

Thursday-Friday,

April 23-24, 1998

The Westin

City Center Hotel,

Washington, DC

WHAT'S NEW IN

Older

Assisted

Housing—

*The ABCs of Owning
and Operating Today's
Service-Enhanced Projects*



WEST
GROUP

Housing and Development
Reporter



The Institute for Professional
and
Executive Development, Inc.



"What's New in Older Assisted Housing"

Thursday-Friday, April 23-24, 1998
The Westin City Center Hotel
Washington, DC

Reference Materials
Table of Contents

I. Ownership Options/Opportunities

Outline of Remarks: Multifamily Assisted Housing Reform and
Affordability Act of 1997 (MAHRAA), by Charles L. Edson I-1

Article: President Signs Most Significant Housing Legislation
Passed Since 1990, by Charles L. Edson I-7

Text of Multifamily Assisted Housing Reform and Affordability
Act of 1997 I-13

Outline of Remarks: Current Status of Prepayment, by
Charles L. Edson I-55

Outline and Exhibits: Lender Analysis of Prepayment Properties,
by Thomas T. Demery I-57

HUD Preservation Letter No. 97-1: FY 1997 Implementation
of LIHPRHA and ELIHPA I-65

Attachment 3 to HUD Preservation Letter No. 97-1: Tenant
Protections I-67

II. Services Overview/Neighborhood Networks

Article: Overcoming Obstacles -- Programs That Work for For-Profit
and Non-Profit Owners, by Dominic Mendes II-1

| | |
|---|--------|
| Program Overview: Neighborhood Networks – Mapping a New Path to Self-Sufficiency | II-5 |
| Questions and Answers About Neighborhood Networks | II-11 |
| Neighborhood Networks Contact List | II-19 |
| Six Mini-Case Study Summaries | II-21 |
| III. <u>Overview of Model Projects</u> | |
| Outline: What’s New in Older Assisted Housing, by Don S. Samuelson | III-1 |
| Paper: Housing, Computer Learning Centers and Welfare Reform, by Don S. Samuelson | III-5 |
| Overview: Chicago Neighborhood Learning Network | III-15 |
| Excerpts: Neighborhood Learning Networks Project Report | III-27 |
| Paper: Searching for Ways That Work – Helping Assisted Housing Residents Achieve Self-Sufficiency, by Sara E. Johnson | III-41 |
| Overview: Community Preservation and Development Corporation | III-49 |
| Overview: The NOAH Group | III-61 |
| Article: As Welfare Rolls Drop, Changes Big and Small Hit a Housing Project | III-67 |
| Overview: CommonBond Communities | III-73 |
| Panel Transcript: Who, What, Where, When and Why – The Five Ws of Self-Sufficiency | III-77 |
| Overview: Marriott’s Pathways to Independence | III-85 |
| IV. <u>Older Projects/Aging-in-Place</u> | |
| Outline and Charts: Dilemma Unique to Older Projects – The Aging-in-Place Population, by Evelyn Howard | IV-1 |
| Glossary of Terms | IV-7 |

Outline of Presentation and Slides: Section 8 Elderly Housing
Preservation, by William G. Benton IV-11

V. **Bringing In Telecommunications**

Memorandum: HUD and RHS Housing re: Telecommunications Policy,
by Richard M. Price V-1

HUD Notice H 96-19: Contracts Between Telecommunications
Service Providers and Project Owners V-5

HUD Notice H 97-27: Extension of Notice H 96-19 V-9

FmHA Administrative Notice No. 3269: Contracts Between Tele-
communications Service Providers and Project Owners V-11

PEABODY & BROWN

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1255 23RD STREET, N.W.
WASHINGTON, D.C. 20037

(202) 973-7700

FAX: (202) 973-7750

<http://www.peabodybrown.com>

BOSTON, MA
MANCHESTER, NH
PROVIDENCE, RI

WRITER'S DIRECT DIAL NUMBER

OUTLINE OF REMARKS

by
Charles L. Edson

Multifamily Assisted Housing Reform and Affordability Act of 1997

Section 8 Expiring Contracts and Mortgage Restructuring

**HDR-IPED Seminar
What's New in Older Assisted Housing**

**Westin City Center
Washington, D.C.
April 23, 1998**

I. Why Restructure

- A. Section 8 rents - mainly on newly constructed and substantially rehabilitated inventory - exceeds comparable (street) rents: 10,000 out of 14,000 FHA-insured projects have Section 8. 1,600,000 families live in Section 8 units.
- B. For FHA-insured, preferable to reduce mortgages and take insurance fund hit rather than renew at these high rent levels:
 - 1. Alleged cost savings of \$550 million.
 - 2. Politically unattractive to maintain these high rents.

II. Who Restructures?

PEABODY & BROWN

- A. HUD: Office of Multifamily Housing Assistance Restructuring (OMHAR) (Sections 571-579)
 - 1. Presidential appointed director
 - 2. Reports to Secretary but can report directly to Congress if Director believes that Secretary acting inconsistently with purposes of statute.
 - 3. Program ends if President does not make appointment within year.
 - 4. Two year blackout from HUD work after completing term.
 - 5. Former FHA Commissioner Larry Simons slated for job.

- B. Participating Administrative Entities (PAE) (Section 513)
 - 1. Does hands on work of restructuring.
 - 2. Priority for state of local agencies - exclusive application period and HUD must give reasons for not designating.
 - 3. Non-profit and private entities eligible but must enter into partnership with public or non-profit entity.

- III. Eligibility for Restructuring (Section 512(2))
 - A. Must be FHA-insured.

 - B. Must have rents on unit or room basis in excess of comparable rents.

 - C. Have Section 8 contract:
 - 1. New construction -substantial rehabilitation.
 - 2. Property Disposition
 - 3. Moderate rehab
 - 4. Loan Management Set-Aside
 - 5. Rent Supplement converted to Section 8

 - D. Even though eligible for restructuring "bad projects" or projects owned by "bad owners" will not be restructured, statute encourages sales of these projects to non-profits. Board definition of bad owners to include "affiliates" -entities that control or are under the control of the owner. Owner can administratively appeal bad owner designation but no judicial review. (Section 516).

- IV. The Restructuring Process (Section 514)
 - A. PAE in conjunction with owner and lender develop a Mortgage Restructuring and Rental Assistance Sufficiency Plan(MRRASP) addressing the following:
 - 1. Renewal of assistance on project or tenant basis.

PEABODY & BROWN

2. Allow for rent adjustments pursuant to an Operating Cost Adjustment Factor (OCAF)
 3. Require owner to evaluate rehab needs of project, do the necessary rehab, maintain adequate reserves, etc., and comply with long term affordability restrictions.
- B. Tenants must have opportunity to participate and to receive timely notice; \$10,000,000 made available to fund tenant organizations.
- C. Current contract will be extended during restructuring period at same rents that will apply after restructuring.
- V. Restructuring Tools (Section 517)
- A. Bifurcated Mortgage
1. Performing first mortgage that can be amortized either at comparable rent, or if unavailable, at 90% of FMR (Section 514(g)). (However, under definition of eligible property, comparables must be utilized.)
 2. Non-Performing Second Mortgage
 - a) Term equal to first mortgage, a very controversial provision.
 - b) Interest rate not to exceed applicable federal rate. 0.1907.
 - c) 75% of excess project income used to pay second mortgage.
 - d) Second mortgage made mandatory for federal tax reasons - might avoid cancellation of indebtedness income.
 - e) Must be reasonable likelihood of ~~p~~repayment
- B. Other Tools:
1. Full or partial payment of claims.
 2. Refinancing of debt.
 3. Use FHA insurance.
 4. Credit enhancement through state agencies, FNMA, etc.
 5. Use residual receipts; PAE can share 10% with owner.
 6. Use residual receipts, reserves or appropriated funds for rehabilitation. Owner must contribute a minimum of 25% from non project resources, except for non-profit co-ops.
- VI. Renewals and Tenant-Based Assistance
- A. One of the most controversial issues: Whether to renew on a project or tenant basis.
- B. Project-based renewal versus vouchers (Section 515)

PEABODY & BROWN

1. Project-based renewals:
 - a) projects for elderly
 - b) projects for handicapped
 - c) projects in low vacancy areas
 - d) budget based projects
 - e) non-profit cooperatives.
2. PAE can renew on project basis or provide vouchers pursuant to these criteria:
 - a) ability of tenants to find decent housing.
 - b) types of residents in project (elderly, etc.).
 - c) local housing needs as identified in CHAS.
 - d) comparable cost of providing assistance.
 - e) long-term financial stability of project
 - f) ability of residents to make reasonable housing choices.
 - g) quality of neighborhood in which tenants would reside.
 - h) project's ability to compete in market.
3. PAE, in the case of restructuring, can provide enhanced vouchers to enable tenants to reside in project. If owner does not renew contract or restructure, then no enhanced vouchers.
4. Definition of elderly, handicapped and low vacancy areas to be determined in regulations.

C. General Rent Levels: (Section 514(g))

1. Comparable rent if two comparables available;
2. If no comparables, renew at 90% of FMRs, although this provision a dead letter in view of definition of eligible projects.

D. Budget-based Exception: Rents up to 120% of FMR in 20% of cases if PAE determines necessary to meet community's housing needs. Secretary can waive 20% cap without limit and 120% cap in 5% of cases. Budget-based rents allow for reasonable rate of return. Utilized when project cannot operate at street rents even if mortgage is completely written off.

E. Affordability Restrictions if Restructured.

1. Owner obligated to renew contract for 30 years if offered under same terms and conditions (Section 515(b)).
2. Owner obligated for 30 years to maintain affordability pursuant to HUD regulations through recorded use agreement and rent to a "reasonable number" of Section 8 certificate holders (Section 514(e)(c)).

F. Rents increased by Operating Cost Adjustment Factor (OCAF).

G. Owner must provide 12 months notice if not renew at end of original contract. (Section 514(d))

PEABODY & BROWN

H. Renewals of Exception Projects (Section 524)

1. Exception Projects: Conventionally financed, state or local tax exempt financed or insured; Section 202 or 515 or McKinney Act homeless projects.
2. Renewed on a project basis.
3. Rents renewed at lesser of existing rents or budget basis.
4. Mod rehabs renewed at base rents, except for McKinney Act mod-rehabs.
5. No obligation to renew for 30 years.

VII. Demonstration Program for FY98 (Section 578)

- A. FY97 demonstration program continued for FY98; however, FY98 demonstration program will have mandatory mortgage bifurcation (See IV.A).
- B. For FY98 can renew at current rents if under 120% of FMR or if voluntarily agree to reduce rents to 120%. Sections 202, 515, state or local financed or insured projects can renew at current rents.
- C. For owners with contracts expiring in FY98 determining whether to participate in demonstration, note that 20-year affordability commitment in demonstration versus 30-year commitment in permanent legislation.
- D. Preliminary Guidelines for 1998 demonstration program issued in January 1998 but final guidelines not issued as of April 8, 1998.

Heard from the Hill

President Signs Most Significant Housing Legislation Passed Since 1990*

Charles L. Edson

In the Fiscal Year 1998 (FY98) VA, HUD and Independent Agencies Appropriations Act, Congress adopted a permanent solution to the section 8 contract renewal and mark-to-market issues that have vexed the housing community for the past four years. President Clinton signed the legislation, known as the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRAA), into law in October 1997. Dealing with 10,000 rental properties that house approximately 1.6 million families, MAHRAA is the most significant housing legislation passed since 1990. MAHRAA addresses two issues crucial to the future of section 8 housing—the restructuring of FHA-insured mortgages so that they can be amortized at real market rents and the renewal of expiring section 8 contracts on both FHA- and non-FHA-insured projects.

Why Mortgage Restructuring?

Section 8 rents in excess of comparable rents impelled the restructuring, especially with regard to projects newly constructed or substantially rehabilitated from 1975 to 1983. There are many good reasons for the divergence in rents, including higher initial construction costs to meet federal standards, Davis-Bacon wages, increased security needs, and the like, but it is difficult to explain to the press, public, and Congress why rents on section 8 projects should significantly exceed rents on neighboring projects. Accordingly, Congress determined that if section 8 contracts are to continue the rent level must be equal to those of comparable projects—“street rents” as they are commonly called. The crunch occurs in the case

* Reprinted with permission of the author.

Charles L. Edson is a partner in the Washington, D.C., law firm of Peabody and Brown and the founding Chair of the Forum. An earlier version of this commentary appeared in the Affordable Housing Report, published by the law firm of Peabody & Brown, and is used with permission.

of those units that are FHA-insured, because if rents are lowered to street rents under the new contracts, the owner would be forced to default on the FHA-insured mortgage, causing large-scale charges against the FHA insurance fund. Congress, at HUD's urging, has determined that it would be more economic to lower the renewal rents and to reduce the FHA-insured mortgage to an amount that could be serviced at such street rents. There will be significant cost to the FHA insurance fund for these write-downs, but the budget experts state that marking the mortgages to market now would save more than \$500 million. Thus, both budget impact and political considerations led to MAHRAA.

Who Does the Restructuring?

Although there was disagreement on who should be doing the restructuring, general agreement existed on Capitol Hill and in the housing community that HUD should not bear this responsibility. This feeling was so strong in the House that, at its urging, Congress created an Office of Multifamily Housing Assistance Restructuring (OMHAR) within HUD to oversee the restructuring efforts. The president of the United States appoints the director of OMHAR, although the director reports to the HUD secretary. However, in a very unusual provision, the director of OMHAR can report directly to Congress if he or she feels that the HUD secretary is overruling a decision that undermines the aims of the program. Further, the restructuring demonstration terminates if the president does not appoint an OMHAR director within one year of the Act's enactment.

Although the director of OMHAR will have overall supervision of the restructuring, the real hands-on work will be done by participating administrative entities (PAEs). State housing finance agencies or local housing agencies have "first dibs" on being designated as PAEs. For a specified period of time, HUD will only consider applications from these agencies. If HUD rejects the state's proposal, it must give the reasons for the rejection and an opportunity for the applicant to respond. If the state agency is selected, then it restructures such projects as agreed upon by the agency and HUD. A PAE may not delegate or transfer its responsibilities without HUD's approval.

HUD may choose a for-profit entity as a PAE, but the for-profit must enter into a partnership with a public purpose entity (that could include HUD). However, the private entity cannot participate or otherwise benefit from any equity created as a result of the restructuring agreement.

Projects Eligible for Restructuring

To be eligible for restructuring, the project must be FHA-insured and have rents that exceed the rents of comparable properties in the same market area determined in guidelines established by HUD. Note that a project's rents could exceed FMR and still not be eligible if its rents are less than street rents. In addition, the project must be covered in whole

or in part by section 8 project-based assistance under one of the following programs:

- New Construction or Substantial Rehabilitation Program
- Property Disposition Program
- Moderate Rehabilitation Program
- Loan Management Set-Aside Program
- Section 23 of the United States Housing Act
- Rent Supplement Program
- Section 8 of the United States Housing Act following the conversion from assistance under the Rent Supplement Program.

Even if the project is eligible under this definition, the structuring will be prohibited if HUD or the PAE determines that the owner is a bad owner or the project is a bad project. MAHRAA lists several criteria that would place an owner in the "bad" category, including materially violating any law, contract, or regulation in regard to the project or materially breaching any section 8 contract. Also, participation is denied if the owner fails to maintain the property according to Housing Quality Standards after receipt of notice and a reasonable opportunity to cure.

MAHRAA uses a broad definition of "owner," first introduced in the FY97 appropriations legislation, that includes an "affiliate" of the owner that either controls the owner or is controlled by the owner or under common control. Control means the direct or indirect power to direct the operations of the owner. The owner has the right to contest administratively the designation as a "bad owner," but such HUD judgment is not subject to judicial review.

Tenants displaced from a "bad owner" project are eligible for moving expenses and certificates. Further, HUD will establish procedures to facilitate the voluntary sale or transfer of the property to a nonprofit as part of a mortgage restructuring plan.

Restructuring Process

The law requires the PAE, in conjunction with the owner and mortgage servicer, to develop a mortgage restructuring and rental assistance sufficiency plan (MRRASP). The MRRASP will contain provisions governing whether assistance will be renewed on a project or a tenant basis; allow for rent adjustments pursuant to an operating cost adjustment factor (OCAF); require the owner to evaluate the rehabilitation needs of the project; provide competent management; rehabilitate the project; maintain adequate reserves; maintain the project in decent, safe, and sanitary condition; and comply with long-term affordability restrictions discussed below.

HUD must establish an opportunity for concerned project tenants, neighborhood residents, and the local government to participate in the restructuring process and must provide these groups with timely notice of proposed restructuring to give them the opportunity to consult with HUD. HUD may provide \$10 million annually in funding for tenant groups, nonprofit organizations, and other entities to provide technical assistance to such tenant or neighborhood groups.

During the period (unspecified as to duration) the MRRASP is being negotiated, HUD will extend the current contract. However, unlike the demonstration program, the extension rents will not be at the current level but will be set at the rents that would apply after restructuring.

Restructuring Tools

The major tool available to the PAE in restructuring is bifurcation of the mortgage into a performing first mortgage that can be amortized at the project's comparable rent and a nonperforming second mortgage. (The statute states that if comparable rent is unavailable, then 90 percent of FMR should be used as the rent level; however, a project cannot meet the eligibility definition unless its rents are above comparable, so the 90 percent alternative seems a nullity.) The term of the second mortgage that the restructuring will produce must be coterminous with that of the first mortgage with interest rates not to exceed the applicable federal rate. Seventy-five percent of excess project income can be used to pay the second mortgage.

That the second mortgage expires with the first is very controversial, as it was envisioned that the second mortgage would extend beyond the first mortgage's termination so that income used to amortize the first mortgage could then be utilized to pay off the second. Tax considerations dictated the mandatory bifurcation, because tax experts believe that such restructuring is necessary to meet the requirements of the federal tax code (I.R.C. § 7872) concerning below-market interest rate loans. If the bifurcated mortgage is considered a true obligation of the project, the dreaded cancellation of indebtedness income will not arise.

Other restructuring tools include full or partial payment of claims that do not require the approval of the mortgagee; refinancing all or part of the debt on the project; FHA mortgage insurance or insurance under the risk-sharing initiative; and credit enhancement through state or local finance agencies, the Federal Housing Finance Board, Fannie Mae, or Freddie Mac.

In addition, residual receipts and replacement reserves may be utilized as a restructuring tool and the PAE may share the residual receipts with the owner allocated on a 90 percent/10 percent basis. In addition, residual receipts, reserves, or appropriated funds may be used for project rehabilitation. Owners are required to make a 25 percent contribution to the rehabilitation (this requirement is not applicable to nonprofit housing cooperatives).

Contract Renewals, Tenant-Based Assistance, and Affordability Restrictions

Project versus Tenant Basis

One of the most controversial issues in the legislative process was whether to renew the contract on a project or a tenant basis. The legislation is a compromise between the Senate, which wanted project-based renewals, and the House and HUD, both of which preferred tenant-based renew-

als. Renewals must be on a project basis for projects for the elderly and those with disabilities; projects in low-vacancy areas; projects with budget-based rents; and projects for nonprofit cooperatives. The PAE can renew on a project basis, or provide vouchers, pursuant to the following criteria: (1) ability of tenants to find decent housing; (2) types of residents in project (elderly, etc.); (3) local housing needs as identified in the Comprehensive Housing Assistance Strategy plan (CHAS); (4) comparable cost of providing assistance; (5) long-term financial stability of project; (6) ability of residents to make reasonable housing choices; (7) quality of neighborhood in which tenants would reside; and (8) project's ability to compete in the market. It is estimated that under the mandatory criteria there would be over 50 percent renewal on a project basis. Further, it would seem that most of the criteria favor project-based renewal.

Sticky Vouchers

In a significant provision, if the contract is renewed on a tenant basis, tenants would be given "enhanced" or "sticky" vouchers that enable them to stay in the project and the owner to receive street rents instead of the fair market rent. The vouchers are denominated as "sticky" because if the tenant leaves the project, the family would only receive ordinary vouchers to use elsewhere.

Affordability Restrictions

If the project is restructured, it is subject to strict affordability restrictions. First, if contract renewal is offered under the same terms and conditions as the original renewal contract, the owner is obligated to renew for thirty years if offered a contract by the PAE or HUD. Even in the absence of the section 8 contract, the owner is obligated for thirty years to maintain affordability pursuant to conditions set forth in HUD regulations to be promulgated for the new program. What these restrictions will be is unknown at this time—although in the demonstration program, the owner must meet the tax credit requirements of 20 percent of the units under 50 percent of median income, or 40 percent of the units under 60 percent of median income. In addition, the owner must rent to a "reasonable number" of section 8 certificate holders, again an undefined term.

Rent Levels

As noted above, generally the mortgage will be restructured to be amortized assuming that the project receives the comparable rent. However, in those cases where the project could not operate on comparable rents, even if the mortgage were reduced to zero, then the project goes on a budget basis. The PAE may authorize rents up to 120 percent of FMRs in 20 percent of the cases if it determines such action is necessary to meet the community's housing needs. HUD can waive the 20 percent cap without limit. In addition, HUD can waive the 120 percent of FMR cap in 5 percent of the cases. Budget-based rents cover operating expenses and a reasonable rate of return.

The rent and renewal rules differ in the case of "exception" projects. Exception projects are those projects conventionally financed, financed by state or local tax-exempt bonds, section 202 or section 515 projects, McKinney Homeless Assistance Act projects, as well as those projects with rents above fair market rents but below comparable rents. In such cases, renewal would be on a project basis at the lesser of the existing rents adjusted by an operating cost adjustment factor or rents established on a budget basis with a budget-based rent adjustment if justified by increased operating expenses. In the case of moderate rehabilitation projects (except for McKinney Act projects), the rents would be the base rent adjusted by an OCAF.

Unlike restructured projects, exception projects would not have to accept renewal offers on a thirty-year basis.

Demonstration Program for FY98

The FY97 demonstration program is continued for FY98. However, the FY98 demonstration program will have the same mandatory mortgage bifurcation that is in the permanent program.

For FY98 an owner can renew at current rents if they are under 120 percent of FMR or voluntarily agree to reduce rents to below 120 percent. Section 202, section 515, state- or local-financed or insured projects, or projects whose rents exceed 100 percent of FMR but are below comparable rents can renew at the current levels.

For owners with contracts expiring in FY98, it should be noted that the demonstration program requires only a twenty-year affordability commitment, as opposed to the thirty-year commitment in the permanent legislation. Also under the demonstration program the owner will receive the same rents received under the expiring contract during a six-month period while the restructuring is being negotiated.

The permanent program will not go into effect until mid-October 1998, one year after the signing of the FY98 Appropriations Act.

Text of the Multifamily Assisted Housing Reform and
Affordability Act of 1997

PUBLIC LAW 105-65—OCT. 27, 1997

**DEPARTMENTS OF VETERANS AFFAIRS
AND HOUSING AND URBAN DEVELOPMENT,
AND INDEPENDENT AGENCIES
APPROPRIATIONS ACT, 1998**

* * *

Multifamily
Assisted Housing
Reform and
Affordability Act
of 1997.

TITLE V—HUD MULTIFAMILY HOUSING REFORM

SEC. 501. TABLE OF CONTENTS.

The table of contents for this title is as follows:

TITLE V—HUD MULTIFAMILY HOUSING REFORM

Sec. 510. Short title.

**SUBTITLE A—FHA-INSURED MULTIFAMILY HOUSING MORTGAGE AND HOUSING
ASSISTANCE RESTRUCTURING**

Sec. 511. Findings and purposes.

Sec. 512. Definitions.

Sec. 513. Authority of participating administrative entities.

- Sec. 514. Mortgage restructuring and rental assistance sufficiency plan.
- Sec. 515. Section 8 renewals and long-term affordability commitment by owner of project.
- Sec. 516. Prohibition on restructuring.
- Sec. 517. Restructuring tools.
- Sec. 518. Management standards.
- Sec. 519. Monitoring of compliance.
- Sec. 520. Reports to Congress.
- Sec. 521. GAO audit and review.
- Sec. 522. Regulations.
- Sec. 523. Technical and conforming amendments.
- Sec. 524. Section 8 contract renewals.

SUBTITLE B—MISCELLANEOUS PROVISIONS

- Sec. 531. Rehabilitation grants for certain insured projects.
- Sec. 532. GAO report on section 8 rental assistance for multifamily housing projects.

SUBTITLE C—ENFORCEMENT PROVISIONS

- Sec. 541. Implementation.
- Sec. 542. Income verification.

PART 1—FHA SINGLE FAMILY AND MULTIFAMILY HOUSING

- Sec. 551. Authorization to immediately suspend mortgagees.
- Sec. 552. Extension of equity skimming to other single family and multifamily housing programs.
- Sec. 553. Civil money penalties against mortgagees, lenders, and other participants in FHA programs.

PART 2—FHA MULTIFAMILY PROVISIONS

- Sec. 561. Civil money penalties against general partners, officers, directors, and certain managing agents of multifamily projects.
- Sec. 562. Civil money penalties for noncompliance with section 8 HAP contracts.
- Sec. 563. Extension of double damages remedy.
- Sec. 564. Obstruction of Federal audits.

SUBTITLE D—OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING

- Sec. 571. Establishment of Office of Multifamily Housing Assistance Restructuring.
- Sec. 572. Director.
- Sec. 573. Duty and authority of Director.
- Sec. 574. Personnel.
- Sec. 575. Budget and financial reports.
- Sec. 576. Limitation on subsequent employment.
- Sec. 577. Audits by GAO.
- Sec. 578. Suspension of program because of failure to appoint Director.
- Sec. 579. Termination.

SEC. 510. SHORT TITLE.

This title may be cited as the "Multifamily Assisted Housing Reform and Affordability Act of 1997".

12 USC 1701
note.

Subtitle A—FHA-Insured Multifamily Housing Mortgage and Housing Assistance Restructuring

SEC. 511. FINDINGS AND PURPOSES.

42 USC 1437f
note.

(a) **FINDINGS.**—Congress finds that—

(1) there exists throughout the Nation a **need** for decent, safe, and affordable housing;

(2) as of the date of enactment of this Act, it is estimated that—

(A) the insured multifamily housing portfolio of the Federal Housing Administration consists of 14,000 rental properties, with an aggregate unpaid principal mortgage balance of \$38,000,000,000; and

(B) approximately 10,000 of these properties contain housing units that are assisted with project-based rental

assistance under section 8 of the United States Housing Act of 1937;

(3) FHA-insured multifamily rental properties are a major Federal investment, providing affordable rental housing to an estimated 2,000,000 low- and very low-income families;

(4) approximately 1,600,000 of these families live in dwelling units that are assisted with project-based rental assistance under section 8 of the United States Housing Act of 1937;

(5) a substantial number of housing units receiving project-based assistance have rents that are higher than the rents of comparable, unassisted rental units in the same housing rental market;

(6) many of the contracts for project-based assistance will expire during the several years following the date of enactment of this Act;

(7) it is estimated that—

(A) if no changes in the terms and conditions of the contracts for project-based assistance are made before fiscal year 2000, the cost of renewing all expiring rental assistance contracts under section 8 of the United States Housing Act of 1937 for both project-based and tenant-based rental assistance will increase from approximately \$3,600,000,000 in fiscal year 1997 to over \$14,300,000,000 by fiscal year 2000 and some \$22,400,000,000 in fiscal year 2006;

(B) of those renewal amounts, the cost of renewing project-based assistance will increase from \$1,200,000,000 in fiscal year 1997 to almost \$7,400,000,000 by fiscal year 2006; and

(C) without changes in the manner in which project-based rental assistance is provided, renewals of expiring contracts for project-based rental assistance will require an increasingly larger portion of the discretionary budget authority of the Department of Housing and Urban Development in each subsequent fiscal year for the foreseeable future;

(8) absent new budget authority for the renewal of expiring rental contracts for project-based assistance, many of the FHA-insured multifamily housing projects that are assisted with project-based assistance are likely to default on their FHA-insured mortgage payments, resulting in substantial claims to the FHA General Insurance Fund and Special Risk Insurance Fund;

(9) more than 15 percent of federally assisted multifamily housing projects are physically or financially distressed, including a number which suffer from mismanagement;

(10) due to Federal budget constraints, the downsizing of the Department of Housing and Urban Development, and diminished administrative capacity, the Department lacks the ability to ensure the continued economic and physical well-being of the stock of federally insured and assisted multifamily housing projects;

(11) the economic, physical, and management problems facing the stock of federally insured and assisted multifamily housing projects will be best served by reforms that—

(A) reduce the cost of Federal rental assistance, including project-based assistance, to these projects by reducing the debt service and operating costs of these projects while

retaining the low-income affordability and availability of this housing;

(B) address physical and economic distress of this housing and the failure of some project managers and owners of projects to comply with management and ownership rules and requirements; and

(C) transfer and share many of the loan and contract administration functions and responsibilities of the Secretary to and with capable State, local, and other entities; and

(12) the authority and duties of the Secretary, not including the control by the Secretary of applicable accounts in the Treasury of the United States, may be delegated to State, local or other entities at the discretion of the Secretary, to the extent the Secretary determines, and for the purpose of carrying out this Act, so that the Secretary has the discretion to be relieved of processing and approving any document or action required by these reforms.

(b) PURPOSES.—Consistent with the purposes and requirements of the Government Performance and Results Act of 1993, the purposes of this subtitle are—

(1) to preserve low-income rental housing affordability and availability while reducing the long-term costs of project-based assistance;

(2) to reform the design and operation of Federal rental housing assistance programs, administered by the Secretary, to promote greater multifamily housing project operating and cost efficiencies;

(3) to encourage owners of eligible multifamily housing projects to restructure their FHA-insured mortgages and project-based assistance contracts in a manner that is consistent with this subtitle before the year in which the contract expires;

(4) to reduce the cost of insurance claims under the National Housing Act related to mortgages insured by the Secretary and used to finance eligible multifamily housing projects;

(5) to streamline and improve federally insured and assisted multifamily housing project oversight and administration;

(6) to resolve the problems affecting financially and physically troubled federally insured and assisted multifamily housing projects through cooperation with residents, owners, State and local governments, and other interested entities and individuals;

(7) to protect the interest of project owners and managers, because they are partners of the Federal Government in meeting the affordable housing needs of the Nation through the section 8 rental housing assistance program;

(8) to protect the interest of tenants residing in the multifamily housing projects at the time of the restructuring for the housing; and

(9) to grant additional enforcement tools to use against those who violate agreements and program requirements, in order to ensure that the public interest is safeguarded and that Federal multifamily housing programs serve their intended purposes.

2 USC 1437f
etc.

SEC. 512. DEFINITIONS.

In this subtitle:

(1) **COMPARABLE PROPERTIES.**—The term “comparable properties” means properties in the same market areas, where practicable, that—

(A) are similar to the eligible multifamily housing project as to neighborhood (including risk of crime), type of location, access, street appeal, age, property size, apartment mix, physical configuration, property and unit amenities, utilities, and other relevant characteristics; and

(B) are not receiving project-based assistance.

(2) **ELIGIBLE MULTIFAMILY HOUSING PROJECT.**—The term “eligible multifamily housing project” means a property consisting of more than 4 dwelling units—

(A) with rents that, on an average per unit or per room basis, exceed the rent of comparable properties in the same market area, determined in accordance with guidelines established by the Secretary;

(B) that is covered in whole or in part by a contract for project-based assistance under—

(i) the new construction or substantial rehabilitation program under section 8(b)(2) of the United States Housing Act of 1937 (as in effect before October 1, 1983);

(ii) the property disposition program under section 8(b) of the United States Housing Act of 1937;

(iii) the moderate rehabilitation program under section 8(e)(2) of the United States Housing Act of 1937;

(iv) the loan management assistance program under section 8 of the United States Housing Act of 1937;

(v) section 23 of the United States Housing Act of 1937 (as in effect before January 1, 1975);

(vi) the rent supplement program under section 101 of the Housing and Urban Development Act of 1965; or

(vii) section 8 of the United States Housing Act of 1937, following conversion from assistance under section 101 of the Housing and Urban Development Act of 1965; and

(C) financed by a mortgage insured or held by the Secretary under the National Housing Act.

(3) **EXPIRING CONTRACT.**—The term “expiring contract” means a project-based assistance contract attached to an eligible multifamily housing project which, under the terms of the contract, will expire.

(4) **EXPIRATION DATE.**—The term “expiration date” means the date on which an expiring contract expires.

(5) **FAIR MARKET RENT.**—The term “fair market rent” means the fair market rental established under section 8(c) of the United States Housing Act of 1937.

(6) **LOW-INCOME FAMILIES.**—The term “low-income families” has the same meaning as provided under section 3(b)(2) of the United States Housing Act of 1937.

(7) **MORTGAGE RESTRUCTURING AND RENTAL ASSISTANCE SUFFICIENCY PLAN.**—The term “mortgage restructuring and

rental assistance sufficiency plan” means the plan as provided under section 514.

(8) **NONPROFIT ORGANIZATION.**—The term “nonprofit organization” means any private nonprofit organization that—

(A) is organized under State or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; and

(C) has a long-term record of service in providing or financing quality affordable housing for low-income families through relationships with public entities.

(9) **PORTFOLIO RESTRUCTURING AGREEMENT.**—The term “portfolio restructuring agreement” means the agreement entered into between the Secretary and a participating administrative entity, as provided under section 513.

(10) **PARTICIPATING ADMINISTRATIVE ENTITY.**—The term “participating administrative entity” means a public agency (including a State housing finance agency or a local housing agency), a nonprofit organization, or any other entity (including a law firm or an accounting firm) or a combination of such entities, that meets the requirements under section 513(b).

(11) **PROJECT-BASED ASSISTANCE.**—The term “project-based assistance” means rental assistance described in paragraph (2)(B) of this section that is attached to a multifamily housing project.

(12) **RENEWAL.**—The term “renewal” means the replacement of an expiring Federal rental contract with a new contract under section 8 of the United States Housing Act of 1937, consistent with the requirements of this subtitle.

(13) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development.

(14) **STATE.**—The term “State” has the same meaning as in section 104 of the Cranston-Gonzalez National Affordable Housing Act.

(15) **TENANT-BASED ASSISTANCE.**—The term “tenant-based assistance” has the same meaning as in section 8(f) of the United States Housing Act of 1937.

(16) **UNIT OF GENERAL LOCAL GOVERNMENT.**—The term “unit of general local government” has the same meaning as in section 104 of the Cranston-Gonzalez National Affordable Housing Act.

(17) **VERY LOW-INCOME FAMILY.**—The term “very low-income family” has the same meaning as in section 3(b) of the United States Housing Act of 1937.

(18) **QUALIFIED MORTGAGEE.**—The term “qualified mortgagee” means an entity approved by the Secretary that is capable of servicing, as well as originating, FHA-insured mortgages, and that—

(A) is not suspended or debarred by the Secretary;

(B) is not suspended or on probation imposed by the Mortgagee Review Board; and

(C) is not in default under any Government National Mortgage Association obligation.

SEC. 513. AUTHORITY OF PARTICIPATING ADMINISTRATIVE ENTITIES.

(a) **PARTICIPATING ADMINISTRATIVE ENTITIES.**—

42 USC 1437f
note.

contracts.

(1) **IN GENERAL.**—Subject to subsection (b)(3), the Secretary shall enter into portfolio restructuring agreements with participating administrative entities for the implementation of mortgage restructuring and rental assistance sufficiency plans to restructure multifamily housing mortgages insured or held by the Secretary under the National Housing Act, in order to—

(A) reduce the costs of expiring contracts for assistance under section 8 of the United States Housing Act of 1937;

(B) address financially and physically troubled projects; and

(C) correct management and ownership deficiencies.

(2) **PORTFOLIO RESTRUCTURING AGREEMENTS.**—Each portfolio restructuring agreement entered into under this subsection shall—

(A) be a cooperative agreement to establish the obligations and requirements between the Secretary and the participating administrative entity;

(B) identify the eligible multifamily housing projects or groups of projects for which the participating administrative entity is responsible for assisting in developing and implementing approved mortgage restructuring and rental assistance sufficiency plans under section 514;

(C) require the participating administrative entity to review and certify to the accuracy and completeness of the evaluation of rehabilitation needs required under section 514(e)(3) for each eligible multifamily housing project included in the portfolio restructuring agreement, in accordance with regulations promulgated by the Secretary;

(D) identify the responsibilities of both the participating administrative entity and the Secretary in implementing a mortgage restructuring and rental assistance sufficiency plan, including any actions proposed to be taken under section 516 or 517;

(E) require each mortgage restructuring and rental assistance sufficiency plan to be prepared in accordance with the requirements of section 514 for each eligible multifamily housing project;

(F) include other requirements established by the Secretary, including a right of the Secretary to terminate the contract immediately for failure of the participating administrative entity to comply with any applicable requirement;

(G) if the participating administrative entity is a State housing finance agency or a local housing agency, indemnify the participating administrative entity against lawsuits and penalties for actions taken pursuant to the agreement, excluding actions involving willful misconduct or negligence;

(H) include compensation for all reasonable expenses incurred by the participating administrative entity necessary to perform its duties under this subtitle; and

(I) include, where appropriate, incentive agreements with the participating administrative entity to reward superior performance in meeting the purposes of this Act.

(b) **SELECTION OF PARTICIPATING ADMINISTRATIVE ENTITY.**—

(1) **SELECTION CRITERIA.**—The Secretary shall select a participating administrative entity based on whether, in the determination of the Secretary, the participating administrative entity—

(A) has demonstrated experience in working directly with residents of low-income housing projects and with tenants and other community-based organizations;

(B) has demonstrated experience with and capacity for multifamily restructuring and multifamily financing (which may include risk-sharing arrangements and restructuring eligible multifamily housing properties under the fiscal year 1997 Federal Housing Administration multifamily housing demonstration program);

(C) has a history of stable, financially sound, and responsible administrative performance (which may include the management of affordable low-income rental housing);

(D) has demonstrated financial strength in terms of asset quality, capital adequacy, and liquidity;

(E) has demonstrated that it will carry out the specific transactions and other responsibilities under this subtitle in a timely, efficient, and cost-effective manner; and

(F) meets other criteria, as determined by the Secretary.

(2) **SELECTION.**—If more than 1 interested entity meets the qualifications and selection criteria for a participating administrative entity, the Secretary may select the entity that demonstrates, as determined by the Secretary, that it will—

(A) provide the most timely, efficient, and cost-effective—

(i) restructuring of the mortgages covered by the portfolio restructuring agreement; and

(ii) administration of the section 8 project-based assistance contract, if applicable; and

(B) protect the public interest (including the long-term provision of decent low-income affordable rental housing and protection of residents, communities, and the American taxpayer).

(3) **PARTNERSHIPS.**—For the purposes of any participating administrative entity applying under this subsection, participating administrative entities are encouraged to develop partnerships with each other and with nonprofit organizations, if such partnerships will further the participating administrative entity's ability to meet the purposes of this Act.

(4) **ALTERNATIVE ADMINISTRATORS.**—With respect to any eligible multifamily housing project for which a participating administrative entity is unavailable, or should not be selected to carry out the requirements of this subtitle with respect to that multifamily housing project for reasons relating to the selection criteria under paragraph (1), the Secretary shall—

(A) carry out the requirements of this subtitle with respect to that eligible multifamily housing project; or

(B) contract with other qualified entities that meet the requirements of paragraph (1) to provide the authority to carry out all or a portion of the requirements of this subtitle with respect to that eligible multifamily housing project.

(5) **PRIORITY FOR PUBLIC AGENCIES AS PARTICIPATING ADMINISTRATIVE ENTITIES.**—The Secretary shall provide a reasonable period during which the Secretary will consider proposals only from State housing finance agencies or local housing agencies, and the Secretary shall select such an agency without considering other applicants if the Secretary determines that the agency is qualified. The period shall be of sufficient duration for the Secretary to determine whether any State housing finance agencies or local housing agencies are interested and qualified. Not later than the end of the period, the Secretary shall notify the State housing finance agency or the local housing agency regarding the status of the proposal and, if the proposal is rejected, the reasons for the rejection and an opportunity for the applicant to respond.

ification.

(6) **STATE AND LOCAL PORTFOLIO REQUIREMENTS.**—

(A) **IN GENERAL.**—If the housing finance agency of a State is selected as the participating administrative entity, that agency shall be responsible for such eligible multifamily housing projects in that State as may be agreed upon by the participating administrative entity and the Secretary. If a local housing agency is selected as the participating administrative entity, that agency shall be responsible for such eligible multifamily housing projects in the jurisdiction of the agency as may be agreed upon by the participating administrative entity and the Secretary.

(B) **NONDELEGATION.**—Except with the prior approval of the Secretary, a participating administrative entity may not delegate or transfer responsibilities and functions under this subtitle to 1 or more entities.

(7) **PRIVATE ENTITY REQUIREMENTS.**—

(A) **IN GENERAL.**—If a for-profit entity is selected as the participating administrative entity, that entity shall be required to enter into a partnership with a public purpose entity (including the Department).

(B) **PROHIBITION.**—No private entity shall share, participate in, or otherwise benefit from any equity created, received, or restructured as a result of the portfolio restructuring agreement.

USC 1437f
te.

SEC. 514. MORTGAGE RESTRUCTURING AND RENTAL ASSISTANCE SUFFICIENCY PLAN.

(a) **IN GENERAL.**—

(1) **DEVELOPMENT OF PROCEDURES AND REQUIREMENTS.**—The Secretary shall develop procedures and requirements for the submission of a mortgage restructuring and rental assistance sufficiency plan for each eligible multifamily housing project with an expiring contract.

(2) **TERMS AND CONDITIONS.**—Each mortgage restructuring and rental assistance sufficiency plan submitted under this subsection shall be developed by the participating administrative entity, in cooperation with an owner of an eligible multifamily housing project and any servicer for the mortgage that is a qualified mortgagee, under such terms and conditions as the Secretary shall require.

(3) **CONSOLIDATION.**—Mortgage restructuring and rental assistance sufficiency plans submitted under this subsection

may be consolidated as part of an overall strategy for more than 1 property.

(b) **NOTICE REQUIREMENTS.**—The Secretary shall establish notice procedures and hearing requirements for tenants and owners concerning the dates for the expiration of project-based assistance contracts for any eligible multifamily housing project.

(c) **EXTENSION OF CONTRACT TERM.**—Subject to agreement by a project owner, the Secretary may extend the term of any expiring contract or provide a section 8 contract with rent levels set in accordance with subsection (g) for a period sufficient to facilitate the implementation of a mortgage restructuring and rental assistance sufficiency plan, as determined by the Secretary.

(d) **TENANT RENT PROTECTION.**—If the owner of a project with an expiring Federal rental assistance contract does not agree to extend the contract, not less than 12 months prior to terminating the contract, the project owner shall provide written notice to the Secretary and the tenants and the Secretary shall make tenant-based assistance available to tenants residing in units assisted under the expiring contract at the time of expiration.

Notification.

(e) **MORTGAGE RESTRUCTURING AND RENTAL ASSISTANCE SUFFICIENCY PLAN.**—Each mortgage restructuring and rental assistance sufficiency plan shall—

(1) except as otherwise provided, restructure the project-based assistance rents for the eligible multifamily housing project in a manner consistent with subsection (g), or provide for tenant-based assistance in accordance with section 515;

(2) allow for rent adjustments by applying an operating cost adjustment factor established under guidelines established by the Secretary;

(3) require the owner or purchaser of an eligible multifamily housing project to evaluate the rehabilitation needs of the project, in accordance with regulations of the Secretary, and notify the participating administrative entity of the rehabilitation needs;

(4) require the owner or purchaser of the project to provide or contract for competent management of the project;

(5) require the owner or purchaser of the project to take such actions as may be necessary to rehabilitate, maintain adequate reserves, and to maintain the project in decent and safe condition, based on housing quality standards established by—

(A) the Secretary; or

(B) local housing codes or codes adopted by public housing agencies that—

(i) meet or exceed housing quality standards established by the Secretary; and

(ii) do not severely restrict housing choice;

(6) require the owner or purchaser of the project to maintain affordability and use restrictions in accordance with regulations promulgated by the Secretary, for a term of not less than 30 years which restrictions shall be—

(A) contained in a legally enforceable document recorded in the appropriate records; and

(B) consistent with the long-term physical and financial viability and character of the project as affordable housing;

(7) include a certification by the participating administrative entity that the restructuring meets subsidy layering

requirements established by the Secretary by regulation for purposes of this subtitle;

(8) require the owner or purchaser of the project to meet such other requirements as the Secretary determines to be appropriate; and

(9) prohibit the owner from refusing to lease a reasonable number of units to holders of certificates and vouchers under section 8 of the United States Housing Act of 1937 because of the status of the prospective tenants as certificate and voucher holders.

(F) TENANT AND OTHER PARTICIPATION AND CAPACITY BUILDING.—

(1) PROCEDURES.—

(A) IN GENERAL.—The Secretary shall establish procedures to provide an opportunity for tenants of the project, residents of the neighborhood, the local government, and other affected parties to participate effectively and on a timely basis in the restructuring process established by this subtitle.

(B) COVERAGE.—These procedures shall take into account the need to provide tenants of the project, residents of the neighborhood, the local government, and other affected parties timely notice of proposed restructuring actions and appropriate access to relevant information about restructuring activities. To the extent practicable and consistent with the need to accomplish project restructuring in an efficient manner, the procedures shall give all such parties an opportunity to provide comments to the participating administrative entity in writing, in meetings, or in another appropriate manner (which comments shall be taken into consideration by the participating administrative entity).

(2) REQUIRED CONSULTATION.—The procedures developed pursuant to paragraph (1) shall require consultation with tenants of the project, residents of the neighborhood, the local government, and other affected parties, in connection with at least the following:

(A) the mortgage restructuring and rental assistance sufficiency plan;

(B) any proposed transfer of the project; and

(C) the rental assistance assessment plan pursuant to section 515(c).

(3) FUNDING.—

(A) IN GENERAL.—The Secretary may provide not more than \$10,000,000 annually in funding from which the Secretary may make obligations to tenant groups, nonprofit organizations, and public entities for building the capacity of tenant organizations, for technical assistance in furthering any of the purposes of this subtitle (including transfer of developments to new owners) and for tenant services, from those amounts made available under appropriations Acts for implementing this subtitle or previously made available for technical assistance in connection with the preservation of affordable rental housing for low-income persons.

(B) MANNER OF PROVIDING.—Notwithstanding any other provision of law restricting the use of preservation

technical assistance funds, the Secretary may provide any funds made available under subparagraph (A) through existing technical assistance programs pursuant to any other Federal law, including the Low-Income Housing Preservation and Resident Homeownership Act of 1990 and the Multifamily Property Disposition Reform Act of 1994, or through any other means that the Secretary considers consistent with the purposes of this subtitle, without regard to any set-aside requirement otherwise applicable to those funds.

(C) PROHIBITION.—None of the funds made available under subparagraph (A) may be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a Member of Congress, to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress, whether before or after the introduction of any bill or resolution proposing such legislation or appropriation.

(g) RENT LEVELS.—

(1) IN GENERAL.—Except as provided in paragraph (2), each mortgage restructuring and rental assistance sufficiency plan pursuant to the terms, conditions, and requirements of this subtitle shall establish for units assisted with project-based assistance in eligible multifamily housing projects adjusted rent levels that—

(A) are equivalent to rents derived from comparable properties, if—

(i) the participating administrative entity makes the rent determination within a reasonable period of time; and

(ii) the market rent determination is based on not less than 2 comparable properties; or

(B) if those rents cannot be determined, are equal to 90 percent of the fair market rents for the relevant market area.

(2) EXCEPTIONS.—

(A) IN GENERAL.—A contract under this section may include rent levels that exceed the rent level described in paragraph (1) at rent levels that do not exceed 120 percent of the fair market rent for the market area (except that the Secretary may waive this limit for not more than five percent of all units subject to restructured mortgages in any fiscal year, based on a finding of special need), if the participating administrative entity—

(i) determines that the housing needs of the tenants and the community cannot be adequately addressed through implementation of the rent limitation required to be established through a mortgage restructuring and rental assistance sufficiency plan under paragraph (1); and

(ii) follows the procedures under paragraph (3).

(B) EXCEPTION RENTS.—In any fiscal year, a participating administrative entity may approve exception rents on not more than 20 percent of all units covered by the portfolio restructuring agreement with expiring contracts in

that fiscal year, except that the Secretary may waive this ceiling upon a finding of special need.

(3) **RENT LEVELS FOR EXCEPTION PROJECTS.**—For purposes of this section, a project eligible for an exception rent shall receive a rent calculated on the actual and projected costs of operating the project, at a level that provides income sufficient to support a budget-based rent that consists of—

(A) the debt service of the project;

(B) the operating expenses of the project, as determined by the participating administrative entity, including—

(i) contributions to adequate reserves;

(ii) the costs of maintenance and necessary rehabilitation; and

(iii) other eligible costs permitted under section 8 of the United States Housing Act of 1937;

(C) an adequate allowance for potential operating losses due to vacancies and failure to collect rents, as determined by the participating administrative entity;

(D) an allowance for a reasonable rate of return to the owner or purchaser of the project, as determined by the participating administrative entity, which may be established to provide incentives for owners or purchasers to meet benchmarks of quality for management and housing quality; and

(E) other expenses determined by the participating administrative entity to be necessary for the operation of the project.

(h) **EXEMPTIONS FROM RESTRUCTURING.**—The following categories of projects shall not be covered by a mortgage restructuring and rental assistance sufficiency plan if—

(1) the primary financing or mortgage insurance for the multifamily housing project that is covered by that expiring contract was provided by a unit of State government or a unit of general local government (or an agency or instrumentality of a unit of a State government or unit of general local government);

(2) the project is a project financed under section 202 of the Housing Act of 1959 or section 515 of the Housing Act of 1949; or

(3) the project has an expiring contract under section 8 of the United States Housing Act of 1937 entered into pursuant to section 441 of the Stewart B. McKinney Homeless Assistance Act.

contracts.
USC 1437f
te.

SEC. 515. SECTION 8 RENEWALS AND LONG-TERM AFFORDABILITY COMMITMENT BY OWNER OF PROJECT.

(a) **SECTION 8 RENEWALS OF RESTRUCTURED PROJECTS.**—

(1) **PROJECT-BASED ASSISTANCE.**—Subject to the availability of amounts provided in advance in appropriations Acts, and to the control of the Secretary of applicable accounts in the Treasury of the United States, with respect to an expiring section 8 contract on an eligible multifamily housing project to be renewed with project-based assistance (based on a determination under subsection (c)), the Secretary shall enter into contracts with participating administrative entities pursuant to which the participating administrative entity shall offer to renew or extend the contract, or the Secretary shall offer to

renew such contract, and the owner of the project shall accept the offer, if the initial renewal is in accordance with the terms and conditions specified in the mortgage restructuring and rental assistance sufficiency plan and the rental assistance assessment plan.

(2) **TENANT-BASED ASSISTANCE.**—Subject to the availability of amounts provided in advance in appropriations Acts and to the control of the Secretary of applicable accounts in the Treasury of the United States, with respect to an expiring section 8 contract on an eligible multifamily housing project to be renewed with tenant-based assistance (based on a determination under subsection (c)), the Secretary shall enter into contracts with participating administrative entities pursuant to which the participating administrative entity shall provide for the renewal of section 8 assistance on an eligible multifamily housing project with tenant-based assistance, or the Secretary shall provide for such renewal, in accordance with the terms and conditions specified in the mortgage restructuring and rental assistance sufficiency plan and the rental assistance assessment plan.

(b) **REQUIRED COMMITMENT.**—After the initial renewal of a section 8 contract pursuant to this section, the owner shall accept each offer made pursuant to subsection (a) to renew the contract, for the term of the affordability and use restrictions required by section 514(e)(6), if the offer to renew is on terms and conditions specified in the mortgage restructuring and rental assistance sufficiency plan.

(c) **DETERMINATION OF WHETHER TO RENEW WITH PROJECT-BASED OR TENANT-BASED ASSISTANCE.**—

(1) **MANDATORY RENEWAL OF PROJECT-BASED ASSISTANCE.**—Section 8 assistance shall be renewed with project-based assistance, if—

(A) the project is located in an area in which the participating administrative entity determines, based on housing market indicators, such as low vacancy rates or high absorption rates, that there is not adequate available and affordable housing or that the tenants of the project would not be able to locate suitable units or use the tenant-based assistance successfully;

(B) a predominant number of the units in the project are occupied by elderly families, disabled families, or elderly and disabled families;

(C) the project is held by a nonprofit cooperative ownership housing corporation or nonprofit cooperative housing trust.

(2) **RENTAL ASSISTANCE ASSESSMENT PLAN.**—

(A) **IN GENERAL.**—With respect to any project that is not described in paragraph (1), the participating administrative entity shall, after consultation with the owner of the project, develop a rental assistance assessment plan to determine whether to renew assistance for the project with tenant-based assistance or project-based assistance.

(B) **RENTAL ASSISTANCE ASSESSMENT PLAN REQUIREMENTS.**—Each rental assistance assessment plan developed under this paragraph shall include an assessment of the impact of converting to tenant-based assistance and the impact of extending project-based assistance on—

(i) the ability of the tenants to find adequate, available, decent, comparable, and affordable housing in the local market;

(ii) the types of tenants residing in the project (such as elderly families, disabled families, large families, and cooperative homeowners);

(iii) the local housing needs identified in the comprehensive housing affordability strategy, and local market vacancy trends;

(iv) the cost of providing assistance, comparing the applicable payment standard to the project's adjusted rent levels determined under section 514(g);

(v) the long-term financial stability of the project;

(vi) the ability of residents to make reasonable choices about their individual living situations;

(vii) the quality of the neighborhood in which the tenants would reside; and

(viii) the project's ability to compete in the marketplace.

(C) **REPORTS TO DIRECTOR.**—Each participating administrative entity shall report regularly to the Director as defined in subtitle D, as the Director shall require, identifying—

(i) each eligible multifamily housing project for which the entity has developed a rental assistance assessment plan under this paragraph that determined that the tenants of the project generally supported renewal of assistance with tenant-based assistance, but under which assistance for the project was renewed with project-based assistance; and

(ii) each project for which the entity has developed such a plan under which the assistance is renewed using tenant-based assistance.

(3) **ELIGIBILITY FOR TENANT-BASED ASSISTANCE.**—Subject to paragraph (4), with respect to any project that is not described in paragraph (1), if a participating administrative entity approves the use of tenant-based assistance based on a rental assistance assessment plan developed under paragraph (2), tenant-based assistance shall be provided to each assisted family (other than a family already receiving tenant-based assistance) residing in the project at the time the assistance described in section 512(2)(B) terminates.

(4) **RENTS FOR FAMILIES RECEIVING TENANT-BASED ASSISTANCE.**—

(A) **IN GENERAL.**—Notwithstanding subsection (c)(1) or (o)(1) of section 8 of the United States Housing Act of 1937, in the case of any family described in paragraph (3) that resides in a project described in section 512(2)(B) in which the reasonable rent (which rent shall include any amount allowed for utilities and shall not exceed comparable market rents for the relevant housing market area) exceeds the fair market rent limitation or the payment standard, as applicable, the amount of assistance for the family shall be determined in accordance with subparagraph (B).

(B) **MAXIMUM MONTHLY RENT; PAYMENT STANDARD.**—With respect to the certificate program under section 8(b)

of the United States Housing Act of 1937, the maximum monthly rent under the contract (plus any amount allowed for utilities) shall be such reasonable rent for the unit. With respect to the voucher program under section 8(o) of the United States Housing Act of 1937, the payment standard shall be deemed to be such reasonable rent for the unit.

(5) **INAPPLICABILITY OF CERTAIN PROVISION.**—If a participating administrative entity approves renewal with project-based assistance under this subsection, section 8(d)(2) of the United States Housing Act of 1937 shall not apply.

SEC. 516. PROHIBITION ON RESTRUCTURING.

42 USC 1437f
note.

(a) **PROHIBITION ON RESTRUCTURING.**—The Secretary may elect not to consider any mortgage restructuring and rental assistance sufficiency plan or request for contract renewal if the Secretary or the participating administrative entity determines that—

(1)(A) the owner or purchaser of the project has engaged in material adverse financial or managerial actions or omissions with regard to such project; or

(B) the owner or purchaser of the project has engaged in material adverse financial or managerial actions or omissions with regard to other projects of such owner or purchaser that are federally assisted or financed with a loan from, or mortgage insured or guaranteed by, an agency of the Federal Government;

(2) material adverse financial or managerial actions or omissions include—

(A) materially violating any Federal, State, or local law or regulation with regard to this project or any other federally assisted project, after receipt of notice and an opportunity to cure;

(B) materially breaching a contract for assistance under section 8 of the United States Housing Act of 1937, after receipt of notice and an opportunity to cure;

(C) materially violating any applicable regulatory or other agreement with the Secretary or a participating administrative entity, after receipt of notice and an opportunity to cure;

(D) repeatedly and materially violating any Federal, State, or local law or regulation with regard to the project or any other federally assisted project;

(E) repeatedly and materially breaching a contract for assistance under section 8 of the United States Housing Act of 1937;

(F) repeatedly and materially violating any applicable regulatory or other agreement with the Secretary or a participating administrative entity;

(G) repeatedly failing to make mortgage payments at times when project income was sufficient to maintain and operate the property;

(H) materially failing to maintain the property according to housing quality standards after receipt of notice and a reasonable opportunity to cure; or

(I) committing any actions or omissions that would warrant suspension or debarment by the Secretary;

(3) the owner or purchaser of the property materially failed to follow the procedures and requirements of this subtitle, after receipt of notice and an opportunity to cure; or

(4) the poor condition of the project cannot be remedied in a cost effective manner, as determined by the participating administrative entity.

The term "owner" as used in this subsection, in addition to it having the same meaning as in section 8(f) of the United States Housing Act of 1937, also means an affiliate of the owner. The term "purchaser" as used in this subsection means any private person or entity, including a cooperative, an agency of the Federal Government, or a public housing agency, that, upon purchase of the project, would have the legal right to lease or sublease dwelling units in the project, and also means an affiliate of the purchaser. The terms "affiliate of the owner" and "affiliate of the purchaser" means any person or entity (including, but not limited to, a general partner or managing member, or an officer of either) that controls an owner or purchaser, is controlled by an owner or purchaser, or is under common control with the owner or purchaser. The term "control" means the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or otherwise) to direct the financial, legal, beneficial or other interests of the owner or purchaser.

(b) OPPORTUNITY TO DISPUTE FINDINGS.—

(1) **IN GENERAL.**—During the 30-day period beginning on the date on which the owner or purchaser of an eligible multifamily housing project receives notice of a rejection under subsection (a) or of a mortgage restructuring and rental assistance sufficiency plan under section 514, the Secretary or participating administrative entity shall provide that owner or purchaser with an opportunity to dispute the basis for the rejection and an opportunity to cure.

(2) AFFIRMATION, MODIFICATION, OR REVERSAL.—

(A) **IN GENERAL.**—After providing an opportunity to dispute under paragraph (1), the Secretary or the participating administrative entity may affirm, modify, or reverse any rejection under subsection (a) or rejection of a mortgage restructuring and rental assistance sufficiency plan under section 514.

(B) **REASONS FOR DECISION.**—The Secretary or the participating administrative entity, as applicable, shall identify the reasons for any final decision under this paragraph.

(C) **REVIEW PROCESS.**—The Secretary shall establish an administrative review process to appeal any final decision under this paragraph.

(c) **FINAL DETERMINATION.**—Any final determination under this section shall not be subject to judicial review.

(d) **DISPLACED TENANTS.**—Subject to the availability of amounts provided in advance in appropriations Acts, for any low-income tenant that is residing in a project or receiving assistance under section 8 of the United States Housing Act of 1937 at the time of rejection under this section, that tenant shall be provided with tenant-based assistance and reasonable moving expenses, as determined by the Secretary.

(e) **TRANSFER OF PROPERTY.**—For properties disqualified from the consideration of a mortgage restructuring and rental assistance

sufficiency plan under this section in accordance with paragraph (1) or (2) of subsection (a) because of actions by an owner or purchaser, the Secretary shall establish procedures to facilitate the voluntary sale or transfer of a property as part of a mortgage restructuring and rental assistance sufficiency plan, with a preference for tenant organizations and tenant-endorsed community-based nonprofit and public agency purchasers meeting such reasonable qualifications as may be established by the Secretary.

SEC. 517. RESTRUCTURING TOOLS.

42 USC 1437
note.

(a) MORTGAGE RESTRUCTURING.—

(1) In this subtitle, an approved mortgage restructuring and rental assistance sufficiency plan shall include restructuring mortgages in accordance with this subsection to provide—

(A) a restructured or new first mortgage that is sustainable at rents at levels that are established in section 514(g); and

(B) a second mortgage that is in an amount equal to no more than the difference between the restructured or new first mortgage and the indebtedness under the existing insured mortgage immediately before it is restructured or refinanced, provided that the amount of the second mortgage shall be in an amount that the Secretary or participating administrative entity determines can reasonably be expected to be repaid.

(2) The second mortgage shall bear interest at a rate not to exceed the applicable Federal rate as defined in section 1274(d) of the Internal Revenue Code of 1986. The term of the second mortgage shall be equal to the term of the restructured or new first mortgage.

(3) Payments on the second mortgage shall be deferred when the first mortgage remains outstanding, except to the extent there is excess project income remaining after payment of all reasonable and necessary operating expenses (including deposits in a reserve for replacement), debt service on the first mortgage, and any other expenditures approved by the Secretary. At least 75 percent of any excess project income shall be applied to payments on the second mortgage, and the Secretary or the participating administrative entity may permit up to 25 percent to be paid to the project owner if the Secretary or participating administrative entity determines that the project owner meets benchmarks for management and housing quality.

(4) The full amount of the second mortgage shall be immediately due and payable if—

(A) the first mortgage is terminated or paid in full, except as otherwise provided by the holder of the second mortgage;

(B) the project is purchased and the second mortgage is assumed by any subsequent purchaser in violation of guidelines established by the Secretary; or

(C) the Secretary provides notice to the project owner that such owner has failed to materially comply with any requirements of this section or the United States Housing Act of 1937 as those requirements apply to the project, with a reasonable opportunity for such owner to cure such failure.

(5) The Secretary may modify the terms or forgive all or part of the second mortgage if the Secretary holds the second mortgage and if the project is acquired by a tenant organization or tenant-endorsed community-based nonprofit or public agency, pursuant to guidelines established by the Secretary.

(b) **RESTRUCTURING TOOLS.**—In addition to the requirements of subsection (a) and to the extent these actions are consistent with this section and with the control of the Secretary of applicable accounts in the Treasury of the United States, an approved mortgage restructuring and rental assistance sufficiency plan under this subtitle may include one or more of the following actions:

(1) **FULL OR PARTIAL PAYMENT OF CLAIM.**—making a full payment of claim or partial payment of claim under section 541(b) of the National Housing Act, as amended by section 523(b) of this Act. Any payment under this paragraph shall not require the approval of a mortgagee;

(2) **REFINANCING OF DEBT.**—refinancing of all or part of the debt on a project. If the refinancing involves a mortgage that will continue to be insured under the National Housing Act, the refinancing shall be documented through amendment of the existing insurance contract and not through a new insurance contract;

(3) **MORTGAGE INSURANCE.**—providing FHA multifamily mortgage insurance, reinsurance or other credit enhancement alternatives, including multifamily risk-sharing mortgage programs, as provided under section 542 of the Housing and Community Development Act of 1992. Any limitations on the number of units available for mortgage insurance under section 542 shall not apply to eligible multifamily housing projects. Any credit subsidy costs of providing mortgage insurance shall be paid from the Liquidating Accounts of the General Insurance Fund or the Special Risk Insurance Fund and shall not be subject to any limitation on appropriations;

(4) **CREDIT ENHANCEMENT.**—providing any additional State or local mortgage credit enhancements and risk-sharing arrangements that may be established with State or local housing finance agencies, the Federal Housing Finance Board, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation, to a modified or refinanced first mortgage;

(5) **COMPENSATION OF THIRD PARTIES.**—consistent with the portfolio restructuring agreement, entering into agreements, incurring costs, or making payments, including incentive agreements designed to reward superior performance in meeting the purposes of this Act, as may be reasonably necessary, to compensate the participation of participating administrative entities and other parties in undertaking actions authorized by this subtitle. Upon request to the Secretary, participating administrative entities that are qualified under the United States Housing Act of 1937 to serve as contract administrators shall be the contract administrators under section 8 of the United States Housing Act of 1937 for purposes of any contracts entered into as part of an approved mortgage restructuring and rental assistance sufficiency plan. Subject to the availability of amounts provided in advance in appropriations Acts for administrative fees under section 8 of the United States

Housing Act of 1937, such amounts may be used to compensate participating administrative entities for compliance monitoring costs incurred under section 519;

(6) **USE OF PROJECT ACCOUNTS.**—applying any residual receipts, replacement reserves, and any other project accounts not required for project operations, to maintain the long-term affordability and physical condition of the property or of other eligible multifamily housing projects. The participating administrative entity may expedite the acquisition of residual receipts, replacement reserves, or other such accounts, by entering into agreements with owners of housing covered by an expiring contract to provide an owner with a share of the receipts, not to exceed 10 percent, in accordance with guidelines established by the Secretary; and

(7) **REHABILITATION NEEDS.**—

(A) **IN GENERAL.**—Rehabilitation may be paid from the residual receipts, replacement reserves, or any other project accounts not required for project operations, or, as provided in appropriations Acts and subject to the control of the Secretary of applicable accounts in the Treasury of the United States, from budget authority provided for increases in the budget authority for assistance contracts under section 8 of the United States Housing Act of 1937, the rehabilitation grant program established under section 236 of the National Housing Act, as amended by section 531 of subtitle B of this Act, or through the debt restructuring transaction. Rehabilitation under this paragraph shall only be for the purpose of restoring the project to a non-luxury standard adequate for the rental market intended at the original approval of the project-based assistance.

(B) **CONTRIBUTION.**—Each owner or purchaser of a project to be rehabilitated under an approved mortgage restructuring and rental assistance sufficiency plan shall contribute, from non-project resources, not less than 25 percent of the amount of rehabilitation assistance received, except that the participating administrative entity may provide an exception from the requirement of this subparagraph for housing cooperatives.

(c) **ROLE OF FNMA AND FHLMC.**—Section 1335 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4565) is amended—

(1) in paragraph (3), by striking “and” at the end;

(2) paragraph (4), by striking the period at the end and inserting “; and”;

(3) by striking “To meet” and inserting the following:

“(a) **IN GENERAL.**—To meet”; and

(4) by adding at the end the following:

“(5) assist in maintaining the affordability of assisted units in eligible multifamily housing projects with expiring contracts, as defined under the Multifamily Assisted Housing Reform and Affordability Act of 1997.

“(b) **AFFORDABLE HOUSING GOALS.**—Actions taken under subsection (a)(5) shall constitute part of the contribution of each entity in meeting its affordable housing goals under sections 1332, 1333, and 1334 for any fiscal year, as determined by the Secretary.”.

(d) **PROHIBITION ON EQUITY SHARING BY THE SECRETARY.**—The Secretary is prohibited from participating in any equity agreement or profit-sharing agreement in conjunction with any eligible multifamily housing project.

(e) **CONFLICT OF INTEREST GUIDELINES.**—The Secretary may establish guidelines to prevent conflicts of interest by a participating administrative entity that provides, directly or through risk-sharing arrangements, any form of credit enhancement or financing pursuant to subsections (b)(3) or (b)(4) or to prevent conflicts of interest by any other person or entity under this subtitle.

USC 1437f
te.

SEC. 518. MANAGEMENT STANDARDS.

Each participating administrative entity shall establish management standards, including requirements governing conflicts of interest between owners, managers, contractors with an identity of interest, pursuant to guidelines established by the Secretary and consistent with industry standards.

USC 1437f
te.

SEC. 519. MONITORING OF COMPLIANCE.

(a) **COMPLIANCE AGREEMENTS.**—(1) Pursuant to regulations issued by the Secretary under section 522(a), each participating administrative entity, through binding contractual agreements with owners and otherwise, shall ensure long-term compliance with the provisions of this subtitle. Each agreement shall, at a minimum, provide for—

- (A) enforcement of the provisions of this subtitle; and
- (B) remedies for the breach of those provisions.

(2) If the participating administrative entity is not qualified under the United States Housing Act of 1937 to be a section 8 contract administrator or fails to perform its duties under the portfolio restructuring agreement, the Secretary shall have the right to enforce the agreement.

(b) **PERIODIC MONITORING.**—

(1) **IN GENERAL.**—Not less than annually, each participating administrative entity that is qualified to be the section 8 contract administrator shall review the status of all multifamily housing projects for which a mortgage restructuring and rental assistance sufficiency plan has been implemented.

(2) **INSPECTIONS.**—Each review under this subsection shall include onsite inspection to determine compliance with housing codes and other requirements as provided in this subtitle and the portfolio restructuring agreements.

(3) **ADMINISTRATION.**—If the participating administrative entity is not qualified under the United States Housing Act of 1937 to be a section 8 contract administrator, either the Secretary or a qualified State or local housing agency shall be responsible for the review required by this subsection.

(c) **AUDIT BY THE SECRETARY.**—The Comptroller General of the United States, the Secretary, and the Inspector General of the Department of Housing and Urban Development may conduct an audit at any time of any multifamily housing project for which a mortgage restructuring and rental assistance sufficiency plan has been implemented.

USC 1437f
te.

SEC. 520. REPORTS TO CONGRESS.

(a) **ANNUAL REVIEW.**—In order to ensure compliance with this subtitle, the Secretary shall conduct an annual review and report

to the Congress on actions taken under this subtitle and the status of eligible multifamily housing projects.

(b) SEMIANNUAL REVIEW.—Not less than semiannually during the 2-year period beginning on the date of the enactment of this Act and not less than annually thereafter, the Secretary shall submit reports to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate stating, for such periods, the total number of projects identified by participating administrative entities under each of clauses (i) and (ii) of section 515(c)(2)(C).

SEC. 521. GAO AUDIT AND REVIEW.

(a) INITIAL AUDIT.—Not later than 18 months after the effective date of final regulations promulgated under this subtitle, the Comptroller General of the United States shall conduct an audit to evaluate eligible multifamily housing projects and the implementation of mortgage restructuring and rental assistance sufficiency plans.

(b) REPORT.—

(1) IN GENERAL.—Not later than 18 months after the audit conducted under subsection (a), the Comptroller General of the United States shall submit to Congress a report on the status of eligible multifamily housing projects and the implementation of mortgage restructuring and rental assistance sufficiency plans.

(2) CONTENTS.—The report submitted under paragraph (1) shall include—

(A) a description of the initial audit conducted under subsection (a); and

(B) recommendations for any legislative action to increase the financial savings to the Federal Government of the restructuring of eligible multifamily housing projects balanced with the continued availability of the maximum number of affordable low-income housing units.

SEC. 522. REGULATIONS.

(a) RULEMAKING AND IMPLEMENTATION.—

(1) INTERIM REGULATIONS.—The Director shall issue such interim regulations as may be necessary to implement this subtitle and the amendments made by this subtitle with respect to eligible multifamily housing projects covered by contracts described in section 512(2)(B) that expire in fiscal year 1999 or thereafter. If, before the expiration of such period, the Director has not been appointed, the Secretary shall issue such interim regulations.

(2) FINAL REGULATIONS.—The Director shall issue final regulations necessary to implement this subtitle and the amendments made by this subtitle with respect to eligible multifamily housing projects covered by contracts described in section 512(2)(B) that expire in fiscal year 1999 or thereafter before the later of: (A) the expiration of the 12-month period beginning upon the date of the enactment of this Act; and (B) the 3-month period beginning upon the appointment of the Director under subtitle D.

(3) FACTORS FOR CONSIDERATION.—Before the publication of the final regulations under paragraph (2), in addition to public comments invited in connection with publication of the interim rule, the Secretary shall—

42 USC 1437f
note.

42 USC 1437f
note.

(A) seek recommendations on the implementation of sections 513(b) and 515(c)(1) from organizations representing—

- (i) State housing finance agencies and local housing agencies;
- (ii) other potential participating administering entities;
- (iii) tenants;
- (iv) owners and managers of eligible multifamily housing projects;
- (v) States and units of general local government; and
- (vi) qualified mortgagees; and

(B) convene not less than 3 public forums at which the organizations making recommendations under subparagraph (A) may express views concerning the proposed disposition of the recommendations.

applicability.

(b) **TRANSITION PROVISION FOR CONTRACTS EXPIRING IN FISCAL YEAR 1998.**—Notwithstanding any other provision of law, the Secretary shall apply all the terms of section 211 and section 212 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (except for section 212(h)(1)(G) and the limitation in section 212(k)) contracts for project-based assistance that expire during fiscal year 1998 (in the same manner that such provisions apply to expiring contracts defined in section 212(a)(3) of such Act), except that section 517(a) of the Act shall apply to mortgages on projects subject to such contracts.

USC 1437f
ite.

SEC. 523. TECHNICAL AND CONFORMING AMENDMENTS.

(a) **CALCULATION OF LIMIT ON PROJECT-BASED ASSISTANCE.**—Section 8(d) of the United States Housing Act of 1937 (42 U.S.C. 1437f(d)) is amended by adding at the end the following:

“(5) **CALCULATION OF LIMIT.**—Any contract entered into under section 514 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 shall be excluded in computing the limit on project-based assistance under this subsection.”.

(b) **PARTIAL PAYMENT OF CLAIMS ON MULTIFAMILY HOUSING PROJECTS.**—Section 541 of the National Housing Act (12 U.S.C. 1735f-19) is amended—

- (1) in subsection (a), in the subsection heading, by striking “AUTHORITY” and inserting “DEFAULTED MORTGAGES”;
- (2) by redesignating subsection (b) as subsection (c); and
- (3) by inserting after subsection (a) the following:

“(b) **EXISTING MORTGAGES.**—Notwithstanding any other provision of law, the Secretary, in connection with a mortgage restructuring under section 514 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, may make a one time, non-default partial payment of the claim under the mortgage insurance contract, which shall include a determination by the Secretary or the participating administrative entity, in accordance with the Multifamily Assisted Housing Reform and Affordability Act of 1997, of the market value of the project and a restructuring of the mortgage, under such terms and conditions as are permitted by section 517(a) of such Act.”.

(c) REUSE AND RESCISSION OF CERTAIN RECAPTURED BUDGET AUTHORITY.—Section 8(bb) of the United States Housing Act of 1937 (42 U.S.C. 1437f(bb)) is amended—

(1) by inserting after “(bb)” the following:

“TRANSFER, REUSE, AND RESCISSION OF BUDGET AUTHORITY.—
“(1)”; and

(2) by inserting the following new paragraph at the end:

“(2) REUSE AND RESCISSION OF CERTAIN RECAPTURED BUDGET AUTHORITY.—Notwithstanding paragraph (1), if a project-based assistance contract for an eligible multifamily housing project subject to actions authorized under title I is terminated or amended as part of restructuring under section 517 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, the Secretary shall recapture the budget authority not required for the terminated or amended contract and use such amounts as are necessary to provide housing assistance for the same number of families covered by such contract for the remaining term of such contract, under a contract providing for project-based or tenant-based assistance. The amount of budget authority saved as a result of the shift to project-based or tenant-based assistance shall be rescinded.”.

(d) SECTION 8 CONTRACT RENEWALS.—Section 405(a) of the Balanced Budget Downpayment Act, I (42 U.S.C. 1437f note) is amended by striking “For” and inserting “Notwithstanding part 24 of title 24 of the Code of Federal Regulations, for”.

(e) RENEWAL UPON REQUEST OF OWNER.—Section 211(b)(3) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (Public Law 104-204; 110 Stat. 2896) is amended—

(1) by striking the paragraph heading and inserting the following:

“(3) EXEMPTION OF CERTAIN OTHER PROJECTS.—”; and

(2) by striking “section 202 projects, section 811 projects and section 515 projects” and inserting “section 202 projects, section 515 projects, projects with contracts entered into pursuant to section 441 of the Stewart B. McKinney Homeless Assistance Act, and projects with rents that exceed 100 percent of fair market rent for the market area, but that are less than rents for comparable projects”.

(f) EXTENSION OF DEMONSTRATION CONTRACT PERIOD.—Section 212(g) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (Public Law 104-204) is amended—

(1) by inserting “(1)” after “(g)”; and

(2) by inserting before the period at the end the following: “or in paragraph (2)”; and

(3) by adding at the end the following:

“(2) The Secretary may renew a demonstration contract for an additional period of not to exceed 120 days, if—

“(A) the contract was originally executed before February 1, 1997, and the Secretary determines, in the sole discretion of the Secretary, that the renewal period for the contract needs to exceed 1 year, due to delay of publication of the Secretary’s demonstration program guidelines until January 23, 1997 (not to exceed 21 projects); or

“(B) the contract was originally executed before October 1, 1997, in connection with a project that has been identified

42 USC 1437f
note.

42 USC 1437f
note.

for restructuring under the joint venture approach described in section VII.B.2. of the Secretary's demonstration program guidelines, and the Secretary determines, in the sole discretion of the Secretary, that the renewal period for the contract needs to exceed 1 year, due to delay in implementation of the joint venture agreement required by the guidelines (not to exceed 25 projects).".

USC 1437f
 te.

SEC. 524. SECTION 8 CONTRACT RENEWALS.

(a) SECTION 8 CONTRACT RENEWAL AUTHORITY.—

(1) IN GENERAL.—Notwithstanding part 24 of title 24 of the Code of Federal Regulations and subject to section 516 of this subtitle, for fiscal year 1999 and henceforth, the Secretary may use amounts available for the renewal of assistance under section 8 of the United States Housing Act of 1937, upon termination or expiration of a contract for assistance under section 8 (other than a contract for tenant-based assistance and notwithstanding section 8(v) of such Act for loan management assistance), to provide assistance under section 8 of such Act at rent levels that do not exceed comparable market rents for the market area. The assistance shall be provided in accordance with terms and conditions prescribed by the Secretary.

(2) EXCEPTION PROJECTS.—Notwithstanding paragraph (1), upon the request of the owner, the Secretary shall renew an expiring contract in accordance with terms and conditions prescribed by the Secretary at the lesser of: (i) existing rents, adjusted by an operating cost adjustment factor established by the Secretary; (ii) a level that provides income sufficient to support a budget-based rent (including a budget-based rent adjustment if justified by reasonable and expected operating expenses); or (iii) in the case of a contract under the moderate rehabilitation program, other than a moderate rehabilitation contract under section 441 of the Stewart B. McKinney Homeless Assistance Act, the base rent adjusted by an operating cost adjustment factor established by the Secretary, for the following categories of multifamily housing projects—

(A) projects for which the primary financing or mortgage insurance was provided by a unit of State government or a unit of general local government (or an agency or instrumentality of either) and is not insured under the National Housing Act;

(B) projects for which the primary financing was provided by a unit of State government or a unit or general local government (or an agency or instrumentality of either) and the financing involves mortgage insurance under the National Housing Act, such that the implementation of a mortgage restructuring and rental assistance sufficiency plan under this Act is in conflict with applicable law or agreements governing such financing;

(C) projects financed under section 202 of the Housing Act of 1959 or section 515 of the Housing Act of 1949;

(D) projects that have an expiring contract under section 8 of the United States Housing Act of 1937 pursuant to section 441 of the Stewart B. McKinney Homeless Assistance Act; and

(E) projects that do not qualify as eligible multifamily housing projects pursuant to section 512(2) of this subtitle.

Subtitle B—Miscellaneous Provisions

SEC. 531. REHABILITATION GRANTS FOR CERTAIN INSURED PROJECTS.

Section 236 of the National Housing Act (12 U.S.C. 1715z-1) is amended by adding at the end the following:

“(s) GRANT AUTHORITY.—

“(1) IN GENERAL.—The Secretary may make grants for the capital costs of rehabilitation to owners of projects that meet the eligibility and other criteria set forth in, and in accordance with, this subsection.

“(2) PROJECT ELIGIBILITY.—A project may be eligible for capital grant assistance under this subsection—

“(A) if—

“(i) the project is or was insured under any provision of title II of the National Housing Act;

“(ii) the project was assisted under section 8 of the United States Housing Act of 1937 on the date of enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997; and

“(iii) the project mortgage was not held by a State agency as of the date of enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997;

“(B) if the project owner agrees to maintain the housing quality standards as required by the Secretary;

“(C)(i) if the Secretary determines that the owner or purchaser of the project has not engaged in material adverse financial or managerial actions or omissions with regard to such project; or

“(ii) if the Secretary elects to make such determination, that the owner or purchaser of the project has not engaged in material adverse financial or managerial actions or omissions with regard to other projects of such owner or purchaser that are federally assisted or financed with a loan from, or mortgage insured or guaranteed by, an agency of the Federal Government;

“(iii) material adverse financial or managerial actions or omissions, as the terms are used in this subparagraph, include—

“(I) materially violating any Federal, State, or local law or regulation with regard to this project or any other federally assisted project, after receipt of notice and an opportunity to cure;

“(II) materially breaching a contract for assistance under section 8 of the United States Housing Act of 1937, after receipt of notice and an opportunity to cure;

“(III) materially violating any applicable regulatory or other agreement with the Secretary or a participating administrative entity, after receipt of notice and an opportunity to cure;

“(IV) repeatedly failing to make mortgage payments at times when project income was sufficient to maintain and operate the property;

“(V) materially failing to maintain the property according to housing quality standards after receipt of notice and a reasonable opportunity to cure; or

“(VI) committing any act or omission that would warrant suspension or debarment by the Secretary; and

“(iv) the term ‘owner’ as used in this subparagraph, in addition to it having the same meaning as in section 8(f) of the United States Housing Act of 1937, also means an affiliate of the owner; the term ‘purchaser’ as used in this subsection means any private person or entity, including a cooperative, an agency of the Federal Government, or a public housing agency, that, upon purchase of the project, would have the legal right to lease or sublease dwelling units in the project, and also means an affiliate of the purchaser; the terms ‘affiliate of the owner’ and ‘affiliate of the purchaser’ means any person or entity (including, but not limited to, a general partner or managing member, or an officer of either) that controls an owner or purchaser, is controlled by an owner or purchaser, or is under common control with the owner or purchaser; the term ‘control’ means the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or otherwise) to direct the financial, legal, beneficial or other interests of the owner or purchaser; and

“(D) if the project owner demonstrates to the satisfaction of the Secretary—

“(i) using information in a comprehensive needs assessment, that capital grant assistance is needed for rehabilitation of the project; and

“(ii) that project income is not sufficient to support such rehabilitation.

“(3) ELIGIBLE PURPOSES.—The Secretary may make grants to the owners of eligible projects for the purposes of—

“(A) payment into project replacement reserves;

“(B) debt service payments on non-Federal rehabilitation loans; and

“(C) payment of nonrecurring maintenance and capital improvements, under such terms and conditions as are determined by the Secretary.

“(4) GRANT AGREEMENT.—

“(A) IN GENERAL.—The Secretary shall provide in any grant agreement under this subsection that the grant shall be terminated if the project fails to meet housing quality standards, as applicable on the date of enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997, or any successor standards for the physical conditions of projects, as are determined by the Secretary.

“(B) AFFORDABILITY AND USE CLAUSES.—The Secretary shall include in a grant agreement under this subsection a requirement for the project owners to maintain such affordability and use restrictions as the Secretary determines to be appropriate.

“(C) OTHER TERMS.—The Secretary may include in a grant agreement under this subsection such other terms and conditions as the Secretary determines to be necessary.

“(5) DELEGATION.—

“(A) IN GENERAL.—In addition to the authorities set forth in subsection (p), the Secretary may delegate to State and local governments the responsibility for the administration of grants under this subsection. Any such government may carry out such delegated responsibilities directly or under contracts.

“(B) ADMINISTRATION COSTS.—In addition to other eligible purposes, amounts of grants under this subsection may be made available for costs of administration under subparagraph (A).

“(6) FUNDING.—

“(A) IN GENERAL.—For purposes of carrying out this subsection, the Secretary may make available amounts that are unobligated amounts for contracts for interest reduction payments—

“(i) that were previously obligated for contracts for interest reduction payments under this section until the insured mortgage under this section was extinguished;

“(ii) that become available as a result of the outstanding principal balance of a mortgage having been written down;

“(iii) that are uncommitted balances within the limitation on maximum payments that may have been, before the date of enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997, permitted in any fiscal year; or

“(iv) that become available from any other source.

“(B) LIQUIDATION AUTHORITY.—The Secretary may liquidate obligations entered into under this subsection under section 1305(10) of title 31, United States Code.

“(C) CAPITAL GRANTS.—In making capital grants under the terms of this subsection, using the amounts that the Secretary has recaptured from contracts for interest reduction payments, the Secretary shall ensure that the rates and amounts of outlays do not at any time exceed the rates and amounts of outlays that would have been experienced if the insured mortgage had not been extinguished or the principal amount had not been written down, and the interest reduction payments that the Secretary has recaptured had continued in accordance with the terms in effect immediately prior to such extinguishment or write-down.”

SEC. 532. GAO REPORT ON SECTION 8 RENTAL ASSISTANCE FOR MULTIFAMILY HOUSING PROJECTS.

42 USC 1437f
note.

Not later than the expiration of the 18-month period beginning on the date of the enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress analyzing—

(1) the housing projects for which project-based assistance is provided under section 8 of the United States Housing Act of 1937, but which are not subject to a mortgage insured or held by the Secretary under the National Housing Act;

(2) how State and local housing finance agencies have benefited financially from the rental assistance program under section 8 of the United States Housing Act of 1937, including

any benefits from fees, bond financings, and mortgage refinancings; and

(3) the extent and effectiveness of State and local housing finance agencies oversight of the physical and financial management and condition of multifamily housing projects for which project-based assistance is provided under section 8 of the United States Housing Act of 1937.

Subtitle C—Enforcement Provisions

2 USC 1735f-14
ote. **SEC. 541. IMPLEMENTATION.**

(a) **ISSUANCE OF NECESSARY REGULATIONS.**—Notwithstanding section 7(o) of the Department of Housing and Urban Development Act or part 10 of title 24, Code of Federal Regulations (as in existence on the date of enactment of this Act), the Secretary shall issue such regulations as the Secretary determines to be necessary to implement this subtitle and the amendments made by this subtitle in accordance with section 552 or 553 of title 5, United States Code, as determined by the Secretary.

(b) **USE OF EXISTING REGULATIONS.**—In implementing any provision of this subtitle, the Secretary may, in the discretion of the Secretary, provide for the use of existing regulations to the extent appropriate, without rulemaking.

SEC. 542. INCOME VERIFICATION.

(a) **REINSTITUTION OF REQUIREMENTS REGARDING HUD ACCESS TO CERTAIN INFORMATION OF STATE AGENCIES.**—

2 USC 503.

(1) **IN GENERAL.**—Section 303(i) of the Social Security Act is amended by striking paragraph (5).

2 USC 503 note.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to any request for information made after the date of the enactment of this Act.

6 USC 6103.

(b) **REPEAL OF TERMINATION REGARDING HOUSING ASSISTANCE PROGRAMS.**—Section 6103(1)(7)(D) of the Internal Revenue Code of 1986 is amended by striking the last sentence.

Part 1—FHA Single Family and Multifamily Housing

SEC. 551. AUTHORIZATION TO IMMEDIATELY SUSPEND MORTGAGEES.

Section 202(c)(3)(C) of the National Housing Act (12 U.S.C. 1708(c)(3)(C)) is amended by inserting after the first sentence the following: "Notwithstanding paragraph (4)(A), a suspension shall be effective upon issuance by the Board if the Board determines that there exists adequate evidence that immediate action is required to protect the financial interests of the Department or the public."

SEC. 552. EXTENSION OF EQUITY SKIMMING TO OTHER SINGLE FAMILY AND MULTIFAMILY HOUSING PROGRAMS.

Section 254 of the National Housing Act (12 U.S.C. 1715z-19) is amended to read as follows:

***SEC. 254. EQUITY SKIMMING PENALTY.**

"(a) **IN GENERAL.**—Whoever, as an owner, agent, or manager, or who is otherwise in custody, control, or possession of a multifamily project or a 1- to 4-family residence that is security for a

mortgage note that is described in subsection (b), willfully uses or authorizes the use of any part of the rents, assets, proceeds, income, or other funds derived from property covered by that mortgage note for any purpose other than to meet reasonable and necessary expenses that include expenses approved by the Secretary if such approval is required, in a period during which the mortgage note is in default or the project is in a nonsurplus cash position, as defined by the regulatory agreement covering the property, or the mortgagor has failed to comply with the provisions of such other form of regulatory control imposed by the Secretary, shall be fined not more than \$500,000, imprisoned not more than 5 years, or both.

“(b) MORTGAGE NOTES DESCRIBED.—For purposes of subsection (a), a mortgage note is described in this subsection if it—

“(1) is insured, acquired, or held by the Secretary pursuant to this Act;

“(2) is made pursuant to section 202 of the Housing Act of 1959 (including property still subject to section 202 program requirements that existed before the date of enactment of the Cranston-Gonzalez National Affordable Housing Act); or

“(3) is insured or held pursuant to section 542 of the Housing and Community Development Act of 1992, but is not reinsured under section 542 of the Housing and Community Development Act of 1992.”

SEC. 553. CIVIL MONEY PENALTIES AGAINST MORTGAGEES, LENDERS, AND OTHER PARTICIPANTS IN FHA PROGRAMS.

(a) CHANGE TO SECTION TITLE.—Section 536 of the National Housing Act (12 U.S.C. 1735f-14) is amended by striking the section heading and the section designation and inserting the following:

“SEC. 536. CIVIL MONEY PENALTIES AGAINST MORTGAGEES, LENDERS, AND OTHER PARTICIPANTS IN FHA PROGRAMS.”

(b) EXPANSION OF PERSONS ELIGIBLE FOR PENALTY.—Section 536(a) of the National Housing Act (12 U.S.C. 1735f-14(a)) is amended—

(1) in paragraph (1), by striking the first sentence and inserting the following: “If a mortgagee approved under the Act, a lender holding a contract of insurance under title I, or a principal, officer, or employee of such mortgagee or lender, or other person or entity participating in either an insured mortgage or title I loan transaction under this Act or providing assistance to the borrower in connection with any such loan, including sellers of the real estate involved, borrowers, closing agents, title companies, real estate agents, mortgage brokers, appraisers, loan correspondents and dealers, knowingly and materially violates any applicable provision of subsection (b), the Secretary may impose a civil money penalty on the mortgagee or lender, or such other person or entity, in accordance with this section. The penalty under this paragraph shall be in addition to any other available civil remedy or any available criminal penalty, and may be imposed whether or not the Secretary imposes other administrative sanctions.”; and

(2) in paragraph (2)—

(A) in the first sentence, by inserting “or such other person or entity” after “lender”; and

(B) in the second sentence, by striking “provision” and inserting “the provisions”.

(c) **ADDITIONAL VIOLATIONS FOR MORTGAGEES, LENDERS, AND OTHER PARTICIPANTS IN FHA PROGRAMS.**—Section 536(b) of the National Housing Act (12 U.S.C. 1735f-14(b)) is amended—

(1) by redesignating paragraph (2) as paragraph (3);

(2) by inserting after paragraph (1) the following:

“(2) The Secretary may impose a civil money penalty under subsection (a) for any knowing and material violation by a principal, officer, or employee of a mortgagee or lender, or other participants in either an insured mortgage or title I loan transaction under this Act or provision of assistance to the borrower in connection with any such loan, including sellers of the real estate involved, borrowers, closing agents, title companies, real estate agents, mortgage brokers, appraisers, loan correspondents, and dealers for—

“(A) submission to the Secretary of information that was false, in connection with any mortgage insured under this Act, or any loan that is covered by a contract of insurance under title I of this Act;

“(B) falsely certifying to the Secretary or submitting to the Secretary a false certification by another person or entity; or

“(C) failure by a loan correspondent or dealer to submit to the Secretary information which is required by regulations or directives in connection with any loan that is covered by a contract of insurance under title I.”; and

(3) in paragraph (3), as redesignated, by striking “or paragraph (1)(F)” and inserting “or (F), or paragraph (2)(A), (B), or (C)”.

(d) **CONFORMING AND TECHNICAL AMENDMENTS.**—Section 536 of the National Housing Act (12 U.S.C. 1735f-14) is amended—

(1) in subsection (c)(1)(B), by inserting after “lender” the following: “or such other person or entity”;

(2) in subsection (d)(1)—

(A) by inserting “or such other person or entity” after “lender”; and

(B) by striking “part 25” and inserting “parts 24 and 25”; and

(3) in subsection (e), by inserting “or such other person or entity” after “lender” each place that term appears.

Part 2—FHA Multifamily Provisions

SEC. 561. CIVIL MONEY PENALTIES AGAINST GENERAL PARTNERS, OFFICERS, DIRECTORS, AND CERTAIN MANAGING AGENTS OF MULTIFAMILY PROJECTS.

(a) **CIVIL MONEY PENALTIES AGAINST MULTIFAMILY MORTGAGORS.**—Section 537 of the National Housing Act (12 U.S.C. 1735f-15) is amended—

(1) in subsection (b)(1), by striking “on that mortgagor” and inserting “on that mortgagor, on a general partner of a partnership mortgagor, or on any officer or director of a corporate mortgagor”;

(2) in subsection (c)—

(A) by striking the subsection heading and inserting the following:

“(c) **OTHER VIOLATIONS.**—”; and

(B) in paragraph (1)—

.(i) by striking "VIOLATIONS.—The Secretary may" and all that follows through the colon and inserting the following:

"(A) LIABLE PARTIES.—The Secretary may also impose a civil money penalty under this section on—

"(i) any mortgagor of a property that includes 5 or more living units and that has a mortgage insured, coinsured, or held pursuant to this Act;

"(ii) any general partner of a partnership mortgagor of such property;

"(iii) any officer or director of a corporate mortgagor;

"(iv) any agent employed to manage the property that has an identity of interest with the mortgagor, with the general partner of a partnership mortgagor, or with any officer or director of a corporate mortgagor of such property; or

"(v) any member of a limited liability company that is the mortgagor of such property or is the general partner of a limited partnership mortgagor or is a partner of a general partnership mortgagor.

"(B) VIOLATIONS.—A penalty may be imposed under this section upon any liable party under subparagraph (A) that knowingly and materially takes any of the following actions:"

(ii) in subparagraph (B), as designated by clause (i), by redesignating the subparagraph designations (A) through (L) as clauses (i) through (xii), respectively;

(iii) by adding after clause (xii), as redesignated by clause (ii), the following:

"(xiii) Failure to maintain the premises, accommodations, any living unit in the project, and the grounds and equipment appurtenant thereto in good repair and condition in accordance with regulations and requirements of the Secretary, except that nothing in this clause shall have the effect of altering the provisions of an existing regulatory agreement or federally insured mortgage on the property.

"(xiv) Failure, by a mortgagor, a general partner of a partnership mortgagor, or an officer or director of a corporate mortgagor, to provide management for the project that is acceptable to the Secretary pursuant to regulations and requirements of the Secretary.

"(xv) Failure to provide access to the books, records, and accounts related to the operations of the mortgaged property and of the project.";

(iv) in the last sentence, by deleting "of such agreement" and inserting "of this subsection";

(3) in subsection (d)—

(A) in paragraph (1)(B), by inserting after "mortgagor" the following: ", general partner of a partnership mortgagor, officer or director of a corporate mortgagor, or identity of interest agent employed to manage the property"; and

(B) by adding at the end the following:

"(5) PAYMENT OF PENALTY.—No payment of a civil money penalty levied under this section shall be payable out of project income.";

(4) in subsection (e)(1), by deleting "a mortgagor" and inserting "an entity or person";

(5) in subsection (f), by inserting after "mortgagor" each place such term appears the following: ", general partner of a partnership mortgagor, officer or director of a corporate mortgagor, or identity of interest agent employed to manage the property";

(6) by striking the heading of subsection (f) and inserting the following: "CIVIL MONEY PENALTIES AGAINST MULTIFAMILY MORTGAGORS, GENERAL PARTNERS OF PARTNERSHIP MORTGAGORS, OFFICERS AND DIRECTORS OF CORPORATE MORTGAGORS, AND CERTAIN MANAGING AGENTS"; and

(7) by adding at the end the following:

"(k) IDENTITY OF INTEREST MANAGING AGENT.—In this section, the terms 'agent employed to manage the property that has an identity of interest' and 'identity of interest agent' mean an entity—

"(1) that has management responsibility for a project;

"(2) in which the ownership entity, including its general partner or partners (if applicable) and its officers or directors (if applicable), has an ownership interest; and

"(3) over which the ownership entity exerts effective control."

(b) IMPLEMENTATION.—

(1) PUBLIC COMMENT.—The Secretary shall implement the amendments made by this section by regulation issued after notice and opportunity for public comment. The notice shall seek comments primarily as to the definitions of the terms "ownership interest in" and "effective control", as those terms are used in the definition of the terms "agent employed to manage the property that has an identity of interest" and "identity of interest agent".

(2) TIMING.—A proposed rule implementing the amendments made by this section shall be published not later than 1 year after the date of enactment of this Act.

(c) APPLICABILITY OF AMENDMENTS.—The amendments made by subsection (a) shall apply only with respect to—

(1) violations that occur on or after the effective date of the final regulations implementing the amendments made by this section; and

(2) in the case of a continuing violation (as determined by the Secretary of Housing and Urban Development), any portion of a violation that occurs on or after that date.

SEC. 562. CIVIL MONEY PENALTIES FOR NONCOMPLIANCE WITH SECTION 8 HAP CONTRACTS.

(a) BASIC AUTHORITY.—Title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is amended—

(1) by designating the second section designated as section 27 (as added by section 903(b) of Public Law 104-193 (110 Stat. 2348)) as section 28; and

(2) by adding at the end the following:

"SEC. 29. CIVIL MONEY PENALTIES AGAINST SECTION 8 OWNERS.

"(a) IN GENERAL.—

"(1) EFFECT ON OTHER REMEDIES.—The penalties set forth in this section shall be in addition to any other available civil remedy or any available criminal penalty, and may be

regulations.
2 USC 1735f-15
ote.

ublication.

2 USC 1735f-15
ote.

2 USC 1437z.

2 USC 1437z-1.

imposed regardless of whether the Secretary imposes other administrative sanctions.

"(2) FAILURE OF SECRETARY.—The Secretary may not impose penalties under this section for a violation, if a material cause of the violation is the failure of the Secretary, an agent of the Secretary, or a public housing agency to comply with an existing agreement.

"(b) VIOLATIONS OF HOUSING ASSISTANCE PAYMENT CONTRACTS FOR WHICH PENALTY MAY BE IMPOSED.—

"(1) LIABLE PARTIES.—The Secretary may impose a civil money penalty under this section on—

"(A) any owner of a property receiving project-based assistance under section 8;

"(B) any general partner of a partnership owner of that property; and

"(C) any agent employed to manage the property that has an identity of interest with the owner or the general partner of a partnership owner of the property.

"(2) VIOLATIONS.—A penalty may be imposed under this section for a knowing and material breach of a housing assistance payments contract, including the following—

"(A) failure to provide decent, safe, and sanitary housing pursuant to section 8; or

"(B) knowing or willful submission of false, fictitious, or fraudulent statements or requests for housing assistance payments to the Secretary or to any department or agency of the United States.

"(3) AMOUNT OF PENALTY.—The amount of a penalty imposed for a violation under this subsection, as determined by the Secretary, may not exceed \$25,000 per violation.

"(c) AGENCY PROCEDURES.—

"(1) ESTABLISHMENT.—The Secretary shall issue regulations establishing standards and procedures governing the imposition of civil money penalties under subsection (b). These standards and procedures—

"(A) shall provide for the Secretary or other department official to make the determination to impose the penalty;

"(B) shall provide for the imposition of a penalty only after the liable party has received notice and the opportunity for a hearing on the record; and

"(C) may provide for review by the Secretary of any determination or order, or interlocutory ruling, arising from a hearing and judicial review, as provided under subsection (d).

"(2) FINAL ORDERS.—

"(A) IN GENERAL.—If a hearing is not requested before the expiration of the 15-day period beginning on the date on which the notice of opportunity for hearing is received, the imposition of a penalty under subsection (b) shall constitute a final and unappealable determination.

"(B) EFFECT OF REVIEW.—If the Secretary reviews the determination or order, the Secretary may affirm, modify, or reverse that determination or order.

"(C) FAILURE TO REVIEW.—If the Secretary does not review that determination or order before the expiration of the 90-day period beginning on the date on which the

Regulations.

determination or order is issued, the determination or order shall be final.

"(3) FACTORS IN DETERMINING AMOUNT OF PENALTY.—In determining the amount of a penalty under subsection (b), the Secretary shall take into consideration—

- "(A)** the gravity of the offense;
- "(B)** any history of prior offenses by the violator (including offenses occurring before the enactment of this section);
- "(C)** the ability of the violator to pay the penalty;
- "(D)** any injury to tenants;
- "(E)** any injury to the public;
- "(F)** any benefits received by the violator as a result of the violation;
- "(G)** deterrence of future violations; and
- "(H)** such other factors as the Secretary may establish by regulation.

"(4) PAYMENT OF PENALTY.—No payment of a civil money penalty levied under this section shall be payable out of project income.

"(d) JUDICIAL REVIEW OF AGENCY DETERMINATION.—Judicial review of determinations made under this section shall be carried out in accordance with section 537(e) of the National Housing Act.

"(e) REMEDIES FOR NONCOMPLIANCE.—

"(1) JUDICIAL INTERVENTION.—

"(A) IN GENERAL.—If a person or entity fails to comply with the determination or order of the Secretary imposing a civil money penalty under subsection (b), after the determination or order is no longer subject to review as provided by subsections (c) and (d), the Secretary may request the Attorney General of the United States to bring an action in an appropriate United States district court to obtain a monetary judgment against that person or entity and such other relief as may be available.

"(B) FEES AND EXPENSES.—Any monetary judgment awarded in an action brought under this paragraph may, in the discretion of the court, include the attorney's fees and other expenses incurred by the United States in connection with the action.

"(2) NONREVIEWABILITY OF DETERMINATION OR ORDER.—

In an action under this subsection, the validity and appropriateness of the determination or order of the Secretary imposing the penalty shall not be subject to review.

"(f) SETTLEMENT BY SECRETARY.—The Secretary may compromise, modify, or remit any civil money penalty which may be, or has been, imposed under this section.

"(g) DEPOSIT OF PENALTIES.—

"(1) IN GENERAL.—Notwithstanding any other provision of law, if the mortgage covering the property receiving assistance under section 8 is insured or was formerly insured by the Secretary, the Secretary shall apply all civil money penalties collected under this section to the appropriate insurance fund or funds established under this Act, as determined by the Secretary.

"(2) EXCEPTION.—Notwithstanding any other provision of law, if the mortgage covering the property receiving assistance under section 8 is neither insured nor formerly insured by

the Secretary, the Secretary shall make all civil money penalties collected under this section available for use by the appropriate office within the Department for administrative costs related to enforcement of the requirements of the various programs administered by the Secretary.

“(h) DEFINITIONS.—In this section—

“(1) the term ‘agent employed to manage the property that has an identity of interest’ means an entity—

“(A) that has management responsibility for a project;

“(B) in which the ownership entity, including its general partner or partners (if applicable), has an ownership interest; and

“(C) over which such ownership entity exerts effective control; and

“(2) the term ‘knowing’ means having actual knowledge of or acting with deliberate ignorance of or reckless disregard for the prohibitions under this section.”.

(b) APPLICABILITY.—The amendments made by subsection (a) shall apply only with respect to—

42 USC 1437
note.

(1) violations that occur on or after the effective date of final regulations implementing the amendments made by this section; and

(2) in the case of a continuing violation (as determined by the Secretary of Housing and Urban Development), any portion of a violation that occurs on or after such date.

(c) IMPLEMENTATION.—

42 USC 1437
note.

(1) REGULATIONS.—

(A) IN GENERAL.—The Secretary shall implement the amendments made by this section by regulation issued after notice and opportunity for public comment.

(B) COMMENTS SOUGHT.—The notice under subparagraph (A) shall seek comments as to the definitions of the terms “ownership interest in” and “effective control”, as such terms are used in the definition of the term “agent employed to manage such property that has an identity of interest”.

(2) TIMING.—A proposed rule implementing the amendments made by this section shall be published not later than 1 year after the date of enactment of this Act.

Publication.

SEC. 563. EXTENSION OF DOUBLE DAMAGES REMEDY.

Section 421 of the Housing and Community Development Act of 1987 (12 U.S.C. 1715z-4a) is amended—

(1) in subsection (a)(1)—

(A) in the first sentence, by striking “Act; or (B)” and inserting the following: “Act; (B) a regulatory agreement that applies to a multifamily project whose mortgage is insured or held by the Secretary under section 202 of the Housing Act of 1959 (including property subject to section 202 of such Act as it existed before enactment of the Cranston-Gonzalez National Affordable Housing Act of 1990); (C) a regulatory agreement or such other form of regulatory control as may be imposed by the Secretary that applies to mortgages insured or held by the Secretary under section 542 of the Housing and Community Development Act of 1992, but not reinsured under section 542

of the Housing and Community Development Act of 1992; or (D)”; and

(B) in the second sentence, by inserting after “agreement” the following: “, or such other form of regulatory control as may be imposed by the Secretary,”;

(2) in subsection (a)(2), by inserting after “Act,” the following: “under section 202 of the Housing Act of 1959 (including section 202 of such Act as it existed before enactment of the Cranston-Gonzalez National Affordable Housing Act of 1990) and under section 542 of the Housing and Community Development Act of 1992,”;

(3) in subsection (b), by inserting after “agreement” the following: “, or such other form of regulatory control as may be imposed by the Secretary,”;

(4) in subsection (c)—

(A) in the first sentence, by inserting after “agreement” the following: “, or such other form of regulatory control as may be imposed by the Secretary,”; and

(B) in the second sentence, by inserting before the period the following: “or, in the case of any project for which the mortgage is held by the Secretary under section 202 of the Housing Act of 1959 (including property subject to section 202 of such Act as it existed before enactment of the Cranston-Gonzalez National Affordable Housing Act of 1990), to the project or to the Department for use by the appropriate office within the Department for administrative costs related to enforcement of the requirements of the various programs administered by the Secretary, as appropriate”;

(5) in subsection (d), by inserting after “agreement” the following: “, or such other form of regulatory control as may be imposed by the Secretary,”.

SEC. 564. OBSTRUCTION OF FEDERAL AUDITS.

Section 1516(a) of title 18, United States Code, is amended by inserting after “under a contract or subcontract,” the following: “or relating to any property that is security for a mortgage note that is insured, guaranteed, acquired, or held by the Secretary of Housing and Urban Development pursuant to any Act administered by the Secretary,”.

Subtitle D—Office of Multifamily Housing Assistance Restructuring

SC 1437f

SEC. 571. ESTABLISHMENT OF OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING.

There is hereby established an office within the Department of Housing and Urban Development, which shall be known as the Office of Multifamily Housing Assistance Restructuring.

SC 1437f

SEC. 572. DIRECTOR.

ident.

(a) APPOINTMENT.—The Office shall be under the management of a Director, who shall be appointed by the President by and with the advice and consent of the Senate, from among individuals who are citizens of the United States and have a demonstrated understanding of financing and mortgage restructuring for affordable multifamily housing. Not later than 60 days after the date

of the enactment of this Act, the President shall submit to the Senate a nomination for initial appointment to the position of Director.

(b) **VACANCY.**—A vacancy in the position of Director shall be filled in the manner in which the original appointment was made under subsection (a).

(c) **DEPUTY DIRECTOR.**—

(1) **IN GENERAL.**—The Office shall have a Deputy Director who shall be appointed by the Director from among individuals who are citizens of the United States and have a demonstrated understanding of financing and mortgage restructuring for affordable multifamily housing.

(2) **FUNCTIONS.**—The Deputy Director shall have such functions, powers, and duties as the Director shall prescribe. In the event of the death, resignation, sickness, or absence of the Director, the Deputy Director shall serve as acting Director until the return of the Director or the appointment of a successor pursuant to subsection (b).

SEC. 573. DUTY AND AUTHORITY OF DIRECTOR.

(a) **DUTY.**—The Secretary shall, acting through the Director, administer the program of mortgage and rental assistance restructuring for eligible multifamily housing projects under subtitle A. During the period before the Director is appointed, the Secretary may carry out such program.

(b) **AUTHORITY.**—The Director is authorized to make such determinations, take such actions, issue such regulations, and perform such functions assigned to the Director under law as the Director determines necessary to carry out such functions, subject to the review and approval of the Secretary. The Director shall semiannually submit a report to the Secretary regarding the activities, determinations, and actions of the Director.

(c) **DELEGATION OF AUTHORITY.**—The Director may delegate to officers and employees of the Office (but not to contractors, subcontractors, or consultants) any of the functions, powers, and duties of the Director, as the Director considers appropriate.

(d) **INDEPENDENCE IN PROVIDING INFORMATION TO CONGRESS.**—

(1) **IN GENERAL.**—Notwithstanding subsection (a) or (b), the Director shall not be required to obtain the prior approval, comment, or review of any officer or agency of the United States before submitting to the Congress, or any committee or subcommittee thereof, any reports, recommendations, testimony, or comments if such submissions include a statement indicating that the views expressed therein are those of the Director and do not necessarily represent the views of the Secretary or the President.

(2) **REQUIREMENT.**—If the Director determines at any time that the Secretary is taking or has taken any action that interferes with the ability of the Director to carry out the duties of the Director under this Act or that affects the administration of the program under subtitle A of this Act in a manner that is inconsistent with the purposes of this Act, including any proposed action by the Director, in the discretion of the Director, that is overruled by the Secretary, the Director shall immediately report directly to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the

42 USC 1437f
note.

Reports.

Reports.

Senate regarding such action. Notwithstanding subsection (a) or (b), any determination or report under this paragraph by the Director shall not be subject to prior review or approval of the Secretary.

2 USC 1437f
ote.

SEC. 574. PERSONNEL.

(a) **OFFICE PERSONNEL.**—The Director may appoint and fix the compensation of such officers and employees of the Office as the Director considers necessary to carry out the functions of the Director and the Office. Officers and employees may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification and General Schedule pay rates.

(b) **COMPARABILITY OF COMPENSATION WITH FEDERAL BANKING AGENCIES.**—In fixing and directing compensation under subsection (a), the Director shall consult with, and maintain comparability with compensation of officers and employees of the Federal Deposit Insurance Corporation.

(c) **PERSONNEL OF OTHER FEDERAL AGENCIES.**—In carrying out the duties of the Office, the Director may use information, services, staff, and facilities of any executive agency, independent agency, or department on a reimbursable basis, with the consent of such agency or department.

(d) **OUTSIDE EXPERTS AND CONSULTANTS.**—The Director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

2 USC 1437f
ote.

SEC. 575. BUDGET AND FINANCIAL REPORTS.

(a) **FINANCIAL OPERATING PLANS AND FORECASTS.**—Before the beginning of each fiscal year, the Secretary shall submit a copy of the financial operating plans and forecasts for the Office to the Director of the Office of Management and Budget.

(b) **REPORTS OF OPERATIONS.**—As soon as practicable after the end of each fiscal year and each quarter thereof, the Secretary shall submit a copy of the report of the results of the operations of the Office during such period to the Director of the Office of Management and Budget.

(c) **INCLUSION IN PRESIDENT'S BUDGET.**—The annual plans, forecasts, and reports required under this section shall be included: (1) in the Budget of the United States in the appropriate form; and (2) in the congressional justifications of the Department of Housing and Urban Development for each fiscal year in a form determined by the Secretary.

2 USC 1437f
ote.

SEC. 576. LIMITATION ON SUBSEQUENT EMPLOYMENT.

Neither the Director nor any former officer or employee of the Office who, while employed by the Office, was compensated at a rate in excess of the lowest rate for a position classified higher than GS-15 of the General Schedule under section 5107 of title 5, United States Code, may, during the 2-year period beginning on the date of separation from employment by the Office, accept compensation from any party (other than a Federal agency) having any financial interest in any mortgage restructuring and rental assistance sufficiency plan under subtitle A or comparable matter in which the Director or such officer or employee had direct participation or supervision.

SEC. 577. AUDITS BY GAO.42 USC 1437f
note.

The Comptroller General shall audit the operations of the Office in accordance with generally accepted Government auditing standards. All books, records, accounts, reports, files, and property belonging to, or used by, the Office shall be made available to the Comptroller General. Audits under this section shall be conducted annually for the first 2 fiscal years following the date of the enactment of this Act and as appropriate thereafter.

SEC. 578. SUSPENSION OF PROGRAM BECAUSE OF FAILURE TO APPOINT DIRECTOR.42 USC 1437f
note.

(a) **IN GENERAL.**—If, upon the expiration of the 12-month period beginning on the date of the enactment of this Act, the initial appointment to the office of Director has not been made, the operation of the program under subtitle A shall immediately be suspended and such provisions shall not have any force or effect during the period that ends upon the making of such appointment.

(b) **INTERIM APPLICABILITY OF DEMONSTRATION PROGRAM.**—Notwithstanding any other provision of law, during the period referred to in subsection (a), the Secretary shall carry out sections 211 and 212 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997. For purposes of applying such sections pursuant to the authority under this section, the term “expiring contract” shall have the meaning given in such sections, except that such term shall also include any contract for project-based assistance under section 8 of the United States Housing Act of 1937 that expires during the period that the program is suspended under subsection (a).

SEC. 579. TERMINATION.42 USC 1437f
note.
Effective date.

(a) **REPEAL.**—Subtitle A (except for section 524) and subtitle D (except for this section) are repealed effective October 1, 2001.

(b) **EXCEPTION.**—Notwithstanding the repeal under subsection (a), the provisions of subtitle A (as in effect immediately before such repeal) shall apply with respect to projects and programs for which binding commitments have been entered into under this Act before October 1, 2001.

(c) **TERMINATION OF DIRECTOR AND OFFICE.**—The Office of Multifamily Housing Assistance Restructuring and the position of Director of such Office shall terminate upon September 30, 2001.

(d) **TRANSFER OF AUTHORITY.**—Effective upon the termination under subsection (c), any authority and responsibilities assigned to the Director that remain applicable after such date pursuant to subsection (b) are transferred to the Secretary.

This Act may be cited as the "Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998".

Approved October 27, 1997.

LEGISLATIVE HISTORY—H.R. 2158 (S. 1034):

HOUSE REPORTS: Nos. 105-175 (Comm. on Appropriations) and 105-297 (Comm. of Conference).

SENATE REPORTS: No. 105-53 accompanying S. 1034 (Comm. on Appropriations).

CONGRESSIONAL RECORD, Vol. 143 (1997):

July 15, 16, considered and passed House.

July 22, considered and passed Senate, amended.

Oct. 8, House agreed to conference report.

Oct. 9, Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 33 (1997):

Oct. 27, Presidential statement.

Nov. 1, President's special message on line item veto.

FEDERAL REGISTER, Vol. 62 (1997):

Nov. 4, Cancellation of items pursuant to the Line Item Veto Act.

○

PEABODY & BROWN

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1255 23RD STREET, N.W.
WASHINGTON, D.C. 20037

(202) 973-7700

FAX: (202) 973-7750

<http://www.peabodybrown.com>

BOSTON, MA
MANCHESTER, NH
PROVIDENCE, RI

WRITER'S DIRECT DIAL NUMBER

OUTLINE OF REMARKS

Charles L. Edson

What's New In Older Assisted Housing - The ABCs of Owning and Operating Today's Service-Enhanced Projects

Current Status of Prepayment

a seminar sponsored by

**The Housing and Development Reporter
and
The Institute for Professional and Executive Development, Inc.**

**April 23 - 24, 1998
The Westin City Center Hotel
Washington, DC**

- I. Current Legal Status of Prepayment
 - A. Prepayment authorized by Section 2(b) of the Housing Opportunity Program Extension Act of 1996.
 - B. Section 2(b)(2)(A)(iii) requires that for this section to be operative, there must be an appropriation for some preservation related activity in the annual appropriations act.
 - C. The FY98 HUD, VA and Independent Agencies Appropriations Act did contain appropriations for preservation - sticky vouchers and owner reimbursement - so prepayment right remains operative.

PEABODY & BROWN

II. Prepayment Rules and Activities

- A. There have now been prepayments on about 260 - 300 projects with about 30,000 units.
- B. There is an active lending industry to fund prepayments.
- C. Enhanced or "sticky" vouchers are available in the case of prepayment.
 - 1. These vouchers stick with the project; if tenant leaves the project, then only gets regular voucher.
 - 2. Owner cannot raise rent for 60 days after prepayment, however, sticky vouchers are in lieu of provisions
 - 3. Section 223(b) and (c) of LIHPRHA concerning owner paying moving expenses and maintenance of current rent levels.



Lender Analysis of Prepayment Properties

Thomas T. Demery
National Sales Director

I. INTRODUCTION

- A. Advice of the 60's - Plastics
- B. Advice of the 90's - for prepayment
 - 1. Planning
 - 2. Ownership
 - 3. Market
 - 4. Management
 - 5. Physical Plant
- C. Good things come to those who wait
- D. What HUD giveth, HUD can taketh away
- E. 25% of properties have higher & better use possibilities as market rate housing.
Universe is reduced by:
 - 1. LIHPRHA fundings and sales to nonprofits
 - 2. Owners awaiting LIHPRHA resurrection
 - 3. Owners waiting for capital markets to respond with:
 - a. Affordable spreads
 - b. Reasonable underwriting
 - c. Appetite for the business

II. PLANNING

- A. Third Party Reports
 - 1. Appraisal, Engineering, Environmental

B. Elements of Conversion Plan

1. Operational Review of income and expense
2. HUD exit strategy including Section 8 contract review
3. Enhanced voucher determination of availability and rent levels
4. Tenant income certification and voucher eligibility focusing on:
 - a. Overhousing
 - b. Portability
5. Valuation and fairness opinion as to investor notes
6. Issue resolution
 - a. Identity of interest
 - b. Conflict of interest
 - c. HUD IG and management concerns, if any
7. Physical needs assessment and reposition plan

C. Owner credits at closing

1. Replacement Reserve
2. Residual Receipts
3. Escrow Balances
4. MIP reimbursements
5. IRP reimbursements

III. **OWNERSHIP**

- A. Strong net worth
- B. Liquidity
- C. Track record of owning and operating market rate properties
- D. Investor issues
 1. Notes
 2. Distribution of proceeds consent
 3. Economic sharing after prepayment
 4. G.P. authority to prepay
- E. Document review
 1. Note
 2. Mortgage
 3. Regulatory agreement

4. Partnership Documents
5. Secondary Notes
6. Section 8 subsidy contracts
7. Zoning issues
 - a. Urban renewal area
 - b. Tax abatements
8. LIHTC

IV. MARKET

A. Highest and Best Use Analysis

1. Rental market rates and occupancy for comparable units
 - a. Age
 - b. Condition
 - c. Common and unit amenity offerings
 - d. Quality of properties in the immediate submarket
 2. Area economic income and expense survey
 3. Determination and cost projection to cure functional obsolescence
 4. Detailed repositioning plan to include timeline and non-voucher tenant outreach.
- B. Stable historical occupancy
- C. Increasing rents in submarket
- D. PUPM cost of operation
- E. PUPM increase of \$75 or more after repositioning
- F. Median income
- G. Stigmatization of property in market place

V. MANAGEMENT

A. Market Rate Demands

1. Curb appeal
2. Signage
3. Advertising
4. Model decor
5. Tenant Selection
6. Brochures
7. Call back systems

- B. Rehire and/or retrain
 - 1. Managers
 - 2. Leasing agents
 - 3. Maintenance personnel

- C. Goals
 - 1. Tenant Retention
 - 2. Low turnover rate
 - 3. Voucher eligibility of current tenants
 - 4. Prepayment interviews

VI. **PHYSICAL PLANT**

- A. Repositioning is not cosmetic
- B. Full reconstructive surgery
 - 1. Rooflines as well as roofing
 - 2. Appliances
 - 3. Cabinets
 - 4. Flooring
 - 5. Exteriors
 - 6. Amenities
 - 7. Carports
 - 8. Lighting

- C. Cost benefit analysis
- D. Possible premiums - market tolerance
- E. Functional obsolescence of unit or property
 - 1. Layout
 - 2. Closets
 - 3. Roomsize
 - 4. Storage
 - 5. Window
 - 6. HVAC
 - 7. Energy
 - 8. Metering

VII. **CONCLUSION**

- A. Change is possible

1. Mortgagee
2. Tenant economic profile
3. Market Position
4. Cash flow
5. Shed HUD

B. Change is good

1. Enhanced vouchers
2. No displacement issues
3. Leadership opportunity to regain and reclaim your rights

C. Handouts

1. Term Sheet
2. Project Prepayment Self Diagnostic Checklist



LOAN AMOUNT

- Loan amount is based on underwriting guidelines including: 1) expected market rents sixty days following loan closing, and 2) in place operating expenses. Funding should be sufficient to cover; 1) the existing HUD principal balance, 2) the capital improvement program, and 3) loan-related costs. Equity requests will be reviewed on a case by case basis.

**BRIDGE LOAN
ELECTION**

- Borrower can elect to have up to an 18 month, interest only, bridge loan in order to improve, remarket the property and achieve rent stabilization. Interest rates will range from 225 to 275 basis points over 30-day LIBOR. Once NOI has stabilized, the loan can be re-underwritten to access any available built-up loan proceeds.

PERMANENT LOAN

- Permanent loan interest rates will range from 130 to 175 basis points over corresponding U.S. Treasuries for an 80% LTV loan. The permanent interest rate will be determined at the time of permanent financing. An interest rate-lock option is also available.

**TERM/
AMORTIZATION**

- Loan terms range between 7 to 12 years (including the bridge loan period), with amortization periods of up to 30 years.

FEATURES

- Up to 80% LTV with DCR as low as 125%. Fully assumable at a 1.0% fee.

FINANCING FEE

- 2.0% of the total loan proceeds paid as follows: 1.0% payable at bridge loan funding and 1.0% payable for permanent loan financing fee or exit fee, whichever is applicable, including any additional loan amounts associated with reset of the bridge loan.

LOAN COSTS

- Acceptable third-party reports including: appraisal, engineering/property needs assessment, environmental report; and a Conversion Plan detailing the mechanics of the subsidized to market transition. Other customary and associated costs including title fees, escrows, lender and borrower legal fees, etc. will be incurred.

NON-RECOURSE

- Yes, except for standard industry carve-outs.

CONTACT

- Thomas T. Demery or Ken E. Schwartz

**INFORMATION
NEEDED TO
ISSUE A
PRELIMINARY
LOAN
ANALYSIS**

- A Conversion Plan indicating your analysis which supports the property's higher and better use as market rate housing and your plan to resolve tenant displacement issues, if any. Include a market rent survey of future competitors.
- Projected market rents after prepayment
- Tenant profile including tenant income levels/subsidy levels in order to determine voucher eligibility
- Projected rehab costs
- Projected stabilized expenses
- Current Rent Roll to include the following: a) unit type and number; b) contract rent; c) tenant contribution; d) excess rent; e) tenant income; and f) tenants already receiving Section 8 voucher or certificate assistance.
- Year-to-Date Operating Statements/Reserve Account Balance
- 3 years of Audited HUD Financial Statements
- Physical Description of project, including: a) year built; b) address (include zip and county); c) square feet (land & improvements); d) unit size; e) number of parking spaces; f) amenities; g) number of buildings & floors; and h) construction type.
- Photographs
- Location Map

**Preliminary Suitability Analysis
A Self-Diagnostic Checklist**

| | <u>Potential Points</u> | <u>Max. Pts</u> | <u>Min. Pts</u> | <u>Salient Scoring Considerations</u> |
|--|-----------------------------|---------------------|---------------------|---|
| 1. Neighborhood quality | 15 | 15 | 0 | Healthy conventional market |
| 2. Market area vacancy rate | 5 | 5 | 0 | Norm is 7% |
| 3. Projected rent increase | 15 | 15 | 0 | \$100 PUPM, \$75 PUPM, \$50 PUPM - 61 days post-prepayment |
| 4. Current operations | 10 | 10 | 0 | Residual receipts, dividend, loss |
| 5. Anticipated expense reduction | 7 | 7 | 0 | Documented \$25 PUPM reduction |
| 6. Replacement reserve balance | 5 | 5 | 0 | Norm is \$750 per unit |
| 7. Borrower financial strength & mortgage credit | 7 | 7 | 0 | Exceptional, strong, good, weak |
| 8. MARKET RATE experience | 8 | 8 | 0 | Over 750 units |
| 9. Marketing outreach and plan | 5 | 5 | 0 | Resident income profiles and retention projections on hand |
| 10. Prepayment consultant hired | 8 | 8 | 0 | Without a navigator and planning, brain damage likely |
| 11. Per unit repositioning costs and timeline | 7 | 7 | 0 | Maximum points awarded to jobs having high cost/benefit ratio |
| 12. LIHPRHA processing | 3 | 3 | 0 | POA handy, but not essential |
| 13. HAP contract | -10 | 0 | -10 | Overhanging LMSA creates problems |
| 14. Flex subsidy | -50 | 0 | -50 | As well as other mandatory 40 yr. lock-out initiatives. KOD |
| 15. Secondary notes | -10 | 0 | -10 | Must be resolved prior to closing |
| 16. HUD, LMSA, et.al. notices given | 3 | 3 | 0 | Without proper sequencing, the timeline becomes irrelevant |
| 17. Legal authority for GP to prepay | 2 | 2 | 0 | Must be resolved by application |
| 18. Identity/Conflict of Interest issues | -10 | 0 | -10 | Mgmt. fees, distribution of mortgage funds, cash flow issues |
| 19. Fatal Flaw survey | -10 | 0 | -10 | Tax abatement, zoning issues, urban renewal area |
| 20. HUD Status | -10 | 0 | -10 | Open IG or PHA issues |
| TOTAL | | 100 | -100 | |



DEC 16 1996

OFFICE OF THE ASSISTANT SECRETARY FOR
CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

PRESERVATION LETTER NO. 97-1

MEMORANDUM FOR: Directors of Housing
Multifamily Housing Directors
Multifamily Production Chiefs
Multifamily Asset Management Chiefs
Preservation Coordinators

FROM: Nicolas P. Retsinas, Assistant Secretary for Housing-
Federal Housing Commissioner, H

SUBJECT: Fiscal Year 1997 Implementation of Low-Income Housing
Preservation and Resident Homeownership Act of 1990
(LIHPRHA) and Emergency Low-Income Housing
Preservation Act of 1987 (ELIHPA) Programs

The purpose of this letter is to provide HUD State/Area Offices with instructions and policy for implementing the Preservation Program in Fiscal Year (FY) 1997.

On September 26, 1996, the President signed the Department of Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Act of 1997. It made available \$350,000,000 for Preservation project activities for FY 1997. The Act mandates that designated amounts be used to fund specific categories of LIHPRHA and ELIHPA eligible projects. Now that we have received full funding, we must expeditiously proceed to implement the program and provide as much time as possible to residents, owners, purchasers and HUD to accomplish the processing necessary to complete program activities prior to the end of the Fiscal Year.

A round table meeting was convened on October 8, 1996, in HUD Headquarters with residents, owners, housing industry representatives and HUD staff to discuss provisions contained in the Act. The meeting also included State/Area Office staff and other participants that could be accommodated via teleconferencing. Many interesting and differing opinions, statements and comments were made and recorded, and received by facsimile. All were compiled, reviewed and considered by HUD program staff and the Office of General Counsel (OGC) when determining how to implement the Preservation Program.

For each specific category of eligible projects designated to receive funding, we have attached separate guidance for program implementation. Each attachment includes: 1) a description of the provision, 2) implementation guidance, and 3) questions and answers related to policy issues that also provide an explanation for certain determinations made by the Department. Below is a funding summary including a list of attachments contained in this letter.

Please note that all Preservation provisions included in the Act have not been addressed in this letter or complete guidance for program implementation provided. Subsequent guidance is being prepared and will be included in a future letter. Please continue to fax your questions to the Existing Products and Preservation Division at (202) 708-1300. If this line is busy, you may use (202) 708-3104. Responses will be included in future Preservation letters.

Please share this information with program participants.

Attachments

Tenant Protections

Provision 1b Description:

Up to \$112 million (\$100 million plus \$12 million carry over from FY 1996 to be used under FY 96 rules) for tenant-based rental assistance use (vouchers and certificates) for families displaced as a result of mortgage prepayment or termination of the mortgage insurance contract.

Implementation:

1. Rental assistance funds will be used to prevent displacement of eligible families residing in projects whose owners prepay the mortgage or voluntarily have their mortgage insurance contract terminated.
2. Funds transferred to the Office of Public and Indian Housing (PIH) to fund the rental assistance will be monitored quarterly by the Preservation Division to determine if there are excess funds that should be redirected. Any excess funds will be used as capital grants for the sale of properties to priority purchasers.

HUD'S RESPONSE TO POLICY QUESTIONS:

- Q1. Isn't \$100 million for tenant protection excessive as believed by many industry representatives and should the excess be redirected for other Preservation activity(s)?
- A1. *Based on our best estimate of potential prepayments in FY 1997 the amount appropriated is not excessive and funds will not be redirected at this time. Program staff will reevaluate the spend-down rate of the \$100 million on a quarterly basis to determine whether excess funds should be redirected.*
- Q2. If an owner prepays in FY 1996, but does not raise rents until FY 1997, do FY 1996 or FY 1997 rules apply?
- A2. *The applicable tenant protections are based on when the owner prepays. FY 1996 rules apply to FY 1996 prepayments and FY 1997 rules apply to FY 1997 prepayments.*

Preservation tenant-based rental assistance will be given in lieu of protections previously offered under Section 223(b) and (c). The class of families that can receive this protection under FY 1997 rules, have been expanded to include moderate income Special Need tenants and tenants in low vacancy areas.

- Q3. After prepayment of the mortgage, how high can the owner raise project rents?
- A3. An owner cannot raise the project's rent prior to 60 days following prepayment. After the 60 days, there is no limit to how high the owner can raise the rent. However, to receive subsidy payments to cover the rent, the owner and the Public Housing Agency (PHA) administering the Section 8 rental assistance program must agree that the new rent is reasonable. Once the new "reasonable" rent is agreed upon, the Tenant Based Housing Assistance Payment contract is signed. The voucher or certificate will only cover the rent level determined by the PHA.
- Q4. Do Sections 223(b) and (c) of LIHPRHA apply to projects that prepaid before September 26, 1996, but did not get vouchers until after September 26, 1996, when the Act was implemented?
- A4. Projects that prepaid their notes prior to September 26, 1996, are under the rules of law in effect at that time. Therefore, moderate income tenants with special needs are allowed the protections of Section 223(b) and (c).
- Q5. When prepayment occurs during FY 1997, are Section 223(b) and (c) effective? What protections do the special needs, (except large families) moderate income tenants have?
- A5. No. During FY 1997, as long as sufficient appropriations are available to provide tenant-based assistance, Section 223(b) and (c) are not applicable. Special needs, low-, very low- and moderate income tenants will be given a Preservation voucher or certificate, if: 1) the owner indicates that rent will be raised within one year after prepayment, 2) the tenant will be required to pay greater than 30 percent of adjusted income, and 3) will pay more for rent than was being paid on the date of prepayment (result of rent increase). This is in lieu of Section 223(b) and (c), as long as funds are available. A tenant with a Preservation voucher or certificate may elect to remain in

the project (even with the new, higher rent) as long as the owner retains the housing as rental housing or the tenant may elect to move to another project and take their voucher or certificate. Moderate income tenants are those with income greater than 80 percent of the area median income and less than 95 percent of the area median income.

- Q6. How will Preservation vouchers or certificates be provided to the moderate income tenants?
- A6. Moderate income tenants may use Preservation tenant-based assistance to remain in their existing housing. Vouchers or certificates for moderate income tenants will be provided under the same income guidelines used generally by the PHA and the Preservation Law. The tenant will be reviewed annually to determine if their rental assistance can be renewed.
- Q7. What happens if a State law prohibits an owner of a subsidized project from raising rents for 1 year following prepayment?
- A7. HUD has no recourse. State statutory relief is required. The State legislature would have to modify their law to provide statutory relief.
- Q8. If a project has a LMSA contract and the owner prepays, how are the tenants protected?
- A8. The tenants' rent remains the same until the expiration of the LMSA contract.
- Q9. After prepayment, and the 60 day period expires, is the owner required to continue to rent to tenants with tenant-based Section 8 rental assistance and tenants unassisted on the date of prepayment?
- A9. Yes, a tenant may elect to stay in a unit of housing for one year if all of the following conditions are met:
- a. The owner continues to maintain the property as rental housing, and
 - b. the tenant meets the eligibility requirements to receive a Preservation voucher or certificate.

Upon renewal of the Section 8 certificate or voucher, the Section 8 rules govern the future terms of the tenant-based

Q10. How will Headquarters know when to send to the tenants in projects that prepay the Tenant Notification Letter that explains to them their protections and responsibilities?

A10. *The State/Area Office will notify the Preservation branch in Headquarters as soon as they are made aware that an owner intends to prepay the project's mortgage. Headquarters will assure that the HUD Clearing House will distribute tenant brochures.*

Overcoming Obstacles

Programs that Work for For-Profit and Nonprofit Owners

By Dominic Mendes

Since the passage of the Welfare Reform Bill, all owners and managers in the affordable housing industry have had to consider augmenting or adjusting the variety of services offered to residents. Changes in the current laws make this the smart thing to do to; offering better services can help attract an increasing number of tenants with vouchers. (The 1999 HUD budget seeks \$585 million in new funds for more than 100,000 new rental housing vouchers, which would be the largest increase in four years. Of those new vouchers, 50,000 would be provided through a welfare-to-work initiative.) Inherent in the passage of the Welfare Reform Bill is the understanding that government-assisted and affordable housing has an increased social responsibility to provide its with more than just bricks and mortar.

Organizations like The Urban Institute are conducting new research on topics including the effect of the devolution of powers from the federal government to the states and the effect of welfare reform on housing. Meanwhile, a few National Affordable Housing Management Association (NAHMA) members already have begun their own research, much of which predated current calls for more private-sector action.

NAHMA's members own or manage more than half of this country's HUD-assisted (primarily Section 8) rental housing stock. The issue of resident self-sufficiency is one to which the association has been especially sensitive. During the three years of the Section 8 crisis, it became necessary to highlight members properties that made great use of Section 8 funding in order to illustrative reasons why HAP contracts are essential. To further this mission, NAHMA cultivated the Communities of Qualities Award program that recognizes the best managed family, elderly and turnaround (of a distressed development) member properties.

The recipients of this award are expected to offer residents open access to community services, in addition to excellent professional management. NAHMA believes that managers and residents can work in concert to locate existing community services that meet the needs of residents at minimal costs. These services may include child development, preventative health care, job skill development, and anti-drug programs. In some cases, access to these services is encouraged through the use of resident service coordinators.

The 1998 winner of the Exemplary Family Property award, Warren Village in Denver, Colorado, manages to interpolate all these services and possibly more. Since 1974, Warren Village has been providing solutions to the issues facing low-income single parents, many of whom have histories of domestic violence and poverty.

Affordable apartments are offered to residents based on their ability to pay their income. Residents, in turn, are required to participate in the Warren Village Family Services program, which helps them in achieving personal, educational, familial, spiritual and occupational goals. During their 18-24 month stay, all residents must either work, attend school full-time (or both) and volunteer their time to Warren Village and other community services in the area. On-site counselors work to keep residents on pace with their goals by providing vocational assessments and teaching job-retention skills.

Warren Village also provides a learning center that offers developmental care and licensed early childhood education for nearly 200 children. More than 2,200 single-parent families have successfully graduated from the two-year program with the skills needed to attain parity and

independence in society. After graduation, many of the parents stay close to the Warren Village community by volunteering and offering other needed services. In fact, a 1981 graduate eventually presented the development with a \$30,000 contribution.

HUD has recognized Warren Village as a model self-sufficiency program, and several other communities have followed suit. Completed in 1990 and occupied in February 1991, Rochester, N.Y.-based Wilson Commencement Park uses similar methods to enable single parents to increase their independent earning power and break the generational cycle of poverty and dependency.

In 1989, The Wilson Family Foundation (its namesake, Joseph C. Wilson, founded Xerox) bestowed \$1.4 million in start-up money for consultation services, capital funding, and administration of the program for the first two years. Some funding for WCP, which is composed of 50 two- and three-bedroom townhouses, still comes in the form of foundation dollars, though most comes from private donors.

During their first month at WCP, residents (half of whom were homeless) complete an individualized program plan for their participation in support services. The staff uses this information to plan programs and coordinate services to meet resident needs. Case managers are assigned residents for whom they are responsible for coordinating all services and for making referrals. Like Warren Village, resident participation in support services is a condition of occupancy. Residents are also expected to work and attend classes.

WCP attempts to provide services that are not easily accessible in the community. It has established cooperative agreements or contracts for services with more than 40 service providers in the Rochester area for services such as substance abuse treatment and recovery, public assistance, mental health counseling, employment counseling, healthcare and transportation assistance. WCP has also extended its self-sufficiency program to single-parent families in the greater community who were unable to be placed in residence; most of these families currently receive some form of government housing subsidy. According to G. Jean Howard, Wilson Commencement Park's Executive Director, the entire community has to accept the burden of welfare reform.

Out of the 70 WCP alumni tracked in a 1996 independent program evaluation, 80 percent are employed and 67 percent closed their AFDC/TANF cases.

Los Angeles-based Beyond Shelter provides another similar program. Beyond Shelter was founded in 1988 in response to growing numbers of homeless families in Los Angeles. Instead of remaining in emergency shelters or transitional housing for extended periods, homeless families are relocated into permanent, affordable housing as quickly as possible. Beyond Shelter then provides case management services in the home, for up to one year, to help families transition to stability.

Under a two-year grant from the Seaver Institute, Beyond Shelter initiated a Technical Assistance program in 1991, which allowed the development of a methodology manual for its homeless families program. The Technical Assistance Department is currently working on the development of a service-enriched affordable housing methodology, which will be disseminated nationally. The premise is that housing can help people get out of poverty if it provides the following: crisis intervention; resources and referrals that identify a resident's needs and help connecting the resident with that service in the community; and a mechanism for engaging residents in the decision-making process, such as tenant associations or steering committees.

Beyond Shelter has created three demonstration models of service-enriched housing that employ on-site service coordinators. One of these, Umoja Apartments, located in South Central Los Angeles, is part of a nationwide, 20-project demonstration sponsored by the AFL-CIO/HUD

Partnership Program to receive a special Section 8 set-aside. Umoja Apartments (House of Unity) was developed in partnership with Faith Housing Corporation of Faith United Methodist Church in South-Central Los Angeles.

Neighborhood Networks is a newer, HUD-sponsored program designed to enhance the self-sufficiency and employability of low-income families by bridging the technological gap to the larger community (see page ?? for more details about the program). Jerry Cravey of Jacksonville, Florida, and Carmen Porco of Madison, Wisconsin, are two members who have enjoyed marked success with Neighborhood Networks and Computer Learning Centers. They have latched onto the two-year old HUD initiative, which brings today's technology to low-income residents. A partnership between Flagship Management, Cravey's company, and Digecon Plastics has resulted jobs for four residents at two of his properties. The center provides basic adult education and job training skills.

Porco brought Neighborhood Networks centers to four of his properties, with the intent of allowing residents to build bridges with the surrounding community. They've placed 51 residents in computer-related jobs in government agencies and private enterprises such as Sears Roebuck and Oscar Meyer. The residents average \$9.25 an hour, a sustainable wage in Madison. Thirty-seven residents are currently in training. Last year, Carmen's efforts in computer learning centers were recognized with the Hammer Award by Vice President Gore's National Performance Review, a government-reinvention task force which highlights innovative public-private partnerships that "work better and cost less."

Despite the success enjoyed by these programs, not all owners are convinced. Many are reluctant to test these enriched-housing services at their properties, citing a lack of funding for ventures for ventures that have not yet stood the test of time. Tanya Tull, Beyond Shelter's Executive Director, attributes part of the reluctance on a perceived need to live up to best practices.

"Most owners and management companies can't replicate the combination of programs and services on site that are done by a model program, nor should they," she says.

Tull adds that the primary need of people living in rental housing "is the mechanism that connects to resources in the community, almost like a college guidance counselor. This is the missing link. If every housing project had to do this, we could end poverty for most people there within a year." In the future, Tull says, management companies will want this on-site coordinator to know that particular state's welfare rules in order to help residents avoid sanctions due to misinformation.

Porco, a housing manager, said that he can sympathize with the frustration on the part of service providers who encounter challenges with innovative programs, some of which have been in operation for less than four years.

"I think for us to talk about best practices for a model that's just two years old is not appropriate," he says, referring to the Neighborhood Networks and Computer Learning Centers. "If we look back at when people first started getting into professional property management, there were no best practices. Essentially it took a good 40 years before we could talk about best practices."

He adds that owners who expand traditional property management functions to human service organization functions are basically practicing smart business and marketing techniques by reevaluating what amenities should be offered to their residents.

"At this early stage of the game, we have to understand that there's a large environment out there called the employment sector, and we have to work on them to be open to employing people

on AFDC. If they [employers] were to open up and look at criteria other than educational achievement, they would be surprised at the high productivity rate of people on AFDC who want to work.

"Owners need to see themselves in the same way. Their industry is changing. Trying to hold on to a very narrow concept of managing low-income housing is a mistake."

Dominic Mendes is the Director of Communications for the National Affordable Housing Management Association.

Neighborhood Networks

Mapping a New Path to Self-Sufficiency

In today's economy, if you're not wired, you're not going very far. But what about low-income people who can't afford computers? *USA Today* reports that fewer than one in ten families earning less than \$15,000 per year own computers, while more than half of all households with annual incomes over \$50,000 have joined the wired world. Are we about to replay a cyberspace version of the old *haves vs. have-nots* dilemma?

Not if Neighborhood Networks has anything to say about it. A HUD initiative, Neighborhood Networks bridges the digital divide by helping to establish computer centers in privately owned apartment buildings that HUD insures or subsidizes. About 15,000 multifamily developments, which provide homes for more than 2.5 million households, are eligible to participate.

Neighborhood Networks was founded on the premise that access to advanced technology, with training and support, can help residents increase their earning power and move off of welfare and other public subsidies. At the centers, residents can improve their job readiness, boost education and skills, and even work on starting their own businesses.

HUD can provide seed capital to help launch the centers, but Neighborhood Networks isn't a grant program. HUD expects the centers to be sustained financially by contributions from local partners in each community and by income generated from the centers' own business initiatives. Each center must develop its own business plan to join. The centers are typically sponsored by apartment owners and managers, residents and an array of community partners that runs the gamut from the United Way and the General Services Administration to local business associations, religious institutions and community colleges.

A Government Success Story

As of early 1998, 340 Neighborhood Networks centers were up and running nationwide. Another 1,060 centers were in various stages of development. More than 800 local, regional and national partners have joined in the effort.

"This is truly a government success story," says Charles Famuliner, Neighborhood Networks' National Field Director. Among the most popular activities at the centers, he says, are welfare-to-work initiatives, General Equivalency Degree (GED) studies, basic computer literacy training and résumé writing and other job search activities. Many of the centers mirror an office environment. Participants progress at their own pace.

The underlying message at the centers is clear: no matter who you are or where you've been, you can be successful here. One young woman who received computer training at a Neighborhood Networks center in New Orleans says the program helped her break out of a negative cycle.

"People say that once we have a baby and get on welfare, that's it," she says. "The program has helped me block that out of my mind and move forward."

While no two Neighborhood Networks centers are exactly alike, nearly all offer job training and educational activities to help residents develop the jobs skills they'll

need to become financially self-reliant. Some centers also provide links to health care resources, social services or online civic forums. Many centers sponsor programs for children and teens.

"The kids dive in with no fear," Famuliner says. "Adults who haven't had the same exposure to computers stand back and watch their children go mousing through the software. Pretty soon, mom asks them to scoot over and let her watch."

In Virginia Beach, Virginia, the Neighborhood Networks center at Friendship Village Apartments works in partnership with Birdneck Elementary School, which many of the complex's 150 children attend. The center is linked directly into the same computer system as the school. "A student can work on a paper at school and then call it up at home to work on later," Famuliner explains. The children use the center's computers for math and spelling games. They also get supervised help with their homework and learn how to use the Internet to do research. There's even a pre-reading program to help parents prepare their children for school. The computer trainers at Friendship Village are volunteers from the Federal Bureau of Investigation.

Some centers focus special attention on senior citizens who want to learn more about a favorite topic, surf the Internet or communicate via e-mail. For example, when Neighborhood Networks computers were installed at the Arizona Retirement Home of Scottsdale, the *Mesa Tribune* reported, "Seniors jumped right into setting up e-mail addresses. They have developed foster grandparent Internet relationships with children around the country."

The Neighborhood Networks center at the Greenbriar Apartments in Sacramento, California, targets its offerings to immigrants, providing instruction in English, American life skills and citizenship. The first Neighborhood Networks center on an Indian Reservation opened last summer at the Rio Puerco Apartments in Fort Defiance, Arizona. Partners include the First Presbyterian Church, the Fort Defiance Chapter of the Navajo Tribe, the Navajo Police, New Dawn/Navajo Forestry and the Window Rock School District. In Indianapolis, the Neighborhood Networks center at the Retreat Cooperative is the nation's first center to offer higher education via distance learning.

A Popular Partnership

HUD's Office of Multifamily Housing launched the Neighborhood Networks initiative in September 1995. By the end of the first year alone, more than 70 centers had opened. By early 1998, Neighborhood Networks centers were up and running in 45 states, plus the District of Columbia and Puerto Rico.

"We hit the market at exactly the right time," recalls Diana Goodwin Shavey, HUD's first Neighborhood Networks National Field Director. "We honestly thought that if we had one owner in every HUD field office getting a plan in place by the first year, we would have really done something tremendous. But we greatly underestimated the explosion of the web."

Goodwin Shavey says she and her team also underestimated the positive response from management agents and property owners. "People came to us and said Neighborhood Networks was the most positive program that HUD has done for its real estate in 15 years."

Partners in Neighborhood Networks centers say they participate to make their communities more robust. But local partners also benefit by having a better trained labor force from which to draw employees. And they can capitalize on the expanded buying power gained by formerly unemployed consumers as they get jobs and increase their disposable income.

Among the partners in the Neighborhood Networks center at the Vandalia Terrace Apartments in Charleston, West Virginia, are Battelle Memorial Institute, Bell Atlantic Pioneers, the Junior League of Charleston, Multi-County Community Action Against Poverty Inc., West Virginia State College and the Young Women's Christian Association. The partners provide job and computer training, counseling, day care, transportation and equipment donations. In Starkville, Mississippi, the United Tennis Association joined with Southland Management Corporation and Mississippi State University as community partners in the Brookville Garden Apartments Neighborhood Networks Center.

California is home to 32 Neighborhood Networks centers, the most in any state so far. Florida is a close second with 30 and Massachusetts is third with 21. Less populous states also have been active in starting centers; Washington State hosts 18 centers, Maine has 10, and Nebraska has 8. Not all centers are located in big cities. They've also opened in small towns, including Chandler, Arizona, and Deer Island, Maine.

Some centers are found in unusual settings. The 86-year-old Hotel Oakland is now home to a Neighborhood Networks center for elderly residents in that California city. Programs include a mentoring initiative involving Hotel Oakland residents and area youth. Residents of Banyan Street Manor in Honolulu celebrated the opening of their Neighborhood Networks center in traditional Hawaiian style. A presiding priest untied a ceremonial lei that had been draped at the entrance of the center and proceeded inside to bless the building with prayer and holy water.

Financing Neighborhood Networks

Apartment owners are encouraged to seek grants, loans and in-kind contributions from the private sector, philanthropies and associations to finance hardware, software and other development costs for the centers. Rent increases to pay for Neighborhood Networks centers are only allowed under certain conditions, at HUD's discretion. But owners may tap residual receipt accounts to help defray costs, provided HUD determines the funds aren't required to meet building needs.

Regulatory requirements are generally flexible. "We didn't have a hard and fast series of rules and handbooks and procedures when we started," says Goodwin Shavey. "We encouraged people to be creative and see what they could do."

HUD works primarily behind the scenes to help create centers. The Department guides communities through the application and development process, provides technical assistance and limited financial support, and links individual centers to information resources and to each other. Administration of the initiative is decentralized. Famuliner operates out of the HUD office in Richmond, Virginia.

Reaping the Advantages

For residents, Neighborhood Networks success stories underscore the advantages of being part of the computer age. Although no definitive count has been made, HUD officials estimate that hundreds of apartment residents have landed jobs as a result of the centers. At Plumley Village in Worcester, Massachusetts, where residents use the Neighborhood Networks center to write resumes, more than 70 have found jobs. Residents at Villa d'Ames Apartments in Marrero, Louisiana, used the centers to connect to jobs in local shipyards. And in Madison, Wisconsin, residents from Northport Townhomes and Packer Apartments used their center to land jobs in a Madison insurance company.

Some Neighborhood Networks centers have even posted their own sites on the World Wide Web. The web site operated by the Chandler Neighborhood Networks center in Arizona, for instance, includes a "Plaque of Fame" listing the center's community partners. The web site of the Island Grove Apartments in Greeley, Colorado, is linked to Internet job search sites, ranging from the Colorado Job Bank to a site listing seasonal jobs in national parks. At Seattle's Martin Luther King, Jr. Apartments, the web site beams into global cyberspace the names of young residents who made their school honor rolls. And the Shelter Hill Computer Learning Center, at Mill Valley, California's Shelter Hill Apartments, has a web site featuring a "Computer Club News" newsletter for residents.

While a dramatic drop in computer and telecommunications costs has helped to make Neighborhood Networks centers cost-effective, most participating owners do make a financial investment. In exchange, they build lasting relationships with their residents and with partners in the community. In some cases, the experience of working together for Neighborhood Networks leads to other joint projects, such as property rehabilitation and improved security. The presence of a Neighborhood Networks center in an apartment complex typically enhances property values--some have even noticed cleaner property grounds -- and creates a more competitive property for attracting new tenants.

Importantly, the centers can also help ensure a more stable tenant population. One Virginia owner "wrote a check himself" to establish a computer learning center in his Section 8 building, according to Famuliner. "The owner has good tenants and he wants his residents to stay in place," Famuliner explains. "He knows that because of the new welfare law, many of his tenants may lose benefits later. So he set up a center to help his residents become ready so he could keep them."

For Seattle property manager Mike Carpenter, Neighborhood Networks centers are "the best life preserver for your equity." As the various entitlement programs go away, he says, owners who want their properties to survive must attract residents who are interested in earning their own living.

Looking to the Future

Helping more than 1,000 Neighborhood Networks centers get started in the coming months is no small undertaking. Famuliner says his chief goal is to make the centers self-sustaining without HUD. This winter, the Department sponsored a strategic planning process to help figure out Neighborhood Networks' next steps. It concluded that the initiative should be focusing on areas where owners and tenants will benefit simultaneously, such as education, health care and job placement.

Whatever the precise focus of individual centers, Neighborhood Networks is an unqualified success. "Wherever these centers have taken hold, they have brought the community into the neighborhood," says Goodwin Shavey. "They've been a real living version of what it means to build better neighborhoods."

For more information, call the Neighborhood Networks Information Center at 1-888-312-2743 or visit the Neighborhood Networks web site at www.hud.gov/nnw/nnwindex.html.



ABOUT NEIGHBORHOOD NETWORKS

Envision a room in a HUD-supported housing development lined with computer workstations. Add a mix of people to make it work (residents, multifamily housing owners and managers, paid and volunteer staff, and community partners), plus a menu of educational and job training programs. Open the doors – both on-site and via the Internet – to microenterprise and telecommuting opportunities for residents. Introduce health care, wellness, community and social service programs. This is a Neighborhood Networks center tailor-made to fit a local community.

Just the Facts....

WHEN: Launched by HUD's Office of Multifamily Housing in September 1995.

WHO: Serves HUD-insured and -assisted housing residents, multifamily property owners and managers, partners, and community.

WHAT:

- More than 340 centers open
- 800 local, regional and national partners
- More than 1,060 centers in planning

WHY: Links residents to the high-tech world to improve self-sufficiency, health, employability and economic self-reliance.

What is the Neighborhood Networks Initiative?

Neighborhood Networks is a community-based initiative of the U.S. Department of Housing and Urban Development (HUD) that encourages the development of resource and computer learning centers in privately-owned HUD-insured and -assisted housing. These centers work to build self-reliant neighborhoods that meet the needs of low-income families and seniors where they live.

Why Neighborhood Networks? Why now?

Residents of HUD-supported housing often lack the resources and tools to improve their prospects for self-sufficiency, employability, healthcare and economic self-reliance. The idea behind Neighborhood Networks is to make technology accessible to these residents and to help residents and communities thrive.

Is there a "typical" Neighborhood Networks center?

No. One of the most important aspects of the Neighborhood Networks initiative is that no two centers are alike. Residents, property owners and managers organize local centers to best meet the needs of their communities. Typically, a Neighborhood Networks center is a room or series of rooms filled with computers and located on-site or near a HUD-insured or -assisted housing development. Centers usually offer computer access, staff assistance and range of training resources to housing residents. Center programs may include computer training, Internet access, job readiness support, microenterprise development, GED certification, health care and social services, adult education classes and youth services.

What is the ultimate goal of Neighborhood Networks?

The Neighborhood Networks mission is to create vibrant communities that foster economic opportunity and encourage life-long learning, primarily in HUD-supported housing. Neighborhood Networks is working to increase employment opportunities and access to health and wellness, improve educational performance of children, empower residents, increase participation by property owners and decrease dependency on federal funding.

Who are the partners that support Neighborhood Networks?

Local businesses, non-profits, educational institutions, faith-based organizations, civic organizations, foundations, hospitals, community clinics, and federal and state government agencies, among others, are joining forces with residents and property owners of HUD-insured and -assisted housing to develop and expand Neighborhood Networks centers across the country.

Benefits of Neighborhood Networks

- Residents** gain access to technology that can help them improve their job skills, expand their education and become more self-sufficient.
- Property owners** build lasting relationships with residents and community partners; attract new residents to lower vacancy rates; and, in some cases, work with partners to rehabilitate properties and improve security.
- Partners** gain access to a new workforce and potential customers while helping to expand business, employment, educational and health opportunities for residents.
- Communities** become more cohesive as citizens work together to improve education, expand employment opportunities and increase economic self-reliance.

How is Neighborhood Networks Different From Other Government Programs?

Neighborhood Networks is not a grant program. The initiative encourages centers to be self-sustaining **through** partnerships, business opportunities and other income-generating options. It's an innovative place-based approach to housing and community development. Neighborhood Networks encourages residents to become involved in the actual planning and development of self-sustaining centers.

What Is HUD's Role?

Nationally, HUD works "behind the scenes" to encourage creation and expansion of Neighborhood Networks centers across the country. HUD staff help guide communities through the Neighborhood Networks center development process, from business plan to grand opening to program expansion. Offering technical assistance and limited financial support, HUD also provides information and networking opportunities for participants to learn how to develop a center, contact potential partners and draw upon the experiences of existing centers.

How Are Centers Funded?

While launched by HUD, Neighborhood Networks relies primarily on local support for development needs of the centers - such as computer software and hardware, furniture, personnel and capital funding - and long-term sustainability. Neighborhood Networks partners provide several types of support such as grants, loans, volunteer services and in-kind donations. HUD also may provide "seed capital" financing.

What Kinds of Jobs Have Residents Completing Training Found? What is the Typical Wage?

Actual positions and wages vary among centers. Residents have used Neighborhood Networks centers to obtain clerical, health care, retail, insurance and manufacturing positions, among others. Some centers have launched microenterprises - small businesses run by residents. Computer training has helped some residents increase wages to more than \$10 an hour.

How Are Centers Staffed?

Neighborhood Networks staff positions vary across centers, with a range of full- or part-time professional staff and volunteers to assist with center administration, management, accounting, computer training and education. HUD has recommended that centers have at least two coordinators to provide expertise in computer training and technical skills, and to conduct job training, welfare-to-work, and other resident community outreach programs.

How Can I Find Out More?

Contact: U.S. Department of Housing and Urban Development
Neighborhood Networks
9300 Lee Highway
Fairfax, VA 22031-1207
1-888-312-2743

Visit our web site at <http://www.hud.gov/nnw/nnwindex.html>



FREQUENTLY ASKED QUESTIONS

Neighborhood Networks

1. What is Neighborhood Networks?

Neighborhood Networks is an initiative of the U.S. Department of Housing and Urban Development (HUD) that uses computer technology to help residents of insured and assisted housing become more self-sufficient, employable, and economically self-reliant.

2. Why this initiative?

A 1995 study put out by RAND—a nonprofit institution that helps improve public policy through research and analysis—found that significant societal barriers have limited disadvantaged Americans from accessing computers and computer networks. Without policy intervention, these barriers—based upon differences in income, education, race, residential location, and age—will likely grow as more U.S. commercial and government transactions take place online. Subsequently, fewer and fewer Americans will be able to fully participate in our nation's economic, social, civic, and government life. Neighborhood Networks was created to lower these barriers by providing residents of insured and assisted properties with network access.

The dramatic fall in computer prices in the United States enhances the feasibility of such an initiative. Lower prices for the technologies of interest translate into significant cost savings for property owners interested in establishing a Neighborhood Networks Center.

Finally, over the next five years, the system of federal rental assistance is likely to be either significantly reduced or eliminated. Neighborhood Networks is a means of enhancing the economic self-reliance of rental assistance beneficiaries before social entitlement programs cease to exist.

3. What is a Neighborhood Networks Center?

A Neighborhood Networks Center is a facility that makes computer hardware and software available to residents of a defined community, with a primary focus on residents of insured and assisted housing. Through staff assistance and training, residents can take full advantage of a variety of employment and educational opportunities.

4. What are the benefits associated with Neighborhood Networks?

Residents can enjoy opportunities to educate themselves and their children; learn computer and job skills; telecommute; develop microenterprises; access information on employment, health, and community resources; and participate in online civic and government forums. The primary purpose of these activities is to increase resident self-sufficiency, employability, and economic self-reliance. Indirectly, such community networks strengthen neighborhoods and enhance real estate investment.

5. What properties are eligible?

All of HUD's insured and assisted projects are eligible. These are Section 8 (project-based), 236, 221(d), 202, 202/8, 811, and housing sponsored by states or local housing finance agencies that also have Section 8 assistance. The Office of Housing encourages developments to create working relationships and partnerships with other assisted housing and public housing facilities nearby. This will spread the costs and provide a potentially large core group of people who can benefit from programs offered at the center.

6. What equipment and staffing can be paid for under a Neighborhood Networks plan?

- **Computer hardware.** Costs include those necessary to set up a Neighborhood Networks Center at the property. Owners should make hardware selections that maximize compatibility with local school systems and minimize the likelihood of obsolescence within a 18-24 month period. Adequate training of staff in the use of the equipment is also important.
- **Computer software.** Software includes multimedia educational software; educational and job training software; software necessary to provide resources for telecommuting; and at least one community Internet account that allows for access to the World Wide Web, Gopher, FTP, and Telnet.
- **Maintenance and insurance.** Costs include installing and maintaining hardware and software, training in the use of hardware and software, and insurance for space and equipment.
- **Online service coordinator.** Costs for implementing the Neighborhood Networks Center and coordinating with social services.
- **Security.** Costs include space and minor refitting, locks, and oversight.
- **Resident development and training.** Costs for courses on disk, online, or presented live.
- **Distance learning equipment.** Costs include videocasting and the purchase/lease/rental of distance learning equipment.

7. From what sources can a property owner expect to pay for equipment and staffing?

Although HUD is encouraging the creation of Neighborhood Network Centers in its insured housing stock, it does not have funds sufficient to capitalize them en toto. Most owners will need to rely on dollars and resources from the community. The greater the third-party support at the initiation of the program, the more likely it will be that the center will have long-term viability. Owners of insured and assisted properties can use one or more of the following resources.

- **Grants and other third party resources.** Owners are encouraged to seek out cash grants; in-kind support; or donations from state and local government, educational institutions, private foundations and corporations. Owners should also seek to develop strategic partnerships with other community organizations who may have funds or equipment that would complement the owners' additional funds or available space.
- **Funds borrowed from a financial institution.** Owners may get loans to pay for hardware, software, and setup costs. The loan, however, cannot be secured by the property. Also, a rent increase cannot be requested to support the loan, and the loan should not jeopardize other services that the property has agreed to provide.

8. What additional resources are available to owners?

- **Residual receipts accounts.** Owners may be able to use such funds to the extent that HUD determines that these funds are not required to maintain the habitability of units or to meet other building needs.
- **Owner's equity.** Owners of limited distribution properties can increase the amount of their "initial equity investment" to the extent that they invest their own nonrepayable funds in the center. A rent increase, however, will not be approved to provide for additional yield.
- **Funds borrowed from reserve for replacement accounts.** Owners may be able to use such funds to the extent that HUD determines that these funds are not required to meet the anticipated repair/replacement needs of the property. Owners will need to submit a scheduled repayment plan illustrating how the account will be replenished.
- **Funds from rent increases under the budgeted rent increase process.** Owners may request an increase to cover the costs of establishing a Neighborhood Networks Center. These increases will be approved at HUD's discretion, subject to the availability of funds.
- **Funds from rent increases under a special rent adjustment.** Under certain situations set out in Notice H-95-81, the maximum monthly rent for units under a Section 8 contract may be increased to meet costs of a Neighborhood Networks Center.

9. What specific proposal information must be submitted by interested owners?

Interested owners must submit a Neighborhood Networks plan to the asset management branch of the HUD local field office in whose jurisdiction the property is located. Each plan must address the following questions:

- What are the specific, measurable objectives for participant residents?
- What are the action steps necessary to implement these objectives?
- What types of programs are proposed? How will residents be involved in the planning?
- What partnerships have been built that will enhance the center?
- Who will direct the program? What staffing is proposed? Who will be responsible for the equipment? What will be the center's operating hours?
- What is the proposed space/security/monitoring plan? Does retrofitting meet accessibility requirements?
- What is the first year's budget, and how will it be funded initially? What outreach will there be to women/minority-owned firms if hardware costs are over \$15,000?
- Specify the sources of funds to be used.
- How will operations be continued after start-up? How will the project become self-sustaining after the second year?
- How will resident participation be tracked and evaluated?

10. What is the role of local HUD staff?

Local HUD resident initiative specialists and asset managers act as facilitators. They are encouraged to assist owners, real estate agents, and residents in developing their Neighborhood Network plans and identifying local resources and potential partners.

11. With whom should owners develop partnerships?

Owners should be encouraged to approach local corporations (including large and small businesses, telephone and cable companies, public television and radio); neighborhood schools and boards of education; the local college or university community; community organizations dedicated to such issues as youth, job placement, community safety; and other entities that might be interested in using the center during off-hours for classes or training, such as the YMCA, police department, and National Guard Reserves.

12. Is it possible for corporations to enter into contractual agreements with owners of insured and assisted housing to lease the owner equipment or software?

Yes, as long as the cost of the lease and payment thereof is a part of the approved Neighborhood Networks plan.

13. Does an owner who implements a center face additional insurance requirements?

The owner is likely to face additional requirements, but associated costs can be paid under an approved plan.

14. Can a resident unit and/or community space be dedicated for use as a Neighborhood Networks Center?

Yes. However, if a revenue producing unit is deprogrammed for use as a center, it might be necessary to request a rent increase to replace the lost revenue. This would be subject to HUD approval.

15. How many computers constitute a Neighborhood Networks Center?

For program approval, HUD encourages a minimum of two computers to start a small program, with five to fifteen a more useable and sensible number in most developments other than group homes.

16. Can centers be open on weekends?

A center can be open up to 24 hours per day, 7 days a week, according to the schedule/staffing approved in the Neighborhood Networks plan.

17. Must users of a center be residents of that property? Are there any restrictions on who can use the center?

Not per se, in either case. If the program is project-based, and the vast majority of the costs are covered with project funds, then HUD would encourage the program be limited to residents. However, if the center is offsite, or onsite with the majority of funding/resources coming from third parties, then there would be no objection to non-residents using the center as long as the project residents have priority or are ensured access.

18. Can someone who moves out of a property with a Neighborhood Networks Center return to the property in order to finish a center-sponsored activity that they had been participating in before leaving the residence?

Yes.

19. How would elderly residents benefit from centers?

Elderly residents can communicate with other seniors worldwide; provide their wisdom and expertise to the community electronically, including intergenerational tutoring; start/complete projects such as genealogy research; and work (e.g., telecommute, develop a microenterprise) if they wish to do so.

20. What are the roles of the social service coordinator and the online coordinator?

Conceptually, there should be two coordinators at a center. The social service coordinator focuses on the general needs of the residents and ensures that they are well linked into the social, health, recreational and other supportive services in the community that residents need to get assistance, benefits, and support (may also involve educational and job-related needs). The social service coordinator may also be the person who ensures that some outside programs are established on site (e.g., PAL sports, head start, daycare). He or she may be full- or part-time.

The online coordinator focuses on the operation of the center and its ancillary components and works to help residents make the transition from welfare to training to the workforce. He or she may coordinate some of the following activities: finalize the programs and the software choices with management and the approval of the resident council programs (or equivalent); work with residents to create resident development plans; developing an orientation program; schedule the staff and volunteers; arrange for security and maintenance; set up and manage a volunteer program; work with local school/college systems and the business community to garner additional resources; work with the social service coordinator to analyze family needs and get local supportive service agencies on line for residents; and develop commitments for jobs for graduates of the program(s).

21. What type of tests or measurements should be used to ensure that each center is addressing both the needs of the residents and the Neighborhood Networks plan objectives?

In general, evaluation of individual successes can be at least minimally addressed through a simple system of tracking indicators. For residents, indicators should look at both (1) progression in courses taken and (2) the degree to which trained residents are able to get and hold jobs over time and the degree to which they advance. Additionally, the project should look at the relationship between salary and the welfare benefits over time and the degree to which (1) people get off welfare, (2) the amount which they make over and above the prior benefit levels, and (3) the extent to which units become available for market rate tenants after employed residents move out.



NEIGHBORHOOD NETWORKS CONTACT LIST

| <u>CONTACT NAME</u> | <u>TITLE</u> | <u>PHONE NUMBER</u> |
|----------------------------|----------------------------------|----------------------------|
| Ramona Burks | Project Director | (703) 934-3033 |
| Steve Seuser | Deputy Director | (703) 934-3989 |
| Lucinda Flowers | Communications/Media Relations | (703) 218-2621 |
| Deborah Fishman | Community and Social Services | (703) 934-3581 |
| Barbara Floyd | Information Center | (703) 218-2768 |
| Jerry Garcia | Center Development | (703) 934-3773 |
| Victoria Kennedy | Neighborhood Networks Database | (703) 218-2608 |
| Janet Maccubbin | Owner Outreach | (703) 218-2783 |
| Steve Yank | Health Care and Wellness | (703) 934-3626 |
| Carole Norris | Microenterprise and Job Training | (415) 507-7154 |
| Marsha Tonkovich | Conferences and Training | (703) 218-2611 |
| Mike Vogel | Website and Technical Services | (703) 934-3943 |

The Neighborhood Networks fax number is (703) 934-3156.

The TTY Number is (703) 934-3230.

The Neighborhood Networks Information Center number is (888) 312-2743.

The Neighborhood Networks Website is <http://www.hud.gov/nnw/nnwindex.html>.



Friendship Village, Virginia Beach, Virginia

While the policies of welfare reform take hold, change is already evident in the communities across the nation that are looking ahead to tomorrow's possibilities by investing in the Neighborhood Networks initiative today.

Since Friendship Village celebrated its grand opening in July 1996, residents describe the new Neighborhood Networks Center as an important addition to their community. According to Resident Council vice-president, Jackie Dunbar, the center has had a profound effect on the HUD-assisted housing development in Virginia Beach, Virginia.

"I'm excited about it," said Dunbar, "Each day, I watch grown women run to get to the door on time." Ms. Dunbar has been involved with the center since the embryonic stages of its development. After attending a Neighborhood Networks Regional Conference in Boston, she felt compelled to assist in developing a center for her community.

Ms. Dunbar contacted the property manager and HUD Neighborhood Networks Coordinator, Henry Colonna. Irvine Beard, a local elementary teacher, worked out a business plan with an inexpensive start up cost. Mr. Beard had

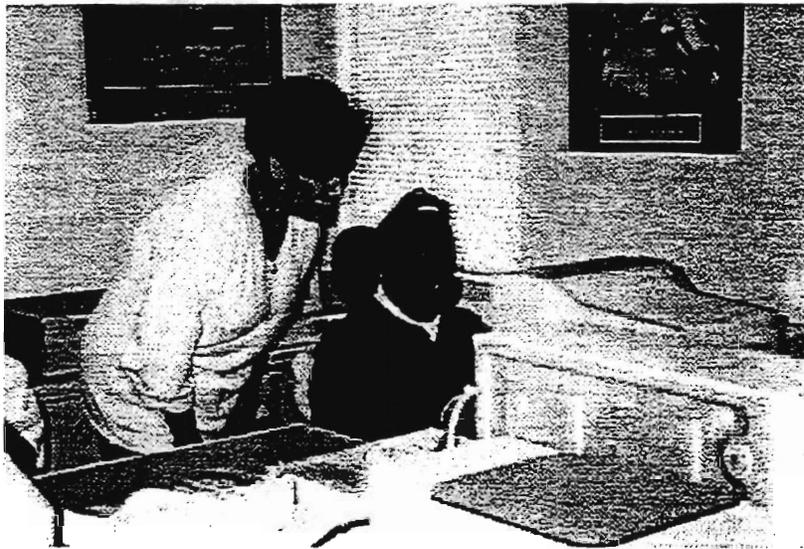
previously set up a learning center at his school with \$30 and several donated computers. "I didn't think we needed state-of-the-art computer technology, just computer technology," he said.

School officials approved the donation of several computers for the Center's use, and a two-bedroom apartment was converted into a computer learning center. Together Beard and Dunbar created computer certificate programs and tutorials for the apartment's residents.

"When I feel like giving up, the children alone encourage me to continue. They make you want to work,"

said Dunbar. Recently, several hours were added after many requests for more computer time. Dunbar and Beard would like to create a separate computer room devoted entirely to the children but currently they share the 13 computers, three of which are Internet accessible, with teen and adult residents who come to learn basic typing skills, word processing programs, and Internet surfing capabilities.

After seeing the progress of Friendship Village, a Christmas fund was developed at a local bank so that the complex's children could receive gifts. Through promotion of the initiative by Colonna, partnerships also were developed with the local PBS station (WHRO), the National Aeronautics and Space Administration (NASA),



Gloria Colmenar, Manager of Friendship Village Apartments, enjoys participating in programs at the NN Center with resident Delpheoe Scutching. Photo by Friendship Village.



Jacqueline Dunbar, resident, and Irvine Beard, a teacher at Birdneck Elementary School, assist students working on programs at the center.

Federal Bureau of Investigation - Virginia Office (FBI), and Old Dominion University (ODU). "I thought the Neighborhood Networks initiative would be an outstanding opportunity to give Internet access to individuals who may not otherwise receive it," said Brian Callahan Director of Interactive Technology at WHRO. The television station anticipates a long-term partnership with the Center while providing Internet services and access to technology and education training sessions. Callahan also provided the use of the facility to Friendship Village residents for teleconferences.

NASA has an Affordable Technology to Link America's Schools (ATLAS) program that coincides with the development of the Neighborhood Networks initiative and is working side-by-side with Friendship Village. The goal of the ATLAS program is to link more than 70,000 K-12 school sites nationally, by the year 2000 in support of the President's goal to connect all of America's schools to the Internet.

"The entire concept is to demonstrate how government organizations working together can help provide opportunities for students to gain knowledge from information on the web to further their exploration of our universe and understand what makes this country great. ATLAS is a cost-effective way of implementing access to information, and NASA is proud to share

that with the nation," says Dr. Joseph Heyman, Director for Technology Applications at NASA Langley Research Center.

Another government agency working with Friendship Village residents is the FBI. After working with several community drug outreach programs, Special Agent Butch Holtz wanted to do more than provide buttons and stickers. "I've participated in a lot of community outreach programs, many of which seem to be "give-away" programs that don't teach anything, but through Neighborhood Networks, computer skills are being taught.

Old Dominion University is offering tutorial assistance to the center, through a current program established with ODU's School of Education, which allows undergraduate student interns to tutor the residents in computer programs for college credit. Eventually the university's School of Business will assist the Center in developing a microenterprise. Another partner, Nation's Bank, donated office furniture to give the center a more professional atmosphere.

With the growing need for computer technology, the residents at Friendship Village have positioned themselves to receive favor in the surrounding area with local employers while relaying a message that they are willing to meet the challenge of today's growing technological demand. □



Northport Apartments Madison, Wisconsin

The center at Northport opened its doors in March 1996. Start-up costs were financed by residual receipts. The center offers a variety of programs for child and adult education as well as business development. To support its activities, the center has seven Pentium multimedia PCs and seven Power Macs. Two of the PCs and two of the Macs have access to the Internet.

As a result of training received in the center, nine residents are working in the management office of American Baptist Homes, managing the housing complex and the center. Seven residents have gotten positions in the community doing office work, data entry, and working as teacher's assistants. Five residents were hired to run the Head Start program and day care center located on the property. One resident was hired by the Madison Metropolitan School District as a teacher's assistant in computer labs. In addition, the apartment complex enjoys the lowest absentee rate among school-age children in Madison.

Many partners have been instrumental in the center's success. The Madison Police Department conducts Internet training sessions at the center with resident teens as part of its Cops and Kids on Computers program. The Madison Metropolitan School District is using the center as a training facility for teachers; in exchange, the teachers train residents in various software programs. The Madison Area Technical College offers GED classes. Other partners include the University of Wisconsin/Madison, the Community Action Coalition, and the Briarpatch Counseling Center.

For further information, contact Carmen Porco at 608-255-2759. □

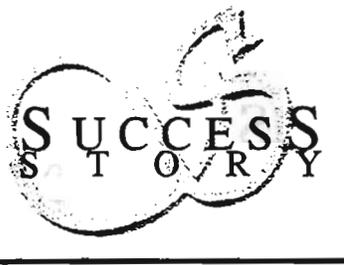
Crescent Park Apartments Richmond, California

The center at Crescent Park opened its doors in February 1996. Start-up costs were financed by a drug elimination grant. The center offers a variety of programs including math and reading enrichment, word processing, and basic computer skills. To support its activities, the center has four multimedia Pentium PCs—all of which have access to the Internet.

As a result of training received in the center, one resident has found work as a paralegal and four others have obtained entry-level office positions that require computer skills.

Several partners have been instrumental in the center's success. The Richmond Police Activities League provides Internet access and support. The Tides Foundation funds a peer advocate position in the center. The peer advocate offers education and employment counseling and conducts computer classes. In addition, the center is working with Volt Temporary to tailor training to meet the needs of local employers.

For further information, contact Leonard McNeil at 510-215-1785. □



Plumley Village Worcester, Massachusetts

The center at Plumley Village East opened its doors in September 1995. Start-up costs were financed by the property owner and a number of community partners. The center offers a variety of programs including GED preparation, computer skills, workforce readiness, and job development. To support its activities, Plumley has one 486 and two Pentium multimedia PCs—all of which have access to the Internet.

To date, 340 residents have used the center for resume writing and job searches. Out of these, 70 have found jobs in clerical, health care, retail, insurance, and manufacturing positions.

Several partners have been instrumental in the center's success. The Greater Worcester Community Foundation provided funding for a part-time case manager. The Massachusetts Department of Education provided funding for a GED teacher. Other partners include Community Builders, the Fallon Health Care Facility, and the Massachusetts Academy for Math and Science.

For further information, contact Tom Stokes at 508-770-0508. □

Villa d'Ames Apartments Marrero, Louisiana

The center at Villa d'Ames opened its doors in May 1996. Start-up costs were financed by Christopher Homes, Inc. The center offers a variety of programs including general education, GED preparation, basic computer skills, and job training and placement. To support its activities, the center has eight 486 PCs and six 386 PCs.

As a result of training received in the center, 60 residents have gotten full-time jobs in hotel, food service, hospital, home health care, and shipping industry positions.

Several partners have been instrumental in the center's success. The Archdiocese of New Orleans donated six computers. The Greater New Orleans FreeNet provides Internet access and support. Tulane University provides community service workers to assist in the computer lab.

For further information, contact Donna Willis at 504-348-4025. □

Shelter Hill Apartments Mill Valley, California

The center at Shelter Hill opened its doors in August 1996. Start-up costs were financed by the Nathan Cummings Foundation, Pacific Bell, and the Interfaith Housing Foundation. The center offers a variety of programs including after school activities, typing, and computer repair, building, and configuration. To support its activities, the center has nine 486 PCs—all of which have access to the Internet.

Two residents have paid positions to support center activities, and WebStarr will pay resident youth to participate in their advanced computer training program. The residents of Shelter Hill are unique in that they see their community as an economic enterprise and are wiring every apartment unit to the Internet so that businesses can bring their work to them.

Several partners have been instrumental in the center's success. The Marin Computer Resource Center provides an instructor to teach computer repair. Marin County's MIDAS (Marin Information Data Access System) program provides residents with Internet access. Pacific Telesis covered the cost for frame relay switches, which permit the rapid transfer of data and enable residents to telecommute.

For further information, contact Kerry Pierson at 415-383-3989. □

What's New in Older Assisted Housing

Don S. Samuelson

DSSA

April 23, 1998

1. Historical Perspective

- a. Public Housing
- b. HUD housing
- c. ELIHPA (1990) and LIHPRHA (1992)
- d. Neighborhood Networks
- e. HOPE VI

2. Public Housing

- a. Local authorities are the owners of the housing
- b. The original purpose of the subsidy was to support the bonds
- c. Operating subsidies were introduced in the 70's
- d. Modernization funding began as a competitive program in the 70's
- e. A base line was established in 1975
- f. The Commission on Severely Distressed Public Housing – early 90's
- g. One for One replacement requirement
- h. Private management
- i. HOPE VI

3. HUD Housing

- a. Section 221(d)(3) and Section 236 interest reduction subsidies in the 60's and 70's
- b. Project-based Section 8 rent subsidy in the mid 70's
- c. The 1981 Tax Act
- d. The 1986 Tax Act
- e. Low Income Housing Tax Credits in 1987
- f. Preservation Housing - ELIHPA (1990) and LIHPRHA (1992)
- g. One year extensions of Section 8
- h. Mark to Market

4. ELIHPA (1990) and LIHPRHA (1992)

- a. The preservation of Section 221(d)(3) and Section 236 housing
- b. Maintain as "affordable"
- c. Owner gets marketplace value – through a competitive appraisal process
- d. Building gets rehabilitated

- e. The Plan of Action – money to the owner, money for rehabilitation
 - f. Little reference to operations or resident services
 - g. Additional funding through FHA insured loans and grants
 - h. Additional Section 8 to subsidize the additional debt service costs
5. Neighborhood Networks (1995)
- a. Computer learning centers to be included in HUD housing
 - b. Objectives: increase value, support self sufficiency, connect to community
 - c. Access to Replacement Reserves and Residual Receipts, and community resources
 - d. Process: a plan to HUD, the approval of the plan, implementation of the plan
 - e. “Setting Up a Computer Learning Center”
 - f. A sample business plan was included in the HUD materials
 - g. “Neighborhood Network Partnerships” programs developed by Aspen Systems
6. HOPE VI
- a. Commission on Severely Distressed Public Housing - 1990
 - b. RFP process – national competition among PHAs
 - c. Demolition requirement – from the Commission Report
 - d. Mixed income – to avoid concentration of low income families
 - e. Enriched service environments – work prep, pre-school, social services
 - f. Public private partnerships
 - g. Use of operating subsidies and modernization funds
 - h. Tax credits, tax exempt financing, conventional financing
 - i. The objective – Transformation and Building Communities
7. The Current Situation
- a. Programs are supported by annual appropriations, not authorizations
 - b. Project-based Section 8 is too expensive
 - c. The promotion of mixed income communities, working residents as role models, mixing current and prospective workers
 - d. The objective of self sufficiency
 - e. Service-enriched environments
 - f. Privatization of public housing
 - g. Public/private partnerships – e.g. LIHTC
 - h. Connections with community resources, schools and education
 - i. The need for predictability and certainty
8. Personal Odyssey
- a. Carmen-Marine (1993), first LIHPRHA transaction, resident purchase
 - b. LakeView Towers (1994) – represented of residents interested in purchasing an ELIHPA project owned by a non-profit.
 - c. Empowerment Zone discussions in Chicago (1993 – 1995)

- d. Niles Terrace (1995) – LIHPRHA, service enriched environment, sale to non-profit
- e. Northwest Tower (1996) – LIHPRHA, purchase by resident group, service enriched environment, computer learning center, community partnerships
- f. DOE Technology Challenge Grant (1997) – City of Chicago
- g. TIAP proposal for West Town Learning Network (1998)

9. Northwest Tower

- a. 150 units
- b. Section 221(d)(3)
- c. Rehabilitation program at \$30K per unit
- d. African American resident group – 50% working, 50% not working
- e. The West Town community, northwest of the Loop, is rapidly gentrifying
- f. Resident Board – a failed HOPE II, three annual elections
- g. Enriched service environment – work prep, pre-school, connections to services
- h. Neighborhood Networks – computer learning center
- i. Community partnerships

10. The Resident Services Program

- a. Creating the resident database – education, work, income
- b. Capacities, needs and wants
- c. Design of instructional program to address needs and wants
- d. Use of technology to assist the instructional program
- e. Computer software to support the instructional program
- f. Hardware to drive the software
- g. Marketing, administration and management of the process
- h. Sources of capital and revenue to create and maintain the CLC
- i. Recruiting and managing the instructors
- j. The need for a realistic business plan

11. Marketing/Awareness Raising

- a. Connect with every man, woman and child
- b. Explain programs to support literacy, school, work and Internet commerce
- c. Explain computers, ICT, the CLC and our preliminary thoughts
- d. Ask residents: “What do you think”?
- e. “Let’s go see the CLC in operation.”
- f. Demonstrations: CDs, demo programs, hands on experience
- g. Followup focus group discussion. “Now, what do you think”?

12. The Use of the CLC

- a. Classes
- b. Supervised lab time
- c. Open lab time

- d. Demos to potential West Town CLC sponsors
- e. Demos to West Town non-profits
- f. Demos to West Town businesses
- g. Connections to West Town and Chicago resources

13. The West Town Learning Network

- a. Northwest Tower – HUD family housing
- b. Cabrini Green – CHA family housing
- c. Northwestern University Settlement – Settlement house
- d. Erie House – Settlement House
- e. James Jordan Center – Boys and girls club
- f. Eckhart Greenview – CHA elderly housing
- g. Wells High School – Chicago Public Schools
- h. Carpenter School – Grade school. Chicago Public Schools

14. Concluding Thoughts

- a. Four Areas Of Management
 - 1. Redevelopment: design, financing and implementation
 - 2. Resident participation in planning
 - 3. Resident Services – real and meaningful
 - 4. Community Partnerships and resources
- b. Sustaining resident services
- c. Sustaining the CLC – instruction and technology
- d. Creating Value – in the development, in the neighborhood

Housing, Computer Learning Centers and Welfare Reform

By

Don S. Samuelson

HUD has recognized, for a number of years and in a variety of ways, that the individuals and families living in its housing need more than low cost rent. Over the years, HUD programs have absorbed the costs of resident services coordinators into annual budgets. Public housing programs, in particular HOPE VI, have included day care and work preparation services as well. Drug Elimination Grants have funded, in addition to surveillance equipment and fences, educational training programs to promote work and self sufficiency as an alternative to drugs. These programs, together with a new corps of Social Services Coordinators, have gone far in promoting self sufficiency in housing. As a result of these and other success, the need for comprehensive and holistic approaches to resident improvement programs is now accepted as gospel.

HUD has also come to appreciate that rehabilitating apartment projects without simultaneous efforts at neighborhood, community, and regional economic building is an unpromising exercise. This was the assumption underlying Model Cities, Enterprise Zones, Comprehensive Planning, Community Development Block Grants, and, more recently, Empowerment Zones. The problems of deteriorated neighborhoods are seen as the interrelated problems of housing, education, drugs, health care, crime, lack of jobs, and the family and initiative destroying incentives imbedded in the current welfare system. The Committee for Economic Development concluded in its book, *Rebuilding Inner City Communities*, the problem of distressed communities was the absence of "social capital" and the solution would be found in its recreation. So, to alleviate the social strains on our stock of affordable housing, it needs to be part of a comprehensive, holistic, and sustainable community rebuilding of community and social capital.

HUD has also concluded that these efforts need to involve residents in meaningful ways in the design and implementation of these programs. Programs need to be "resident driven". There need to be more "buy in" from the people. There is importance to "bottom up" planning and recognition that "one size fits all" type solutions seldom work. Simply put, there needs to be mechanisms that involve residents with meaningful effort in making these programs work.

Due to a variety of factors, including those already discussed, HUD is withdrawing from the subsidy of spaces. It is proposing to substitute short term housing vouchers to residents for multi-year Section-8 contracts to projects. This may result in the failure of many of its subsidized and insured properties, and an S&L-like liquidation of its inventory. At the same time, HUD is aggressively promoting the development of on-site enhanced resident services, including the creation of computer technology learning centers through its Neighborhood Networks initiative. The assumption is that this will create increased value in its portfolio.

Unfortunately, many of the residents in HUD properties already need employment and training assistance, day care and other social services, computer and technology instruction, as well as subsidized rent. These needs will increase dramatically when welfare reform initiatives begin to be implemented by the States.

Against this backdrop of historical rhetoric and the modicum of success related to it, and the new issues raised from the welfare reforms of the 1990's, what avenues of success can be found to alleviate the strain put upon our nation's low-income residents? Because large numbers of HUD residents will need a variety of resident services, an efficiency might be achieved by introducing and connecting residents to these services from the housing site. If housing were to be looked at as a solution to the problem, rather than as a liability to its residents, then several exciting possibilities begin to emerge. The fixed welfare reform block grant dollars for employment and day care services could possibly be "stretched" by making the connection to services at the housing site, through the use of common spaces, learning centers, a resident services manager, or "conciierge", and a computer technology center.

HUD's Neighborhood Networks initiative is another positive step in this direction. By creating computer learning centers directly on housing sites, the program leapfrogs over the notion of providing resident services on-site to developing an actual tool towards realization of that end. Furthermore, the program is introduced at a time when there is great concern over the continued viability of government housing due to the withdrawal of Section-8 assistance and welfare benefits, thus bringing attention back to the potential of housing as a vital aspect in the well-being of millions of Americans. Related to the lack of funding issue, Neighborhood Networks suffers from a chronically low pool of resources from which to draw. As a result, HUD has relaxed some rules regarding the use of Residual Receipts, Replacement Reserves, and rent increases. A business plan must be submitted by the project owner and approved by HUD before such rules are relaxed, however.

HUD is right in that an even greater efficiency might be achieved by using on-site Neighborhood Networks computer learning centers to promote the types of services necessary to implement welfare reform through such programs as "Success in School", "Success in the Workplace", the connection of residents to social services, and the building of resident skills in the use of computers and other technology work tools. The program, overall, has much potential in its ability to spring forward the notion of provision of resident services on-site in housing despite its current general lack of support on the federal level.

Recent developments in public policy can also aid in the redevelopment of housing as a catalyst for resident services. As an example, the FCC Act of 1996, and the subsequent state public utility commission proceedings, can provide strength to computer learning centers in low income housing. Broad band cable access, a mix of old and very new equipment and creative multi-media instruction in both traditional education and preparation for the world of work are just a few of the ways that telecommunications companies can become involved in aiding low-income housing. In effect, we are proposing the transformation of worn-out government housing from "projects" to "electronic villages" for assisting parents in proving high-quality pre-school education, for helping adults develop realistic career plans and jobs, and in assisting families

achieve self sufficiency. Converting housing projects into electronic villages, and connecting them to community assets such as schools and libraries, creating social capital in the process, can also be a stimulant to the redevelopment of surrounding neighborhoods and inner city communities.

In visualizing these concepts of providing resident services, the reality should be separated from the rhetoric. Doing so means to find the centers of current national activity which can facilitate the creation of social capital in housing sites. As is, there are four streams of activity out there that if connected and pulled together would become a mighty river of action to build human social capital.

The first is the computer learning center (CLC). CLC's exist in a variety of settings, both public and private: schools, libraries, government housing, community centers, parks, colleges and universities, family support centers, store fronts, etc. They serve pre-schoolers, K-12, teens, the un-employed, the under-employed, and the elderly. They support instruction programs related to literacy and success in school, workplace preparation and job search functions, and connections to all sorts of information, experiences, the Internet, and social services. They can be open ended discovery centers. They can be used to support very specific program objectives and target specific populations. There is rich diversity out there at the moment which should be explored and duplicated where applicable.

The second relates to HUD. HUD is promoting on-site computer learning centers in its assisted housing portfolio through its Neighborhood Networks (for privately owned low-income housing) and Campuses of Learners (public housing) technology programs. Today, there are one-hundred centers in operation, two-hundred and fifty more with approved business plans, and as many as five-hundred more with plans in process. With few exceptions, HUD is not putting new money into these programs. But, it is relaxing regulations so that rental increases, replacement reserves, and other project resources can be spent on computer learning centers. Through workshops and other marketing efforts, HUD is encouraging its housing owners to forge partnerships and collaborations with the community as another source of sustaining the centers. Despite its slow withdrawal, HUD is still a strongly supportive force in today's housing.

The third involves welfare reform. To the extent that on-site computer learning centers support high quality pre-school/day care and work preparation programs, they should qualify for the state welfare reform block grants that could provide long term support for these efforts. Support for on-site computer learning centers in housing projects providing these services at a quality level could open up and create healthy competition in these delivery systems. The support is for the program objectives and competition can diversify service to neighborhoods. The computer learning center is simply one of the tools being used to achieve the objectives of welfare reform.

The fourth relates to the regulatory processes involving telecommunications. A few simple questions: What should the telecommunications industry be doing to support HUD on-site computer learning centers serving low-income and welfare resident populations? What about providing the sort of pre-school/day care and work preparation programs that could facilitate

welfare reform objectives? HUD housing is filled with residents facing the near term (0-3 years) loss of housing and welfare assistance. They need help quickly. Some marriage of telecommunications technology and quality/interesting program content could make a big difference in the lives of millions of Americans. The 1996 Telecommunications Act makes special "preferences" for public entities such as libraries and schools which require telecommunications companies to aid in the upgrading and wiring of technology in these places. Because of the number of people affected, the urgent needs they have, and the logic of providing social services on-site, I ask a final question: Why not include low-income housing as a preference?

Exploring these potential tools to be used in the transformation of housing, another question comes to mind. Where is the money going to come from to bring these self-sufficiency oriented computer learning centers and other social services in government assisted housing into existence, and at scale? First, units can be converted in the housing up-cost on the argument that if these service enriched environments speed up and facilitate the movement into and out of government housing, the effective number of government housing units will be dramatically increased. Second, if the pre-school and work preparation programs in government are required to be high quality, and consistent with "best practices", they should be funded out of state welfare reform block grants. Third telecommunications service "discounts" can be provided to low-income housing projects in collaboration with schools, libraries, and other civic organizations.

Government assisted housing projects could be good intermediaries for such connections. They are in an ideal position to make collaborations with community institutions. Building social capital in the places people live is the best way to improve their outlook and enhance their neighborhoods. Furthermore, housing projects have to be run like businesses and their results and successes can be easily measured in human and financial terms. All factors taken together, they are the logical choice.

Niles Terrace Apts. - Pulling Resident Services Together

After espousing the ideals of social service and promoting their creation in housing projects, it would be good to look at a contemporary example of such activity. Niles Terrace Apartments in Waukegan, Illinois, is a moderate-income government assisted project which is currently undergoing a LIHPRHA funded rehabilitation of both the physical site and its social services. Although Niles Terrace can be looked at as a "work in progress", it nevertheless maintains the notion of building social capital through involving residents in the creation of social service programs and the implementation of such programs on a community-wide scale. As a real-world application of community building concepts, I will outline the process involved in creation of services and hopefully show some examples of how to build collaborations and develop programs relevant to low-income populations.

Niles Terrace is a largely Hispanic community in a post-industrial town. In creating social services, the needs of both the residents and community were kept in mind. Programs were divided into four main categories: a) pre-school and "Success in School" programs, b) "Success in the Workplace" training and planning programs, c) facilitating connections to government and community social service programs, and d) using computer technology as a platform to support these services and introduce residents to the Information Age. The process of planning and executing these programs involved several collaborations with local industry and community agencies.

The process began by reaching out into the community to create collaborations and alliances. The first stop was at the Lake County United Way. They are familiar with all of the social service and income support programs in Lake County as well as sources of corporate and individual financial support. They were particularly helpful in identifying those programs and service providers who had programs related to an Hispanic population. There is a United Way everywhere in the country; a very important first step.

The second step was at the neighboring Clearview School. Over 20% of the students at Clearview came from Niles Terrace. The principal of the school indicated that he had an interest in developing closer relations with the residents of Niles Terrace. Some residents at Niles Terrace had formed a study group related to English as a Second Language. Some parents had begun an informal pre-school program. The School offered to help in both of these programs with materials, space, and instruction. At present, there is a 20 student pre-school program - Kids Kampus - operating out of Niles Terrace. It will expand to 40 students when the LIHPRHA rehabilitation program provides for the expanded space. At present, the operators of Kids Kampus are working to connect their efforts with the basic K-5 program at the Clearview School, and with the pre-school efforts of the Waukegan School District's Whittier School, and with the evaluation program of the acclaimed Erickson Institute. The hope is that the quality of the on-site pre-school program will be of sufficiently high quality that it will qualify for funding under the State welfare reform block grant funding.

There was a third stop at the Waukegan Federation for Employment Training. This is a Casey Foundation funded demonstration in the State of Illinois to help in the reorganization in the delivery of social services. The program organized information on service providers, their programs and requirements and developed a one-stop point of entry and case manager so that users of social services could fill out one application form and have a single case manager as they worked their way in to and through various service providers and programs. The Federation was interested in developing a demonstration site on how users of social services could access service providers in an efficient manner. Niles Terrace was interested in helping its residents connect to needed services. There was a natural marriage of interest.

The fourth stop related to programs related to work preparation and placement. There was a slight detour here to the State of Wisconsin's "best practices" one-stop program at the Kenosha Jobs Center. Everyone in Kenosha County interested in welfare assistance has to enroll at the Kenosha Job Center to start a program of skills assessment, career planning, job search and placement. Applicants don't get welfare assistance without developing and working on a personal self sufficiency plan. We asked ourselves what would we do to prepare our housing residents to take maximum advantage of the Kenosha "one-stop" Job Center if Niles Terrace were in Kenosha, Wisconsin, rather than Waukegan, Illinois. With these thoughts in mind, we started to think of the additional things we should be doing at Niles Terrace to reflect the somewhat less centralized and organized system of employment and training support in Illinois. There are a host of materials that already exist in the world of work preparation and job search. The issue is really one of motivating residents to take advantage of these programs and to act on them. Here, an on-site housing program has a head start by creating "job clubs" and various sorts of peer support programs that can connect these efforts to results.

The fifth stop was at HUD to create a computer learning center to be supported by Neighborhood Networks. Fortunately, Niles Terrace received \$40K in LIHRPHA funds to support the on-site computer learning center. The general plan was to use the computer learning center to leverage the work of the resident services manager in implementing the resident services plan that had been developed for Niles Terrace under the terms of LIHRPHA. Computers would be used in the pre-school program. There would be a general introduction to computers and technology for adults, in addition to instruction in specific computer applications. The computers would be used for English as a Second Language and literacy programs, as well as the programs related to skills assessment, career planning and job search. The computer learning center at Niles Terrace was to be used for: programs related to Success in School, programs related to Success in the Workplace, access to social service programs and a general introduction to computers and technology.

The sixth stop was back at the Clearview School and the Waukegan School District to cement the earlier collaborations. Niles Terrace contributed \$15K to the Clearview School so that it could purchase state-of-the-art computers to drive some of the creative software appropriate for K-5 education. Clearview, in turn, contributed its Spanish speaking computer learning center director to provide 320 hours of organizing, curriculum planning, and instructional services to the computer learning center at Niles Terrace. An effort was made to collect examples of instructional programs from other computer learning centers throughout the country. These

examples were made available through the networks of CTCNet, HUD's Neighborhood Networks, and Campuses of Learners programs. There is no reason to reinvent wheels when complete instructional programs already exist, they need merely to be adapted to the special requirements of the situation at Clearview School. The Niles/Clearview collaboration is part of the overall Waukegan School District DOE Challenge Grant. One of the objectives of the Challenge Grant was to create community-accessible computer learning centers. Niles Terrace provides an illustration of how multi-family government assisted housing programs in Waukegan can connect with schools and community wide connectivity efforts. There are a number of other HUD and public housing projects in the City. There are also park district locations, boys and girls clubs, pre-school facilities and other church and community facilities where the programs developed at Niles Terrace can be replicated elsewhere in the community.

The seventh step is to connect the Niles/Clearview program to the Waukegan Library. I simply see this as a way to extend the resources of the library into the community other than through buses, bricks, and mortar. I assume that there are creative examples of library and community partnerships through the National Library Association, or some other relevant database. Libraries are afforded special treatment under the 1996 Telecommunications Act and therefore are in unique positions to offer partnerships within the community. There are members of the Waukegan Library Board who are particularly interested in the potential of technology and computers in expanding the service coverage of the library. The Library's Director attended the last planning meeting at the Clearview School and expressed his desire to keep this issue on the front burner.

The seventh step is to consider the application of Jody Kretzmann's principles in *Building Communities* to development of the Clearview neighborhood. Last June, Jody made a presentation at Clearview sponsored by the United Way of Lake County, Clearview School, the Waukegan Federation, and Niles Terrace. There was a follow-up meeting sponsored by United Way of Lake County for all county service providers this July. There was a preliminary effort by DSSA to collect information on institutions and resources in the Clearview neighborhood. This effort is being restarted and updated as we speak.

Finally, we should be adding to the industry advisory group. There is clearly some form of private sector involvement in the DOE Challenge Grant. However, by expanding the implications of the effort into community building, and into developing some strategy for helping to implement the policies of welfare reform, we *could* develop a much broader and more committed constituency interested in the success of our efforts. United Way of Lake County could be helpful in making these connections.

Looking Into the Future: Welfare Reform

Providing social capital for residents is a priority and thought should be given to the provision of adequate social services in any housing setting. However, the needs of low-income residents are particularly acute due to the recent developments in welfare legislation. The Welfare Reform Act of 1996 basically ends assistance to a great number of recipients within three years or less of its enactment. Reaching out to these people before support ends is a major dilemma currently facing many service providers and is a problem which should be thoughtfully confronted. In regards of the preceding thoughts, there are several ways in which the current government housing stock could be connected to the achievement of the objectives of welfare reform.

First, we need to simply determine the numbers of individuals in government assisted housing who will be affected by welfare reform. Everyone in this group is receiving double assistance: the assistance provided through the housing subsidy, as well as the welfare assistance. A portion of this group - frequently in public housing, often in the job starved inner cities - often represent hard core, multi-generational welfare families. I suspect, but do not know for sure, that many of the most difficult welfare cases live in government assisted housing, probably public housing.

Second, we should develop some demonstrations for delivering social services and welfare related services at housing sites. The Casey Foundation funded initiatives in its five "federations" can be a step in this direction. In addition, some of the current LIHRPHA and Section-8 projects could be planned to provide community spaces and programs related to: Success in School, Success in the Workplace, Computer Learning Centers, and referral centers for existing social services. Northwest Tower in Chicago and various CHA sites could function as important demonstrations. These demonstrations should be carefully planned, however, with an eye toward the possible use of government housing as a delivery system to implement the objective of welfare reform.

Third, placing work readiness, pre-school, and child care programs in government housing may be a cost effective way for states to optimize their "block grant" dollars. Recent articles in the Chicago Tribune related to the child care, transportation, and training costs associated with welfare reform suggest the need for efficiency in the use of block grant dollars. It would seem that the use of government housing as the location of these services - particularly in those cases where large numbers of residents will be affected by welfare reform - could result in significant savings over alternative methods of delivering such service.

Finally, it would be possible to include the ideas of "infrastructure improvements", advanced by William Julius Wilson in his book *When Work Disappears*, towards the current stock of government assisted housing. Unlike traditional infrastructure, such as roads, bridges, schools, hospitals, and airports, which are currently dominated by high technology and high skilled workers, government housing stock can be maintained on a workable level by less skilled manual workers. Furthermore, this definition of housing infrastructure could be qualified in terms of improving the living of preschool aged children. As a result, computer learning centers, child care centers, and children's amenities can be included along with normal building rehabilitation

and repairs. These projects can provide for a host of public works entry level jobs, requiring minimal training, and the possibility for long-term careers and self-sufficiency.

If we are to improve the quality of life for low-income housing residents, these issues need to be addressed in a holistic and immediate manner. The principles of building social capital and assessing communities in terms of their assets, rather than their limitations, are fundamental first steps towards this end. Utilizing the tools at hand, including using housing as the vehicle and technology as the catalyst for change, and connecting them in a useful and relational way, not only to residents but to the surrounding neighborhoods, is the next step in the process. As the federal government steps back from being the primary provider of housing and social service, it will become more necessary for several agencies, both public and private, to bind together in collaboration with residents of low-income neighborhoods in achieving these goals. With over one hundred-thousand subsidized housing sites housing over twenty million people, the necessity for these changes to take place, and their importance to the survival of our nation in the next century, is self-evident. The road ahead may be a long one, but it paves the way to a better, working tomorrow.

Chicago Neighborhood Learning Network

Extending Learning beyond the Classroom into the Community

PROJECT SUMMARY

The Chicago Neighborhood Learning Network (NLN) is an initiative of the Chicago Public Schools, the Chicago Housing Authority, the Office of Catholic Education and the Chicago Urban League working in partnership with neighborhood organizations to fundamentally expand the learning environment beyond traditional classrooms. Through conveniently located neighborhood sites the NLN will provide students, parents and teachers expanded access to learning resources. The project mobilizes the full community of stakeholders to develop the lifelong skills to compete in the 21st century information society.

DESCRIPTION OF PROJECT

The Chicago Neighborhood Learning Network (NLN) is a geographically defined interactive distributed learning environment that provides:

- community wide access to educational tools and resources to learners of all ages.
- teacher training for implementing collaborative learning projects with students and parents.
- partnerships with community organizations as a force for higher levels of student achievement, workforce readiness, welfare to work, community service, school change and educational goals
- educational services to meet the special needs of low-income, underperforming and ethnically isolated schools
- technology integration linking schools to the community

THE EDUCATION and TECHNOLOGY CHALLENGE

Not since the invention of printing has there been such an intersection of changing technology and changing education. It is now technologically possible to create a community of learning that is far different and more effective than the instructor led classroom of today. This transformation involves more than providing everybody a computer and access to the Internet. Technology will enable a change in the learning process from a passive endeavor to an active one as students, parents and teachers play a greater role in constructing their own learning and work in collaborative ways.

THE CRITICAL NEED THE PROJECT ADDRESSES

Low income communities face major barriers in making technology useful and accessible:

- Limited hours that schools can remain open
- Unaffordable home access to telecommunication and Internet services
- Neighborhood organizations that are not technologically enabled
- Teachers are not trained in how to integrate technology and the curriculum.
- Educational practices tend not to involve parents with their children's educational activities.
- No Internet connections between schools to the surrounding community.

- Programmatic isolation in the spheres of K-12 education, employment, welfare and community services.

PROJECT APPROACH AND SIGNIFICANCE

The five year project will design, test and evaluate the Neighborhood Learning Network as a mechanism for involving parents and the community through the use of interactive technologies. It is expected that student achievement will be enhanced as various neighborhood influences—family, peers, teachers, administrators, community organizations and others—are brought into a shared technological framework to pursue innovative educational practices.

- Collaborative learning and project/ inquiry based learning
- School to work and welfare to work programs
- Community members serving as mentors and volunteers
- Community service and creation of economic equity
- Education of the community in the uses of information technology
- Teacher-parent communication and parent-student activities
- On-line courses and telementoring

SPECIFIC PROJECT OBJECTIVES

The specific objectives of the project:

1. Define Neighborhood Learning Zones with multiple points of neighborhood access for teachers, students and parents to Web based learning resources.
2. Implement a professional development program to design instructional strategies and collaborative activities that can make use of neighborhood learning network resources
3. Implement a neighborhood education program for training the community in the use of the NLN.
4. Create a community service program to earn time dollars and receive benefits such as computers for home use.
5. Evaluate how a neighborhood learning networks can be best operated to improve educational outcomes and implement an on-line best practices repository.
6. Scale up the NLN to other urban neighborhoods and make it financially sustainable.

THE MAJOR CITY-WIDE PARTNERS

Chicago Public Schools

The Chicago Public Schools (CPS) is the third largest school system in the country. Its nearly 600 schools, spread over 228.5 square miles, service over 420,000 students with 43,000 people employed to provide those services. The racial breakdown is: 54.1% African American; 32.1% Hispanic; 3.2% Asian; 0.2% Native American; and 10.5% Caucasian. Over 83% of the students are from low-income homes. The system serves 17,619 preschool student, 301,051 elementary students and 102,162 high school students.

Office of Catholic Education

Within Chicago, there are a total of 178 schools under the Office of Catholic Education, Archdioceses of Chicago. A total of 73,709 children are enrolled in Chicago schools with a ninth grade enrollment of 9,2024 students and 6,194 full time teachers making it the largest Catholic school system in the world and the eleventh largest of all school systems in the United States. The system is being challenged by an influx of immigrants from Poland, the Philippines, Cuba, Puerto Rico, Mexico and Haiti. The Office of Catholic Education provides in-service support to the system and is a current emphasis is on integration of technology into all aspects of the schools and development of a plan to link its schools electronically.

Chicago Housing Authority

The Chicago Housing Authority is a municipal non-profit corporation that provides public housing in Chicago for more than 125,000 people in approximately 55,000 units. Residents of public housing represent 4.7 per cent of the city's population. CHA residents are disproportionately represented among the unemployed, under skilled and those that receive some form of public assistance. Recent federal welfare legislation has resulted in new requirements to provide opportunities for low-income residents to achieve economic self-sufficiency. The Chicago Housing Authority, through its new Economic Development Division plans to create 22 Technology Learning centers in selected public housing developments. CHA has formed a working relationship with the Chicago Public Schools to link CHA learning centers to the Neighborhood Learning Network concept. At these centers, public housing residents will receive hands-on training in computer skills, as well as high-school equivalency, college and specialized job skills training. The centers will also be available to support student learning activities that involve parents, volunteers and mentors. The centers will also have networking and Internet capability.

Chicago Urban League

The Chicago Urban League is focused on four critical issues that affect the community: 1) equity in school funding; 2) welfare reform; 3) adequate employment opportunity; and 4) community empowerment. The restructuring of the welfare system has made enhancement of employment opportunities a primary focal point of change. The Chicago Urban League Family Health Center is an ideal location to foster integrated education, health and social services for community residents. The mission of the Department of Health & Family Services, housed in the CUL family Health Center is to provide ongoing guidance, education, encouragement and support to families as they transition from dependency to self-sufficiency. To this end the NLN will support the department in providing physical and mental health services, substance abuse prevention and treatment, pre-employment skills development, family stabilization intervention, health education, civic responsibility development and mentoring; operating from a case management core and coordinating service provision, where appropriate, with all other departments of the Chicago Urban League.

NEIGHBORHOOD IMPLEMENTATION AND PARTNERSHIPS

To launch the project two low-income neighborhoods were selected on the basis of the current school technology plans, the strong support of administrators, teacher engagement, availability of within school technology, and support of neighborhood based organizations capable of housing and managing networked computer learning centers. In addition, these neighborhoods

serve distinct large population groups (Hispanic and African American) who are below average in terms of city and state educational performance measures.

Wells Community Academy is located at 936 N. Ashland Ave., and is designated as a community academy serving first the students from its own community of West Town and on space available basis students from the broader Chicago area. The student population is 1,500 and is predominantly Hispanic (82%). 94.3% of the Wells student populations are designated low-income, 22.7% are limited-English Proficient and the dropout rate during 1995-96 was 18.2%. The attendance rate was 83.0%, the mobility rate was 33.1%, chronic truancy was 15.0% and the 1995-96 graduation rate was 58.2%. While the great majority of Wells's students come from economically disadvantaged families it should be noted that there is an influx of upwardly mobile people into the West Town area although they tend to have no children and work in the downtown area.

Wells is expanding learning opportunities through extended-day and Saturday program that provide additional instructions and tutoring and through the development of partnerships with Northeastern Illinois University, the Chicago Systemic Initiative, and the West Town Arts Partnership. Relationships have also been developed with the Northwestern Settlement House, Erie Neighborhood House, Emerson House, Youth Guidance, Imagination Theater Workshops and Chicago Dramatists Workshop for such services as tutoring, counseling, physical and mental health facilities and play productions. The West Town Neighborhood Learning Network partners are:

| West Town Neighborhood Partners | Status |
|--|--|
| Holy Trinity High School | 441 students of which 63.9% are Hispanic. 54.1% qualify for subsidized lunch program. Will provide \$282,492 in matching |
| Northwest Tower | Provides housing for 140 families. Construction of computer learning center underway |
| Cabrini Green | Public housing. 45-station computer center built by residents now operational with T-1 access. |
| Northwestern University Settlement House | Area designated for computer learning center. Needs substantial upgrade of hardware and Internet connection. |
| Carpenter Elementary | Installing computer learning center |
| Street Level Media | Non-profit group providing computer, Internet and video production resources to students and adults. |
| Erie House | Settlement House |
| Emerson House | Settlement House |
| Greenview Eckert | Public Housing for the elderly |

Dr. Martin Luther King, Jr. High School is located in the Grand Boulevard Kenwood-Oakland community. The population it serves is the area bound by Lake Michigan on the east, State Street on the west, 35th street on the north and 47th street on the south, although there are a number of students who live outside the area. The student enrollment is 1,027 and is predominately African American (100%). Most residents are low-income (83.2%) and reside in public housing most often headed by a female. The attendance rate is 69.9%, the mobility rate is 51.5%, chronic truancy is 12.3% and the 1995-96 graduation rate was 50.4%. Average IGAP scores in reading, mathematics, science, and social science are well below the district-

side and state averages. In the last three years, enrollment has fluctuated and dramatically decreased due to the closing of area governmental housing and subsequent population shift. One effect of this mobility is that students arrive with limited academic backgrounds, unclear concepts of the relevance of education and little or no motivation. Newly constructed and renovated housing and the revival of numerous businesses and community based organizations present opportunities for expansion of partnerships and enrichment of the educational programs.

| North Kenwood-Oakland Neighborhood Sites | Status |
|---|---|
| Chicago Urban League | Space will be designated for a model computer learning center |
| Family Health Center | Will be supported by Chicago Urban League |
| Holy Angels School | Planning Learning Center |
| Hall Library | Space identified for installing computer learning center. |

MAJOR TASKS

In order to implement the objectives and overall approach the following tasks will be implemented.

TASK ONE. Building the Technology Infrastructure.

The Chicago Public Schools (CPS) is now installing and upgrading computer technology, professional development and educational content to every classroom of the school system. The current system wide design includes developing a fiber optic backbone to 50 high schools around the city providing each with OC3 access to the Internet through the state network as well as a connection to the Intranet of the CPS WAN. Every school is then to be connected to one of the backbone sites using T1 port. This provides each school T1 access to the Internet as well as access to every other school over the Internet. CPS the system is projected for completion by September 1998. Each school will receive an Internet access point (T1 port or OC3), a CSU/DSU, and an 8 port hub. Local schools will have the responsibility to configure connectivity within the schools. In effect each school will be building their own **Intranet** to support curriculum needs, teacher training, administrative management, and communication within the school.

The **Neighborhood Learning Network (NLN)** will extend the individual school technology infrastructures of Wells High School and King High School by creating an **Extranet** (to link neighborhood organizations with relevant educational content and learners). This NLN network will operate over standard Internet based protocols and can be accessed by terminals at the partner neighborhood sites such as libraries, settlement houses, family health centers, community service centers, and public housing. It will be the responsibility of the NLN local sites to:

- provide the space, furniture and non-computer equipment
- provide the operational oversight and administration of the center
- conduct the market research and business planning necessary for the operations
- assemble a steering committee to oversee the operations
- recruit volunteers for the instructional programs, open labs and administration

Demonstrating Network Computing Architecture

The configuration at each site will consist of 5 to 40 computers connected to a local area network, server and connection to the Internet. Each neighborhood location will also be the site of a prototype deployment of network computers—designed to be inexpensive and easy to maintain. Through the use of smart card technology students and community members will have portability and secured personal access to their e-mail, classroom discussion groups, word processing, graphics and spreadsheet applications, collaborative projects, and web-based learning resources from the computer terminal devices distributed in the neighborhood sites.

One feature of the proposed project is a demonstration and test of a network computing architecture. This new architecture is a new way of producing, delivering and accessing educational content in which learning objects can be readily build, deployed and managed using content (objects) from many providers and vendors.

TASK TWO: Professional Development of Teachers

Currently few teachers are familiar with the techniques and strategies for engaged learning, how to integrate technology in the curriculum and manage collaborative learning projects. Whole class instruction, where the teacher is the main source of information, is still the common and predominant approach in CPS. With the limited availability of computers there has been little incentive for teachers to infuse technology across the curriculum.

The Neighborhood Learning Network will dramatically expand access to computers and create an exciting and compelling new professional development environment. The NLN will help transform how teachers use their time—working more as co-learners with students rather than dispensers of information.

The professional development program will be different from the typical in-service model. The program will be hands-on, real time, and collaborative and in which professional development tasks and the development of instruction will occur concurrently with students, parents and neighborhood organizations as co-developers. Over the five years of the project approximately 3,000 teachers in 60 high schools will participate in this program.

- The Technology Resource Network will provide skilled educational technology practitioners to work with local school site coordinators and teachers, helping them design instructional strategies that utilize the neighborhood learning network.
- Teachers will be trained in the technological basics and to use e-mail and collaboration tools on computers as a means of generating curriculum content and increasing on-line interactions with students and parents.
- A cross-sector team of teachers, students, parents, and neighborhood organizations organized by the site coordinators will assess which educational software and Internet resources are relevant to the educational needs of the local school and neighborhood.
- A web based repository of Learning Resources will be created with an on-line graphical interface to facilitate access to content and relate that content by reform goals, age group, curriculum area, CPS and State level curriculum frameworks and assessment criteria.
- Work Based Learning projects will be developed. Companies will be approached to specify competencies and industry skill standards required gaining employment.
- Through seminars and focus groups teachers will share their experiences and successful strategies.

- Successful programs will be highlighted in the Chicago Educator newspaper and posted on the CPS, school and neighborhood web site.

Related CPS Program Experience to be Integrated into the NLN

The following table provides a brief description of the resources targeted for integration with the NLN professional development program for teachers.

| | |
|--|--|
| Technology Resource Network | A team of 26 technology coordinators to support local school technology planning and implementation. Certified teachers with experience in utilizing technology within the curriculum. 24 are assigned to 6 regions of the city (4 to a region). Two technology coordinators work on cross-city projects such as staff development, grant writing and advocate with vendors. |
| Technology Development Sites | 13 schools across the city to showcase strong technology programs. Each site provides technology coordinators freed from classroom duties to give tours, answer questions, funding sources, successes and failures. |
| Intern Program | Two intern programs. 1. Technical specialists serve as advisors to principals on wiring and computing issues. Drawn from Governors State University. 2. Expert interns to support teachers on the use of Internet. Drawn from Loyola University, University of Illinois at Chicago campus, DeVry, and Chicago state University. |
| Univ. of Chicago Project (CUIP) | Scientists to collaborate with teachers to enhance and develop science teaching techniques utilizing the Internet |
| CoVis Project Northwestern University | Joins 10 Chicago high schools, one elementary school in an effort to improve science curriculum. Will be expanded to 3 additional schools. |
| The Learning Collaborative | A multi-city, distance learning program focused on helping high schools improve their science and math programs. Project includes 2 high schools and will expand to three or four high schools. |
| IBM Reinventing Education | Curriculum development project to improve math and science. Focused on development of new curriculum for 7 th grade math with staff development provided on-line. |
| Technology Summer Camp | Partnerships of Learning Technologies department, AT&T, and the University of Illinois at Chicago. Technology summer camp for 80 eighth grades students during the summer of 1996. Repeat camp planned. |
| Instructional Management Program | Pilot program on the use of Abacus in six schools. |
| Chicago Consortium of Higher Education | Distance learning program involving all of the city community colleges, Chicago State University, University of Illinois at Chicago, Illinois Institute of Technology, Loyola University and North Park college. |
| Illinois State Board of Education Technology Office | New Hub designated Hub VII run through the Department of Learning technologies. Support and training for schools manage state grants including Museum in the Classroom, building Based Innovations, IllinoisSPIN, EnergyNET, and the Ameritech ISBE grants. Most projects are connectivity grants providing Internet access. |
| Education Network Consortium | A partnership with Argonne National Lab to provide e-mail and Internet accounts for teachers at low fees. Train the trainer model to provide teachers with in-services. |
| Special Education and Technology | Under development is assistance to teachers in how to use technology to meet the needs of special ed students |

TASK THREE: Training the Community to Make Effective Use of the Neighborhood Learning Network

The objective of this task is to foster a high level of participation between parents, residents and neighborhood organizations to support learning. This goal cannot be achieved by simply providing computer and Internet access. Rather the Neighborhood Learning Network will offer a rich menu of activities. Some examples are represented in the following table:

Community Involvement in Neighborhood Learning Networks

| | School Based Learning | Career Learning | Community Learning |
|------------|---|---|--|
| Students | <ul style="list-style-type: none"> • Student Research • Homework • Collaboration Projects • Basic computer skills | <ul style="list-style-type: none"> • Assessment of aptitudes and skills • Career opportunities • Work related curriculum | <ul style="list-style-type: none"> • Build and maintain neighborhood web site • Cross age peer tutoring • Earn a home computer through time dollars |
| Parents | <ul style="list-style-type: none"> • Parent-Teacher Interaction • Work on student homework | <ul style="list-style-type: none"> • Career assessment • Skills development • Adult literacy | <ul style="list-style-type: none"> • Mentoring of students and adults. • Earn a home computer |
| Curriculum | <ul style="list-style-type: none"> • On-line courses • Remote mentoring • Resources organized by subject and objective | <ul style="list-style-type: none"> • Career development database • Adult literacy and skills | <ul style="list-style-type: none"> • Develop Web based community history • Job search and placement |
| Assessment | <ul style="list-style-type: none"> • Grades • Portfolio assessment | <ul style="list-style-type: none"> • Resume • Employment history | <ul style="list-style-type: none"> • Contribution of time |

Programmatic activities that are under consideration for promoting stronger connections between schools and the community are:

- *A Youth Tech Corp* for maintaining school and neighborhood learning center sites.
- *Time dollars* earned through supporting NLN activities which can be cashed in for reconditioned home computers.
- *Consumer training* in computer hardware and software.
- *Software lending library.*
- *Discounts and low-cost loan funds for home computers and access.*
- *Targeted business partnerships* address work force needs and welfare to work requirements
- *Cross-age peer tutoring and mentoring* to develop children with a strong sense of identity and desire for success.
- *Family technology workshops* to foster closer student-parent-teacher relationships.
- *On-line activities* such as homework assignments and conferencing with parents via e-mail
- *On-demand help service* so that students, teachers and parents can get quick responses to problems or issues they are experiencing.
- *Collaborative activities* such as virtual field trips, data gathering and design of web pages.
- *Neighborhood staff development activities* will be a means to broaden teacher perspectives in non-school settings and assist directly in parent training throughout the neighborhood.
- *Work-based curriculum* will be prepared by the Chicago Housing Authority and to provide on-line resources for retraining and job placement.

TASK FOUR: CREATE AND MAINTAIN NEIGHBORHOOD WEB SITES

The project will support the development of neighborhood web sites. The neighborhood web sites will function as a central information and collaboration environment for the school and surrounding community. Initially, the web site will focus on providing teachers key information to help them prepare instructional strategies and content modules that involve the local community and parents. As teachers begin developing web based learning materials they will learning to incorporate features of on-line applications including e-mail and message boards (asynchronous), synchronous communication (electronic meeting rooms), real audio, and video streaming, white-boarding, application sharing, audio and video conferencing.

One project that will enhance community interest and participation will be the West Town Electronic Resource Project, a collaborative effort to create a database of West Town, its history, culture, geographical description, academic, business and community agencies. This kind of multi-disciplinary project can demonstrate a constructivist model of learning in clearly understandable terms to the community.

Drawing from National Examples to Create a Best Practices Database

Central to the Web environment is the development and maintenance of a best practice database in a form that can easily be related to Chicago and State of Illinois learning goals. Fortunately, there is an existing inventory of experience to draw upon. There are currently hundreds of identifiable community based computer learning centers in schools, libraries, community colleges, park districts, community and senior centers, public housing, HUD housing, settlement houses and storefronts. These computer learning centers offer a variety of program content that make up "computer literacy." This ranges from computer and Internet basics, to office type applications such as word processing spread sheets, databases and graphics to a huge range of instructional content developed for pre-school, K-12, adult and seniors.

This project will seek to develop model for collecting these experiences across the nation and applying the database in the development of the Chicago Neighborhood Learning Network. Having access to the thousands of existing program experiences presently being offered in other neighborhood computer learning centers throughout the country - and to the best instructional practices in operation at these centers - should be of great assistance in making these Neighborhood Learning Centers "work" in Chicago.

TASK FIVE: PARTNERSHIPS TO SUPPORT AND SCALE UP THE NETWORK

Business, government and non-profit partnerships will be formed to design, install, and technically maintain the distributed environment of neighborhood access centers.

The general process for scaling up the network to new neighborhoods is as follows:

1. Neighborhoods and key schools are invited to join the NLN. Schools select/hire one neighborhood learning network coordinator. Coordinator is trained and supported by CPS Department of Learning Technologies.
2. Phase in and train teachers to prepare or adapt instructional activities that can be conducted outside the classroom
3. Establish neighborhood partner sites. Design and install local area network and telecommunication links to the neighborhood wide area network.

4. Set up neighborhood advisory group. Train community in the uses of the network and establish membership development program.
5. Begin using the network. Monitor outcomes. Expand membership and content areas. Integrate funding into the budgetary processes of partner organizations. Produce materials for system-side dissemination.

Long-term sustainability

The financial sustainability of the network is based on the major citywide partners of the Chicago Public Schools, Chicago Housing Authority, Office of Catholic Education and Chicago Urban League building the financial support of the network into on-going budget and fundraising operations. The local neighborhood sites will also incorporate the learning center and network costs into their programmatic operations. Grants and donations will be important to do the important start-up, high-risk development activities.

TASK SIX: EVALUATION AND BEST PRACTICES

The Education Development Center, Inc. (EDC) will serve as the independent evaluator for the Chicago Neighborhood Learning Network Project. It is an international nonprofit research and development organization based in Newton, MA.

The Chicago Neighborhood Learning Network offers a unique opportunity to learn how technology can be an effective tool to:

- Increase student learning and achievement
- Enhance teacher effectiveness in the classroom
- Increase parent involvement in education
- Increase adult skills for job entry and advancement
- Create an information infrastructure that supports learning in schools and community settings
- Use good practices and scale up in multiple neighborhood sites

The main objectives of the evaluation are to provide a feedback mechanism to the program and a vehicle to communicate new and effective program concepts and models. In order to capture innovation, transferable ideas, strategies, and best practices, it is important to develop the capacity to analyze its successes and failures—not only with rigor and validity, but also with insight and thoughtfulness.

The evaluation plan will address five basic questions:

- How does the program function and whom does it serve?
- How is the program evolving?
- What are the outcomes of the program?
- What elements, conditions and supports produce beneficial outcomes?
- What features and outcomes of the program appear to be replicable in other sites?

PROJECT MANAGEMENT and NEIGHBORHOOD ADVISORY PROCESS

The project management structure will combine the talents and resources of the Chicago Public Schools, local schools, neighborhood organizations and the projects citywide partners.

The Chicago Public Schools will serve as fiscal agent and the home hub for the Neighborhood Learning Network project. Richard White, director, Department of Learning Technologies,

will supervise the project and Terry Bercowitz, manager, Learning Technologies, will handle day-to-day operations. A NLN design team consisting of representatives of partner organizations will support the project management office.

Full time staff positions will consist of:

- Neighborhood learning network site coordinators. The initial staffing will be for the two site coordinators at King and Wells High School. Four additional site coordinators will be hired for the second year and six more for the third year.
- Administrative coordinator. This position will coordinate the Technology Resource Network to work with local schools and neighborhood sites. In addition this position will handle administrative functions to service the grant and consulting contracts.
- Mark Gartski will coordinate the technical resources of the Office of Catholic Education and serve on the NLN Design team.
- James Taylor and Deborah Francis will coordinate the technical resources of the Chicago Urban League and serve on the NLN Design Team
- Steve Roller and Bill Rhodes will coordinate the technical resources of the Chicago Housing Authority and serve on the NLN Design Team.

The project offices will sub-contract work to consultants in three key areas.

- Don Samuelson will serve as Neighborhood Partnership Developer providing the framework for identifying and designing neighborhood learning network partners.
- Egils Milbergs will serve as director of national partnership development and be responsible for generating long-term funding for the scaling up of the NLN.
- Education Development Corporation shall be retained as the independent evaluator to support the project.

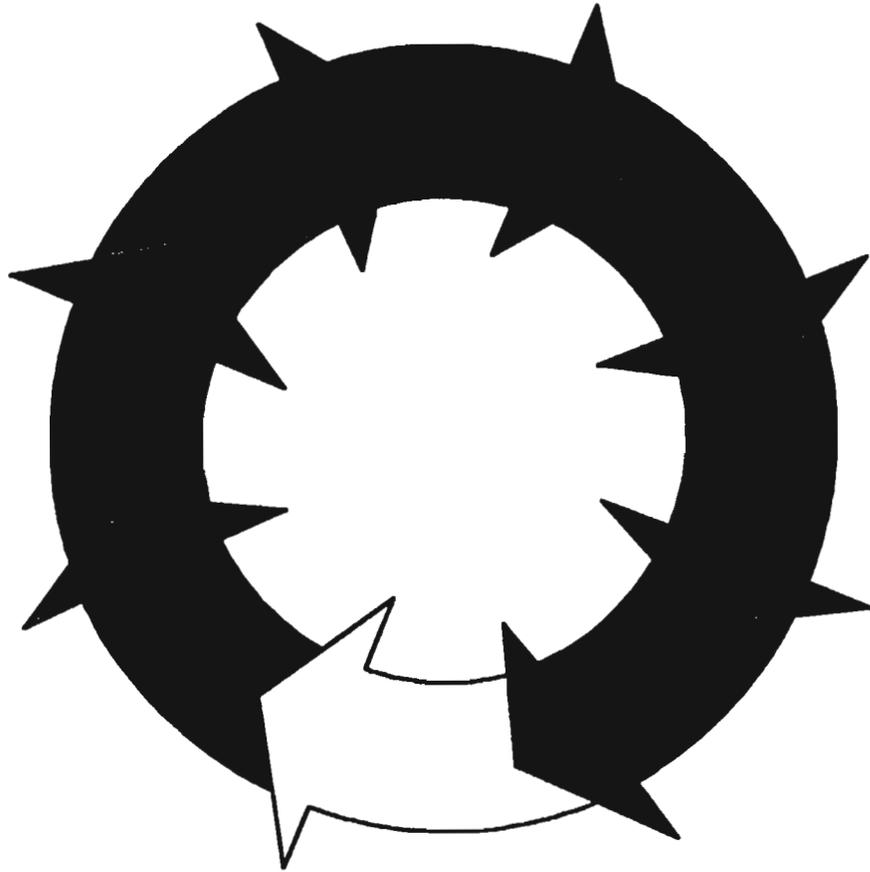
Neighborhood Advisory Input and Process

Neighborhood advisory input will be sought in three different areas:

1. Policy and standards of operation
 2. Development cycle
 3. Community information and issues support system
- **Policy and standards of operation.** A neighborhood advisory committee will be established. The committee will have open ended membership in that any member of the community will be able to participate in regularly scheduled forums and on-line through a virtual conference accessed through the Neighborhood web site. The main purpose of the advisory committee process is to guide the operational evolution of the Learning Network and address system wide issues such as partnership and funding development, access policies, curriculum focus, technology planning and standards, marketing of NLN services, relationship with schools and CPS. It is expected that the steering committee of the full committee will be established and include representatives from neighborhood learning network sites, housing associations and coalitions, business representatives, church leaders, non-profit organizations, political leadership (congressional, county, city), federal and state offices and local media.

- **Development Cycle for Neighborhood Learning Networks.** A guiding principal of the development process for Neighborhood Learning Networks is that it needs to be locally driven, community-wide and a team effort. Representatives from the local communities and local schools, including school administrators, organizational partners and teachers need to be engaged in a continuous cycle of identifying priority educational needs, identifying appropriate resources and interventions, assessing their effectiveness and adapting to the results and new priorities. The central project team will support the neighborhood development process by organizing resources and arranging partnership support. If neighborhood participants are supported and feel empowered to engage in a continuous process of school-community development we expect the project will achieve real and lasting educational reform.
- **Community Information and support System.** The project will also seek to inform the community on issues important to the neighborhood. In addition the Neighborhood Web site will maintain a open chat area for posting of comments. In addition, on-line surveys will be utilized from time to time to determine levels of community satisfaction and areas for service improvement.

Neighborhood Learning Networks



Submitted By Neighborhood Learning Network Inc.
March 12, 1998

EXECUTIVE SUMMARY

This is a project intended for the Community networking primary application area: and Education, Culture and Lifelong Learning as a secondary application area.

There are three goals for this project. The **first** is to plan and develop a variety of prototype computer learning centers (CLCs) which have sustainable capacities to: a. inform neighborhood residents in a meaningful way of the benefits of investing time and effort in developing information and community technology (ICT) skills and capacities; b. develop and maintain programs that can train and qualify residents for jobs with ICT requirements; c. create pre-school and after-school programs involving parents which extend the capacities of neighborhood schools; and d. assist in the development of Internet commerce in inner city neighborhoods.

The **second** is to develop prototype neighborhood learning networks (NLNs) in city and suburban settings that have the capacity to provide direct, timely and valuable assistance to neighborhood CLCs so that they can create efficient and sustainable instructional programs responsive to the needs of their members and to the overall goals of the project.

The **third** is to: a. gather and organize the existing universe of experience in these areas; b. document this experience in replicable procedures, products and programs; and c. to disseminate this experience gained from West Town, Schaumburg, Grand Boulevard/Bronzeville and Gary to other groups around the country interested in the connections between housing, community development, welfare reform, adult education and technology.

CLCs are businesses that face all of the planning, marketing, financial and operational problems of a for-profit business. They need the support of a paid, professional and experienced staff. This project proposes the development of a technical/management capacity that can serve CLCs, and in the process define the function of a NLN. This experience can be widely replicated.

The project will begin with six CLC partners in proximity to one another in West Town. They will be the charter members of the West Town Learning Network. Their experiences, however, will be extended to other a variety of other CLCs in West Town and to the CLCs that will be developed in Schaumburg, Illinois, Gary, Indiana and the Grand Boulevard/Bronzeville neighborhood on Chicago's south side.

All organizations wanting to develop ICT capacities in West Town – and in the other communities – will be informed of this initiative and invited to participate in its planning and implementation. If they provide space, equipment or management to deliver ICT instructional programs, they will receive consulting services and the other benefits of the network.

There is no single technology being recommended in this proposal. Rather the goal is to provide informed guidance to neighborhood CLCs in their choice of network computers, networked PCs, cellular, wireless and connectivity alternatives that would be most appropriate for their individual programs and budgets. CLCs should be encouraged to start with markets and needs, and appropriate instructional programs and then to proceed to choices of software and hardware.

TABLE OF CONTENTS

| | |
|---|----------|
| Executive Summary | -- |
| Table of Contents | -- |
| Project Narrative | 1 |
| 1. Project Purpose | 1 |
| 2. Significance | 2 |
| 3. Project Feasibility | 3 |
| 4. Community Involvement | 4 |
| 5. Reducing Disparities | 6 |
| 6. Evaluation, Documentation and Dissemination | 7 |
| Exhibits | |
| A West Town Learning Network | 9 |
| B South Schaumburg Neighborhood Learning Network | 11 |
| C Grand Boulevard/Bronzeville Learning Network | 13 |
| D Central Gary Neighborhood Learning Network | 14 |
| E Letters of Support | 16 |
| F Lessons Being Learned from Prior CLC Efforts | 28 |
| G Gathering Relevant Experiences for CLCs and NLNs | 30 |
| H Supplemental Technical Information | 33 |
| I Walter Johnson, Jr. and Nexus | 34 |
| J Egils Milbergs and Learning Access | 36 |
| K Project Organizational Structure | 37 |
| L Detailed Task Items | 40 |
| Required Forms | |
| Budget and Budget Narrative | |
| Others | |

PROJECT NARRATIVE

1. PROJECT PURPOSE

The economic condition of cities and neighborhoods in the 21st Century will be a function of the quality of their workforces. The definition of “quality,” in large part, will be determined by the worker’s use of information and communication technologies (“ICT”) to create high value work skills. So neighborhoods, cities and countries throughout the world are attempting to determine ways in which their residents can develop meaningful ICT skills in the most efficient manner.

The primary locations for teaching ICT skills at present are in educational and large corporate work environments. Unfortunately, inner city schools and large corporations don’t adequately provide these opportunities in inner city neighborhoods. And community technology and learning centers have, unfortunately, provided only a limited and almost anecdotal response to what is a very significant problem – bringing good technology skills to inner city workers.

We need to develop a comprehensive and cost effective strategy, that can be brought to scale, that communicates persuasively the benefits of investment in ICT skills and capacities to poor and inner city residents, in ways that are meaningful and relevant. The development of ICT skills has to be made meaningful to success in school and work, to the achievement of lifelong learning, and to the development of job skills and career paths that can lead to increased self esteem and economic self sufficiency.

The **first** purpose of this program is to develop a grouping of computer learning centers (CLCs) within neighborhood learning networks (NLN) in West Town (**Exhibit A**) and in Schaumburg (**Exhibit B**) in which the CLCs and the NLN reinforce one another and which: a. raise awareness and ICT literacy on a community-wide basis; b. complement the work of schools through pre-school and after-school programs; c. support work preparation, skills development, career planning and placement programs; and d. incubate businesses making use of the Internet.

The **second** purpose is to convert these experiences into programs, products and systems in order to replicate the process in the Grand Boulevard/Bronzeville neighborhood in Chicago (**Exhibit C**), and in Gary, Indiana (**Exhibit D**). Letters of support have been received from the Chicago Housing Authority and other responsible institutions interested in participating as CLC and NLN sponsors in all of these neighborhoods (**Exhibit E**).

There are a number of ways in which the organization of CLCs and a NLN can help to strengthen other community efforts to develop ICT skills and interests. They involve:

Extending the Learning Environment. Community CLCs can extend learning opportunities beyond those provided by the public schools. Schools alone do not have the time or resources to properly prepare students for the employment requirements of the information economy and on-line culture. More varied community access points (community centers, libraries, settlement houses, boys and girls clubs, churches, homes, public housing, etc.) will be needed to provide access to computers and on-line services in the 85% of the time when students are not in school.

Customizing the Learning Experience. The CLC can customize its curriculum to the needs of the individual learner. There is a wide variety of on-line programs now available whereby students can access instructional programs on personal computers which can be paced to the speed and needs of the student (via software, Internet and commercial information services).

Promoting Lifelong Learning. The continued restructuring of the workplace is creating a permanent need for workers to refresh old work skills and to develop new ones. New skill sets will need to be generated regularly. The community CLCs can facilitate the development of skills and access to learning at any time from infancy to old age. Learning resources can be made available on-demand, anywhere, anytime.

Using the Family as the Basic Learning Unit. Family units should be strengthened in their efforts to promote learning and self-sufficiency. Too often inner city parents are not involved in the educational process. Its relevance is not obvious. However, the goal of this program is to provide comfortable settings in which parents and children can share the wonder and excitement of communicating around the globe, researching for a hobby or lesson, working on a school assignment, sharing a discovery in a remote archive, updating new reports, drilling and reviewing specific skills, planning and building a business and researching and contacting employment opportunities.

Building Technology Awareness and Interest Throughout the Community. Everybody in the community benefits from a skilled and informed workforce. Workers are more valuable and can demand higher wages. Businesses are more successful. Communications build social capital. By building neighborhood partnerships among all relevant interests this project will help neighborhoods to develop more skilled and valuable workforces.

This is a workforce development program, operating at the neighborhood level. It will be a planned effort to determine the current ICT capacities of residents and to help them develop relevant skills. Each participant in the CLC program will be tested for skills and capacities at the beginning of a program. Individualized plans will be developed to create the desired skills and capacities through individualized instructional programs.

Periodic and personalized evaluations will be made of progress in achieving objectives. This program is not about playing games, or engaging in undirected exploration, although these have clear values in the proper place. This program is about developing an appreciation of the personal and career advancing possibilities that accompany the acquisition of a basic level of ICT competence, and the development of the specific skill sets that will facilitate success in school and the workplace.

2. SIGNIFICANCE

There are two principal problems with the computer learning centers developed to date under the NSF funded CTCNet or HUD Neighborhood Networks programs. **First**, few were developed with an orientation or plan for sustainability. They were developed out of one time capital sources from government or foundations. There was insufficient attention to the importance of the instructional programs – and the associated revenue sources and amounts – to sustain themselves on a permanent basis.

Second, the instructional programs were not developed out of disciplined market research into the interests and needs of the individuals and markets to be served. There is a fuller discussion in **Exhibit F** of the lessons learned from prior experience. This represents approximately two years of travel throughout the US, UK and Europe, listservs, conversations and meetings.

We have learned that there are a significant number of CLCs that are either not heavily used or lacking in sustainable revenue. They are capable of providing moving anecdotes and photo opportunities. But they are not providing either the services or the level of remedial and introductory training to serve adequately the needs of individuals confronting time limits on welfare payments, jobs requiring ICT skills that are not possessed, and poor test scores in schools which are limitations to both further education, training and jobs.

Fortunately, there is a relatively level – because it is underdeveloped – playing field in the achievement of ICT skills at present. This is a temporary condition. There is the need for a structure – and network - of neighborhood based CLCs to promote greater equality and to minimize the disparity between ICT skills in rich and poor communities. The present condition provides a wonderful – albeit short term - opportunity for large segments of the population to play “catch up” in the economic achievement game.

To advance this equality, certain conditions will have to be met. The **first** need is for community wide awareness of the importance and relevance of ICT skills. The **second** is to develop a community wide distribution system that can provide access in convenient and comfortable settings. Multifamily housing in general, and government assisted housing in particular, are good candidates for CLC locations. There are no transportation and minimal child care problems. Settlement houses and churches have available space, and they provide supportive environments. There are parks, libraries, storefronts and a host of other locations throughout the community where CLCs could be set up to support these basic awareness raising, work and school support programs.

Each of these centers needs assistance in working its way through the market research and business planning exercises that will enable it to develop a CLC which is both relevant to its audience and self sustaining. Providing the technical and planning support is the principal function of the NLN central staff. It needs to be local. It needs to be “hands on.” Both CTCNet and HUD have found it economically impossible to provide the required technical support needed by their CLCs from distant locations.

There are three objectives in this proposal that will facilitate the broad dissemination and application of its experience. **First**, it will be important to distribute broadly all of the existing combinations of instructional programs, markets served and best – and worst – practices from the existing affiliate base of CTCNet and Neighborhood Networks so that all CLCs will have access to the large universe of existing experience relevant to any individual or family. **Second**, there will be the gathering, organization and dissemination of case examples gained in developing cost effective and sustainable CLCs in a variety of places and providing a variety of instructional programs. **Third**, there will be information generated from the development of the type of programs at the NLN level that will be most valued and meaningful to the neighborhood CLCs. The process and benefits of organizing this experience is discussed in **Exhibit G**.

3. PROJECT FEASIBILITY

There will be a number of technical alternatives used in developing the program. The locations of the CLCs that will ultimately be developed within the NLNs in this project will range from large and sophisticated settlement houses and government housing projects to church basements, aldermanic offices and extra spaces in parks and libraries. There will be low cost network computers with servers. There will be networked personal computers. There will be video conferencing and distance learning studios and receiving locations. There will be CLCs using T1 and ISDN lines. Some facilities will be simply upgrading copper wires to get increased bandwidth for incoming information. There will be use of cell phones, satellites and wireless technologies within the system. Individualized technology systems will be developed to meet the particular instructional programs and budgets of the individual CLC. These issues are discussed in more detail in **Exhibit H**.

The center for the NLN will house the technical staff and the basic infrastructure to support the operation of the various CLCs within the NLN. It will be the primary connection to the information superhighway. The technology at the central hub will be designed and managed by Walter Johnson, Jr. of Nexus Unlimited, Inc. He will also be responsible for supporting the NLN to help individual CLCs to consider the type of technology that is most appropriate for its individual program and budget. Egils Milbergs will be the Consultant to the project. He has been responsible for developing successful initiatives involving the intersection of technology, education, housing and economic development in Chicago, Milwaukee and Atlanta. Additional materials on Nexus and Egils Milbergs are contained in **Exhibits I and J**.

The overall organizational structure for the project is contained in **Exhibit K**. Representatives of the CLCs will become Board members of the NLN. The NLN will manage a small staff, key consultants and advisory boards to support the CLCs. The NLN will function as a cooperative.

The NLN project staff will:

- develop a market research tool to be used by the various CLCs to more precisely assess the interests and needs of users, and to provide management oversight to the market research
- create a business process to guide the programs, operations and finances of the CLCs
- assemble, organize and explain the program offerings from other sites around the country
- organize a program for corporate contributions of computers and other equipment
- train the instructional and administrative volunteers recruited by the CLCs.

It will be the responsibility of the CLCs to:

- provide the space, furniture and non-computer equipment
- provide the operational oversight and administration of the center
- participate in the market research and business planning necessary for the operations
- assemble a steering committee to oversee the operations
- recruit sufficient volunteers for the instructional programs, open labs and administration

DSSA has had experience at designing and operating CLCs in HUD housing projects. The CHA has experience at designing and operating CLCs in public housing projects. Erie House and the James Jordan Boys and Girls Club are currently operating CLCs successfully. There are similarly experienced and reputable organizations, existing and planned CLCs and neighborhood learning networks identified in the Schaumburg, Grand Boulevard/Bronzeville and Gary communities.

There are four basic cost areas in implementing this proposal. The **first** is to collect, organize and evaluate all of the relevant experience from the development and operation of existing CLCs and in their combinations of instructional programs and markets served. These experience will be essential to the work of the various CLCs in the NLN. The **second** is to provide assistance to the existing CLCs to refine, expand or otherwise modify their present program offerings to provide maximum benefits to their constituencies and to do so in a self sustaining manner. The **third** is to provide the CLCs in the NLN with the type of central office technology and equipment that enables them to achieve maximum results in their program operations. And the **fourth** involves the staffing costs for the ongoing operation of the NLN as the charter centers are being served and as new CLCs are added to the network. Details of this budget are discussed elsewhere in this proposal. The discussion of the detailed task list for accomplishing the major initiatives outlined in this proposal are attached as **Exhibit L**.

4. COMMUNITY INVOLVEMENT

DSSA has acted as consultant to the Northwest Tower Residents Association in the resident purchase of Northwest Tower under the HUD LIHPRHA program. As a result of those experiences, the residents of Northwest Tower have been involved in the design of its CLC. Focus group meetings have been held with various age and interest groups, asking them for their views on how the content and operation of the CLC could best meet their needs. In addition, the basic planning for the CLC was a result of organizing information on the residents, their educational and work experiences, their ICT capacities and interests, and working with them to determine the instructional program most appropriate for their needs. This is the type of participatory planning which will characterize all of the instructional programs and business plans to be developed for other CLCs in West Town and in other NLN communities.

In addition, the various CLCs currently operating in West Town came together voluntarily to create the WTLN. This was done, in part, to provide a vehicle for community input into the operation of the 1997 DOE Technology Challenge Grant which was won by the Chicago Public Schools, in which West Town and Grand Boulevard/Bronzeville were to be the two Chicago beta sites for the national demonstration.

The CLC at Northwest Tower will be used by both the CHA's Eckart Greenview senior development and the Northwestern University Settlement to host focus group and planning meetings for the development of their CLCs. It is anticipated that the CLC at Northwest Tower, as well as the focus group, awareness raising and surveying experiences which came out of the instructional planning efforts there, will be community involvement models that will be used in all aspects of the work of the WTLN and its constituent CLCs.

There have been, and will continue to be, open houses for each new CLC that comes on line in each NLN. That provides the opportunity to reinforce the community wide benefits of ICT education and training. Local politicians, housing Boards, local school councils, as well as local business interests will participate in these events. It is important to reinforce the belief that the development of ICT skills and capacities is a neighborhood-wide initiative, and to give opportunity to the government agencies and politicians who support this enlightened view to take credit for the success of the program.

Each partnering CLC contributes space, equipment, instruction and management to the operation of their CLC. In return, each receives the various types of technical, marketing, financial planning and management assistance that can be provided from a professionally staffed central location, as well as benefiting from the ideas and experiences of the other local members of the WTLN, and the national networks of CLCs of which the WTLN is a part

An interim steering committee was formed from the various existing CLCs in West Town along with representatives of the Wells High School. Representatives of these and other CLCs to be added to the WTLN will function as the Board of the WTLN. Other members of an Advisory Board will be drawn from representatives of area institutions and non-profit groups.

These type of community-involvement initiatives and experiences will be thoroughly documented and developed into instructional guides so that they can be used in Schaumburg, Grand Boulevard/Bronzeville, Gary and the other neighborhoods who will wish to take advantage of the West Town experience.

The confidentiality, privacy and content screening techniques currently in use in existing CTCNet and community network systems will be adapted to the needs of the CLCs and to the WTLN. There is nothing particularly unusual in our plans. We can be safe in using the current "best practices" that are currently in use in these areas.

5. REDUCING DISPARITIES

West Town is an extremely diverse community. It consists of large concentrations of single parent families in public and HUD housing, concentrations of older Polish, Ukranian and other Eastern European families, artists working in Wicker Park and Bucktown, and the gentrifying pressures of young professionals moving west from the Lincoln Park and DePaul areas. Overlaying these basic demographic groups, the majority of the population today in West Town is Hispanic, with the largest concentrations being Puerto Rican and Mexican.

The majority of the residents are working poor, with a number of wage earners pooling resources to pay for the rapidly increasing costs of housing. There are gang and drug problems in the neighborhood. Safety is an issue. Wells High School is on probation along with the various feeder schools in the neighborhood. Test scores are low. There is a severe shortage of jobs in the immediate vicinity. The residents don't have the types of skills to work in the positions available around the Loop and central business district.

There is a relatively homogenous economic quality to the West Town neighborhood, particularly among its longer term residents. They are poor. They are working. They have need for additional education and skills training. For many, there is a substantial need for ESL training. There is no shortage in the motivation to work. There are simply shortages in skills.

West Town is the type of community that could benefit immensely from the type of CLC/NLN program that is being proposed. Aptitude and aptitude testing could become the basis for the development of career plans. The job opportunities along and at the end of these career paths could be identified and skills and credentials for those jobs determined. The education and training needs could be identified and accessed.

This is particularly true when bringing Schaumburg into a type of "sister neighborhood" relationship with West Town. Schaumburg and other resource and job rich suburbs in Northwest Cook County are short of workers. They have a host of educational resources there: Harper Junior College, the Illinois Institute of Technology, Roosevelt University, Northern Illinois University. It would be relatively easy to Northwest Cook County employers with the universities and community colleges that could translate their needs into instructional programs and then providing those programs through distance learning to locations in West Town.

Basic skills, aptitude and interest assessment functions could take place in the various CLCs supported by the WTLN in West Town. Appropriate general and job specific training could be imported into West Town. Employers from job rich/worker poor sections of Chicago could export various types of ICT jobs to various types of community work areas in West Town. And finally, there are opportunities for West Town to supply "non-resident workers" to employers in Schaumburg, Northwest Cook County, and other suburban locations.

6. EVALUATION, DOCUMENTATION AND DISSEMINATION

This project will be rich in project documentation and evaluation. We will begin the process by collecting and organizing the existing experiences of other CLCs and community networks throughout the United States. The types of information which we intend to collect from these sources is contained in **Exhibit G**.

Each CLC participating in this project will go through a business planning process and develop a business plan indicating: markets to be served, services and products to be provided, amounts and sources of revenues from users, suppliers and third parties, services delivered, operating costs and net operating revenues. Yearly projections will be made, on a month-by-month basis. Monthly reports will be generated showing actuals versus projections on a month-by-month and year-to date basis. Each CLC will be run as if it were an income producing property. We recognize that accurate projections in this area will be difficult to achieve at first, particularly since there is the need for a community-wide awareness raising program. This is an important discipline to bring to this relatively new marketplace.

Each individual using the services of each CLC will be asked to develop a personal ICT development plan. What are the initial skills sets and capacities. What skills sets are desired and why? How are they to be achieved, through what instructional program? When and how will

they be measured? What will it cost – to the CLC, and to the individual in time – to generate these skills? What value will they have? Again, these determinations will be quite crude and speculative in the beginning. Over time, measurements will be more meaningful and precise. Accurate projections will be possible. One of the goals in all of this is to determine the relationship between costs (efforts and time) and the benefits (values) of the training experience. Individuals are going to want to know the cost effectiveness of their efforts. Governments and other sources of third party funding are going to want to have similar information. The fact that these relationships are almost unknown at present doesn't lessen their importance.

There is another, even more speculative, evaluation that should be part of this exercise. We should try to determine the economic value of West Town prior to this investment intervention in comprehensive ICT awareness raising and training. This could be some kind of Gross Neighborhood Product, or the combination of the values of real estate, labor and the costs of income assistance payments, or some other measurement reasonably regarded as reliable by regional economists. The Chicago Fed is capable of helping to design this evaluation program. They are as good as anyone. And this is somewhat virgin territory. At various points in time, there should be measurements of the changes in Gross Neighborhood Product, or whatever measure is ultimately decided upon. The goal would be to consider the economic effect of making comprehensive investments in ICT training in an inner city neighborhood. Difficult? Speculative? Yes. But potentially important. Very important.

All of the materials, plans, notices, meeting notes, documents, surveys, records of focus groups, schedules, reports, etc. associated with any aspect of this effort will be collected and organized. There will be a library developed to collect everything developed in relation to this program.

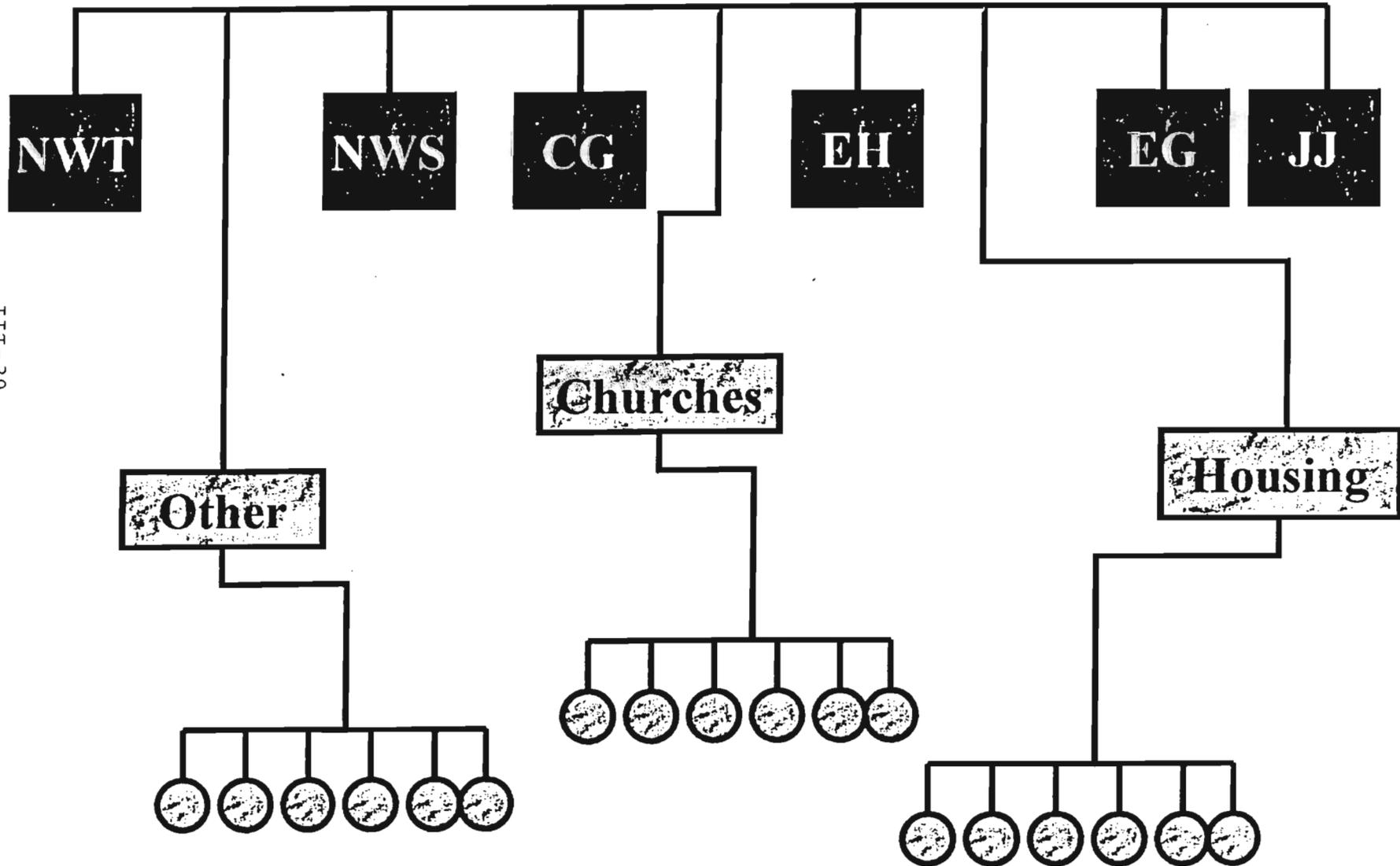
In addition, there will be a web site developed so that important planning materials, reports and discussions can be posted so that anyone interested can benefit from this experience almost as it happens. This will be relatively easy to do since we are planning to have three additional neighborhoods participate directly in the West Town planning deliberations. Since they will be obliged to record their ideas and plans prior to implementing them, and to refer them back to the West Town experiences from which they were derived, it will be relatively easy to post them to web sites for easy reference by others.

All of the area institutions of higher learning with urban planning, economic development and/or education programs will be invited to provide oversight to this effort. Materials will be made available to them as they are developed. Student internship opportunities will be made available for those interested in assisting in the instruction and management functions at the CLCs, or in the various functions performed at the WTLN center. An effort will also be made to determine ways in which VISTA, Americorps and the various senior volunteer programs are being used at present to support the work of CLCs, and to determine ways to help this project.

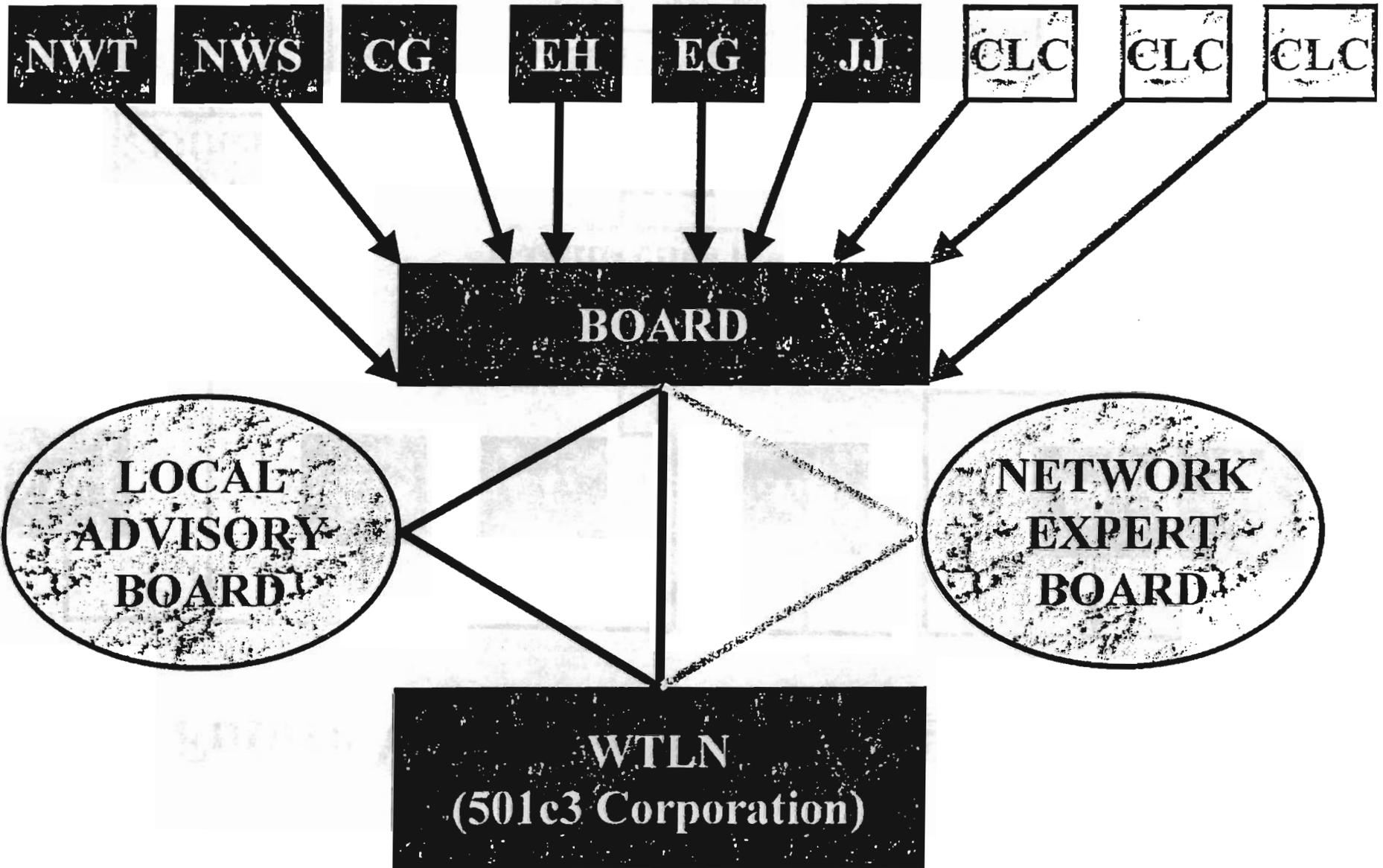
There are 50,000 government assisted housing projects in the United States. They consist of almost 5,000,000 units of housing. They house between 14,000,000 and 18,000,000 Americans. Thinking of them as incubators of human capital and facilitators of CLCs and a NLN in their neighborhoods could represent a major opportunity to redevelop inner city neighborhoods.

Future West Town Learning Network

III-39



Organizational Chart



March 3, 1998

SEARCHING FOR WAYS THAT WORK

Helping Assisted Housing Residents Achieve Self-Sufficiency

Sara E. Johnson

Welfare reform will push more than four million people into the workplace over time. Roughly one million public housing and Section 8 assisted families are affected by this change, particularly the time limit on cash benefits. Congress has authorized \$3 billion in welfare to work funding, administered by the Department of Labor, and states can also use their regular TANF grants for job related services. Within the HUD budget, however, resources for this purpose are limited and concentrated on public housing. For the most part, assisted housing owners have had to design their own job initiatives and find a way to pay for them.

This article describes the pioneering efforts of two companies engaged in the development of on-site resident self-sufficiency programs: **Community Preservation Development Corporation (CPDC)** and the **NOAH Group**. In a nutshell, CPDC is a community builder while NOAH is primarily a workforce development company that targets affordable housing communities. Both companies were initially capitalized by Eugene F. Ford, founder and owner of Mid-City Financial Corporation and Edgewood Management Corporation. While independent, they continue to benefit from Mr. Ford's vision and life-long commitment to urban revitalization.

Community Preservation Development Corporation (CPDC) is a nonprofit development company founded in 1989 that serves Maryland, Virginia and the District of Columbia. It owns 13 properties, with 1,846 units, of which five required substantial redevelopment. This regional developer has created extensive resident service programs, of which job readiness, employment training, placement and career counseling are only a part. This article profiles Edgewood Terrace in Washington D.C. where 28,700 square feet of commercial space is being transformed into a state of the art center for learning and skill building, and supportive services.

The NOAH Group (NOAH) is a for-profit company, organized in 1996 by Mid-City and the Psychiatric Institute of Washington (PIW). NOAH offers comprehensive case management services with assessment, training, support and job placement components. The company is engaged in two HOPE VI communities (Baltimore, Maryland and Portsmouth, Virginia) and is collaborating with six large public housing authorities on a new venture. It is working directly with the State of Missouri to establish a residential model of welfare to work in St. Louis. NOAH is providing services to residents of

two Mid-City properties in the Washington metropolitan area. This article discusses Pleasant Homes, a Section 8 development located in Prince George's County, Maryland, which was NOAH's pilot site.

Edgewood Terrace

Edgewood Terrace is a cluster of buildings, a mix of high-rise, mid-rise and garden apartments totaling 884 units, situated on 16 hilly acres. Located in a hard-pressed Washington, D.C neighborhood (Northeast, Ward 5), the median income of Edgewood Terrace residents is \$7,106 (40% below that of the District of Columbia). Of the 610 households currently in residence, 45% receive welfare or other government subsistence benefits. Excluding youth and senior citizens, 53% of the residents are unemployed. Among adult residents, 41% lack a high school diploma or GED certificate.

Mid-City developed Edgewood Terrace I in the 1970's as a 292 unit Section 221(d)(3)(BMIR) project but sold it in 1983 to new ownership. A Mid-City partnership developed and continues to own Edgewood Terrace II, a 258 unit Section 236 project next door. Mid-City developed Edgewood Terrace III under the turn-key program for the District of Columbia Public Housing Authority. It consists of a 292 unit senior citizen high-rise building and 72 garden apartments. CPDC hopes to acquire and rehabilitate this distressed property in the future; \$14 million in rehab costs are projected.

In 1995 CPDC bought Edgewood I for \$1 out of HUD's property disposition inventory, after years of unsuccessful efforts to structure the financing and subsidies needed to acquire the property from its limited partnership owner and eventual foreclosure by HUD. The property had experienced a steady decline in its physical condition and occupancy levels; 60% of the units were vacant when CPDC bought it. The redevelopment planning actually began in 1991, however, when CPDC secured a HOPE II planning grant and commissioned a survey of resident goals and community needs. The residents ultimately concluded that homeownership was not feasible or desirable in the short-term. They supported a mixed income approach to redevelopment and an emphasis on jobs.

Today the rehabilitation of Edgewood I is 80% complete, at a \$28.8 million total development cost. Most of the capital costs were defrayed through a HUD property disposition grant, with the balance covered through a first mortgage from First Union Bank, and second mortgages from the District of Columbia and Federal Home Loan Bank of Atlanta. Of the 292 units, 114 are reserved for existing residents that qualify for Section 8 assistance and 178 units are market rate.

Edgewood I had extensive commercial/retail space on the first three floors of the high-rise building, which CPDC viewed as a potential cornerstone for rebuilding the community. CPDC has allocated 20,000 square feet space for a community service center called The Connection, so named because CPDC sees its role as connecting residents to existing services, organizations and opportunities and then filling the gaps with CPDC provided services. Indeed, 15 human service and employment organizations now deliver services on site in partnership with CPDC.

The first floor of The Connection will house the Residents Association's offices, a day care center operated by Catholic Charities, a computerized recording studio and music lesson studio space, to be staffed and operated by the prestigious Levine School of Music. The second floor, approximately 7,000 square feet, will be dedicated to children's programs including tutoring, mentoring, recreational, and cultural activities, with after-school and summer programming. The third floor is being configured for classrooms, conference and meeting spaces, interview and counseling rooms, and "hoteling" offices for social service agencies and employment organizations to use when on-site. CPDC is also evaluating the prospect of leasing space to a health care organization which would offer a variety of wellness programs and services to residents, such as pre-natal care and parenting skills.

The Gateway @ Edgewood Terrace is next to The Connection, part of the same physical structure but with a different entrance, identity and use. This facility will house a small business center and three networked labs with over 45 workstations, stocked with office software, personal productivity applications, educational resources, and reference materials. All adult computer classes will be held here, including courses leading to Microsoft testing and certification. In partnership with Catholic University of America, a satellite campus will be introduced this summer, providing remedial and college preparatory math and English courses as well as data base design and network administration classes. When the rehabilitation of Edgewood I is complete, all of the apartments will be wired for access to a community intranet and web site, as well as the internet.

CPDC describes its employment program as job skill training with "bookends of service", with the following elements:

(1) vocational assessment services, in cooperation with George Washington University and other partners, leading to an individual career track plan;

(2) job readiness workshops focusing on time management, resume writing, and interviewing techniques as well as motivational issues;

(3) a computerized enhancement program that teaches basic math and reading, and addresses job maturity and employability;

(4) business English skills courses in cooperation with Catholic University of America;

(5) job skills training, with CPDC provided course work in computer and office skills, and through third party providers offering classes in other industries;

(6) job placement services through three nonprofit partners with an emphasis on technology, construction, hospitality and property maintenance industries;

(7) follow-up career counseling and ongoing support group counseling.

Who pays for the staff, equipment and services at The Connection and Gateway@Edgewood? The capital cost was defrayed by a HUD grant. Project income covers the cost of two of CPDC's six on-site community services staff, which will be expanding to include computer instructors and an additional support staff member. This means that CPDC must raise almost \$470,000 to cover the balance of the Edgewood community services budget, through foundation grants and charitable contributions from individuals or, alternatively, dip into its retained earnings. CPDC's 15 partners pay for their own personnel and programs, at a substantial cost, while CPDC pays for all of the Center's other operating expenses. While the residents do not pay for these classes or services, they are required to sign a contract under which they agree to give back to the community, by performing a prescribed number of service hours.

What works in the effort to help residents achieve financial independence? Edgewood I has been under construction since January, 1997 but CPDC has been conducting computer classes in temporary space since 1995. Leslie Steen, CPDC's President, reported the following lessons. "Skill development and job placement alone are insufficient. If day care isn't readily available or transportation needs aren't addressed, job training will not lead to lasting stabilized employment." Further, she emphasized the role of peer support groups in sustaining an individual in the workplace, and adjusting to changes at home, as did NOAH's Scott Nordheimer. At Edgewood, CPDC addresses this need through case management, a pre-employment support group, Job Club and Alumni Club.

NOAH and Pleasant Homes

Mid-City teamed up with the Psychiatric Institute of Washington, a company experienced with substance abuse, health and motivational issues, to develop and implement an integrated case management approach to self-sufficiency. This collaboration led to the creation of NOAH, a workforce development company that emphasizes individual evaluation and strong on-site case management, with pre-employment and post-employment components. Its core staff have Masters in Social Work (MSW) degrees. Another distinguishing feature is NOAH's practice of securing upfront guarantees for a specific job from a participating employer, and then training the individual in the skills required for the job. NOAH seeks out employers who can offer clients a living wage (\$7 to \$12 an hour), opportunity for skill development and upward job mobility.

From the individual participant's perspective, NOAH's program elements are experienced in the following manner. The first step is assessment and evaluation including standardized tests that assess intelligence, interest and aptitude. A life plan is developed, where needs, skills, and goals for life are mapped out. Based on assessment results, participants are placed in one of three tracks (remedial, step-out, and career). Appropriate referrals are made to social service agencies for help with chemical dependency, health care, transportation, and child care. For those on the career development track, the next steps are motivational sessions, including a one week behavioral transformation program, as well as technical skill and life management training. This typically lasts two to three months. The fourth step is job placement, followed by participation in NOAH managed support groups for at least one year after placement.

In approaching employers, NOAH has followed a sector-based strategy, targeting employers in the hospitality, construction, computer/office and nursing care industries. It has negotiated and entered into enforceable contracts with Marriott, Manor Care, and IBM among others. The contracts address training criteria, wages and career development. If a company does not have a job training program, then NOAH will secure the requisite training. Some companies, such as Marriott, have their own training program and NOAH pays the company to train their participants. Once an individual is employed, NOAH enters into an agreement with the employer to provide employee assistance services for a minimum of one year. The employer pays the fee for NOAH's post-job placement services.

Lining up individual employer commitments is only one of NOAH's approaches. Outsourcing arrangements, particularly in the banking and financial services area, are under development. In this emerging area, NOAH has taken the initiative to put the pieces in place. For example, it has approached federal regulators about giving financial institutions Community

Reinvestment Act credit if they outsource work to former welfare recipients. Micro-business development is a third NOAH strategy. Adaptive reuse of a commercial building near a Baltimore HOPE VI project (Lexington) might be the pilot.

Pleasant Homes was not only NOAH's first site but also the impetus for creating the company. The property is located in Seat Pleasant, a township in Prince George's County Maryland that is roughly half a mile from the District of Columbia border. Older single family homes predominate in this community. A Mid-City partnership acquired and redeveloped Pleasant Homes in 1982, reducing the density to 286 garden apartments and securing 100% project-based Section 8 assistance. The property has a history of extensive "soft" social programs for children and for the elderly, which represent about 26% of the resident population.

Mr. Ford select Pleasant Homes for an intensive self-sufficiency program targeted to employable adults for two reasons. First, there was a high concentration of welfare recipients. As of 1995, single female-headed households with children predominated, with 56% of all households reporting incomes below \$5,000, and another 40% with incomes between \$5,000 and \$10,000 annually. Second, the project had "locked up" residual receipts. HUD agreed that up to \$500,000 could be used for self-sufficiency programming.

In the fall of 1996, NOAH launched the evaluation and needs assessment phase, in with 110 Pleasant Homes residents have participated to date. In 1997 approximately 1200 square feet of space was retrofitted into a computer learning center, with 10 networked stations. Job training started in January, 1997 and initial job placements occurred in the spring of 1997. As of February, 1998, NOAH had 59 "committed participants" from Pleasant Homes. Of these, 36 residents have completed training and obtained permanent jobs with an average starting salary of \$7.70 per hour. Ten different employers representing five different industries are involved. Another 14 residents are in job training programs and an additional 8 residents have returned to school, attending community colleges or enrolling in undergraduate programs. These impressive results have caught the attention of Prince George's County officials and discussions are underway about using public funds for job training and related NOAH services. The Pleasant Homes facility is being used to provide computer training classes to residents of another Mid-City property (Frederick Douglas in Washington's Anacostia community), although NOAH's case management services are provided at the home site.

Conclusion

In the interview for this article, Mr. Ford drew several big picture conclusions based on CPDC's and NOAH's experiences to date. First, a place-based strategy — one that involves comprehensive management of self-sufficiency programs at the participants' residences — can make the delivery systems of all service providers more effective. Second, the integration of support systems into a totally managed process that includes specific job goals and a strong clinical element in both the initial assessment phase and in a post-job placement support group setting offers a promising approach for welfare to work initiatives. Third, the Edgewood and Pleasant Homes experience demonstrates that an understanding and application of many skills and types of support from diverse sources is imperative. Funds to supply these skills or even manage the coordination of support systems are not available in most assisted housing entities, unless funds are available from the project operating budget or residual receipts. Therefore, the most likely role for most housers will be to attract and facilitate the public and private organizations delivering the needed services. Finally, the relationship between public funding sources and housers who are willing and able to provide the on-site supervision and integration of services that will lead to resident self-sufficiency is nascent and evolving. Federal and state policy makers and housing organizations should foster more interaction between assisted housing owners, social service agencies, employment organizations and others so that each could adapt in an effort to create a more cohesive and effective delivery system. Coordinating current federal housing initiatives, such as mark to market, with welfare to work initiatives would be a good place to start.



Community Preservation and Development Corporation

4340 East-West Highway • Suite 201 • Bethesda, Maryland 20814

www.cpdcc.org • cpdc@cpdc.org

main 301.986.1600 • fax 301.986.9450

COMMUNITY SERVICES

Community Preservation and Development Corporation (CPDC) creates and preserves financially sound, affordable housing, and works, in partnership with residents of communities, to establish service programs that increase opportunities for community and individual growth.

CPDC was created to be an organization that, through its unique relationship with the residents of its 13 properties, totaling 1,846 residential apartments, identifies needs and connects residents with resources to further their economic, civic, and social empowerment and self-reliance. CPDC, with numerous partners, builds holistic and integrated networks of community services to address the needs of the residents. CPDC establishes a relationship with the residents and their community, enhances civic leadership, identifies needs, overcomes barriers to access of resources, and develops and administers partnerships and programs with other service providers.

In the absence of programs and services that are indicated, CPDC will, in cooperation with other service providers, and the residents themselves, ensure the availability of such services either by creating them, or coordinating their development and implementation by service providers.

CPDC Human Services serves an umbrella function for all of CPDC's Community Services, having the initial and primary relationship with residents and fulfilling the fundamental role of building strong community connections. CPDC's other Community Service programs are implemented based on the needs identified in the specific community and the tools selected to address these needs. In addition to its Human Services programs and initiatives, CPDC has developed and provides Employment an Economic Development Services and Education Services. CPDC has facilitated services through partner organizations in Child Development and Care; Recreation, Education, Cultural Activities, and Sports for Youth and Children; and Recreation, Home Care, and Health Services for Seniors.

Committed to the creation and preservation of affordable housing

CPDC HUMAN SERVICES

CPDC Human Service Programs assist individuals and communities to attain their greatest potential through:

- facilitating and teaching involvement and volunteerism in civic, community, family, recreational, and cultural activities; and
- ensuring that, in order to achieve this potential, obstacles are identified and overcome by “connecting” individuals to any and all human services.

Among the services we have identified to be essential in the communities we serve are the following:

CIVIC INVOLVEMENT -

Encouraging the involvement of residents in the life of the communities in which they live is central to the structure of CPDC's Human Services division. One of the major ways in which residents can participate in community life is through membership in the resident associations. Such involvement is the initial step in identifying with neighbors by participating in seeking joint solutions to common issues. CPDC takes a very active role in assisting residents in acquiring training that is beneficial for productive and knowledgeable participation in this and other civic arenas.

Another way of for residents to participate in civic affairs at the community level is by participating in the CPDC Community Investment Program. This is a system that provides opportunities for residents to avail themselves of services that they might not be able to afford at market rates, by volunteering a specified number of hours in the community in exchange for those services. Residents can access computer training, job training and placement opportunities, and many other benefits by agreeing to “give back” a few hours.

CRISIS COUNSELING -

CPDC hires professionally trained and licensed social workers to assist residents with emergency situations that arise in the course of their daily lives. Recognizing that all of us are subject to unexpected situations that can seriously disrupt the everyday rhythm and order necessary for productive lives, and the precarious nature of stability under which many of the residents of the properties live, there is a commitment to making available assistance with immediate

interventions with difficult situations which may or may not be ameliorated by such interventions. At any rate, assistance is available for a quick professional assessment of the situations, and when necessary, referrals to appropriate community service providers. In many instances, the nature of the crisis is such that the social worker can intervene and schedule a few appointments with the resident that adequately deal with the situation.

CHILD DEVELOPMENT AND CARE -

Recognizing that working parents must have access to affordable and convenient child care in order to function in a responsible manner in employment and/or training situations, CPDC has made a commitment to assist residents in accessing quality child care that is community-based. At the Edgewood site, CPDC is partnering with Catholic Charities by providing space for infant and toddler care. Other community partners will be participating in the provision of services for school-age children, such as Beacon House Community Ministries and the University of the District of Columbia, Levine School of Music. Dependent upon identified needs and existing resources at sites other than Edgewood, partnerships exist and will continue to be developed to access child care for the residents at all of the properties.

FINANCIAL/BUDGET COUNSELING -

Maintaining financial stability can be difficult for anyone. In the course of working with families who are constantly aware of the precarious nature of balancing budgets and meeting ever changing priorities as potential areas of expense present themselves, it is important to know the difficulties involved in making ends meet. Counseling regarding budgeting techniques, and managing credit responsibly is seen as an essential service. Some primary counseling in this area is provided by CPDCC staff, and for more protracted service, residents are helped to access community resources.

HOME MAINTENANCE -

CPDC makes every effort to ensure the availability of comfortable and clean accommodations to residents at each of the properties we develop. For the most part, persons who move onto the properties appreciate the nature of their surroundings and take great pride in their homes. There is a small group of persons at many of the properties who demonstrate that they do not have a grasp of the essential skills involved in maintaining a clean and attractive home environment. In an effort to assist these individuals create and maintain a home environment of which they can be proud, we are prepared to provide instruction in the basics of housekeeping. Such offerings can be voluntary, or part of a plan designed to assist residents retain residency.

HOUSING COUNSELING -

Within the realm of housing counseling, there is a need for assistance with matters that relate to the exploration of issues that impact upon the ability of residents to retain their homes. Some relate to eligibility based upon income, family size and composition, and other changes that occur during the course of occupancy. In the interest of maintaining stable communities, and assisting residents with their needs for family stability and improvement in their individual situation, we provide counseling and advice in helping them to explore their options. Because of the scope of our network, we often assist residents in making decisions as to where they might move when such is indicated.

MENTAL HEALTH COUNSELING -

There are many stressors that impact upon our lives. Most of us have support systems that work for us and help us to get through especially difficult times that cause us to experience a temporary loss of focus and/or efficiency in managing our affairs and those of others who might be dependent upon us. CPDC has hired competent, professionally trained staff who have the capacity to provide mental health interventions. When there is an indication that services will be needed for a protracted period of time, appropriate referrals are made to community providers; for short-term interventions, our staff members provide the indicated services to assist residents in regaining their normal state of well-being and functioning.

PERSONAL GROWTH -

Being able to access services that can contribute to a general sense of life enhancement, and improvement is a benefit that accrues to residents at many of our properties. Through the availability of opportunities to become involved in the resident life of communities, and to take advantage of such offerings as computer training, job preparation classes, parenting training, and other training options that can lead to advances in employment, and life satisfaction, CPDC plays a major role in contributing to the personal growth of residents. A variety of such services are available based upon needs and interests identified by residents at the various properties. Coordination of the availability of these services is a primary function served by our staff.

SUBSTANCE ABUSE -

Far too many people in today's society are falling victim to the perils of substance abuse. In fulfilling our commitment to assist residents to maintain stability in their lives, we recognize the dangers and the consequences associated with the abuse of substances—legal and illegal. Based upon alliances and partnerships within the community, we have the capability to refer residents to providers who specialize in the provision of the kinds of interventions

needed to successfully combat the problems associated with those involvements. CPDC also commits to providing case management or service coordination to assist residents in following through with commitments that they make, and to help ensure a better chance of success in dealing with identified problems.

SUMMARY -

CPDC's programs for human services follow a new model for care, combining three elements to assure that people are connected to the resources they need: community organization and empowerment; case management/service coordination which identifies residents' needs and links them to on- and off-site service providers; and collaborative service delivery, which integrates all efforts in a consistent and comprehensive approach.

The human services component of CPDC's community service programs serves as an umbrella to all the other service components. It creates relationships with residents, identifies needs, and assures connections with providers. Our commitment is to QUALITY, and the quality of the services offered speaks to our COMMITMENT!

CPDC EMPLOYMENT & ECONOMIC DEVELOPMENT SERVICES

Our Employment and Economic Development Programs are geared to meet the broad range of needs of residents of CPDC properties. Recognizing that often residents have not had economic opportunities, CPDC's employment program offers hope for change, growth and an array of opportunities by:

- assessing and identifying the collective and individual barriers to employment economic opportunity and creating systems to remove them;
- recognizing and enhancing the uniqueness and potential of the individual, family, and community;
- connecting individual needs, interest, and aptitude with training and concrete opportunities; and
- providing an individually tailored system of ongoing support.

CPDC has developed an employment program that serves as a catalyst and conduit to create economic change. It provides a road map to self-sufficiency for individuals who traditionally have been left out or stayed out of the advancing workforce. To this end, CPDC facilitates and/or delivers an array of employment and business services designed to enhance skills and work relations as part of individuals moving from a state of dependency to healthy, economic independence. This employment program concept includes job skill training combined with “*bookends*” of services. The bookends begin with a comprehensive, computerized **Vocational Assessment and Enhancement Program**. Integrated into job skill training is our **Professional & Personal Enhancement Program (PPEP Talk)**, a series of engaging workshops that coach participants to improve and transfer their basic life skills to the work environment. Additionally, Catholic University of America provides a **Business English Skills Course**, and the Education Opportunity Center provides **Career Development Workshops**. Students are provided specific **Job Skills Training** in fields appropriate to their interests and aptitudes taught directly by CPDC or through referral to other qualified training programs. Classes are concluded with **Job Placement** with follow-up **Career Counseling** and on-going **Support Group Counseling** to deal with crises and life style changes. CPDC believes the economic and social viability of any community hinges on its ability to foster the resources within people and their communities and to use technology as a tool to this end.

CPDC partners with a variety of service providers to deliver services and create internships and employment opportunities. We explore with residents ways by which they can build relationships with other established entities and organized groups, to plan and work together to achieve agreed upon standards for the development of their community. Employment training programs, therefore, are attractive and meet the Washington DC metro labor market needs, and is matched against the interest and skills of residents in CPDC communities. Our Assessment and Enhancement services address the issue of appropriate placement, it assess existing proficiencies and interest, to provide remedial instruction that builds both knowledge and communication skills and direction for appropriate placement. This sets the stage for CPDC's employment and job training initiatives that will launch CPDC residents on lifelong careers.

VOCATIONAL ASSESSMENT -

All too often, our target audience, who have few vocational skills and negligible training experiences, are placed in entry-level jobs that rarely provide opportunities for career growth. These types of job placements frequently result in high turnover and impede the process of self-sufficiency. Additionally, when people are placed in jobs where they have little interest and even less aptitude for the work, these placements often result in repeated turnover. Through our Vocational Assessment and Enhancement Program, we strive to make the most appropriate career

placement for our residents, thereby creating greater opportunity for their success. Assessment affords the opportunity to have a thorough knowledge and understanding of the student's academic attainments, vocational interests, strengths, needs and overall potential. CPDC has teamed-up with assessment services, such as George Washington University Vocational Department to provide this assessment and enhancement service. Some of the assessment tools are Careerscope, Office Proficiency Assessment, and the Harrington-O'Shea Career Decision Making System.

ENHANCEMENT PROGRAM -

Based on an individually tailored, career-track plan, each student participates in the **Enhancement Program**. This program enables residents to acquire academic skills in a manner consistent with their career aspirations. The computer instructional methodology used enhances academic proficiency in the fastest and most permanent manner and allows learning to be self-paced, individually motivated, and directed to specific vocational interests. Minimal teacher assistance is needed, thereby affording us the opportunity to serve greater numbers of residents through a higher student/teacher ratio than normally required with non-computerized remedial instruction. The Enhancement Program course work includes employability, work maturity and basic math and reading skills.

PROFESSIONAL & PERSONAL ENHANCEMENT PROGRAM (PPEP TALK) -

Our Professional Personal Enhancement Program **PPEP Talk** (often referred to as Job Readiness) brings together and enhances the professional and personal life skills needed to help students enter or return to the work force. Students embrace a new paradigm and address issues beyond those specific to the workplace. All students involved in the CPDC's Employment Program are required to attend this series of job readiness and career growth workshops, where theoretical and practical dynamics of time management, resume writing, interviewing techniques, including the fear of success, are addressed. The design of all of CPDC's PPEP Talk workshops are governed by the following principles:

- To help residents internalize values,
- To respect and challenge the individuality of each participant,
- To recognize and respond to the each participant holistically,
- To teach that life can work for everyone and that work and life skills are intricately interwoven, and
- To provide participants with concrete tools that empower them to take control of their life and motivate them to take action for positive change and growth.

BUSINESS ENGLISH SKILLS COURSE -

Catholic University of American Metropolitan College provides an engaging and effective course to improve the students business English skills, teaching how grammar, punctuation, and business writing skills.

JOB SKILLS TRAINING -

CPDC hosts and refers residents to an array of job training programs. Our flagship program is, however, the **Computer & Office Skills Employment Program**, designed to help unemployed residents get office jobs on the first rung of the career ladder, as office assistants, clerical staff, and data management staff. This intensive program consists of 150 hours of training in Microsoft Office preparing the student for the test, administered by CPDC as an authorized testing site, to become certified by Microsoft as a "Microsoft Office User Specialist". The program includes a workplace internship using the skills learned in the classroom.



Several **Property Maintenance Training Programs** meet the needs of residents who are ready for employment, have limited skills, and do not want to participate in a long term training program. Southern Management Company's Maintenance Training Academy provides training for several property management companies throughout the metropolitan Washington, DC, as does ARCH.

CPDC has teamed up with Wider Opportunities for Women, a national non-profit working to achieve economic independence and equality of opportunity for women and girls, to provide access and training opportunities. WOW will provide **Training for Construction Jobs** for individuals transitioning from welfare to work. The WOW Work Skills Program integrates basic skills, introduction to nontraditional and technical jobs and family learning activities. Residents enrolled with WOW participate in a support group led by local trades women designed to help women in nontraditional fields succeed on the job.

JOB PLACEMENT -

The residents of Edgewood Terrace are the driving force behind CPDC's efforts to provide employment opportunities. As their contribution to the effort, the Edgewood Terrace I Residents' Association, with CPDC's assistance, is creating a **Computerized Job Bank** to provide residents with access to up-to-date employment opportunities in the region. CPDC is building partnerships with a variety of business corporations with a particular focus on the technology, construction, hospitality, and property maintenance industries.

CPDC with the assistance of Microsoft is creating a **Technology and Employment Advisory Council (TEAC)**, comprised of business leaders who will guide and support our technology and employment initiatives. The TEAC has two primary roles. It will

assist CPDC in identifying internships and employment opportunities and will have specific knowledge of the high-tech industry and trends. CPDC envisions that the TEAC members will include human resource professionals from the hospitality, construction, and technology industries, as well as professionals with technology expertise.

JOB RETENTION, SUPPORT GROUP AND CAREER COUNSELING -

Upon completion of any of the job skills training programs, students enroll in the **Job Club**, the component of our program that enhances skills and marketability during employment. CPDC provides residents with a comprehensive and individualized continuum of support to ensure greatest opportunity for successful completion of training programs, placement into career track jobs and maintenance of employment. This continuum of services includes individualized counseling, tracking, support and counseling by our Human Service staff.

CAREER DEVELOPMENT -

CPDC has developed a system of support, encouragement, educational enhancement, and problem-solving as students are referred to employment. Such services are offered through the Education Opportunity Center. Referrals are made for those seeking to obtain a GED, higher education, and financial aid for further education.

CPDC EDUCATIONAL SERVICES

Community Preservation and Development Corporation believes in community empowerment and revitalization. Through educational opportunities given to children and adults, we provide assistance in developing and maintaining strong communities. The children's successes encourage parents and other residents to commit to their own personal educational goals, creating not just a "brick and mortar" community, but a community working together to create a future of empowerment for itself, its families, and its children - a community of learners.

CPDC's Education Programs provide educational enrichment and enhancement of academic programs. We address the educational needs of adults and student's K-12. We aid residents in their pursuit of successful completion of educational goals, life long learning, and in their development into productive members of society. Based on the

PROGRAM DEVELOPMENT -

CPDC identifies needs and resources in the communities it serves and their corresponding schools. In coordination with local school systems and institutions

of higher learning, a new program is developed or a current program expanded that will help to address the needs. These programs, developed in partnerships, are designed to meet the personal, professional, and national educational goals for adults and youth.

COMPUTER EDUCATION PROGRAM-

Based on the foundation created at Edgewood Terrace in Northeast Washington, DC, CPDC has created computer learning centers at five of its properties, known as The Gateway @. These centers are designed to provide residents with the opportunity to access technology and to improve their skills. Edgewood Terrace is comprised of three networked labs with over 45 workstations stocked with office software, personal productivity applications, educational resources, reference materials, and more. Students may access The Gateway during scheduled open lab times, take classes in Microsoft software programs, and in the future learn the latest network administration skills in the Advanced Program.



During lab time, users are able to use all the office and personal productivity software available, as well as use the Internet connection, the laser and color printers, the reference materials, and any other resources offered.

CPDC offers adult classes that are a series of courses designed to serve a variety of residents' and community members' training needs. A basic instruction series is offered for those who have never used a computer. In addition, classes teaching beginning, intermediate and advanced skills are offered in the following Microsoft products: Word, Excel, Power Point, and Access. These classes all use Microsoft approved curricula. By completing the series of courses for a particular application, a student would be prepared to take the Microsoft Proficiency Certification test. By passing the tests in Word, Excel, and Power Point, the student would become a Certified Microsoft Office User.

Youth & Children: A combination of structured learning and homework assistance, CPDC provides computer learning focused on boosting the academic skills of the youth and children, as well as encouraging them to use the technology resources to complete homework assignments.

@ HOME ON CAMPUS -

CPDC is developing this program with Catholic University of America (CUA) to bring a CUA Satellite Campus to Edgewood Terrace and provide the residents with unique educational opportunities to participate in programs designed to get them over the first hurdle of advanced education. Residents will utilize the technology infrastructure at EWT while CUA provides on-site course work and lowers the educational barriers often

present for residents of low-income communities. The program will offer a variety of choices so that students can begin at their individually tailored point of entry. CUA will provide:

- **Remedial Math and English Courses** as a springboard for the students to become matriculated;
- **Database Design Courses**, which is a portion of CUA's Records Information Management curriculum; and
- **Network Administration Training Program**, a new program being designed to teach students the latest network administration skills and to meet the technology employment needs of the Washington metropolitan region. It is expected that students will pass the Microsoft Certified Professional test upon graduation.

HOMEWORK CLUB -

CPDC's first approach to education for youth and children is to provide on site services designed to support what students are learning in school. CPDC on site staff, resident volunteers, volunteers from the extended community, and partner organizations provide these services. One such service is assistance with school assigned homework. Through membership in a Homework Club, students receive the help they require to complete and better understand their assignments. Membership in this club is a time not only of improving oneself academically, but also eagerly helping other club members with their studying. This interaction encourages community investment, caring, skill reinforcement for the "helper" and the "helpee," and self-worth. Students also take the time to listen to each other and help solve or simply acknowledge the trials and tribulations of everyday life. This creates a real support system with many components.

TUTORING -

In addition to the Homework Club, one on one and group tutoring is also available to aid in preparation for state functional testing and to improve reading ability and achievement in academic subjects. We help students practice using reasoning skills, solving problems, and applying knowledge through direct instruction and the use of educational software programs in the computer lab. We assist students in achieving state educational standards and acquiring the ability to use higher order thinking skills.

CPDC encourages adult residents to participate in our services too. We are happy to offer help with reading, writing, and instruction in English as a Second Language (ESOL) as well as meeting other individual needs.

HOME to SCHOOL RELATIONSHIP -

In an effort to do even more than service the minds of our residents, the CPDC on site staff is available to attend parent/teacher conferences. H/She can also aid in developing and maintaining a home to school relationship. Working with parents to help them learn how to navigate the public school system is an important step toward taking responsibility for their child's education. Becoming comfortable working with the schools and learning how to become involved will help to ensure that their child is receiving the services and programs that are appropriate and necessary.

SCHOOL to HOME RELATIONSHIP -

Another CPDC approach to providing educational services to our residents is to develop partnerships with the local school district and other educational organizations. We hope to aid in the national endeavor toward community based schooling by working with the schools our students attend for their personal benefit and for the schools benefit. This consists of offering our community center as a place for students to complete their community service credit hours, sharing resources, knowing the programs the schools are offering and encouraging participation. Other organizations with which we partner are colleges in the area and non-profit learning organizations. They may offer more specialized service than currently we are able to offer. Working together we can achieve the vision of a community of learners.

The Noah Group, LLC
Community Partners Creating Community Partnership

Summary Statement of Services and Capability

The NOAH Group is a private service organization founded to promote self-sufficiency for lower income individuals through assessment, training, support, and most importantly employment. Our model of services focuses on a holistic approach to working with individuals to engage in a process leading to employment in career oriented jobs paying a living wage defined to be at least \$8.00 to \$10.00/hour.

The Psychiatric Institute of Washington and Mid-City Financial Corporation formed "The NOAH Group" to coordinate and control the development of its comprehensive services model. The initial site for establishing the operation is at Mid-City's Pleasant Homes Community in Prince George's County, Maryland. PIW is responsible for the management of The Noah Group and the provision of case assessment and referral services to its primary medical service partners. The Noah Group seeks to form relationships with klocal orga izations with the expertise to provide the key elements of the model.

Background

The vision of The Noah Group is to develop and implement a comprehensive model of services to bring employment, opportunity, and hope to the residents of lower income, multi-family housing. Realization of this vision requires determining the operational parameters which will allow this model to be duplicated nationally at lower income multi-family sites prevalent in America's urban centers. The key elements of this model are designed to meet the specific needs of participating residents while they engage in the program to attain self-sufficiency and include:

Assessment Phase:

- ◆ Assessment and Testing
- ◆ Evaluation
- ◆ Self -Sufficiency Planning
- ◆ Refferral Services

Career Track Planning Phase:

- ◆ Vocational Training
- ◆ "Work-Readiness" Training
- ◆ Career Counseling and Placement
- ◆ Specific Job Training

"Community Partners" Services:

- ◆ Day Care
- ◆ Transportation
- ◆ Primary Health Care Services
- ◆ Behavioral Health Care Services
- ◆ Educational Programs

The Noah Group will explore and identify the organizational systems and techniques to create vital solutions to some of the challenges created through welfare and health care reforms.

Model of Services

NOAH's model of services is predicated on locating its operations within or adjacent to the communities it serves thereby assuring access, familiarity, and accountability.

The core of services include two (2) phases, Assessment and Career Track Development. During the Assessment Phase, residents engage in a process designed to identify needs, skills, problems, and goals for life issues as well as employment. Once identified, these elements are assessed and formulated into an individual action plan which serves as the "road map" to self-sufficiency. The Career Track Development Phase is where residents commit to a specific vocational training program leading to a guaranteed job upon completion. Residents who have completed the Assessment Phase, formulated life and career goals and are committed to the requirements and process of the Career Track Development Phase, become eligible to enter specific training programs for targeted jobs. The NOAH Group is currently working with companies within four (4) industries to design training programs leading to guaranteed employment. This process will identify several critical elements crucial to placing individuals in appropriate employment situations:

1. Required skills, ability and aptitude
2. Criteria for specific positions
3. Design of training programs
4. Orientation and integration process

Promoting Self-Sufficiency • Through Assessment • Training • Support • and Employment

The NOAH Group requires a commitment from each employer to hire a specific number of qualified, trained residents. The NOAH Group will utilize existing community based businesses to train and employ program participants. Training will be specific to the needs of the employer and will provide the participant with the technical skills applicable to the designated employment. For example, a property management company would train a participant in apartment renovation and then employ the participant after successful completion of the training. Once employed, The NOAH Group will continue to support the residents for at least one (1) year by entering into an agreement with employers for Employee Assistance Services (EAP) for those residents accepted by the employer.

Vital to the model of services is the function of case management. The NOAH Group will provide a staff of clinical social workers skilled at facilitation of the management and mentoring of residents. The purpose of the social worker is to form a relationship with each individual, understand their current-situation and personal profile, then develop and implement a plan for the future.

Capability

The resumes of key staff of The NOAH Group are available upon request. They highlight the depth and breath of experience and expertise in these pivotal areas:

- Behavioral Health Care
- Business Development and Management Experience
- Therapy and Counseling
- Public and Private Organization Experience
- Commitment to Service

The NOAH Group believes it is this level of diversity, service to community and business acumen which distinguishes its expertise and is its basis of capability for the delivery of this unique model of services. Key staff are profiled below:

Mr. Charles Baumgardner serves as Chief Executive Officer and oversees the development, growth and strategic direction of the company. Mr. Baumgardner has enjoyed a successful career in the health care industry and is currently part owner and Chief Operating Officer of the Psychiatric Institute of Washington in Washington, D.C. His expertise in development, management and finance has contributed directly to the foundation and on-going development of The NOAH Group.

Mr. Jeremiah Griffin, LICSW, ACSW serves dual roles as Chief Operating Officer and Executive Director of the company's initial operation at Pleasant Homes in Prince Georges County, MD. Mr. Griffin is charged with development and refinement of The NOAH Group's model of services including operating policies, procedures, and proprietary clinical assessments and systems. His career includes a distinguished record of operating several clinical organizations

Promoting Self-Sufficiency • Through Assessment • Training • Support • and Employment

while maintaining an active role as a therapist.

Ms. Joyce Lorraine Drumming, LICSW, MPH, MSW joins the company as Executive Director for the Lexington Terrace operation in Baltimore, MD. Ms. Drumming has extensive experience in restructuring public health systems and agencies preparing for privatization. Her expertise in management, public policy and working to find solutions to benefit diverse groups of stakeholders has distinguished her career. Ms. Drumming is responsible for establishing and developing The NOAH Group's operations at Lexington Terrace.

Summary

The vision of The NOAH Group is to establish a comprehensive model of services to bring employment, opportunity, and hope to the residents of lower income, multi-family housing communities prevalent in America's urban centers. This model uses a holistic approach designed to address a resident's life and career needs and goals. The benefits of The NOAH Group's services include:

1. Self-sufficiency through employment
2. Community involvement
3. Linkage to vital services such as health care, child care, and educational programs
4. Mentoring
5. Access and accountability

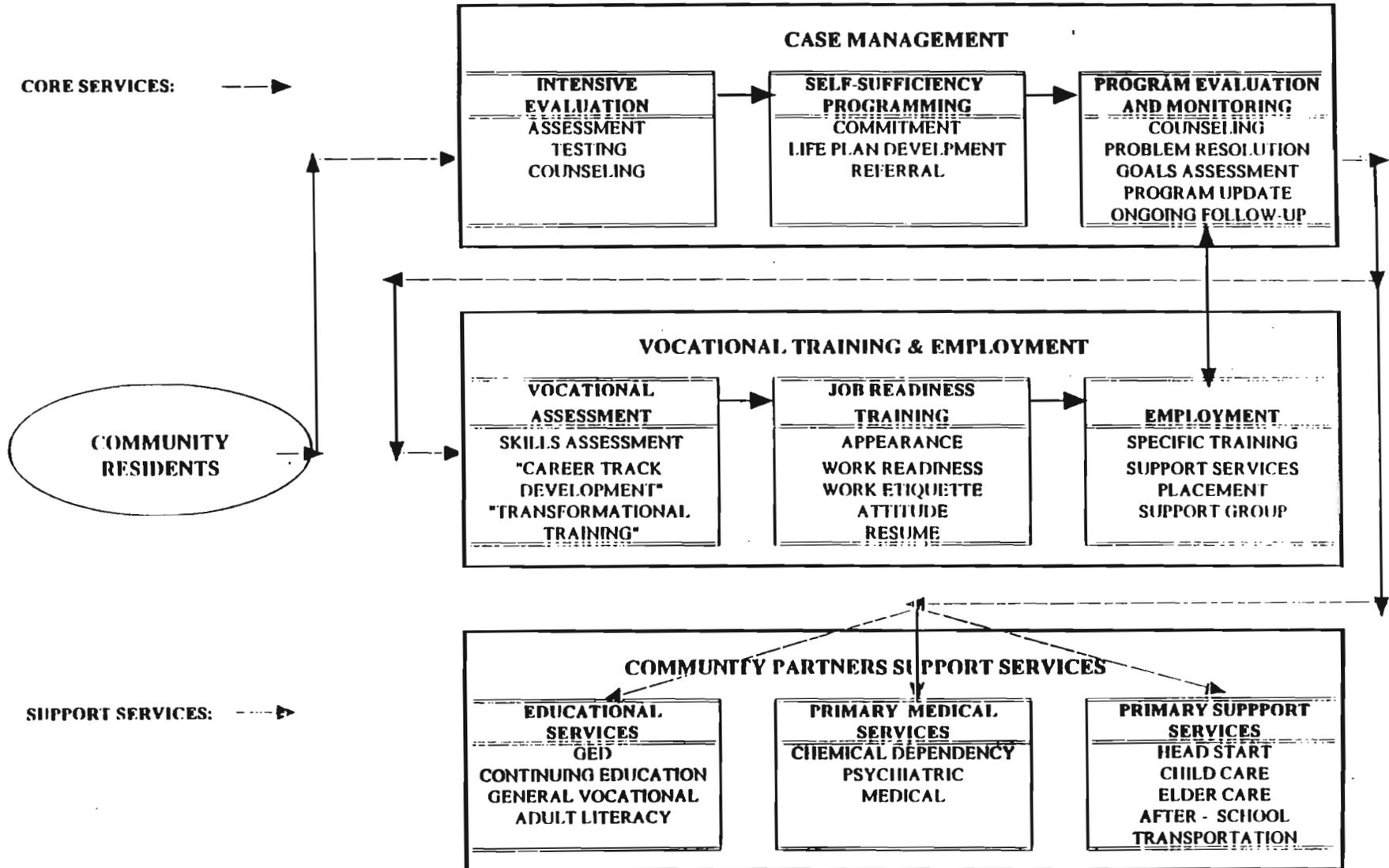
The NOAH Group has the capability and experience needed to deliver this unique model of services. Its commitment to service and community is reflected in the careers of The NOAH staff while orientation to a team approach allows The NOAH Group to be effective partners in promoting change.

For additional information on The Noah Group please contact:

Charles Baumgardner, C.E.O.
4228 Wisconsin Avenue, NW
Washington, D.C. 20016
(202) 965-8519

THE NOAA GROUP

COMPREHENSIVE MODEL OF SERVICES
SERVICE DIAGRAM



III-65

Noah Scope of Services

Community Organization

Resident Council Development
Non-Profit Business Status Development
Development of Community Sustainability

Evaluation and Case Management

Intake
Evaluation
Assessment
Group Work
Case Management
Testing
Treatment Planning/Referral & Outreach
Community Linkage
Wrap-Around Service Development
Life Plan Development

Motivation and Transformation

Observations & Evaluation
Referral
Case Management
Metamorphosis

Job Training and Evaluation

Interview Preparation
Resume Development
Group Work
Job Coaching & Consultation
Career Track Development
Career Counseling and Placement
Vocational Training and Certification
Case Management

Job Placement

Case Management
EAP
Group Work
Employer Relations Development
Support Services Coordination

Follow-up

Group Work
Referral & Outreach
Case Management
EAP
Quality Assurance and Outcome Measurement

Work in Progress

As Welfare Rolls Drop, Changes Big and Small Hit a Housing Project

The Grocery Gets an ATM.
Coupon-Clipping Is In:
Zero Tolerance for Sloth

New Checkbook Instills Pride

By CHRISTOPHER GEORGES

Staff Reporter of THE WALL STREET JOURNAL.

SEAT PLEASANT, Md. — Two months ago, another man was shot dead in the open-air crack market outside the Pleasant Homes housing project. Across the street at the strip mall, roach spray is still a top seller at Family Dollar. And at Pleasant Homes, where all 285 families live rent-free, the project's grocery-shopping van still fills up just after the food stamps arrive.

But look carefully from the drug dealers' corner, into the window of Pleasant Homes' Apartment 201, and there is a silhouette of change. Four single mothers at the project — friends who meet regularly, trying to make the transition from welfare to work — are gossiping about a neighbor who won't take a job.

"I say cut . . . her . . . off . . . now," exhales Rashae Foster, 20 years old, who has been working on and off in part-time clerical jobs in recent weeks.

"Yeah, every last one of them," adds Shayna Reaves, 25, who for six months now, after six years on welfare, has worked the reception desk at a local Marriott hotel. "And that other girl," she continues, "is going to quit because they put her on evening. Now she's stupid."

"Yeah, stupid," echoes Ms. Foster, though she is still on welfare: her earnings are low enough to keep her on the rolls.

Daureen Greenwall, 38, fingers the frayed hem on her jacket. She says nothing, no longer sure what to think. She recently quit her \$6.05-an-hour job washing dishes, her first job after 15 years on welfare, because she wouldn't work weekends. Vicki Jones, 35, catching Ms. Greenwall's confusion, attempts a rescue. "People are scared," she offers softly.

Falling Caseload

The success of welfare overhaul is usually measured in hard numbers: jobs taken, cases closed. Nationwide, and here in Prince George's County, just outside Washington, the caseload has dropped about 25% since 1995. Even at Pleasant Homes, where the average annual income is about \$5,000, at least 25% of the welfare recipients have joined the work force.

But the impact of the landmark 1996 law, which imposed time limits on welfare benefits, can also be calibrated in more subtle ways. Welfare reformers set out not just to fill jobs, but also to engineer changes in attitude and behavior — changes that can be measured only in shades of gray.

For the women who meet in Apartment 201, a community unit where Pleasant Home residents can gather, the past year has brought changes not just in hours worked or income earned, but in their approaches toward marriage, children, money and work. The women have been nudged, sometimes shoved, onto the reformers' path — but not always, and never completely. There is new hope, but they still suffer from the old fears that a better life will remain beyond their reach.

A Dead End?

For Rashae Foster, it has been nearly a year since she entered job training — and six months since she mastered computer programs like Word and Lotus. Yet she is still searching for a full-time job.

Ms. Foster, the quickest and brashest of the group — she openly carries a pocket-knife when crossing the Pleasant Homes grounds at night — is in her third year on welfare. For her, a mother of two sons, low-wage work isn't good enough.

"If things were different, she could have easily been sitting next to me in college," says Kim Emmons-Benjet of the Noah Group program, which provided job training to Ms. Foster and many other Pleasant Homes residents.

The question Ms. Foster faces: Is temporary clerical work a starting point or a dead end?

Once, she was sure of the answer. "I already took my brain to another level," she says, referring to her computer training. Since then, she has resisted the dreary trip back to the low-wage treadmill: shampooing heads for \$3 each at Shazzi's salon, or salting fries at McDonald's. It isn't worth it for \$6 an hour, she says.

Before settling for work at a Marriott earlier this year, Ms. Reaves had trained her sights, too, on computer classes. But eyeing her prospects, she shifted.

"You have to crawl before you can walk," she admonishes Ms. Foster.

"I have too many skills for that," Ms. Foster snaps back. "I'm not cleaning anyone's room. I don't wear uniforms."

"Yeah, I wanted a big job, just like you," says Ms. Reaves. "When they said hotels, I said 'No — computer class.' But at least I got this."

"I trained in computers," says Ms. Foster. "That's what I'm going to do."

Later, alone, Ms. Reaves is still kicking. "She wants a big job in a fancy building where she can wear nice clothes," she says of Ms. Foster. "I want it big like she does. But I'm better off taking what I can get now."

Until now, that has been very little. Years ago, she dropped out of high

Please Turn to Page A12, Column 1

Big Changes Come to a Housing Project

Continued From First Page

school and stocked shelves at a department store. She had two baby girls by the age of 22. Now, she has a steady Marriott job, and was front-page news in the Pleasant Homes newsletter: Shayna Reaves, success story.

For six months she has been getting roused out of bed at 4:30 a.m., hustling through a daily Marriott checklist and hearing that she can't have the afternoon off to take her baby to the doctor. "I take reservations. I check people in," she says. What else is there to explain? She pauses. Oh, yes, she adds: "I love my job."

Ms. Reaves makes about \$1,200 a month. After factoring out her new expenses—babysitters, cab fare to work and the like—her monthly income is about \$200 more than what she got last year on welfare.

She is far more frugal on many things. She buys store-brand cereal instead of Lucky Charms. The monthly wait for food stamps is out, but the weekly wait for Sunday coupons is in. On a recent trip to Shopper's Warehouse, she lingers before the case of Tombstone frozen pizzas, \$3.67 each, but decides against it.

"It feels funny for me to spend my own money," she explains. Her \$300 a month worth of food stamps "didn't seem like money. It was more like, you know, free."

The paycheck effect surfaces at the strip mall across the street, where Murry's supermarket is offering buy-one, get-one-free French toast sticks. "We're doing a lot more of that now," says store manager Werner Binding, explaining that without food stamps, shoppers press for pennies. Chicken sales are up 23%, he says, steak is down 10%. Murry's brand \$1.99-a-box Fruit Rings are flying off the shelf—30 cases went last month, compared with two cases of the \$4.19-a-box Froot Loops.

This past summer, an automated-teller machine made its debut at Murry's: all those paychecks mean more direct deposit. At the CVS pharmacy, overall sales are no higher this year, but in several recent months, sales stayed steady through the period. "Never seen that before," says store manager Tonya Brock. In the old days, business would cluster around the first of the month, when welfare checks were issued.

Though Ms. Reaves pinches pennies on groceries, she spends freely on newfound priorities. As a result, her savings over six months amounts to just \$100.

She crosses the living room, passing the four-foot TV/VCR/stereo tower, to feed the fish—three new red devils chasing each other around the 40-gallon auto-filtered tank, almost a lake in this tiny apartment. The tank arrived three months ago, but Ms. Reaves waited until last month, after the wall-to-wall carpet was laid, to fill it. Fish fed, she settles back onto one of the two new black-vinyl couches (total cost \$700) that frame the room.

She isn't complaining. How could she? From her bed-

'IT FEELS FUNNY FOR ME TO SPEND MY OWN MONEY,' SAYS SHAYNA REAVES. FOOD STAMPS 'DIDN'T SEEM LIKE MONEY. IT WAS MORE LIKE, YOU KNOW, FREE.'



The women from Pleasant Homes are, left to right, Daureen Greenwall, Victoria Jones, Rashae Foster and Shayna Reaves

'A Long Sit'

room, five-year-old Shakia approaches her mommy. The girl, tugging at her new Donna Karan blouse, demands to feed the already-fed fish.

Ms. Reaves treats herself well these days: Nordstrom's has replaced Kmart. Shoe boxes, with Timberlands on top, stack waist-high in her bedroom closet. Next June, she will take the girls to Disney World near Orlando, Fla., instead of Virginia's Kings Dominion. Christmas morning will be a two-layaway-plan event: dolls and a new bedroom dresser to rest them on.

Spending Habits

Back in Apartment 201, the spending adjustment takes a more ominous tone.

"We do a lot of dumb things, don't we?" says Ms. Jones.

"Yeah, I go through money like nothing," says Ms. Reaves.

"You're not saving. You're out shopping," says Ms. Jones.

"I need help. For real," says Ms. Reaves.

"I need one more picture for my wall," says Ms. Foster.

"You're just as bad," says Ms. Reaves.

"I'm going to get some white furniture. I always wanted white furniture," says Ms. Jones.

"It's clothes," says Ms. Reaves.

"Clothes," echoes Ms. Foster.

"Clothes for the kids. Clothes for the mommy," says Ms. Reaves.

"I'm broke," says Ms. Reaves. "It's not funny. I'm not doing it anymore. I just got a checkbook. I'm going to hide it."

But she does the opposite. She carries it always. Not to use—the account is nearly empty—but to wear like jewelry, simply because she has it. Indeed, the day her checkbook arrived, she showed it off to a visitor: "This is something I've always wanted," she said, producing the checks for inspection. "People pull out their checkbooks. Now I can, too."

For Daureen Greenwall, a checkbook is still far off. Since quitting her dishwashing job in October, she has mounted a mostly symbolic effort to find new work. After 15 years on welfare, with three sons, Ms. Greenwall was a prime candidate for reform. So she signed up for job training a year ago and never missed a class.

She trained to prepare sumptuous dishes, but could only land a job washing them. It required a ride on the subway, which she had never taken. Indeed, she has never traveled more than a few miles beyond Seat Pleasant. "My heaven," she says, describing her tiny bedroom, covered wall-to-wall with tiny winged angels and verses of scripture. Her three boys share the other bedroom, which is decorated with a fish tank that has no fish.

Since quitting her job—too far away, too little pay, too many days—hope has dimmed for a new one.

One afternoon, she descends to the walk-in applicant desk at the downtown Washington Marriott. A six-deep line of job seekers offers little encouragement; the reminder on the wall, "Federal Minimum Wage Is Now \$5.15 an Hour," offers even less.

"It's going to be a long sit," says a job seeker who sits beside her. At first, there is no response from Ms. Greenwall, who fussed with her hair all morning for what will be a cursory 10-minute interview. But the man keeps talking, and she warms up. He is an immigrant from Africa. He is open to the Marriott job, but really wants to work as a mechanic. Then, someone tries to cut in front of Ms. Greenwall, and her wait-mate steps in to defend her position in line. She is impressed.

Staying Single

Back in Apartment 201 that evening, Ms. Jones asks about the interview, but Ms. Greenwall's mind is elsewhere.

"No kids, and he was really nice looking," she says.

No More Kids

"You get a lot of maniacs out there," warns Ms. Jones. "I was trying to wait for him to come out after. He was going for housekeeping, too. We'll meet again."

"Uh-huh," says Ms. Jones, knowing to step aside.

"I'm going to say something. Next time, I'm going to push myself," says Ms. Greenwall. "I got to."

Since the birth of her first boy 15 years ago, and the welfare checks that came with him, Ms. Greenwall has had little inclination to marry. Among the four women, three of whom say they suffered through abusive relationships, none expected, or even desired, to marry the fathers of their children. Ms. Jones broke ties with her mother rather than accept a proposal from her first baby's father. "Did I like him? Yes. Did I love him? No," she says. "There was no advantage to being married."

One of the tenets of welfare reform has been erasing advantages to single parenthood: Simply put, being poor and single with children no longer triggers benefits. Still, at Pleasant Homes, the response to the marriage question remains the same. "When the time is right, I'll do it," says Ms. Foster, seated in her apartment a few feet from the television, stereo and VCR, all gifts from her new boyfriend. "Where does it say I should get married now?"

Ms. Foster delivers a secret to her friends. She has asked her boyfriend "to go to the justice of the peace and have a little wedding." Later, she says she has put an engagement ring on a layaway plan. "I'm not asking anything. Just put that fat ring on my finger," she tells her skeptical friends, who know her boyfriend.

"I'm not going to have any more kids until I get married. I want that man around. No more boyfriends. . . . It's too hard," says Ms. Greenwall.

"I try to think logical," says Ms. Jones. "I used to tell myself now is not the right time. But if you can do it now, now may be the right time."

Later, Ms. Greenwall offers her own conditions: "He has to have money, but he doesn't have to be rich. And a car. If he could accept my kids, I could accept him. And a car . . ."

Another shift can be detected in attitudes toward bearing more children.

"Not in my vocabulary," says Ms. Reaves, seated a few feet from the only reading material in her living room, "The Challenge of Toddlers." "I have enough struggles with the ones I have."

That is precisely the thinking that policy makers had in mind by ending the old policy that increased benefits for additional children. Researchers disagree over whether the new policies have had much effect. But among these women, all mothers by the age of 21, there are nine children, and no one plans to make it 10.

Ms. Reaves and her friends giggle in gossip over the neighbor they have nicknamed "The Breeder."

"Eight kids by eight daddies," Ms. Reaves chortles. Though Ms. Reaves will, this Christmas, grant her daughter's wish for the doll that comes with diaper changes, she openly wonders if the toy sends the wrong message.

"This is not the 1970s, having all these kids," says Ms. Foster. "You've got to be sick."

Still, there are measures brought on by welfare reform that the women in Apartment 201 resent. One of the most irksome is the requirement to provide the state with information about the fathers of their children.

Several of the women feel that the state's questions show little respect for their privacy or their dignity.

Ms. Reaves and Ms. Foster compare how they have, at times, dealt with welfare workers:

"I told them: 'I met him one time, got pregnant, and didn't see him again,'" says Ms. Reaves.

"Yep," says Ms. Foster.

"Do you know his name?" No," says Ms. Reaves, recalling her responses to the state's questionnaires.

"Nope," echoes Ms. Foster.

"Have you seen him on the street?" No," says Ms. Reaves.

**MS. REAVES IS PROUD
OF HER JOB AT THE
RECEPTION DESK OF
A HOTEL: 'WHEN THE
GIRLS ASK, "MOMMY
DO YOU HAVE TO GO
TO WORK TODAY?"
FEELS GOOD.'**

"I say the same thing," says Ms. Foster.
 "Do you know his mother?" No," says Ms. Reaves.
 "They just want to know your business," says Ms. Foster.
 "They want to stereotype us like we're lowly," says Ms. Reaves.
 "Low life . . ." Ms. Foster interjects.
 "And that's not true," says Ms. Reaves.

A New Attitude

As the group in Apartment 201 drifts further from welfare, their views of welfare mothers have grown harsher.

"It makes me mad," Ms. Reaves says. "Taking money out of my check and giving it to those ho's." She calls them "lazy" and "shiftless."

"One of them," she notes. "had the nerve to have a set of twins."

"The stuff they pull now," says Ms. Reaves.

"I've never seen anything like it in my life," adds Ms. Jones.

"They've got men in their house with their mothers. It's nasty," says Ms. Reaves.

"When I was 17, I took care of my own," says Ms. Foster. "My mother stayed with me, but I took care of my own. When it comes down to who the mother is, I'm the big mama."

"Big mama," echoes her five-year-old son Stephan, playing at her feet, hearing a phrase he recognizes.

Predawn Ritual

Crossing from welfare mother to working mother is tough.

At 5:37 a.m. one Tuesday, the Reaves home is in the middle of a boot crisis. Ms. Reaves yells after Shakia, five, who has retreated with her older sister into the kitchen: "You tell me. Just how could you lose your boots?" She doesn't wait for an answer. She is due at work, a 20-minute cab ride away, at 6. Ms. Reaves navigates around three bags of unwashed laundry that clog the hallway and

disappears into the girls' room. The two girls work around the unwashed dishes, packing their premade Lunchables.

Ms. Reaves is proud of her new status: "When the girls ask me, 'Mommy do you have to go work today?' It feels good," she says. But not necessarily before dawn. The stress of juggling job and family is new to Ms. Reaves.

She wants a higher-paying job, but no more responsibility. How about a move up to manager? "Not interested," she says. "They have to do too much." She grumbles that her daily Marriott checklist is so long, she can no longer volunteer at her daughter's school. Face-to-face meetings with the girls' teachers have been replaced by phone conferences.

It spills from work to play. One Saturday night, the crowd at Dave's bar, just down the road from Pleasant Homes, has swelled into the parking lot and beyond the "No Loitering" sign. A year ago, Ms. Reaves rarely passed up Dave's Saturday night \$5 zombie drinks. This night, three hours after getting home from work, she is in her apartment, her Marriott name tag still pinned to the uniform shirt she has yet to shed, watching professional wrestling with a girlfriend.

The phone rings. "I can't hang out late," she tells a friend. "I've got work tomorrow."

Up the Ladder

It is early December, and Ms. Foster has all but abandoned hope for a computer job. At a temp testing center, she works her way down the application: "Can you work weekends?" She checks NO. "Short notice?" NO again. "I really don't want to do this," she says aloud in the waiting area. "I'm tired of temping."

Ms. Greenwall is just tired. She has reapplied to Kmart, McDonald's, Marriott. Back on welfare, she has retreated to her old life, cooking for elderly neighbors, watching after her four-year-old, Leon. She has time again to build her collection, seven years in the making, of hundreds of ceramic figurines arranged in every nook of her apartment. There is "Cat City" under the living-room table, "Dog City" by the door.

She has a new plan: She will write fiction. Each morning in recent weeks, she has retreated to a tiny room—actually a walk-in closet dominated by a broken computer—to work on a story neatly penned on loose sheets of composition-book paper. It is about a girl, Miss Ann, and her housekeeper, Mrs. Andy, who is dying of cancer.

It begins this way: "This is the story about a young woman named Ann Dickson who grows up with a maid who wasn't just a housekeeper, but her best friend. She lived in California with her parents who are rich people, their house looks like a mansion. The inside of the home

looks like a movie star's home. Well, as time goes on Miss Ann becomes a doctor in three years."

She hopes to get her stories published someday. "I need the money to build my dreams," she says. "If only someone can read them, I know they'll touch their heart."

And it would ease her own. "If only I could stay home and write, that would be my life," she says.

Shayna Reaves wants the opposite: to move to a job closer than a \$10 cab ride, to shifts that begin after sunrise, and, just maybe, to \$8 an hour. She hears about an opening at a closer Marriott with higher pay and better hours. She is determined to set an appointment on a day off. But three weeks running, she fails to make it: Sick children, extra training sessions and holiday shopping all intercede. The job gets filled by someone else, and Ms. Reaves puts off her search until next month. Instead, she will apply for emergency food stamps.

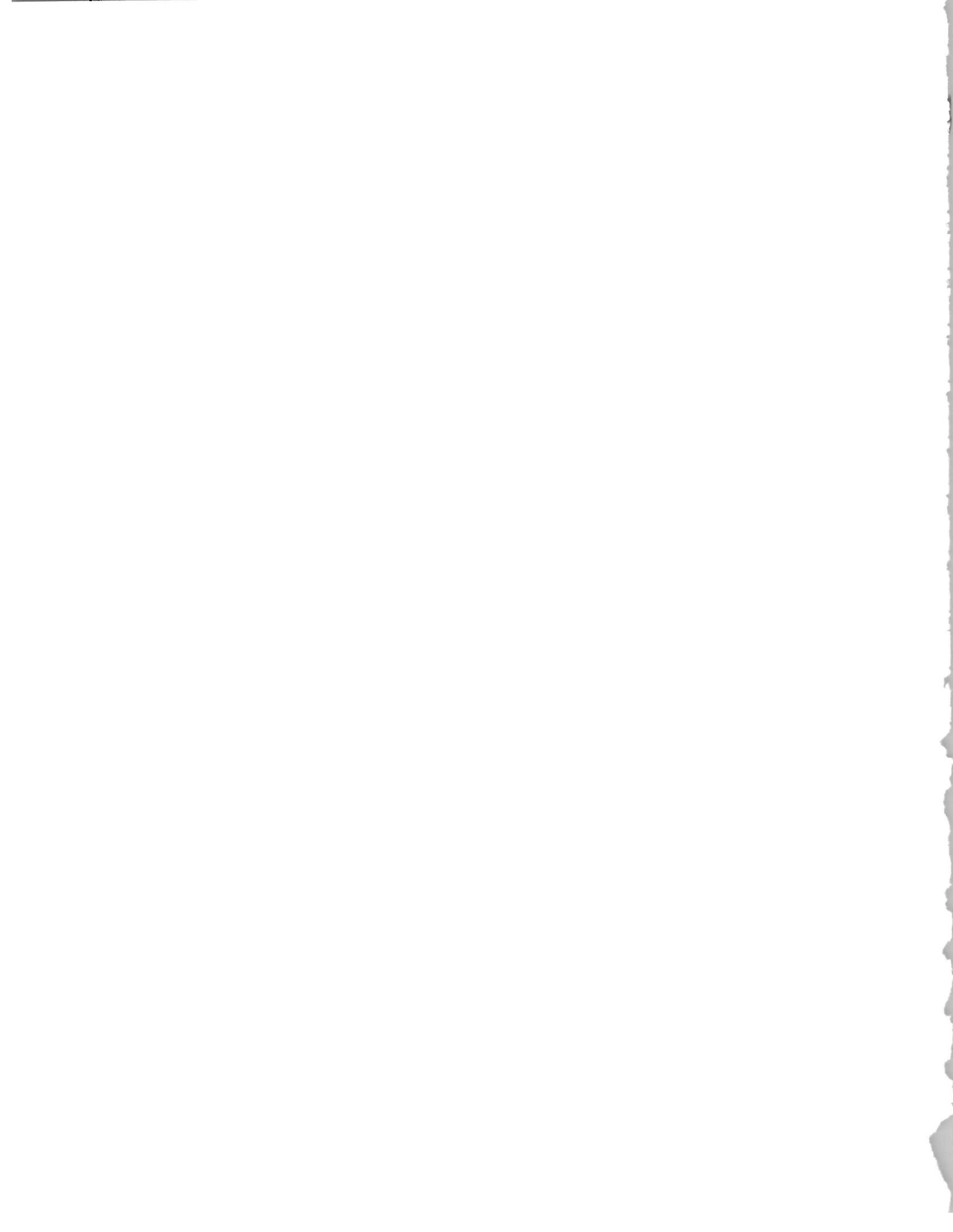
One evening, Ms. Jones senses Ms. Reaves's frustration.

"You've got to go for it," says Ms. Jones, who is gunning for a promotion herself, adding "management people don't have to work so hard."

Ms. Reaves straightens up but says nothing.

Ms. Jones continues, detailing the job she wants (one floor up, in the administrative office) and even the date (Feb. 1) that she plans to confront her boss about it. "I know the job, I know the person who's got it, and I can do it better than her," she says. "And I'll tell her. I have no problem with taking your job."

She has squeezed a laugh out of Ms. Reaves, maybe more. "You're right, I'll go for it," Ms. Reaves says. "I'll get it. I've got to." ❖





ABOUT COMMONBOND COMMUNITIES

- CommonBond Communities celebrates 27 years of service in 1998. We have grown to become Minnesota's largest nonprofit provider of affordable housing for people with low incomes.
- Over the past 26 years, CommonBond has sponsored the development of over \$100 million in affordable housing.
- CommonBond Communities currently offers over 2,400 affordable housing units that are home to 3,300 people, including 750 children and teens.
- We provide housing for families with children, seniors, and people with disabilities, including people with mental and physical disabilities and people living with AIDS.
- Our affordable rental units are located in 35 individual housing communities in 25 municipalities around the 11 county metropolitan area of Minneapolis and St. Paul. We have housing located in suburban municipalities, rural towns and the core cities.
- We have a long track record of working successfully with suburban communities, including Edina, Excelsior, Bloomington, Minnetonka and other affluent areas.
- The average household income among CommonBond residents is \$10,000 annually. According to the State of Minnesota a family of four with the annual income of \$16,050 or a single person living alone with an annual income of \$7,890 are considered living in poverty.
- We have developed a unique concept - "Advantage Centers" - that provide services that make the critical difference in promoting self-sufficiency among families and independent living among seniors and people with special needs.
- Advantage Centers do not duplicate existing services in the community. Instead, we connect with other organizations to bring their service offerings on-site.
- Our annual budget is \$3.2 million for housing management, Advantage Services, and central administration. The 35 housing communities have a combined annual budget of over \$14 million.
- We develop, manage, and build community through our Community Boards. Each board is made up of a majority of residents living in that particular location with the rest of the membership being leaders from the surrounding community.



ADVANTAGE CENTERS

“Welfare to work” is a phrase that embodies many of our social goals today. As a compassionate society, we want to help people escape from intractable poverty. As a country with finite financial resources, we know that it is also in our best interest to promote increased self-sufficiency.

Decent, safe, affordable housing is a basic necessity that must be in place before low-income people can focus on learning the skills and getting the job that can help move them towards a more stable financial position.

As Minnesota’s largest nonprofit provider of affordable housing, we have a unique opportunity to help break the cycle of persistent poverty. Our affordable housing communities offer an efficient, centralized point of access to provide intensive self-sufficiency programs to a high risk, low-income population.

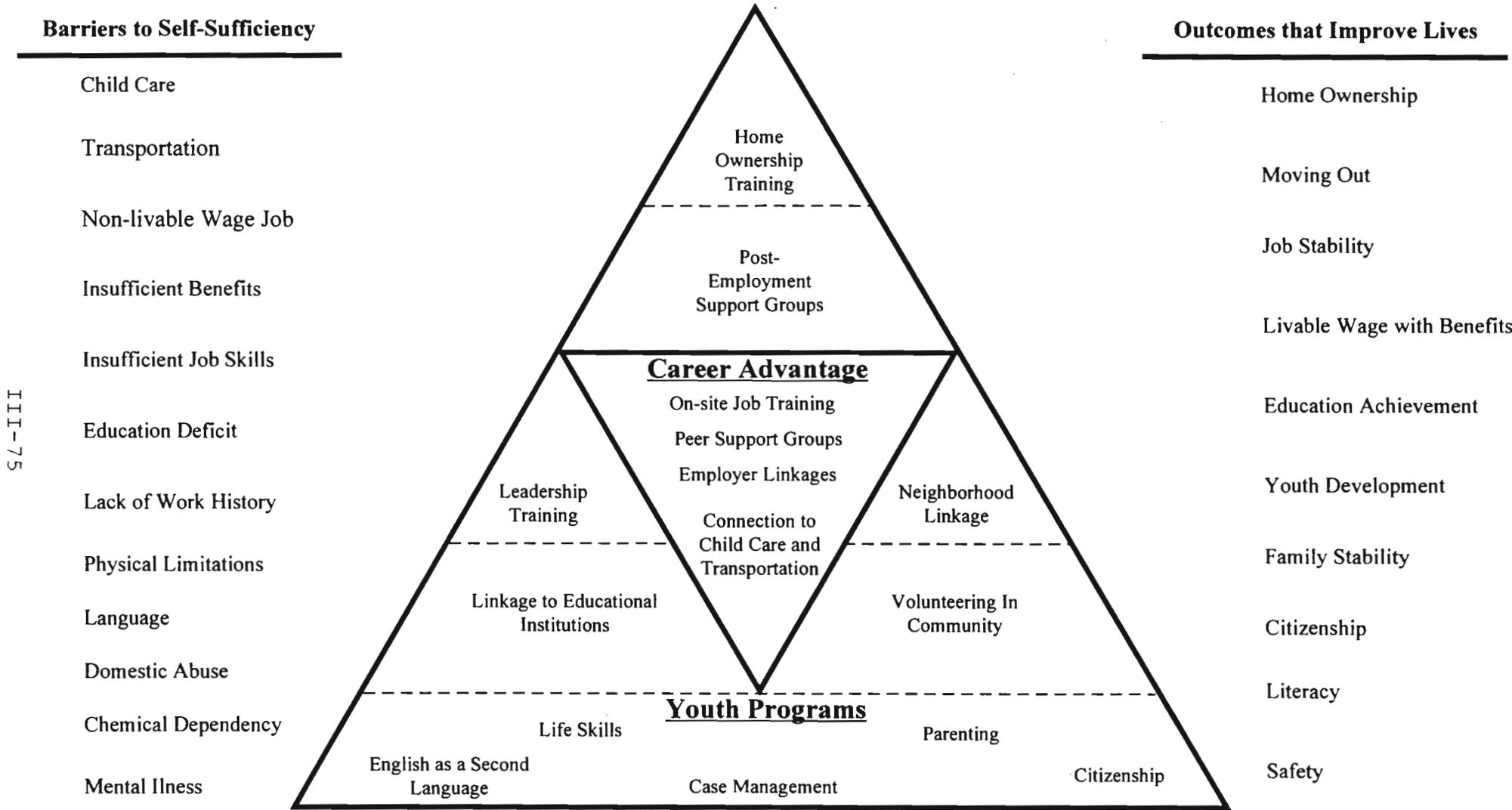
CommonBond Communities has offered on-site services for many years. However, over the past five years, in response to shifting governmental priorities and welfare reform, we have focused our services on the key barriers that lock people into poverty. Our efforts are enhanced by a valuable tool - the Advantage Centers. CommonBond developed Advantage Centers four years ago to offer on-site services that address the root causes of poverty, including lack of education and marketable skills. Advantage Centers create high expectation environments that encourage residents to view their housing as a temporary way-station as they move along a continuum from dependency towards economic self-sufficiency. As welfare reform is fully implemented, the need for Advantage Centers become even more critical.

We do not duplicate existing programs in the community. Instead, we add value to them by offering other service providers centralized access to residents via the on-site Advantage Center. In this way, existing programs can target their efforts to a high risk, low-income population over a longer period of time.

CommonBond residents have enthusiastically accepted the Advantage Centers. In the last six months:

- 43 adult residents secured permanent jobs with benefits
- 9 families purchased their own homes
- 137 adults participated in computer training, on-site remedial educational programs, and/or used computers for work or education
- 20 adults enrolled in post secondary or vocational technical training programs
- 186 resident children participated in Study Buddies and the Homework Center (Torre de San Miguel) or in the informal homework help program

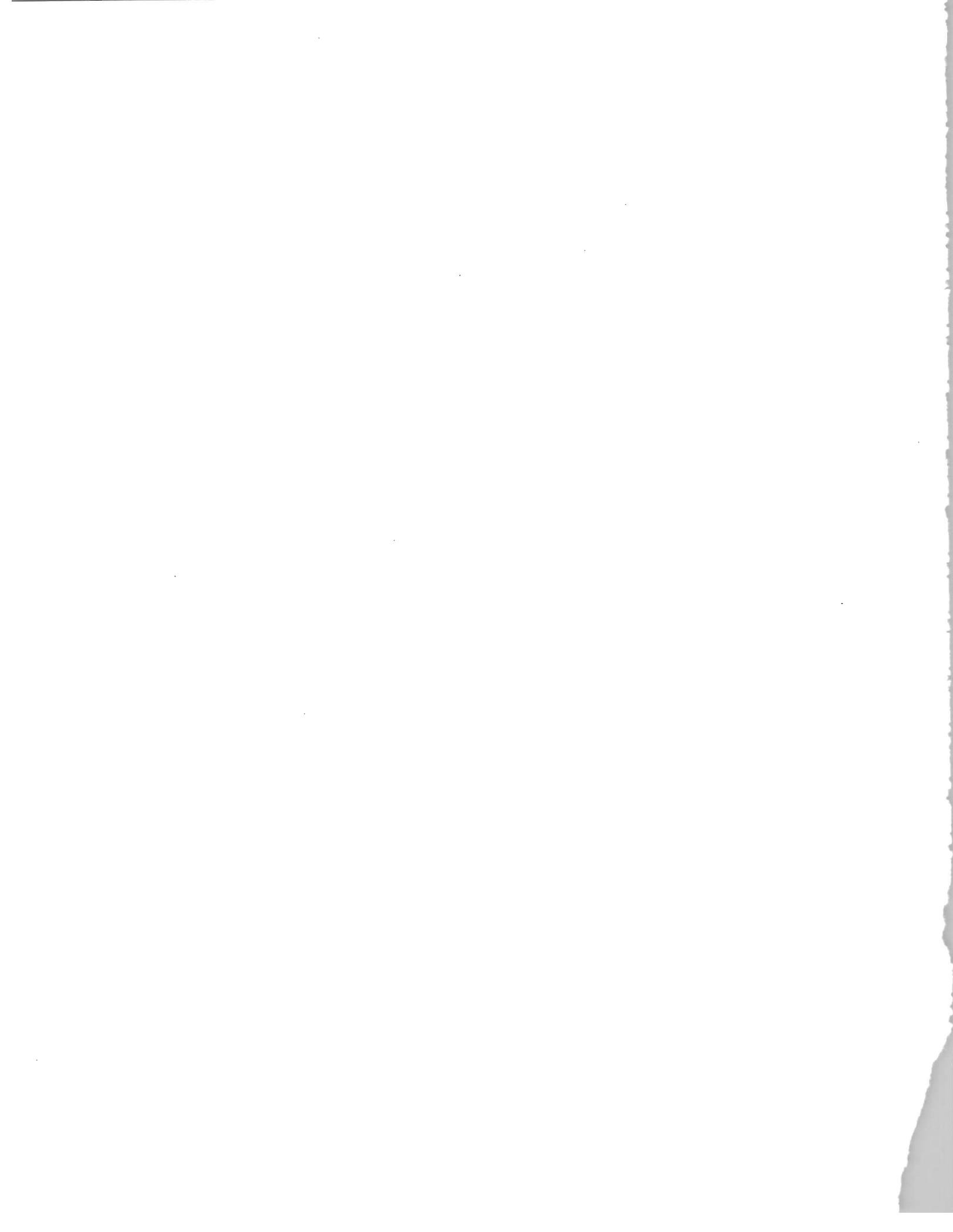
CommonBond Communities Family Advantage Centers



III-75

Advantage Centers are high expectation environments that help residents overcome barriers to self-sufficiency and promote economic success and independence.

The core offering is the Career Advantage Program that helps residents achieve long-term success in the workplace.



Who, What, Where, When and Why The Five W's of Resident Self-Sufficiency

While the full impact of the 1996 Welfare Reform Act is not yet clear, most owners and managers of public and assisted housing realize the need for policies and programs that promote self-sufficiency in their residents. But bringing together the personnel, funding and other necessities for these programs can be a complicated process. Housing, social service and transportation professionals debate the five Ws of self-sufficiency programs.

Who is Responsible?

Joe Errigo: Though most of us agree that its a good idea to link housing with programs that help residents become self-sufficient, I hear a lot of lingering questions and concerns. Let's start with the questions of whose responsibility it is to provide these programs. Is it the responsibility of owners? Of management companies? Social service providers?

John Grady: That's an interesting question, Joe. What is the responsibility of an owner/operator of assisted housing to the community at large. The number one responsibility is to provide safe, decent, secure housing for people who need it. Up until four years ago, I would have said that's where we stopped. But especially with subsidized housing, I believe we almost have a moral obligation to take it a step farther than that, because we are getting funds that we wouldn't ordinarily receive.

Tanya Tull: I think there is multiple responsibility. Owners don't necessarily have a contractual responsibility to provide programs, but I think it makes good business sense to encourage self-sufficiency. In terms of how that plays out, the approaches are as varied as the people who manage and own. It is really the responsibility of everyone involved in housing, whether you're talking about subsidized or assisted housing, or the community development community.

Bob Dean: I think it is really a societal responsibility. We try to break that down into communities and neighborhood responsibility, which involves schools, employers and all those different entities that surround the properties where folks have these kind of needs.

John Gutzmann: There's not one answer, and I agree that there is a great societal responsibility. Many of the programs we're talking about cross various federal budgets. Savings in one may result in cost in another, and vice versa. The public housing supply is exactly 1 percent of the total of all U.S. housing units, and the entire portfolio of assisted housing is about 4.8 percent of the total housing supply. While there are peculiar responsibilities to owners and operators of the subsidized portfolio, there are societal responsibilities that including the for-profit owners in the other 95 percent of the rental housing market.

Elaine Ryan: It is certainly to our advantage to make sure we have as many partners as we can, not only in welfare reform, but also in moving families to self-sufficiency. I think that it requires such a combination of investments in education and also in lifelong learning so that these families can income manage and income grow. It's important to talk about not only helping

people into employment, but also employment that will support them and their families for a lifetime. All these families are part of our communities, and we need not only to help them be supported, but also to enable them to support the community.

Jerry Griffin: I don't disagree with anything that has been said. I believe that it is the entire community's responsibility. If we look at it from the perspective that if we don't provide these programs, it will have an impact on the entire community, whether through crime or stress on the systems that provide services to this particular population. One way or another it is going to have an effect on the entire community.

Fred Kramer: Partnerships are what we try to seek out; it is too much responsibility to try to lay at the feet of just one group. I think the answer involves employers, government, social service agencies, public housing, subsidized housing and the public school system. Not a single one of us can offer all those very aspects.

What Are the Ultimate Goals?

Joe Errigo: Let's tackle the question of goals and outcomes. Some say the ultimate goal is employment, others say getting residents to move out of public or assisted housing is the only logical goal, that that's the only thing that represents true economic self sufficiency.

John Gutzmann: We're getting conflicting messages from Washington on that very point, Joe. There are those who design programs (and therefore design funding) to help people move up and out. Yet there are other parts of the government that are doing exactly the opposite, trying to create working role models, who you presume will stay in. Both are operating simultaneously.

Elaine Ryan: In looking at the intersections between welfare reform provisions and housing, we're seeing some really perverse outcomes. One system is encouraging people to work and to keep more of what they earn, they are living in places where increased income means increased rent. We have changed something as fundamental as Aid to Families with Dependent Children (AFDC), a 65-year-old program that's tied to a lot of other programs, without understanding the interactions with other entitlement programs. If people exceed their lifetime limit and go to zero income, then the ability to sustain housing might be threatened as well. We need to take a look at these intersections and be bolder about what needs to change.

Bob Dean: What we're seeing is that there are really very different goals at every property we work with. We have some properties that range from very low-income residents with a greater degree of need, to residents with moderate income and different needs. Goals are different with each property.

How Can Barriers be Overcome?

Joe Errigo: One of the biggest barriers in any program that encourages employment is transportation to those jobs. I'd like to ask our representative from the Department of Transportation to talk a little bit about that.

Doug Birnie: There are barriers and they are fairly significant. We think that transportation and child care are the primary barriers to achieving self-sufficiency, at least from a welfare-to-work perspective. Only 6 percent of welfare recipients actually own cars. In major urban areas, where public transportation is pretty good, we aren't reaching about 50 percent of entry level jobs. Often these entry-level jobs take place on second and third shifts, and that means there's even less transportation available. Maybe 90 percent of people on welfare are women with children, and their trips get to be fairly complicated because they're dropping their kids off at day care.

This is an issue that's going to take a lot of cooperative effort. You're not going to be able to depend on your local transit agency to solve the problem itself. There are nonprofit agencies, services, churches, schools and for-profit operators that all have transportation. What we need to make these vital connections to the suburbs is to assemble a group of the right people who can pool their resources and develop plans to get people to work and to child care. We're trying to fill the gaps that are out there, and use existing resources.

Jerry Griffin: I agree that transportation and child care are big problems; but there are also elder care and remedial education issues that need to be addressed.

Tanya Tull: I'd like to get to the point with some of my families where child care and transportation become an issues. If you're primarily dealing with families who have been living on welfare for a long period of time, mostly with children of school age, the barrier is often just getting them to consider themselves employable.

Joe Errigo: That's the self-starting question. Do people really have the motivation?

Tanya Tull: They have motivation, but there is a lot of fear. It's important to help overcome that fear. We should be giving people the expectation that they can succeed. We shouldn't say to people, this is mandatory, you've got to go to work. We should tell them that they *can* work and we can show them how.

John Grady: This one really hits home with me. Motivation *is* the thing. There needs to be something that wakes people up and gets them to say, hey I really need to do this. I have some wonderful residents who have pulled themselves up by their bootstraps. But when we have a meeting about welfare reform, often the first question out of someone's mouth is 'When does this really affect me?' When they hear it's not going to affect them for a number of months, half the room gets up and leaves. People really don't think this is going to happen, and that money will still come in and they don't have to think about the responsibility of getting up and out. Public housing was originally thought of as a temporary help for folks who needed a place until they could move up to the next step, which at that time was homeownership.

Elaine Ryan: I agree with all the barriers mentioned, but probably in a little different order. The welfare caseload now is dropping dramatically around the country. There are a lot of long-term clients still receiving welfare who may not have had the resources put in to their cases, they may not have been challenged before to go to work, they may have mental health issues, addictions, etc. States are more trying to figure out the mix of services needed to help clients even make it to

their first job, while others are already placed in jobs and moving along. In some areas there is a sense of imperative, there is a sense of urgency. Some of the states have shorter time limits than five years, some as short as 21 months. Motivation is a piece of the solution, but so are education, literacy and lifelong learning.

Where to Find Funding

Joe Errigo: Okay, we've talked about motivation, let's talk about another "m" word. Money. How do you pay for these myriad programs to help families overcome the barriers?

Bob Dean: Well, from about a million different places. We really work hard to have service coordinators on all of our properties, and then we provide different services to meet different individual needs. We have some individual donors, some of it we pay for with the operations of the properties, we have had some involvement with local government entities and we certainly do a lot of work pulling partnerships together. We go out and make presentations to groups of folks who are concerned about these issues. When they see what we're capable of doing with folks on site and what we need in order to provide those services, very seldom do we have folks who won't participate in one form or another. Individuals and businesses who see this as a real issue want to help. It's been very encouraging.

Joe Errigo: What about for-profit owners? They're not in the fund raising business.

Bob Dean: I used to work for a for-profit developer of affordable housing. Their focus was not on providing resident services, it was on housing. But they were able to partner with boys and girls clubs, schools and other organizations that surrounded some of the properties to put together some good programs without much money out of their pocket. You can't say that opportunity is not there at all, because it is.

Tanya Tull: It's a really simple answer. If you're going to develop affordable housing, if you have concern and interest about helping people develop skills that will help them become employed, then a services coordinator must be included in the operating budget. This person would bring services in and send people out, and make sure they develop the skills to make use of existing resources. I don't think we should be out looking for funding for that. That must be, must be provided.

John Gutzmann: You can provide anything you want, service coordinators, heated garages, etc., but it will impact the rents that are charged. That's the stark reality. We have to get much more federal money if we're going to have subsidized housing that can afford to add service coordinators and job trainers and so on.

John Grady: As a profit-motivated owner, I have to point out that it's almost impossible to work service coordinators into a housing budget. Our budgets are tight, and the lack of ability to receive a rent increase for anything, even power and utilities, much less a housing coordinator is outrageous. To insist that the federal government have to pony up again to help with services is, I think, taking it too far. What about local support? When I wanted to do a program in Lancaster,

all the local officials said we're behind you all the way. But whenever I would ask the city to help, whether through the school district, or through discretionary city council funds that could have been used for a services coordinator for whole communities, the door would shut with a bang.

Robert Norris: We were able to get public money and private money to provide 400 beds for veterans who completed a drug treatment program in Westwood. We've been running the program for the last 2.5 years and it's finally to the point where it can start supporting the supportive services. The city of Englewood provided money to buy the building; we had private money in financing provided from Century Housing Corporation; and veterans assistance payments the veterans bring to the project was another source of public money. A for-profit developer does all the property management, and there's a nonprofit that pays a social services coordinator on site.

Doug Birnie: From the transportation side, we know that there is no way you're going to double the size of some of the public transit systems around the country, even though we're only reaching 50 percent of the jobs. It is very important to use existing resources first. Having said that, the federal government has proposed a special \$100-million program to help close the gaps. If you look very closely at the program, it is meant to draw people around table who do have resources. It's a combination of trying to do some additional things at the federal level, making sure that the Temporary Assistance for Needy Families (TANF) dollars and the Welfare-to-Work dollars can be used flexibly to address problems like the transportation.

Why Partnerships Are the Key

Elaine Ryan: If we look at the families we serve, many of our families are your families. We have to do a better job in trying to combine strategy, understanding the strategies the housing community is trying to employ and inform you about the kinds of strategies that social services departments are working on. We have to have a willingness to bring ourselves to the table and to bring some of our resources to the table.

Robert Norris: We're forming a partnership with YMCA and through Head Start to be the operators of child care within the properties we own, about 5,000 units within the metropolitan Los Angeles area. They're an experienced service provider that is being squeezed out of elementary schools by virtue of a class size reduction act.

Tanya Tull: The biggest barrier is that there are services out there but they may be fragmented, difficult to reach or not the right approach. If you want to package partnerships or resources and services, you need to have a mechanism for coordinating. I'm talking about a services coordinator.

Bob Dean: We've begun really working with employers. We have a lot of properties in communities where the unemployment rate is really low and the competition for employees is high. So we've actually found some employers who are willing to come in and work with us to train folks on how to do the jobs that they need to have done. Some of these employers are fairly

large, they've got their own HR departments, and they're happy to find a group of folks who need jobs.

Fred Kramer: We look for that kind of relationship, and that's why public housing or assisted housing represents such potential for an employer. You have so many possible future employees in one location, and that could even be a plus with transportation. We have no shortages of hotels that want to do the welfare-to-work training program. But we have several barriers in developing partnerships with funders and community-based organizations. The way our program is set up, it costs us \$5000 for each person who goes through training, and then we place them in full-time jobs with benefits. So, we look for a subsidy to offset that cost. We look for around \$2,600 to \$2,800 per person. The advantage is we're investing in community where we do business and it gives us a chance to try out potential employees before they're on the payroll. We can train them specifically for the hospitality industry and specifically for Marriott.

Joe Errigo: I'm always amazed by the reality that creative partnerships happen in these kinds of micro settings. They get worked out because Marriott has a hotel there, or some other business is interested in tackling this welfare to work question. How do these partnerships come together and what are the secret ingredients that make them work?

Fred Kramer: Everybody involved has to understand the expectations and intentions of the other. What does the employer expect from funders, from the community-based organization or from the housing community, and what do they expect from the employer. Our Pathways class is six weeks long, but it's really a six month involvement, from preparing for the program, interviewing candidates and offering career support services for at least 6 months after they finish the class.

Jerry Griffin: I think that Marriott is a prime example of the kind of partnerships that are needed. We've often found that even if we can come up with training money, we don't necessarily get help with hiring folks. The partnership is not just with getting the money or training people, but also finding partners who will hire people. Marriott goes the long mile and hires folks.

Joe Errigo: Excellent point, if there isn't a job at the end of the program, there won't be much motivation for the next person through the program.

Elaine Ryan: I think one key ingredient in building partnerships is setting up win-win situations. There is a program in Florida where used car dealers donate cars to nonprofit corporations that then train welfare clients to be auto mechanics. They actually rehab the cars, then the client gets to own the car and gets help with insurance and other mechanical assistance along the way. It's those kinds of situations, where the used car dealer gets a deduction for donating the car, the client gets trained and gets to have the car to get to work. Those are the kinds of programs we need to build. Another example is that I was on a panel recently with a people from CVS and United Airlines, both of whom spoke about the use of the Work Opportunity Tax Credits. Hiring welfare recipients meant for CVS the equivalent of a 12 percent increase in sales because of the amount of money they got from the tax credit. And United Airlines lowered recruitment costs by

10 percent by going directly to community-based organizations to hire their clients. In those kinds of win-wins, both the business sector and the welfare clients have something to gain from this kind of partnership.

Fred Kramer: I think a payout of some sort is necessary. One of the statistics we found fascinating is that by running folks through our program, our retention rate has improved. With a "job ready" person being hired off the street we could have a 50 percent retention rate; with someone who has gone through our program it is 75 percent retention rate. That's also lowering our recruiting and training costs. The Work for Opportunity Tax Credit is a real incentive for employers. That's going to end at in June, and we hope it will be renewed. But there is no bill has been introduced yet, and that could have a real impact on an employer who might be sitting on the fence as far as whether or not to hire welfare recipients. I know Marriott and UPS really go out and trying to recruit folks eligible for tax credits. Once this ends, it's going to be tough to try to reestablish that momentum.

Robert Norris: We're seeing that a lot of politicians and communities have not implemented the support programs you talked about earlier in time to meet the cut off deadlines in certain communities. People who are aware of this are trying to really put pressure on the local governments to really bring forth the child care, support programs and to build the other partnerships in the community. You hate to sound like a doomsday crier, but it's not looking positive.

Elaine Ryan: I think we have a real opportunity right now, because labor markets are tight. We don't have a second to waste. We also have to be creative. If you make investments with the women who have to go to work while being a custodial parent, we also have to make investments in the noncustodial parent--the men in those children's lives. I know of a few demonstration programs that were done in public housing where noncustodial parents were offered job opportunities in housing authorities to do renovations of units and so on. In exchange, they had to voluntarily establish paternity of their children. The paternity establishment rate went up, and those dads were working and contributing to the support of their children.

Jerry Griffin: I'd like to say something about welfare-to-work, especially those states that have a workfare rule, I think there has to be some elasticity or some set asides for welfare individuals who are required to do their 30 hours a week work-related activities. I think it is especially important for those folks who have to do remedial education, and for those folks who are involved in work training. If they don't get some elasticity, it is very difficult, nearly impossible, to go to work, take care of the children and then do some kind of remedial education or work training so that you can get a better job.

John Grady: My point of view is that we need to reach out and educate the private owners to show that this isn't a bad thing. This is something that will benefit everybody, from the residents right through to the investors in the properties. We need to show them how to get these resources into that side of the world.

Joe Errigo: Let me take a shot at a conclusion. It seems to me that we're really talking about

helping people become self-sufficient and move out of poverty. To get that accomplished, the key point here is that housing providers have to start talking to a whole range of folks and disciplines and industries that we haven't really worked with before on an ongoing basis, including transportation providers, employers, social services agencies and more. The second point is that there are a lot of initiatives out there that are producing results. The key is to demonstrate the success of what we're doing. This is everybody's job, not only the job of housing owners, but housing owners can take a lead in the process. As Elaine said so eloquently, there are great opportunities out there now, and we don't have any time to waste. It is a great opportunity to pull together new partners, and that will help us educate all the sectors of this business. Thank you all for being a part of this important discussion.

About *Pathways to Independence*...

What is Pathways To Independence?

In a unique and highly successful business-driven training model, Marriott's *Pathways to Independence* has started hundreds of disadvantaged individuals on the road to full-time employment and satisfying careers with Marriott and other hospitality industry employers. All participants who successfully complete this competency-based program are offered full-time employment with benefits with Marriott or with another employer.

What does the training involve?

Each *Pathways* program cycle is six weeks in length and typically trains 12-18 participants. The 180-hour training cycle comprises 60 hours of classroom training and 120 hours of occupational skills training. Classroom and occupational skills training are conducted on-site at designated Marriott businesses by experienced Marriott managers and supervisors, a key element of *Pathways*' success. Training is, therefore, reality-based and current to the needs of the hospitality industry. Participants understand they are being trained by a potential employer, and managers and supervisors know they are training individuals who may become their employees. Both the participants and Marriott are therefore invested in the success of the program.

During the 180 hours of training, participants are in a bonafide training program and are not considered employees of Marriott. They, therefore, do not receive wages or benefits from the company. To ensure their presence in a bonafide training capacity for the occupational skills training, Marriott guarantees that participants do not displace any current Marriott employees, or cause a reduction in their work hours. In addition, participants are given classroom assignments to complete during their occupational training, and they are trained and supervised by experienced Marriott personnel. Trainees follow a customized *Pathways* schedule, and work site activities include job shadowing and hands-on practice in a real work setting.

How are trainees evaluated?

Weekly evaluations by trainers during the program ensure participants are always aware of their progress, and that there is ample opportunity to address issues and concerns. Once participants are placed into full-time jobs, the program then provides six months of follow-up services to promote job retention.

How can Marriott afford a pre-employment training program like Pathways to Independence?

To conduct *Pathways*, Marriott seeks the partnership of government funding sources in cost-sharing for the program. Marriott recognizes that its primary benefit from this investment is well-trained employees for its businesses. This is, however, extraordinary training the company cannot afford to provide on its own. Marriott bears the costs of curriculum development, use of its training facilities, training supplies, most training materials, training equipment, and program monitoring. Government reimbursement is needed for dedicated time which Marriott managers and supervisors spend on the program.

How does Marriott International benefit from Pathways to Independence?

As do other organizations, Marriott constantly seeks qualified individuals to be hired into its workforce. With *Pathways*, however, Marriott is also able to take the unique and proactive measure of training individuals who are not otherwise qualified, and develop them into qualified, competitive individuals to be hired into its business. Marriott believes that *Pathways* is an effective tool for helping disadvantaged individuals acquire marketable job skills, and for meeting the challenge Marriott faces with development and retention of a qualified workforce.

History of *Pathways to Independence*

When did Pathways to Independence begin?

Pathways to Independence was created in 1990 by Marriott Community Employment & Training Programs to address the company's need for a tool which would be effective in developing and retaining qualified employees for Marriott's businesses. Since then, the program has grown tremendously, and it has trained participants and Marriott businesses in large and small cities across the country, including Atlanta, New Orleans, Chicago, Denver, Los Angeles, Anaheim, Philadelphia, Washington, D.C., Lake-of-the-Ozarks, MO., and Charleston, W.V.

Why did Marriott develop Pathways to Independence?

Developed in response to research conducted by Marriott Community Employment & Training Programs, *Pathways to Independence* is designed not only to teach skills necessary to obtain a job, but also to address factors associated with individuals being unable to retain a job, such as inappropriate behavior, poor communication skills, substandard work ethic, tardiness and no-shows, low self-esteem, and personal issues such as transportation and inadequate child care.

Can the curriculum be updated or adapted to meet other employers' needs?

Because many of the skills taught in *Pathways to Independence* are transferable to other industries, Marriott has also been approached by non-hospitality industry business assistance in developing such a program for their businesses. With the changing realities of business and the growing skills gap of applicants, Marriott continues to revise and update *Pathways to Independence* to ensure it meets the training needs of the participants and the most current needs of the industry.

Skills Acquisition

What do Pathways to Independence participants learn?

The *Pathways to Independence* program is a combination of classroom instruction and occupational skills training. After completing *Pathways to Independence*, participants demonstrate a working knowledge of important hospitality industry topics, many of which are reinforced in both the classroom and occupational skills training. In addition, participants learn life management techniques which help them function more effectively at home and at work.

Training topics include:

- Maintaining a positive attitude
- Being dependable and reliable
- Committing to long-term job placement
- Participating in a teamwork environment
- Building confidence and self-esteem
- Balancing work and personal life
- Servicing customers and handling complaints
- Using customer service telephone skills
- Preventing workplace accidents and food-borne illness
- Using basic first aid
- Applying the Heimlich maneuver
- Formulating a personal budget
- Establishing and managing credit
- Opening and managing a checking account
- Meeting expenses with entry-level wages
- Differentiating between necessities and luxuries
- Communicating effectively
- Accepting and offering constructive criticism
- Exploring career opportunities in the hospitality industry
- Completing job applications and resumes
- Job interviewing skills
- Adhering to grooming and hygiene policies
- Setting and achieving goals
- Appreciating and working with diverse groups of people
- Managing and coping with stress

How is Pathways to Independence better or different from other training programs?

In addition to 60 hours of classroom training, participants complete 120 hours of occupational skills training which includes job shadowing and "hands-on" job practice. During their occupational skills training, *Pathways to Independence* participants wear Marriott uniforms and they interact with Marriott guests, co-workers, managers and supervisors. Participants learn to perform the same job tasks as employees who hold positions with Marriott. When participants graduate from the *Pathways to Independence* program, they have marketable training experience which will help them qualify for entry-level positions in the hospitality industry.

Goals and Objectives

What are Marriott's goals with a training program like Pathways to Independence?

Like other employers, Marriott discovered that many job applicants lack the basic life skills and work ethic required to succeed on the job. *Pathways to Independence* originated out of a need to assist Marriott operating units with:

- locating and training applicants to qualify for entry-level positions in the hospitality industry
- providing pre-employment training to individuals before they are hired so that they will be more successful on the job and so that they will remain employed with Marriott longer

Who wrote the Pathways curriculum and what is it designed to accomplish?

Pathways is a pre-employment training program whose curriculum was written and designed by experienced Marriott managers. The curriculum is designed to assist individuals with overcoming their barriers to employment **before** they are hired. The ultimate goal of the pre-employment training is to place *Pathways* graduates in full-time employment (with benefits) in the hospitality industry. Other goals of the *Pathways to Independence* program include:

- Helping individuals acquire the skills required to begin a career in the hospitality industry
- Increasing Marriott's pool of qualified applicants for entry-level positions
- Transitioning public assistance recipients into the work force
- Providing pre-employment training to individuals with barriers to employment
- Creating direct links between organizations that provide support for people in need of job training and the employers that have the jobs
- "Trying out" Marriott trainees before they are hired
- Providing individuals with hands-on occupational skills training in a Marriott facility
- Contributing to the economic development of communities where Marriott does business
- Establishing partnerships with community-based organizations and other agencies who will partner with Marriott to share training costs for the program
- Revising, updating and customizing the curriculum to meet the needs of clients and the hospitality industry

Who administers the Pathways to Independence training program?

Pathways to Independence is administered by the Community Employment and Training Department at Marriott International headquarters in Washington, D.C. With the enactment of welfare reform legislation, *Pathways to Independence* and programs like it are in great demand. Marriott is interested in expanding the program to other cities throughout the United States, and in exploring the possibility of licensing or leasing the program to companies and organizations who do not have the resources to develop a program of their own.

Evelyn Howard
Howard & Associates
5260 Macomb Street, N.W.
Washington D.C. 20016
202-362-2843

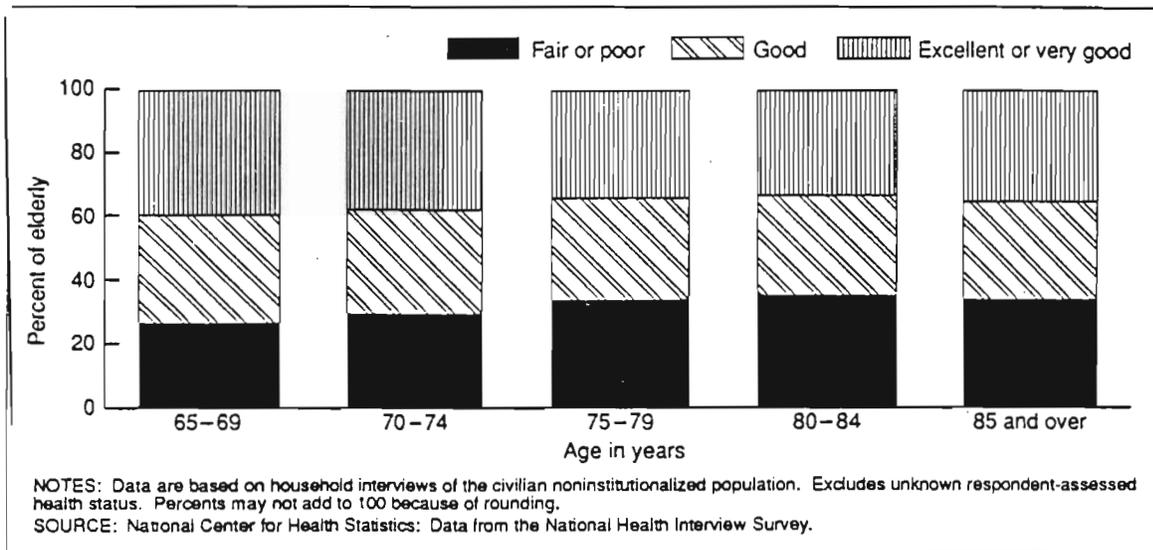
Dilemma Unique to Older Projects: the Aging-in-Place Population April 24, 1998 @ 9:00 a.m.

I. The Increasing Need for Services

A. What it means to age-in-place.

1. Defining the population and supportive service needs
2. Differentiating the relatively healthy elderly from the assisted living population.
3. How seniors view their wellness is shown below.

How Seniors View Their Wellness



. Average annual percent distribution of persons 65 years of age and over, according to respondent-assessed health status: United States, 1985-87

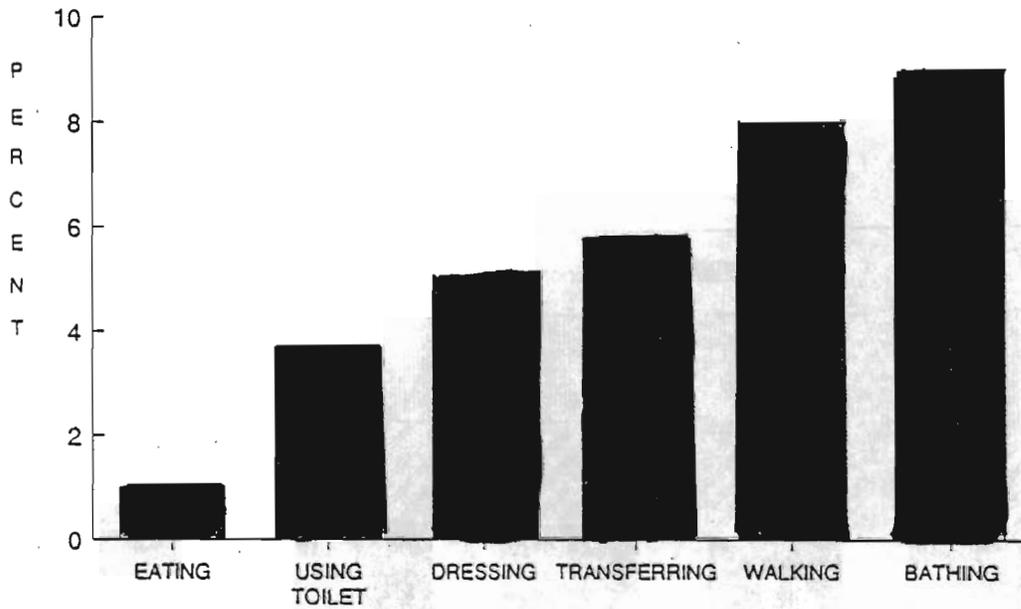
Personal Care Needs

also called

Assisted Living Needs

Activities in Daily Living (ADLs)

PEOPLE AGE 65+ WITH ADL LIMITATIONS, BY TYPE OF LIMITATION: 1987



SOURCE: J. Leon and T. Lair, *Functional Status of the Noninstitutionalized Elderly: Estimates of ADL and IADL Difficulties*, OHHS Pub. No. (PHS)90-3462 (June 1990), *National Medical Expenditure Survey Research Findings 4*, Agency for Health Care Policy and Research, Rockville, MD: Public Health Service.

I. The Increasing Need for Services, Cont.

B. Identifying Service Needs

1. Polling Individuals
2. Family member inquiries
3. Staff observations

C. Paying for Services

1. Fee for service
2. Pro bono services
3. Grant programs
4. Medicaid and Medicaid waiver programs in some states

II. Selecting Core Services that Minimally must be Undertaken

A. Developing the service package for the relatively healthy

1. Information and referral
2. Housekeeping
3. Meals
4. Transportation
5. Shopping, errands
6. Equipment needs

B. Meeting Personal Care (Assisted Living) Service Needs

1. Help with eating
2. Getting to the toilet
3. Dressing, grooming
4. Transferring (getting out of a chair)
5. Walking (getting around outside)
6. Bathing (getting to the bathtub)
7. Medicine reminding

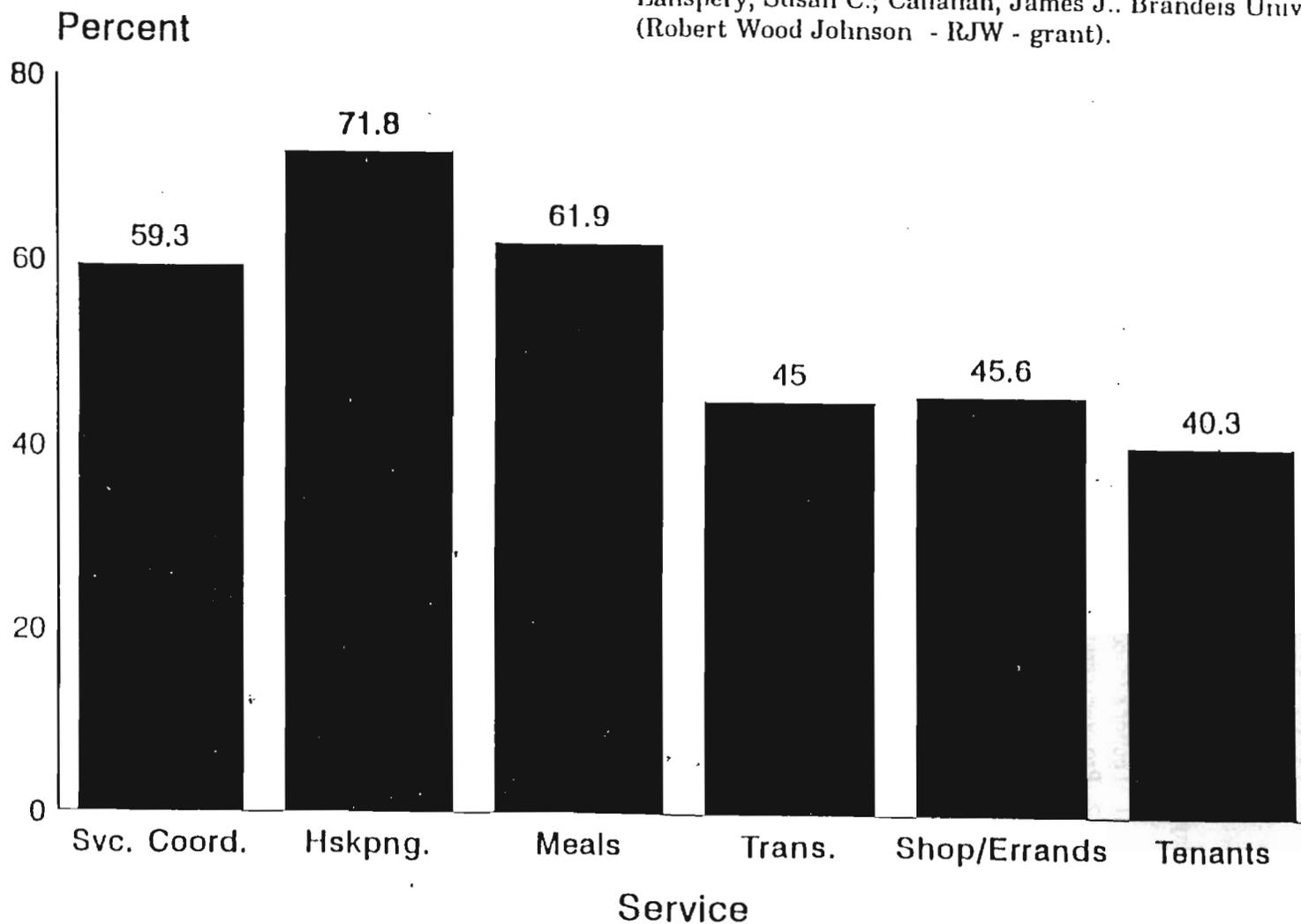
C. Identifying Service Providers

1. Area agency on aging, state agency on aging
2. Telephone book
3. Senior newspapers
4. Community resource directories
5. Chamber of Commerce
6. City newspaper's online resource service directory
7. *Senior Citizen Services* by Charles B. Montney and Jolen M. Gedridge, 1993 (state by state listing)

Services Used by Persons In Fair/Poor Health

November 1990 - October 1991

Supportive Services Programs in Senior Housing: Making Them Work.
Lanspery, Susan C.; Callahan, James J.. Brandeis University.
(Robert Wood Johnson - RJW - grant).



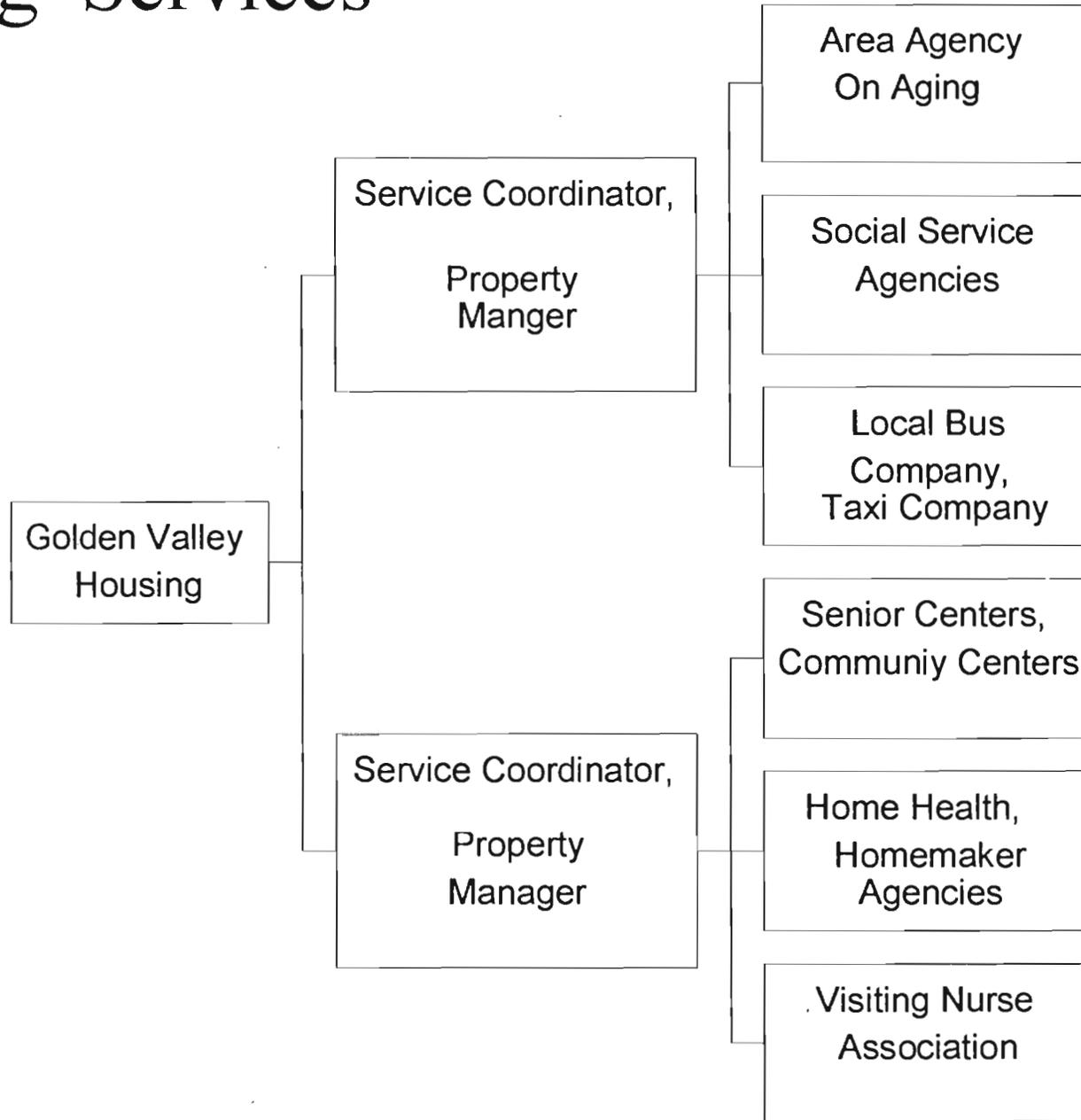
III. Accessing Funding and Services

| Relatively Healthy Seniors Accessing Funding and Services | |
|--|--|
| Services | Paying for Services; Providing Services |
| Housekeeping, Chore Services, Errands | <ol style="list-style-type: none"> 1. On-site or off-site services through Social service agencies such as Catholic Charities, Jewish Social Service Agency 2. Medicaid coverage in some states through home health and homemaker agencies 3. State and local grant programs through public agencies |
| Meals - Food Service | <ol style="list-style-type: none"> 1. On-site or off-site lunch program and home-delivered meals sponsored by the area agency on aging 2. Grocery stores that deliver meals 3. State and local grant programs 4. Collaborating with neighboring assisted housing properties to provide catered meals |
| Transportation | <ol style="list-style-type: none"> 1. Senior center shuttle bus service 2. City bus company's reduced fare program 3. Taxi company's reduced fare program 4. Grants and other funding to purchase vehicles 5. Joint venture/collaboration with assisted housing properties to purchase van |
| Wellness Monitoring (podiatry, blood pressure, diet, glaucoma, etc.) | <ol style="list-style-type: none"> 1. Visiting nurses on-site on scheduled basis 2. Hospital staff on-site on scheduled basis 3. Physicians on-site on scheduled basis |
| Equipment (wheelchairs, canes, etc.) | <ol style="list-style-type: none"> 1. Medicaid, Medicare for wheelchairs, canes, other equipment 2. Loan programs |

| Assisted Living Care Accessing Affordable Services | |
|---|--|
| Service | Providing and Paying for Service |
| Personal care eating toileting dressing, transferring walking bathing Medicine reminding | <ol style="list-style-type: none"> 1. Medicaid coverage in some states through home health, homemaker agencies 2. The Pace Program through Medicare 3. On-site assisted living 4. Family members |

Accessing Services

IV-6



Glossary

The following is a list of services and other terms used in *Senior Citizen Services*. Each paragraph includes definitions, notes on how the term is used in *SCS*, and references to related terms (which appear in boldface) as applicable.

Administration on Aging (AoA): A federal government agency created by the Older Americans Act to administer funding and programs at the federal level. The AoA also represents the views and interests of the elderly with other federal departments. It is headed by the Commissioner on Aging, and is advised by the **Federal Council on Aging**.

Adult day care: A program for adults who do not require 24-hour institutional care but who, due to physical or mental impairments, cannot live independently full-time. Day care centers provide activities in a group setting and supervision by trained staff, with medical and health attention as needed.

Aging Network: The government agencies and nonprofit organizations that work together to address the needs and concerns of older Americans. Established by the **Older Americans Act**, it includes the federal **Administration on Aging**; the **Federal Council on Aging**; **State Units on Aging**; **Area Agencies on Aging**; providers of services to the elderly; and other concerned organizations.

Area Agencies on Aging: Designated local government units and nonprofit organizations that are responsible for coordinating, evaluating, planning, and overseeing services for seniors in a region. The over 660 Area Agencies on Aging receive federal money from the **State Units on Aging**, and distribute it to organizations that provide services in the region. Established by the 1973 amendments to the **Older Americans Act**.

Assistant to the homebound: May include homemaking, personal care, and other services short of nursing care to a homebound elderly person.

Care management: A process that assesses a person's needs and resources (**client assessment**), links the person with needed services, and monitors the care provided to the person over an extended period of time.

Chore services: Provides help in and around the home, such as minor repairs, heavy housecleaning, and yard work.

Claims filing assistance: Assistance in filling out Medicare, Medicaid, and other insurance and benefit claim forms.

Client assessment: A procedure that determines an individual's need and eligibility for services. Can include health screening and testing, nursing home pre-admission screening, and examination of client's financial status and ability to perform daily activities.

Companion: Someone who lives with the senior and provides social contact, supervision, or assistance with daily tasks. A companion may spend part or all of the day with the senior.

Congregate meals: Lunchtime meals provided in group settings at senior centers, churches, schools, and town halls. These meals are usually available free of charge or for a small fee, and allow seniors to have a good meal in the company of others.

Counseling: Generally applies to helping seniors with finding solutions to personal problems, coping with tragedies or difficult situations, and dealing with depression and emotional problems. May include one-on-one counseling as well as support groups. Financial counseling is described as **Financial management and counseling**.

Crime prevention and victim assistance: Programs that help individuals avoid becoming victims of robbery, burglary, assault, fraud, and other crimes. Also includes assistance to victims of crimes.

Crisis intervention: Immediate assistance for a senior experiencing problems with substance

abuse, emotional distress, abuse, neglect, or other crises. The initial concern is removing the person from immediate danger. Then emphasis shifts to getting long-term help for the senior, such as counseling or guardianship.

Education (adult and continuing): Includes basic education, community education courses on crafts, hobbies, and interests, and cultural programs intended for senior citizens.

Elder abuse prevention: State and community agencies work to prevent or alleviate elder abuse, neglect, or self-neglect. Includes adult protection, financial conservatorships, and guardianships. Abuse in long-term care facilities is handled by long-term care ombudsman programs.

Emergency response systems: Electronic systems that link a senior with a hospital, fire station, or other agency. In an emergency, the senior activates the system, sending a signal to the agency. The agency then sends an ambulance or other help. These systems are often called LifeLines.

Employment assistance and services: Help for older people who want to find employment. May include client assessment, testing, job counseling, education and training, job development, and placement. Programs found across the country include Senior Community Service Employment Program (SCSEP), Job Training Partnership Act (JTPA), state government employment security offices, and Foster Grandparent and Senior Companion programs.

Energy assistance and weatherization: Agencies providing these services may help low-income seniors pay fuel bills. They may also help with installing insulation, caulking storm windows, and other modifications to make the house comfortable and energy-efficient in the winter.

Escort (medical, errands, etc.): Escorts accompany seniors on shopping trips, errands, and medical visits when the senior needs assistance in completing these tasks.

Federal Council on Aging: A panel of 15 members that advises the **Administration on Aging** and its commissioner on policies and issues relating to the elderly.

Financial management and counseling: Includes advice and information in finance and investments, tax concerns, budgeting, and insurance matters.

Focal point: An organization designated as a central place where several services can be obtained. Focal points are often located at **senior centers**.

Friendly visiting: A homebound senior can be visited by a volunteer or other representative of the agency that coordinates visits. The visitor makes sure that the senior is doing well and provides some personal contact to reduce isolation.

Handyman: Performs minor repairs and heavy chores around the home or yard for the senior, usually for free or for a nominal fee.

Health care services: In addition to geriatric services provided by a hospital or other health care agency, can describe special programs seniors can join. These programs include health screening and testing; ongoing health and nutrition educational programs; discounts on selected services and information services on senior health issues. This heading also includes vision and dental care services specifically for elderly people.

Health and nutrition education: Includes classes, programs, and publications that present information on proper health and nutrition practices. Stresses the special dietary and health needs of the older person.

Health screening: Routine testing such as blood pressure and cholesterol tests, glaucoma screening, and similar examinations for disorders and illnesses commonly affecting the elderly. Often screening programs travel to senior centers and other sites, bringing basic health testing conveniently to seniors.

Home-delivered meals: Also known as "Meals on Wheels," this program delivers one or more meals to homebound elderly who are unable to prepare their own meals.

Home health aide: A trained professional who provides some **health care services** in the client's home. Home health aides work under the supervision of a registered nurse.

Homemaker: Assists the older person with household tasks such as shopping, cooking, light house cleaning, dishwashing, and laundry.

I&R: See Information and referral.

In-home care services: Describes a variety of services performed in the home for homebound elderly, such as nursing, **personal care assistance**, homemaking, home health assistance, and therapy.

Information and referral: A service providing information about the availability of services and how to make use of them. It also makes referrals for the senior to other service providers. Designed to link older persons with the opportunities, services, and resources that can help meet their needs.

Legal assistance: Designed to protect and advise seniors and their families in legal matters concerning their rights, interests, and property. Legal issues of interest include power of attorney; guardianship; wills; "living wills"; government benefits and entitlements; consumer services; landlord/tenant problems; age discrimination; and family law. Usually offered by lawyers or law firms, on their own or through local agencies. The legal assistance programs listed in *SCS* are generally not available for criminal cases or lawsuits; attorneys specializing in these matters should be consulted when needed.

LifeLine: See **Emergency response systems**.

Long-term care ombudsman: The ombudsman investigates and resolves complaints from residents of long-term care facilities (e.g., nursing homes). He or she also provides information to the state agency that licenses such facilities. State governments have a mandate under the **Older Americans Act** to offer this program. It is often available through local government agencies as well.

Meals on Wheels: See **Home-delivered meals**.

Multipurpose senior center: See **Senior center**.

Nursing (in-home, skilled): A registered nurse is assigned to the senior's home to perform nursing tasks that don't require the extensive equipment available in a hospital.

Nutrition: includes **congregate meals** and **home-delivered meals**. The term is often used by Area Agencies on Aging to describe both programs.

Older Americans Act (OAA): The legislation that set up the structure and funding of services to elderly citizens across the U.S. It became law in 1965.

Outreach: **Area Agencies on Aging (AAAs)** are charged with reaching out to seniors, ensuring that they are informed about services and programs and that they have full access to them. AAAs perform this outreach through newsletters, directories of services, advertising, client assessment, and other methods.

Personal care assistance: Assistance given to people who need help with dressing, bathing, personal hygiene, grooming, and eating.

Physical activity and exercise: Includes walking, swimming, aerobics, and other activity programs, often sponsored by YMCAs and YWCAs and senior centers.

Pre-admission screening: A program that evaluates an individual who is considering entering a nursing home or long-term care facility. It determines what level of care a person needs and helps find the appropriate facility for the person. Most states require pre-admission screening before Medicaid payments for nursing care can be approved.

Preventive health services: Programs to help seniors stay healthy or to catch medical problems in early, treatable stages. Includes checkups, health screening and testing, immunizations, and education on health and nutrition issues.

Recreation: Describes social activities in group settings (such as **senior centers**), including games, entertainment, and socializing. Also includes trips to museums, shopping malls, special events, and other destinations.

Residential repair, maintenance, and modification: Allows for repairs and general maintenance to the senior's house and property at low cost. Modifications to the home can also be made to adapt the house to the senior's needs.

Respite: When an elderly person needs around-the-clock care and supervision, the job often falls to a family member. Respite care provides a relief person who will care for the elder while the regular caregiver runs errands or gets some needed relaxation. Respite care can be available for a few hours a week up to several days.

Senior centers: Gathering places for older citizens where they may find activities and access to services. Senior centers provide opportunities for seniors to be with others and to take part in recreational, educational, cultural, and social activities. Also available at many senior centers are **congregate meals; health screening and clinics; information and referral services; legal assistance; counseling** in personal and financial matters; and access to **in-home services**. Senior centers are also called "multipurpose senior centers," and may be operated by local government agencies or nonprofit groups. They may be designated as **focal points**. And they may be home to senior clubs, which have regular meetings at the center and may sponsor their own activities. (Note: In SCS, this term applies to agencies that operate senior centers as well as centers themselves.)

Services for disabled elderly: Includes a wide array of specialized assistance and services for elderly who are physically handicapped, disabled, vision-impaired, or hearing-impaired.

Services for mentally impaired elderly: Includes specialized assistance and services to elderly who are mentally handicapped or impaired.

State Units on Aging: State government agencies charged with coordinating and overseeing activities benefiting the elderly within the state. The **Older Americans Act** requires states to set up these departments, and OAA funds are given to the state units for distribution to **Area Agencies on Aging** and service providers.

Telephone reassurance: A homebound senior can have someone call him or her on a regular, pre-scheduled basis. The caller ensures that the senior is doing well and provides some personal contact to reduce any social isolation on the part of the senior.

Transportation: Includes agencies that operate buses, vans, and cars specifically to take seniors from their homes to **senior centers**, shopping, and medical or other appointments. Vehicles often accommodate wheelchairs. Does not include regular public transit service with discount-fare programs for the elderly.

Visiting: see **Friendly visiting**.

Volunteer opportunities: Opportunities for older Americans to give their time to help others. Includes programs such as Service Corps of Retired Executives (SCORE) and Retired Senior Volunteer Program (RSVP).

What's *New* in OLDER ASSISTED HOUSING – The ABCs of Owning and Operating Today's Service-Enhanced Projects

April 23-24, 1998

**The Westin City Center Hotel
Washington DC**

Presentation by:

William G. Benton, Chief Executive Officer — DIVERSIFIED SENIOR SERVICES

Presentation: Friday, April 24

SLIDE 1: Opening Slide – Logo&Tagline

Good Morning.

Chuck has asked me to talk about our work in preserving our Section 8 elderly housing properties as the Housing Assistance Payment contracts (HAP) come up for expiration. This happens to couple nicely with our efforts to deal with aging in place, a phenomenon which we've most definitely experienced over the years.

I will use our Sir Walter Section 8 property in Raleigh North Carolina as a case study, though I must advise you now that it's most definitely a work in progress and not a completed case. I will give you details in a moment but first let me give you something about my background.

Over the years, my associates and I have developed 13 Section 8 elderly housing projects, all between 1978 and 1987. In addition, we've taken on the management of a number of additional properties, many of which are owned by 501(c)(3)'s. Currently, we manage 61 properties with about 1,293 elderly units. Also, in addition to our property management and development activities, we've managed partnerships and a NYSE REIT, which owned 95 nursing homes and assisted living facilities with a market value in excess of \$200,000,000.

My current company, Diversified Senior Services, or DSS, was formed in 1994 specifically to focus on the residential and assisted living needs of low and moderate-income frail elderly. We're in the process of rolling out two different assisted living templates, one with 60 doors, designed specifically for so-called state pay residents and one with 30 doors, designed for moderate income people in smaller communities who have a need for residential home care but wish to remain in those small communities rather than move to a senior residential facility in a large town.

SLIDE 2: Photo Of Sir Walter Exterior

Now, to the Sir Walter. Please remember my caveat that it's a work in progress. The Sir Walter property started out as a hotel, certainly the finest in Raleigh, and probably one of the finest in all of North Carolina. Originally constructed in 1924, the property is on the National Register of Historic Places. My associates and I acquired it in 1979. By that time, it had been closed for several years and was in the hands of a Savings and Loan which had acquired it in foreclosure. We converted the property to 140 units of Section 8 elderly housing with an FHA 221(d)(4) mortgage. Equity was supplied by a *quote* old style *unquote* equity offering using both the 5 year write off for the rehab of low and moderate income housing available at that time, and the Historic rehab write off of 5 years as the depreciation schedule. Those investors, in other words, wrote-off almost their entire basis in the property in the first five years of ownership. They had an excellent return. It seems to me that the tax write off ratio approached 3 to 1.

SLIDE 3: Investment Objective And Actual Performance

We resyndicated the property in 1985. By then, it had an excellent cash flow and the primary investment objective became after tax cash flow. Unfortunately 1985 was also just about the last year of any *quote* real *unquote* rent increases for the Sir Walter. Since then, increases have lagged inflation, sometimes significantly, and the investment objectives for this property have not been met. As you can see, the distributable cash per limited partner unit has been next to nothing the last 5 years. We didn't write and ask them for a contribution so the negative numbers in 1994-1996 are purely the result of

accountants computation. Note that occupancy, for all practical purposes, was full during all those years so it was not a market problem. Our operating expenses merely trended up with inflation so that was not at fault either. The truth is that HUD just stopped granting any real rent increases and today we have HAP rents that are below the Fair Market Rents for the Raleigh area. We've got to get our investors out of this deal. Our objective is to do so in such a way that they will get a full return of their net invested capital on an after-tax basis. We are not looking for a large additional pre tax distribution.

SLIDE 4: Property Description

Currently, the Sir Walter has 138 apartment units on the market, plus two that are used by management, at the rents shown on the slide. We have a HAP contract that runs through September of 1999. I assume we will fall under the elderly provisions of the Section 8 Reengineering Act so that we can look forward to continued rent subsidies in future years. However, regardless of the exact wording of the act, or the intent of the Congress, I don't expect rents to much more than cover operating expenses and debt service. I could not in good conscience, tell investors to expect any significant cash flow distributions. And I worry that reserves for capital needs will never be sufficient to properly maintain the property over time. It's sort of a Chinese water torture that I see over the next 20 years or so if we stay with what we have.

SLIDE 5: Interior Lobby

We have an extremely well appointed building, inside and out. But we do have some challenges. This is a shot of the lobby. I think it can compete with any upscale elderly residential or Assisted Living facility in the Southeast. But that elevator you can see in the rear is one of three that are all basically original equipment from our 1979 rehab. We need a complete new elevator system for the building. Other major systems are aging out. In a word, the property has current major capital needs of between \$300,000 and \$1,250,000 depending on who's making the list. Certainly we can't expect these needs to be met with the Section 8 program, as is, nor should we expect them to be fully covered going forward because, as I have noted, the odds are that the rents will be set to cover

operating expenses and debt service with only enough left over to keep body and soul together.

SLIDE 6: Current Floor Plan

This is a current typical floorplan. Basically, what we did in the original conversion to elderly apartments was combine two hotel rooms, keeping the bathroom in one of the rooms and converting the other bathroom to a kitchen. The large hotel rooms that the original architect grouped down at one end stayed as efficiencies and a suite in the top right corner, as you look at the slide, became a 2-bedroom apartment.

SLIDE 7: Typical Existing Unit – 1 Bedroom

Here is the basic 1 bedroom floorplan.

SLIDE 8: Resident Living Room

As I hope you can tell from this picture, this yields us a nice size living unit for our residents.

In considering what to do to generate additional revenue in the post HAP environment, and also how to deal with our aging tenant population, as well as the needs of the larger low and moderate income elderly market in Raleigh, and our need to get our current yield-oriented investors out with their scalp, we decided to investigate the possibility of converting a number of our apartments to assisted living units which could be rented to persons eligible for the *quote* state-pay *unquote* rest homes stipend that we have here in North Carolina. That is, an old county rest home allotment of about 890, plus a Medicaid Supplement which take the average up to about \$1,250 per month, per resident. I will cover the numbers in just a moment.

SLIDE 9: Current Resident Mix by Age Current Resident Mix by Age

Frankly, we expect that many of our initial AL residents will come from the ranks of our current residents at the Sir Walter. Certainly, many of our residents fall into the appropriate age groups. Note that we have over 100 that are over 68 years of age, and 45 who are over 78 years of age.

SLIDE 10: Current Resident Mix by Length of Residence

Many have been with us for a good long time. Over 40% for longer than 6 years. We have a relatively loyal group of tenants and one that is, as you can see, quite literally aging in place.

We have completed an initial market study. Evelyn Howard, who is a speaker here on your program at this conference, has done that work. We have market demand, we believe, far in excess of the number of units we are considering converting.

SLIDE 11: Conversion Plan – 2 AL Efficiency Units

The basic architectural idea seems simple enough to me though I am sure it's going to get extremely complicated before we get done with this deal. That is, we wanted to take the 1-Bedroom apartment units and return them to the original hotel configuration. In other words, we provide each of our assisted living residents with an efficiency, and a private bath.

While this may not seem like a big deal to those of you from the Northeast or Northwest, let me assure you that it's an extremely big deal for public pay assisted living residents in the Southeast. Many are in 4 person wards, which continue to be the rule, with communal baths at some distance from the wardrooms. Even the majority of the newer public pay assisted living facilities currently under development seem to me to focus on a shared bedroom, though some of the newer facilities do offer a semi-private bath with the room. Again, in the Sir Walter and throughout the facilities that my company is developing, we want to offer a private room and a private bath to each one of our assisted living residents.

When we came to the point of deciding how many assisted living units we should consider in the conversion, I initially thought we would be limited by market demand. However, there is a further limitation, which may be peculiar to North Carolina, but I rather doubt it, and that has to do with the regulatory requirements regarding the floor distances from the dining area and so on. It turns out that we think we are limited to converting two floors at the Sir Walter and that is what we are going with right now.

SLIDE 12: Conversion Floor Plan

Every floor will give us 28 assisted living efficiencies and one, 1 bedroom unit that won't convert and comply with the regulations, although we are still working on that. The 2-bedroom apartment unit in the upper left becomes the common area for the floor. Since we are doing two floors we will wind up with 46 efficiencies and two double occupancy assisted living units.

Again, our conversion plan will simply take our existing 1-bedroom apartments back to two hotel rooms. The approximate square footage in each of those units is about 325 square feet.

SLIDE 13: Current Revenue & Expenses

Now to the numbers. We are going to be giving up apartment revenue. That runs to about \$10,400 per floor per month. Doing a little prorating and dealing with 2 floors I calculated our *quote* lost *unquote* NOI at about \$84,000/year and our *quote* lost *unquote* cash flow on conversion to be \$5,500 per year.

SLIDE 14: Revenue & Expenses Per Floor

The numbers look much different for the assisted living conversion. There the revenue jumps to about \$864,000/year. I provided for a 5% vacancy, although frankly, that is not going to happen. Other than turnover vacancy, I expect us to be full after an initial rent up period of up to 1 year.

SLIDE 15: Value Added by Converting to AL

Again, doing some allocating of real estate expense and adding the assisted living cost component, gives us an NOI for the 2 floors of about \$284,000. Translating that into *quote* added *unquote* value, I have about \$2,300,000 or roughly \$38,000 per unit. That is what I calculate I can spend on the conversion. Hopefully, we can take care of some of the other capital needs, as well, while we are at it.

We are confident then, that we have a market for 60 AL places at the Sir Walter. Given the market and the current subsidies that the State of North Carolina is willing to commit to assisted living for low income persons, there is no question that we have the revenue. My investors and lenders will have to trust us some on the operating expenses but we have worked with this building for almost 20 years and my associates and I have been in and around the home and health care component of assisted living for a long time, too, so I don't expect that we will have much problem delivering the projected NOI. Frankly, I think we will exceed it.

That is where we are today. There are two remaining questions, then. First, can we convert the two floors, plus do at least some of the needed capital improvements, at a cost of roughly \$2,300,000 or about \$38,000-\$40,000 per assisted living unit? The second, related question is, can we come up with a financial structure that will provide the \$2.3mm without my associates and I having to stretch our reputations with our investors to the same extent that we did with the current Sir Walter investors? Put another way, I have done my last deal where tax incentives play any significant role with anticipated benefits to investors. I assume that the remaining apartment units will have some net operating income and so will at least carry the existing FHA debt. However, I do not expect them to add "value" from my existing investors or for this conversion.

Taking the latter question first, the easy answer is to have a 501(c)(3) as the owner. They do not pay taxes, so tax considerations are not a factor. They are, to me, the logical owners of real estate intended for low-to-moderate income markets. And, 501(c)(3)bonds, especially those which carry FHA credit enhancement, should be an

excellent way to not only provide the financing we need to do the conversion, but also purchase the property from our current investors at a level that they can stand. So that is the direction we are headed in. And, indeed, today FHA insured 501(c)(3) bonds should sell well below 6%, giving me even more room to maneuver on the overall valuation, as well as the conversion cost.

There is one part that I am sure those of you with FHA experience are already noting, and that is that I have an odd duck here. We are trying to combine an assisted living facility, which should come under Section 232, and residential units, which are currently insured under Section 221(d)(4). According to George Davis, who works with Chuck Edson and is his FHA guru, it can be done but it's not easy. In essence we have to condominiumize the building into one section with the apartment units and one section with the assisted living units. They would share the common areas, mechanical systems, and so on. HUD would then be asked to make a bifurcated mortgage under the two relevant sections. It seems to me that they have so much to gain by working with us that they will do so, but I cannot today tell you that I am certain they will. We are just beginning to discuss the matter with them.

I do have a fall back position and that is straight 501(c)(3) bonds. The problem there is that I am not at all certain that I want to take FHA out of the equation by paying off the mortgage. Cynical people will say that that is the only thing that keeps HUD honest in dealing with Section 8. And we need the ongoing rent subsidies.

My basic negotiating position, then, is that the numbers are so compelling, and they are, that FHA will certainly want to cooperate with us in coming up with a win-win-win solution. That third *quote* win *unquote*, by the way, is meant to include my current equity investors.

The more difficult question is can we convert the two floors for the roughly \$2.3mm that I calculate we will have available for the job, plus net our existing investors out. Again, I

am satisfied that the existing Section 8 apartments will only support a takeout of the existing FHA mortgage debt. There is no added value from them.

SLIDE 16: Hodgepodge

Every developer on every deal, can come up with this slide. We may be adding a few just because it's a larger building but the problem is nothing special. We have a lot of agencies to deal with. They all have their special requirements and needs. Most of those special requirements and needs translate into dollars. They certainly translates into time which, in turn, translates into still more dollars. I would like to tell you that I think it should be simpler; that we should spend our time looking for ways to build trust and to do the development process quicker and cheaper. But I don't have the time to spend the time to do that so I will just mention here what most of you already know, and that is that the only real way to find out if the numbers will work is to venture off down the road. Based on rules of thumb only, we should have more than enough value and that value should be translated into cash to pay for the conversion. Today we are working with the State Department of Facilities Services, who control the assisted living component and the North Carolina Department of Insurance who enforces Code. Our architects and engineers believe they are roughly half-way through the process. From there we will go to the City of Raleigh and then on to our financing sources. I am trying to run a parallel course with FHA and that involves an effort to use the Sir Walter as a demonstration project to both solve part of the Section 8 problem and, simultaneously, add to our capacity to deal with aging in place.

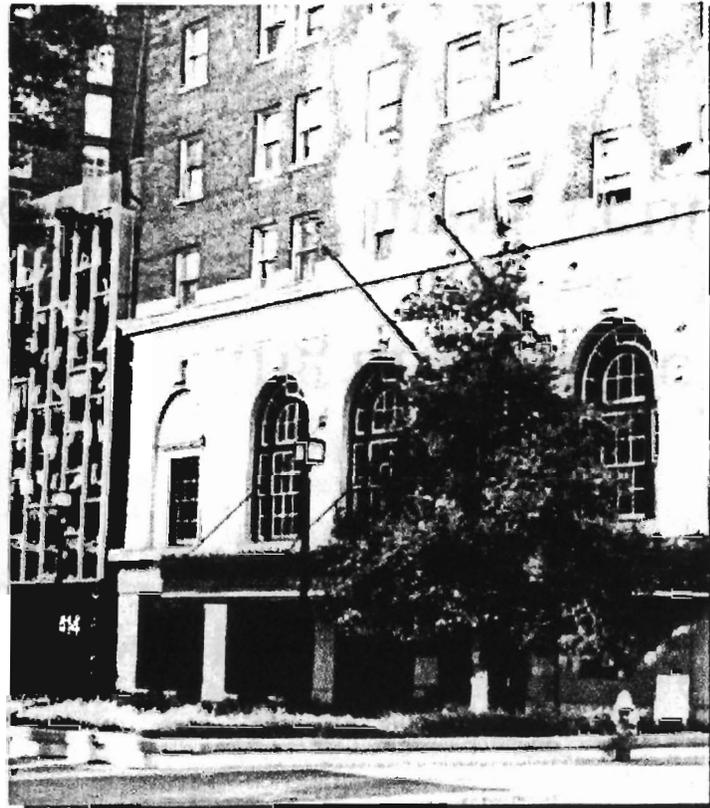
Thank you.



Diversified Senior Services

Creating affordable
community living centers
with life enriching services
for the elderly.

Sir Walter
400 Fayetteville Street
Raleigh, NC



Investment Objective and Actual Performance

The current ownership is a “re-syndication” of the initial tax shelter oriented limited partnership. The primary investment objective of the partnership is current after tax cash flow. The investment objective is not being met.

| | HUD Approved Surplus Cash | | | | |
|--------------|---------------------------|------------|-------------|------------|----------|
| | 1993 | 1994 | 1995 | 1996 | 1997 |
| Total: | \$ 81,429 | \$ (1,914) | \$ (21,045) | \$ (4,217) | \$ 6,996 |
| Per LP Unit: | \$ 1,629 | \$ (38) | \$ (421) | \$ (84) | \$ 140 |
| Occupancy: | 99.8% | 98.0% | 98.3% | 98.5% | 98.9% |

Property Description

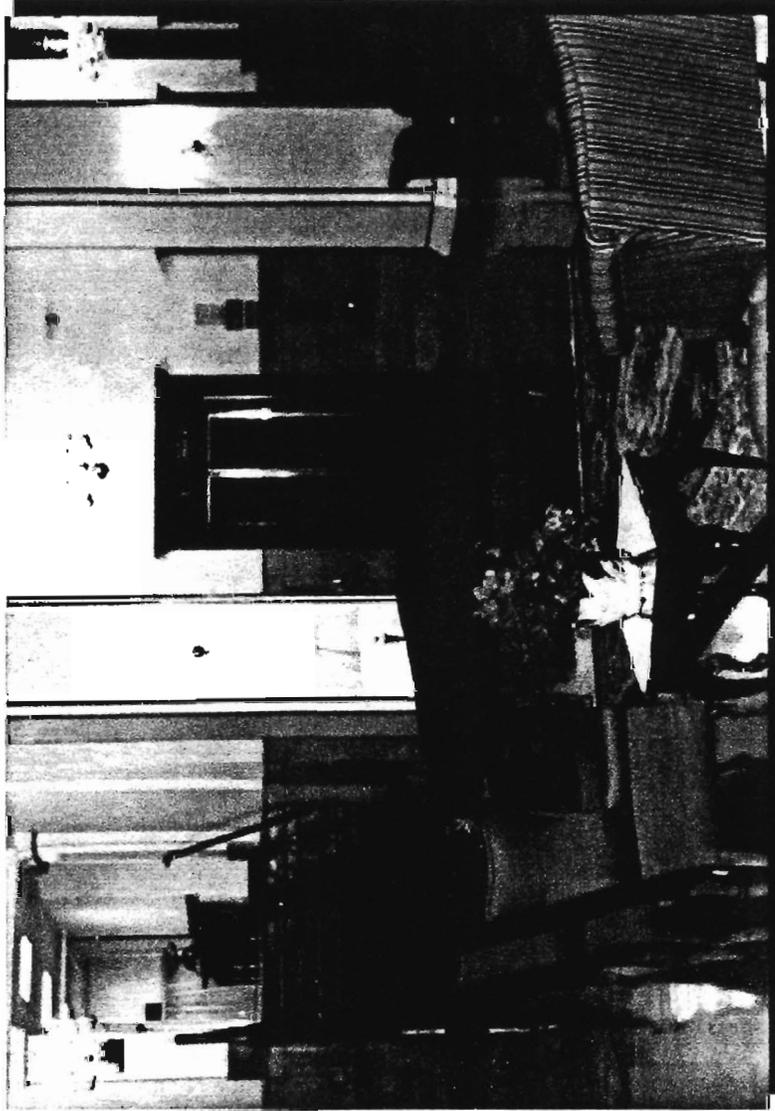
Built in 1927; on the National Register of Historic Properties;
converted to elderly housing in 1979.



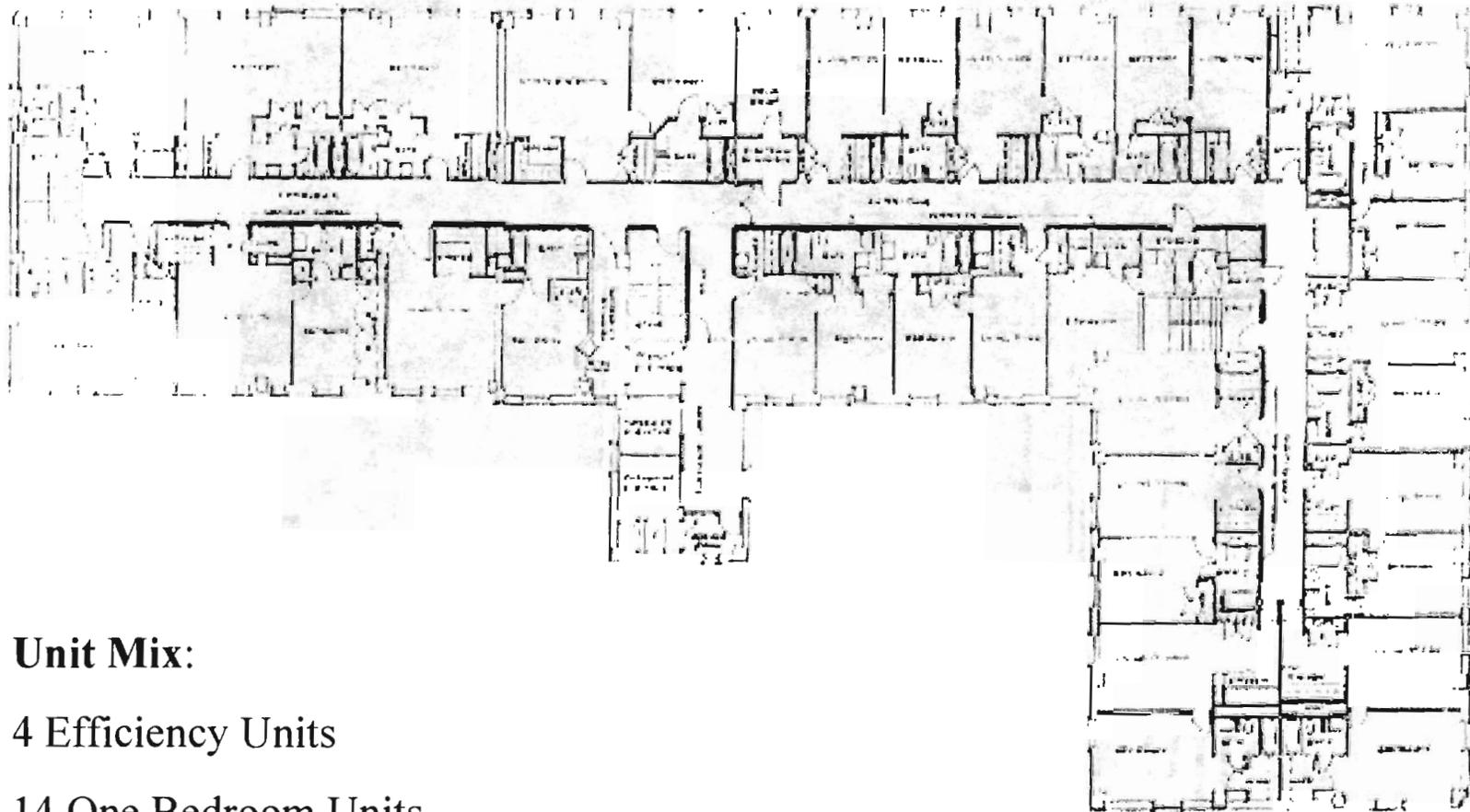
| Unit Mix | No. of Units | Rent |
|------------|--------------|--------|
| Efficiency | 29 | \$ 511 |
| 1 Bedroom | 104 | \$ 553 |
| 2 Bedroom | 5 | \$ 635 |

HAP Contract Runs Through 9-5-99

Interior Lobby - Sir Walter



Current Floor Plan - Sir Walter



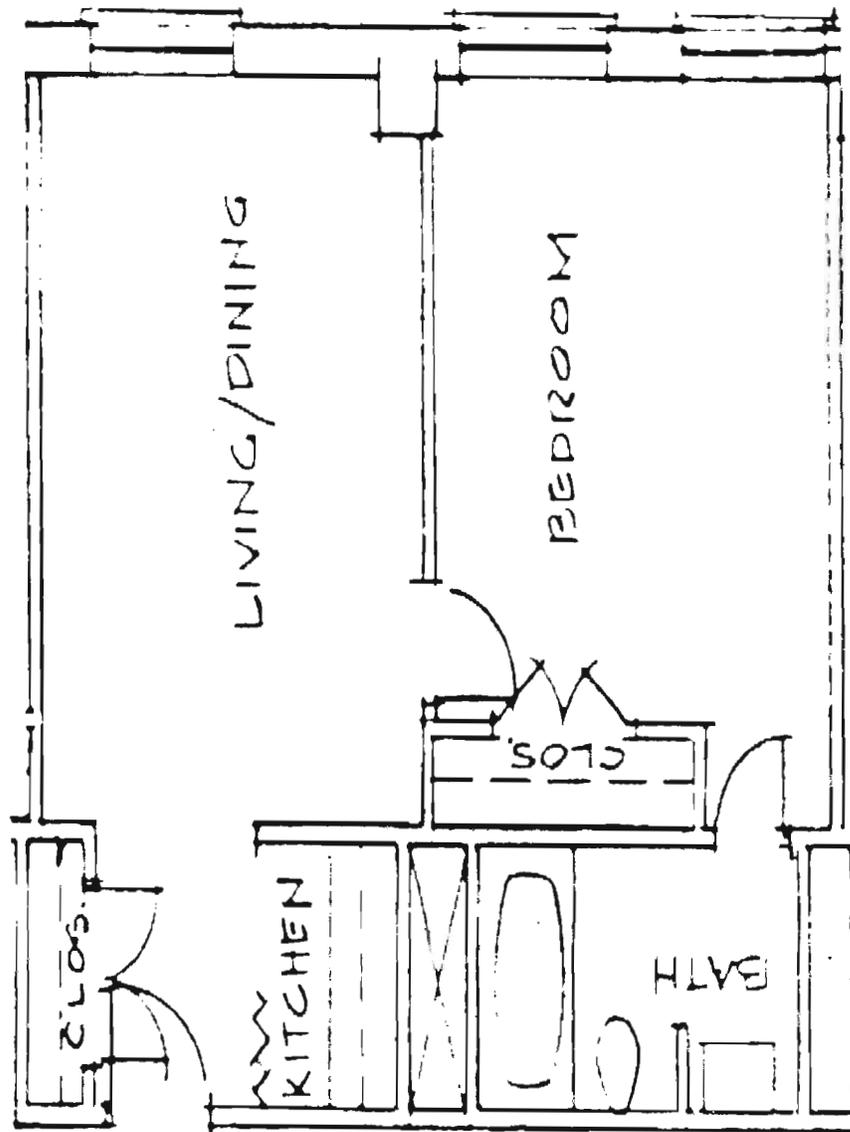
Unit Mix:

4 Efficiency Units

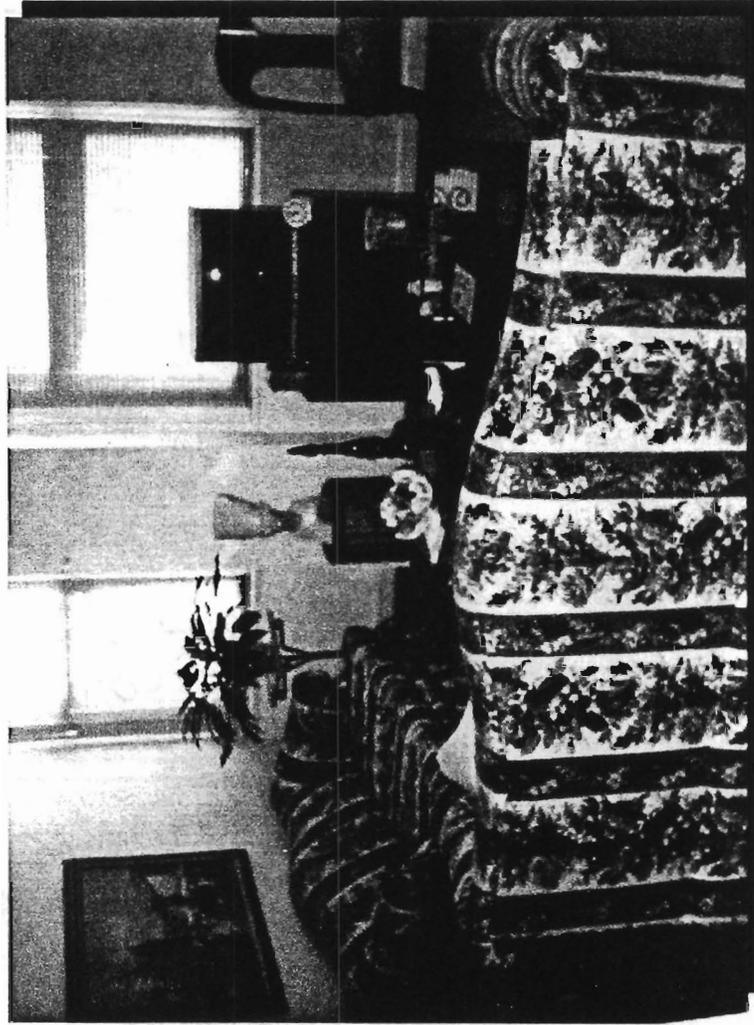
14 One Bedroom Units

1 Two Bedroom Unit

Typical Existing Unit - 1 Bedroom



Resident Living Room - Sir Walter



Current Resident Mix By Age

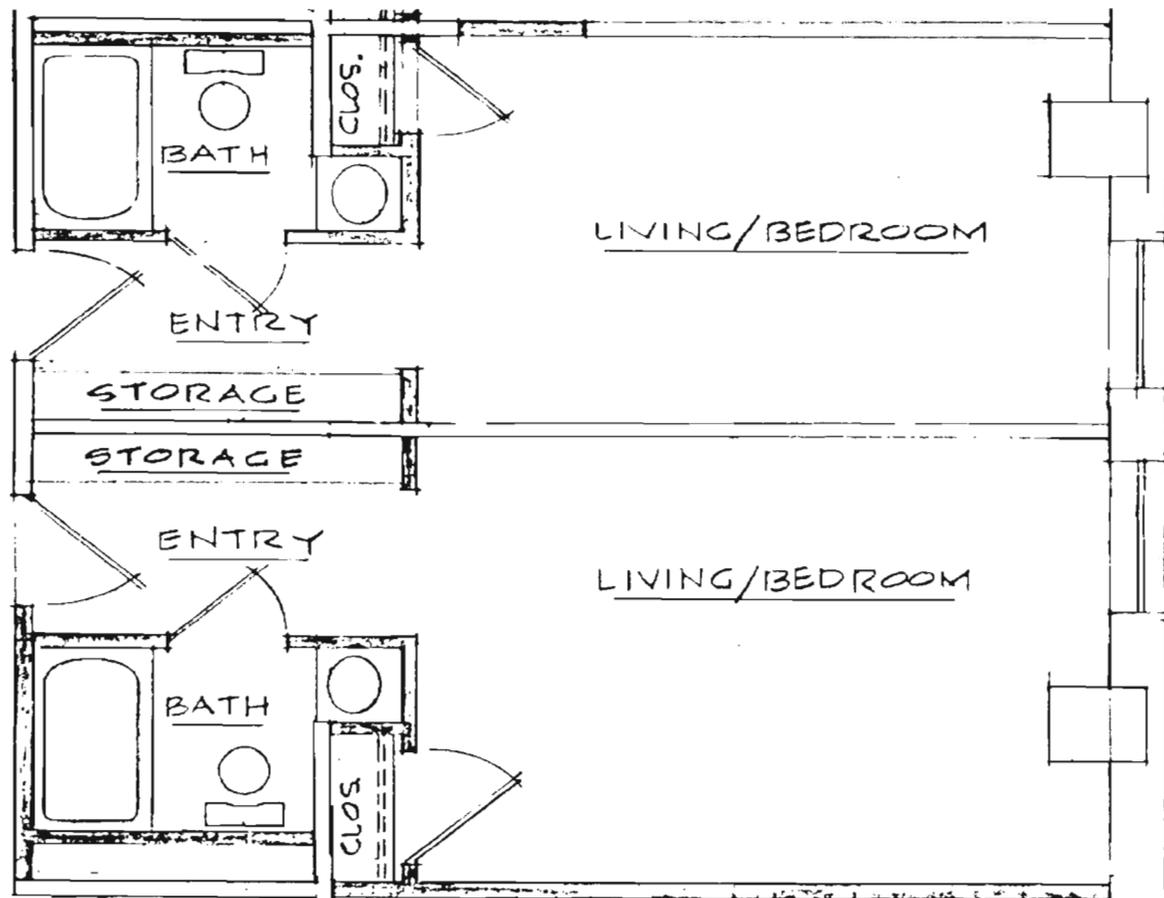
| Age Range | No. of Residents | Percentage |
|------------------|-------------------------|-------------------|
| 28 - 37 | 1 | 0.6 |
| 38 - 47 | 6 | 4 |
| 48 - 57 | 7 | 5 |
| 58 - 67 | 23 | 16 |
| 68 - 77 | 64 | 44 |
| 78 - 88 | 40 | 27 |
| 89 - 98 | 5 | 3.4 |
| Total: | 146 | 100 |

Current Resident Mix By Length of Residence

| Length of Residence | No. of Residents | Percentage |
|----------------------------|-------------------------|-------------------|
| 1 Year or Less | 24 | 16 |
| 2 - 5 Years | 57 | 40 |
| 6 - 10 Years | 25 | 17 |
| 11 - 15 Years | 19 | 13 |
| 16 Years and Over | 21 | 14 |
| Total: | 146 | 100 |

Conversion Plan -

2 AL Efficiency Units from 1 One Bedroom Unit



Average Square Footage: 325 sq. ft (varies significantly)

Current Revenue and Expenses

Current Revenue per Floor

| | | | | |
|----------------|----|-----|----|---------------|
| 4 Efficiencies | \$ | 511 | \$ | 2,044 |
| 14 One Bedroom | | 553 | | 7,742 |
| 1 Two Bedroom | | 632 | | 635 |
| | | | \$ | <u>10,421</u> |

Plan is to Convert Two Floors to AL, Therefore:

| | | |
|---|----|------------------|
| Annual Revenues to be Converted (rounded) | \$ | 250,000 |
| Allocated Current Operating Expenses and Vacancies (on a per Unit Basis) | | <u>(166,000)</u> |
| Net Operating Income to be Converted | | 84,000 |
| Allocated Current Debt Service and Reserves | | <u>(78,500)</u> |
| Cash Flow to be Converted | \$ | 5,500 |

Revenue and Expenses per Floor After AL Conversion

Revenue per Floor

| | | | | |
|-------------------------------------|----|-------|----|--------|
| 28 Efficiencies | \$ | 1,200 | \$ | 33,600 |
| 1 One Bedroom (Double Occupancy) | | 2,400 | | 2,400 |
| | | | | 36,000 |

Plan is to Convert Two Floors to AL, Therefore:

| | | |
|---|----|-----------|
| Annual Revenue after Conversion (rounded) | \$ | 864,000 |
| Vacancy @ +/- 5% | | (44,000) |
| | | 820,000 |
| Allocated Apt. Operating Expenses and Reserves | | (161,000) |
| Estimated Direct Assisted Living Expenses | | (375,000) |
| | | 284,000 |
| Projected Net Operating Income after Conversion | \$ | 284,000 |

Value Added by Converting to AL

| | | |
|--|----|-------------|
| NOI After Conversion - 2 Floors | \$ | 284,000 |
| NOI Before Conversion - 2 Floors | | (84,000) |
| | | <hr/> |
| Net Addition | \$ | 200,000 |
| | | <hr/> <hr/> |
| Rough Valuation - Use Current FHA Cap Rate of +/- 8.7% | | |
| Total Value | \$ | 2,300,000 |
| Per Converted Unit | \$ | 38,333 |

HUD

Facilities Services Administration - Licensure

Current Investors

Federal IRS

Current Residents

Local Health Department

Local Planning Department

Management Team

NC Dept. of Labor - State Code

Future Apartment and AL Residents

NC Dept of Health

Elderly Care Advocates

Wake County Department of Services

Future Investors

Development Team

State Department of Insurance

City of Raleigh - Building Code

Owners

Department of Interior - Historic Preservation

FHA

PEABODY & BROWN

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1255 23RD STREET, N.W.
WASHINGTON, D.C. 20037

(202) 973-7700

FAX: (202) 973-7750

<http://www.peabodybrown.com>

BOSTON, MA
MANCHESTER, NH
PROVIDENCE, RI

WRITER'S DIRECT DIAL NUMBER

MEMORANDUM

TO: Interested Persons
FROM: Richard Price
DATE: April 24, 1998
RE: HUD and RHS Housing Outline

A. HUD Policy Regarding Telecommunication

1. HUD form regulatory agreements and subsidy contracts do not specifically contemplate telecommunications products or services.
2. HUD rules, procedures and form documents generally contemplate that project owners will contract for various unspecified project services.
3. Owners generally should obtain and document three bids from service providers.
4. HUD filled this void when it issued Notice H96-19, which specifically encourages owners of HUD-assisted multifamily housing to contract with companies providing telephone, cable or satellite television, or information and security systems.

B. RHS Policy Regarding Telecommunication

1. As with HUD, the RHS regulations do not specifically contemplate contracts for cable television or telephone services.
2. Regulations 7 CFR 1944.212 and 215 contain language which could be applied to telecommunications services.
3. RHS has issued AN No. 3269, which encourages owners to contract with companies providing telephone, cable or satellite television, or information and security systems.

PEABODY & BROWN

C. Contracts

1. Contracts for telecommunication services on HUD and RHS assisted properties must be between the owner and the service provider and cannot include the agency as a party.
2. The contracts must not charge more than is reasonable and customary for such services.
3. Any equipment must be installed by the service provider at its cost, and must remain its property.
4. Any agreement must be submitted to the agency for review, which review will focus on the project's income and expenses, and any security instruments proposed by the provider.
5. An owner may not encumber or otherwise promise HUD or RHS assisted property, or property income, without prior agency approval.
6. Owners must also provide tenants with notice of such services.
 - a) The services must be paid by the tenant, but not as part of the rent.
 - b) Also, tenants' participation in these services must be voluntary.

D. State And Local Programs

1. State and local governments may have additional regulatory requirements in this area and any relevant rules should be consulted on a case-by-case basis, but such requirements should be less significant than federal requirements under supremacy clause analysis.
2. Section 253 of the Telecommunications Act of 1996 provides, generally, that

No state or local statute or regulation, or other statute or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service.

PEABODY & BROWN

3. But such jurisdictions may impose requirements to protect the public welfare and manage public rights of way and compensation levels on a competitively neutral basis.
4. Several local jurisdictions (e.g. District of Columbia, Connecticut and Texas) have at least considered requiring telecommunications providers to provide some mandatory access to tenants.

U.S. Department of Housing and Urban Development
H O U S I N G

Special Attention of:
All Secretary's Representatives,
All State and Area Coordinators
Directors of Housing, Directors
of Multifamily Housing, Chiefs,
Asset Management Branches,
Owners/Managers of Multifamily Projects

Notice H 96-19 (HUD)
Issued: April 11, 1996
Expires: April 30, 1997
Cross References:

Subject: Telecommunications Services - Contracts between Telecommunications
Service Providers and Project Owners

TABLE OF CONTENTS

| PARAGRAPH | PAGE NO. |
|---|----------|
| 1. Purpose..... | 2 |
| 2. Background..... | 2 |
| 3. Requirements..... | 2 |
| 4. Further Items for Consideration..... | 3 |
| 5. HUD Review..... | 4 |
| 6. Additional Information..... | 4 |

HMHP: Distribution: W-3-1,R-1,R-2,R-3-1(H) (RC),R-3-2,R-3-3,R-6,R-7,R-7-2,R-8
2

1. PURPOSE. The purpose of this Notice is to express the Department's support for owners of HUD's multifamily insured and assisted housing projects contracting with providers who offer project residents various alternative telephone, cable or satellite television, information and security systems.

This Notice provides general guidance to project owners, prospective providers and HUD field staff regarding the development of agreements or contracts for such services.

2. BACKGROUND. Several telecommunications companies have approached project owners of HUD's assisted and insured multifamily housing projects to provide the project residents with various alternative telephone, cable or satellite television, information and security systems. In these proposals, the providers typically propose installing all necessary equipment on the project site at no cost to the project and, in some cases, returning a portion of the subscriber fees paid by tenants for the services to the project as project income.

These benefits are provided to the project in return for an exclusive agreement for providing such services as an alternative to those available through local telephone and cable television companies.

Additionally, some proposals offer coordination through a third-party entity who would arrange the agreements between service providers and, possibly, multiple project owners.

The Department is supportive of all of these arrangements, especially since they may bring a higher level of service to our low-income communities in a more competitive atmosphere, possibly increasing project revenues, and producing more marketability for the project.

3. REQUIREMENTS. The following features must be included in each arrangement:
 - a. Residents
 - (1) Project owners shall notify residents of the proposed agreement and solicit their input.

- (2) Subscription for services ..., strictly voluntary basis.
- (3) Subscription fees must be paid by the residents directly to the provider and not be part of the rent or rent structure.

3

b. Contracts or Agreements

- (1) Must be between project owners and the service providers (or their coordinating entity) and not involve HUD.
- (2) Must not encumber property without prior HUD approval.
- (3) Must not include fees in excess of the amount ordinarily paid for such services in the area.
Note: The fees are not part of, or compensated from the management agent fee.
- (4) Must be reviewed by the HUD office servicing the project.

c. The Equipment or System

- (1) All costs for installation, operation, maintenance, repair and upgrading are borne by the provider.
- (2) Remains the sole property of the provider and shall not be deemed to constitute part of the property, or otherwise encumber the property.

4. FURTHER ITEMS FOR CONSIDERATION.

- a. Project owners may wish to do some preliminary review of the types of services available in their area to obtain a wide range of services at competitive prices.
- b. In certain cases, providers may want to employ on-site staff to act as sales or marketing personnel. Project owners can consider such an arrangement, subject to HUD review and approval. However, these staff must be separate from the management agent staff, and compensation cannot be a part of, or paid by, the management fee.
- c. Providers may wish to do a feasibility study to determine if such an arrangement would be beneficial to them.
- d. The project may provide electrical power to the system, as long as there is no significant negative effect on the project's operating budget.

4

5. HUD REVIEW.

- a. Before execution of any agreement or contract, project owners shall submit the proposed agreement or contract to the HUD office that services their project. The HUD review should focus particularly on issues regarding any effect on the project's income and expenses, the Regulatory Agreement and mortgage, and on any arrangements using project management staff as representatives or agents of the service provider.
- b. The Multifamily Director should determine which field staff are involved in the review, depending on the issues of concern.
- c. The review should be accomplished as quickly as possible.

6. ADDITIONAL INFORMATION.

This is an opportunity for project owners to be creative in providing alternative telecommunications services to project residents without

unburdensome procedural requirements. The Department encourages such partnerships that can help improve the lifestyle for residents in our multifamily properties. Field staff are encouraged to be creative and supportive in providing technical assistance to project owners.

Project owners should contact the Asset Manager that services their project if they need further guidance. The Asset Manager will also be the coordinator of the HUD review.

Nicolas P. Retsinas
Assistant Secretary for Housing-
Federal Housing Commissioner

Office of Housing

Special Attention of: Notice H 97-27 (HUD)

All Secretary's Representatives Issued: April 29, 1997
All State and Area Coordinators
All Directors of Multifamily Housing Divisions Expires: April 30, 1998
All Directors of Housing
All Chiefs, Asset Management Branches
Owners/Managers of Multifamily Projects

Subject: Extension of Notice H 96-19, Telecommunications Services Contracts between Telecommunications Service Providers and Project Owners

Notice H 96-23 , issued April 11, 1996, is being extended to April 30, 1998.

Assistant Secretary for Housing-
Federal Housing Commissioner

HMHP: Distribution: W-3-1,R-1,R-2, R-3-1(H)(RC),R-3-2,R-3-3,
R-6,R-6-2,R-7,R-7-2,R-8



United States
Department of
Agriculture

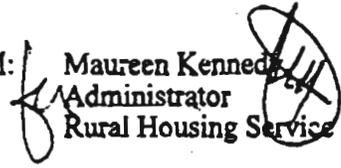
Rural Housing and
Community Development
Service

Washington, D.C. 20250

FmHA AN No. 3269 (1930-C)
July 30, 1996

TO: State Directors and District Directors
Rural Development

ATTENTION: Multiple Family Housing Chiefs, Coordinators

FROM:  Maureen Kennedy
Administrator
Rural Housing Service

SUBJECT: Contracts Between Telecommunication Service Providers
and Project Owners

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance to Multi-Family Housing (MFH) project owners, service providers and Rural Development field office staff in contracting for supplemental project telecommunications services.

Rural Housing Service (RHS) understands that several telecommunications companies have proposed to provide project owners and residents with alternative telephone, cable or satellite television, information and security systems. Providers typically propose installing all necessary equipment on the project site at no cost to the project. In some cases, the projects receive a portion of the subscriber fees paid by tenants for the services as income.

The project receives these benefits in return for an exclusive agreement for providing such services as an option to those available through local telephone and cable television companies.

EXPIRATION DATE: July 31, 1997

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1930-C



The Rural Housing and Community Development Service replaces the Home Administration. RHCS is an Equal Opportunity Lender. Camp discrimination should be sent to: Secretary of Agriculture, Washington

Additionally, some proposals offer coordination through a third-party entity who would arrange the agreements between service providers and possibly, multiple project owners. Rural Development is supportive of these arrangements, especially since they may bring a higher level of service to MFH tenants in a more competitive atmosphere, possibly increasing project revenues, and producing more marketability for the project.

COMPARISON WITH PREVIOUS AN's: No previous AN's have been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

I. REQUIREMENTS. The following features should be included in each arrangement:

a. Residents.

- (1) Project owners shall notify residents of the proposed agreement and solicit their input.
- (2) Subscription for services by project residents is on a strictly voluntary basis.
- (3) Subscription fees must be paid by the residents directly to the provider and not be part of the rent or rent structure.

b. Contracts or agreements.

- (1) Must be between project owners and the service providers (or their coordinating entity) and not include Rural Development as a party.
- (2) Must not encumber property without prior Rural Development approval.
- (3) Must not include fees to the service provider in excess of the amount ordinarily paid for such services in the area. Note: The fees would not be considered part of, or compensated from, the management fee.
- (4) The cost of the arrangement must be either positive to the project (by returning part of the revenues) or be revenue neutral. No contract should be agreed to that will entail an operating outlay from the project in excess of revenues generated.

c. The equipment or system.

- (1) All costs for installation, operation, maintenance, repair and upgrading are borne by the provider.
- (2) Equipment shall not be deemed to constitute part of the property, or otherwise encumber the property.

II. ITEMS FOR FURTHER CONSIDERATION.

- a. Project owners may wish to do a preliminary review of the types of services available in their area to obtain a wide range of services at competitive prices.
- b. The project may provide electrical power to the system, but only as long as the project's operating budget reflects a positive cash contribution from the system.
- c. Before execution of any agreement or contract, MFH project owners shall submit the proposed agreement or contract to the Rural Development Servicing Office for review. The Rural Development Servicing Office should focus primarily on issues regarding any effect on the project's income and expenses, and any security instruments proposed by the provider.

Please direct any questions to the Multi-Family Housing Portfolio Management Division at (202) 720-1613.

