quarter during the five-year period after the date of enactment in which the FHFA makes a determination that at least $250 billion in loans were sold and securitized during the previous quarter in the private secondary market.

SECTION 8

Contract Administrators Selected, Bringing Changes in Several States

Section 8 projects in several states will have new project-based contract administrators (PBCAs) as a result of the rebidding of two-year annual contributions contracts (ACCs) for third-party administrators in each state, the District of Columbia, Puerto Rico, and the Virgin Islands.

HUD announced the awards on July 1 for contracts that start on October 1, 2011.

HUD estimates that the rebidding will reduce costs by about $100 million each year for a program costing $225 million annually. The savings largely come from lower administrative fees. The PBCAs will administer 15,600 housing assistance payments (HAP) contracts with project owners.

Changes in Administrators

According to HUD, 10 of the 14 largest states will have a new contract administrator.

In the biggest change, a subsidiary of the Housing Authority of the City of Los Angeles — the Los Angeles LOMOD Corporation — was awarded contracts for northern California and Nevada in addition to southern California, which it had administered previously. LOMOD said profits from the contract will be used to provide public housing and resident services in Los Angeles.

In other states with new PBCAs, the Summit Multifamily Housing Corporation of Akron, Ohio, won contracts for New York, and New Jersey, in addition to Maryland.

Other new PBCAs include the Ohio Finance Agency in Ohio; the Illinois Housing Development Agency in Illinois; Cambridge Housing Services LLC in Massachusetts; Quality Affordable Housing Services Corporation of Livonia, Mich., in Michigan; Lone Star Multifamily Housing Solutions of Dallas in Texas; the National Housing Compliance Corporation of Tucker, Ga., in Florida; and the North Tampa Housing Development Corporation of Tampa in Georgia.

Other Awards

In other multi-state awards, the Jefferson County Assisted Housing Corporation, a subsidiary of the Jefferson County Housing Authority in Birmingham, Ala., won contracts for Alabama, Delaware, Mississippi, Rhode Island, and Tennessee.

The Southwest Housing Compliance Corporation of Austin, affiliated with the city housing authority, won contracts for Arkansas, Kansas, Louisiana, and New Mexico, and CMS Contract Management Services, affiliated with the Bremerton, Wash., Housing Authority, won contracts for Alaska, Nebraska, and Oregon.

In most of the remaining states, housing finance agencies, housing authorities, and housing development corporations chartered in those states were awarded individual contracts. A list of contract winners is on the HUD web site.

Reduction in Costs

The savings in administrative fees came from a reduction in the basic fee that a PHA could propose to 2.5 percent of the two-bedroom fair market rent (FMR.) from 3 percent in previous contracts.

According to HUD, most contract administrators were getting a total of 3 percent, which consisted of a 2 percent basic fee plus a 1 percent incentive fee for performance. The incentive is now set at 10 percent of the PBCA's administrative fee amount.

Each PBCA administers HAP contracts that HUD assigns during the ACC term. For HAP contracts that expire during the ACC term, the PBCA will enter into a renewal contract with Section 8 owners according to the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRAA) and HUD guidance.

The PBCA monitors each property's compliance with the terms of the HAP contract, pays property owners, adjusts contracts rents as necessary, and submits required documents to HUD. Each PBCA can subcontract components of its administrative tasks to other entities.

PUBLIC HOUSING

Proposed Rules for Physical Needs Assessments Would Cover All PHAs

HUD has proposed revised public housing physical needs assessment (PNA) regulations that would require all PHAs, include small PHAs and Moving-to-Work (MTW) authorities, to conduct PNAs that would project modernization and life-cycle repair and replacement costs for a 20-year period.

Current PNA requirements in the public housing modernization regulations don't apply to PHAs with fewer than 250 units, and they require five-year projections of needs. According to HUD, a 20-year projection is more closely related to the life cycle of buildings and major physical components.

The revised PNA provisions would be added to proposed rules for the public housing capital fund program, which were published for comment on February 7, 2011. The proposed PNA rules were published in the July 20 Federal Register, and comments are due September 19. *(For background on the capital fund program regulations, see Current Developments, Vol. 39, No. CD-4, p. 99.)*

Submission of PNAs

The proposed rules would integrate the PNA with the existing requirement for energy audits, requiring PHAs to complete the two once every five years. A PNA would have to identify specific work items and their associated costs that match energy conservation measures identified in the PHA's energy audit.

PHAs would also have to update their PNA annually. HUD plans to determine the procedures for the annual updates after a mechanism for electronic submission of the PNA is developed. The department intends for the update to be a simple process performed by PHA staff in an automated format.

In addition, while the appropriate submission and evaluation systems are developed, HUD may establish different submission dates for the first two PNAs and energy audits.

Contents of PNA

Under the proposed regulations, a PNA would have to cover 20-year repair and replacement costs for each project in its inventory. The PNA would also include summary-level information for the overall portfolio as well as information from the energy audit.

The PNA would have to include all capital costs needed to comply with public housing requirements, include Section 504 of the Rehabilitation Act of 1973, Uniform Federal Accessibility Standards (UFAS) requirements, and lead-safe housing requirements.

The PNA and associated cost estimates would have to be completed without regard to whether funds to do the work are available when the PNA is completed. The PNA would also have to take into account the actual or projected removal of units from a PHA's inventory by dropping the costs associated with those units.

As modernization and repairs are completed, the annual PNA update would be revised to indicate that work on individual buildings has been done.

PNA Providers

The proposed rules would also establish minimum qualifications for PNA providers for the first time.

A provider would have to be experienced in the performance of residential building assessments, including building systems, health and safety conditions, physical and structural conditions, cost estimating, and building modernization. A provider would also have to have knowledge of energy efficiency and green capital upgrade and construction practices.

In addition, a PNA provider would have to have at least five years of direct experience in physical facility inspection and/or assessment and at least five years of direct experience in cost estimating; knowledge of applicable building standards and codes, including federal, state, and local requirements; knowledge of energy conservation, energy efficiency, and green capital upgrade and construction practices; and working knowledge of commonly used computer technology and software.

The proposed rules would still allow PHAs to have their own staff perform PNAs, but would provide better guidance as to the qualifications the staff should have. In addition, HUD said PHAs must weigh the reduced cost of in-house assessments against the possibly greater objectivity and validity of third-party PNAs.

Accordingly, the department says PHAs planning to use a PNA to support a financial or funding transaction should consider contracting with a third-party provider, to the extent that the PHA has the financial resources to cover the cost.

(For further information, contact Kevin Gallagher, 202-402-4192.)

FLOOD INSURANCE

House Passes Bill to Reform, Extend Insurance Program for Five Years

The House approved a flood insurance reform and reauthorization bill (H.R. 1309) that will extend the national flood insurance program (NFIP) through September 30, 2016, while revising coverage limits and the premium structure.

The House passed the bill, 406-22, on July 12 after approving a number of amendments to the measure as reported out of the Financial Services Committee. *(For background, see Current Developments, Vol. 39, No. CD-11, p. 324.)*

The bill also provides for a temporary suspension of mandatory flood insurance purchase requirements in designated flood hazard areas that have no previous history of flood hazards or that have flood protection systems which are undergoing improvement.

Terms of Coverage

The legislation would revise the terms of flood insurance coverage and establish minimum deductibles of $1,000 for coverage with premiums set at actuarial rates and $2,000 for subsidized rates.

The bill would clarify that residential coverage applies to one-to-four-family buildings, with a limit of $250,000 for each building. The limits on coverage for nonresidential buildings, including churches, would be $500,000 for each building, $500,000 for contents owned by the building owner, and $500,000 for each unit for the contents owned by the tenant.

In addition, the bill provides optional coverage of up to $5,000 for living expenses when a flood makes a residence uninhabitable and up to $20,000 per property for business losses on residential or commercial property.

The measure also provides a one-time adjustment in coverage limits for inflation between September 30, 1994, and the date of enactment of the bill. Any coverage exceeding the otherwise applicable limits would have to be provided at actuarial rates.

Insurance Premiums

The bill would also revise the rate structure by raising the annual limit on premium increases from 10 to 20 percent and providing a five-year phase-in of actuarial premiums for certain properties in newly mapped flood hazard areas. For properties eligible for a preferred risk rate, the phase-in would begin at the expiration of the preferred risk rate period.

As reported out of committee, 50 percent of the actuarial premium would have been charged in the first year, with the remainder phased in over the five-year period, but the House adopted a floor amendment revising the phase-in.

Under the amendment, the premium during the first year of the five-year period would be the higher of the