NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

May June 2011

NAHMA News

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

IN THIS ISSUE

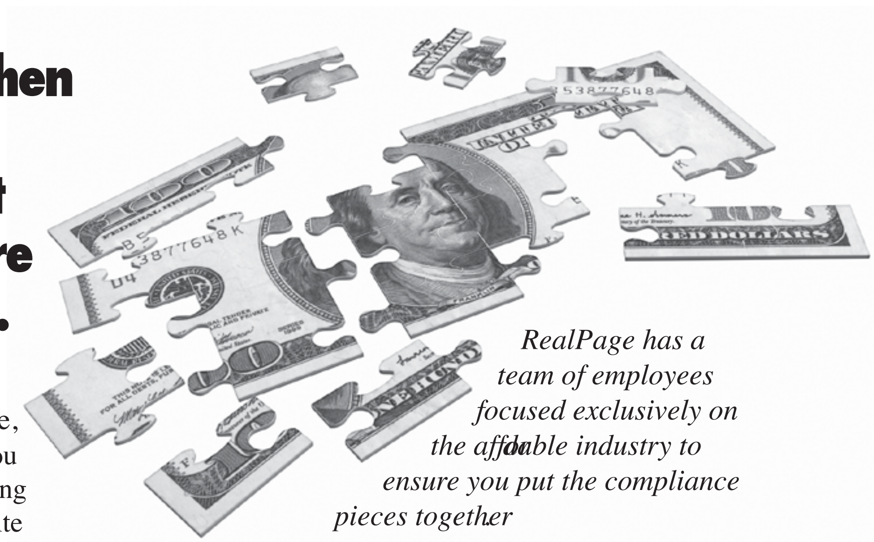
Carefully Tracking FY 2012 Budget Debates

In February 2011, President Obama submitted a fiscal year 2012 budget request to Congress. The Congressional budget process began shortly thereafter, and a fractious debate has since ensued about the best way to reduce the federal deficit:

- In early April, the House of Representatives passed a resolution by Rep. Paul Ryan (R-WI) which would, among other things, change Medicare from a fee-for-service system to a system in which the government pays a set amount toward seniors' purchase of health insurance coverage. Early supporters of this resolution appear to be backing away from it because of a backlash from constituents. It is expected to be dead-on-arrival in the Senate and would be vetoed by the president.
- Meanwhile, in the Senate, a group calling itself "the gang of six" attempted to produce a politically viable deficit-reduction plan. This bipartisan group of senators launched a campaign to convince the public that cutting spending alone will do little to tame the $14 trillion national debt and were discussing highly unpopular measures such as raising taxes and overhauling Social Security and Medicare. At press time, the gang had not released their plan. Additionally, one senator left the group. *continued on page 4*

Find out how
Black & White make Green

There's no gray area when it comes to affordable housing compliance, but our software makes sure you get plenty of green.



RealPage has a team of employees focused exclusively on the affordable industry to ensure you put the compliance pieces together.

Typically, when you mix black and white, you get several shades of gray. But as you know, affordable housing compliance regarding voucher processing is a strictly black and white world. If the pieces don't fit properly, you don't get paid. That's where OneSite Affordable comes in.

It is the industry's only integrated, web-based property management system designed with your site staff in mind.

OneSite Affordable's easy-to-use workflow processes and flexible setup options allow you to drive compliance at the site level. The Quick Qualify functionality provides fast analysis of prospect information to determine program eligibility. The Interview Wizard ensures that all income, assets, and expenses are accounted for prior to processing a move-in or annual recertification.

Corporate offices can set up a move-in checklist to ensure that each step of the move-in process is completed – including allowing for final approval at a regional- or home-office level. Verification letters can be managed from generation to verification with complete audit trail capabilities. You can also customize letters, notices, and leases to fit your state and company requirements.

OneSite Affordable also allows for layering with Tax Credits and Rural Housing, helping you filter out the shades of gray and put the pieces together to get all the green you deserve.

OneSite Affordable. Look at it as your "green" initiative.

Please visit **www. realpage.com** for more information or call **1-866-424-4603**

REALPAGE®

NAHMANews™
May June 2011 • Vol 22, No. 3

PRESIDENT
Scott Reithel, CPM, NAHP-e
sreithel@chpc2.org

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

MANAGER, EDUCATION AND SPECIAL PROGRAMS
Brenda Moser
brenda.moser@NAHMA.org

MANAGER, MEETINGS, MEMBERSHIP AND SPECIAL PROJECTS
Elizabeth Tucker
elizabeth.tucker@NAHMA.org

MANAGER, GOVERNMENT AFFAIRS
Lauren Eardensohn
lauren.eardensohn@NAHMA.org

EDITOR
Catherine A. Smith
Community-Based Communications, L.L.C.
cbc.smith@comcast.net

DESIGN
Mary Prestera Butler
butler5s@comcast.net

NAHMA News is published six times a year by the National Affordable Housing Management Association, 400 North Columbus Street, Suite 203, Alexandria, VA 22314, Phone (703) 683-8630, Web site: www.NAHMA.org

SUBSCRIPTIONS: Free for NAHMA/AHMA members, $100 for nonmembers.

ADVERTISING: Digital ads preferred. Rates vary. Contact: Jeff Nail at (301) 215-6710, ext. 107.

QUERIES: Letters to the Editor and other queries should be sent to NAHMA Executive Director Kris Cook at kris.cook@NAHMA.org or to the address above.

inside nahma

BY KRIS COOK, CAE

Another Exciting Opportunity with NAA

NAHMA'S ANNUAL SUMMER meeting will once again be paired with the National Apartment Association's (NAA) Education Conference and Exposition. As we discovered when we first co-located our meetings last year, this is an excellent opportunity for sharing information and experiences between affordable housing providers and conventional providers.

NAHMA is proud to always have had a summer meeting that is of great interest and import to its members. That's why the first day will be devoted to our unique industry's concerns. Then, after an evening full of fun together at The House of Blues, it's full speed ahead into NAA's event, which draws thousands of apartment owners and managers together for a vast array of learning and networking opportunities.

As the article on page 24 details, the NAHMA meeting, which focuses on public policy issues, will be held on Wednesday, June 22, and the NAA Conference & Expo will be held over the next three days.

The conjunction of these two events comprises the largest multifamily housing educational event in the country—if not the world. It's still a new step for NAHMA, and we are excited that NAA members valued our engagement last year and asked us to once again be a key presenter at its conference.

NAHMA BECOMES A PRESENTER

With an estimated 5,000 attendees, the NAA Conference and Expo opens the doors for conventional providers to understand and appreciate the challenges and the professionalism inherent in being committed to affordable housing. One way this will be made manifest is during the four sessions that NAHMA is presenting during the larger conference. These include:

- **Case Studies on Creative Turnaround of Troubled Properties into Award-Winning Affordable Housing**, during which industry practitioners will present three case studies in which troubled properties were renovated into Vanguard Award-winning affordable rental housing.
- **Preserving Aging Affordable Housing, and When to Green and Not to Green in the Process**, which will feature case studies on preserving affordable housing, from operational to financial considerations. In particular, participants will learn how to decide when to convert to green technology or management techniques based on financial and operational considerations during the preservation process.
- **Top Ten Tips for Preparing for and Successfully Completing your Tax Credit Compliance Reports and Inspections** by both state agencies and investors/syndicators.
- **Managing Conflicting Requirements in Multi-Financed Affordable Housing**, critical since so much development today uses multiple layers of financing to make the properties viable.

In addition to three days of the best professional development training in the industry, the NAA Conference and Expo boasts world-class general session speakers, more than 40 education sessions led by topic experts, 300 vendor demos, and networking events that kindle new relationships.

Join Us for a Stimulating Experience! **NN**

Kris Cook is Executive Director of NAHMA.

In early May, Vice President Joe Biden convened a bipartisan working group of lawmakers hand-picked by congressional leaders to discuss a possible debt reduction agreement. In a statement afterwards, the vice president said that the meeting was “productive” and that the working group would continue to meet.

Senator Kent Conrad, chairman of the Senate Budget Committee, has said he will await the outcome of the vice-president’s negotiations before proceeding with a budget resolution.

NAHMA is tracking all of the discussion and proposals carefully.

BRIEF SUMMARY OF NAHMA’S POSITIONS

NAHMA was pleased that Obama Administration and Senate Democrats publically opposed the House Budget Committee’s FY 2012 budget resolution, initiated by Rep. Ryan. This proposal would significantly reduce the budget authority of the Income Security account, which contains HUD and USDA-RHS’s affordable housing programs’ budget authority. This could potentially reduce the funding available for affordable housing programs and rental assistance contracts in the FY 2012 budget and beyond.

NAHMA would like to see more details from the plans under consideration by the vice president’s working group to address the deficit and the national debt. The impact on affordable housing programs is unknown at this time.

Another unknown variable is whether any resulting agreement will include tax reform. If Congress and the White House attempt to lower the corporate tax rate, all tax deductions, credits and expenditures for businesses could be eliminated. This would put at risk the LIHTC, the New Markets Tax Credit (NMTC), historic rehabilitation tax credits and energy tax credits.

Fortunately, NAHMA’s discussions with congressional staff make it seem unlikely that eliminating the Low Income Housing Tax Credit (LIHTC) is considered to be a viable option. The LIHTC has many supporters in both the House and the Senate and no vocal opponents.

NAHMA continues to **OPPOSE ANY CUTS** to rental assistance programs—Tenant-based Section 8, Project-based Section 8, Section 202 and 811 PRACS, and rural rental assistance—that would result in the **LOSS OF ASSISTANCE** to any existing recipients.

The Senate Finance Committee sees the LIHTC not as a tax loophole but as a legitimate tax expenditure to facilitate additional housing development. Both the House and Senate tax-writing committees believe the tax reform process will take several years and span multiple Congresses due to intense scrutiny of any potential reforms.

NAHMA will continue working to educate Congress and the Administration on the importance of the LIHTC in affordable housing construction and preservation.

CONTENDING WITH FLAWED LOGIC

NAHMA is concerned about statements and assumptions by members of the House who will guide the FY 2012 budget and appropriations process. The House Budget Committee claims that federal housing assistance subsidies are growing at an out-of-control rate “because policymakers are choosing to grow it, and because there are no time limits or work requirements that encourage recipients to lead lives of increased self-sufficiency.” NAHMA finds this logic to be extremely flawed.

First, funding for housing assistance has increased because the Bush Administration did not request enough money in its budgets to fully-fund all Project-based Section 8 contracts for their 12-month terms. Underfunding the programs over several years led to a $2 billion funding gap and frequent delays in housing assistance payments (HAPs).

It was not until 2009 that Congress increased appropriations to meet the government’s contractual obligations to Project-based Section 8 owners. The seven percent increase in the Project-based Section 8 funding account between FY 2010 and FY 2011 was to allow for rent increases to cover growing property operating, utility and emergency costs.

NAHMA continues to oppose any cuts

to rental assistance programs—Tenant-based Section 8, Project-based Section 8, Section 202 and 811 PRACS, and rural rental assistance—that would result in the loss of assistance to any existing recipients.

Second, this logic assumes that Project-based Section 8 tenants are not motivated enough to leave the program. HUD's tenant data for 2008 debunks this claim. HUD's data suggests that 70 percent of Project-based Section 8 tenants are elderly or disabled. They cannot work or cannot find work. Only four percent of all Project-based Section 8 tenants report welfare as their primary source of income.

In addition, the House focus on reducing spending in the Income Security budget authority account over the next five years will reduce funding available for the construction and rehabilitation of affordable units. Such financing is difficult to come by already because of the credit crunch and the financial crisis. Reducing funding for HUD and USDA-RHS's affordable housing programs—like CDBG, HOME, and RHS Multifamily Housing Revitalization—could lower the number of affordable units available to low-income working, elderly, and disabled Americans, as well as reduce the number of jobs available in local communities.

NAHMA will continue to push for adequate funding for programs that support affordable housing in FY 2012 appropriations and to oppose any proposal that does not provide at least full funding for all Tenant-based Section 8, Project-based Section 8, Section 202 and 811 PRACS, and rural rental assistance contracts for their 12-month terms. NAHMA will also strongly oppose any attempts to reduce funding or eliminate any programs that support affordable housing efforts.

NAHMA has issued a *NAHMAnalyses* about the budget debate and the various proposals' implications for affordable housing. The *NAHMAnalyses* can be found in the members' section of NAHMA's website at www.nahma.org. **NN**

BY MICHELLE KITCHEN

Understanding the Budget and Debt Limit

IF YOU'RE CONFUSED BY ALL the noise about the federal budget, the budget resolution and the debt limit, you are not the only one! These terms have been all over the news lately without much explanation about what they mean or how they fit together. That's where I come in.

Q: What Is the Federal Budget?

A: The Budget of the United States Government describes the president's comprehensive financial plan for allocating resources. It explains the president's funding and policy priorities for the federal government. The Budget Appendix provides financial information on individual programs and appropriation accounts within in each agency. The federal Fiscal Year (FY) spans from October 1 to September 30. The subject of the current budget discussions is FY 2012, which begins on October 1, 2011.

Q: What Is the Budget Resolution (aka Concurrent Resolution on the Budget)?

A: The budget resolution is a congressional planning document used to establish target levels for total federal spending, revenues (including taxes), the size of budget deficits or surpluses, and the debt limit. Unlike the president's budget, which proposes specific funding levels for each agency program, the budget resolution is a "blue print" for budget decisions, which allocates resources based on functional categories.

For example, President Obama's budget proposes $ 9.1 billion for Project-based Section 8 contract renewals, whereas the budget resolution provides funding in the income security account to be divided among rental assistance and a variety of other social welfare programs.

A budget resolution does not require the president's approval, because it does not become law. Nevertheless, its budget targets are used as the basis for separate legislation which does require the president's signature to:

- Fund discretionary spending programs through the annual appropriations bills;
- Control mandatory spending programs (such as Social Security), which are authorized through permanent laws and are not subject to annual appropriations;
- Increase or cut taxes; and
- Change the statutory debt limit.

Q: What Is the Debt Limit?

A: The debt limit is a statutory restriction on the total amount of money that the federal government may borrow in order to finance its *existing* legal obligations. It is currently set at $14.294 trillion.

The debt limit does not authorize new spending; in fact, it does not legally restrict Congress and the president from overspending, creating new programs, or cutting taxes. Rather, it is a limit on the federal government's ability to use debt *as a means of financing* the deficits which resulted from previous tax and spending laws.

For the purposes of the debt limit discussion, we are referring to publically-held debt issued by the Treasury (such as Treasury securities, notes, bonds, special securities for state and local governments, etc.) and debt held by government accounts (such as the Social Security trust funds).

Q: What Happens if Congress Does Not Pass a Law to Increase the Debt Limit?

A: The debt limit was reached approximately May 16. Treasury Secretary Timothy Geithner estimates the Treasury department can extend borrowing authority until August 2, 2011 by using "extraordinary measures" to control the debt.

If the debt limit is not raised by the time the Treasury's current options are exhausted, the U.S. government will default on its legal obligations. A Treasury Department fact sheet predicts:

> "… the government would have to stop, limit, or delay payments on a broad range of legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and many other commitments….The ensuing financial crisis from a default would have catastrophic economic consequences, potentially including the loss of millions of American jobs. And it would lead to higher borrowing costs, reduced retirement savings, and lower home values for families across the nation."

Q: If Raising the Debt Limit Is About Honoring Commitments the Federal Government Has Already Made, Why Are Republican Leaders Insisting on Future Spending Cuts as a Condition of Raising the Debt Limit?

A: From their perspective, the debate is about changing the way Washington does business. Essentially, the idea is to say, "We will protect the full faith and credit of the United States, but we will curtail the deficit spending which is financed by growing debt."

On the other hand, Democrats counter that tying enormous spending cuts to the debt limit is irresponsible. They also argue that deficit reduction plans should include tax increases. **NN**

Michelle Kitchen is Director, Government Affairs for NAHMA.

BY NANCY M. MORTON

LIHTC Investor-Yield Opportunities and Obstacles

THE ECONOMIC DOWNTURN initially put many of the Community Reinvestment Act (CRA)-motivated Low Income Housing Tax Credit (LIHTC) investors on the sidelines, resulting in a huge oversupply of LIHTC deals.

As a result, yields to investors spiked in 2009 and early 2010, which attracted non-CRA investors into the LIHTC market. As traditional CRA-motivated investors returned to the market later in 2010, the investor yields have been driven down.

The LIHTC industry will be best served if there are a multitude of investors from varying industries. In order to achieve this, investor yields must remain attractive regardless of the CRA appetite of the investor. The following are various opportunities and obstacles to enhance investor yields in LIHTC transactions:

BONUS DEPRECIATION

Under IRC Section 168, the bonus depreciation percentage is 100 percent for a qualified property placed in service after September 8, 2010 and before January 1, 2012. Qualified property typically includes furniture, equipment (five-year tax life) and land improvements (15-year tax life).

The ability to totally write off an asset that would otherwise be depreciated over five or 15 years significantly increases the Internal Rate of Return (IRR). The obstacle to using bonus depreciation is earlier erosion of the investor's capital account. Projections need to take into account reductions in the capital accounts to determine if there will be adequate basis to take the LIHTC during the credit period.

Bonus depreciation on the 15-year property may be a problem as that property would not otherwise have been fully depreciated by the end of the tax credit period. An election can be made to opt out of bonus depreciation for the 15-year property while taking bonus depreciation on the five-year property.

DEVELOPMENT FEE

It is not uncommon for the project to have a portion of the developer fee deferred. If the new investor is a closely held corporation, the amount of the deferred developer fee cannot be used as basis for the LIHTC until the amount has been paid, due to the at risk rules that apply to individuals and closely held corporations.

Many of the non-CRA investors are closely held corporations; as such, special care needs to be given in this type of situation so that the maximum amount of a current year's credits can be utilized by all of the investors.

DISPOSAL OF PARTNERSHIP INTEREST

The 2008 Housing and Economic Recovery Act eliminated the bond-posting requirements and provides that the increase in tax from credit recapture under IRC Section 42(j) won't apply solely by reason of the disposition of an interest in a building if it is reasonably expected that the building will continue to be operated as a qualified low-income housing project for the remaining compliance period for that building.

This allows for more flexibility when an investor can dispose of its partnership interest. Instead of waiting until the 15-year compliance period has ended, the investor could dispose of its interest after having received all of the credits at the end of either the 10th or 11th year, depending upon when the credits commenced. This law also allows for an investor to sell its interest during the 10-year credit period to another investor without the need for recapture.

FIRST YEAR RENT-UP OF BUILDINGS

Another area which can have a very positive influence on the IRR of a partnership interest is how the buildings are leased-up in the initial years.

Emphasis needs to be placed on completing the lease-up by December 31 on individual buildings versus the lease-up of the entire project. Individual buildings that are not fully tax credit-qualified by year end of the first year of the LIHTC period are subject to the 2/3 credit provision on basis attributable to any unit initially leased-up in subsequent periods.

The start of the credit period can be deferred for one year subsequent to the year that the building is placed into service. Don't automatically defer the start of the credit period simply because a building is not fully tax credit-qualified at December 31. Buildings that are substantially leased-up at year end should have an analysis completed to determine if the total IRR would be higher if the credits for certain units were taken over the 15-year compliance period versus deferring the credits on the entire building to the following year.

The new LIHTC investor is yield-driven, and all LIHTC participants need to be cognizant of this and make certain that deals are structured to maximize investor returns. **NN**

Nancy Morton is a member (partner) at Dauby O'Connor & Zaleski, LLC.

Industry Agrees on Principles Regarding GSE Changes

In late March, housing industry leaders came together to create a public policy position related to legislation designed to repair the nation's housing finance system. The bills concern the elimination of Fannie Mae and Freddie Mac, the government-sponsored entities (GSEs), which were created to enhance the flow of credit to targeted sectors of the economy and to make those segments of the capital market more efficient and transparent.

A subcommittee hearing of the House Financial Services Committee regarding the legislation focused less on whether or not to get rid of the GSEs, but on how to do it and in what timeframe.

This led a group of housing organizations to sign on to a statement of principles for restoring stability to the nation's housing finance system.

The statement of principles notes that the nation's housing finance system is at a historic crossroad. It urges policymakers to take care in weighing the choices for restoring vitality, integrity and stability to the secondary mortgage market, including an appropriate role for the federal government in supporting homeownership and rental housing.

"The policy decisions in this area will have profound implications for the nation's economic recovery and for generations of future homebuyers and renters, with broad ranging social and economic consequences," the statement said.

The following principles were put forth to guide efforts to restore and repair the nation's housing finance system:

1. A stable housing sector is essential for a robust economic recovery and long-term prosperity. Housing, whether through homeownership or rental, promotes social and economic benefits that warrant it being a national policy priority.
2. Private capital must be the dominant source of mortgage credit, and it must also bear the primary risk in any future housing finance system.
3. Some continuing and predictable government role is necessary to promote investor confidence and ensure liquidity and stability for homeownership and rental housing.
4. Changes to the mortgage finance system must be done carefully and over a reasonable transition period to ensure that a reliable mortgage finance system is in place to function effectively in the years ahead.

The statement noted that while private investment capital is critical for a robust and healthy mortgage marketplace, the current government-dominated mortgage system is neither sustainable nor desirable. "However, investors must be confident that they understand the risks and rules that can affect them," the statement said. As policymakers move forward, it is "important to provide clarity and certainty to the marketplace in a manner that promotes recovery and growth. As such, the future mortgage system should seek to ensure a workable balance between sound underwriting principles, consumer protection and the need for responsible innovation and risk-taking," the statement read.

The statement promoted the need for a clearly defined role for the government if financial stability is to be preserved. It was noted that government support through various insurance and guarantee mechanisms is especially important to facilitate long-term fixed-rate mortgages, affordable financing for low- and moderate-income borrowers, and financing rental housing in all parts of the country, including rural areas.

"While the goal should be to move toward a largely private secondary market, the private and public sectors should work as partners in creating a variety of financing options to ensure the availability of safe, stable, and affordable financing," the statement read. **NN**

Accomplishing all of these goals will require an on-going dialogue between policymakers and other key stakeholders, including industry and consumer groups. The organizations that composed the statement are committed to being part of this process. They include:

American Bankers Association

American Financial Services Association

Community Mortgage Banking Project

CRE Finance Council

Housing Policy Council of the Financial Services Roundtable

Independent Community Bankers of America

Manufactured Housing Institute

Mortgage Bankers Association

Mortgage Insurance Companies of America

National Affordable Housing Management Association

National Apartment Association

National Association of Home Builders

National Association of Realtors

National Council of State Housing Agencies

National Multi Housing Council

Real Estate Roundtable

Securities Industry and Financial Markets Association

NAHMA Announces Legislative Priorities for 2011

NAHMA has set its legislative priorities for 2011. In brief, they are:

1. Ensuring full funding and timely payment of Section 8, PRAC and Rural Rental Assistance contracts.
   a. Sufficient appropriations
   b. Continuing resolutions
2. Preserving affordable rental housing through practical, voluntary policies which ensure long-term viability for the properties and equal opportunity for all capable housing providers to participate.
   a. Approaches to preservation—draft legislation and introduced bills
   b. Interagency Rental Policy Harmonization
   c. HUD policies
   d. Areas of conceptual agreement
   e. Proposals that NAHMA strongly opposes
3. Increasing opportunities for families to receive rental housing assistance by simplifying the Housing Choice Voucher (HCV) program.
   a. Key provisions of the Section 8 Voucher Reform Act (SEVRA)
   b. Full funding of the HCV program in the appropriations bills
4. Ensuring efficient, effective programs to provide supportive housing for the elderly and disabled under HUD's Section 202 and Section 811 programs.
   a. Proposed reforms for Section 202 & 811 housing
   b. Appropriations for new construction
5. Stabilizing the Low Income Housing Tax Credit (LIHTC) program.
   a. Continue the LIHTC program under any tax reform legislation

Below is a more detailed summation of the priorities. To read the text in full, go to NAHMA's website at www.nahma.org.

1. Full Funding and Timely Payment of Section 8, PRAC and Rural Rental Assistance Contracts.

NAHMA is extremely concerned about the impact budget cuts would have on residents and affordable properties assisted through Section 8 Housing Assistance Payment (HAP) contracts, Project Rental Assistance Contracts (PRACs) and Rural Rental Assistance contracts (RA).

Funding shortfalls in the project-based Section 8 program have had two immediate impacts on the day-to-day operations of affordable properties: late subsidy payments to owners and partial funding of the housing assistance payment (HAP) subsidy contracts. Most of the late payment problems have been resolved since the appropriations for the Section 8 HAP renewals have allowed HUD to fully fund the 12-month contract terms at the time of renewal. Advanced appropriations have also helped reduce the frequency of late HAPs.

Late PRAC payments for Section 202 and Section 811 properties have also raised concerns. As with Section 8 HAPs, NAHMA believes the solutions to provide timely PRAC payments are sufficient appropriations to cover the contract terms and advanced appropriations to avoid payment disruptions under continuing resolutions.

NAHMA has not received reports of widespread payment disruptions for the USDA-RHS Rural Rental Assistance program and so urges Congress to continue providing the necessary appropriations to ensure full funding and timely payment of the RA contracts.

NAHMA understands that Congress is facing serious budget challenges. Although across-the-board budget cuts or proposals to roll-back appropriations to FY 2008 levels may seem appealing, these policies would devastate the Project-based Section 8, elderly, disabled and rural rental assistance programs. Cutting appropriations for Section 8 contract renewals would recreate the very chaos which caused the nationwide late payments and "stub" contract funding in the first place and damage the federal government's credibility with housing providers and lenders. It will jeopardize rental assistance for the most vulnerable families. Finally, it may also place the properties with mortgages insured by HUD or USDA-RHS at risk of default.

For these reasons, NAHMA is requesting that Congress:

- Provide full funding for the Section 8 HAP, Section 202 & Section 811 PRAC and USDA-RHS's RA contracts at the time of renewal in all future budget and appropriations bills;
- Continue providing advanced appropriations for Project-based Section 8 in order to minimize contract payment disruptions between federal fiscal years; and
- Provide advanced appropriations for Section 202 and Section 811 PRAC renewals to mitigate late payments to properties serving the elderly and disabled between federal fiscal years.

2. Preserving Affordable Rental Housing.

To NAHMA, "preservation" means maintaining the current portfolio of privately-owned, federally-assisted apartments as affordable to low-income families through a voluntary public-private partnership.

NAHMA urges Congress to support a comprehensive multifamily preservation strategy which:

- *Ensures long-term financial and physical sustainability of preserved affordable properties by:*
  - Extending the Mark-to-Market (M2M) program through 2015. HUD's authority to restructure the mortgages expires on September 30, 2011;
  - Addressing obsolete operating and utility cost underwriting assumptions for the early (pre-October 1, 2001) M2M properties and allowing a voluntary second mortgage restructuring to help the early restructured properties with rehabilitation needs;
  - Permitting flexible use of residual receipts and replacement reserves for preservation or rehabilitation;
  - Ensuring timely completion of the M2M process. Properties most at risk of opting-out are those with below-market rents in desirable neighborhoods;
  - Offering long-term Project-based Section 8 contracts to help secure better underwriting terms;
  - Allowing the orphan multifamily programs (RAP, Rent Supplement) to convert into the existing Project-based Section 8 program through the Multifamily Assisted Housing Reform and Affordability Act (MARHA); and
  - Providing voluntary incentives and funding for green initiatives.
- *Incentivizes voluntary transfer and preservation of affordable properties by:*
  - Authorizing exit tax relief for owners who sell their properties to buyers who will continue operating the projects as affordable housing; and
  - Creating a gap financing program available to qualified for-profit or nonprofit preservation entities.
- *Protects tenants when mortgages mature*. Certain properties were financed through HUD mortgages that included affordability restrictions for the term of the mortgage. As the mortgage maturity dates approach, residents could face substantial rent increases or displacement when the affordability restrictions expire. NAHMA supports tenant protection options such as:
  - Extending tenant protection vouchers to residents of properties with maturing HUD mortgages;
  - Allowing apartment owners to convert enhanced vouchers to project-based assistance; and
  - Allowing apartment owners to choose project-based assistance in lieu of enhanced vouchers.

Besides statutory changes, regulatory solutions which would facilitate preservation include:

- *Removing incompatible program requirements that inhibit the development and/or effective management of mixed-financed affordable housing*. NAHMA participates as a stakeholder in the interagency Rental Policy Harmonization Working Group. NAHMA is interested in:
  - Streamlining the multiple physical inspections on mixed-subsidy properties;
  - Bringing more consistency to income definitions and compliance reporting across programs; and
  - Simplifying processes for subsidy layering and underwriting.
- *Changing HUD policies to:*
  - Encourage owners to seek long-term Project-based Section 8 HAP contracts;
  - Allow nonprofit owners greater access to distributions, which could build or preserve more units; and
  - Take meaningful steps to alleviate substantial LIHTC compliance costs on mixed-financed properties.

Unfortunately, NAHMA could not support the major preservation proposals from the 111th Congress. In 2010, HUD aggressively pushed draft legislation, the Preserving, Enhancing, and Transforming Rental Assistance Act (PETRA), as a way to begin voluntary consolidation of HUD's 13 rental assistance programs and to recapitalize public housing. Phase one of PETRA targeted public housing, certain "orphan" multifamily housing programs and Project-based Section 8 properties for conversion to a new rental assistance program.

NAHMA members strongly believed there were no incentives for Project-based Section 8 properties to convert to the new assistance, and no efficiencies to be achieved through the conversion.

PETRA, and its successor bill, the Rental Housing Revitalization Act (HR 6468), would have created an unnecessary new hybrid project-based rental assistance program with a resident mobility feature. Similarly, PETRA and HR 6468 would have permitted HUD to apply controversial new policies (such as resident mobility, sweeping new enforcement authority against owners and management agents, etc.) to projects that did not convert to the hybrid rental assistance contracts. Also, these bills would have created a federal first right of purchase for converted properties. This means HUD or HUD's designee would have the right to buy an affordable property before an owner could sell it to a third party.

NAHMA members strongly believed there were no incentives for Project-based Section 8 properties to convert to the new assistance, and no efficiencies to be achieved through the conversion. Likewise, we were extremely disappointed that these bills were the only options HUD was willing to consider for preserving properties with expiring rental assistance contracts under the defunct Rent Supplement, RAP and Section 8 moderate rehabilitation programs.

Although the Housing Preservation and Tenant Protection Act of 2010 (HR 4868) proposed a number of helpful changes, it included five troublesome sections which would have worked against successful preservation. These sections interfered with owners' rights to sell their properties and to protect non-public confidential information and exposed owners to lawsuits from tenants.

As new housing legislation is proposed in the 112th Congress, NAHMA is requesting that Senators and Representatives strongly oppose measures which:

- Include a federal first right to purchase affordable properties or any variation of it.
- Morph the Project-based Section 8 Program into a hybrid rental assistance program with burdensome new rules.
- Authorize HUD to provide less than market rents.
- Restrict or abrogate current housing assistance contracts, mortgage agreements or owners' property rights.

3. Simplifying and Improving the Housing Choice Voucher (HCV) Program.

The Section 8 Tenant-Based Rental Assistance or Housing Choice Voucher (HCV) program is widely recognized as a cost-effective means for delivering rental assistance to low-income families in the private market.

Although the voucher program is highly effective, there is widespread support for legislation to make it more efficient, easier to administer, and more user-friendly for tenants and housing providers. Previously, many of these reforms were included in HR 3045, the Section 8 Voucher Reform Act (SEVRA). HR 3045 was not enacted before the 111th Congress adjourned; however, a new SEVRA bill (HR 1209) was introduced this year.

HR 1209 will make a number of important improvements to the Section 8 voucher program by:

- Streamlining inspections of housing units, which will be especially helpful to voucher-holders in tight rental markets with low vacancy;
- Stabilizing voucher funding by basing it on the previous year's leasing and cost data;
- Simplifying the rules for determining a family's rent and income;
- Authorizing enhanced vouchers to protect tenants living in projects with expiring HUD-subsidized mortgages (current law only provides enhanced vouchers to such properties for mortgage prepayments);
- Allowing PHAs greater flexibility to project-base some of their vouchers to serve families in areas where vouchers are difficult to use, to serve homeless or to serve the disabled.

In this tight fiscal climate, it is worth noting that a separate, scaled-down draft version of SEVRA could save up to $731 million over five years. It will also allow more working families to qualify for vouchers, particularly in rural areas. In addition, this version authorizes HUD to provide Limited English Proficiency (LEP) technical assistance.

NAHMA respectfully requests that members of Congress:

- Support the Section 8 Voucher Reform Act; and
- Provide full funding for the Housing Choice Voucher program through the appropriations process.

4. Supportive Housing Programs for the Elderly and Disabled.

Two of HUD's only remaining multifamily housing new production programs, the

Section 202 Housing for the Elderly and the Section 811 Housing for the Disabled programs, fill a critical housing need for very-low income vulnerable households.

In late 2010, HUD circulated discussion draft bills, the Section 202 Reform Act and the Section 811 Reform Act that proposed major statutory changes applicable to new projects for financing properties and providing rental assistance under these programs.

While NAHMA appreciates the need to stretch limited federal dollars as far as possible, the proposed bills could fundamentally change the nature and purposes of the Section 202 and Section 811 programs. NAHMA urges HUD to reconsider pursuing major statutory changes before testing the impact under small demonstration programs. NAHMA is particularly concerned about the following HUD proposals:

- Replacing Section 202 and Section 811 capital advances with gap financing;
- Replacing PRACs with a new hybrid rental assistance program such as PETRA or successor legislation:
  - NAHMA is unconvinced that HUD needs a new rental assistance program for senior and disabled housing. Applying a controversial, untested idea to these programs is unnecessary and premature.

  Nevertheless, we do support certain HUD proposals which would improve the efficiency of HUD's elderly and disabled housing programs, such as:
- Converting existing Section 202 predevelopment grants to planning grants, so that sponsors without access to capital to increase their capacity for the initial project planning, design and financing.
- Allocating funds over larger geographical areas based on housing needs of elderly populations, so that projects of adequate size are built where they're most needed.

The Section 202 and Section 811 programs are critically important. NAHMA is urging Congress to:

- Continue appropriating funds for new construction of Section 202 and Section 811 housing;
- Closely scrutinize proposed changes to the programs' financing structures, rental assistance programs or selection preferences; and
- Support only those changes that allow sponsors to achieve economies of scale, ensure properties' long-term physical and financial sustainability, encourage supportive services to residents, and simplify the regulatory framework to focus on results rather than processes.

5. Stabilizing the Low Income Housing Tax Credit (LIHTC) program.

Created by the Tax Reform Act of 1986, the LIHTC program is the primary source of federal funding to construct new affordable apartments.

NAHMA is aware that comprehensive tax reform will receive serious consideration in this Congress. One proposal that is already receiving attention in the House is the Report of the National Commission on Fiscal Responsibility and Reform, released in December 2010. The Commission's report proposed eliminating all tax expenditures for businesses, which included the LIHTC, in order to lower the corporate tax rate.

NAHMA will strongly oppose legislation that would eliminate the LIHTC program. NAHMA believes the LIHTC deserves the continued bipartisan support it has received for nearly 25 years. It has a proven record of success as a new production and preservation program. At a time when federal appropriations for housing programs face budget cuts, and the LIHTC program is finally rebounding from the crisis in the financial markets, Congress should not entertain ideas to eliminate the LIHTC. This tax credit program is working. It produces jobs, raises revenue for local economies, provides quality rental housing for working families, and creates a voluntary tax incentive for businesses to invest in affordable housing communities.

As Congress considers comprehensive tax reform plans, NAHMA requests that Senators and Representatives:

- Strongly oppose any proposal to eliminate the Low Income Housing Tax Credit program. **NN**

2011 NAHMA AFFORDABLE 100

How many housing units that receive at least one form of federal subsidy are currently rented or available for rent in the United States today? The annual NAHMA Affordable 100 list provides this important data!

THE NAHMA AFFORDABLE 100 comprises the largest affordable multifamily property management companies, ranked by affordable unit counts. The NAHMA Affordable 100 list contributes vital data to the ongoing national dialogue on the future of federal funding for affordable housing. In an effort to accurately determine the portfolio of affordable units receiving federal subsidy in the United States, NAHMA publishes this annual listing of affordable units containing at least one of the following federal subsidies:

- HUD Project-based Assistance
- Section 42 LIHTC
- HOME funds
- USDA Section 515
- Bonds

The National Affordable Housing Management Association (NAHMA) is the leading voice for affordable housing management, advocating on behalf of multifamily rental property managers and owners whose mission is to provide quality affordable housing.

NAHMA supports legislative and regulatory policy that promotes the development and preservation of decent and safe multifamily affordable housing. NAHMA serves as a vital resource for technical education and information, fosters strategic relations between government and industry, and recognizes those who exemplify the best in affordable housing.

RANK / MANAGEMENT COMPANY (2010 rank shown in parentheses)		HEADQUARTERS	TOTAL NUMBER OF UNITS	
			SUBSIDIZED[1]	RESIDENTIAL[2]
1	Riverstone Residential Group (1)	Dallas, TX	40,001	160,000
2	**Interstate Realty Management* (2)**	**Marlton, NJ**	**39,507**	**48,165**
3	**WinnResidential* (6)**	**Boston, MA**	**38,343**	**83,888**
4	Concord Management, Ltd. (3)	Maitland, FL	30,794	31,544
5	**AIMCO Capital* (4)**	**Denver, CO**	**30,710**	**101,554**
6	American Management Services (dba Pinnacle) (5)	Seattle, WA	30,000	185,219
7	**Related Management Company, L.P. (7)**	**New York, NY**	**23,291**	**29,256**
8	**The John Stewart Company (8)**	**San Francisco, CA**	**23,183**	**29,861**
9	**FPI Multifamily (10)**	**Folsom, CA**	**22,985**	**58,520**
10	**Capstone Real Estate Services, Inc. (12)**	**Austin, TX**	**21,112**	**37,310**
11	**Edgewood Management* (9)**	**Germantown, MD**	**20,841**	**25,209**
12	**National Church Residences* (11)**	**Columbus, OH**	**20,428**	**21,101**
13	**Orion Real Estate Services (28)**	**Houston, TX**	**18,252**	**25,325**
14	**Dominium Management Services (53)**	**Plymouth, MN**	**16,870**	**18,800**
15	**Mercy Housing, Inc.* (17)**	**Denver, CO**	**15,997**	**16,480**
16	**Volunteers of America (16)**	**Alexandria, VA**	**15,322**	**15,729**
17	**Ambling Management Company* (13)**	**Atlanta, GA**	**14,957**	**22,328**
18	**Grenadier Realty Corp. (19)**	**Brooklyn, NY**	**14,100**	**20,020**
19	**KMG Prestige (14)**	**Mt. Pleasant, MI**	**13,535**	**16,752**
20	**ConAm Management Corporation (24)**	**San Diego, CA**	**13,363**	**49,100**
21	**Royal American Management (20)**	**Panama City, FL**	**13,348**	**15,145**
22	Picerne Real Estate Group (21)	Phoenix, AZ	13,348	15,145
23	Cornerstone Group (22)	Hollywood, FL	12,223	15,000
24	**Peabody Properties, Inc.* (36)**	**Braintree, MA**	**12,113**	**13,689**
25	**Boyd Management (27)**	**Columbia, SC**	**12,057**	**12,633**
26	**Security Properties, Inc.**	**Seattle, WA**	**12,002**	**23,000**
27	Maco Management Company, Inc. (26)	Clarkton, MO	11,369	11,478
28	**Retirement Housing Foundation (29)**	**Long Beach County, CA**	**11,302**	**15,014**
29	Gene B. Glick Company, Inc. (32)	Indianapolis, IN	11,122	18,197
30	**Archstone-Smith (33)**	**Englewood, CO**	**11,000**	**83,871**
31	Summit Housing Partners* (25)	Montgomery, AL	10,939	13,843
32	**Pedcor Management Corp. (43)**	**Carmel, IN**	**10,693**	**14,525**
33	**The Hallmark Companies (60)**	**Atlanta, GA**	**10,657**	**11,789**
34	**Wallick-Hendy Companies (37)**	**Reynoldsburg, OH**	**10,500**	**11,866**
35	**SPM, Inc.* (35)**	**Birmingham, AL**	**10,234**	**13,277**
36	**SL Nusbaum Realty Co. (23)**	**Norfolk, VA**	**10,041**	**17,308**
37	**Conifer Realty (41)**	**Rochester, NY**	**9,971**	**10,873**
38	McCormack Baron Ragan Mgmt. Services (39)	St. Louis, MO	9,811	13,702
39	LNR Property Group	Miami, FL	9,700	11,200
40	**Professional Property Management, LLC (42)**	**Rockford, IL**	**9,542**	**9,944**
41	**Forest City Residential Management, Inc. (47)**	**Cleveland, OH**	**9,386**	**33,913**
42	**Kettler Management (78)**	**McLean, VA**	**9,301**	**16,217**
43	**The Yarco Companies (31)**	**Kansas City, MO**	**9,126**	**10,780**
44	**Partnership Property Management (50)**	**Greensboro, NC**	**9,083**	**9,131**
45	Steadfast Management Company, Inc.	Irvine, CA	9,043	10,401
46	VPM Management, Inc. (44)	Irvine, CA	8,808	11,285
47	**Community Management Corporation* (46)**	**Winston-Salem, NC**	**8,797**	**8,908**
48	**USA Properties Fund, Inc. (49)**	**Roseville, CA**	**8,680**	**9,873**
49	Equity Management II, LLC (72)	Laurel, MD	8,547	13,864
50	**Pacific West Management (57)**	**Irvine, CA**	**8,530**	**20,150**

2011 NAHMA AFFORDABLE 100

RANK / MANAGEMENT COMPANY (2010 rank shown in parentheses)	HEADQUARTERS	TOTAL NUMBER OF UNITS SUBSIDIZED[1]	RESIDENTIAL[2]
51 EAH Housing	San Rafael, CA	8,059	9,062
52 Pennrose Management Company (87)	**Philadelphia, PA**	**7,968**	**8,214**
53 The NRP Group (74)	**Cleveland, OH**	**7,611**	**8,879**
54 HJ Russell & Company* (68)	**Atlanta, GA**	**7,547**	**7,801**
55 Sun Belt Management Company (58)	Albertville, AL	7,500	7,610
56 Preservation Management Inc. (62)	**South Portland, ME**	**7,282**	**7,400**
57 Community Realty Management* (69)	**Pleasantville, NJ**	**7,166**	**7,987**
58 IMS Properties (63)	Fenton, MI	6,977	6,977
59 Fairfield Residential (54)	**Grand Prairie, TX**	**6,933**	**47,971**
60 Lincoln Property Company (40)	**Dallas, TX**	**6,804**	**100,000**
61 The Community Builders* (56)	**Boston, MA**	**6,789**	**8,040**
62 RY Management (67)	New York, NY	6,751	13,200
63 Cascade Management, aka Kellenbeck PM (70)	Grants Pass, OR	6,729	6,729
64 G & K Management Co., Inc. (65)	Culver City, CA	6,661	14,757
65 Millennia Housing Management, LTD (66)	**Valley View, OH**	**6,544**	**6,777**
66 Integral Property Management	**Atlanta, GA**	**6,527**	**7,700**
67 Cohen Esrey Real Estate Services, Inc. (75)	**Kansas City, MO**	**6,393**	**14,786**
68 GEM Management (76)	**Charlotte, NC**	**6,300**	**7,200**
69 Midwest Management/Unified Property Group (79)	Milford, MI	6,000	17,000
70 Lenzy Hayes (81)	Bloomington, IN	6,000	6,000
71 Preservation of Affordable Housing (POAH)/Preservation Housing Management LLC	Boston, MA	5,922	6,138
72 SHP Management Corp.* (59)	**Cumberland Foreside, ME**	**5,805**	**5,805**
73 CSI Support & Development Services* (84)	**Warren, MI**	**5,792**	**5,792**
74 Seldin Company (85)	**Omaha, NE**	**5,790**	**8,786**
75 Beacon Communities, LLC (83)	**Boston, MA**	**5,500**	**9,000**
76 Village Green Companies	Farmington Hills, MI	5,500	35,000
77 American Apartment Management, Inc.* (93)	Knoxville, TN	5,455	5,455
78 Mid-Peninsula Housing Management (82)	**Foster City, CA**	**5,450**	**5,450**
79 Ingerman Group (88)	**Cherry Hill, NJ**	**5,401**	**7,400**
80 Quantum Management Services, Inc. (97)	Lynnwood, WA	5,350	5,500
81 WRH Realty Services, Inc.*	**Jacksonville, FL**	**5,330**	**14,000**
82 Solari Enterprises, Inc.* (91)	**Orange, CA**	**5,311**	**5,363**
83 Key Management	**Wichita, KS**	**5,300**	**5,500**
84 Shelter Properties LLC (96)	**Baltimore, MD**	**5,214**	**5,385**
85 Naimisha Management Inc. (95)	**Palm Beach Gardens, FL**	**5,170**	**5,258**
86 Oakbrook Corporation (61)	Madison, WI	4,892	7,311
87 ALCO Management* (89)	**Memphis, TN**	**4,878**	**6,531**
88 Standard Enterprises (100)	**Monroe, LA**	**4,854**	**5,063**
89 Tesco Properties, Inc.*	**Germantown, TN**	**4,824**	**5,904**
90 Fourmidable Group (80)	**Farmington Hills, MI**	**4,817**	**9,603**
91 Community Housing Partners	**Christiansburg, VA**	**4,731**	**4,755**
92 Allied Group, Inc.	**Renton, WA**	**4,667**	**6,211**
93 SK Management Companies, LLC	**Encino, CA**	**4,582**	**5,623**
94 Corcoran Jennison Management* (77)	Boston, MA	4,548	6,991
95 Westminster Company*	**Greensboro, NC**	**4,332**	**4,332**
96 Landura Companies (99)	**Winston-Salem, NC**	**4,294**	**4,924**
97 Arco Management Corporation	Suffern, NY	4,001	32,000
98 Drucker & Falk, LLC	Newport News, VA	4,000	23,260
99 LBK Management Services	Irving, TX	3,996	9,861
100 Alpha Property Management, Inc. (90)	**Los Angeles, CA**	**3,806**	**5,050**

Companies in bold provided data for NAHMA's survey. All others are based on industry estimates.

* A NAHMA Communities of Quality® National Recognition Program Participant

[1] and [2] All unit data represent only units directly managed (not owned) that were rented or available to rent on December 1, 2010. Down units, abated units, units under construction or rehabbing units not available for rent are not included.

[1] Total affordable units managed. Federal programs only, including HUD, LIHTC, USDA, HOME, and Bond programs. Data do not include state or local subsidy, public housing, tenant-based vouchers (Section 8 or RD tenant-protection vouchers), or Federal mortgage insurance or loan guarantee programs. If a unit has more than one subsidy, it is counted only once.

[2] Total residential units managed (including market or affordable).

NAHMA would like to extend its sincere thanks to the NAHMA Survey Task Force, without whose hard work and support this survey would not be possible. In particular, sincere appreciation goes to Task Force Chair John Yang of ApartmentSmart.com, Inc., and task force members, Allan Pintner (Millennia Housing Management, LTD.), Sara Dunnington (ApartmentSmart.com, Inc.), Jennifer Tang (ApartmentSmart.com, Inc.), Mark Livanec (Yardi), Scott Nelson (Realpage) and Evelyn Arias (Realpage).

If you believe your company should be included in next year's survey, please contact Elizabeth.Tucker@nahma.org.

Industry Opposes Deletion of FMR Publication Date

As reported in the last issue of *NAHMA News*, the Administration is proposing to delete the requirement to publish fair market rents (FMRs) on October 1 of each year.

The ramifications of this and other proposals were spelled out in an April 8, 2011, letter authored by NAHB staff and signed by seven industry organizations in response to HUD's Office of General Counsel's Request for Comments on Trend Factor Methodology used in the Calculation of Fair Market Rents.

HUD has been using average annual increases in gross rents between Censuses as the trend factor to bring FMRs current to the fiscal year in which they are to be used. However, HUD can no longer use this data because the Census long form was eliminated for 2010, which was the source of gross rent data. The American Community Survey (ACS) replaces the Census long form and does include data on gross rents. HUD must now determine a new trend factor methodology.

HUD PROPOSALS FOR A NEW TREND FACTOR

HUD requested comments on several alternative trend factors, including (1) the most recent year's data from the overall Consumer Price Index (CPI); (2) the most recent year's data for CPI-rent and utilities; or (3) proprietary data covering rental markets (such as provided by REIS Reports). HUD notes that using proprietary data is not a viable option because of disclosure and other concerns, leaving CPI as the preferred data source.

To use the CPI as suggested for either option, HUD proposes to seek a legislative change that would eliminate both the requirement to publish FMRs on October 1 and the provision of a public comment period. HUD states that eliminating the statutory requirement to publish FMRs on October 1 is necessary because of the timing of the availability of the CPI data. According to HUD, use of the CPI data would provide more current data, and it could reduce the time period over which FMRs must be trended (for example, from 15 months to only a few months).

The industry does not support the use of CPI data for the FMR trend factor, citing three major concerns with this proposal:

> The housing industry strongly believes that HUD should minimize year-to-year volatility in FMRs and should avoid methodologies that tend to create large changes in one direction that are often subsequently reversed.

First, of critical concern to the housing industry is the publication of FMRs in a timely manner and on a certain date. The statutory requirement to publish FMRs effective October 1 ensures timely publication each year, without deviation. Property owners cannot plan for rent adjustments and operating expense budgets without this critical information.

Further, FMRs are used in the determination of annual income limits; income limits cannot be published until FMR calculations are completed. HUD has not been consistent in the timing of the publication of income limits over the years, even with a date certain for publication of FMRs. Without a date certain for publication of FMRs, uncertainty surrounding the timing of the publication of income limits could worsen.

Owners of Low Income Housing Tax Credit (LIHTC) properties cannot set annual rents until income limits are published. The longer the delay in publication of income limits, the greater the potential for losses in cash flow because rents cannot be adjusted. Unexpected losses in cash flow affect the property owner's ability to maintain and staff the property.

Second, the housing industry strongly opposes the elimination of a public comment period. Without a public comment period, there is no way to contest FMR levels, changes in methodology or other policy issues. While HUD suggests that using CPI data would provide more recent data and potentially shorten the trending period, industry leaders do not believe this is an acceptable trade off for losing the certainty of publication on October 1 and for losing the public comment period.

Third, the housing industry strongly believes that HUD should minimize year-to-year volatility in FMRs and should avoid methodologies that tend to create large changes in one direction that are often subsequently reversed. The current practice of using average annual changes in gross rent between Censuses has resulted in a three percent trending factor that has remained constant for two decades. Thus, a change in trend factor methodology will introduce a new source of variation in FMRs with which industry stakeholders have no experience.

Although a new methodology need not produce a trend factor that remains constant over a period of decades, it should produce a trend factor that moves smoothly over time and does not introduce a new source of short-term volatility into FMRs. Moreover, it is important to avoid a large shift in FMRs due exclusively to a change in methodology, so a new methodology should produce a trend factor reasonably close to the current three percent in the year that the change is implemented.

Basing a trend factor on monthly local or regional CPI data would be particularly ill-advised. As mentioned in the notice, monthly CPI numbers are available for a very limited set of local areas. For most areas, CPI numbers are available every other month or semi-annually. Moreover, only the national CPI data are seasonally adjusted, and potential problems with using seasonally unadjusted monthly data should be enough to preclude their use in computing FMRs.

Moreover, the U.S. economy is going through a relatively unusual period, with historically low rates of inflation, with the CPI often indicating negative inflation on a year over year basis.

Indeed, the annual CPI declined in 2009, the first time this has happened since 1955. Shifting to a CPI-based trend factor in this environment could reduce FMRs by several percentage points, due to the change in methodology, and on top of changes that may result from weak ACS data and CPI data used up to the end of the previous year.

INDUSTRY RECOMMENDATIONS

The industry recommends choosing a trending factor that minimizes large fluctuations (up or down) from year to year. A 10-year or five-year trending factor would accomplish that objective.

However, the industry recommends using a single, national trend factor, based on a rolling five years of national median gross rent in the ACS. Use of an historic 10-year time period was adopted only because of the timing of Census data and seems unnecessarily long to establish an average rent trend. ACS data is not reliable enough to use as a basis for a trend factor prior to 2005, the year that the ACS was first fully implemented and collected data from every county or county equivalent in the country. Thus, a 10-year rolling average using the ACS could not be accomplished until 2015, when 10 years of data based on the fully implemented ACS first becomes available. In contrast, a five-year rolling average using the ACS could be implemented within a year, as soon as the 2010 ACS data become available.

Because the 2010 ACS numbers are not yet available, the first five-year rolling trend factor (based on 2005-2010 data) cannot be computed at this time. However, median gross rent in the ACS was $728 in 2005 and $842 in 2009, which works out to a growth rate of well under 3.7 percent for that four-year period. Anecdotal information and the CPI component for rent of primary residences suggest that growth in rents was very weak in 2010, but it seems unlikely that the 2010 number could be weak enough to drive the trend factor much below 3.0 percent. A zero percent change at median gross rent, as measured by the ACS between 2009 and 2010 would produce an average annual growth rate of 2.95 percent over the 2005-2010 period.

Hence, implementing a trend factor based on average change in median gross rent over the most recent five-year period for which ACS data are available is likely to produce FMRs that would be similar to FMRs produced under the current three percent trend factor, satisfying industry's objective of avoiding a large one-time shift due to a change in methodology. After that, changing one-fifth the data each year would produce a trend factor that would not fluctuate too drastically from one year to the next, although it wouldn't be perfectly constant as it has been for the past two decades under the current system.

Authored by NAHB, the letter was endorsed by NAHMA, the Council for Affordable Rural Housing, the Institute for Real Estate Management, the National Apartment Association, the National Association of Home Builders, the National Leased Housing Association and the National Multi Housing Council. **NN**

The industry recommends choosing a trending factor that minimizes large fluctuations (up or down) from year to year. A 10-year or five-year trending factor would accomplish that objective.

Scholarship Recipients Announced Soon

THE NAHMA EDUCATIONAL FOUNDATION WILL ANNOUNCE THE NAMES OF the 2011 scholarship recipients at the annual summer meeting of its Board of Directors on June 22nd in Las Vegas.

The Foundation received a strong response in the number of applications received prior to the May 18th deadline for submission. Over the program's four-year history, a total of $145,000 has been awarded to 149 worthy recipients. It is anticipated that the number and value of the 2011 scholarships will be consistent with previous years.

Names and relevant information (including school of attendance, class year, academic major, and name and location of each individual's apartment community and management company) for all 2011 recipients will be printed in the next edition of the *NAHMA News.* NN

NAHMA Recommends Steps to Reduce Regulatory Burdens

In early May, NAHMA submitted comments to HUD's Office of General Counsel regarding the Administration's initiative to reduce regulatory burdens, update existing rules and develop an ongoing process for evaluating regulations.

NAHMA noted that, in certain instances, the regulatory burden on affordable housing owners and managers lies less in a regulation itself than in HUD's process-heavy and paper-intensive means of implementing that regulation. NAHMA urged HUD to use this review as an opportunity to:

- Discourage excessive focus over the processes owners and management agents (O/As) must use to demonstrate regulatory compliance;
- Place an emphasis on the "reduction" component of the Paperwork Reduction Act (PRA) as it applies to multifamily forms and information collections; and
- Keep its regulations current, easy to understand and fully transparent.

NAHMA'S RESPONSES TO HUD'S QUESTIONS

The following is a brief summary of NAHMA's responses to HUD's seven questions. To read the complete letter, go to the HUD area of NAHMA's website.

1. How can HUD best obtain and consider accurate, objective information and data about the cost, burdens, and benefits of existing regulations? Are there existing sources of data available that HUD can use to evaluate the effects of its regulations over time?

NAHMA believes HUD can gather a significant amount of accurate data about the cost, burdens and benefits of existing regulations by seeking feedback from industry stakeholders who must comply with the regulations. HUD should ensure that industry groups are always at the table to discuss the implementation of a particular rule, requirement or policy. Likewise, HUD should make it easier to comment on the burden hours for documents it sends to the Office of Management and Budget (OMB) for approval under the PRA. HUD also should make it easier for commenters to access the justifications sent to OMB for rule changes, forms or information collections.

2. What factors should HUD use to select and prioritize rules and reporting requirements for review?

NAHMA offers detailed criteria the Department should use to prioritize rules and reporting requirements for review with respect to regulations that:

- Are affected by changes in statutory law;
- Are economically significant;
- Carry serious consequences for noncompliance, including criminal or civil penalties, debarment, enforcement action, or other substantial financial penalties;
- Have not been reviewed for six or more years;
- Are associated with forms subject to review under the PRA; and
- Protect health and safety of people and HUD's portfolio.

3. Are there any specific existing HUD regulatory requirements that are ill-advised or so burdensome as to merit elimination?

NAHMA reiterates that much of the regulatory burdens its members face are the result of the Department's methods for implementing the rules rather than the rule itself.

4. Are there any specific existing HUD regulatory requirements that, while necessary, are ineffective and in need of streamlining or other modification to achieve their objectives? Why are these requirements ineffective—are they unnecessarily complicated, burdensome, or outdated? What changes to the regulations would increase their usefulness and meet HUD's objectives?

NAHMA primarily discusses the need for updated regulations governing replacement reserves on properties that have gone through the Mark-to-Market (M2M) restructuring process and previous participation certification approval policies including:

- *24 CFR Part 401—Multifamily Housing Mortgage and Housing Assistance Restructuring Program (Mark-To-Market) Subpart C—Restructuring Plan*
- *24 CFR 401.450 Owner evaluation of physical condition*
- *24 CFR 401.451 PAE Physical Condition Analysis (PCA)*
- *24 CFR 401.452 Property standards for rehabilitation*
- *24 CFR 401.453 Reserves*

NAHMA also commented on:

- *24 CFR Part 200 Subpart H Participation and Compliance Requirements (2530 rules—policy)*
- *24 CFR 200.227 Multifamily Participation Review Committee*
- *24 CFR 200.230 Standards for Disapproval*

The purpose of the Previous Participation Certification process is to ensure that participants in HUD's multifamily housing programs have a history of carrying out their past financial, legal and administrative obligations in a satisfactory and timely manner. The current system requires those wishing to participate in multifamily housing programs to submit Previous Participation Certifications (also known as 2530 or APPS submissions) every time they wish to do business with HUD. HUD analyzes the applicant's record to ensure it reflects an acceptable risk to the public interest.

Although the process is intended as a "risk-assessment" tool for HUD, in practice, failure to receive timely 2530 approval precludes applicants from taking on new HUD-related property ownership or management opportunities.

NAHMA members feel strongly that the previous participation certification process should be reformed to eliminate unreasonable and unnecessary delays in 2530 processing. Prompt turn-around is essential, since O/As will lose business if the process drags out.

The most common previous participation complaints NAHMA hears from property owners and management agents involve flags. Its members report considerable difficulty in having flags removed, even after the noncompliance event has been cured.

NAHMA members report problems with both the policy and technical aspects of this process. Among these problems are:

- Excessive processing time (often more than a month) on HUD's part;
- Lack of transparency in policy and procedures;
- Inconsistency among field offices on flag placement, flag removal and certification processing; and
- Inaccurate information in HUD databases.

Some specific citations for outdated 2530 policies include:

- *24 CFR 200.227* Multifamily Participation Review Committee. The rule refers to staff positions within HUD which no longer exist. The rule should be updated to reference the successor positions.
- *4 CFR 200.230* Standards for disapproval. The current rule lists infractions for which HUD may deny participation but does not reflect the current practice with APPS flags or "critical findings."

By far, the most common previous participation complaints NAHMA hears from property owners and management agents involve flags. Its members report considerable difficulty in having flags removed, even after the noncompliance event has been cured. A flag placed by one HUD field office can prevent a company from acquiring new business in another HUD field office's jurisdiction. It is particularly frustrating to O/As with very large portfolios that a single flag on a property can jeopardize new business for a company that manages hundreds of other properties.

The regulation should provide a time limit by which HUD must remove flags when the principal has submitted evidence that the flag was erroneously placed or the noncompliance has been cured. Likewise, when an issue on the 2530 is resolved, the rule should require HUD to note a specific and clear indication in the system that the issue has been resolved.

"Critical findings" are not mentioned in the current 2530 regulation, but they have delayed previous participation approval for some O/As. NAHMA urges HUD to either use the formal rulemaking process to propose a definition of "critical findings" and explain their role in the 2530 process or to discontinue using them.

- *24 CFR 5.801 Uniform financial reporting standards. (As it applies to small properties.)*

The rule requires properties to submit annual audited financial statements to HUD. NAHMA members have expressed concerns that this requirement is financially burdensome for small properties.

5. Are there any HUD regulatory requirements that have been overtaken by technological developments? Can new technologies be used to modify, streamline or do away with these requirements?

NAHMA's comments discuss recommendations for improving the technical aspects of HUD's previous participation certification process, streamlining procedures for gaining access to the Enterprise Income Verification (EIV) System and automating the Project-based Section 8 contract renewal process.

- *24 CFR 200.217 Filing of previous participation certificate on prescribed form.*

This rule requires electronic submission of previous participation certificates (form HUD-2530) for new or revised participation. It also lists specific occurrences (such as changes in ownership) which require the O/A to seek 2530 approval. The submissions are filed through APPS.

Unfortunately, APPS is not fully automated. Despite the electronic filing, O/As must still mail a paper copy "2530 Package" signed by all owners. This is an extremely redundant step that slows the process. NAHMA strongly urges HUD to add electronic signature capability to the APPS system. At the very least, let the signature pages be scanned into the system and transmitted electronically.

NAHMA also recommends that HUD update its APPS system and procedures to ensure appropriate authorized persons can access the system. To access the APPS system, the Secure Systems Coordinator (SSC) requests a key code for all new ownership entities. However, HUD Secure Systems must send the new code to the ownership entity through the U.S. mail rather than send it to the requesting Secure Systems Coordinator. This is not an effective means of notification.

NAHMA recommends exploring sending an electronic notification to the owner with a brief explanation of what the key code is, the name, mailing address and e-mail address of the Secure Systems Coordinator, and why the SSC needs the key code.

If HUD does not upgrade its system, NAHMA strongly suggests reworking the key-code letter to be more obvious.

Another aspect of the APPS system that members find troublesome is that the system does not allow an end date for an entity.

- *24 CFR 5.233 Mandated use of HUD's*

Enterprise Income Verification (EIV) System.

The EIV process is a combination of paper and technology. There are several steps for a user to gain access to the system which shift between paper and technology and must be shuttled between the user and the coordinator. This is extremely burdensome and should be streamlined. This process should be reviewed and wrapped into one technology solution.

In addition, there were several occasions last year that O/As could not use EIV because the system was offline. Through a listserve, HUD notified O/As to document in the tenant files that EIV was unavailable, and that contract administrators should not issue findings on management reviews for failure to use EIV during these times. NAHMA believes this rule should be revised to state that O/As will not be considered non-compliant for failure to use EIV if the reason was because the system was not available.

- *24 CFR Part 402—Section 8 Project-Based Contract Renewal Under Section 524 of MAHRA*.

Renewing a Project-based Section 8 contract is a cumbersome paper-intensive process which begins four months (120 days) prior to the contract expiration. NAHMA concurs with a previous GAO recommendation that HUD should streamline and automate this process. Once automated, HUD should provide electronic signature capability for the parties to the contract, or at least grant permission to electronically scan signed pages of the contract.

6. Are there any existing HUD requirements that duplicate or conflict with requirements of another Federal agency? Can the requirement be modified to eliminate the conflict?

A major conflicting requirement that NAHMA urges HUD and Treasury-IRS to address is conflicting requirements for occupancy by full-time students. This is a statutory issue for both agencies, and inter-agency cooperation to propose a solution would greatly assist legislative efforts.

Management of mixed-financed multifamily properties could also be greatly assisted by reducing the number of inspections required by each program used to finance or assist the properties.

NAHMA also made detailed comments on:

- *24 CFR 5.612 Restrictions on assistance to students enrolled in an institution of higher education (for HUD Section 8 programs)*.
- *Internal Revenue Code Section 42(i)(3)(D) Certain Students Not To Disqualify Unit*.

The student occupancy rules for both the Section 8 program and the Low Income Housing Tax Credit (LIHTC) program are intended to ensure that qualified families are not displaced by college students who need affordable off-campus housing.

Where these occupancy requirements conflict is in the treatment of student households. HUD's policy establishes criteria which generally allow an adult resident to pursue an education as long as he or she meets the Section 8 program and income qualifications. If the resident is a tax dependent of his or her parents, the parents must also be income-qualified for Section 8. No distinction is made between part-time or full time students for HUD's occupancy requirements. On the other hand, the LIHTC program prohibits full-time student households from living in a low-income unit unless they satisfy one of the statutory exemptions. If one person is living in a LIHTC unit, and that person is a full-time student, he is a full-time student household who may be ineligible for occupancy.

The conflicting treatment of students is becoming a greater concern for O/As of mixed-finance multifamily properties. As LIHTCs are used to preserve and recapitalize older HUD-assisted properties, O/As are concerned that residents who are full-time students may be displaced under the LIHTC rules.

- *24 CFR Part 5 Subpart G—Physical Condition Standards and Inspection Requirements*
- *24 CFR Part 200 Subpart P—Physical Condition of Multifamily Properties*
- *24 CFR 880.612 Reviews during management period*
- *24 CFR 92.504 (HOME) Participating jurisdiction responsibilities; written agreements; on-site inspection*
- *26 CFR 1.42-5 Monitoring compliance with low-income housing credit requirements*
- *7 CFR Part 3560 Subpart H—Agency Monitoring (Rural Housing Service)*

Project-based Section 8, HOME, LIHTC and Rural Housing Service multifamily programs all require physical and administrative inspections. While administrative requirements differ, the physical inspections should be combined and coordinated so that the property is subject to no more than one annual inspection. Under the current practices, mixed-finance or multiple-subsidy multifamily properties are subjected to a variety of inspections that are not only disruptive to management but also to residents, who must be notified to be ready for a random inspection.

7. Are there HUD regulations that are working well and that can be expanded or used as a model for other HUD programs?

NAHMA offers no comments on this question.

NAHMA commended HUD for undertaking this important review. While its comments are not exhaustive, they do represent a strong consensus about the most important regulatory concerns among NAHMA members. There are a number of implementation issues in the areas of Project-based Section 8 contract administration and other reporting requirements that NAHMA is working with HUD officials to improve.

NAHMA will continue its partnership with the Department to strike the appropriate balance between common sense and appropriate regulatory oversight of federal programs.

Full comments to these questions can be found on NAHMA's website, www.nahma.org. **NN**

2012 Calendar Contest in 25th Year

NAHMA will soon be judging its annual art and calendar contest, which is now in its 25th year.

More than 5,000 children, elderly/disabled and special needs residents nationwide participated in the contest. Winning artwork will be featured in the 2012 calendar.

In addition to the drug-free message that has been carried through for a quarter of a century, this year's contest had a new sub-theme that reinforces a message about positive uses of time while encouraging a broader range of submissions. The theme was "*Open Doors with Your Imagination*," and the sub-theme was *"Explore the Magical World of Books and Reading."*

The contest was open to:

- Children who live in a family community of a NAHMA and/or a local Affordable Housing Management Association (AHMA) member company;
- Elderly and/or special needs residents 55 years or older who live in a community of a NAHMA and/or a local AHMA member company.
- Special Needs Residents who live in a permanent supportive housing community or 811 community of a NAHMA and/or a local AHMA member company.

HOW THE CONTEST WORKS

For each grade category (for children) and up to three entries in the elderly/disabled and special needs levels, local AHMAs select three winning posters, photographs, websites, computer art or other media, such as tile, macramé, needlework etc. (which must be submitted as a photograph).

The five grade categories for children are based on the grade level the contestants have completed by June 2011: Kindergarten–1st Grade; 2nd grade–3rd grade; 4th grade–6th grade; 7th grade–9th grade; 10th grade–12th grade. ***While residents can discuss the theme and contest rules, entries must be created by the individual without assistance.***

All AHMA winning submissions are forwarded to NAHMA where a distinguished panel of judges will select the 13 winning entries that will appear inside the pages of the 2012 calendar, including submissions from children, elderly and special needs residents. One special entry will be selected as the grand-prize winner, which will appear on the cover. (Only children are eligible to become the grand prize winners.)

All art submitted to NAHMA becomes the property of NAHMA, and NAHMA has right to use the art for publicity, publications and advertisements.

THE DEADLINE

The deadline for AHMA entries to the national contest was Monday, June 6, 2011.

HOW SUBMISSIONS ARE JUDGED

Entries are judged on the artist's ability to create a submission with the *Open Doors with Your Imagination: Explore the Magical World of Books and Reading* theme.

Specifically judges consider: Interpretation of the theme; Originality; Quality and appeal; Overall artistic ability.

HONORABLE MENTIONS

Children, elderly and special needs residents in communities from across the nation who participate in the annual art contests held by regional and state AHMAs are eligible to be selected as Regional AHMA art contest "Honorable Mentions" and will have their artwork featured nationally in a special section of the NAHMA 2012 "Drug-Free Kids" Calendar. These participants are in addition to those that will be selected as national winners.

Summer Meeting Continues Collaboration with NAA

FOR THE SECOND CONSECUTIVE YEAR, NAHMA is co-locating its Summer Meeting with the National Apartment Association's (NAA) Education Conference and Exposition.

Held at the beautiful Mandalay Bay Hotel and Casino in exciting Las Vegas, NAHMA's Summer Meeting on Wednesday, June 22, 2011, will focus on public policy issues. The NAA Annual Conference & Expo is held Thursday through Saturday (June 23-25) and features industry-related tracks for all types of apartment professionals—from executives to onsite managers to leasing agents to maintenance technicians. It also features the largest trade show in the multifamily industry.

NETWORKING AND EDUCATION UNITE

Networking and affordable housing policy discussions kick off on the morning of Wednesday, June 23 with the day-long NAHMA Public Policies Forum meeting, where discussions will focus on public policy related to federal legislative and regulatory initiatives that impact all of the affordable housing programs, from HUD programs (Project-based Section 8, Section 8 tenant vouchers, Section 202 senior housing, and Section 811 special needs housing); to the Low Income Housing Tax Credit program; to Rural Housing Service programs (Sections 515, 538 and the revitalization program).

The keynote luncheon speaker, who will also present NAHMA's Vanguard Awards, is HUD Deputy Assistant Secretary of Multifamily Housing Carol Galante.

That evening, NAHMA will host an opening party at the House of Blues at Mandalay Bay Hotel.

The Thursday through Saturday NAA events include four sessions presented by NAHMA. These include:

- **Case Studies on Creative Turnaround of Troubled Properties into Award-Winning Affordable Housing**
- **Preserving Aging Affordable Housing, and When to Green and Not to Green in the Process**
- **Top Ten Tips for Preparing for and Successfully Completing Your Tax Credit Com-**

CONTEST PRIZES

The winners of each local AHMA's contest receive various prizes from the AHMA.

- Children who win the national contest receive educational scholarships in the form of a check awarded by the NAHMA Educational Foundation. The national contest's grand-prize winner, whose art will appear on the cover of the calendar, receives an educational scholarship and a trip to Washington, D.C., where he or she will be honored at the NAHMA Fall Meeting October 23-25, 2011.
- Members of the elderly and special needs communities can receive a cash donation made in the name of the winner to their community for use in purchasing or funding a project from which all of the community's residents will benefit (e.g., books for the library or appliances for a community room, garden bench or sculpture), or other appropriate items. Winners will also be included in the 2012 calendar.
- Grand Prize Winner—$2,500 Educational Scholarship Check and Trip to Washington, D.C.
- National Winners—$1,000 Educational Scholarship Check
- Elderly and Special Needs—$1,000 Donation for Community
- Honorable Mentions—$100 Educational Scholarship Check. **NN**

Entries Accepted for National Community of Quality® Awards

For the 19th year, NAHMA will showcase the highest-quality multifamily affordable housing in the country through its 2011 Community of Quality® (COQ) Awards program. The deadline for submissions is November 11, 2011. The awards acknowledge excellence in:

- **The physical and financial condition of affordable multifamily properties;**
- **The quality of life they offer to residents;**
- **The level of resident involvement in planning and problem solving; and**
- **The nature of collaborations with other organizations and agencies that contribute to the betterment of the lives of residents and the communities at large.**

The awards are co-sponsored by HD Supply Multifamily Solutions™, a leading supplier of maintenance and renovation products to the multihousing industry.

"We are so proud to be able to highlight the communities our members invest in—not just financially, but with their high level of commitment to providing beautiful, outstanding residences," said NAHMA Executive Director Kris Cook. "These communities provide peaceful, engaging places for their residents to live while also improving the larger communities around them."

Property owners can submit COQ applications for the following categories, each of which will have first- and second-place winners: Exemplary Family Development; Exemplary Development for the Elderly; Exemplary Development for Residents with Special Needs; Exemplary Development for Single-Room Occupancy; Outstanding Turnaround of a Troubled Property.

Before applying for a COQ Award, a property must first have achieved National Recognition as a Community of Quality®.

NAHMA President Scott Reithel, NAHP-e, urged property owners and managers to apply for the awards. "Earning a COQ Award demonstrates to your peers, residents, investors, employees and many others just how possible it is to create and maintain a high-quality environment," he said.

Walt Morgan, National Accounts Manager, HD Supply Multifamily Solutions, said his company is proud to once again be involved in an awards program that recognizes the importance of property maintenance. "We appreciate the opportunity to partner with NAHMA in an awards program that encourages property owners and managers to maintain their properties in ways that keep the value high and makes residents proud to live there."

The 2011 COQ awards will be presented at NAHMA's annual winter meeting, March 11-13, 2012, in Washington, D.C.

For more information on the Communities of Quality® National Recognition and Award program, visit NAHMA's web site at www.nahma.org. NN

pliance Reports and Inspections

- **Managing Conflicting Requirements in Multi-Financed Affordable Housing**

The NAA Conference and Expo brings together more than 5,000 multifamily housing professionals for three days of the best professional development training in the industry. This event boasts world-class general session speakers, 40 education sessions in nine tracks led by topic experts, 300 suppliers demonstrating the latest products and services, and networking events.

Among the general session speakers at the 2011 NAA Conference is the former Secretary of State (2005-2009) Condoleezza Rice, as well as Daniel Pink, best-selling author of *Drive: The Surprising Truth About What Motivates Us and A Whole New Mind*.

To see information on NAA's events, go to www.naahq.org/educonf11/Pages/default.aspx.

Note: *Registrations for the NAHMA and NAA events are separate.*

To Register for the NAHMA Public Policy Issues Forum on Wed. June 22, go to NAHMA's website at www.nahma.org. To Register for the NAA Conference June 23-25, 2011, go to https://reg.jspargo.com/naa11/reg/individualMain.asp and use promo code NAHMASR11 for the NAHMA member discount.

Hotel information is available at the registration website. NN

SPECIAL THANKS TO THE NAHMA MEETING SPONSORS

***Platinum:* Yardi, RealPage**

***Gold:* Carter & Co.**

***Silver:* Integrated Property Management Software, Inc. (IPM)**

HOUSE OF BLUES PARTY PRESENTED BY AT&T

Additional Sponsors:

Apartment Finder
Dauby O'Connor & Zaleski, LLC
Indatus
NAHMA
The Screening Pros
WinnResidential
Yardi

ON MARCH 24, USDA-RHS RELEASED PROCEDURAL NOTICE 447. The notice includes a few minor revisions to the Multi-Family Project Borrower's/Management Agent's Management Certification form. A copy of PN 447 may be accessed at www.rurdev.usda.gov/regs/pn/pn447.html.

EIV COORDINATORS/USERS (people who access EIV through Secure Systems) may also use the Federal ISS Awareness Training to satisfy the annual EIV Security Awareness Training requirement. This is the same training that was introduced in April 2010 to address the security training requirements for TRACS. If the training has been completed to satisfy TRACS security training requirements, it is not necessary to complete the training again for one year from the completion date on the training certificate. To complete the Federal ISS Awareness online Security Awareness Training, go to http://iase.disa.mil/eta/index.html#onlinetraining, click on the Federal ISS Awareness icon on the IA Education, Training and Awareness Screen, and then click on Launch New Information Systems Security Awareness. Proceed with the training and then complete, print and maintain the *Certificate of Completion* as proof of completion. **NN**

HUD MULTIFAMILY RENTAL PROJECTS

ON MAY 2, HUD PUBLISHED ITS FINAL rule for "HUD Multifamily Rental Projects: Regulatory Revisions." The rule amends FHA regulations to reflect current HUD policy in the area of multifamily rental projects. On November 12, 2010, HUD published proposed regulations to remove outdated regulatory language and policies and to reflect proposed changes in FHA's multifamily rental project closing documents. The final rule did not have major substantive changes from the November 12 proposed rule.

The new rules and documents will become effective on or after September 1, 2011, providing a four-month transition period to affected parties.

Key changes made by the final rule include:

- A modified definition of "eligible mortgagor," which allows a non-single asset entity to be an eligible mortgagor under certain terms and conditions determined acceptable to HUD. No regulatory exception is provided for natural persons and tenants in common;
- A modified proposal that allows cash flow generated during a workout to be used once a default has been cured; and
- Modified insurance claim requirements to allow the mortgagee to file its application for insurance benefits based on HUD's acknowledgement of the mortgagee's election to assign.

A copy of the final rule and comments on the proposed rule can be found here at www.gpo.gov/fdsys/pkg/FR-2011-05-02/pdf/2011-10450.pdf.

HUD NEWS

HUD HAS COMPLETED UPDATING THE MULTIFAMILY RENTAL PROJECT CLOSING DOCUMENTS. The final versions of the documents are available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhclosingdocuments. The official versions to be used in closing transactions and which will be form-fillable will be posted on HUDclips. Use of the final approved closing documents will be mandatory with respect to multifamily mortgages for which HUD issues a firm commitment for mortgage insurance on or after September 1, 2011. NAHMA will update members when the forms appear on HUDclips. HUD made additional changes to the documents in response to comments submitted after publication of the December 22, 2010, notice. A summary of the changes to the documents can be found at www.gpo.gov/fdsys/pkg/FR-2011-05-02/pdf/2011-10445.pdf.

ON MAY 10, HUD PUBLISHED THE "SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM—Renewal Funding Annual Adjustment Factors, Fiscal Year 2011" in the Federal Register. A copy of HUD's FY 2011 Annual Adjustment Factors for Section 8 Housing may be found at www.gpo.gov/fdsys/pkg/FR-2011-05-10/pdf/2011-11263.pdf.

HUD'S GENERAL COUNSEL RECENTLY RELEASED A MEMORANDUM regarding reasonable accommodation and medical marijuana in public and assisted housing. The memorandum reaffirms the 1999 memorandum that stated medical marijuana was not a reasonable accommodation for current or prospective residents of public and assisted housing; however, PHAs and owners maintain the discretion to evict or refrain from evicting current residents who engage in such use. A full copy of the January 2011 memorandum is available at www.nahma.org/member/New%20HUD%20Docs/Kanovsky%20Med%20Marijuana%20Memo%201-20-11.pdf. A copy of the 1999 memorandum is on NAHMA's webpage.

A Legacy in Affordable Housing

FEW PEOPLE CAN SAY THEY WERE born into the affordable housing business, but Mike Clark can. His father, Dave Clark, helped develop hundreds of HUD deals in the 1960s and 1970s and eventually formed a company that specialized in putting together and packaging affordable housing projects throughout the U.S.

"I helped my father in his office, so long ago that you had to hang copy-machine copies up to dry before you could stack them," he recalled. "By the time I was 18, I was his version of Federal Express. He'd put me on a plane to fly somewhere and get papers signed, and then fly me back."

FINDING HIS PLACE IN THE INDUSTRY

Clark grew up near Washington, D.C., and then the 6'9" Clark went to High Point University in High Point, N.C. on a basketball scholarship. He majored in political science, met his wife Debbie there (she also grew up in the Washington area), and after graduation they moved back to D.C.

After working with his dad for awhile, he split off to work at Quadel Consulting, "which over the years has become one of the biggest HUD contractors and trainers in the country." He was Quadel's first associate and spent the next five years doing housing management training all around the country, including Indian housing.

In 1979 he moved Dallas with a one-year consulting contract as part of a team to revamp the Dallas Housing Authority (DHA). "The one year stretched into 30 years," he said.

Clark held several different positions at DHA before leaving in 1985 to try his hand at conventional third-party management. But he was drawn back to affordable housing "because I knew that business well and that was where my heart was," he said. "When you can speak the language, you quickly become a valuable partner to people who don't understand that language."

His company went through "three or four permutations," he said, including merging Clark Property Services, Inc. with Trans-Cities Property Management, which at the time managed 10,000 units. He was president of Trans-Cities before heading up Alpha Management and then, in 2000, merging with Barnes Real Estate Services to become Alpha-Barnes Real Estate Services.

"It was the second-best marriage of my life," he said—Debbie, who also worked for the company, being the first. "And she grew into one of the top regional supervisors I've ever worked with" before she retired just last year.

Today Alpha-Barnes is an industry leader in affordable housing management and compliance and manages more than 15,000 units located primarily in Texas, Oklahoma, Arkansas and New Mexico.

INVOLVED IN THE BIGGER PICTURE

While running his businesses and being the father to two now-grown daughters, Clark also managed to be active "on and off over 20 years" with the AHMA in Dallas that eventually merged with SWAHMA in Austin. He was also past president of several industry groups, has served on the board of the National Apartment Association for many years (and had recently stepped in line to become president of the Texas Apartment Association) when he got "reinvigorated" with NAHMA three years ago.

"It was because of politics," he said. "I'd become very politically active on the Texas scene, and it became clear that I needed to help address national issues."

"Now I'm back with a vengeance, because when you work with the smart staff at NAHMA you can really do things. Plus, I've become a big believer that the stronger their resident representation is, the better access and information they can get to regulatory and legislative staffers—but you need to be the one to go in and tell it like it is."

> "When you can speak the language, you quickly become a valuable partner to people who don't understand that language."

Clark especially appreciates the legislative updates from NAHMA, which he calls "incredibly helpful."

"I never worry about something happening that I don't know about," he said, "so it's well worth my dues to NAA and NAHMA. And it's a benefit to them to know what's happening on the local level."

He expects to get even more involved with NAHMA in the future, and though his wife is retired, it doesn't seem that Clark plans to retire any time soon. **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.

JUNE

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

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

8
MA Agency Breakfast
MA
Julie Kelliher, NEAHMA
(781) 380-4344

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

9
Understanding REAC
CT
Julie Kelliher, NEAHMA
(781) 380-4344

Determining Income
CT
Julie Kelliher, NEAHMA
(781) 380-4344

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

14
FHC
RI
Julie Kelliher, NEAHMA
(781) 380-4344

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

21
RI Monthly Meeting
RI
Julie Kelliher, NEAHMA
(781) 380-4344

21-22
LIHTC Training/SHCM Exam
MA
Julie Kelliher, NEAHMA
(781) 380-4344

23
Basic Hands on Plumbing
MA
Julie Kelliher, NEAHMA
(781) 380-4344

23
Advanced EIV
Georgetown, KY
Betsy Smith, SAHMA
(800) 745-4088

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

26-28
CPO
San Antonio, TX
Roy Cozart, SWAHMA
(210) 822-5852

The Sky's the Limit for Heartland AHMA Leader

OVER HER 25-YEAR CAREER, SUE Streck has gone from selling real estate, to managing properties, being a multisite supervisor, heading up a new compliance department, and then starting a new company with one of her colleagues.

Now she's taken on an even more demanding role: that of executive director of Heartland AHMA (HAHMA).

"I'm amazed at where I am," said Streck.

BECOMING A HIGH ACHIEVER

Her first job in property management was at a 280-unit Section 8 property in Oklahoma City. "I was so sheltered. I didn't even know the government helped people pay their rent," she said. She began as a leasing agent/receptionist, moved up to handle occupancy, became assistant manager and then manager—all in a little more than two years.

When the property owner decided to manage it themselves, she stayed with the management company but worked at different properties. She then got an offer to work for a large management company headquartered in Kansas City, Missouri, and she moved to Columbia, Missouri.

She stayed with that management company for about four years, working as a multisite supervisor. Then—small world!—Streck got a call "from the guy who managed that very first property I worked at." He now owned his own company and wanted to start a compliance department. She stayed with this company for five years.

One of the partners in that company wanted to start her own company, Bionic Real Estate Services, LLC, and Streck joined her. Now known as nLee Management and Consulting, headquartered in Wathena, Kansas, Streck is both a multisite supervisor and a compliance officer. The management company is small but growing.

AN ADVOCATE FOR TRAINING

Above everything else, Streck is a strong believer in the need for education and training throughout the industry. "I have been fortunate to always work for companies that would pay for my training and believed everybody needs to learn everything." She has many certifications, including as a NAHP-executive, which she became many years ago, as well a Certified Professional of Occupancy (CPO).

Since the winter of 2009 she has earned NAHMA's Specialist in Housing Credit Management (SHCM) certification and became both a SHCM trainer and a trainer for fair housing.

"Now I teach it to apartment associations, other AHMAs and management companies—I teach a lot of fair housing now."

For many years Streck has been the principal trainer for HAHMA and was leading about 15 training sessions each year—"almost another fulltime job," she said. She's teaching everything from stress reduction, time management, SHCM and CPO certifications, marketing and even maintenance classes, "to teach the side of maintenance most of those professionals don't know, like inventory control and budgeting," she said.

Now Streck has taken on another important and time-intensive role as HAHMA's executive director. Its board of directors still wants to focus on education and training, although "people are changing the kind of education they're looking for," she said.

"The wheel's already been invented; there's much people can learn from a book. Now I'm having upper management saying to me that, although they still want classes on asset management, REAC, etc., they also want us to teach softer skills."

"Site managers need to understand that people who live in affordable housing deserve the same kind of treatment as in regular housing. I'm doing a class right now called managing difficult residents. I think other AHMAs agree: you have to train managers in how to market, maintain and keep that wheel going."

ONGOING PROFESSIONAL DEVELOPMENT

Part of Streck's ongoing professional development is to attend all NAHMA meetings. "That's where you share experiences and get ideas about how to make our industry more successful," she said. "I am especially interested in what HUD is thinking, why they want to implement a new regulation, and how we have a right to say what we like and don't like about it."

So now Streck has a fulltime job with nLee, what amounts to a fulltime job as HAHMA's executive director, is still HAHMA's principal trainer, and recently created her own private company, Sue Streck Enterprises, through which she does additional training. It's this openness to change and learning that has kept Streck on an upwardly mobile path in an industry she really enjoys.

"I've been really, really lucky," Streck said. "I'm already more than I thought I'd ever be.

"The sky's the limit." **NN**

NAHMANews

National Affordable Housing Management Association

400 North Columbus Street, Suite 203

Alexandria, VA 22314

www.NAHMA.org

PRSRT STD
U.S. Postage
PAID
Hyattsville, MD
Permit No. 61

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

thelastword BY SCOTT REITHEL, NAHP-e

Stepping Into My New Role, With You

I'VE BEEN IN AFFORDABLE housing for many years, and engaged with various AHMAs and with NAHMA, but it was only when Kris Cook, NAHMA's executive director, and I began traveling around the country meeting with the various AHMAs that I enjoyed seeing the innovative ideas and educational offerings they are presenting.

They do have one thing in common, though: a fierce commitment to the industry and to their member organizations getting the very best they can for their employees and their residents.

We've seen what all of the AHMAs bring to the table when it comes to educating us about what is happening in the field. We hope that they have also seen the value NAHMA brings to their work, especially as their representatives in Washington, D.C.

The feedback we get about our work is instructive as we seek to improve our services to our members. All of the programs we offer that you read about in *NAHMANews* and see on our website have been carefully researched and crafted so that they fill a particular need among our members. And there are so many more good ideas out there! For the one thing that is constant no matter where we visited is *change*—that regulations change, the economy changes, local and national government leaders change, all leading us to work hard to keep up.

And keep up we will. That is our commitment to you. We want you to know you can count on us to bring you the latest and most meaningful news to you about what is happening on Capitol Hill and in the halls of HUD, Treasury, the IRS and other agencies. You can also count on us to provide opportunities for your own professional development and education, so that you can be ever more productive and confident about what you do.

We need you, not just to keep doing what you're doing wherever you are, but to stay engaged with NAHMA so that our finger is always on your pulse. We also need you to multiply. The more members we have, the more strength we have in making our positions matter to those in power. You are not just NAHMA members; you are voters, and you have not only your own voice but our collective voice.

As you can read in this and every issue of *NAHMANews*, we face constant challenges to the way things are going, even when they are going really well (as in the case of the Section 8 and LIHTC programs). The current federal deficit and meaning of the debt ceiling, so aptly described by NAHMA Government Relations Director Michelle Kitchen in this issue, has important ramifications to all of our funding programs. Be sure to let your colleagues in the industry who are not NAHMA members know why it is important that they join now. **NN**

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