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May 27, 2009

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The Honorable Charles E. Schumer
313 Hart Senate Office Building
Washington, D.C. 20510-3203

Dear Senator Schumer:

We are writing to urge your support for an increase in the Federal Housing Administration (FHA) mortgage insurance base limits that would be a critical spur towards meeting the nation's multifamily housing needs and could help generate thousands of needed jobs and serve as a boost to the economy. The current base limits are a major barrier to the construction of multifamily elevator buildings in high cost urban areas. Because these FHA programs offer a seamless construction-to-permanent loan, they are critically important to the housing industry now more than ever, with commercial bank lending so dramatically slowed and construction lending at a standstill.

FHA is authorized under the National Housing Act to insure multifamily loans originated by FHA-approved lenders for the construction, substantial rehabilitation, acquisition and refinancing of walkup and elevator apartment buildings (as well as health care facilities). The Act imposes limitations on the per-unit multifamily mortgage amount ("base limit") that may be insured based on building type (elevator or non-elevator building) and number of bedrooms; periodically the FHA has adjusted these statutory mortgage limits.

Recent mortgage activity, based on data provided by HUD, demonstrates incredibly low usage of the programs across the nation for elevator projects. Of the 478 multifamily projects that received a final endorsement between 2002 and 2008, and were not financed under Federal government programs, only 31 (6.5%) were FHA-insured elevator apartment buildings, and most of those were financed from 2004 to 2006. Only three elevator projects have been financed under these programs in the last two years. See the attached chart from HUD.

A major obstacle is that the low per-unit base limits on FHA insurance make the program practically unavailable in high-cost areas, where elevator buildings are most common. For the first time since 2002, the base limits were increased in April 2009. However the increase was minimal and failed to take into account the much greater increases in construction and development costs since 2002. While the Act permits adjustments for high-cost areas on an area-wide basis of up to 240% above the otherwise applicable levels and up to 270% on a project-by-project basis (a 360% adjustment is allowed for Hawaii, Alaska, Guam and the Virgin Islands), the limits continue to be too low in many metropolitan areas such as Boston, New York City, Los Angeles, San Francisco and Chicago, where mid- to high-rise elevator buildings are more common.

For example, a mixed-income 100-unit building (such as an 80/20 project that uses high market-rate rents to cross-subsidize affordable units) would cost approximately \$50 million

to construct in Manhattan, hard and soft costs alone. Loans are often sized at 80% of value or cost. A loan at 80% of cost would be at least \$40 million, or \$400,000/unit. However, the current FHA base limit per two-bedroom unit is approximately \$68,000/unit. Even with the existing high-cost area boost of 270% the base limit is only increased to approximately \$183,000/unit, leaving a gap of \$217,000/unit that would need to be financed somehow to make the project feasible.

The most efficient solution would be to increase base limits for elevator buildings in high cost-areas to approximately \$150,000 for a two-bedroom unit and similarly for other sized units. At a base limit of \$150,000, the existing high-cost area boost would be sufficient to achieve an insurable loan amount of \$400,000/unit. In the current economic environment where many other financing options are no longer available, it is critical to make FHA mortgage insurance more accessible for elevator buildings and in high cost areas.

It is important to note that multifamily elevator projects not only provide housing but create construction jobs, provide an economic stimulus to all affected industries and increase tax revenues to all levels of government.

We believe that with these changes, FHA multifamily mortgage insurance programs could play a significant role in reversing the current trends in the multifamily credit markets. We urge you to support an increase in the FHA mortgage insurance base limits.

Sincerely,

Judy Calogero

Judith A. Calogero

**Section 221(d)(iv) Average Mortgage/Unit
Elevator & Non-Elevator Projects**

Year	Mrtg. / Unit All Pojects	# of Projects	Mrtg. / Unit Non- Elevator	# of Projects	Mrtg. / Unit Elevator	# of Projects	% Difference
2002	\$61,990	51	\$61,596	49	\$71,629	2	14.01%
2003	\$72,730	89	\$71,781	83	\$85,852	6	16.39%
2004	\$73,466	93	\$69,609	83	\$105,481	10	34.01%
2005	\$75,416	97	\$73,884	93	\$111,027	4	33.45%
2006	\$76,183	62	\$74,316	56	\$93,606	6	20.61%
2007	\$81,867	49	\$80,681	48	\$138,809	1	41.88%
2008	\$85,204	37	\$82,864	35	\$126,161	2	34.32%
Totals & Averages	\$75,265	478	\$73,533	447	\$104,652	31	27.81%

The average per unit amounts displayed above are final endorsements of Section 221(d)(iv) New Construction Projects that were not financed with LIHTC, Tax Exempt Bonds, Home, Hope VI or GDBG Grants. The Median difference between Elevator and Non-Elevator is 33.45% with the average being 27.81%. Most of the elevator projects closed 2004 to 2006. The suggests a midrange of 20.61 to 34.01, which should be the most reliable range. The average of the amounts in the midrange is 29.35 which correlates well with the overall average.