

# NAHMA News

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

## IN THIS ISSUE

- 3 Inside NAHMA
- 7 Washington Update
- 8 Tax Credit Compliance
- 11 Midterms Result in Key Leadership Changes
- 17 COQ Winners
- 21 Industry Awards
- 28 Regulatory Wrap-Up
- 30 Education Calendar
- 31 Up Close & Personal



## ‘Disappointing’ Funding Levels Set for 2015

Federal funding for affordable housing programs in fiscal year 2015 will be “disappointing” and “in some cases, insufficient” to meet program needs, according to the Dec. 19, 2014, *NAHMA* Analysis of H.R. 83, the omnibus appropriations bill signed by President Barack Obama on Dec. 16, 2014.

Funding levels for most Department of Housing and Urban Development (HUD) affordable housing programs of interest to NAHMA fall below the Obama administration’s budget request.

The lowered funding for Project-based Section 8—from \$9.92 billion in fiscal 2014 to \$9.73 billion in fiscal 2015 will further erode the program’s ability to meet local housing needs. The Obama budget and bills in the U.S. Congress all

**“The \$9.73 billion figure will place the program further behind the necessary \$11.9 billion needed to fully fund all contracts upfront at the time of renewal for one year.”**

had the Project-based Section 8 funding at \$9.75 billion.

“Most alarming is the funding cut impacting Project-based Section 8 (PBS8),” *NAHMA* Analysis said. “The \$9.73 billion figure will place the program further behind the necessary \$11.9 billion needed to fully fund all contracts upfront at the time of renewal for one year.”

In addition, NAHMA continues to be concerned about potential changes in how HUD operates the PBS8 funding model. Although the omnibus bill did not include language to transition all PBS8 contracts to a calendar year model supported by HUD, the department “does have the authority to enact this change without specific instruction from Congress,” according to the *NAHMA* Analysis.

*continued on page 4*

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**PRESIDENT**

Ken Pagano, CPM, SHCM, NAHP-e  
jkpagano@essexplazamgmt.com

**EXECUTIVE DIRECTOR**

Kris Cook, CAE  
kris.cook@NAHMA.org

**DIRECTOR, GOVERNMENT AFFAIRS**

Michelle L. Kitchen  
michelle.kitchen@NAHMA.org

**DIRECTOR, FINANCE AND ADMINISTRATION**

Rajni Agarwal  
rajni.agarwal@NAHMA.org

**DIRECTOR, MEETINGS, MEMBERSHIP**

Brenda Moser  
brenda.moser@NAHMA.org

**MANAGER, COMMUNICATIONS AND PR**

Jennifer Jones  
jjones@nahma.org

**GOVERNMENT AFFAIRS COORDINATOR**

Scott McMillen  
scott.mcmillen@NAHMA.org

**EDUCATION AND TRAINING COORDINATOR**

Natasha Patterson  
npatterson@NAHMA.org

**ADMINISTRATIVE COORDINATOR**

Paulette Washington  
pwashington@NAHMA.org

**EDITORS**

Catherine A. Smith and Jennifer Jones

**DESIGN**

Mary Pretera Butler  
butler5s@comcast.net

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## Ready to Hit the Ground Running in 2015

AS EVERYONE KNOWS, WE HAVE a new Congress to work with in 2015-2016—the 114th. With both chambers now under control of the same party, it will be interesting to see if gridlock remains the hallmark of this branch of government. In her Washington Update column, NAHMA's Michelle Kitchen shares her wish list for this session of Congress, with the hope that it accomplishes some positive work on behalf of affordable housing before the term is up (see page 7). Kitchen's column also shares a string of wishes related to the Department of Housing and Urban Development and other agency policies.

On a related note, for a listing of the congressional leaders of key committees with jurisdiction over federal affordable housing programs, please see the article on page 11.

### CELEBRATING SUCCESSES

As in years past, we do start out our year on a high note: announcing the winners of the 2014 Communities of Quality Awards program and the 2014 NAHMA Industry and AHMA Awards. Even in the midst of these challenging financial times, affordable housing managers, owners and developers are doing an outstanding job in creating safe, quality homes for the nation's less fortunate. You can read about all of these remarkable communities and leaders in this issue of *NAHMA News*; please see the articles on pages 17 and 21.

### CHANGES WITHIN NAHMA

As we do every two years, NAHMA members recently elected a new board president. This year we welcome Ken Pagano as our new leader. Pagano is, of course, no stranger to us. He's been on

the NAHMA board and a director or officer since the early 2000s, and prior to that, served as chair of various NAHMA public policy related committees since the 1990s. He is also one of the founding members of the New Jersey Affordable Housing Management Association, JAHMA. There's a profile of Pagano on page 31, and his column, *The Last Word*, on page 32. Together, the articles will give you a great sense of what he has meant to the industry and where he hopes to go as NAHMA's new leader.

We also have a new staff member to support our work and our members. Jennifer Jones takes on the newly created position of manager of communications and public relations. Jones comes to us from the Washington Metropolitan Chapter of the Community Associations Institute (CAI), where she served as communications manager and magazine editor for the past three years. Prior to her work there, Jones spent 10 years as an editor and reporter for the *Connection* regional newspapers in the Washington metro area.

### MAKING A DIFFERENCE IN 2015

One of our greatest wishes for the new year is that you will see 2015 as the year you have your voice heard in both houses of Congress. Nothing matters more to elected officials, whether in the District of Columbia or at the local and regional levels, than hearing from a constituent. Call, write, email—do whatever you can to make sure your voice is raised in support of affordable housing. That will make for a hopeful 2015. **NN**

*Kris Cook is Executive Director of NAHMA.*

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## “DISAPPOINTING’ FUNDING LEVELS SET FOR 2015, continued from page 1

“HUD argues that this proposal will minimize funding disruptions under continuing resolutions, provide the ‘true cost’ of the program at the beginning of the appropriations process, and lead to consistent 12-month funding for PBS8 contracts in FY 2016 and beyond. However, neither HUD nor Congress has released a detailed explanation for how this policy would save the program money.”

### RURAL HOUSING

In the rural housing arena, some Depart-



## What remains unclear are Rural Development’s procedures and practices for responding to a contract that runs out of money before the yearlong lease is up for renewal.

ment of Agriculture (USDA) Rural Development (RD) program levels for fiscal 2015 dropped below the Obama budget request and the fiscal 2014 enacted level. The biggest percentage cut shows up in the Multifamily Housing Revitalization Program, which includes funding for Rural Housing Vouchers (RHVs). The 2015 funding level drops to \$24 million, \$7 million for RHVs, compared to the president’s \$28 million budget request, \$8 million for RHVs and the \$32.57 million fiscal 2014 enacted level, \$12.58 million for RHVs.

NAHMA, in testimony submitted in March to congressional appropriations subcommittees, argued for funding sufficient to meet the demand for RHVs. NAHMA warned that cuts would impact Rural Development’s capacity to supply RHVs. Language in the Senate and House Agriculture appropriations bills would have permitted the use of preservation and revitalization demonstration funding for vouchers if RHV funding was deemed insufficient to meet demand.

“However, this caveat was not included in H.R. 83,” the *NAHMA Analysis* said, “and instead the bill reads ‘That if the Secretary determines that the amount made available for vouchers in this or any other Act is not needed for vouchers, the Secretary may use such

funds for the demonstration program for the preservation and revitalization of multifamily rental housing properties.’ NAHMA is unsure of the motivation for such a steep reduction, and for this language which seems to dismiss the possibility that \$7 million will be inadequate for the program’s needs.”

Similar to its concerns on funding for Project-based Section 8, NAHMA wonders if USDA Section 521 Rental Assistance (RA) will be sufficient to fully fund all rental assistance contracts

in fiscal 2015—even though the reduction to \$1.088 billion is relatively small. The Obama budget request was \$1.09 billion and the fiscal 2014 enacted level was \$1.11 billion.

An additional worry is language that originated in the individual Senate and House appropriations bills and was incorporated in the omnibus funding bill. The provision bars RA contracts from renewal within the 12-month contract period, saying in part that “... any unexpended balances remaining at the end of such one-year agreements may be transferred and used for the purposes of any debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental assistance activities. ...”

What remains unclear are Rural Development’s procedures and practices for responding to a contract that runs out of money before the yearlong lease is up for renewal. RD has supported the language, arguing that the change would provide for better management of Rental Assistance funds and other program challenges.

NAHMA has heard concerns from members that while this policy may seem logical on its face, it’s much more likely to target owners with higher fixed debt service who are often making

proactive efforts to preserve their properties. Eliminating automatic renewals of contracts may threaten these important preservation endeavors.

### CHALLENGES AHEAD

Whether operating in remote rural areas, inner cities or someplace in between, affordable housing management professionals and advocates will face uphill battles this year, and in the future, in leveraging adequate federal financial support.

Looming over future fiscal years is the impact of the Bipartisan Budget Act, which passed in 2013. The act provides for sequestering of federal funding, if needed to meet budget caps mandated by the Budget Control Act (BCA).

Although \$63 million in sequester relief was provided for fiscal 2014 and 2015 in the Bipartisan Budget Act, automatic budget cuts can take effect in 2016 if Congress fails to meet BCA targets. Sequestration rules remain in effect until 2023.

Despite the ominous challenges, NAHMA will actively continue to collaborate with industry partners to advocate for critical funding for affordable housing resources through HUD, USDA and low-income housing tax credit programs—particularly in this era of tight fiscal restraints and increasing need for housing for families of modest means, the elderly and the disabled.

New “General Provisions” Section language of interest and further information on the omnibus bill is included in the *NAHMA Analysis*. For example, Section 232 of the General Provisions grants an extension for the Mark to Market program to Oct. 1, 2017.

“Final Fiscal Year 2015 Appropriations,” *NAHMA Analysis* 2014-1219, is available on the NAHMA Members page at [www.nahma.org](http://www.nahma.org). **NN**

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# My New Year's Wishes

## Here's to happiness, health and prosperity in 2015!

WITH THESE GOALS IN MIND, I have listed several wishes for NAHMA members, U.S. Congress and the administration in 2015. They are:

- May your rental assistance contracts be paid on time and in full.
- May all of your properties receive outstanding scores, which exceed 90 points, on Real Estate Assessment Center physical inspections.
- May you overachieve on your management and occupancy reviews assuming your properties are in states where MORs are being performed.
- May your residents and property owners be happy with the services you provide.
- May all of your properties become Communities of Quality.
- May the Obama administration propose a robust budget for federal affordable multifamily housing programs, which will include:
  - Full funding for Project-based Section 8 housing assistance payments, Housing Choice Vouchers, and Project Rental Assistance Contracts.
  - New Construction funds for Sections 202 and 811 capital advances and Section 515 loans.
- May the 2016 Transportation-HUD and Agriculture Appropriations bills fully fund all affordable multifamily housing programs.
- May these bills be enacted before the new federal fiscal year 2016 begins Oct. 1, 2015, so that properties are not affected by stopgap spending bills and the associated contract funding delays.
- May tax reform proposals affirm the Low Income Housing Tax Credit (LIHTC) as a valuable program for both new construc-

tion and affordable housing preservation.

- May 9 percent and 4 percent LIHTC minimum credit values be permanently enacted into law.
- May a single student occupancy policy for all federal affordable housing programs become law; and may it allow otherwise eligible residents and applicants to pursue improved economic opportunities through education without fear of losing their housing.
- May there be no further federal government shut downs.
- May a reasonable legislative compromise emerge to permanently replace sequestration—the disastrous across-the-board budget cuts required under current law if Congress exceeds budget caps; and
- May this compromise be included in the congressional budget resolutions and approved by Congress before April 1.
- In the course of necessary policy discussions about the appropriate size of the federal debt and ways to address that debt, may Congress and the administration resist any urge, temptation or instigation to risk the full faith and credit of the United States of America by defaulting for the first time in history.
- Realizing that Republicans, Democrats and Independents, liberals, conservatives, moderates, etc. will disagree over specific policy proposals, may they nevertheless work together in the spirit of cooperation toward the common good.
- May we be successful in strengthening existing relationships with public officials; and

- May we successfully build new relationships with incoming members of Congress and new federal agency officials.

### ASSESSING POSSIBILITIES

During the 114th Congress, our best chance for legislative action is likely to be in 2015, before the next election casts a shadow over Congress. If you thought the 2014 midterms were intense, consider that the White House is up for grabs in 2016—and there is no “heir-apparent,” in addition to the one-third of the Senate and the entire House.

Let's focus our efforts in 2015 on getting ahead of the oncoming gridlock. Please help NAHMA persuade Congress to provide full funding of HUD and Rural Development rental assistance contracts, protect the LIHTC program in any tax reform proposal and repeal sequestration.

Do you want to help, but don't know how? No problem! Just visit NAHMA's website, [www.nahma.org](http://www.nahma.org), and check out our Grassroots Action Toolkit for all of the talking points, issue summaries and other resources you will need to advocate for affordable housing programs.

You'll also find webinars, which will teach you how to schedule meetings or site visits with your members of Congress and will provide tips for communicating effectively.

Another great resource is NAHMA Maps, which shows the number and types of affordable housing properties in each senator and congressman's district. It also includes links, which allow you to send messages to your members of Congress.

May all these wishes come true! **NN**  
*Michelle Kitchen is director, government affairs for NAHMA.*

## Finding the Best Bond Execution: Taxable or Tax-Exempt?

IT IS NO SECRET TO THOSE familiar with the affordable multifamily rental housing industry—need dramatically outpaces supply. For the 11.5 million extremely low-income households in 2012, there were only 3.3 million rental units affordable and available to them.

Although government programs that provide rental assistance to individuals and economic incentives to investors and developers have existed for decades, astute minds are constantly looking for new policies and efforts to help alleviate the daunting gap between demand and supply. One manner in which government organizations at the federal, state and local levels support affordable housing is by serving as the issuer or legal entity to issue tax-exempt bonds. Tax-exempt bonds are used to help finance specific housing projects and the proceeds can be used to fund loans to developers.

While there are a number of unique financing methods available to affordable housing developers, the purpose of this article is to compare execution levels available in the current market for short-term, fixed-rate, tax-exempt bonds with taxable loans and traditional tax-exempt housing revenue bonds. For the comparison, we will examine the differences in regard to 4 percent low-income housing tax credit (LIHTC) transactions that carry bond maturity terms of 15 to 20 years, timing that coincides with the compliance period of a new syndication.

Over the past several years, tax-exempt securities have averaged higher interest rates than comparable taxable executions, and this continues to be the case on the long end of the yield curve.

However, due to recent market movements, it is necessary to analyze the cost feasibility between a short-term, taxable, cash-backed bond structure and the more traditional tax-exempt structure.

Short-term, fixed-rate, tax-exempt bonds are collateralized by cash and serve to take advantage of the interest rate inversion present in the market since early 2008. While the structure requires an issuance of short term tax-exempt bonds, the underlying mortgage loan is a long-term taxable loan. This taxable structure has been economically favorable over the past few years for a number of reasons, including lower permanent borrowing costs that can result in additional net proceeds due to reduced debt service, reduced issuance costs and negative arbitrage savings, the latter of which occurs predominantly on new construction projects. Additionally, the structure complies with 4 percent LIHTC requirements that at least 50 percent of aggregate basis of the building and land must be financed from tax-exempt bond proceeds in order to qualify for the full value of the 4 percent LIHTCs.

Traditional tax-exempt financing is available to nonprofit and for-profit entities. These funds are often paired with 4 percent LIHTCs because they can be reserved along with an allocation of tax-exempt private activity bonds, providing an important source of equity to the transaction.

Figure 1 provides a snapshot of the underlying indices which are indicative of taxable and tax-exempt execution levels. The 10-year U.S. Treasury rate was selected as the taxable index while the 10-year AAA GO was selected as

the tax-exempt index. These indices are most relevant for taxable and tax-exempt debt priced in the 15 to 20 year maturity range. In a traditional rate environment, taxable execution levels are higher than that of a comparable tax-exempt security because interest received from the tax-exempt security is exempt from federal and most state income tax. Investors will thereby accept a lower rate of return.

In 2008, you will note that the taxable rate evidenced by the 10 year U.S. Treasury index decreases below that of similar tax-exempt executions, thereby creating an inversion of the taxable and tax-exempt rates. Prior to 2008, a more traditional interest rate environment was present with tax-exempt rates well below taxable comparables.

In order to evaluate the execution of the taxable and tax-exempt medium-term bonds, we analyzed Thomson Reuters data of yields over the past three years (Figure 2). The shaded area indicates the spread, or difference in rates, between the two financing options. From 2011 to 2013, the spreads were negligible, with taxable yields slightly lower than tax-exempt. In that case, there was a need for the short-term, fixed-rate, taxable cash-backed bond structure. From late 2013 on, tax-exempt securities have continued to decrease in yield. Heightened investor demand, decreased tax-exempt issuance and subsequent product scarcity have driven tax-exempt yields lower, causing spreads to widen and tax-exempt yields to drop below similar taxable rates.

While traditionally offset by the lower interest rates, it is important to consider the additional fees in the



cost comparison of taxable versus the tax-exempt issuance. The additional costs associated with the issuance of tax-exempt bonds include bond counsel costs, underwriter counsel, bond underwriter fees, initial and ongoing trustee and issuer fees, and rating agency fees. While the total fees will depend on the size and location of the issuance, 40 basis points has been selected as a standard cost threshold for analysis purposes.

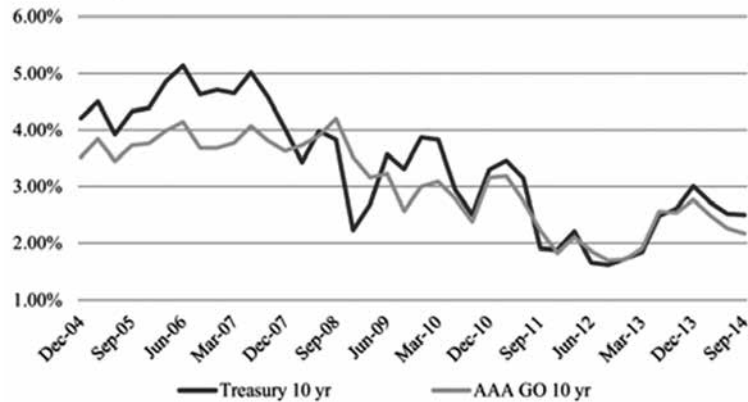
Figure 3 illustrates the spread between the taxable and tax-exempt execution and includes a line to illustrate the cost threshold. Due to the recent widening of the spreads and significant trajectory illustrated below, instances where the spread is greater than the cost threshold indicate favorable tax-exempt execution.

The analysis performed herein does not provide overwhelming justification for either financing method; rather, it supports that a detailed analysis must be performed prior to beginning any 4 percent LIHTC financing. Deal specific issues such as size, location, timing and issuer will impact the economic analysis and feasibility determinations. For developers, it is critical to work with a lender that continually monitors and evaluates the changing markets to ensure that financing options are properly assessed. Only then can it be determined which product best fits the specific project needs. **NN**

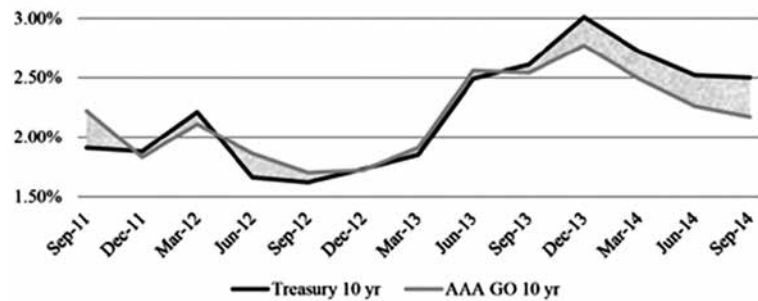
Adam Diehl is an associate with Lancaster Pollard in Columbus. He may be reached at [adiehl@lancasterpollard.com](mailto:adiehl@lancasterpollard.com).

David Lacki is the managing director of Lancaster Pollard's Affordable Housing Group. He may be reached at [dlacki@lancasterpollard.com](mailto:dlacki@lancasterpollard.com). Reprinted with permission from Lancaster Pollard at [www.lancasterpollard.com](http://www.lancasterpollard.com).

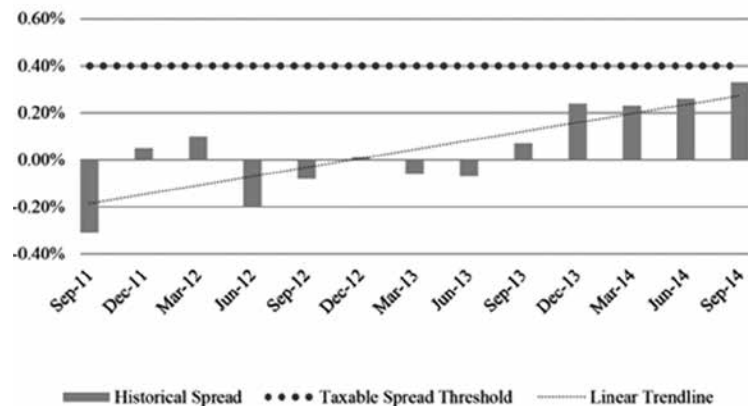
**FIGURE 1: TAXABLE VS. TAX-EXEMPT EXECUTION**



**FIGURE 2: SPREAD ANALYSIS**



**FIGURE 3: SPREAD VS. COSTS**



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# Midterms Result in Key Leadership Changes

**T**urning control of the U.S. House and U.S. Senate to the Republican Party, the 2014 midterm congressional elections have wide-ranging implications for the leaders and committee members who determine the fate of affordable housing and other domestic, international and defense programs.

Republicans initially picked up eight seats from Democrats, shifting the balance in the Senate to 53 Republicans and 46 Democrats. Included in this figure are

two independent senators who caucus with Democrats. Another Republican seat was added when incumbent Mary Landrieu (D-LA) lost a runoff to her challenger, Republican Rep. Bill Cassidy, making the final tally 54 Republican seats and 46 on the Democrat side.

In the House, Republicans increased their lead by 12 seats for a total of 246, with Democrats retaining 188 seats. One additional seat was gained when Arizona incumbent Ron Barber lost a recount to Republican Martha McSally by 167 votes. At press time, the party breakdown was still 246 Republicans to 188 Democrats due to the retirement of Rep. Michael Grimm (R-NY).

Generally speaking, the party with the most members in each chamber sets the agenda for consideration of bills and controls the committee chairmanships. Committee assignments and leadership positions began to roll out as the 114th Congress started Jan. 6. Committee chairs control the legislative agenda and schedule, and can subpoena witnesses and compel testimony.

Majority party members head the committees while the ranking members lead the minority party. However, rank-

ing members can influence the hearing process and other deliberations leading up to the ultimate legislative decisions.

The challenges facing the 114th Congress are huge. "While the election has caused a major change in the makeup of Congress, many of the issues that plagued the 113th have yet to be resolved," according to the Nov. 21, 2014, *NAHMA* Analysis, "Results of the 2014 Midterm Elections." "The Budget

**The challenges facing the 114th Congress are huge. "While the election has caused a major change in the makeup of Congress, many of the issues that plagued the 113th have yet to be resolved."**

Control Act continues to limit available funds for discretionary programs, and lawmakers have yet to find a replacement for sequestration.

"These challenges create roadblocks for the appropriators and contribute to the creation of controversial proposals, such as the PBS8 [Project-based Section 8] calendar year funding language. Lawmakers must also negotiate their way through a maze of other complicated issues such as tax reform, immigration and housing finance reform."

The *NAHMA* Analysis helped to bring *NAHMA* members and the affordable housing industry up to speed on likely leadership selections and agendas for the 114th Congress. The predictions were developed postelection from the best information available. However, as the structures are organized and formalized in the early weeks of the new session, some of the following information may differ from the actual committee and leadership composition.

## HOUSE SHIFTS

A snapshot of the expected key leadership and committee changes in the House appears below.

**House Leadership:** John Boehner (R-OH), speaker of the House; Kevin McCarthy (R-CA), majority leader; Nancy Pelosi (D-CA), minority leader. The speaker of the House is third in the line of succession for the presidency, behind the vice president. He will control the agenda for the House.

**House Appropriations Committee:** Harold Rogers (R-KY), chairman; Nita Lowey (D-NY), ranking member.

**Transportation, Housing and Urban Development, and Related Agencies (T-HUD) Subcommittee:** Mario Diaz-Balart (R-FL), chairman; David Price (D-NC), ranking member. **Agriculture Subcommittee:** Robert Aderholt (R-AL), chairman; Sam Farr (D-CA), ranking member.

Rogers became Appropriations Committee chair in 2011, so he will reach the term limit at the end of the 114th Congress. His committee decides how much money federal programs will receive each year and how the agencies will use that money. Its jurisdiction is limited to funding discretionary programs; it does not fund entitlements such as Social Security.

For the T-HUD subcommittee, the retirements of former Chairman Tom Latham (R-IA), ranking member Ed Pastor (D-AZ), and the second most senior Republican member, Frank Wolf (VA), created major shuffling in subcommittee leadership. In a surprising move, Appropriations Chair Rogers has selected Diaz-Balart (R-FL) to take on the subcommittee chairman role, despite him not serving on the T-HUD Subcommittee in the 113th Congress.

The Agriculture Subcommittee will continue to be headed by Robert Aderholt (R-AL), while Sam Farr (D-CA) is maintaining his ranking member position.

The *NAHMA* Analysis said, “Our main concern for appropriators of the T-HUD Subcommittee is the proposed transition of Project-based Section 8 (PBS8) contracts to a calendar year funding model, which was first requested in the Obama Administration’s 2015 Budget Request and then adopted as part of the FY 2015 Appropriations bills in both the House and Senate (H.R. 4745 and S. 2438).”

With fiscal 2015 funding for Project-based Section 8 at the \$9.73 billion level (see related article on page 1), it is likely that the program will need

similar to those pursued in the 113th Congress, which included improving Federal Housing Administration (FHA) solvency, winding down Fannie Mae and Freddie Mac, and comprehensive housing finance reform.

**Ways and Means Committee:**

Paul Ryan (R-WI), chairman; Sander Levin (D-MI), ranking member. This committee, which is the tax-writing committee and the authorizing committee for entitlement programs such as Social Security and Medicare, as well as for amendments to the Low Income Housing Tax Credit (LIHTC) program, will look “considerably different” in the new Congress, according to the *NAHMA* Analysis.

The previous chairman, Rep. Dave Camp (R-MI), retired at the end of

**SENATE SHIFTS**

Since the Senate had been majority Democratic, the leadership of every committee will change as a result of midterm elections. For some committees, the chair and ranking member positions will simply reverse. Retirements and lost re-election bids will cause others to completely transform. Some of the key changes are highlighted below.

**Senate Leadership:** Mitch McConnell (R-KY), majority leader; Harry Reid (D-NV), minority leader. McConnell will decide what business comes to the Senate floor and when it will receive votes. Reid had served as majority leader since 2005.

**Banking, Housing & Urban Affairs Committee:** Richard Shelby (R-AL), chairman; Sherrod Brown (D-OH), ranking member. **Housing, Transportation, and Commu-**

**nity Development Subcommittee:** Tim Scott (R-SC), chairman; Robert Menendez (D-NJ), predicted ranking member.

Sen. Tim Johnson (D-SD), the previous Banking Committee chairman, announced his retirement and the committee’s next most senior Democrat, Sen. Jack Reed (RI), hoped to instead become the ranking member for the Senate Armed Services Committee.

The Banking Committee is the Senate counterpart to the House Financial Services Committee, and the Subcommittee on Housing and Transportation parallels the House Subcommittee on Housing and Insurance. The committee will likely focus on housing finance reform and FHA solvency in the new session, and possibly resurface the housing finance reform bill (S. 1217) originated by Sens. Johnson and Mike Crapo (R-ID) in the last Congress.

**“Based on statements from Representative Ryan, NAHMA believes the Ways and Means Committee will focus on overhauling the U.S. tax code and reforms to entitlement programs such as Medicare and Medicaid.”**

at least a \$1.1 billion increase in fiscal 2016—an incredibly difficult challenge in the 114th Congress, given the overall federal budget constraints.

**House Financial Services Committee:** Jeb Hensarling (R-TX), chairman; Maxine Waters (D-CA), ranking member. **Housing and Insurance Subcommittee:** Blaine Luetkemeyer (R-MO), chairman; Emanuel Cleaver (D-MO), ranking member.

Hensarling holds onto his committee chairman role, and Waters is expected to stay as ranking member. She has been a strong supporter of affordable housing programs, working with NAHMA on a number of important issues facing this authorizing committee.

The House Financial Services Committee and its subcommittees have oversight responsibility of HUD and the Department of Agriculture’s Rural Housing Service (RHS). NAHMA expects the committee priorities will be

the session, leading to former House Budget Committee Chairman Ryan’s selection as Ways and Means chairman by his caucus. Additional members of the committee announced retirement intentions. Rep. Tom Price (R-GA) takes over the Budget Committee role.

“Based on statements from Representative Ryan, NAHMA believes the Ways and Means Committee will focus on overhauling the U.S. tax code and reforms to entitlement programs such as Medicare and Medicaid,” the *NAHMA* Analysis said. “One outstanding concern from the 113th Congress is Rep. Dave Camp’s draft tax reform bill, which would make significant overhauls to the U.S. tax code including the Low-Income Housing Tax Credit (LIHTC).”

The draft bill was never formally introduced. Ryan has indicated that the draft bill presents one of many approaches that may be significant to tax reform, according to NAHMA.

For the Subcommittee on Housing and Transportation, Menendez has been a strong supporter of affordable housing programs, introducing legislation to increase the number of Section 811 properties and reform the Section 811 program. He introduced Limited English Proficiency (LEP) authorizing language and has voiced strong support for Section 8 voucher reform.

**Appropriations Committee:** Thad Cochran (R-MS), chairman; Barbara Mikulski (D-MD), ranking member. **Transportation-HUD (T-HUD) Subcommittee:** Susan Collins (R-ME), chairman; Jack Reed (D-RI), ranking member. **Agriculture Subcommittee:** Jerry Moran (R-KS), chairman; Jeff Merkley (D-OR), ranking member.

On the T-HUD Subcommittee, Collins switched positions to become the next chair, while Reed has been confirmed as the ranking member. Both have been excellent advocates for the Project-Based Section 8 program,

according to the *NAHMA* analysis.

Regarding the Agriculture Subcommittee, many changes are in play. Previous Chairman Mark Pryor (D-AR) lost his re-election bid; two subcommittee members, Tom Harkin (D-IA) and Tim Johnson (D-SD), retired; and member Mark Udall (D-CO) failed to be re-elected.

NAHMA will continue to work with the Appropriations Committee to ensure full funding for the Project-based Section 8 contracts and adequate funding for all other affordable housing programs in the new Congress.

**Finance Committee:** Orrin Hatch (R-UT), chairman; Ron Wyden (D-OR); ranking member.

The Senate Finance Committee is the counterpart to the House Ways and Means Committee and has jurisdiction for LIHTC bills and all other tax legislation. Tax reform will be high on the agenda.

When the committee was chaired

by Sen. Max Baucus (D-MT), he decided to start with a blank slate approach toward tax reform. According to the *NAHMA* analysis, "With this blank slate, the committee asked all senators to communicate what tax breaks should still be included in the U.S. tax code and then legislation would be drafted to form a new code."

How the new committee will pursue the tax reform puzzle—including any impacts on the LIHTC minimum 9 percent credit and a minimum 4 percent credit for preservation—remains to be determined. Sens. Hatch and Wyden formed five separate bipartisan working groups to spur comprehensive tax reform efforts.

Further details of the challenging road ahead for the key players in the 114th Congress are in "Results of the 2014 Mid-Term Elections," *NAHMA* Analysis 2014-1121, available on the association's website, [www.nahma.org](http://www.nahma.org). **NN**



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# NAHMA Asks for Consistent Fair Housing Guidance

**U**nderlining its commitment to fair housing, NAHMA is seeking to clarify the sometimes inconsistent guidance delivered by the Department of Housing and Urban Development (HUD) to owners and agents (O/As) as they prepare the required content for HUD Affirmative Fair Housing Marketing Plans.

“Recommendations for Improving the Affirmative Fair Housing Marketing Plan (AFHMP) Process,” the Nov. 13, 2014, *NAHMA Analysis*, presents key challenges and ideas for a smoother path to AFHMP development and updates. The document captures NAHMA’s persistence in raising members’ concerns about the translation of HUD policy and procedures into daily operations.

HUD’s Form HUD-935.2A, Affirmative Fair Housing Marketing Plan (AFHMP)—Multifamily Housing, says in part that “All applicants for participation in FHA subsidized and unsubsidized multifamily housing programs with five or more units (see 24 CFR 200.615) must complete this Affirmative Fair Housing Marketing Plan (AFHMP) form. . . . Affirmative fair housing marketing and planning should be part of all new construction, substantial rehabilitation, and existing project marketing and advertising activities.”

NAHMA began the AFHMP improvement discussion at its March 2014 HUD Forum Meeting, which was attended by HUD Office of Fair Housing and Equal Opportunity (FHEO) and Multifamily Housing Programs officials. NAHMA followed with a survey to Fair Housing Committee members to learn about their experiences and collect examples.

NAHMA reviewed and reported those survey findings to HUD, which in September 2014 released a memo, Clarification on Affirmative Fair Housing Marketing Plan Review and Approval Guidance. This

guidance clarifies when multifamily O/As must review their existing AFHMPs, and it describes the conditions under which owners and agents must submit updated marketing plans to HUD for FHEO review and approval.

In October, NAHMA staff and leaders of the Fair Housing Committee had a productive meeting with senior FHEO officials to discuss resolving the AFHMP inconsistencies, according to the *NAHMA Analysis*, adding that “an ongoing area of concern, however, is inconsistent guidance provided to O/As about the required content for their AFHMPs.”

The quality and consistency of the guidance has direct ramifications for O/As. In one example from the field, a NAHMA member reported being told by a HUD state office staffer that “if a group represented at least 1 percent of the area population then we had to have marketing to reach that group specifically. There is no mention of this anywhere in the instructions for creating the [AFHMP] plan.”

Another commenter responded that a different HUD office “required all the flyers turned in with the AFHMP to be in English and in Spanish. No other HUD office asked for multiple flyers in different languages.” In addition, another reported that “it’s not consistent as to when the Housing Market area is the County or when the County is the Expanded Market Area. Clear definition of what constitutes an expanded market area would be helpful.”

In addition to concerns about inconsistent and overly subjective advice, other comments reflected member concerns with timelines for plan approvals; staff hours needed to prepare and correct the marketing plans; and adjustment to gaps in guidance and tools from HUD.

According to the *NAHMA Analysis*,

the areas needing clarification include:

- Targeted populations for AFHMP marketing, including detailing HUD’s intent on targeting populations and “whether HUD has some population percentage/threshold in mind which would require AFHMP marketing.”
- The definitions of “market area” and “extended market area” and how these terms can be accurately incorporated in the development of AFHMPs.
- Who or which entities are acceptable “community contact(s).”
- User friendliness of the census website, which members find difficult to use and not aligned toward the goal of supplying data to substantiate the AFHMP.

The *NAHMA Analysis* also reiterates policy recommendations based on member feedback:

■ **Response time:** Members report wide variations in response and approval times for AFHMP submissions, ranging from a few days to many months or more than a year. NAHMA recommends “a 30-day turnaround timeframe for plan approval from HUD. If there are problems, HUD should inform the O/A of specific corrections needed within that 30-day period. Additionally, we request that HUD staff acknowledge plan submissions upon receipt.”

■ **Provide more upfront census data for the O/A:** HUD can facilitate O/As’ AFHMP drafting process by front-loading more census data “rather than leaving O/As to make educated guesses about subpopulations in their community by extrapolating data,” according to NAHMA.

■ **Safe Harbor:** HUD should develop a “safe harbor,” which would be considered “strong evidence” of the O/As’ fair housing marketing compliance.

The *NAHMA Analysis* is available on NAHMA’s website, [www.nahma.org](http://www.nahma.org). **NN**

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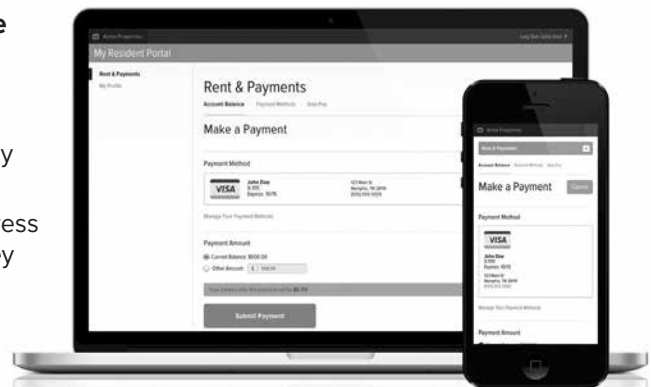
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# COQ Winners Again Prove EXCELLENCE in Affordability

FOR THE 22ND CONSECUTIVE YEAR, NAHMA ANNOUNCES THE winners of its annual Communities of Quality (COQ) Awards program. These awards honor the best multifamily affordable housing communities across the country and competition for the awards is steep.

Entrants are judged on how they manage the physical, financial and social conditions of their properties, and on how well they convey their success in offering the highest quality of life for their residents. Award winners take great pride in their staff and resident interactions, their residents' level of engagement



with one another and with staff, the excellent training of their staff, and their collaborations with other organizations and agencies.

The 2014 COQ Awards will be presented at NAHMA's annual winter meeting, March 8-10, in Washington, D.C. For details on the NAHMA meeting, visit [www.nahma.org/meetings](http://www.nahma.org/meetings).

"This year, we had more than 30 entrants, all of which prove that the Communities of Quality Awards program continues to thrive and to be a point of pride for all the contenders," NAHMA President Ken Pagano, CPM, SHCM, NAHP-e, said. "There is no other award that focuses so comprehensively on the everyday life and management expertise of affordable housing properties."

NAHMA's 2014 COQ Awards program is jointly sponsored by HD Supply Multifamily Solutions, a leading supplier of maintenance and renovation products to the multihousing industry, and Navigate Affordable Housing Partners, a leading provider of consulting and development services to public housing authorities and HUD's Section 8 Project-based contract administrator (PBCA) for Alabama, Mississippi, Virginia and Connecticut.

*The four 2014 COQ categories and winners are presented on the next pages.*

**PHOTOS LEFT TO RIGHT: Blackstone Terrace, Canterbury Place, Little Neck Village, Pear Tree Place**

# 2014 COQ WINNERS

# EXCELLENCE in Affordability

## EXEMPLARY FAMILY DEVELOPMENT

### Canterbury Place Roslindale, Mass.

**OWNER:** CUMMINS TOWER COMPANY LIMITED PARTNERSHIP

**MANAGEMENT:** FIRST REALTY MANAGEMENT INC.

**AHMA:** NEAHMA

Canterbury Place was built before Section 8 or housing for the elderly programs, so founding residents were mostly elderly and middle-aged singles and couples. Now, its 238 apartments are home to a growing population of single-parent and custodial grandparent households that include children and teens, as well as young professionals.

For the past 17 years, First Realty Management has conducted annual surveys to assess residents' total satisfaction with the community and their motivation to renew their leases. Positive resident comments have risen each successive year, as site improvements, apartment upgrades and administrative changes were made. As the population of younger residents expanded, on-site

activities and services evolved into programs to address their needs, not just for entertainment but to help them learn, grow and prepare themselves for a successful future.

Canterbury Place and First Realty offer a wide range of family-friendly activities. The community center and computer center are top gathering spots. Sports, an after-school program, an honor roll club, a summer enrichment program, a graduation gala and even pageants and talent shows are among the activities generated at Canterbury Place. In addition, staff involves residents in NAHMA programs, such as the Educational Foundation Scholarship program and the poster contest; NEAHMA activities, such as Kids' Day for poster contest winners from member properties; and First Realty-sponsored activities, such as its 22-year-old Sports Olympiad and its Academic Olympiad. In addition to providing an attractive and constantly upgraded environment,



Canterbury Place staff works to have children and teens develop the skill sets necessary to present themselves with the poise, confidence and good manners that will last a lifetime.

## EXEMPLARY DEVELOPMENT

### FOR THE ELDERLY Little Neck Village Marion, Mass.

**OWNER:** EAF LITTLE NECK VILLAGE LLC

**MANAGEMENT COMPANY:** PEABODY PROPERTIES INC.

**AHMA:** NEAHMA

In 1978, a 12-unit affordable housing development was created for seniors living in Marion, Mass. More than three decades later, the property was physically obsolete and needed significant capital improvements. In 2008, EA Fish Devel-





opers, with Peabody Properties Inc. as management agent, partnered with the Town of Marion to develop a low-income community for seniors. This project was done in a way that added 48 additional units. Architecturally, Little Neck Village fits seamlessly into this New England seaside community.

Little Neck Village offers its residents multiunit and cottage-style one-bedroom apartments with a range of amenities, including a community center with a spacious living room that boasts a fireplace and an activity area, complete with a full kitchen and spacious outdoor patio offering a water view and a communal grilling area and gazebo. In addition, the supportive services and coordinated activities at

Little Neck Village provide its residents with an affordable aging-in-place model that will serve as an alternative to more costly assisted-living facilities.

Little Neck Village's effective resident programs are led by its outstanding on-site certified resident service coordinator, who ensures that residents have a high-quality living environment as well as social and physical activities that enhance their health. The resident service coordinator schedules and organizes a plethora of activities for the residents, including monthly blood pressure clinics, nutrition programs, exercise and wellness programs, seminars, community activities such as movie days, card and game days, a quilting club, book and DVD swaps and resident dinner socials. Little Neck Village residents also have access to services offered by Meals on Wheels, the Visiting Nurses Association, Home Care Services, Alzheimer's Caregiver Support groups, adult day health programs and more.



### **EXEMPLARY DEVELOPMENT FOR RESIDENTS WITH SPECIAL NEEDS** **Pear Tree Place, I, II and III** **Yakima, Wash.**

**OWNER: NEXT STEP HOUSING**

**MANAGEMENT COMPANY: NEXT STEP HOUSING**

**AHMA: AHMA OF WASHINGTON**

Next Step Housing (NSH) is the largest provider of special needs, permanent housing in Washington state. Pear Tree Place (PTP) is its latest campus of new construction, with 62 apartment homes developed in three phases over the last seven years. PTP is also the largest Alcohol and Drug Free Community in Washington, housing people in long-term sobriety from substance abuse. Its comprehensive approach to housing distinct populations in service-enriched, quality apartment homes supported residents to have a sobriety success rate of 95 percent in 2013. According to national statistics, the sobriety success rate for people in high-end, residential rehab treatment is just 24 percent.

Currently, of the 62 new units, 41 households were previously homeless and NSH's on-site case management



**OPPOSITE, LEFT AND RIGHT: Canterbury Place**  
**TOP, OPPOSITE LEFT AND RIGHT: Little Neck Village**  
**LEFT AND TOP RIGHT: Pear Tree Place**

# 2014 COQ WINNERS

## EXCELLENCE in Affordability

services have helped them stabilize. Eighteen units serve previously homeless veterans.

Each phase of the PTP development was distinct. All enjoyed creative financing strategies through a collaboration of public, private and nonprofit funders. Each also addresses unique needs for multiple target populations starting with initial design right through to service partners providing care. Eighteen of its households are home to people living with developmental disabilities. Yakima's Department of Developmental Disabilities hires and supervises professional staff who provides around-the-clock service to 16 unrelated adults living with significant developmental disabilities living in 16 separate beds/households. All apartments have roll-in showers and fully accessible kitchens. Department of Social and Health Services employs 25 full- and part-time caregivers who work on-site to meet the needs of the residents 24/7.

With on-site case management services for the previously homeless and veterans, PTP has been an invaluable addition to the Yakima community.

### OUTSTANDING TURNAROUND OF A TROUBLED PROPERTY Blackstone Terrace Woonsocket, R.I.

**OWNER:** ATLANTIC DEVELOPMENT CORP.

**MANAGEMENT COMPANY:** HOUSING MANAGEMENT RESOURCES, INC.

**AHMA:** NEAHMA

Blackstone Terrace is a 122-unit property that had a reputation for both its physical deterioration and criminal activity. Once known as Woonsocket Village, it was the financially and physically distressed housing of last resort, where families were forced to live in deteriorated units and criminal activity left residents in fear of their safety and security. The buildings were 35 years old and required significant rehabilitation.

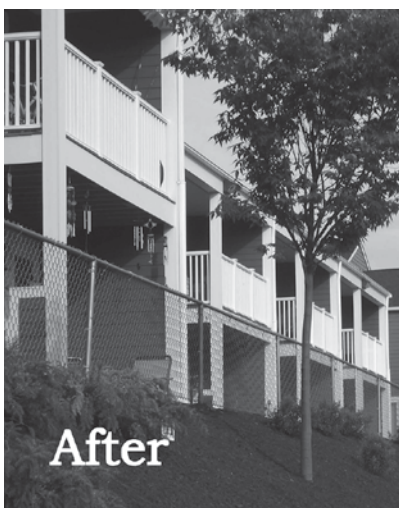
Blackstone Terrace's reintroduction to the housing stock in 2012 preserved decent and more affordable housing for residents of the town. The impact of the \$4.5 million revitalization of the community has resulted in both a financial and physical transformation as well as a notable enhancement to its standing in the community; Blackstone Terrace is now a cost-effective property providing safe, affordable housing for the residents



of the community and their families.

Atlantic Development LLC, a housing real estate development and investment company based in Kittery, Maine, acquired the property in 2011 and completed all the renovations by 2012. The preservation of this property and the improvements has help stabilize and revitalize the neighborhood by improving the quality of life, safety and security for the residents. The target population remains family households with incomes below 60 percent of median income, though the Section 8 contract allows the development to serve residents with much lower incomes. The owners signed a 40-year use agreement ensuring long-term affordability for this wonderful community. **NN**

**PHOTOS TOP AND BELOW: Blackstone Terrace**



# Industry Awards Showcase Excellence

NAHMA is excited to announce the winners of its annual Industry and AHMA Awards. The list includes both individuals and organizations whose professionalism, dedication and accomplishments in assuring quality housing for low-income Americans raises the standards of the multifamily affordable housing industry. The awards ceremony takes place March 9, as part of the three-day Federal Affairs Issues Meeting in Washington, D.C.

## **NAHMA INDUSTRY STATESMAN AWARDS: George Caruso and Karen J. Newsome**

*Given annually to NAHMA Executive Council members who are either in or nearing retirement, in recognition of many years of outstanding leadership and service to NAHMA.*

George Caruso, SHCM, NAHP-e, is one of the founders of NAHMA, served as its executive director in the mid-90s and has been crucial to the organization's success. He has a vast knowledge of the affordable housing industry, which he has shared through his work in management companies, as a trainer, as an author and as an adviser to numerous industry groups, including SAHMA.

Karen J. Newsome, CPO, SHCM, NAHP-e, has served the affordable multifamily industry for 35 years and has been passionately committed to both NAHMA and NEAHMA. A consummate professional, she has advocated for affordable housing locally, regionally and nationally and is well known for her generosity, integrity and dedication. Newsome was instrumental in the development and launch of the Specialist in Housing Credit Management program.

## **NAHMA INDUSTRY ACHIEVEMENT AWARD: Mark Livanec**

*Given annually to a NAHMA Executive Council member who has contributed significant or noteworthy leadership or other contributions to NAHMA within the past year or two.*

Mark Livanec, SHCM, has been a NAHMA Affiliate Member as the Yardi representative for a decade and has worked tirelessly on behalf of NAHMA's mission of advancing and preserving Communities of Quality (COQ). He has a true passion for promoting excellence and understanding the need for standards and clarity of purpose throughout the industry. Livanec was instrumental in the development and launch of NAHMA's annual Affordable 100 survey and list.

## **INDUSTRY PARTNER AWARD: Sen. Maria Cantwell (D-WA)**

*Given annually to a government agency or other affordable housing organizational partner that has made a significant contribution to the cause of affordable housing in the previous year.*

Cantwell is being honored for her introduction of a bipartisan bill, the Improving the Low Income Housing Tax Credit Rate Act (S. 1442), in August 2013, which would improve the existing Low Income Housing Tax Credit program to provide greater certainty for investment in affordable housing development and preservation.

## **AHMA OF THE YEAR**

*Given to local AHMAs using criteria such as size, number of members, success in membership recruitment, membership retention, education and training course attendance, financial stability and other factors.*

**Large: SAHMA**—SAHMA's success at member recruitment and retention, the introduction of new courses into its already expansive educational offerings, and its excellent organizational management and leadership, among many other factors, cause it to deserve this award.

**Medium: NEAHMA**—NEAHMA is a committed participant in all of NAHMA's programs, especially in encouraging its members to become recognized Communities of Quality and supporting the NAHMA Educational Foundation and the Drug-Free Calendar/Poster contest. The organization continues to grow and expand its member services and charitable contributions.

**Small: PennDel AHMA**—The PennDel AHMA's principal focus is on training so that strengthens, enriches, engages, develops and supports (S.E.E.D.S.) the next generation of affordable housing owners and managers.

## **AHMA COMMUNITIES OF QUALITY PROGRAM AWARD**

*Given to AHMAs according to size that have a substantial number of COQ awards in their area, demonstrate support for the program, and introduce new or innovative activities.*

**Large: SAHMA**—SAHMA aggressively markets the COQ recognition program to its members through social media posts, recognition of COQ properties at its state meetings and regional conferences, and regularly acknowledging the 435 SAHMA-member properties that are among "the best of the best."

**Small: PennDel AHMA**—As PennDel AHMA continues to grow, it retains a strong focus on encouraging its members to qualify for COQ recognition. Currently, 49 member properties have achieved this status.

## **AHMA INNOVATION AWARD**

*Given in recognition, by AHMA size, of a new program, service or activity that an AHMA began sometime in late 2013 or in 2014.*

### **Large: SAHMA and MAHMA, co-winners**

**SAHMA**—In 2014 SAHMA started live tweeting at its meetings and conferences. The live tweeting initiative blends attendee participation with live microjournalism that enables attendees to get important news quickly as well as build new connections and relationships among attendees, speakers and vendors.

**MAHMA**—MAHMA is expanding its communications methods by utilizing a YouTube channel to present videos to its members, growing its presence on Facebook and connecting more than 400 individuals through LinkedIn.

**Medium: Rocky AHMA**—Rocky AHMA added an Advanced Department of Housing and Urban Development Occupancy Online training course to its online training curriculum. The advanced course provides students the ability to continue to the next level of HUD handbook training at their convenience, regardless of geographic location. It creates a continuum of training for new employees to complete the HUD courses online and follow through with the NAHMA Certified Professional of Occupancy credentialing.

**Small: PennDel AHMA**—PennDel AHMA has begun hosting joint trainings with the Delaware Valley chapter of Institute of Real Estate Management to increase attendance and revenue. The effort has also increased membership in the AHMA.

## **NAHMA AFFORDABLE HOUSING ADVOCATE OF THE YEAR**

*Given annually to recognize a NAHMA member who has demonstrated a strong commitment to advance NAHMA's legislative priorities through public policy advocacy—based on data maintained by NAHMA staff.*

**Mark Morgan**, president, Interstate Realty Management, and **Michael Johnson**, SHCM, NAHP-e executive vice president, ALCO Management, Inc., are sharing the award for Housing Advocate of the Year for their outstanding leadership of NAHMA's Alternative Futures Task Force.

## **NAHMA COMMUNITIES OF QUALITY AWARD**

*Given annually to a NAHMA Executive Council member who has the most properties and/or most newly listed properties on the NAHMA National Recognition Program COQ Registry—based on data maintained by NAHMA staff.*

**Most new in 2014:** Housing Management Resources, Inc., North Quincy, Mass.

**Most overall in the program at the close of 2014:** WinnResidential, Boston, Mass.

## **NAHMA PRESIDENTS AWARD**

*Given annually by NAHMA's president for outstanding leadership or other contribution to NAHMA and the affordable multifamily housing industry—to be named by NAHMA's president at NAHMA's annual winter meeting, March 8-10, in Washington, D.C. **NN***

# Opportunity Grant Approach Raises Questions

**A**lthough the U.S. House of Representatives Budget Committee has a new leader, former Chairman Paul Ryan (R-WI) left behind a controversial reframing of the way the U.S. seeks to reduce poverty and increase economic opportunities for low-income individuals and families.

The discussion draft, “Expanding Opportunity in America”—also known as the Ryan Plan—proposes to allow states to enter into a new pilot project wherein a number of means-tested, federal assistance programs would be consolidated into a new Opportunity Grant (OG) program. Ryan is now chairman of the Ways and Means Committee, with the Budget Committee under the leadership of Rep. Tom Price (R-GA).

Ryan’s ability to set the legislative agenda and his track record in compiling the federal budget equips him for a potentially even more significant position. Ways and Means is the chief tax-writing committee in the House and has jurisdiction over entitlement programs such as Social Security and Medicare and over other assistance programs such as unemployment benefits and Temporary Aid to Needy Families (TANF).

Though his chairmanship has shifted, the influence of his ideas on budget matters to be debated by the 114th Congress—including the systems for funding affordable housing—remains powerful. A December 2014 *NAHMA Analysis*, “Understanding Paul Ryan’s Anti-Poverty Plan, ‘Expanding Opportunity in America,’” explores the potential impacts of the plan on housing and other programs.

To fund the OG program, the largest contributions would come from the Supplemental Nutrition Assistance Program (SNAP), TANF, various child care programs and housing assistance

programs. These include the Section 8 Housing Choice Voucher Program, Section 521 Rural Rental Assistance, Section 8 Project-based Rental Assistance and Public Housing and Operating Funds.

The *NAHMA Analysis* said, “Though this plan has positive intentions, its proposed reforms to housing programs are drastic. Placing housing assistance programs under the same funding stream as food assistance or welfare programs raises numerous questions about the distribution of funds.

“Although NAHMA supports legislators exploring new strategies for alleviating poverty, we have serious concerns with the proposal to lump housing in with other assistance programs. We will oppose any proposal that would jeopardize the funding of affordable housing properties by consolidating affordable housing programs with other assistance programs.”

## STATES WOULD SET GUIDELINES

To qualify for the OG program, states would be required to set clear guidelines for measuring an individual’s success in improving himself as he receives assistance. States would flesh out these guidelines and other details in an OG pilot plan to be submitted for congressional approval before implementation.

## EFFECTS ON HOUSING

NAHMA’s top concern with the Ryan Plan is the proposed transition of assisted housing away from contract-based housing programs into a block grant style funding model.

Although a greater level of state control may be envisioned under this approach, NAHMA points out that the plentiful complications and perils of making it work include:

■ States could keep many of the large

rental-assistance and project-based programs or consolidate these programs into the OG program and “be required to fund existing contracts until they expired,” according to the *NAHMA Analysis*. “However, the framework for this transition is vague in Ryan’s plan”—an intentional design, based on Budget Committee staff comments, so that states can determine the housing model best fitting their specific OG plans.

■ A similar single funding stream, or “block grant” model, has been suggested in the past. The Housing Assistance for Needy Families (HANF) block grant proposed in the 2004 HUD budget would have converted all Housing Choice Vouchers into a block grant for each state.

However, the HANF proposal “was not adopted by Congress because of the substantial risk and procedural overhauls that it would introduce into the Housing Choice Voucher program,” according to the *NAHMA Analysis*.

■ Moving the system from a standard federal housing assistance model to an OG program model would severely complicate the management of affordable housing properties and potentially muddle federal government and private owner relationships.

■ The individualized case manager model—an important delivery component of the Ryan Plan—could push case manager roles, capacity and expertise needs, and coordination requirements to unattainable levels, while likely increasing personnel and salary costs.

■ For owners and agents with properties in different states, a mix-and-match of OG and non-OG models may greatly increase management’s burden in order to comply “with wildly different practices across their portfolio.”

The *NAHMA Analysis* 2014-1208, is available via the NAHMA website, [www.nahma.org](http://www.nahma.org). **NN**

# USDA Partners to Create More Rural Housing

BY MONICA COLE

**U**SDA Rural Development's Guaranteed Rural Rental Housing Program increases the supply of affordable rental housing in rural areas by providing loan guarantees to private and public lenders to construct and preserve affordable rental properties. This ensures that housing is affordable and accessible to rural residents whose incomes are 115 percent or less of area median income (AMI).

## PROGRAM FEATURES

The program provides up to a 90 percent guarantee on affordable rural housing loans for permanent financing and construction advances. USDA does not guarantee construction-only financing.

Loan guarantees are for 25 to 40 years. The interest rate is negotiated between the lender and borrower. It must be fixed over the loan term.

Eligible borrowers include individuals, partnerships, nonprofit and for-profit entities, state and local agencies, trusts and Native American Tribes. Eligible lenders are banks or other lending institutions approved by HUD, Fannie Mae, Ginnie Mae and/or Freddie Mac. Lenders are nationally approved.

## HOW THE PROGRAM HELPS LENDERS

- It offers lenders up to a 90 percent guarantee on the loan.
- Lenders are able to sell loans on the secondary market.
- The loans help lenders meet their Community Reinvestment Act requirements to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods.
- Loan guarantees do not count against

the bank's lending limit.

- Low-Income Housing Tax Credits can be used as a source of equity for the guaranteed loan.

## HOW THE PROGRAM HELPS DEVELOPERS

- There are no restrictions on the rate of return to the owner.
- Soft costs, including professional fees, permits and developer fees, are considered eligible uses of funds.
- Developers of projects financed with USDA loan guarantees do not need to comply with the Davis-Bacon wage act, a law requiring contractors and subcontractors to pay their laborers and mechanics no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.
- Housing styles are flexible. Even though Guaranteed Rural Rental Housing Program properties must be at least five units, the housing can be apartment-style or single-family detached homes.

## LOAN-TO-VALUE REQUIREMENTS

Nonprofit entities, public agencies and Native American Tribes may borrow up to 97 percent of the lesser of total development cost or appraised value. Other eligible groups may borrow up to 90 percent of the lesser of total development cost or property value (as determined by the lender).

## APPLICATION PROCESS

Once program funds are appropriated by Congress, Rural Development publishes a notice in the Federal Register to inform the public that funds are available and that lenders may submit applications.

*Continues on page 29.*



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# Copyright Compliance in Affordable Housing

## The Problem You Didn't Know You Had

**O**n the long list of regulatory concerns facing affordable housing managers and owners, copyright compliance may not be high on the list. The very term, “copyright compliance” suggests an abstract concept rather than a clear, real world scenario that housing managers must address. Yet, as you read it is entirely likely that a property in your portfolio is engaging in copyright infringement without your knowledge. Of even greater concern, a commonplace and seemingly innocuous activity at a single property can subject your entire organization to substantial fines. To what am I referring? Why watching movies of course.

Some housing management executives are unaware that movies and other audiovisual programs that are available in any legal format, such as DVDs or other digital formats, whether streamed or downloaded, are intended for personal, private use only. “Personal, private use” refers to a resident watching a movie in his or her individual unit. However, when that same movie is shown in any shared area on that campus, and is accessible by more than the users’ personal circle of family and friends, a public performance has occurred and a public performance license is required in compliance with the US Copyright Act. This legal requirement applies even if the movie showing is limited to residents and no admission fee is charged.

Common areas are any shared spaces within the apartment community, ranging from a lounge or a community room to an outdoor space. The creation of dedicated common areas within communities large and small is commonplace. Such spaces allow residents to socialize and interact, enhancing the overall

quality of life within the community.

In providing a common area within the community, the owner and manager assume some liability for what occurs in the space. For example, some communities provide a television and/or DVD player in a common area for resident use. A member of the staff, whether a manager or activity director, may even coordinate a dedicated movie night. Yet, the license requirement remains even if a single resident watches a DVD he or she has purchased in a common area. In all cases, a license is required and the management or ownership entity carries liability either as a primary or contributory infringer.

While this may constitute new information for some executives, ignorance of copyright law does not protect companies from fines. For even the casual or incidental infringer, the costs can be significant. Fines for noncompliance start at \$750 for each inadvertent infringement and go as high as \$150,000 for each egregious violation.

Faced with these realities, the kneejerk reaction maybe to remove DVD players and enact a policy banning the showing of motion pictures. However, this solution is neither in the best interest of resident experience nor feasible. When managing multiple facilities, or even one very large facility, it is nearly impossible to ensure compliance at all times. Due to a lack of education, staff turnover, or general apathy, facilities that initially comply with notices to discontinue exhibitions invariably resume after a period of time. Such repeat infringement can be seen as an egregious violation of the copyright act, as the property was previously informed that the use required a license, but chose not to obtain a license, and continued exhibitions.

Apartment communities with common areas should strongly consider the purchase of a blanket public performance license for their property. An annual blanket license allows for unlimited motion picture exhibitions and provides copyright coverage for a variety of copyright holders under a single license. Residents and staff may obtain their own content from any legal source whether purchased via DVD or iTunes download, borrowed from a library or Redbox, or streamed via services like Hulu, Amazon, or Netflix. In addition, economies of scale savings are possible when licensing is secured for multiple communities. Further discounts are available through membership in certain associations.

Ultimately, the purchase of a public performance license allows for more than just copyright protection. Legal peace of mind and the assurance of copyright compliance mean that organization as a whole can breathe a sigh of relief. Enforcing policy across multiple properties is challenging, and there is no assurance that policy will always be followed. An annual public performance license, in addition to being a simple solution, removes the burden of excessive legal fees and fines should an infringement occur.

Movies are a simple and affordable way to foster a sense of community within affordable housing. Just make sure your communities are in compliance before you press “play.” More information on copyright compliance and public performance licensing can be obtained by contacting the Motion Picture Licensing Corporation (MPLC), an independent copyright licensing vendor. **NN**

*Eileen Korte is the Licensing Manager for the United States office of the Motion Picture Licensing Corporation (MPLC).*





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# NAHMA Scholarship Application Now Available

**A**t the beginning of February, the NAHMA Educational Foundation was scheduled to release the 2015 Scholarship application. The link to the application can be found by going to the NAHMA website and clicking on the “NAHMA Educational Foundation” icon.

Any resident of an AHMA-affiliated property who is a high-school graduate or General Educational Development holder is eligible to apply. The application must be filed online and the final deadline for completed applications is May 29 at 10 p.m. EST.

Over the last several months, the foundation has streamlined the online process but has not changed the requirements for a completed application. A resident/applicant must submit the application form, an essay, two references, Certification of Residency in Good Standing from their apartment community management company, and a current, valid grade transcript.

The scholarship program is entering its ninth year and last year awarded 67 grants totaling more than \$165,000. Each individual award in 2014 was worth \$2,500. This individual amount is reflective of the foundation’s desire to make a meaningful financial contribution to each recipient’s educational expenses for the year.

Newly elected NAHMA Educational Foundation Chair Melissa Fish-Crane said, “The foundation wants to encourage management company personnel to alert residents of this wonderful opportunity to secure funding for the 2015-2016 school year. In the last two years, the foundation has awarded more than \$300,000 in scholarships. Our hope is that this year we receive applications and can make awards to residents from all AHMAs across the country.”

For more information, Dr. Bruce W. Johnson, scholarship program administrator, can be reached at [bwjec@comcast.net](mailto:bwjec@comcast.net) or 215-262-4230. Please make residents aware of the application link today! **NN**

## A Big Thank You to NAHMA Educational Foundation Supporters!

**The NAHMA Educational Foundation thanks its generous supporters of 2014! Their contributions will go toward post-secondary school scholarships to residents of NAHMA- and AHMA-member properties.**

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# Deadline Nears for NAHMA's 2015 Vanguard Awards

It might be hard to imagine, but spring is just around the corner and so, too, is the deadline for nominating a property for one of NAHMA's 2015 Affordable Housing Vanguard Awards. The deadline is April 3.

The Vanguard Award recognizes new and significantly rehabbed multifamily affordable housing. The award pays tribute to developers of high-quality affordable housing; demonstrates that exceptional new affordable housing is available across the country; demonstrates the creativity and innovation that must be present to create exceptional properties given the financing and other challenges to development; highlights results of private-public partnerships required to develop today's affordable housing; and shares ideas for unique design and financing mecha-

nisms with industry practitioners to further stimulate creative development in the affordable multifamily industry.

## THE VANGUARD AWARD CATEGORIES

**Categories include:** New Construction, two subcategories—more than 100 units and under 100 units; Major Rehabilitation of an Existing Rental Housing Community; Major Rehabilitation of a Nonhousing Structure into Affordable Rental Housing; Major Rehabilitation of a Historic Structure into Affordable Rental Housing.

**Who May Apply:** Affordable multifamily housing communities that are less than 3 years old—as of April 3, 2015—may apply, based on date of completion of new construction or completion of major rehab. **Please note:** A management company may submit only one

entry for each category.

**Where and When to Apply:** Applications and information about entry fees, judging criteria, the benefits of winning an award and more is on NAHMA's website at [nahma.org](http://nahma.org). Click on Vanguard Award Overview.

**The Awards Ceremony:** Winners of the Affordable Housing Vanguard Awards will be recognized at a ceremony at the NAHMA summer meeting in June 2015 in Las Vegas.

This year's Vanguard Awards program is sponsored by the NAHMA-endorsed Multifamily Affordable Housing Insurance Program (MAHIP), provided by Wells Fargo Insurance Services. For details on the national resources, depth-of-industry understanding and market strength of the MAHIP program, visit <https://wfs.wellsfargo.com/mahip>. **NN**

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# REGULATORY WRAP-UP

## HUD NEWS

**THE SOCIAL SECURITY ADMINISTRATION ANNOUNCED IN DECEMBER 2014 THAT MONTHLY SOCIAL SECURITY AND SUPPLEMENTAL SECURITY INCOME (SSI) BENEFITS** for nearly 64 million Americans will increase 1.7 percent in 2015. The 1.7 percent cost-of-living adjustment will begin with benefits that more than 58 million Social Security beneficiaries receive in January 2015. Increased payments to more than 8 million SSI beneficiaries began Dec. 31, 2014.

**THE ENTERPRISE INCOME VERIFICATION (EIV) SYSTEM RELEASE 9.8 WAS SUCCESSFULLY** implemented Dec. 19, 2014, and has full functionality after the

summarization was run Dec. 21, 2014. To see a list of the new functionalities that have been added to the Multi-family EIV system go to <http://portal.hud.gov/hudportal/documents/huddoc?id=eivtips2013-02.pdf>.

**THE OFFICE OF MULTIFAMILY HOUSING RECENTLY RELEASED A NOTICE REGARDING WAITING LIST ADMINISTRATION** for individuals applying for a unit. Topics include opening the waiting list, placing applicants on the waiting list and outreach. This notice does not mandate any new practices for multifamily owners and agents but provides additional options for owners in their waiting list administration to further ensure fair housing compliance.

The notice can be found at [www.nahma.org/wp-content/uploads/2014/04/WaitingListAdmin.pdf](http://www.nahma.org/wp-content/uploads/2014/04/WaitingListAdmin.pdf).

**ON DEC. 29, THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) ISSUED A MEMORANDUM** that provides clarification regarding multifamily policy related to marijuana in multifamily properties. According to the memo, owners must deny admission to assisted housing for any household with a member determined to be illegally using a controlled substance, such as marijuana. Owners may not establish lease provisions or policies that affirmatively permit occupancy by any member of a household who uses marijuana. Owners must establish

## WATERS LAUDS ACTION TO SUPPORT HOUSING TRUST FUND

**CONGRESSWOMAN MAXINE WATERS (D-CA)**, ranking member of the U.S. House of Representatives Financial Services Committee, praised the announcement by Federal Housing Finance Agency (FHFA) Director Mel Watt that he will finally fund the Housing Trust Fund, a permanent federal fund that focuses on providing support to states to build, preserve and ultimately increase the supply of affordable rental housing for extremely low- and very low-income families, including homeless families.

Fannie Mae and Freddie Mac have been directed to set aside and allocate funds to the Housing Trust Fund and the Capital Magnet Fund, which funds homeownership, pursuant to the Housing and Economic Recovery Act of 2008 (HERA). HERA authorized FHFA to temporarily suspend these allocations and FHFA informed Fannie Mae and Freddie Mac of a temporary suspension Nov. 13, 2008. In letters sent Dec. 11, 2014, FHFA notified Fannie Mae and Freddie Mac of the agency's decision to reverse the temporary suspension.

Waters, a coauthor of the legislation that created the

Trust Fund, released the following statement:

"... In the richest country in the world, it is unconscionable that there are 7.1 million American households for whom safe and decent housing is neither affordable nor available. By allocating a tiny percentage of Fannie Mae and Freddie Mac's profits to these Funds, we have the chance to improve the lives of millions of American children, families, people with disabilities and the elderly..."

Waters fought to authorize the Housing Trust Fund and the Capital Magnet Fund during the debate over the Housing and Economic Recovery Act of 2008. Working with her House and Senate Democratic colleagues, Waters built support for the Funds, eventually leading to them being signed into law by former President George W. Bush. Contributions to the funds were suspended after Fannie and Freddie's conservatorship in 2008. In the intervening years, the government-sponsored enterprises (GSEs) have become tremendously profitable, returning a combined \$37 billion in profits to the taxpayers.

policies, which allow the termination of tenancy of any household with a member who is illegally using marijuana or whose use interferes with the health, safety or right to peaceful enjoyment of the premises by other residents. Owners have the discretion to evict or not evict current residents for their use of marijuana. Questions regarding this memorandum can be addressed to Kate Brennan at Catherine.M.Brennan@hud.gov. The memo will be posted on the HUD Multifamily Housing website.

**A NEW NAHMANALYSIS THAT PROVIDES INFORMATION ON THE STRUCTURE CHANGES CURRENTLY UNDERWAY IN THE OFFICE OF MULTIFAMILY HOUSING** is now available at [nahma.org](http://nahma.org). As part of HUD's nationwide transformation of its Multifamily Housing field offices, the department is also reorganizing the Office of Multifamily Housing in the Washington, D.C., headquarters. During the HUD Forum at NAHMA's October 2014 Meeting, the deputy director for the newly created Office of Asset Management and Portfolio Oversight gave a presentation on the reorganization of HUD Headquarters' Office of Multifamily Housing. Included in this *NAHMA* Analysis is this presentation plus additional charts on new office leadership in headquarters and in the new Southwest Region—Fort Worth hub, Kansas City satellite office. **NN**

## **USDA PARTNERS TO CREATE MORE RURAL HOUSING**, *continued from page 23*

The current Notice of Funding Availability (NOFA) expires December 31, 2015 and can be found at [www.gpo.gov/fdsys/pkg/FR-2014-05-21/pdf/2014-11733.pdf](http://www.gpo.gov/fdsys/pkg/FR-2014-05-21/pdf/2014-11733.pdf). The Guaranteed Rural Rental Housing Program does not have a formal application package, but there are several forms and paperwork that must be submitted. The Notice in the Federal Register gives applicants detailed instructions on what must be included.

### **PROGRAM SUCCESS**

During fiscal year 2014 alone, USDA provided \$136 million in rural rental housing loan guarantees. The total

development cost for all projects funded was approximately \$605 million, which represents an approximate 4:1 leverage ratio. The program funded approximately 5,000 units and, of these, 4,800 were Low-Income Housing Tax Credit units.

USDA's Rural Housing Service is committed to providing safe, sanitary and affordable rural housing.

For additional information on the Guaranteed Rural Rental Housing Program, please visit: [www.rd.usda.gov](http://www.rd.usda.gov). **NN**

*Monica Cole is a finance and loan specialist within Multifamily Housing Programs at USDA Rural Development.*

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# 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](http://www.nahma.org/content/mem_calendar.html).

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PAHMA  
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[pahma.org](http://pahma.org)

## APRIL

**7-8**  
**SHCM Class Testing**  
Pleasanton, CA  
AHMA NCH  
(510) 432-2462  
[ahma-nch.org](http://ahma-nch.org)

**SHCM Certification**  
Pleasanton, CA  
AHMA NCH  
(510) 432-2462  
[ahma-nch.org](http://ahma-nch.org)

**7-9**  
**FL State Meeting for Affordable Housing**  
Jacksonville, FL  
SAHMA  
(800) 745-4088  
[sahma.org](http://sahma.org)

**13-15**  
**TN State Meeting for Affordable Housing**  
Murfreesboro, TN  
SAHMA  
(800) 745-4088  
[sahma.org](http://sahma.org)

**14**  
**Water & Mold**  
Fresno, CA  
AHMA NCH  
(510) 432-2462  
[ahma-nch.org](http://ahma-nch.org)

**Asbestos Awareness**  
Fresno, CA  
AHMA NCH  
(510) 432-2462  
[ahma-nch.org](http://ahma-nch.org)

**15**  
**Regulators Conference**  
New York, NY  
New York AHMA  
(718) 592-5655  
[nyahma.org](http://nyahma.org)

**20-23**  
**South Dakota Connection**  
Huron, SD  
Rocky AHMA  
(303) 840-9803  
[rockyahma.org](http://rockyahma.org)

**Rural Development Conference**  
Colorado Springs, CO  
Rocky AHMA  
(303) 840-9803  
[rockyahma.org](http://rockyahma.org)

**21**  
**Fair Housing**  
Mars, PA  
PennDel AHMA  
(856) 786-2163  
[penndelahma.org](http://penndelahma.org)

**21-23**  
**MS State Meeting for Affordable Housing**  
Jackson, MS  
SAHMA  
(800) 745-4088  
[sahma.org](http://sahma.org)



## Deeply Immersed in a Satisfying Career

WHEN YOU HAVE BEEN IN THE affordable housing management industry for nearly 40 years, you can practically write a history of housing assistance in the U.S. and when talking with Ken Pagano, get the sense he has it all in his head.

Pagano grew up in Newark, New Jersey, and “saw all the problems with housing especially in public housing and the lack of decent, safe and affordable housing” there. After graduating from Seton Hall University, he began a career in property management and insurance. His original portfolio included market-rate properties, some commercial rentals and a Department of Housing and Urban Development (HUD) Section 236 property. It was the 236 property that peaked his interest in subsidized housing. Soon he had the opportunity to work with the New Jersey Housing Finance Agency (NJHMFA) in its asset management division, where he rose to the position of director of management. After eight years with NJHMFA, he joined Montgomery and Essex Management—now Essex Plaza Management—as director of property management and eventually became president.

### AN EVER-CHANGING LANDSCAPE

Pagano was a founding member of the New Jersey Affordable Housing Management Association and was instrumental in the formation of the Penn-Del and New York AHMAs. While

with JAHMA, Pagano set up the JAHMA Foundation, which was established to provide scholarships for those residents living in JAHMA affordable housing properties. In the 13-year history of the foundation, it has awarded 320 scholarships totaling \$450,000. In addition, the foundation has, through its In Time of Need furniture program, in conjunction with Thomasville of New Jersey, done 48 installations of furniture in residents apartments totaling \$827,000. The foundation has also launched a new program for veterans.

Pagano joined the National Affordable Housing Management Association



recognizing contract obligations today but later.

As NAHMA’s president, Pagano feels that it is necessary to educate our legislators on the current affordable housing portfolio and dispel mistaken opinions of those who feel the portfolio is failing. When in fact, now more than ever, the affordable housing

portfolio is producing decent, safe and affordable housing to those who most need it.

### DETERMINED TO GIVE BACK

“It’s all very rewarding,” he said. “Owners and operators are always looking for a

**Pagano feels that it is necessary to educate our legislators on the current affordable housing portfolio and dispel mistaken opinions of those who feel the portfolio is failing. When in fact, now more than ever, the affordable housing portfolio is producing decent, safe and affordable housing to those who most need it.**

in the early 1990s and has held several positions in the organization and became president of NAHMA in 2014.

Each administration has presented a different challenge in affordable housing. The most recent is HUD’s move to change the Project-based Section 8 funding cycle from a fiscal year to calendar year. The net result is not

way to give back to those less fortunate.”

Pagano has been married for 41 years and has two children and four grandchildren. Aside from a recent surgical procedure, he doesn’t seem to be slowing down.

Taking on the position as NAHMA’s new president is surely a testament to that. **NN**

## thelastword

# Facing Challenges with Vigor



I FEEL INVIGORATED BY BECOMING president of NAHMA's board of directors and like I have a running start thanks to Gianna Solari and other past presidents. All have done an excellent job at keeping NAHMA on the cutting edge of what is happening in the affordable housing industry—in Congress, in federal agencies, within the AHMAs and at the grassroots level.

Having served on the board for more than a decade, I have been constantly amazed at the challenges that get thrown at providers of affordable housing. Often-unreasonable regulations, ill-conceived policies, budget cuts and now the reorganization of Department of Housing and Urban Development (HUD) are not just challenges but daunting ones. And yet, we wake up every morning excited to do our jobs, proud to be making a difference in the lives of families in need. Proud at the end of every workday at a job well done.

My intention as president is to get to know key members of Congress and their top aides, as well as the agency heads and top aides, be they at HUD, IRS or

any other agency that impacts our work. NAHMA is and will continue to be the leader in the affordable housing industry.

There is great work being done by NAHMA's staff and all of the board's committees. We are constantly providing insight, highlighting concerns and sharing alerts at an amazing pace. I intend to be a

**Perhaps most importantly, I hope to inspire you and all NAHMA members to step up your game and get involved in our activities if you aren't already.**

champion of everyone who has a commitment to our work. I hope to be a catalyst for keeping our programs and services operating on a high level and to stimulating thoughtful consideration of new ones.

Perhaps most importantly, I hope to inspire you and all NAHMA members to step up your game and get involved in our activities if you aren't already. Even if you make just one phone call to your U.S. senator or representative, you will have made a positive difference. There is no voice louder than a voter's.

This is needed now more than ever as Congress continues to slash budgets and shell games are played, like HUD's switching Project-based Section 8 from a fiscal year operation to a calendar year one. They can issue Housing Assistance Payment (HAP) contracts for a year with eight months of funding. They say, "don't

worry, we'll find the money, "but will they? It's unfair to push today's problems down the road—and I predict real turmoil in 2016 if things don't change.

It's a scary scenario, but I know we are up to the challenges we face. Thank you in advance for all you have done, are doing or will do to keep affordable housing on everyone's agenda and move it up on the list of important items. **NN**  
*Ken Pagano, CPM, SHCM, NAHP-e, is president of Essex Plaza Management and president of NAHMA.*