportive Housing Investment Act*. These bills became P.L. 111-372 and P.L. 111-374 respectively.

P.L. 111-372 amends and improves Section 202 of the Housing Act of 1959, which provides supportive housing for the elderly. The legislation offers new Section 202 construction procedures, improves refinancing for older 202 properties to make them more attractive in preservation deals and amends the grant authority for property conversions to assisted living facilities to include non-licensed "service enriched housing."

Under the law, owners have an opportunity to use low interest rates and the equity in their properties to refinance mortgages and fund much-needed rehabilitation work.

P.L. 111-374 amends and improves Section 811 of the Cranston-Gonzalez National Affordable Housing Act, which provides supportive housing for the non-elderly disabled population. The act streamlines and simplifies rental assistance for those with disabilities, modernizes the capital advance program and includes the delegated processing of Section 811 applications to state or local housing authorities, which Section 202 applicants received under the Housing and Economic Recovery Act of 2008.

The bill also reforms tenant selection procedures and tenant protections, develops cost limitations, and authorizes project-based rental assistance for Section 811 properties. Finally, the legislation authorizes $300 million in Appropriations for the Section 811 account for FY 2011-2015.

A complete *NAHMAnalysis* of the laws gives background information on how the legislation passed through the Congress and discusses each law in detail. *NAHMAnalysis* 2011-0211 can be found in the members' section of NAHMA's website at www.nahma.org.

POSITIVE ASPECTS OF THE LAWS

NAHMA strongly supported the passage of these bills. P.L. 111-372 makes several streamlining and simplification reforms to the existing Section 202 program, which will increase program participation by not-for-profit developers, private lenders, investors and state and local funding agencies.

Under the law, owners have an opportunity to use low interest rates and the equity in their properties to refinance mortgages and fund much-needed rehabilitation work. This will extend the useful lives of these properties, even in this compromised mortgage credit environment. The legislation also allows Section 202 properties to use annual project savings and residual receipts to recapitalize and preserve existing Section 202 housing, as well as increase supportive services to assist frail and aging residents.

P.L. 111-374 converts tenant-based assistance under Section 811 to the Tenant-based Section 8 program, which will simplify the procedures and processing for the assistance. The bill allows for conversions of properties from disabled to other housing in areas that lack a low-income disabled population, permitting HUD to focus more funding on areas with greater need. The legislation provides additional rental assistance to existing affordable properties to expand the number of units available to disabled households, as well as help meet the physical and supportive needs of disabled tenants residing in Section 811 units.

NAHMA is intrigued by the inclusion of delegated processing for Section 811 new construction capital advance applications by state and local housing authorities. NAHMA hopes that the delegated processing reduces the processing time and streamlines Section 811 capital advance applications for the program going forward, similar to the Section 202 delegated processing.

NAHMA STILL HAS CONCERNS

Although Congress passed this important legislation to help streamline and simplify the Section 202 and 811 programs, NAHMA remains concerned that these programs are coming under increased scrutiny as the Administration and Congress look for additional ways to cut government spending in FY 2011 and FY 2012.

Section 202 and 811 are some of the few federally-funded programs left in the nation that construct new affordable housing. Without the capital advances developers and owners receive from these programs, it is very difficult to create new housing targeted to serve special, low-income populations that require supportive services.

NAHMA will continue to work with Congress and the Administration to ensure adequate funding is provided for Section 202 and 811 programs. NAHMA will also work to ensure that any authorizing legislation proposed provides common-sense reforms that do not hurt the operation of these programs.

The additional cost of creating a national senior clearinghouse database was removed from the final version of S 118 that passed both houses. This is disappointing, as the database would have helped facilitate moving additional low-income elderly tenants into available units receiving some form of federal assistance, providing them with housing and potential services, which would help keep them out of costly nursing homes.

NAHMA BOTH PLEASED AND FOCUSED

Overall, NAHMA is very pleased that Congress passed these needed reforms to the Section 202 and 811 programs. These new laws will help preserve and rehabilitate existing Section 202 and 811 properties and expand the number of units available to house elderly and disabled tenants.

NAHMA will stay in communication with HUD as it develops regulations to implement these bills, and will also continue to work with Congress and the Administration to ensure adequate funding for these programs in the 112th Congress. **NN**

Treasury and HUD Propose GSE Reforms

On February 11, 2011, the Departments of Treasury and HUD offered a report to Congress describing their proposals for reforming the government sponsored entities (GSE) Fannie Mae and Freddie Mac. They made three recommendations that would phase out the GSEs and shift the mortgage burden to private entities.

NAHMA staff participated on a conference call with HUD's Office of Policy Development and Research to discuss these proposals.

The first proposal would allow for a robust private mortgage market and phasing out of Fannie Mae and Freddie Mac by:

- Increasing the price of guarantee fees at the GSEs to reflect the risk;
- Reducing conforming loan limits on the size of mortgages Fannie and Freddie may guarantee;
- Phasing in a 10 percent down payment requirement;
- Winding down Fannie Mae and Freddie Mac's investment portfolios at an annual rate of no less than 10 percent per year; and
- Allowing the current increase in FHA conforming loan limits to expire on October 1, 2011.

The second proposal would work to fix flaws in the mortgage market by:

- Strengthening anti-predatory lending protections;
- Improving mortgage-underwriting standards;
- Requiring lenders to verify a borrowers' ability to pay;
- Providing increased mortgage disclosures for consumers;
- Increasing accountability and transparency in the securitization process;
- Enacting stronger capital standards to help banks withstand sudden shocks;
- Reforming mortgage servicing and foreclosure processes; and
- Forming a new task force on coordinating and consolidating existing housing finance agencies.

Finally, the third proposal would help the government target support for affordable housing by:

- Reforming and strengthening the FHA by lowering the maximum loan-to-value ratios for qualifying mortgages and adjusting pricing;
- Strengthening government support for affordable rental housing, such as expanding the FHA's capacity to support lending to the multifamily market;
- Making capital available to credit-worthy borrowers in all communities; and
- Supporting a dedicated funding source for targeted access and affordability initiatives.

The Obama Administration sees three potential options for government involvement in the future housing finance market:

- **Option 1:** Privatized system of housing finance with the government insurance role limited to FHA, USDA and Department of Veterans' Affairs' assistance for narrowly targeted groups of borrowers;
- **Option 2:** Privatized system of housing finance with assistance from FHA, USDA and Department of Veterans' Affairs for narrowly targeted groups of borrowers and a guarantee mechanism to scale up during times of crisis; or
- **Option 3:** Privatized system of housing finance with FHA, USDA and Department of Veterans' Affairs assistance for low- and moderate-income borrowers, and catastrophic reinsurance behind significant private capital.

A copy of the full report from the Administration can be found at www.treasury.gov/initiatives/Pages/housing.aspx. **NN**

Applicants Urged to Meet Scholarship Deadline

THE NAHMA EDUCATIONAL FOUNDATION'S SCHOLARSHIP Application season is in full swing, and many applications have already been received. There is, however, still plenty of time for residents to submit a completed application prior to the deadline of 10:00 p.m. EST on May 18th, 2011.

The application form and all related information can be accessed by going to nahma.indatus.com. The application must be submitted online except for the applicant's grade transcript, which is mailed to Dr. Bruce W. Johnson, NAHMA Scholarship Administrator, at the address given in the information section.

In its first four years, the Foundation has awarded 149 scholarships totaling $145,000 to worthy students residing at NAHMA affiliated properties around the country.

Residents of 13 different AHMAs have received scholarships, and the Foundation is anxious to see that number increase in 2011. "The Foundation board really wants this to be a truly national program. We want to encourage individual AHMAs and management companies to get the word out to residents looking to continue their education," said Foundation Chairman Wayne Fox.

The requirements for a completed application have not changed. A completed application form, two references, an essay, a Certification of Residency in Good Standing form and a current valid grade transcript are needed. The web-based application system informs the applicant of exactly what requirements have been satisfied, as well as an indication of when the application is complete.

During these difficult economic times, having a good education can greatly enhance an individual's opportunities in the job market, and funding for education can be tough to come by. Why not make residents aware of this great program that looks to continue the work it has been doing over the last four years?

Help your residents meet the deadline for completed applications by 10:00 p.m. EST on May 18th, 2011. NN

NAHMA Reacts to Draft PBCA Transition Handbook

In January 2011, HUD issued a draft *PBCA Working Group Transition Handbook* in response to HUD's re-bidding of contracts under the Request for Proposals for Performance Based Contract Administrators (PBCAs) for Project-based Section 8 Housing Assistance Payments (HAP) contracts. Volunteers, some of whom are NAHMA members, served on the working groups that drafted the handbook.

NAHMA was invited to comment on the draft handbook and did so in a letter in mid-March, after consultation with NAHMA members.

OVERVIEW OF PBCA RESPONSIBILITIES

In the draft handbook for the transition process, the PBCAs administer HAP contracts that HUD assigns during the annual contributions contract (ACC) term. In the case of HAP Contracts that expire during the ACC term, the PBCA would enter into a renewal contract with Section 8 owners, as appropriate, in accordance with the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRA"), HUD's implementing regulations and the provisions of the Section 8 Renewal Guide.

The principal tasks of the PHA under the ACC include, but are not limited to, the following:

- Monitoring compliance by project owners with their obligation to provide decent, safe, and sanitary housing to assisted residents;
- Paying property owners accurately and timely;
- Accurately and timely submitting required documents to HUD (or a HUD designated agent); and
- Complying with applicable federal law and HUD regulations and requirements, as they exist at the time of ACC execution and as amended from time to time.

NAHMA'S RESPONSE TO THE DRAFT

Overall, NAHMA was "impressed by the thoughtful approach the handbook proposes for orderly performance-based contract administrator (PBCA) transitions," the letter said. This included the detailed assignment of responsibility for transition tasks among the incumbent PBCA, the incoming PBCA and HUD. NAHMA also appreciated that the handbook establishes deadlines for completing tasks that the PBCAs and HUD have been assigned.

NAHMA also supported the recommendation to provide the incoming PBCA with a history baseline that spans five years of certifications, which corresponds with the maximum time period allowed to recapture subsidy overpayments and underpayments. "We agree that a five-year historical baseline would help ensure that subsidies are correctly calculated, tenant repayment agreements are substantiated, and O/As will not be burdened with sending paper vouchers/certifications to prove miscellaneous adjustments," NAHMA said.

NAHMA strongly believes it is HUD's responsibility to ensure the new PBCAs receive all necessary information to perform their tasks *without burdening the properties' staff* to fill gaps in information.

The working group specifically recommended that HUD require outgoing PBCAs to electronically transfer five years of tenant data and associated contract data to the new incoming PBCA.

The guidebook's *Exhibit 2: Voucher Matrix* makes a compelling case for this recommendation. It explains that the benefits of this policy would:

- Eliminate the need for O/As to provide baseline tenant data for each project/contract;
- Reduce ongoing requests to O/As for retroactive data arising from EIV findings, gross rent changes, etc.;
- Transfer tenant data sufficient for incoming PBCA to accurately calculate results of EIV findings;
- Reduce the reporting burden for both outgoing and incoming PBCAs by hundreds of man-hours per PBCA;
- Allow incoming PBCAs to analyze vouchers and make accurate payments much sooner by avoiding a lengthy baseline data acquisition period;
- Ensure data matches prior payment data, as well as tenant data at TRACS; and
- Benefit the industry by enabling PBCAs to provide data to O/As when necessary, preserving history and increasing accuracy.

NAHMA takes the position that regardless of whether the historical baseline is transferred from PBCA to PBCA, as the working group recommended, or from HUD to the new PBCA, the burden of the transition must not fall on the property O/As under any circumstances.

For this reason, NAHMA is gravely concerned by the proposed contingency plans for providing baseline information to the new PBCA when the incumbent cannot or will not provide *at least* a conventional baseline to the new PBCA. The guidebook states that, "If a PBCA cannot or will not assemble and transfer a conventional baseline, incoming PBCA will have to acquire baseline data from each owner and agent beginning on day 91. …This scenario could severely impact the owners/agents and the timely payment of HAP funds."

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DRAFT PBCA HANDBOOK, *continued from page 28*

NAHMA strongly objects to any expectation by HUD or PBCAs that the O/As will fill in the documentation gaps for the new PBCA. Managing the transition between PBCAs is *HUD's* responsibility. HUD is setting the terms, which include the key deadlines, for the PBCA rebid and the annual contributions contract for the contract administration program. NAHMA strongly believes it is HUD's responsibility to ensure the new PBCAs receive all necessary information to perform their tasks *without burdening the properties' staff* to fill gaps in information that the new PBCA did not receive from either the incumbent or HUD. If the incumbent PBCA cannot or will not comply with HUD's requirements to transfer a baseline, then the burden to provide the new PBCA with necessary information should fall on HUD, not properties.

Likewise, NAHMA is concerned that HUD's ambitious "ramp-up" period of 90 days may not leave enough time to complete an orderly transition. NAHMA is concerned that the major assumptions which premised the working group's recommendations could work against each other. These premises are:

- An incoming PBCA will have a 90 day ramp-up period from the date of notification of award to the first day of the contract;
- Enhancements are necessary to HUD systems and PBCA vendor software in order to make timely payments to properties during the transition; and
- Both the HUD system changes and PBCA vendor software changes will be in place for the transition.

NAHMA is also deeply concerned about HUD's insistence on a 90-day transition when the guidebook describes the chaos which would ensue if the department's own IT enhancements are incomplete. Based on the description under the section, *Contingency Plans—Payment issues*, if HUD systems are not prepared for the transition, the properties will not receive timely payments.

"Once again, NAHMA feels that when HUD is setting the deadlines for the transition and associated tasks, it is the Department's responsibility to ensure that its own infrastructure is prepared for the changes. NAHMA remains concerned that the 90-day transition period between PBCAs leaves insufficient time for a seamless transition and strongly urges HUD to reconsider this deadline.

In previous comments, NAHMA recommended a 120-day transition period. More important than the specific number of transition days, however, is assurance that HUD's IT infrastructure and a workable system for transferring all necessary information to new PBCAs is in place before proceeding with the transition. **NN**

HUD POSTS SECTION 202 NOFA—On March 4, HUD posted the FY 2010 Notice of Funding Availability (NOFA) for the Section 202 program. The program has $371 million to distribute for new construction grants. The application deadline is June 1, 2011. The FY 2010 NOFA can be found at http://www07.grants.gov/search/synopsis.do;jsessionid=qRDbN3gMyTsybbfbQRfksWf4TyGmK9yJdkyT4TJSX9JvMtHyGKr2!-1556777267.

There are substantial changes between the FY 2009 and FY 2010 NOFAs including:

- Applications and funding allocations will go through the Hubs;
- Preferences will be given to organizations that have the capacity to start construction quickly;
- The metrics for amenities have changed, e.g., preferences will be given to properties that are close to public transportation, have connections to supportive services and can leverage additional capital; and
- HUD will be targeting organizations and/or projects in locations with the greatest need for Section 202 housing.

The FY 2010 NOFA does NOT incorporate the new construction and definition terms of S 118, the *Section 202 Supportive Housing for the Elderly Act*, passed in 2010. Those will be incorporated in the FY 2011 NOFA. **NN**

OPTIONS FOR ANNUAL EIV SECURITY TRAINING

EIV SYSTEM USERS AND O/A STAFF WHO do not have access to the EIV system but who use EIV reports to perform their job function are required by Housing Notice 2010-10 to complete security training annually. The Notice indicates the security training portion of HUD's most recent EIV webcast, currently December 2009, will satisfy this requirement. The Office of Multifamily Housing is introducing another available option for users to complete security awareness training. Acceptable training now includes completion of the online Federal ISS Awareness training program. The Federal ISS Awareness training program includes a Certificate of Completion for users to print.

To complete the Federal ISS Awareness online Security Awareness Training:

- Open your web browser.
- Type http://iase.disa.mil/eta/index.html#onlinetraining.
- Press Enter.
- Click on Federal ISS Awareness icon on the IA Education, Training and Awareness Screen.
- Click on Launch New Information Systems Security Awareness on the Information Systems Security Awareness screen.
- Proceed with the training.
- When the training is complete, print and maintain the Certificate of Completion.

Note: The Security Awareness Training described above is the same training required for those individuals who transmit TRACS files. If the training has been completed to satisfy TRACS security training requirements, this will satisfy EIV security training requirements as well so long as the completion date represented on the *Certificate of Completion* is not older than one year. **NN**

HUD NEWS

HUD IS SEEKING COMMENT ON OUTDATED, BURDENSOME RULES. On March 21, HUD published a notice in the Federal Register entitled, "Reducing Regulatory Burden; Retrospective Review Under E.O.13563." The notice invites public comments to identify outdated, ineffective or excessively burdensome HUD rules. This is in accordance with Executive Order 13563, "Improving Regulation and Regulatory Review." In the notice HUD gives a list of topics on which the agency specifically seeks comments. Comments must be submitted to HUD by May 2, 2011. NAHMA will draft comments in consultation with its Regulatory Affairs Committee. To read HUD's notice in its entirety, go to www.gpo.gov/fdsys/pkg/FR-2011-03-02/pdf/2011-4563.pdf.

HUD'S REAL ESTATE ASSESSMENT CENTER (REAC) has posted a number of videos on YouTube to help inspectors, owners, and agents navigate the REAC process. Videos include: Physical Inspection Review-Overview; REAC Reverse Auction Process; REAC Inspection Review; REAC Scoring Methodology; Requesting a Technical Review; Requesting a Database Adjustment; and REAC Technical Assistance Center. The videos may be accessed at YouTube at: www.youtube.com/user/HUDchannel or at the NAHMA HUD website at: www.nahma.org/member/hud.html#youtube.

IN MID-FEBRUARY, HUD PUBLISHED NOTICE H 2011-06, "Revision of Housing Notice H 10-19, Extension of Temporary Authority for Multifamily Hubs to Process Waiver Requests Pertaining to the Three-Year Rule for Section 223(f)." This notice extends Multifamily Hubs authority to process waiver requests pertaining to the Three-Year Rule for Section 223(f) applications. The temporary authority is being extended through February 17, 2012. Please be advised that the Department does not intend to extend the authority

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beyond this date. H 2011-06 can be found at http://portal.hud.gov/hudportal/documents/huddoc?id=11-06hsgn.pdf.

ON FEBRUARY 28, HUD ISSUED NOTICE H 2011-08, "POLICY CLARIFICATION Regarding Pension Plan Expenses Charged to the Project Operating Account." The notice amends the HUD Housing Handbook 4381.5 REV-2 Section 6.38.e.(2). NAHMA strongly advocated for this handbook change to permit management agents to make pension plan contributions from project operating funds for employees that perform front-line services at various projects during the work week. A copy of Notice H 2011-08 may be found here: http://portal.hud.gov/hudportal/documents/huddoc?id=11-08hsgn.pdf.

NOW ONLINE ARE HUD NOTICES H 2011-04, "ELIMINATION OF HUB AND NATIONAL LOAN Committee Reviews for Section 223(a)(7) Transactions" and H 2011-05, "Policies and Procedures for the Deferred Repayment of Operating Assistance Flexible Subsidy Loans. Notice H 2011-04 modifies the overview procedure of Hub and National Loan Committees and eliminates the requirement for both loan committee reviews of transactions to be refinanced. However, Hubs may continue to utilize loan committee reviews for Section 223(a)(7) applications in their jurisdiction at their discretion. A copy of Notice H 2011-04 may be found at http://portal.hud.gov/hudportal/documents/huddoc?id=11-04hsgn.pdf. A copy of Notice H 2011-05 may be found at http://portal.hud.gov/hudportal/documents/huddoc?id=11-05hsgn.pdf.

IN LATE FEBRUARY, THE FEDERAL REGISTER PUBLISHED HUD'S FY 2010 NOFA for Service Coordinators in Multifamily Housing. A copy of the NOFA may be found at www.gpo.gov/fdsys/pkg/FR-2011-02-01/pdf/2011-2169.pdf.

HUD RECENTLY RELEASED NOTICE H 2011-03, "POLICIES AND PROCEDURES for the Conversion of Efficiency Units to One-Bedroom Units." The notice details HUD's policies for converting efficiency

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Committed to Education and Advocacy

MELANIE MURPHY KIBBLE TOOK "climbing the ladder" of her career quite literally, first climbing ladders "as the drapery lady" at an affordable housing property in Denver. Over the next 20 years she moved up to weekend leasing agent, leasing agent, office manager, site manager and then property supervisor for several properties.

Except for a brief stint then in association management, Kibble's 30-year career has been in affordable housing. In 2005 she joined what was then Mercy Services Corporation, where she became vice president and then director of property management. Now known as Mercy Housing Management Group (MHM), Kibble is vice president for compliance nationally and regional vice president of the Midwest portfolio.

MHM was established in 1983 and manages hundreds of properties across the country for multiple ownership groups with a wide variety of product, regulatory and population types. MHM is a proven leader in the national market for affordable housing property management. "Our portfolio is very diverse, and we're engaged in every affordable housing program out there," she said.

STRONG BELIEVER IN TRAINING

Throughout her career, Melanie has always sought out training, earning numerous certifications including NAHMA's NAHP-e, CPM and SHCM. She's been very involved in the Rocky AHMA for the last 20 years, where she is the immediate past president and remains on its Board of Directors. She has been the AHMA's conference chair for the past 10 years and calls education the Rocky AHMA's "primary driver." She is especially proud that the AHMA developed the online Basic Occupancy course and is currently working on developing that to the next level.

"With constantly changing regulations, it's very important for individuals at all levels of this industry to stay at the top of their game through training and education," Kibble said.

"The need for this housing is so great, and fixing up damaged properties in particular is so crucial."

Kibble also serves as the chair of the senior housing committee for NAHMA and has been the president of the National Apartment Association of Metro Denver.

ALSO AN ADVOCATE

What keeps Kibble so engaged in activities beyond her work responsibilities is her awareness of "the tremendous need for affordable housing in this country," she said.

At the federal level, there needs to be changes that would encourage owners to stay in the various programs and preserve affordable housing," she said, "and I think the only way you manage that type of change is to be involved."

"The differences between the various housing programs, and the regulations that sometimes contradict one another, make it so complicated to be in this industry," she said. "It makes developing and preserving housing a financial strain on the owner, the management company and the property, especially when you have to layer financing. If you're using tax credits to do rehab, and then using HOME funds, Section 8, 811 and 202 funding, it's very, very difficult to do business."

Kibble feels that the local AHMAs, NAHMA and other industry organizations are key participants in informing the regulatory agencies of what these difficulties are and how they can be addressed. "The need for this housing is so great, and fixing up damaged properties in particular is so crucial," she said. But the competing regulations "make it harder and harder to encourage property owners and developers to keep at it."

ENJOYING LIFE OUTSIDE THE OFFICE

Despite being so busy professionally, Melanie and her husband have five children together and 10 grandchildren. She is also a professional singer.

Melanie's commitment to her work is inspired by the colleagues she has who share that commitment. "So many of us are working hard at all levels of government to get the message across about the need for affordable housing," she said. "I'm proud to be part of the effort to provide it." **NN**

EDUCATION CALENDAR

For information on specific classes being offered, please contact the AHMA or organization directly.

All dates and locations are subject to change. For the most up-to-date listings, visit the NAHMA website at www.nahma.org/content/mem_calendar.html.

APRIL

19
Agent Owner Update
Indianapolis, IN
Audra Garrison, MAHMA
(888) 242-9472

19-20
Florida State Meeting
Jacksonville, FL
Betsy Smith, SAHMA
(800) 745-4088

Annual Convention
Tacoma, WA
Joe Diehl, AHMA NW
(425) 454-6836

20
FHC
Malvern, PA
Gerri Aman, PennDel AHMA
(856) 786-2183

21
Fair Housing
TX
Michael Alexander, AHMA ET
(713) 957-4430

26-27
South Dakota Spring Workshop
Sioux Falls, SD
Melanie Labonte, Rocky AHMA
(303) 840-9803

27
Fair Housing Site Managers
Western PA
Charles Scalise, PAHMA
(412) 45-8357

MAY

4
JF Golf Outing
Atlantic City, NJ
JoAnn McKay, JAHMA
(856) 786-6265

5
Spring Management Event
Absecon, NJ
JoAnn McKay, JAHMA
(856) 786-6265

10
EIV Training
Malvern, PA
Gerri Aman, PennDel AHMA
(856) 786-2183

10-11
LIHTC Training, SHCM exam
Detroit, MI
Audra Garrison, MAHMA
(888) 242-9472

10-12
North Carolina State Meeting
Greensboro, NC
Betsy Smith, SAHMA
(800) 745-4088

15-17
Annual Seminar
Los Angeles, CA
Debbie Hawkins, AHMA PSW
(866) 698-2462

18-20
Annual Spring Conference
Bend, OR
Maggie Meikle, Oregon AHMA
(503) 357-7140

Tennessee State Meeting
Murfreesboro, TN
Betsy Smith, SAHMA
(800) 745-4088

19
SHCC Training
TX
Michael Alexander, AHMA ET
(713) 957-4430

Tax-Credit Intermediate
Western PA
Charles Scalise, PAHMA
(412) 445-8357

20
Tax-Credit Mixed Subsidy
Western PA
Charles Scalise, PAHMA
(412) 445-8357

24-26
Kentucky State Meeting
Louisville, KY
Betsy Smith, SAHMA
(800) 745-4088

JUNE

2
Tax Credit Workshop
Philadelphia, PA
Gerri Aman, PennDel AHMA
(856)786-2183

6-8
Puerto Rico Conference
San Juan. PR
Betsy Smith, SAHMA
(800) 745-4088

8
Auditing Assisted Housing
Columbus, OH
Audra Garrison, MAHMA
(888) 242-9472

10
FHC
Jamesburg, NJ
JoAnn McKay, JAHMA
(856) 786-6265

15-16
LIHTC Training, SHCM Exam
Columbus, OH
Audra Garrison, MAHMA
(888) 242-9472

15-17
CPO
Philadelphia, PA
Gerri Aman, PennDel AHMA
(856) 786-2183

17
Occupancy 2
TX
Michael Alexander, AHMA ET
(713) 957-4430

Maintenance for Managers
Salem, OR
Maggie Meikle, Oregon AHMA
(503) 357-7140

JULY

14
Fair Housing Refresher
Redmond, OR
Maggie Meikle, Oregon AHMA
(503) 357-7140

21
EIV Update
TX
Michael Alexander, AHMA ET
(713) 957-4430

Tax Credit 101
Salem, OR
Maggie Meikle, Oregon AHMA
(503) 357-7140

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units to one-bedroom units in certain types of HUD-assisted and/or insured housing. Under this notice, Hubs and Program Centers are responsible for reviewing requests to convert units. However, Hub directors may approve conversion requests within their jurisdictions if the proposals conform to the notice's requirements. Although the policy outlined in this Housing notice solely addresses the conversion of efficiency units into one-bedroom units, HUD will continue to consider conversion requests for other unit types on a case-by-case basis. A copy of the notice may be found at http://portal.hud.gov/hudportal/documents/huddoc?id=11-03hsgn.pdf.

IN MID-JANUARY, RURAL DEVELOPMENT SENT OUT PROCEDURE NOTICE 445, which indicated an update was made to the Guaranteed Rural Rental Housing Origination and Servicing Handbook. Appendix 1 of the handbook was partially revised to incorporate additional definitions and revisions to the types of guarantees offered. The Procedural notice, with links to the changes, may be found here: http://www.rurdev.usda.gov/regs/pn/pn445.html.

ON JANUARY 7, 2011, USDA-RURAL DEVELOPMENT POSTED an unnumbered letter detailing their final report for the Multi-Family Housing (MFH) Servicing Goals for FY 2010. The final report may be found online at www.rurdev.usda.gov/SupportDocuments/uljanuary11.pdf. **NN**

A Steadfast Allegiance to Affordable Housing

LIKE MANY IN AFFORDABLE housing management, Tim Zaleski began working in real estate development and housing management during college. While at the University of Pittsburgh, where he double majored in economics and business administration, he did a two-year internship with the National Development Corporation. There he did financial analyses and learned a great deal about the budgeting process and "how to crunch the numbers of our business," he said.

After graduation, Zaleski took a position with a firm near his home in northwestern Pennsylvania. He eventually led its management division and stayed for about nine years.

"That firm was small, so we did a lot of different things to survive," he recalled. "We did tax credit development, HUD deals, strip plazas, condos—you name it. I had exposure to a lot of different things and gained a lot of experience."

Another incentive to stay close to home was that his wife fought and lost a battle with cancer, and he wanted to stay where their friends and families were. In 1998, he began working for National Church Residences (NCR) without having to move to its headquarters in Columbus, Ohio. Working remotely, he was responsible for four regional managers. Eventually he was responsible for the management of about 100 communities up and down the east coast.

MAKING A PROPITIOUS MOVE

Then there were some internal changes within NCR, and the position of vice president of operations opened up. When he took that position, Zaleski did move to Columbus, and in early 2007 became NCR's vice president of affordable housing management.

Zaleski was first attracted to NCR because of its nonprofit status. "It's enjoyable to work for an organization that reinvests its 'profits' back into the communities," he said. "You know your hard work is benefitting individuals much less fortunate than yourself, which is a strong incentive to keep learning and growing."

Zaleski first got involved with MAHMA because NCR "had always been involved." He became active on its board and committees, and a year ago stepped up to be the president of the organization. With more than 400 member organizations in six states, MAHMA plays an important role in providing information and education to affordable housing providers in its area.

The organization is so successful it won NAHMA's 2011 Award for Innovation. MAHMA member and former NAHMA President Michelle Norris was also honored with this year's President's Award.

Zaleski also serves on the board of NAHMA and is chair of its regulatory affairs committee.

A PASSION FOR THE WORK

A big believer in learning all he can "because I like to learn," Zaleski also sees training and education as being key to taking advantages of opportunities as they arise. In addition to earning NAHMA certifications, he has certifications from other industry groups, and is a real estate broker and appraiser as well.

"Getting and maintaining certifications is very empowering," he said. "Our industry is constantly changing, and we have to be learning all the time to stay on top of things."

Zaleski finds affordable housing management to be "a great industry, one that it's not hard to be passionate about."

"In this day and age, where people are trying to find employment and housing, it's taken on a higher level of importance than ever before," he said. "The challenge is to keep showing Congress, HUD and others that they're receiving a great return on investment."

NCR, for example, is beginning to blend its healthcare division into its affordable housing portfolio. "We want to allow residents living in our affordable apartment homes to have access to assisted living and health care services, which will show that we can help reduce the healthcare burden to our nation. It's much more cost effective to take advantage of the huge infrastructure that already exists in our affordable housing portfolios through the addition of services than it is to admit people into nursing homes," he said.

Zaleski is happy and satisfied with his work at NCR. The move to Columbus also led him to meet his second wife, a teacher, whom he married last April. An amateur mountain climber who recently summited the Grand Teton Mountain in Jackson Hole, Wyoming, Zaleski said "it is important to master one level of performance and continue moving up to the next. Life is much more rewarding when you always have a goal to achieve and the next peak in view." **NN**

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PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

thelastword BY SCOTT REITHEL, NAHP-e

Democracy in Action

DURING NAHMA'S WINTER meeting held in Washington, D.C. in early March, there was some chanting from outside that, at first, was unnerving. Was there something dangerous going on? No. What was happening was that about 150 activists were demonstrating during a meeting of the state attorneys general on behalf of housing and the foreclosure crisis.

So there we were, discussing multifamily housing's availability and affordability, preparing to go up to the Hill to meet with our legislators. Two different ways of accomplishing the same goal: reaching our elected and appointed representatives with a message from the grassroots about the importance of housing to all Americans.

The success of NAHMA's recent legislative meeting also attests to the commitment we all share to informing Congress, state legislatures and agencies' staff about the complex issues we face and the regulations that affect our ability to do our jobs. We had the most attendees ever at a NAHMA meeting, which means we probably had the most people ever meeting with their elected officials. And some of them came to us: we were fortunate to have Senator Robert Menendez of New Jersey and Representative David Ciccilie of Rhode Island at our awards ceremony.

Speaking of the awards ceremony, I find this to be one of the most rewarding responsibilities of being NAHMA president. Just reading the qualifications of the Communities of Quality® award winners and the Industry Achievement award winners is truly inspiring. As I spoke to property owners and AHMA members, I could only marvel at the spirit and dedication everybody shows to providing safe, attractive and affordable housing to their residents in great need of not only the housing, but the supportive services and the sense of community. It was especially great to be able to present the previously unannounced President's Award to former NAHMA President Michelle Norris.

I'd also like to give a shout out to the chairs and co-chairs of all of NAHMA's committees, who do an outstanding job and always have a significant impact on the meeting.

I would like to urge all NAHMA members to attend the upcoming summer meeting, which is co-presented with the National Apartment Association (NAA). This is a significant opportunity to make the rest of the industry aware of our presence and the important work that we do. You will also have a chance to network with a broad array of individuals from all around the country. Last year's event seemed to be extremely valuable for everyone who came.

Democracy in action is expressed in many ways. Thank you for all the work you do every day to keep our democracy strong and healthy. **NN**

Scott Reithel is Vice President of Property Management for Community Housing Partners and President of NAHMA.