



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

OFFICE OF MULTIFAMILY HOUSING

Kate Walz
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1663 Mission Street, Suite 460
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August 26, 2022

Dear Ms. Walz:

Thank you for your August 2, 2022 letter to Secretary Marcia Fudge regarding Millennia Companies. Your letter has been assigned to the Office of Multifamily Housing Programs for response.

Your April 4, 2022 letter and your August 2, 2022 letter prompted my office to schedule the virtual listening session we had with you and your stakeholders on August 17. As discussed in that meeting, we take the allegations in the April 4 letter and list of measures in the August 2 letter very seriously. Our goal is to make all the properties in HUD's Multifamily Housing portfolio decent, safe, and sanitary but also welcoming places to live and valued parts of the surrounding community. Millennia has fallen short of this standard for certain properties in its portfolio and that is not acceptable. Multifamily Housing has communicated this to Frank Sinito and the Millennia leadership team and taken enforcement action on multiple Millennia properties, including some of those specifically referenced in your April 4 letter.

Most of the properties that you have mentioned are in various stages of rehabilitation. As you know, preservation and rehabilitation of affordable housing takes multiple layers of financing from state, local, and private funding. As a result, it often takes long periods of time to assemble the financing to perform the needed rehabilitation. Millennia cites difficulties in obtaining financing, supply chain issues, hiring and staffing challenges, and strains on their resources as obstacles impacting the timing of their property rehabilitation schedules. I have told them that despite those issues, the ultimate responsibility for each property rests with them and the expectation is for them to meet their obligations to residents and the Department. To keep Millennia's focus on their rehabilitation projects, our regional offices have denied several acquisition requests and required third party management at several properties.

Rehabilitation delays too often affect residents by leaving them in conditions that are not acceptable. However, pursuing enforcement actions resulting in a transfer of property ownership could result in the new owner facing similar challenges and essentially starting over on assembling financing, as is the case with Sandpiper Cove which was recently transferred from Millennia to new ownership. Alternatively, if HUD pursues abatement or termination of subsidy, residents may be displaced into a very tight rental market while the community may lose the affordable housing resource permanently. In every situation, HUD weighs these intersecting challenges when pursuing remedies.

As we discussed, in addition to the regular staff level oversight and REAC inspection process, HUD monitors Millennia properties through our state and regional offices, as well as at the

headquarters level. As I mentioned on our call, our regional and state offices are best situated to provide property level oversight. They are familiar with local conditions and officials and are able to perform site visits and meet with residents. HUD staff meet weekly with Millennia staff on some properties and perform periodic visits to those properties and others, depending upon the nature of the issues at the property. In addition, my staff has regular meetings with Millennia and their counsel, and I meet with Millennia's leadership team on a quarterly basis. The extra scrutiny of Millennia is atypical and we find helps our staff stay on top of Millennia properties, property conditions, resident issues and potential delays.

As mentioned on our call, REAC is in the process of implementing the NSPIRE inspection model. One of the proposed features of NSPIRE is to include resident engagement in the inspection process. We continue to work with REAC on the NSPIRE model and you should expect publication of the final rule in the near future.

During the call, participants raised issues that we thought required immediate follow up, such as the elevators not working at Peace Lake Towers and a retaliatory eviction at Memphis Towers. Regional staff report that the working Peace Lake Towers elevator was down for three hours due to repairs and was functional after that. Regional staff and the PBCA are reviewing the circumstances of the retaliatory eviction at Memphis Towers.

I look forward to continuing to discuss with you and this group ways to better fulfill HUD's affordable housing mission.

Sincerely,

Ethan Handelman
Deputy Assistant Secretary
Office of Multifamily Housing