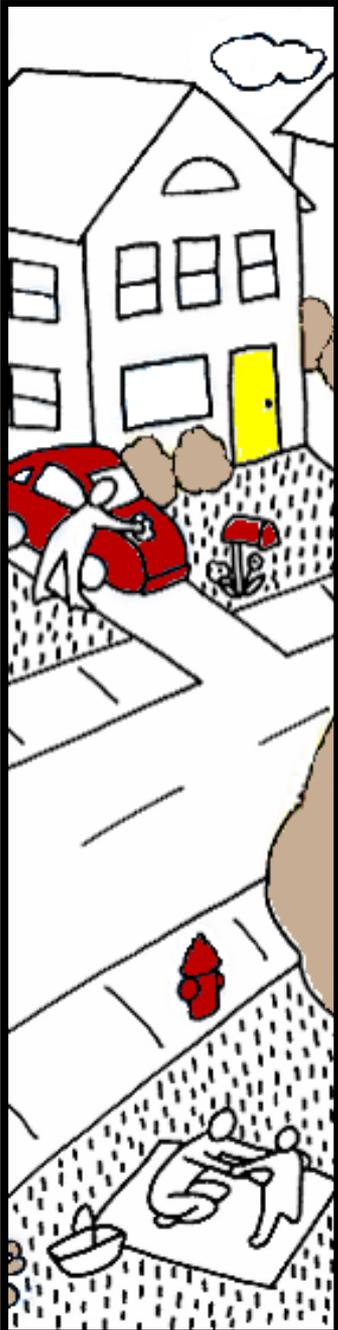


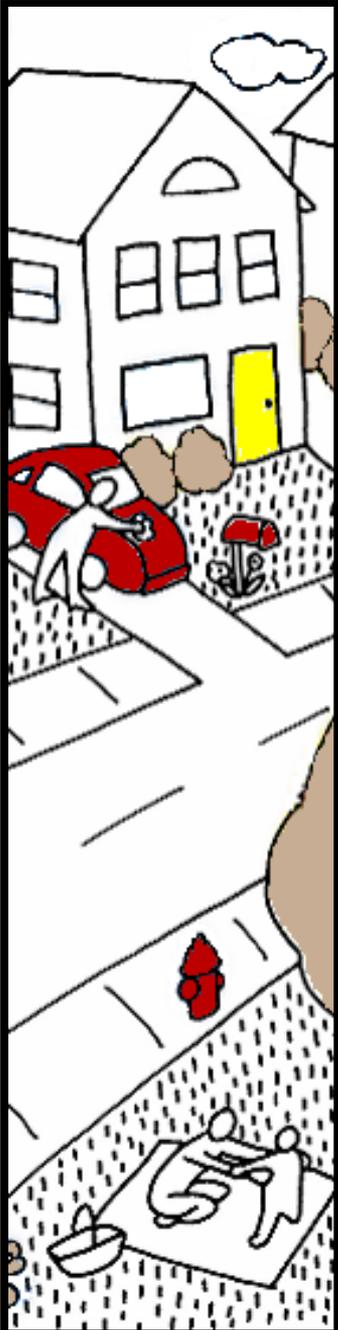
HOME Rental Compliance Training



VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT
Partners for Better Communities



SETTING THE GROUNDWORK FOR COMPLIANCE

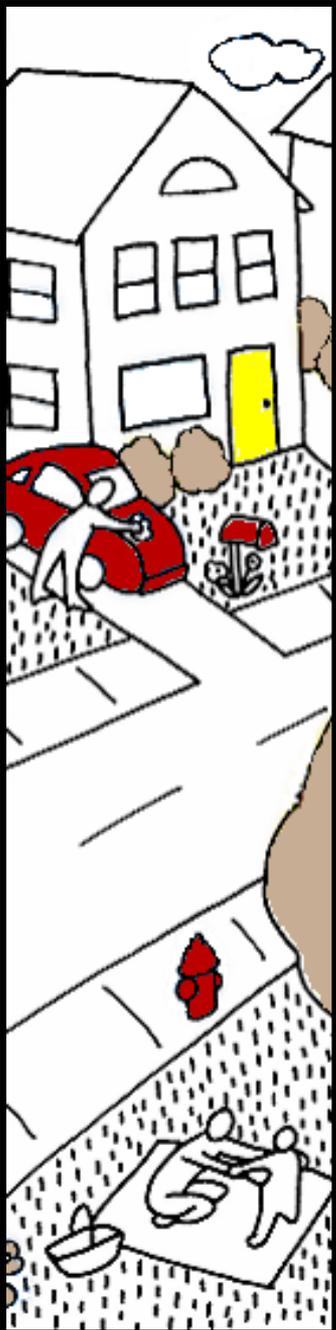


IN THIS MODULE...

- This module will cover:
 - Brief overview of HOME rules

HOME REQUIREMENTS RECAP

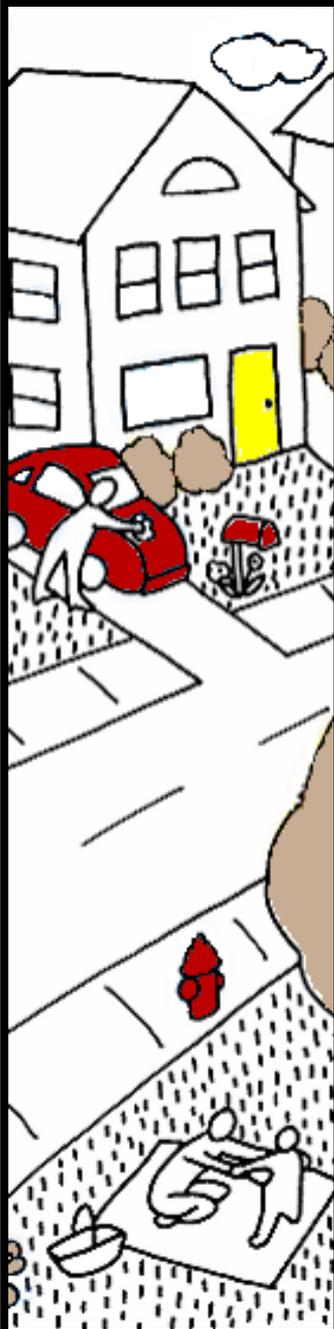
- HOME has requirements related to:
 - Beneficiaries
 - ✓ All assisted households at 80% of median and below
 - ✓ Some programs have lower initial targeting
 - Eligible projects
 - ✓ Rental, homebuyer, TBRA, owner-occupied rehab
 - Eligible costs
 - ✓ Hard costs, soft costs, project delivery costs, administrative costs



HOME REQUIREMENTS

RECAP (cont)

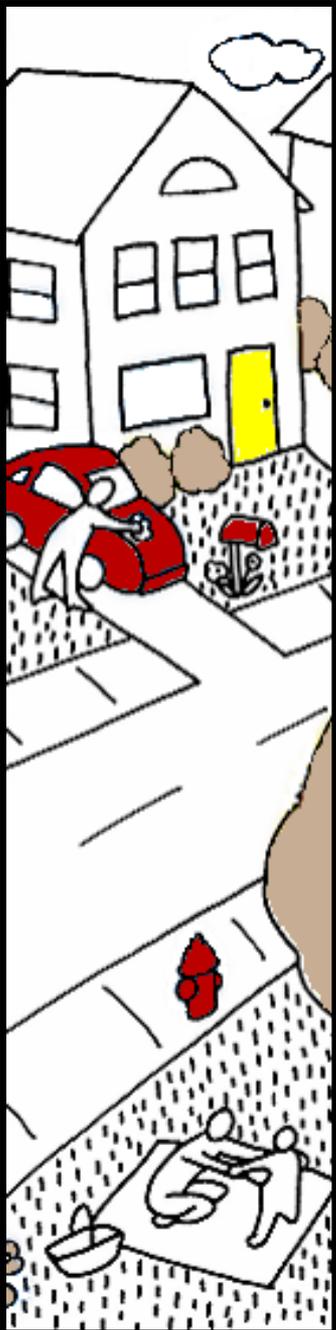
- HOME also has requirements related to:
 - Approaches to funding projects
 - ✓ Loans, grants, loan guarantees, construction loans, permanent financing
 - Minimum investment
 - ✓ \$1,000 per unit
 - Maximum investment
 - ✓ Ceiling is based on 221(d)(3) limit
 - ✓ Max is based on cost allocation



HOME REQUIREMENTS

RECAP (cont)

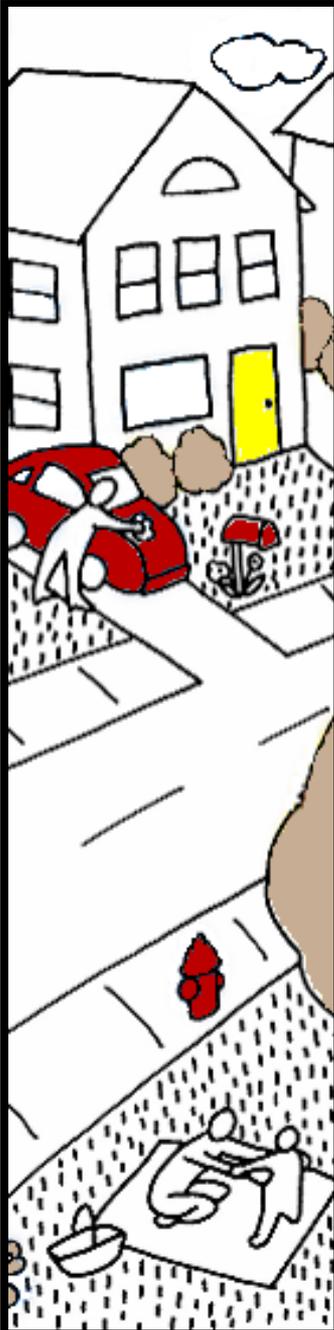
- HOME also has requirements related to:
 - Number of HOME-assisted units
 - ✓ Based on HOME investment and cost allocation
 - ✓ Units may be fixed or floating
 - Type of HOME units
 - ✓ Must be permanent housing
 - ✓ No facilities
 - Rents
 - ✓ Assisted units capped at published HOME rents
 - ✓ 20% of HOME units at Low HOME rent



HOME REQUIREMENTS

RECAP (cont)

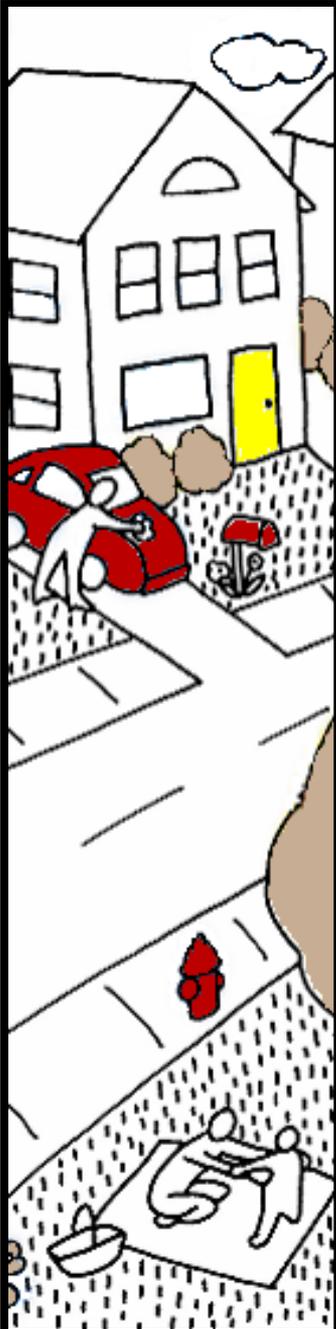
- HOME also has requirements related to:
 - Property quality
 - ✓ All units must be standard
 - ✓ Standards vary for acquisition, rehab, new construction
 - Other federal requirements
 - ✓ Wide range apply depending on project
 - ✓ Examples: environmental review, Davis Bacon, URA, fair housing

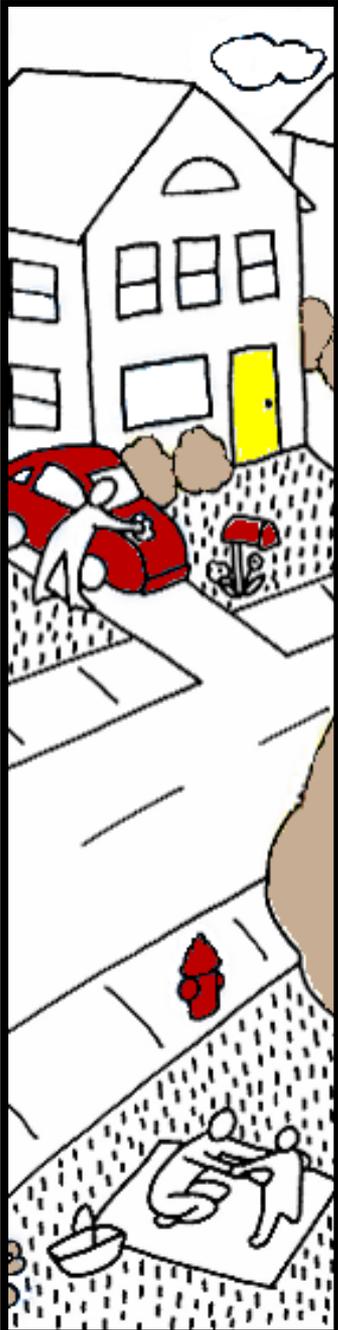


HOME REQUIREMENTS

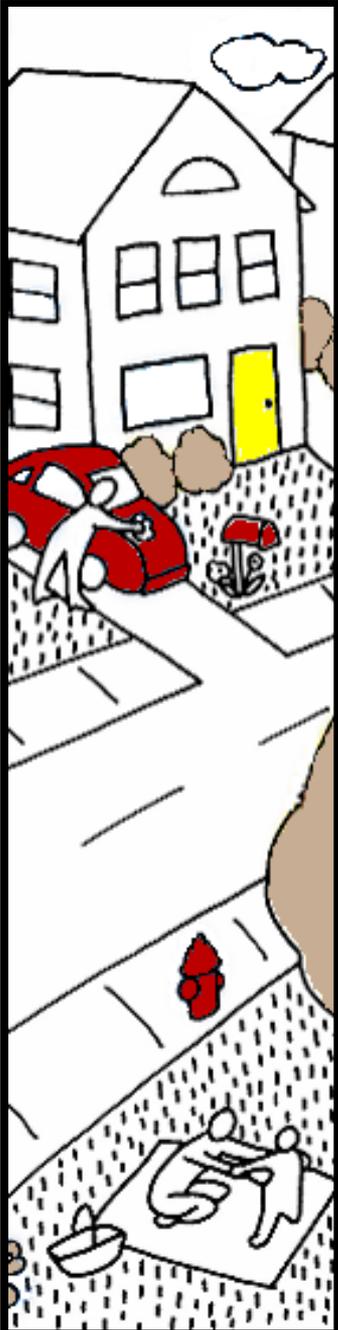
RECAP (cont)

- HOME also has requirements related to:
 - Leases
 - ✓ May not include prohibited items
 - Affordability period
 - ✓ Based on activity type
 - ✓ Establishes compliance period and monitoring responsibilities
 - Written agreements
 - ✓ Required for every HOME project
 - ✓ Includes clauses to explain requirements and protect PJ investment



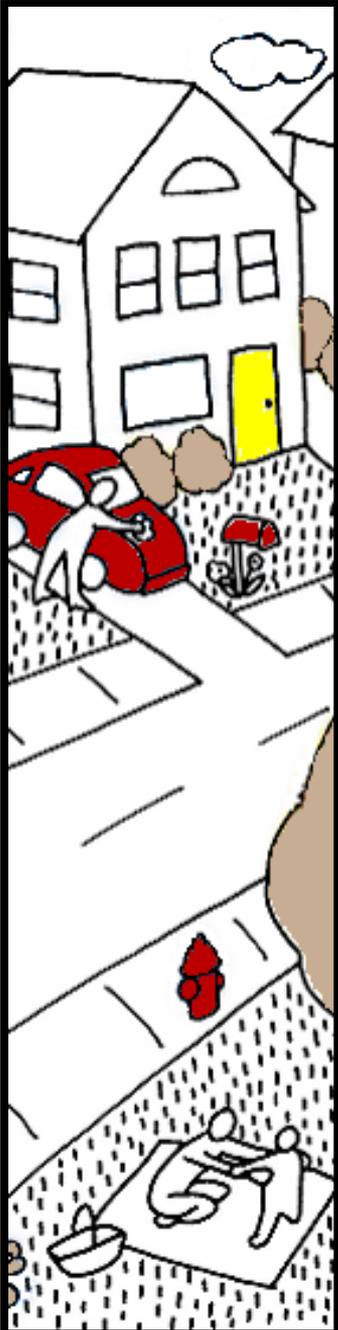


MAINTAINING AFFORDABILITY



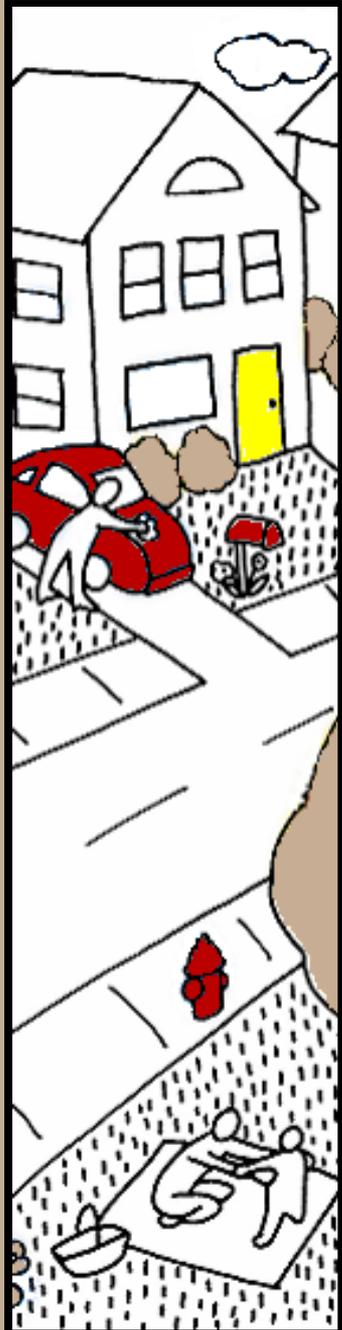
IN THIS MODULE...

- This module will cover:
 - Income limits & targeting
 - Documenting income eligibility
 - Rent limits
 - Occupancy mix over time
 - Rent & occupancy records



HOME INCOME LIMITS

- HOME is targeted toward Low Income households
- Income eligibility is based on gross annual income
 - Very Low Income (VLI): 50% of median
 - Low Income (LI): 80% of median
- Number of low and very low households depends on project

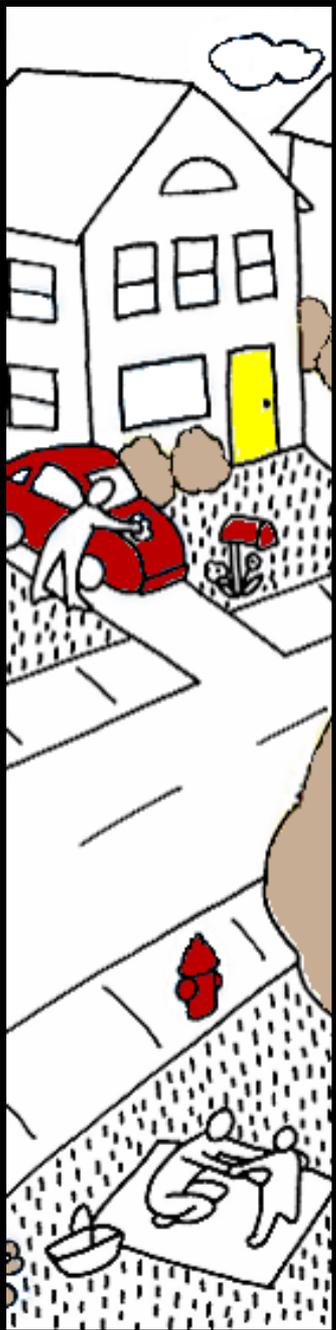


HOME INCOME LIMITS (cont)

- “Household” is all occupants of unit – not just related family members
- HUD issues income limits annually
 - Vary by jurisdiction and household size
- DHCD responsible for informing owner/manager of annual income limit updates

INCOME LIMIT EXAMPLE

	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
30% LIMIT	12,900	14,700	16,500	18,400	19,850	21,350	22,800	24,300
VERY LOW INCOME	21,450	24,500	27,600	30,650	33,100	35,550	38,000	40,450
60% LIMIT	25,740	29,400	33,120	36,780	39,720	42,660	45,600	48,540
LOW INCOME	34,350	39,250	44,150	49,050	52,950	56,900	60,800	64,750

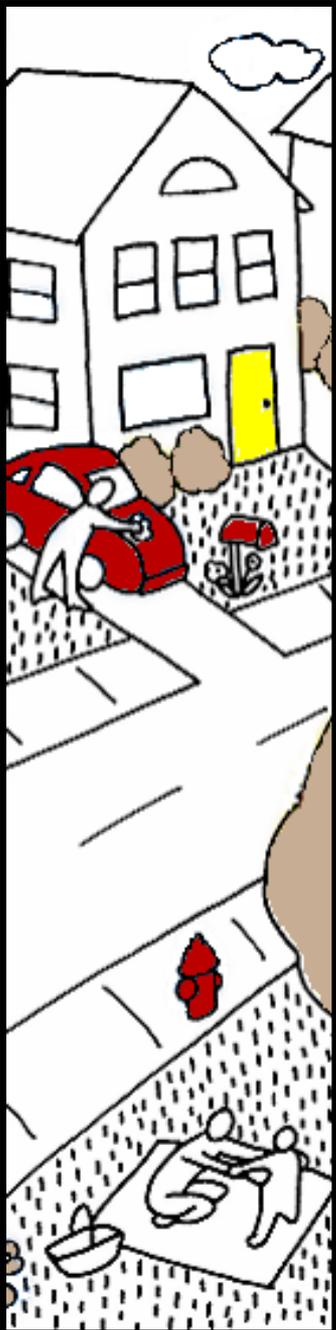


INCOME TARGETING

- Two phases of income targeting:
 - At initial occupancy
 - Over life of the affordability period
- Targeting also depends on number of HOME-assisted units in project
- At no time may new tenants in HOME units have incomes greater than 80% of median
 - Existing HOME unit tenant incomes may increase
 - Do not “kick out” existing HOME tenant due solely to income increase

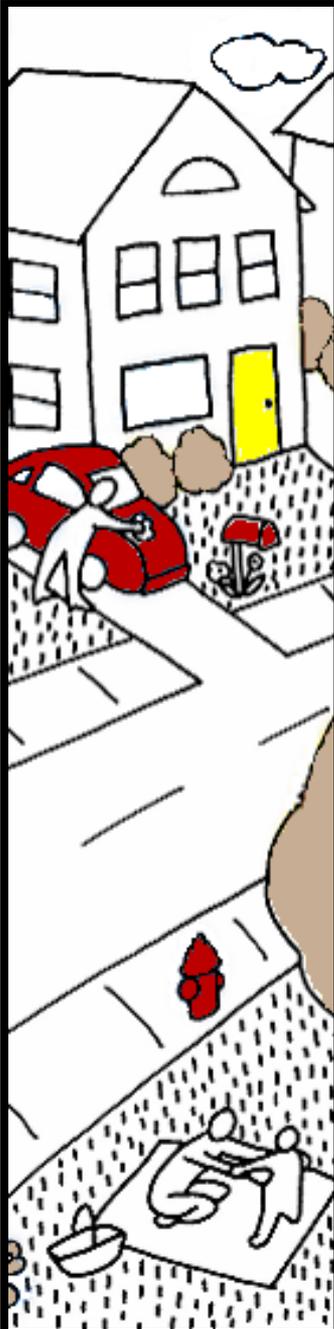
INCOME TARGETING: INITIAL OCCUPANCY

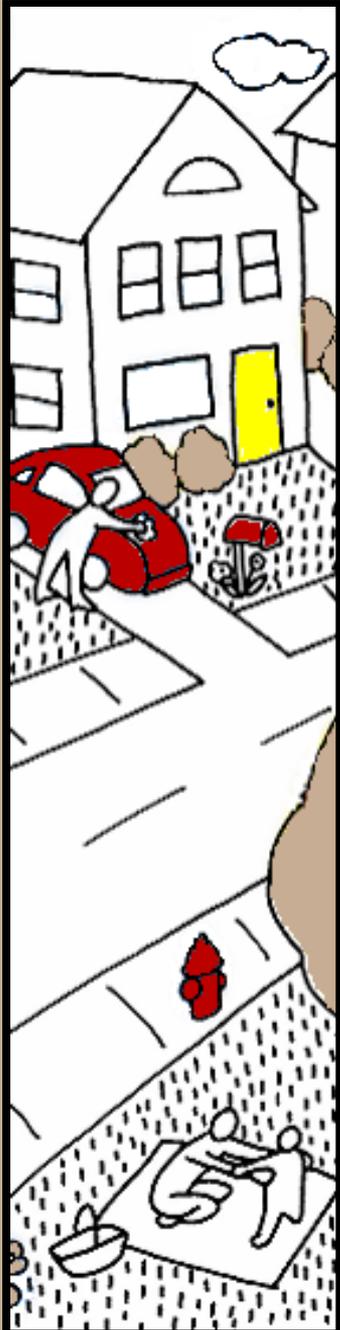
- 90% of households assisted with HOME rental and TBRA must have incomes at/below 60% of MFI
 - NOT project-specific
 - Balance of units may be at/below 80% of MFI
 - Applies only when funds are spent -- initial lease-up
- New tenants after initial lease-up may go up to 80% of median
- Known as “the program rule”



INCOME TARGETING: PROJECTS WITH 5+ HOME UNITS

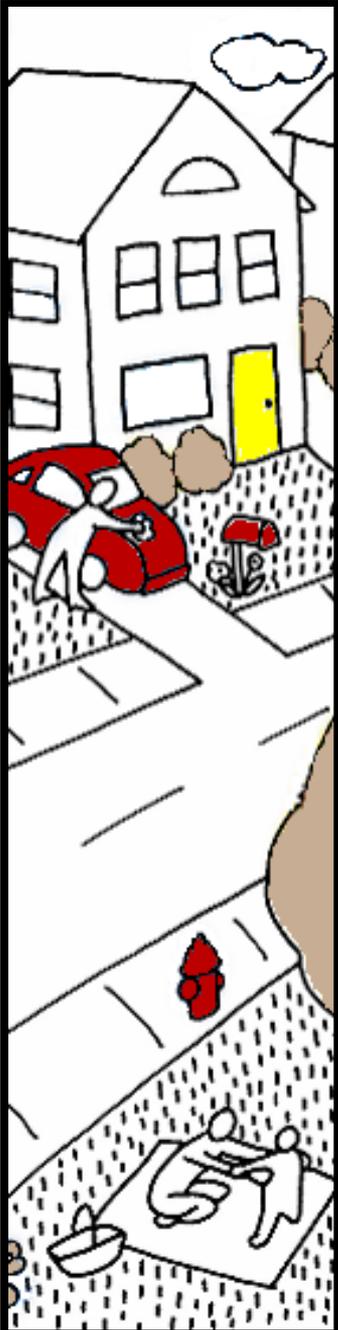
- Projects with 5 or more HOME-assisted units must have at least 20% of units occupied by families at/below 50% of MFI
 - Determination of appropriate unit type is based on gross income of household
 - Rents must be at Low HOME rent level
 - Balance of units may be at/below 80% of median with High HOME rent level
- Requirement lasts throughout entire affordability period, not just lease-up





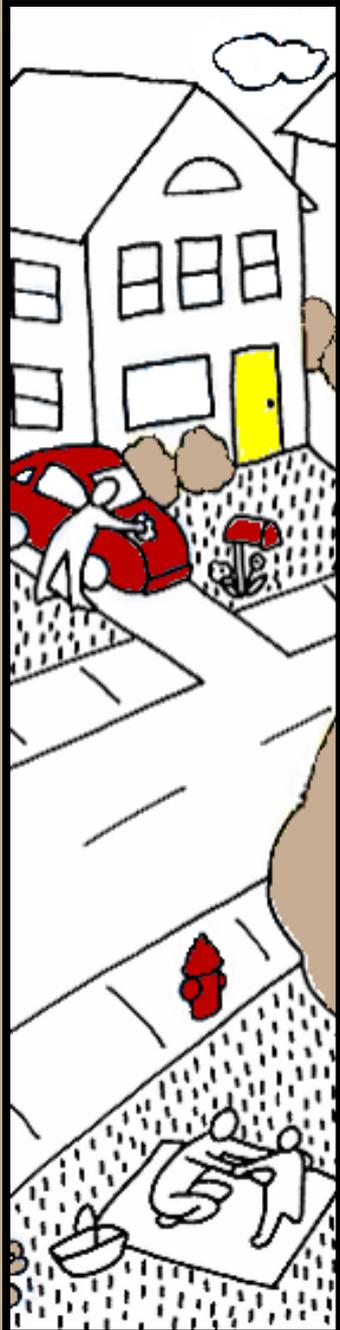
WHAT COUNTS AS INCOME

- Three definitions
 - Section 8 (Part 5)
 - IRS Adjusted Gross Income
 - Census Long Form
- PJ selects one for program
- Income definition remains same throughout affordability period



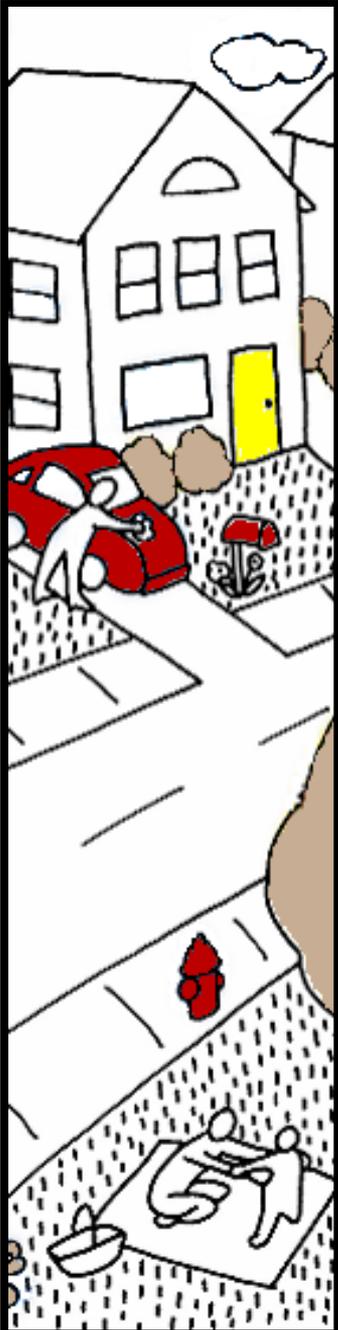
INCOME VERIFICATION

- Owners must verify initial tenant income using source documentation
 - Verification is good for 6 months
- Acceptable source documents:
 - Wage statements
 - Interest statements
 - Unemployment compensation statements
 - 3rd party verification from employer, bank etc



INCOME RECERTIFICATION

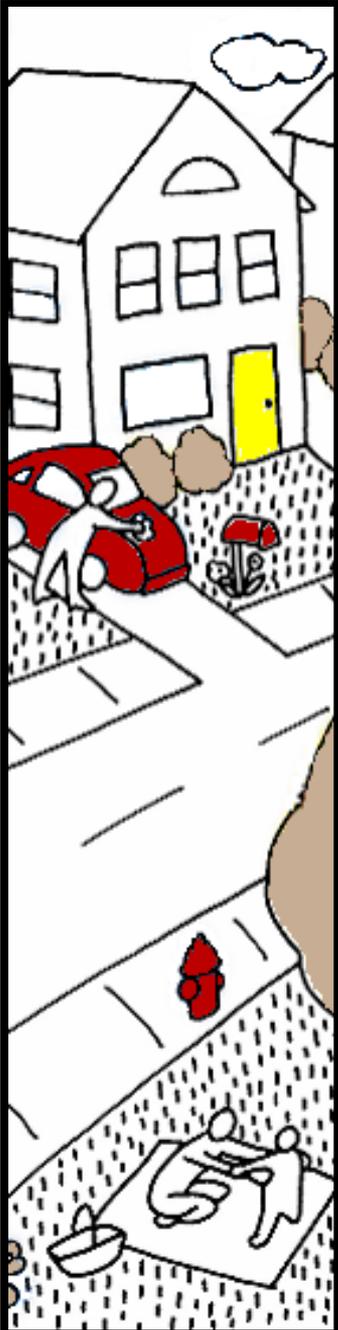
- Must recertify rental income annually:
 - Must review source documents every 6th year of affordability period
 - For other years can use:
 - ✓ Source documents
 - ✓ Written statement from household
 - ✓ Statement from administrator of another program
- Recertify at:
 - Anniversary date of initial verification; or
 - Lease renewal; or
 - Annual schedule where all tenant incomes are verified at one point



HOME RENT LIMITS

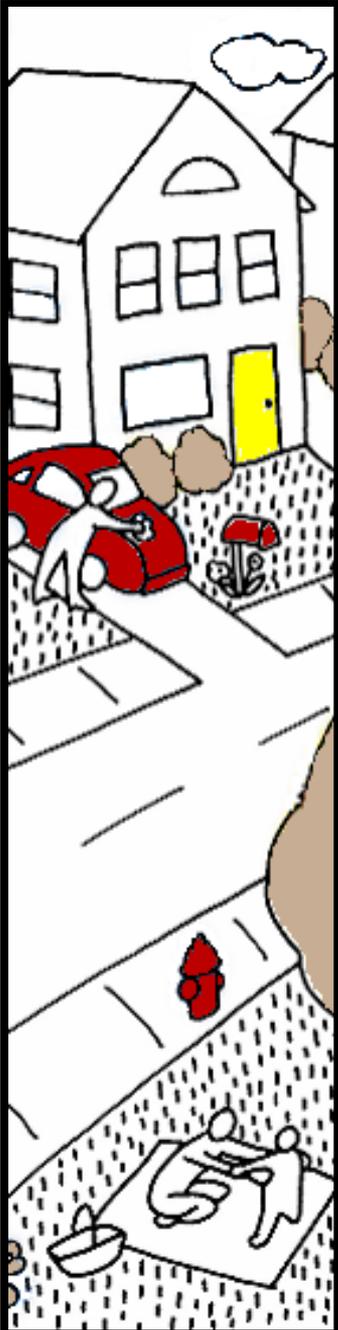
- High HOME and Low HOME rent limit
 - Published by HUD
 - Tenants given notice of increases
 - DHCD will provide updated limits to owners

- Actual unit rents can be less but not more than HOME limits
 - Rents not usually set as a percentage of individual household income
 - Special provision for low HOME units with project based assistance



HIGH HOME RENTS

- Based on lower of:
 - 30% of 65% of median income for area
 - Fair market rent
- Can be occupied by any household with initial income \leq 80% of median

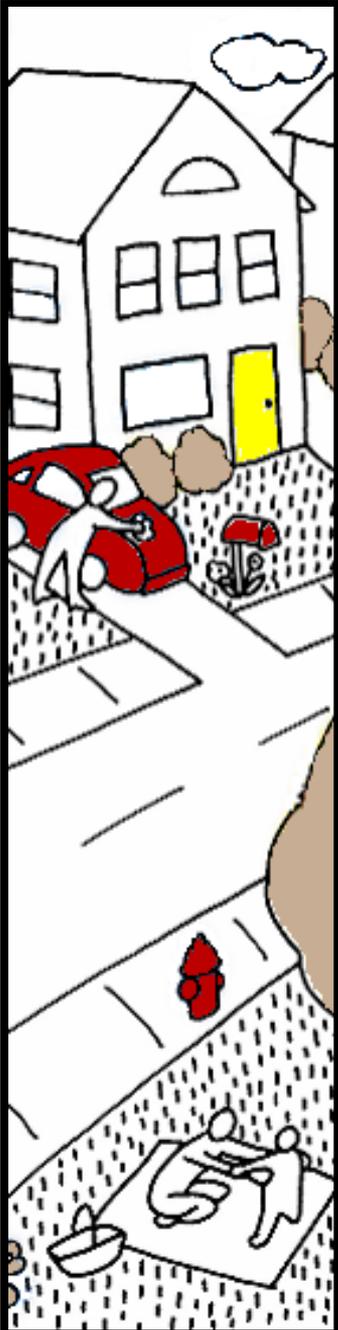


LOW HOME RENTS

- Based on either:
 - 30% of 50% of median income for area
 - Rent does not exceed 30% of the family's adjusted income
 - If project gets state or federal project based assistance, the unit is occupied by a household at $\leq 50\%$ of median and tenant payment capped at 30% of adjusted income, can use maximum rent under project based program
- Low HOME rent cannot exceed FMR
 - Thus Low and High HOME rents are sometimes same
- 20% of assisted units must be at Low HOME rent to households at $\leq 50\%$ of median income

HOME RENT EXAMPLE

	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
LOW HOME	482	564	690	796	888	980	1072
HIGH HOME	482	564	722	918	947	1089	1231
FAIR MARKET RENT	482	564	722	918	947	1089	1231
50% RENT LIMIT	536	574	690	796	888	980	1072
65% RENT LIMIT	678	728	874	1002	1099	1193	1289



UTILITIES

- HOME rents are inclusive of utilities
- Adjust rents for tenant-paid utilities
 - Subtract utilities to determine rent paid by tenant
- Use actual utility costs or use utility allowance schedule
 - Can use PHA schedule if it is up to date
 - If using schedule, PJ should share with owner

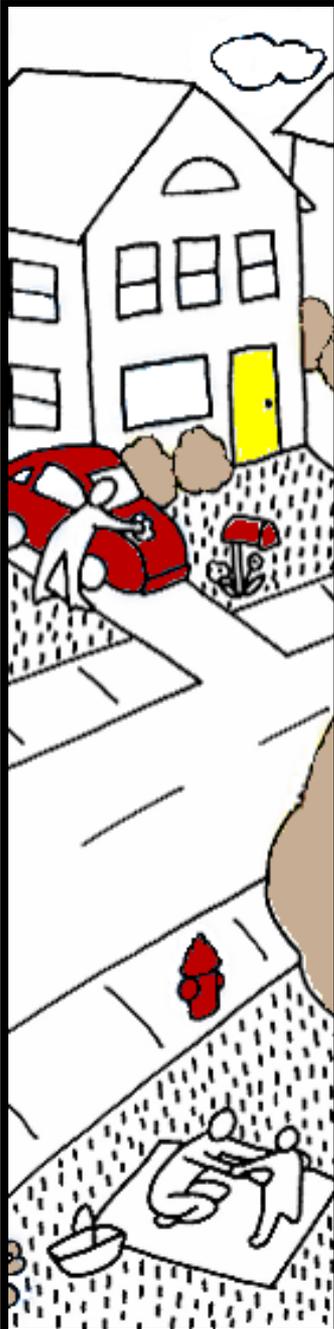
UTILITY ALLOWANCE EXAMPLE

<u>Utility</u>	<u>0 BR</u>	<u>1 BR</u>	<u>2 BR</u>
Heating – Gas	21.31	29.83	38.36
Heating- Elec	25.10	35.14	45.18
Heating- Propane	26.64	37.30	47.96
Heating- Fuel Oil	39.02	54.63	70.24
Cooking- Gas	3.55	4.97	6.39
Cooking- Electric	4.06	5.68	7.31
Cooking- Propane	4.33	6.06	7.79
Hot Water- Gas	9.32	13.05	16.78
Hot Water- Elec	12.55	17.57	22.59
Hot Water- Propane	11.32	15.85	20.38
Hot Water- Fuel Oil	16.58	23.22	29.85
Electricity	12.00	16.79	21.59
Water	3.56	3.56	7.19
Sewer	4.53	4.53	9.15
Air Conditioning	6.64	9.30	11.96

HOME RENT PRACTICE

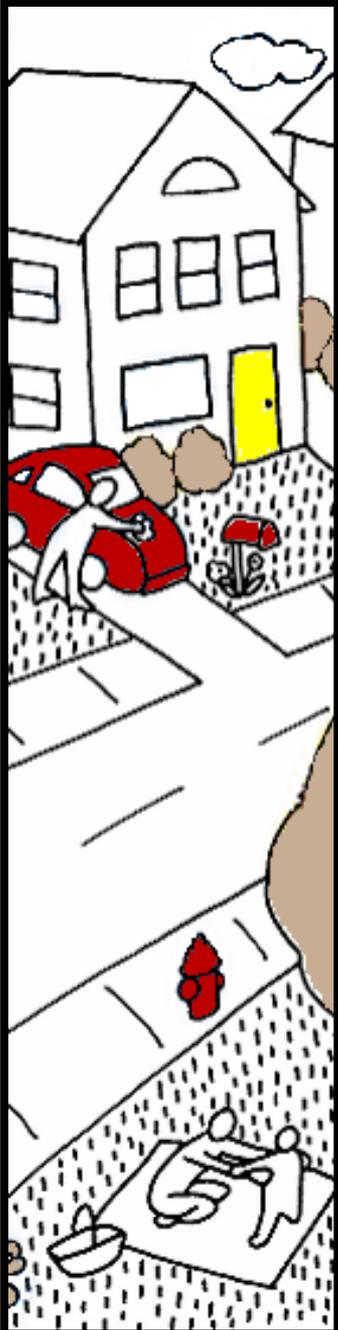
	1 br	2 br	3 br	4 br	5 br
High	600	670	740	810	860
Low	550	630	710	810	860
FMR	630	710	740	810	860
50%	550	630	710	820	915
65%	600	670	800	910	1010

- Assume: 3 br unit, \$120 utility allowance
- Rent?



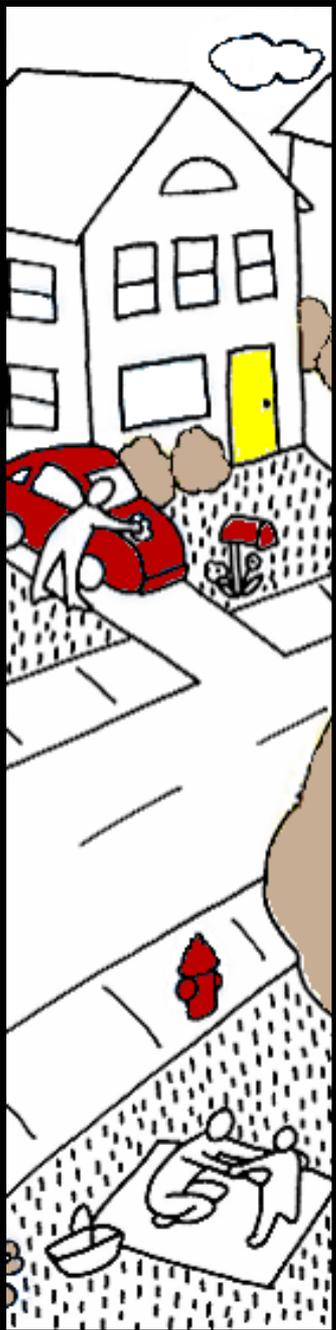
HOME RENTS FOR SPECIAL UNIT TYPES

- HOME rents may not apply in the following situations
 - Project-based rental assistance units
 - LIHTC units (more later today)
 - Group HOME units
 - SRO units



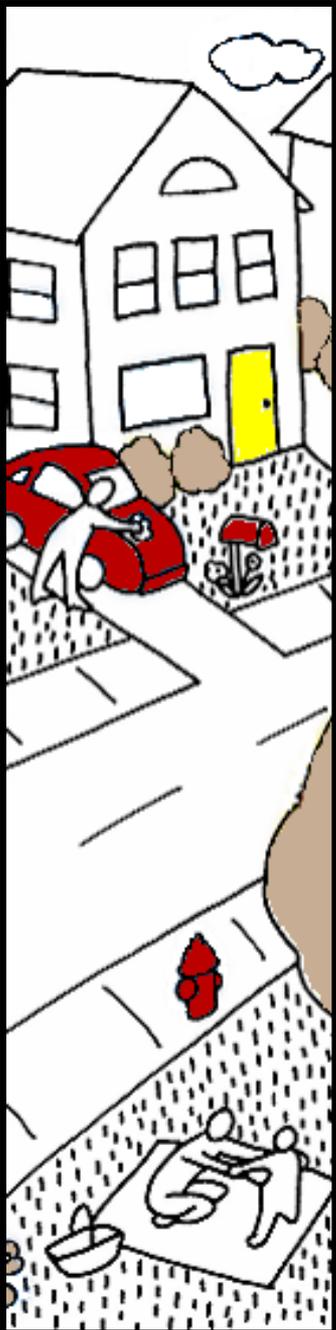
SPECIAL UNITS: PROJECT BASED ASSISTANCE

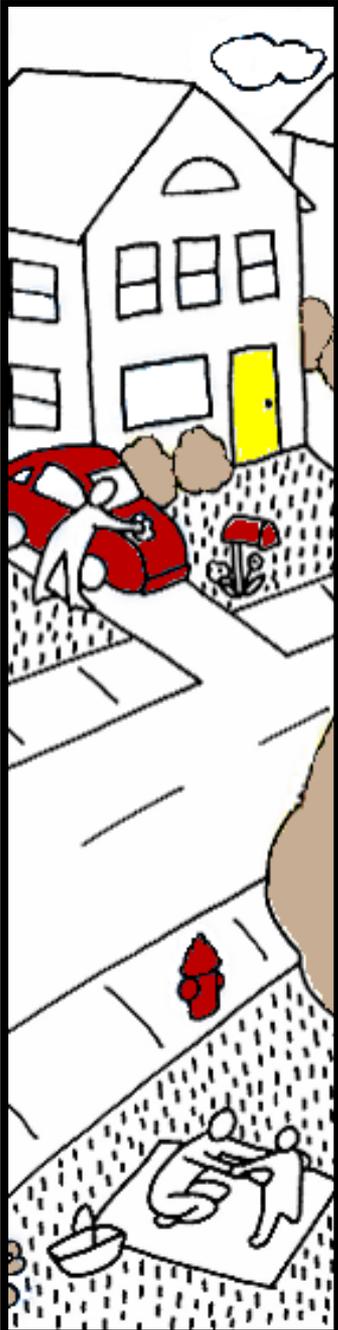
- PJ may allow owner to charge project based program rent when:
 - Low HOME unit; and
 - Unit receives project-based assistance (not tenant-based); and
 - Unit is occupied by very Low Income tenant; and
 - Tenant does not pay more than 30% of adjusted income for rent



SPECIAL UNITS: GROUP HOMES

- Defined as housing occupied by 2+ persons or families with common space/facilities for group use
- Low HOME rent limit does not apply
- Group home is considered a single unit
- Rent calculated as a single unit with multiple bedroom
- Capped at the HUD published FMR
- Rent is pro-rated across tenants



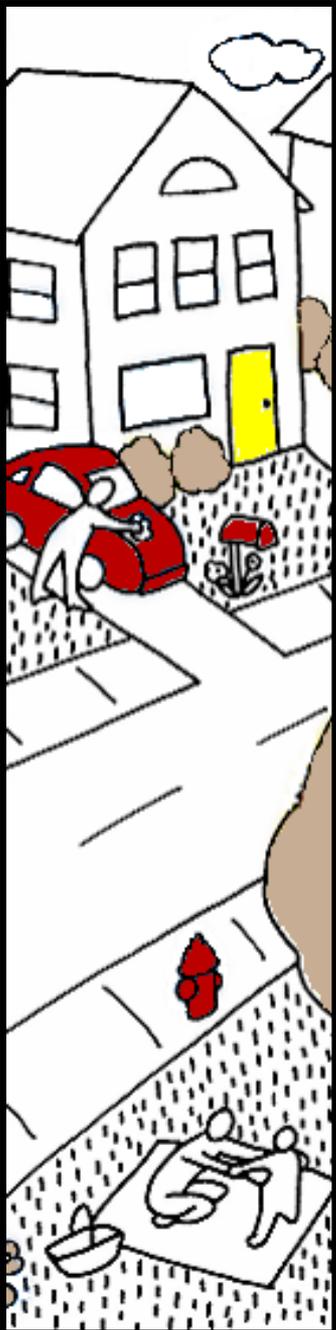


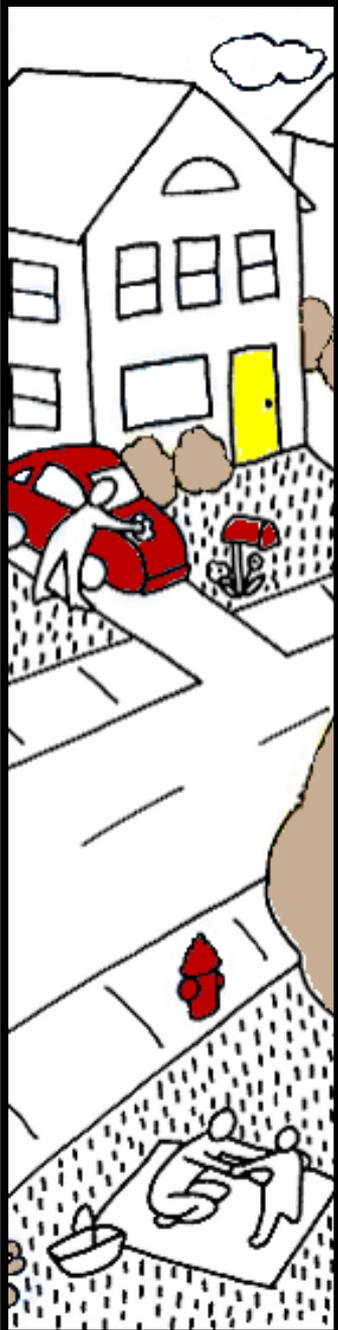
SPECIAL UNITS: SRO

- SRO defined as single room that may or may not have food prep and sanitary facilities
- Rents capped at either FMR or the applicable HOME rent
 - Depends on unit characteristics for food preparation and sanitary facilities
 - If no food/sanitary or only one = 75% of 0 bedroom (efficiency) FMR
 - If both = HOME efficiency unit rents or 30% of household adjusted income

HOME RENTS OVER TIME

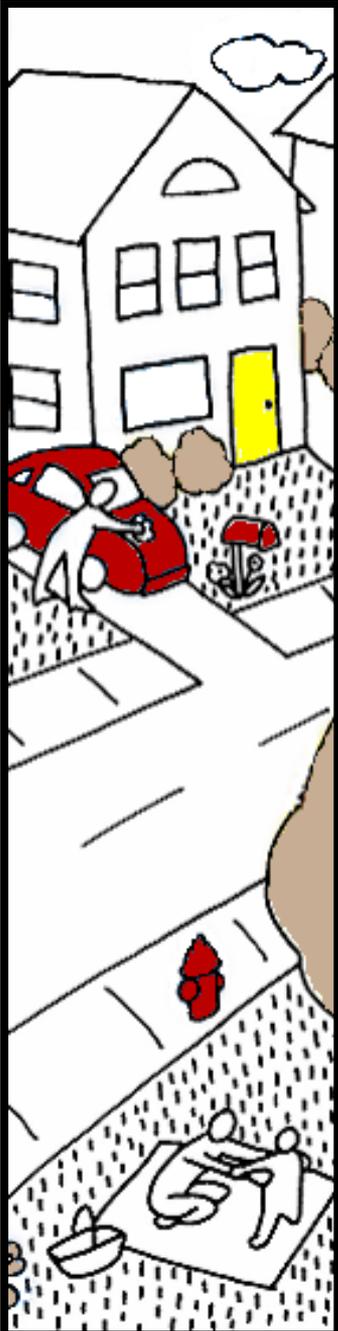
- HOME rents may go up or down over time
 - Owner not required to accept rents lower than rents in the initial agreement
 - PJ should approve annual rent changes
- Note: for existing households whose income rises $> 80\%$, follow LIHTC rent increase rules when funds combined
 - Does not apply at initial occupancy or for other types of units





TRACKING HOME ASSISTED UNITS

- Only units receiving HOME \$ are subject to HOME requirements
 - Known as “HOME-assisted units”
- For properties with HOME and non-HOME units, must select “fixed” or “floating” HOME units
 - Fixed = HOME units for duration of affordability period
 - Floating = unit numbers change but always have same portion of HOME units
 - Fixed or floating is designated in written agreement

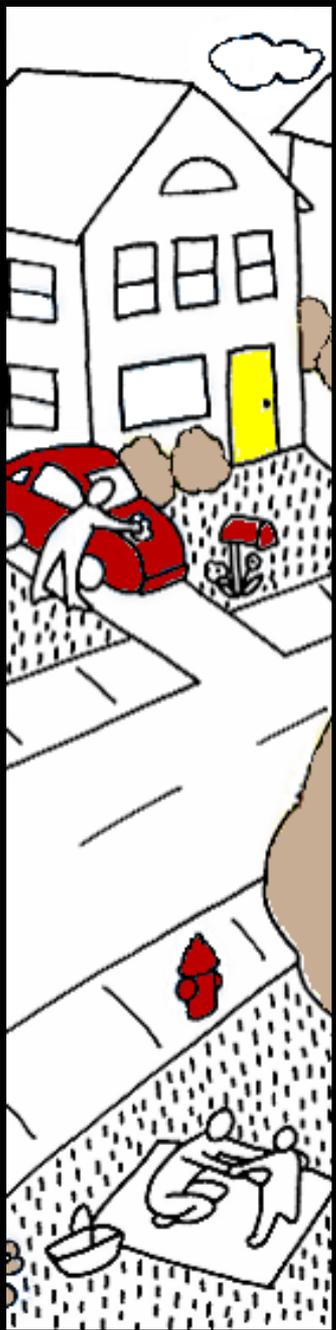


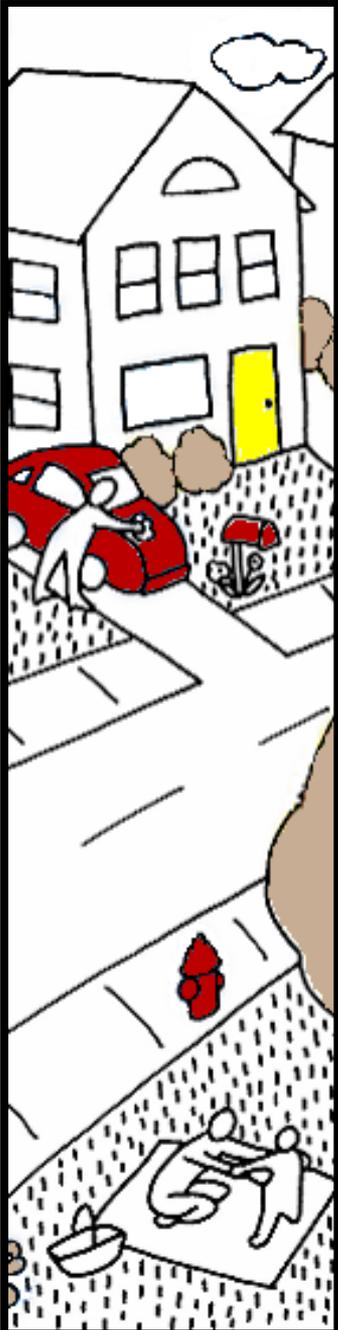
FIXED UNITS

- Specific units are designated as HOME
- However, fixed HOME units may switch from Low HOME to High HOME and reverse
 - Depending on tenant
 - Must keep 20% Low HOME units

FIXED UNITS: TENANT INCOME INCREASES

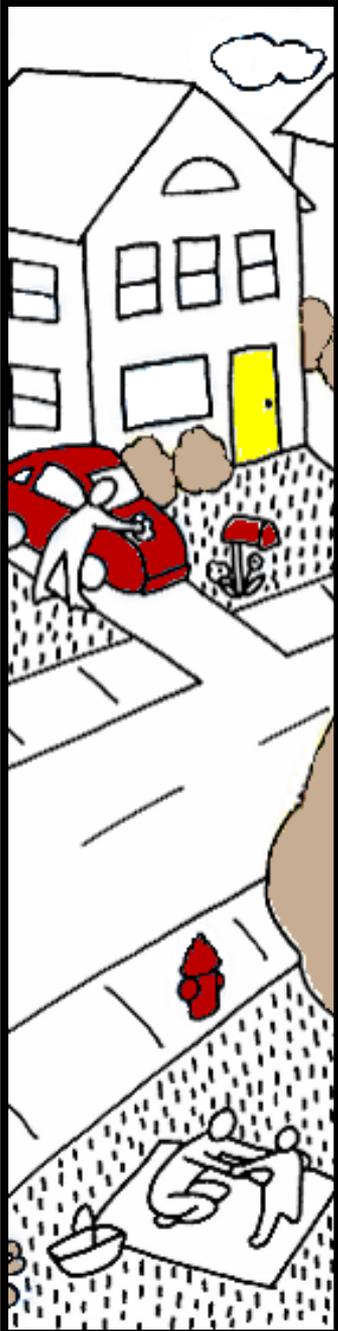
- If the income of a tenant in Low HOME Rent unit increases above 50% but remains \leq 80% of MFI:
 - Must rent the next HOME-assisted unit at Low HOME rent
 - May increase existing tenant rent to High HOME rent level at next lease renewal and when a different HOME-assisted unit is designated as Low HOME
 - Can re-designate existing units
 - ✓ Example: VLI person currently lives in High HOME unit and due to tenant income changes, project needs a low HOME unit





FIXED UNITS: OVER INCOME TENANTS

- If income of a tenant in a fixed HOME unit exceeds 80% of MFI:
 - Tenant may remain in HOME-assisted unit BUT
 - Tenant must pay rent equal to 30% of *adjusted* monthly income (if allowable under state/local law and according to their lease)
- Next available HOME-assisted unit must be rented to Low Income person (if High HOME unit needed) or very Low Income person (if need Low HOME unit)

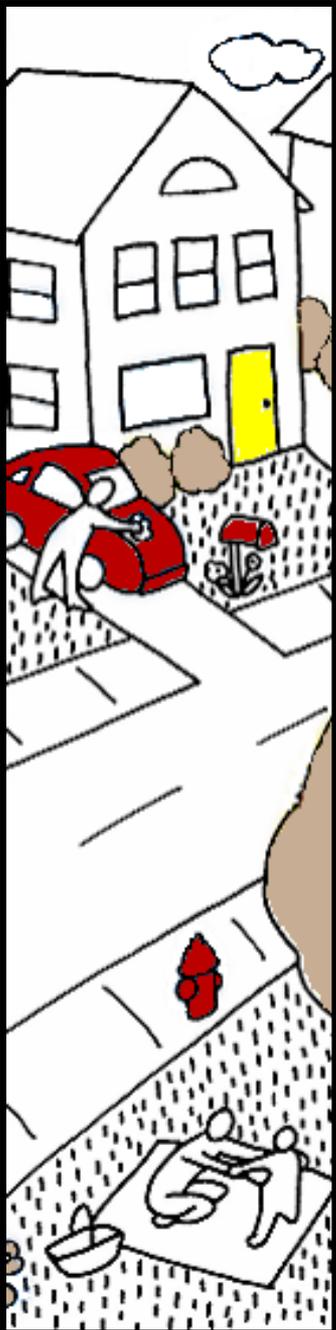


FLOATING UNITS

- Total number of HOME units remains constant but actual unit addresses change over time
- Units must be comparable
 - Amenities
 - Square footage
- Can have floating projects with multiple bedroom size mix
 - So long as all one bedrooms are comparable to each other, all two bedrooms are comparable etc

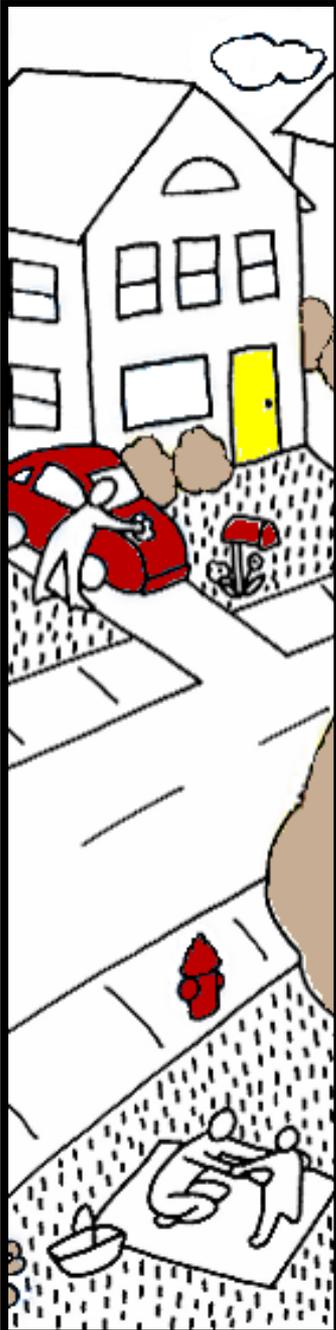
FLOATING UNITS: TENANT INCOME INCREASES

- If the income of a tenant in Low HOME Rent unit increases above 50% but remains $\leq 80\%$ of MFI:
 - Remain temporarily out of compliance until comparable unit is available
 - May increase existing tenant rent to High HOME rent level at next lease renewal and when a different unit is designated as Low HOME



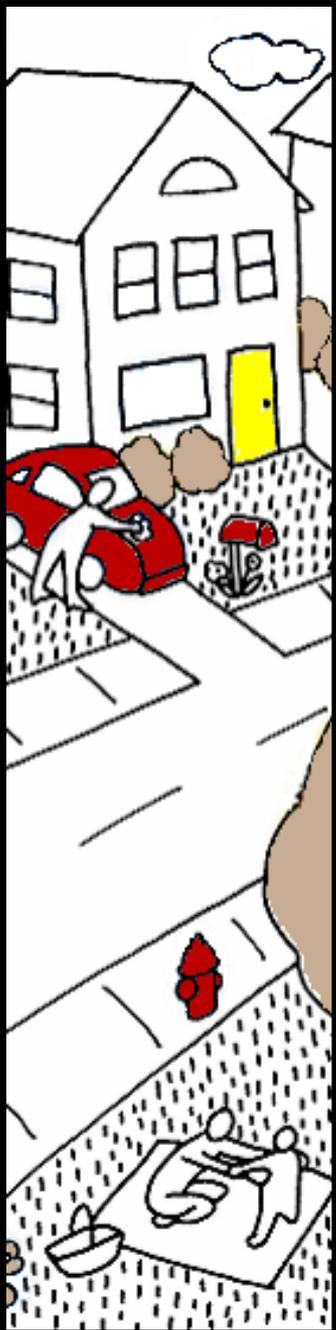
FLOATING UNITS: OVER INCOME TENANTS

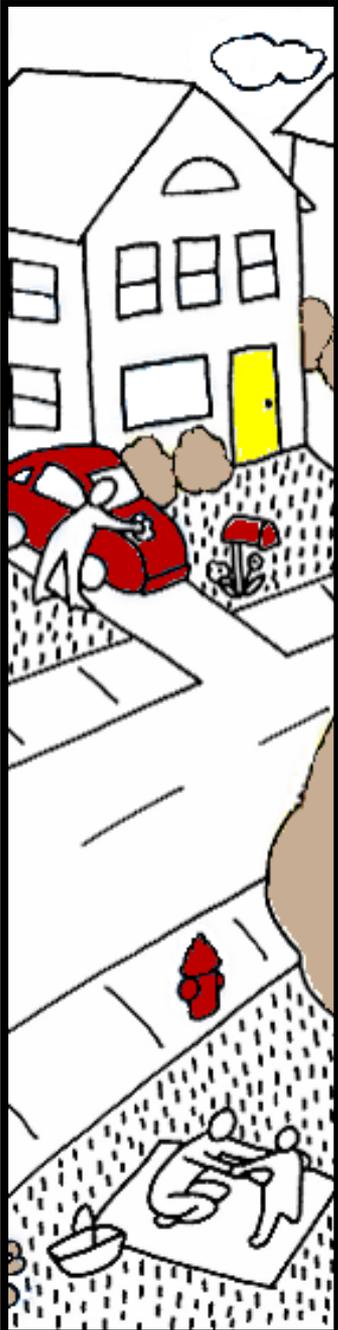
- When existing household becomes over income:
 - Can raise existing tenant rent to lesser of comparable or 30% of adjusted income
 - Unit remains temporarily out of compliance until next available, comparable, non-assisted unit is substituted
 - New unit must be equal or greater in size
 - If need Low HOME unit: substituted tenant must be VLI and rent is Low HOME
 - If need High HOME unit: substituted tenant may be up to 80% median and rent is High HOME
 - Can re-designate existing units if applicable



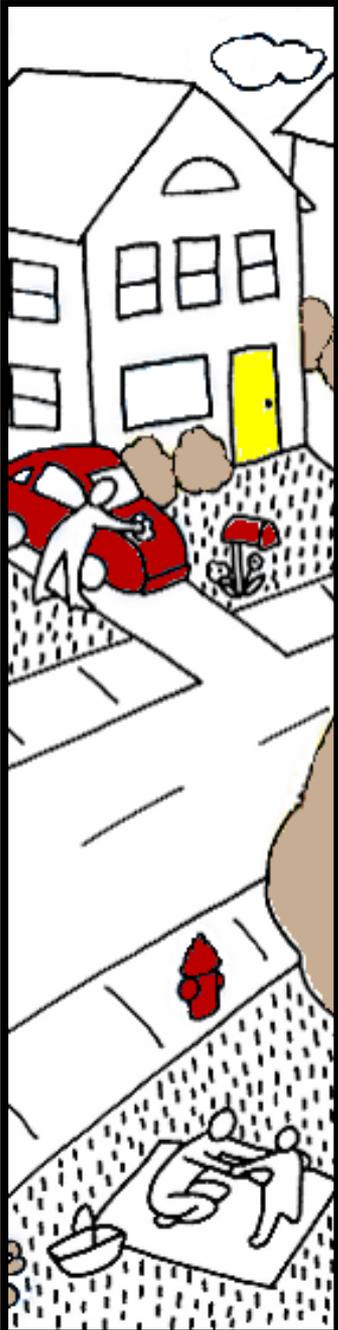
RENT AND OCCUPANCY RECORDS

- Must keep records on:
 - Income limits & eligibility of tenants
 - Income verifications
 - Income recertifications
 - Leases
 - Tracking of high and low HOME units
 - HOME rents
 - Actions in the event of an over-income tenant



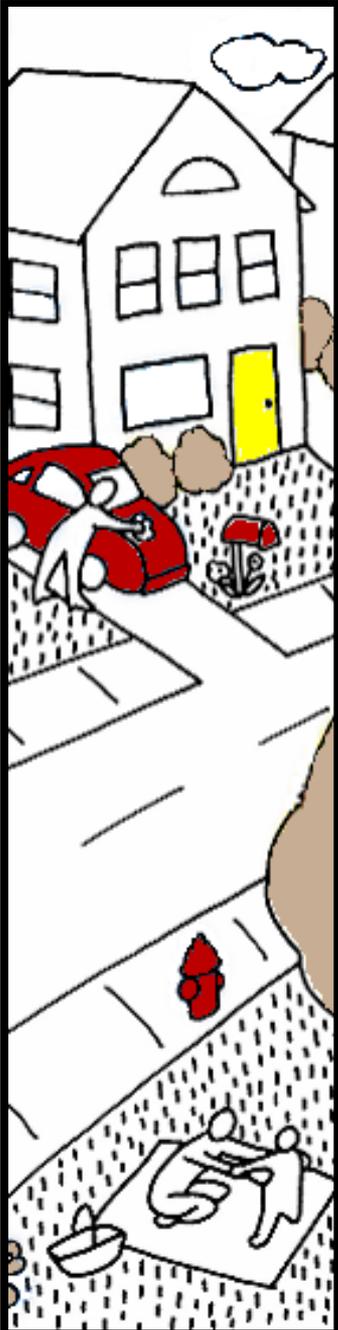


MARKETING & TENANT RELATIONS



IN THIS MODULE...

- This module will cover:
 - Fair housing
 - Affirmative marketing
 - Marketing & selection practices
 - Lease & tenant protections
 - Marketing records

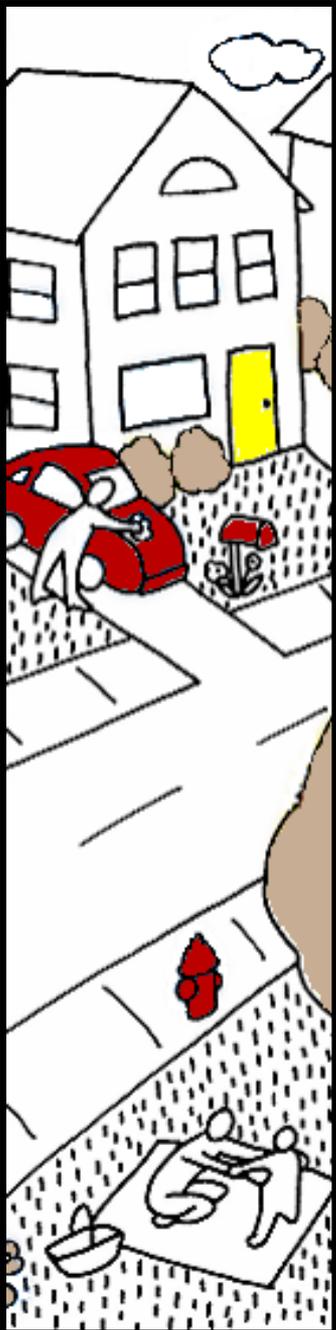


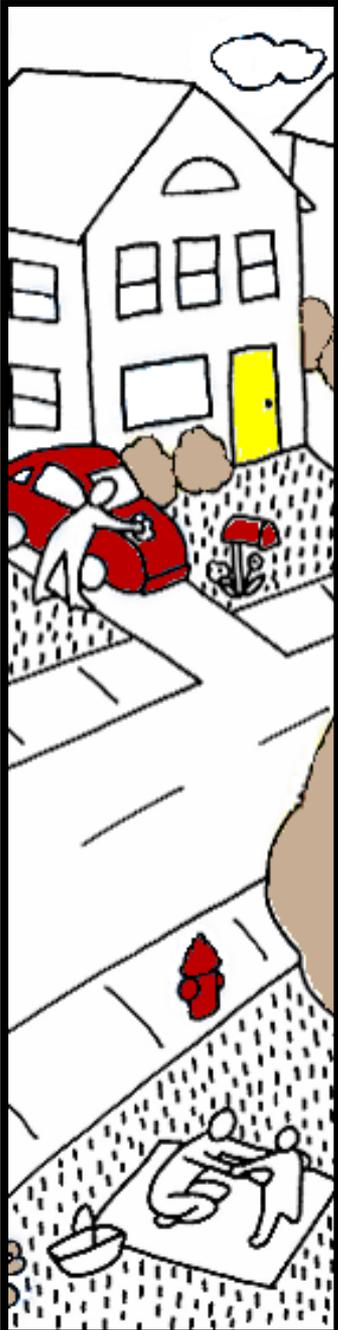
FAIR HOUSING

- Laws prohibiting discrimination
- Applicable Federal laws:
 - Title VI of the Civil Rights Act
 - Fair Housing Act
 - Section 504
 - Americans with Disabilities Act
 - Age Discrimination

DISCRIMINATORY HOUSING PRACTICES & PROHIBITED ACTIONS

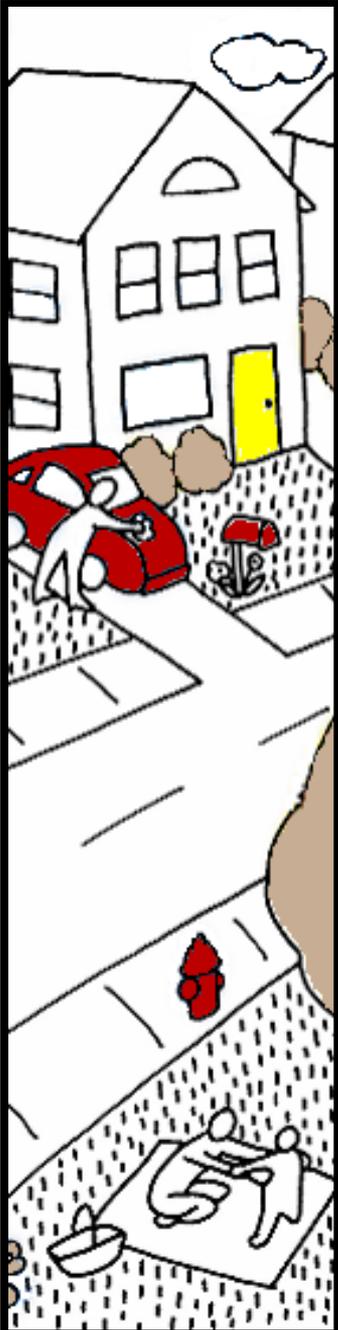
- Unlawful discriminatory practices include
 - Discrimination in the sale or rental of a dwelling
 - Discrimination in terms and use of housing
 - Discrimination in advertisements, statements and notices
 - Blockbusting practices
 - Retaliation and association





AFFIRMATIVE MARKETING

- Plan to conduct special outreach to those least likely to apply
- Required for PJ's program & all properties with 5 or more assisted HOME units
- Outreach activities/procedure to be specified by PJ
 - Tie to PJ's activities to affirmatively further fair housing
 - Will vary by property/market
 - Outcome to be reported & assessed

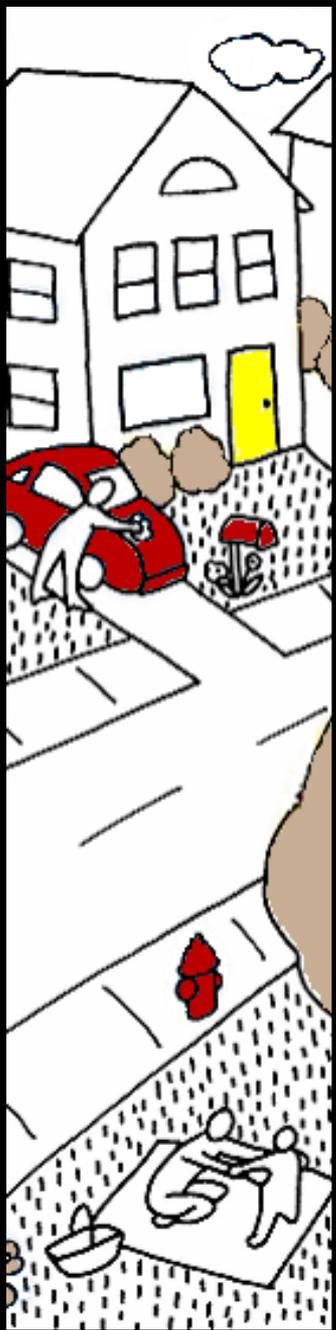


AFFIRMATIVE MARKETING (cont)

- Affirmative marketing plans can be similar but should be specified to each property
- PJ must annually assess affirmative marketing success
- May require information from owners
- If affirmative marketing not successful, PJ may take corrective actions

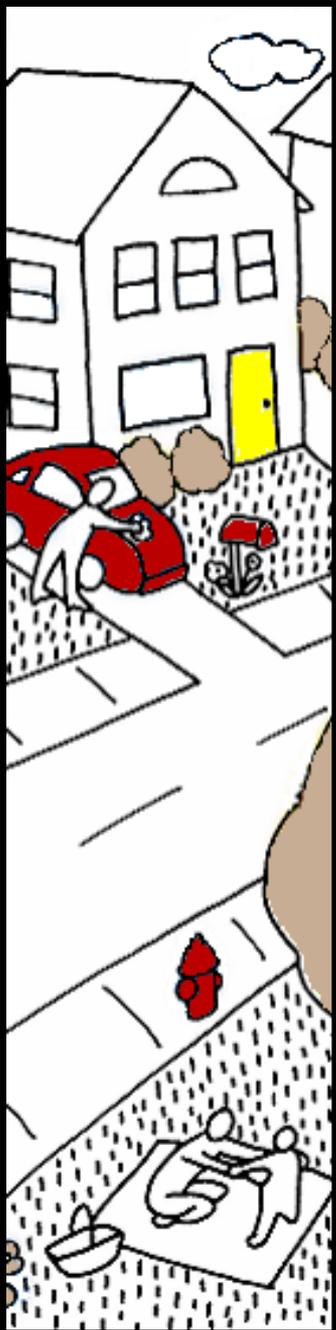
HOME REQUIREMENTS: MARKETING & TENANT SELECTION

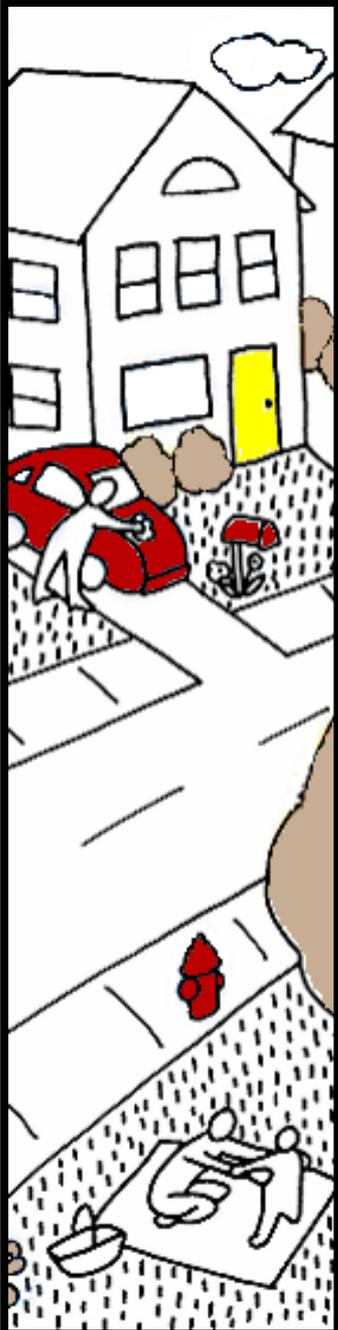
- Project procedures must address:
 - HOME unit occupancy requirements
 - Marketing plan for accessible units
 - Nondiscrimination policies & affirmative marketing procedures
 - Lease requirements
 - Filling vacant units
 - Maintaining tenant selection records
 - CHDO tenant participation plan



MARKETING ACCESSIBLE UNITS

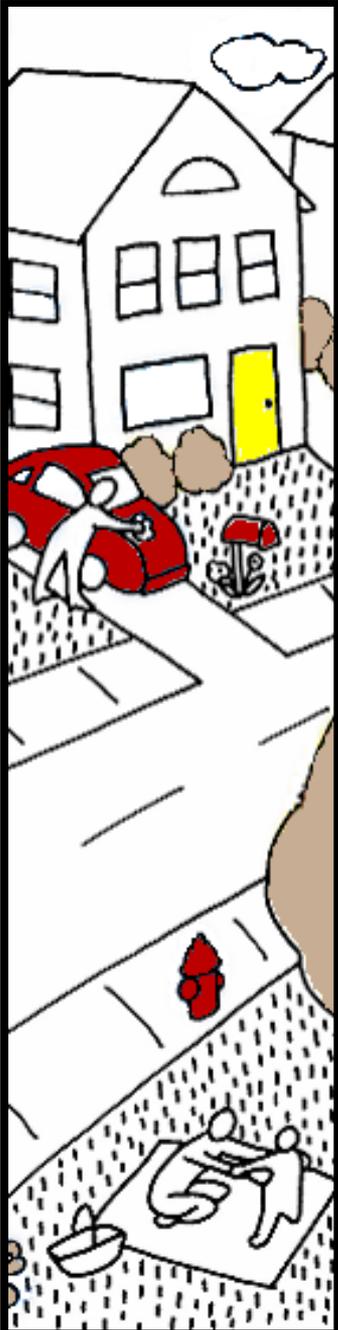
- Should be offered first to persons with disabilities who require the accessibility features
- Offering units upon availability
 - 1st to current occupant who requires accessibility features
 - Next to eligible qualified applicant on the waiting list who requires accessibility features
 - Last to non-disabled person on waiting list





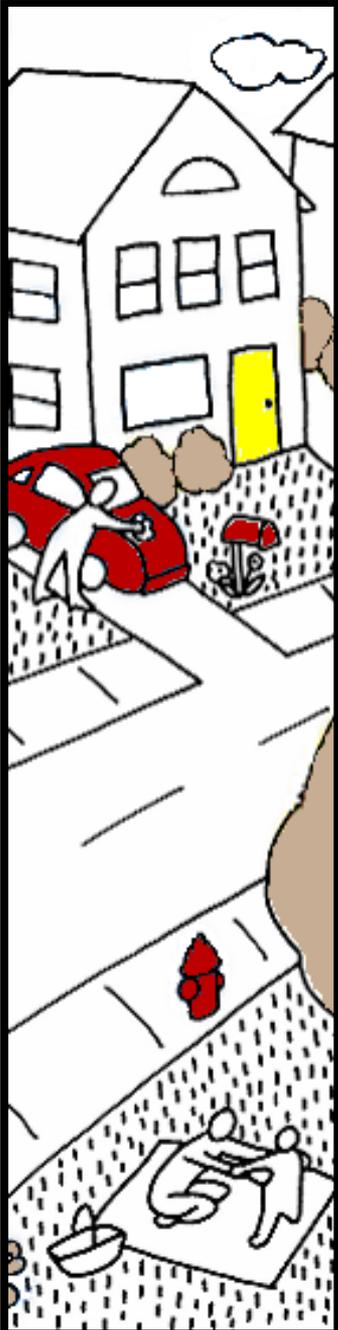
TENANT SELECTION PROCEDURES

- PJ must review and approve procedures for applications processing and screening
- Owners/managers must:
 - Identify criteria for selecting tenants
 - Provide prompt notification to rejected applicants in writing specifying grounds for rejection
 - Maintain written waiting list and select tenants in the chronological order
 - Describe HOME requirements applicable to tenants and tenant selection process



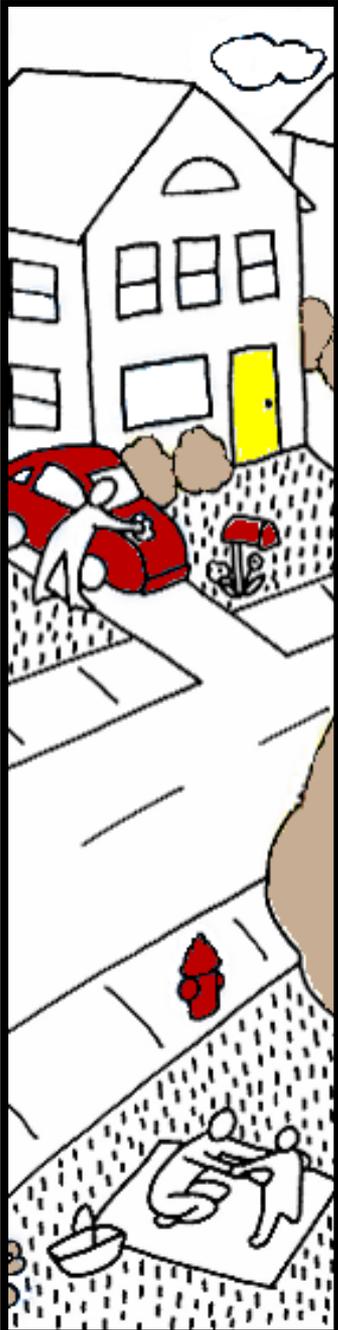
TENANT SELECTION CRITERIA (cont)

- Objective criteria must be used
- Can include
 - Household income
 - Housing history
 - Credit history
 - Lack of criminal record
- Criteria must be applied consistently



TENANT SELECTION CRITERIA (cont)

- Criteria should prohibit bias in selection process
 - Favoritism to friends or relatives
 - Conflict of interest situations
- MUST consult with DHCD prior to offering preference for persons with specific special needs
 - May result in Fair Housing issues

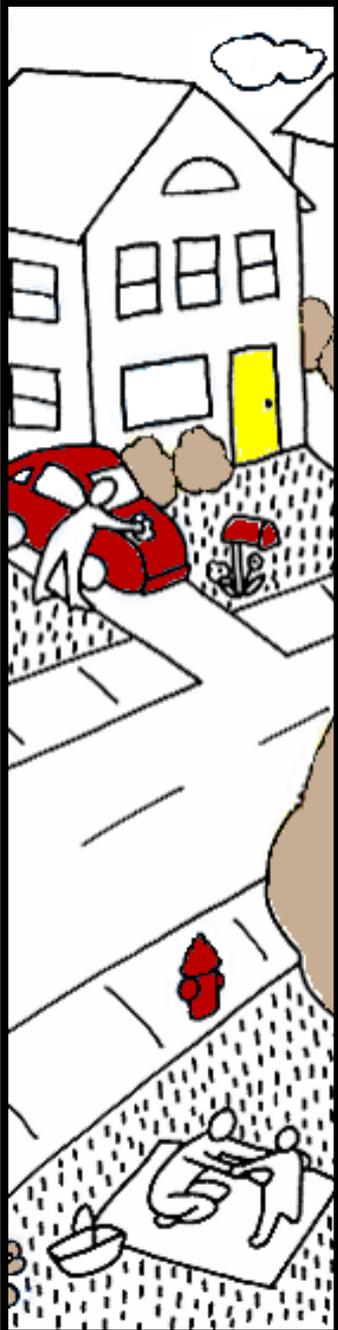


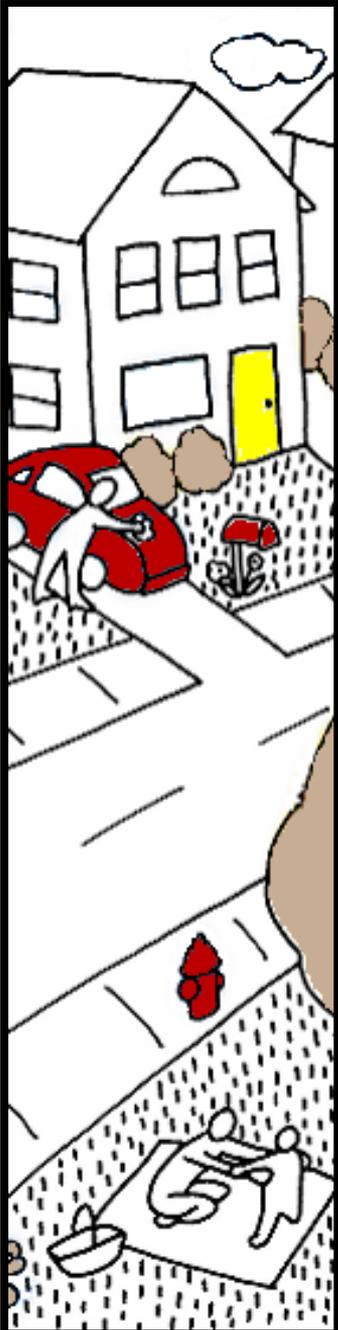
TENANT SELECTION: WAITING LIST

- Selection strategies must be fair and equitable
 - First come, first served
 - Lottery
- Written waiting list must be maintained

TENANT PROTECTION: LEASE REQUIREMENTS

- Leases are required
 - Prohibited lease clauses: see 92.253
- Term of lease
 - At least one year, unless mutual agreement for shorter period
- Must specify rent and include procedures for adjustments to rents
- Must be reviewed and approved by DHCD



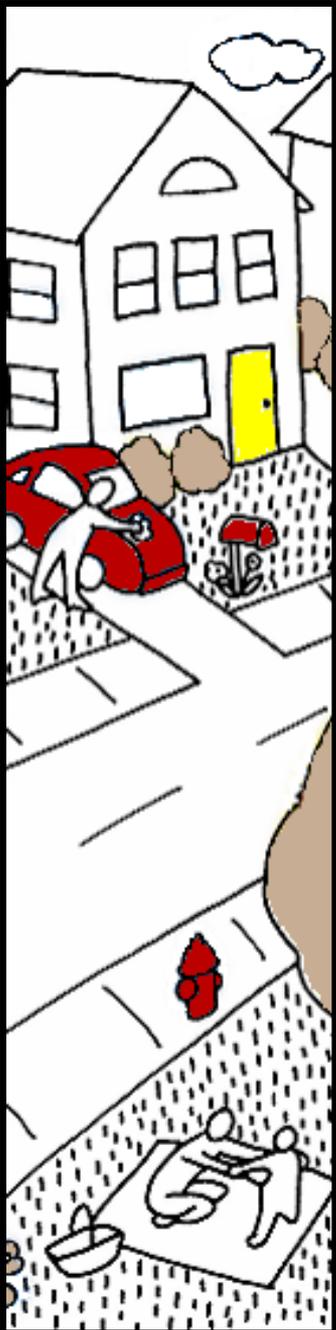


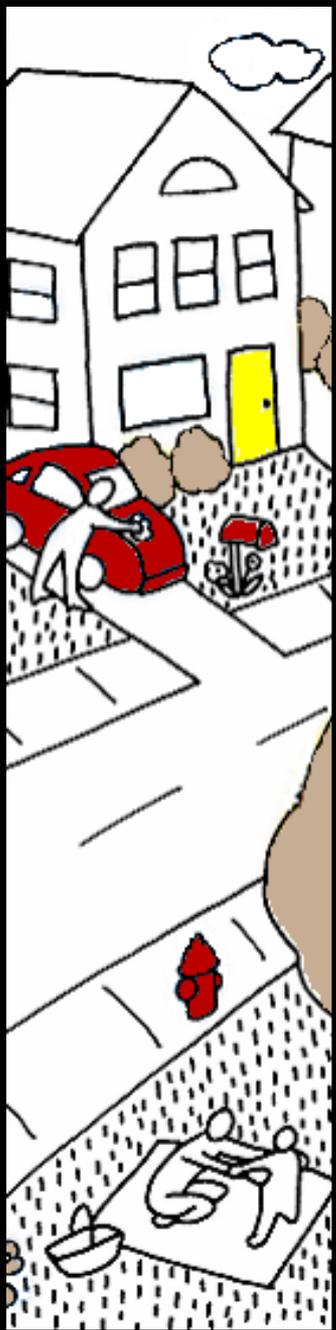
TENANT PROTECTION: TERMINATING TENANCY

- Can terminate tenancy of refuse to renew lease for good cause:
 - Serious or repeated violation of the lease terms
 - Violation of applicable Federal, state or local law
 - Other good cause
 - ✓ Good idea for lease to specify basis
 - ✓ Increase in income is not good cause

TENANT PROTECTION: TERMINATING TENANCY (cont)

- To terminate tenancy or refuse to renew, owner must:
 - Serve written notice 30 days before termination of tenancy (statutory)
 - Document justification for terminating lease and a copy of the notification to the tenant



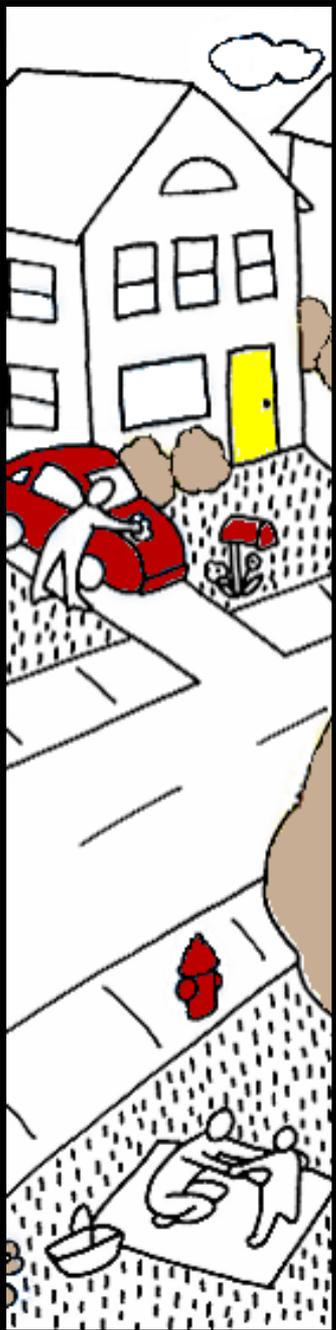


TENANT PROTECTION: DISPUTE RESOLUTION

- Written procedures required to address
 - Disputes between individual tenants or households
 - Tenant grievances against management

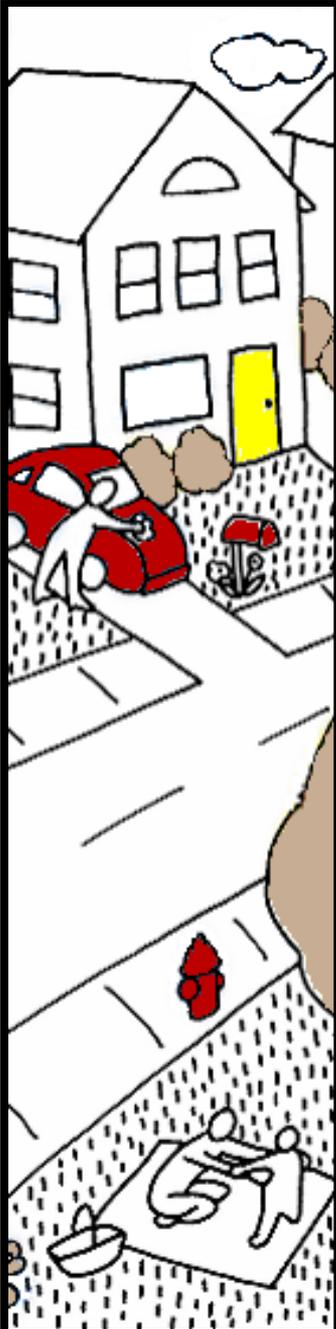
TENANT RELATIONS IN CHDO PROJECTS

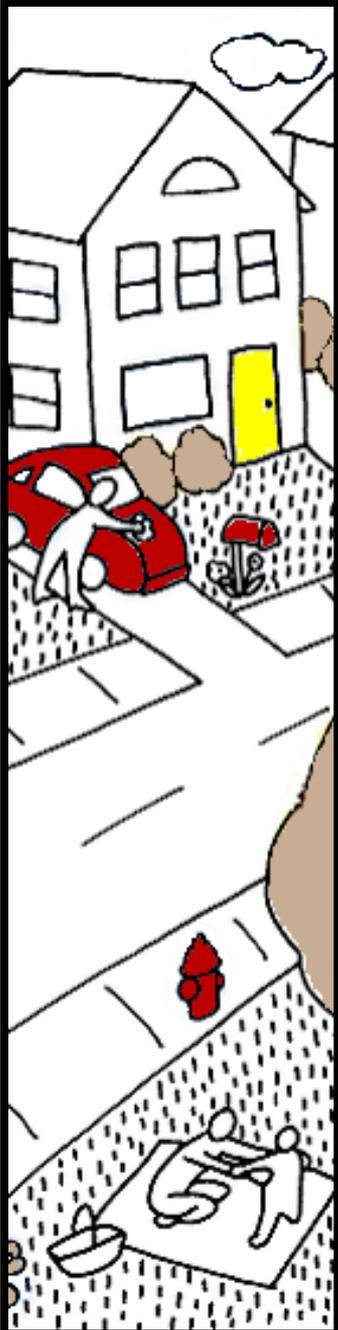
- Tenant participation required in management decisions, e.g.:
 - ✓ Tenant association/formal body to provide input on management
 - ✓ Tenant representative to liaison with management
- Lease & grievance procedure required
- Both must be reviewed and approved by DHCD



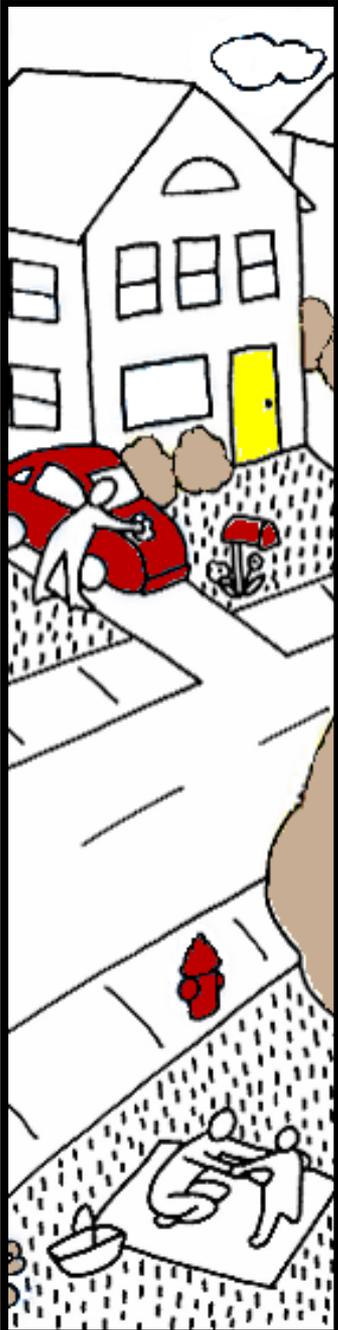
MARKETING & TENANT RELATIONS RECORDS

- Must keep records on:
 - Compliance with affirmative marketing plan
 - Tenant selection procedures
 - Waiting list
 - Lease





UNIT QUALITY & INSPECTIONS

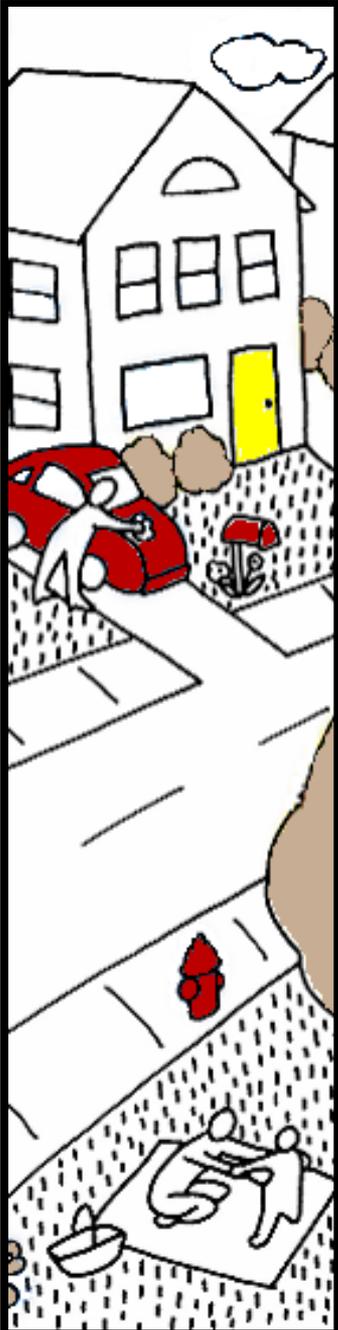


IN THIS MODULE...

- This module will cover:
 - HOME property standards
 - Inspection requirements

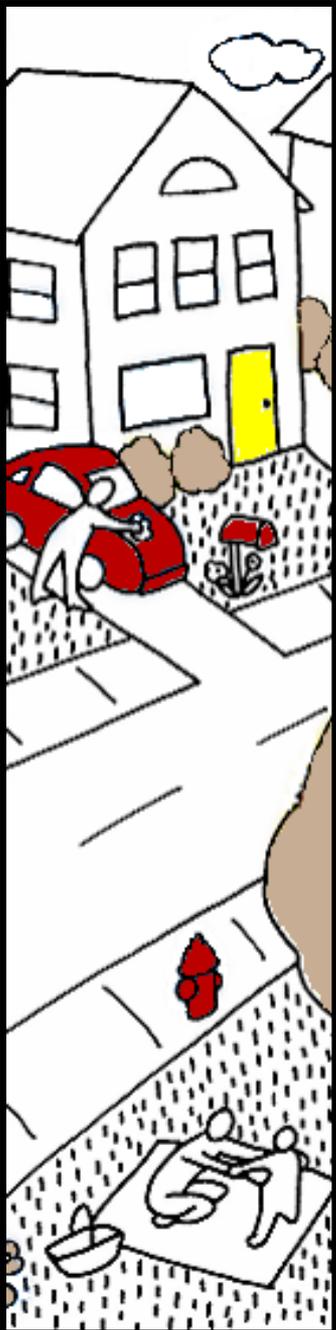
TIMING OF HOUSING CODES & STANDARDS

- Newly rehabbed, constructed, acquired units must meet applicable codes at project completion
- Must meet housing property standards throughout affordability period



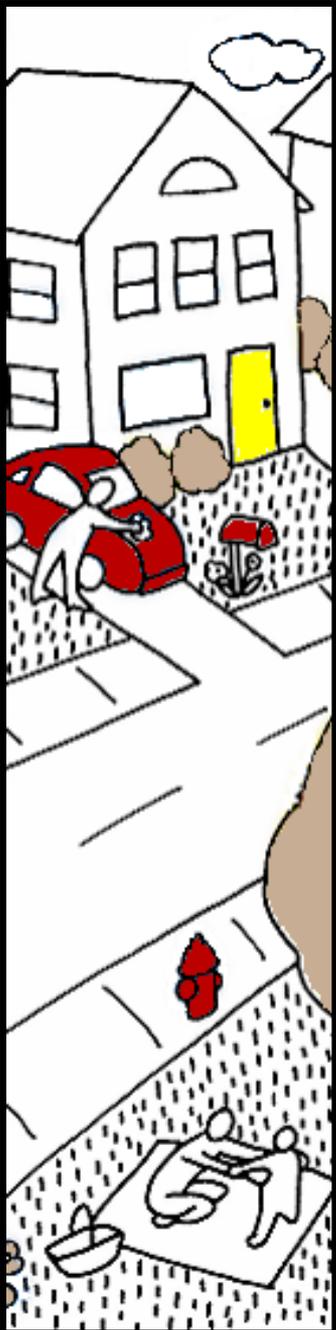
HOUSING PROPERTY STANDARDS

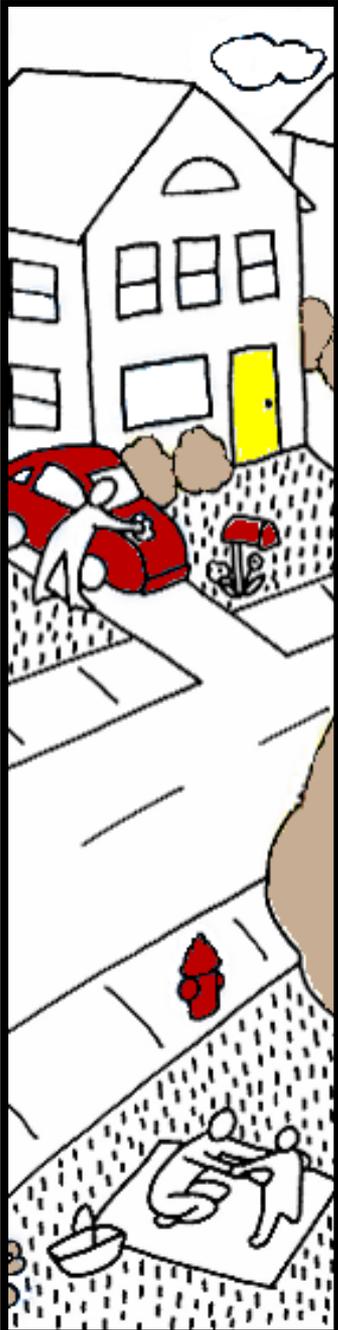
- Set conditions for unit health and safety
- Serve as basis of inspection of existing properties
- Are the minimum standard for on-going rental habitation (not construction)
 - HUD Section 8 HQS
 - Model residential property standards
 - Must include on-going LBP maintenance
- DHCD may adopt more stringent standards



HOUSING PROPERTY STANDARDS (cont)

- For pre-1978 structures:
 - Must notify prospective tenants of LBP presence & LBP hazards
 - Also must give LBP pamphlet
 - On-going basis, maintain units through:
 - ✓ Visual assessment
 - ✓ Lead hazard reduction
 - ✓ Clearance
 - ✓ Notification of tenants if work done
 - ✓ Keep records



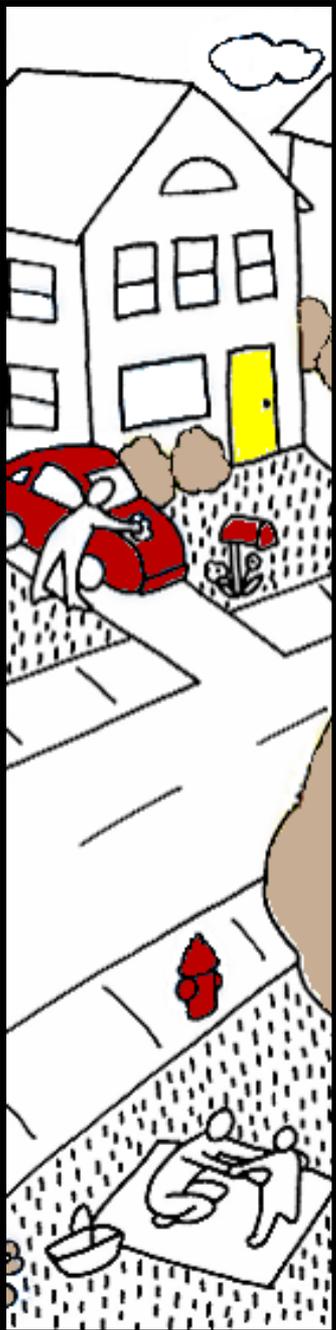


NON-COMPLIANT PROPERTIES

- Owner must correct deficiencies
 - May include requiring specific repairs
 - After first year, DHCD cannot pay for these repairs with HOME \$\$\$ during affordability period
- If property not brought up to standard DHCD must enforce agreement with owner
 - May involve legal action

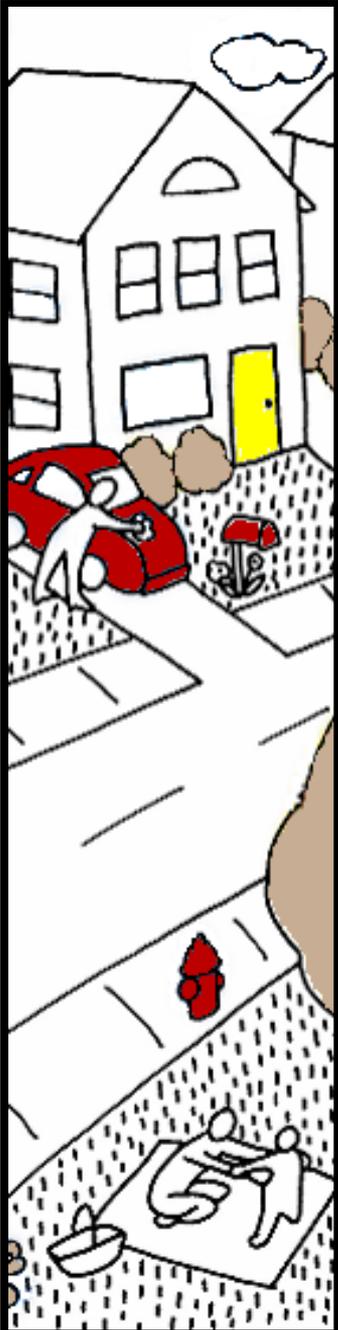
REQUIRED MONITORING & INSPECTIONS

- DHCD will verify compliance with HOME requirements each year
 - Conduct review of management procedures and documents
 - Desk review of property condition would include review of maintenance records, such as work orders and tenant complaints



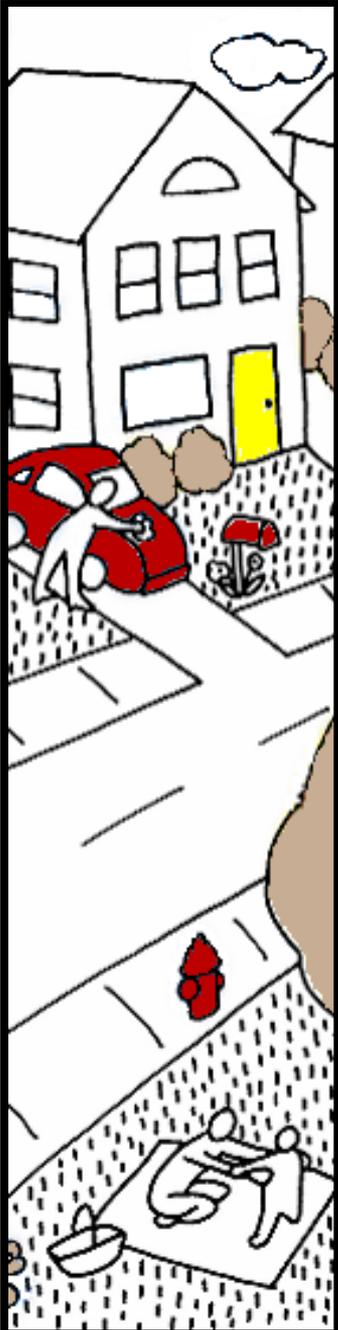
MONITORING & INSPECTIONS (cont)

- DHCD On-site property inspections are required:
 - Every 3 years for projects with 1-4 units
 - Every 2 years for projects with 5-25 units
 - Each year for projects with 26 or more units
- May do random sample of units in large HOME-assisted projects
- DHCD will do physical inspection of unit AND review of file documentation



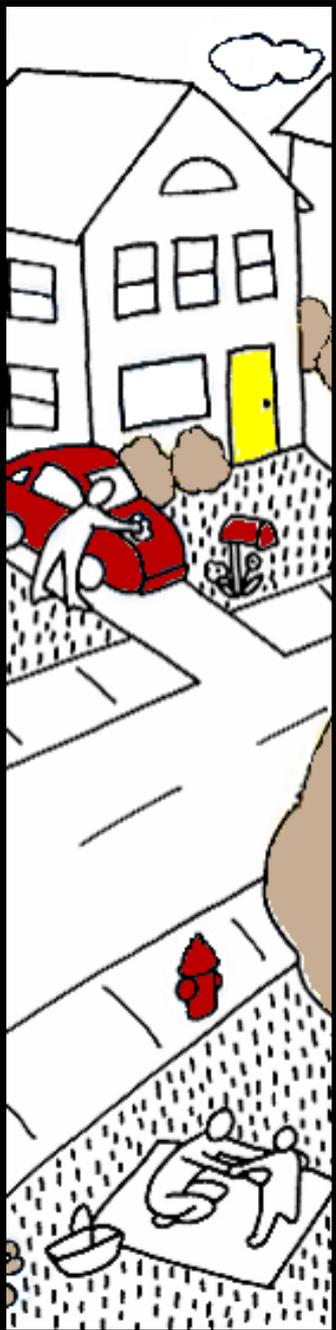
MONITORING & INSPECTIONS (cont)

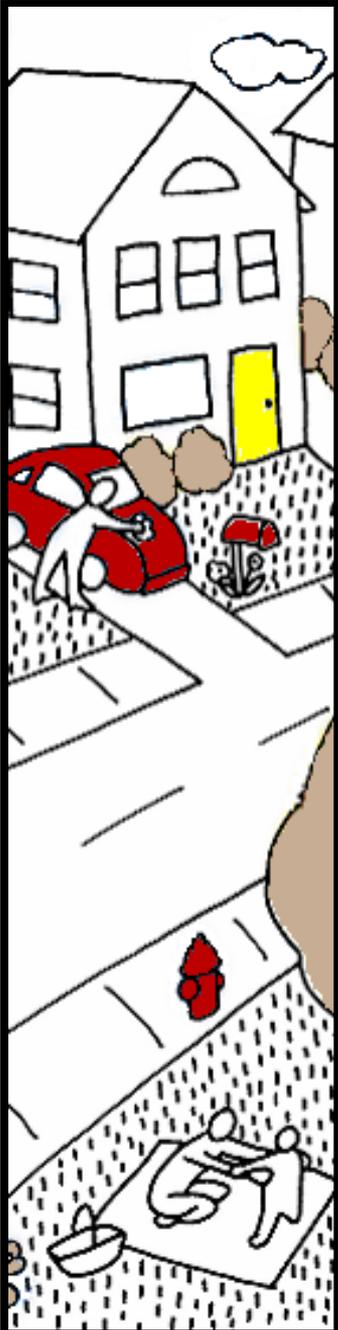
- DHCD will Inform owner of compliance issues in writing and in person
- DHCD will keep records of actions taken



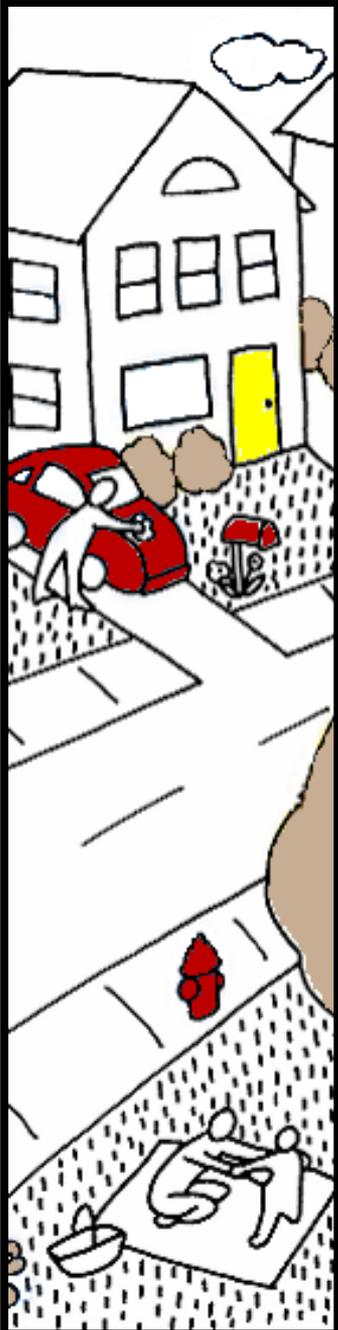
UNIT QUALITY RECORDS

- Keep records on:
 - Inspections
 - Property management plan and reports
 - Capital needs plans
 - LBP compliance





HOME & LIHTC

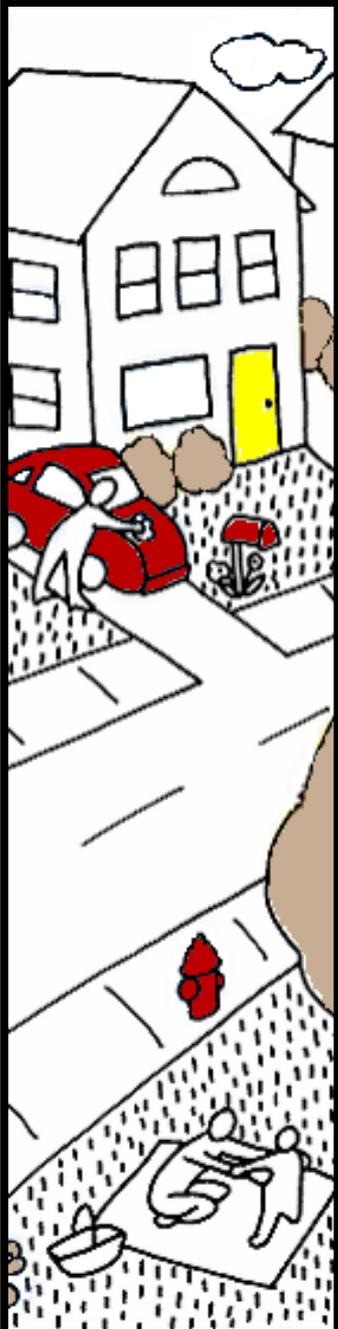


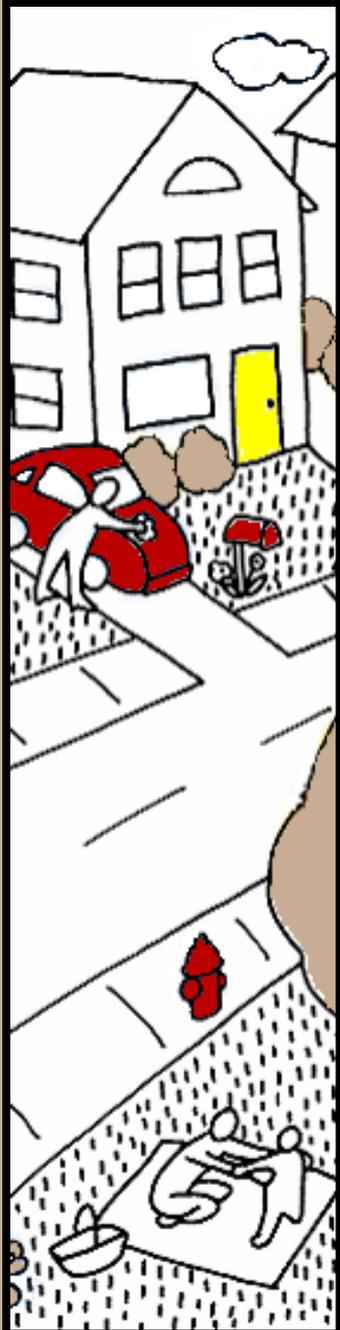
IN THIS MODULE...

- This module will cover:
 - HOME compliance when there are multiple financing sources
 - Combining HOME & LIHTC
 - Coordinating state and local compliance reviews

HOME + OTHER FUNDS

- Many projects have more than one public subsidy
- If HOME combined with other funds, need to comply with both HOME & other program requirements
- Usually following most restrictive rule will work for both
 - Unless rules conflict
- Example: HOME & Tax Credits (LIHTC)



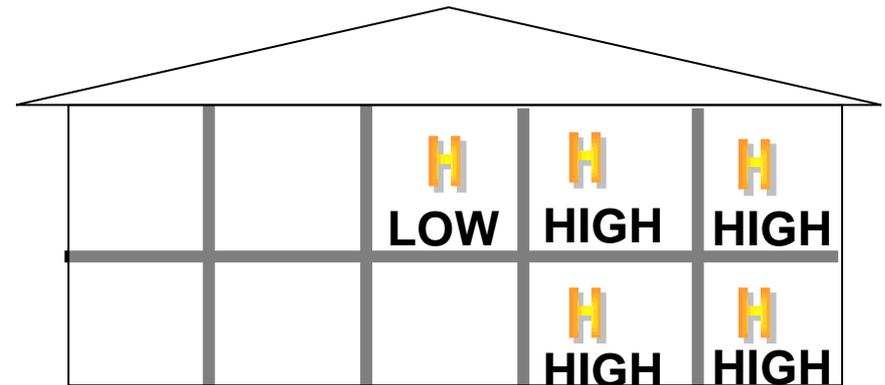
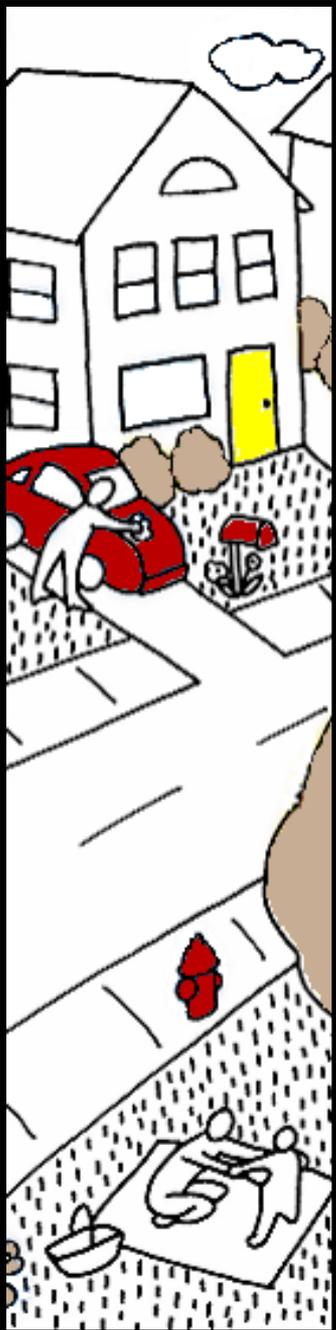


COMBINING HOME & LIHTC: UNIT MIX

- Must meet occupancy rules for both programs
- HOME assisted units based on cost allocation and Low HOME set-aside
- LIHTC thresholds:
 - 20% units at 50% median OR
 - 40% units at 60%
 - Most common: 100% at 60% AMI
- When LIHTC with HOME at below market and 9% credit:
 - 40% units at 50% median

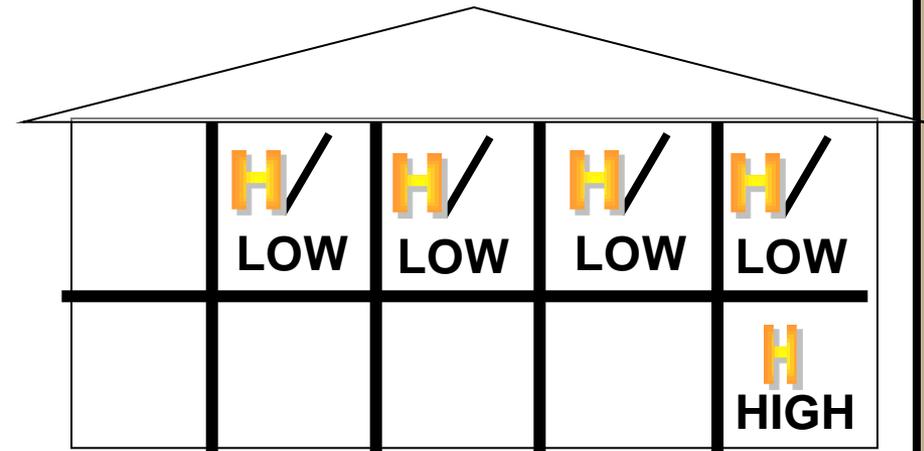
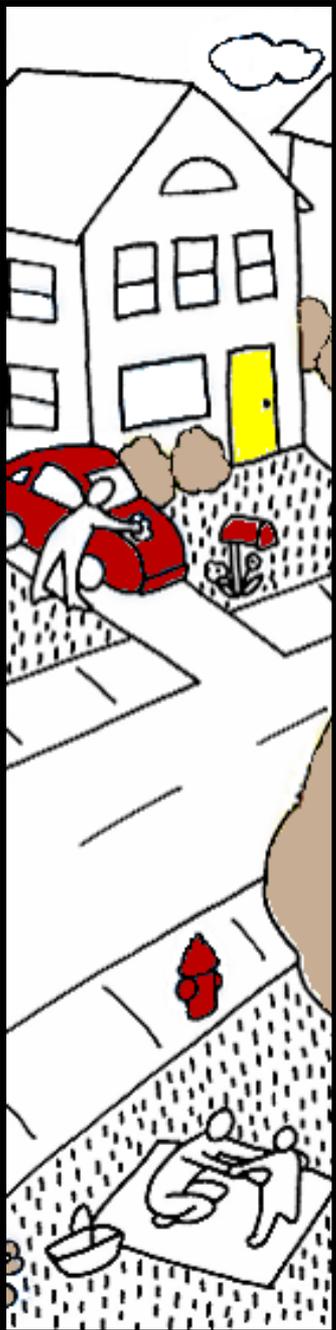
COMBINING HOME & LIHTC: UNIT MIX (cont)

- If not all units are LIHTC, might be units that are HOME only
- These HOME units only need to follow HOME rules



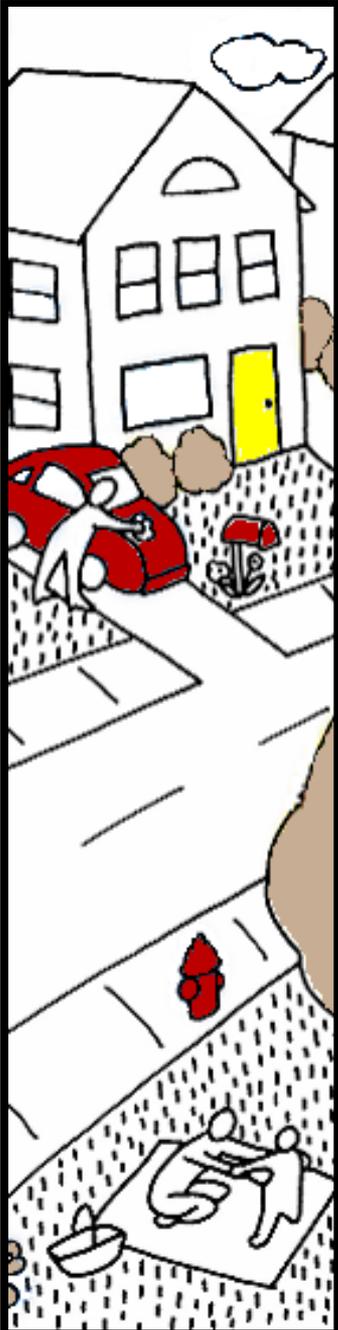
COMBINING HOME & LIHTC: UNIT MIX (cont)

- Or units might be HOME & LIHTC
- Those units have to follow both sets of rules



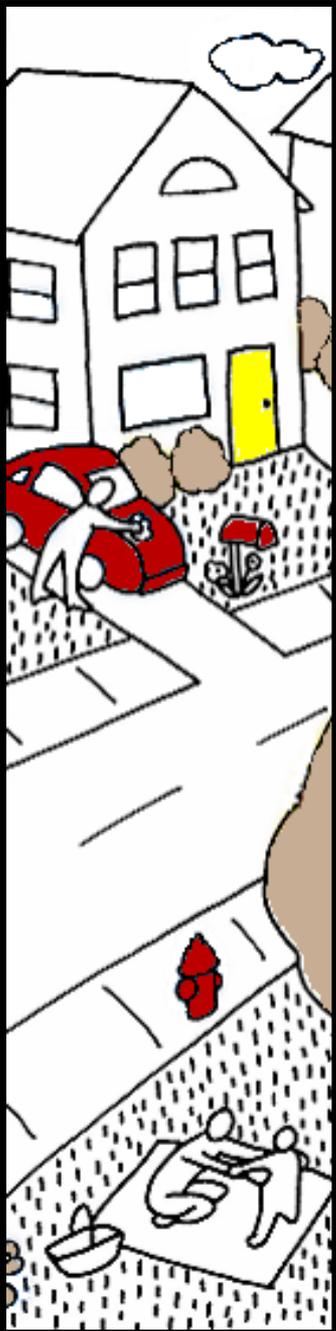
COMBINING HOME & LIHTC: AFFORDABILITY PERIOD

- HOME affordability period is based on activity type & investment
 - 5 to 20 years depending on activity
- LIHTC compliance period determined by State
 - 30 years with option for investors to be bought out after 15 years
 - States may impose longer period
- Comply with HOME rules for affordability period and LIHTC rules for Tax Credit compliance period



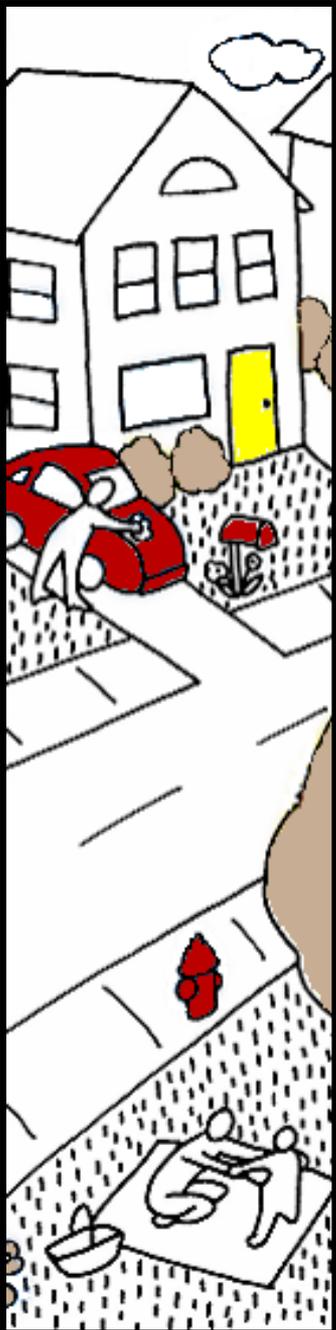
COMBINING HOME & LIHTC: INCOME DEFINITION

- LIHTC rules
 - Uses Section 8 definition of annual (gross) income
 - Allows for tenant certification of assets when \leq \$5000
- Use Section 8 income on all units (HOME & LIHTC)
- HOME's more stringent rules on asset income apply to HOME assisted units -- all asset income must be verified



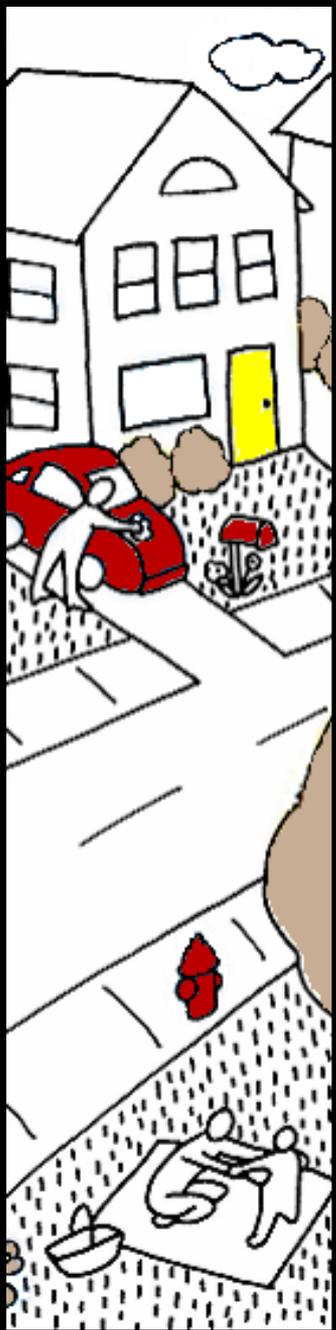
COMBINING HOME & LIHTC: RE-EXAMINATION OF INCOME

- LIHTC rule
 - Annual re-examinations
 - Documentation from third party source required
 - All sources verified
- HOME allows self certification for re-exam of income but requires 3rd party documentation every 6th year of afford period
- (Owner may request waiver to match HOME rules for re-examination)



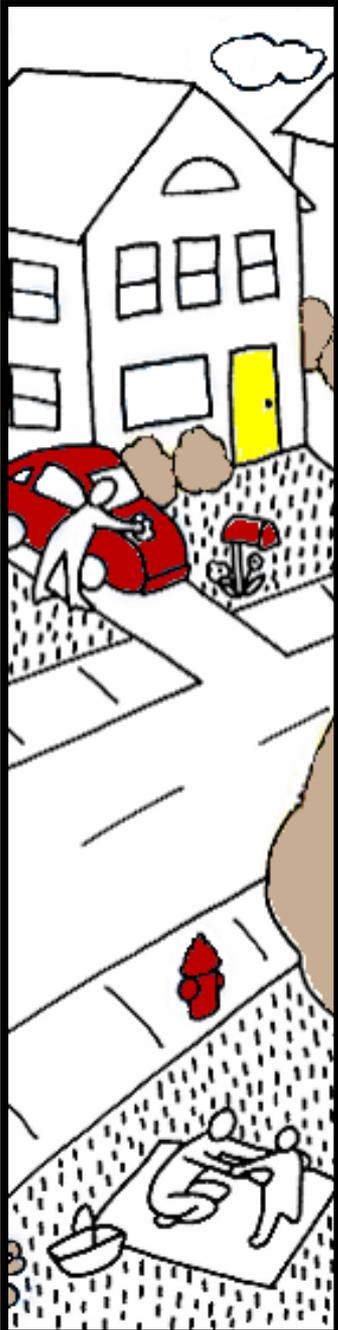
COMBINING LIHTC & HOME: RENTS

- LIHTC limits tenant contribution -- HOME limits total contract rent
- Cannot exceed either program limits, so:
 - Low HOME rent limit is capped at lesser of Low HOME rent limit or LIHTC rent limit
 - High HOME rent limit is capped at lesser of High HOME rent limit or LIHTC rent limit
- Note: in some markets, HOME & LIHTC rents exceed market – unwise to charge rents at max levels



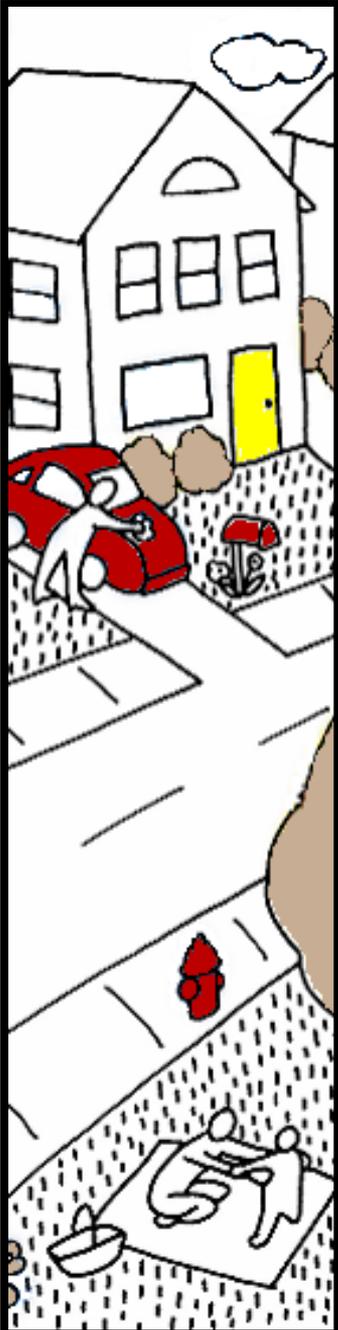
COMBINING LIHTC & HOME: RENT CHANGES

- HOME & LIHTC rents change over time
 - Combined units must comply with both rules
- Rents may go up or down
 - HOME units not required to go lower than initial rents
 - LIHTC does not provide similar protections
- LIHTC rents based on income not FMR – less likely to go down



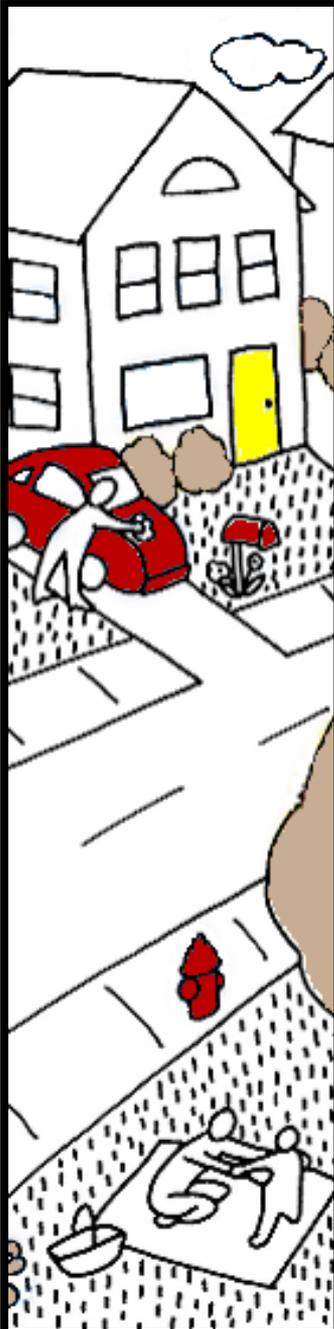
COMBINING LIHTC & HOME: UTILITIES

- Both programs require utilities be deducted from maximum rent limit to determine maximum contract rent
- LIHTC may use different schedule than HOME
- PJ may adopt LIHTC utility schedule
 - If yes, deduct LIHTC schedule from all units
 - If no, deduct each program's schedule from its units



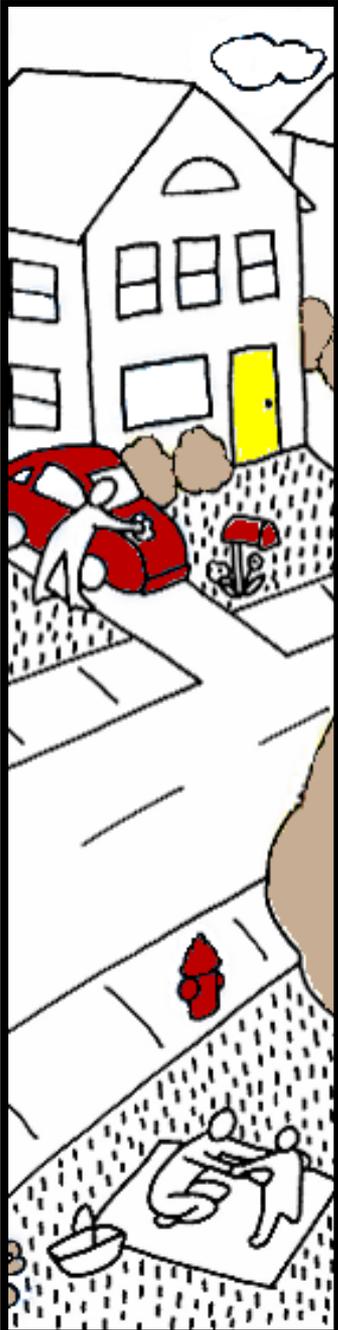
COMBINING LIHTC & HOME: OVER-INCOME TENANTS

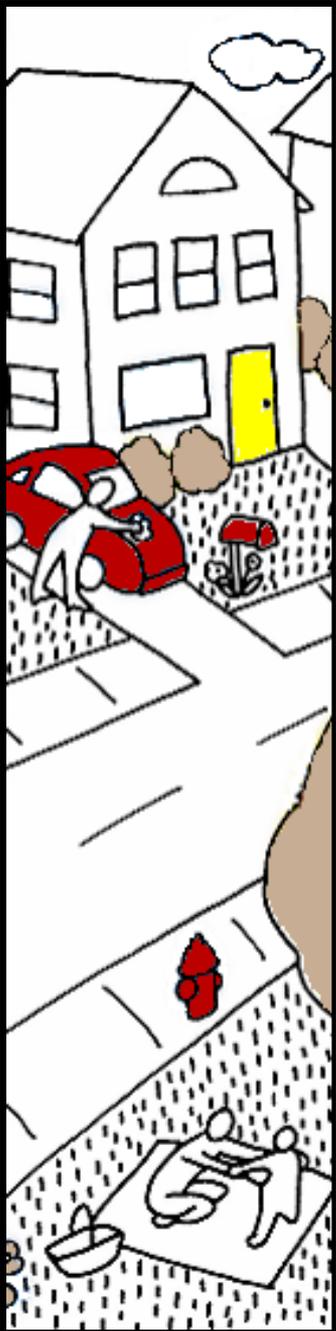
- LIHTC rule: rent for over-income tenant remains restricted
 - “Over-income” defined as above 140% of income limit
 - May increase rent only after unit is replaced with another low-income unit in the project
 - Priority to maintain portion of low-income units above the minimum
- HOME defers to LIHTC schedule for increasing rents for over income



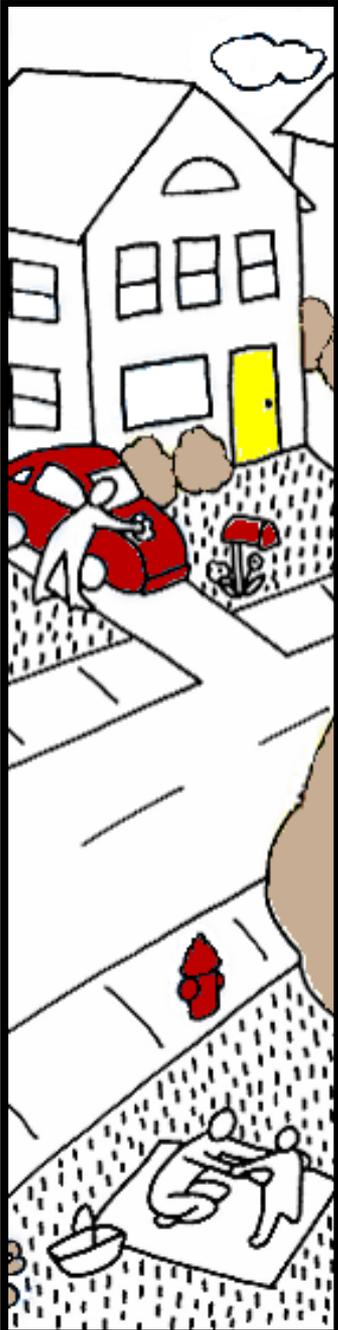
COMBINING LIHTC & HOME: MONITORING SCHEDULE

- LIHTC rule:
 - Projects are monitored annually throughout the affordability period
 - On-site inspections are required at least every 3 years for at least 20% of units using UPCS (HUD Uniform Property Condition Standards)
- HOME is based on 1-3 year schedule & sufficient sample of units
- PJ should monitor each program according to its requirements





PROJECT MONITORING & OVERSIGHT

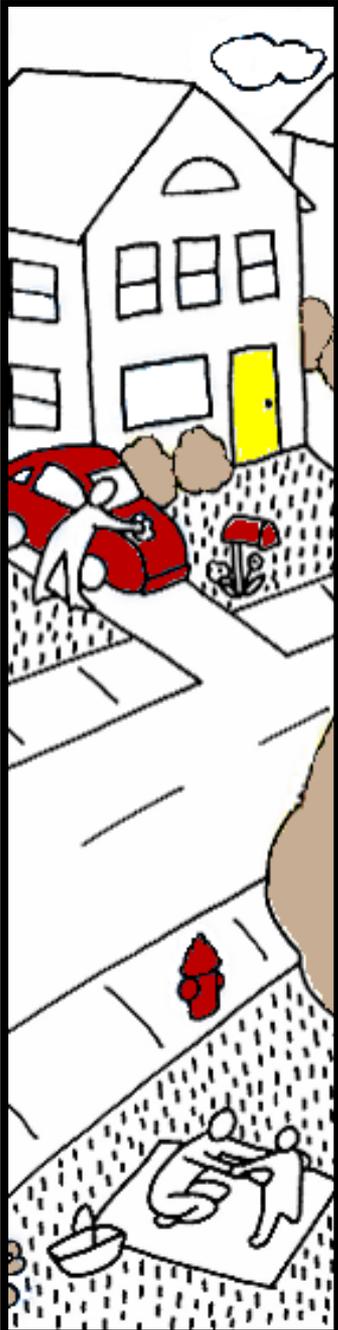


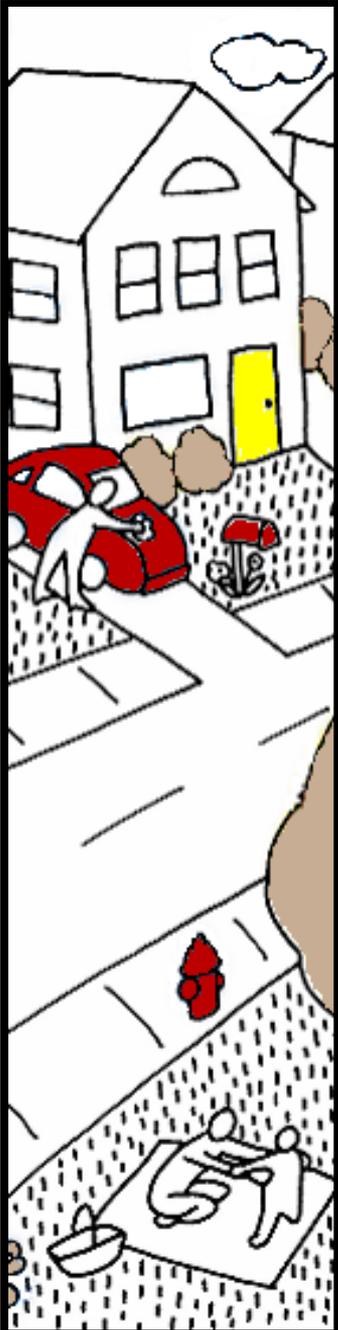
IN THIS MODULE...

- This module will cover:
 - Monitoring approach
 - Reports
 - Red flags
 - Records
 - Dealing with non-compliance

WHEN IS MONITORING PERFORMED BY DHCD?

- Phase 1: Initial review of eligibility
- Phase 2: Review during development
- Phase 3: Review for long term compliance



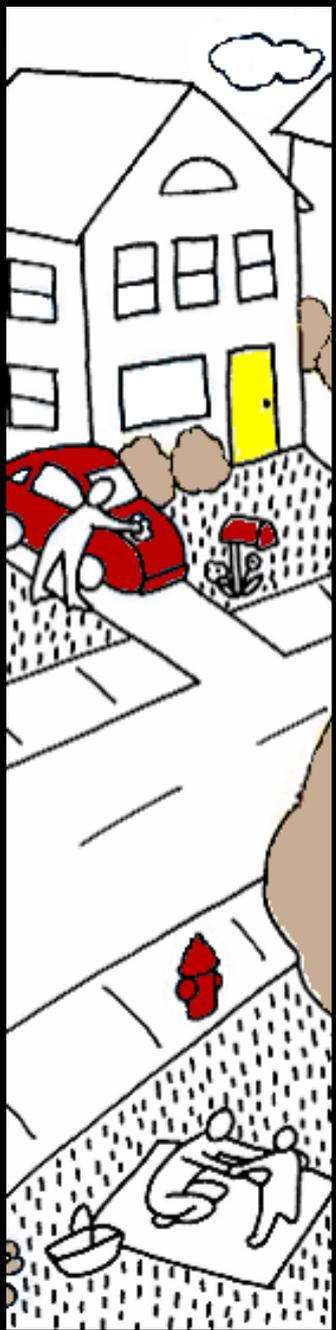


FREQUENCY OF MONITORING BY DHCD

- Frequency based on:
 - Staff resources
 - Size and location of property
 - Physical condition
 - Administrative and financial condition
 - Property manager's records
- At a minimum:
 - Desk review annually
 - On-site according to HOME rule

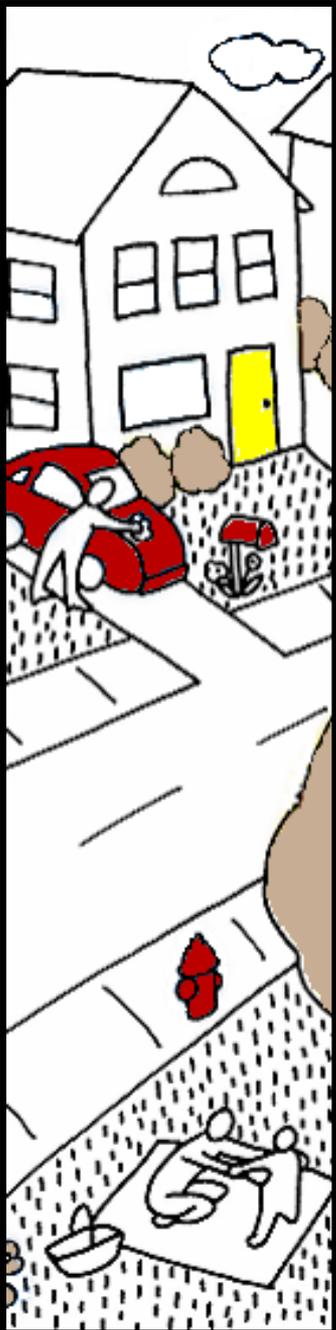
ANNUAL REPORT TO PJ

- HOME requires annual rent and occupancy report to DHCD from owner
- May include non-financial, financial, and narrative information
 - Non-financial information relates to occupancy and property quality
 - Financial information relates to property's income, expenses, cash flow
 - Narrative information typically covers property management issues



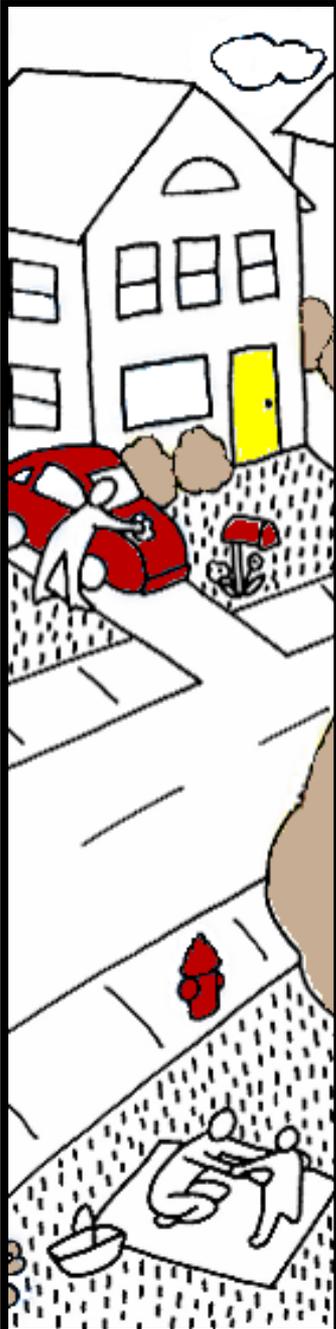
ANNUAL REPORT CONTENT: OCCUPANCY

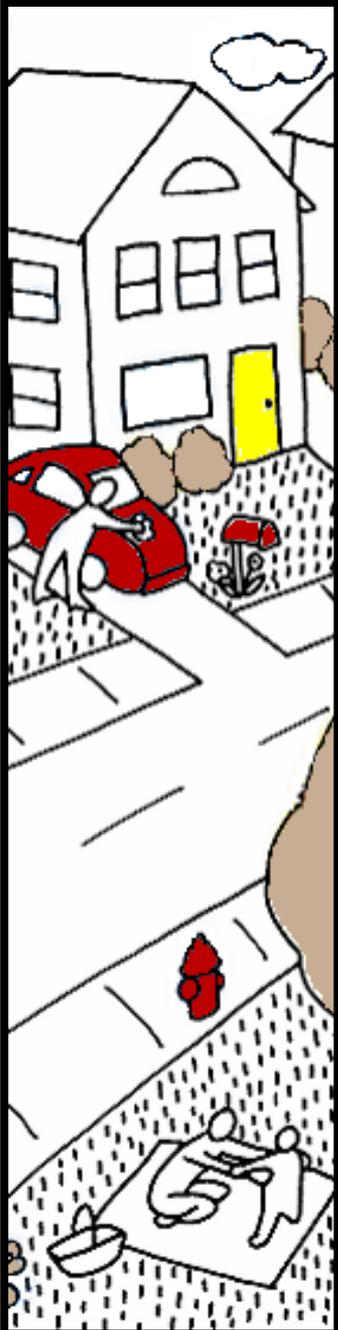
- Annual reports may cover:
 - HOME assisted unit addresses
 - High and Low HOME units
 - Fixed or floating units
 - Tenant names
 - Tenant income
 - Number of people in unit
 - Number of bedrooms in unit



ANNUAL REPORT CONTENT: OCCUPANCY (cont)

- Annual reports may also cover:
 - Date of last 3rd party or source document income verification
 - Date of last re-certification
 - Rent charged
 - Whether tenant pays utilities & utility allowance
 - Whether the unit complies with property standards





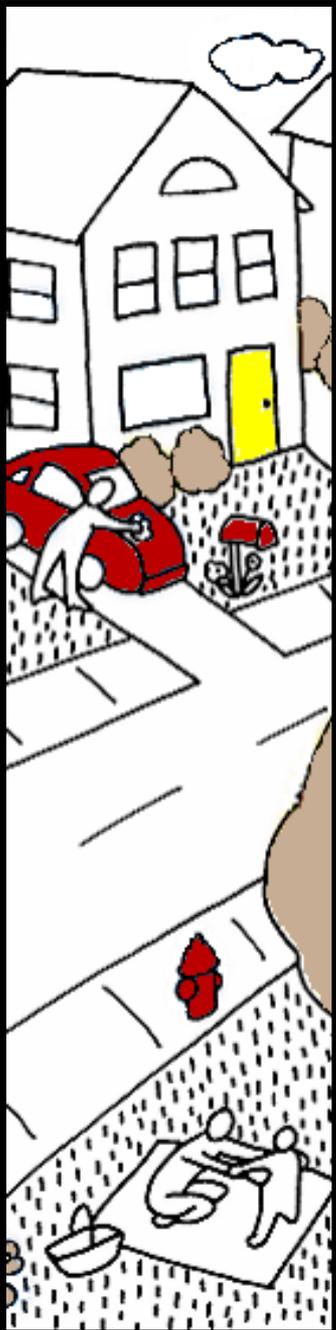
ANNUAL REPORT CONTENT: FINANCIAL

- Recommend PJ also obtain financial report from owner or property manager on:
 - Profit and loss statement
 - Budget comparison
 - Schedule of major disbursements
 - Accounts payable listing
 - Aged tenant accounts receivable listing

ANNUAL REPORT

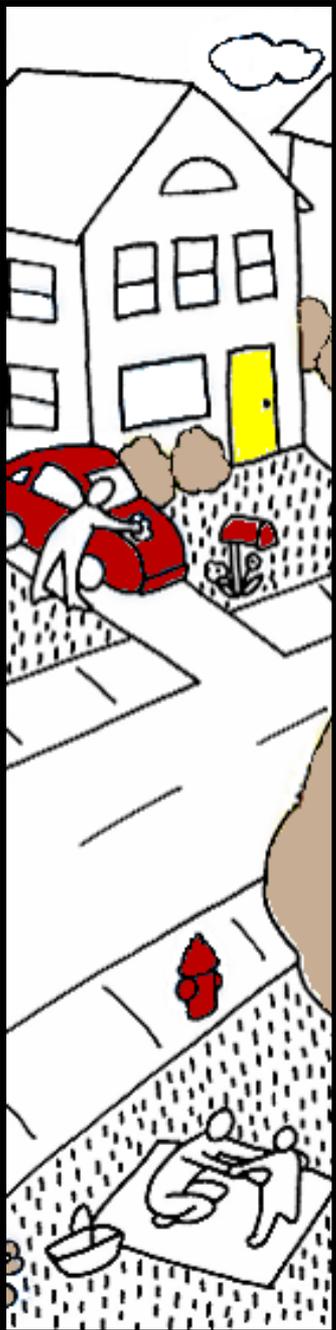
CONTENT: FINANCIAL (cont)

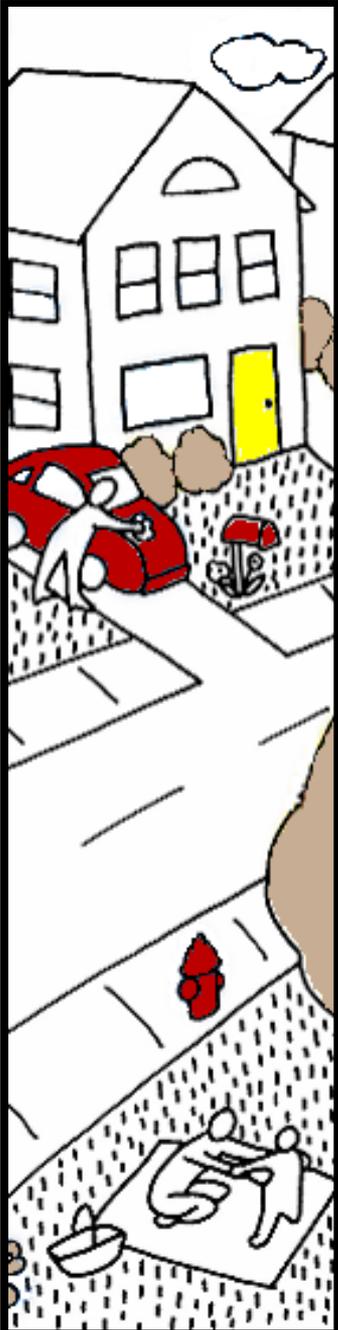
- PJ may also request financial reports on:
 - Balance sheet
 - Annual audit
 - Number of and reasons for vacancies
 - Units off line
 - Balance in reserve for replacement



ANNUAL REPORT CONTENT: PROPERTY MANAGEMENT

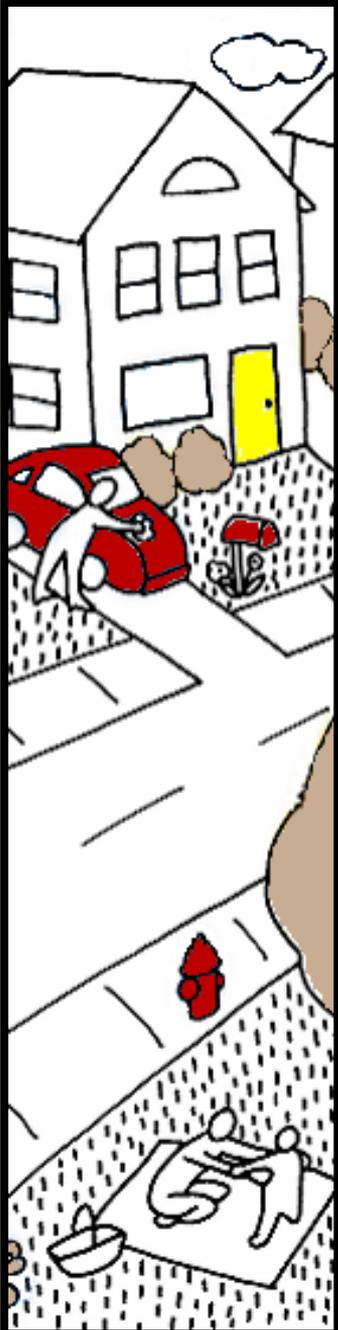
- PJ may request a narrative from the property owner or manager on:
 - Pending capital improvements
 - Status/turn-over in property management staff
 - Significant issues that the property is facing, such as:
 - ✓ Crime
 - ✓ High unit turn-over
 - ✓ High vacancy





RED FLAGS

- Red flags = warning signs that a property is becoming troubled
- Types of red flags:
 - Financial
 - Property standards
 - Crime
 - Complaints

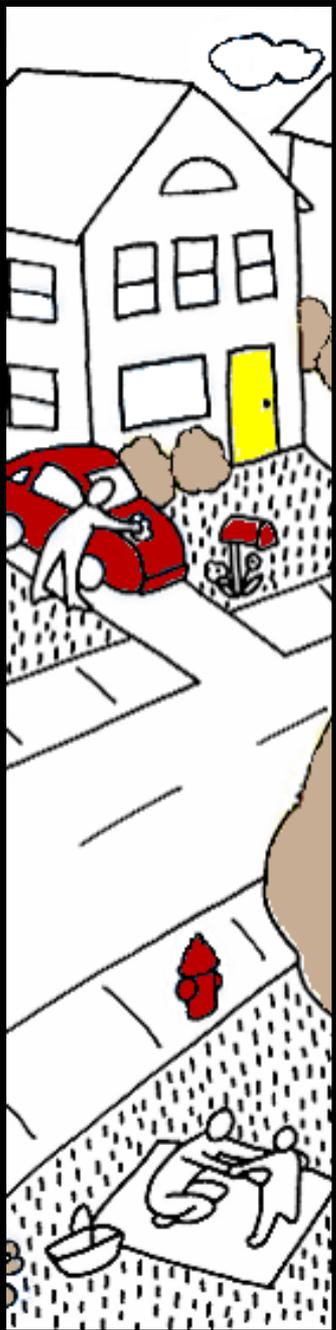


RENTAL PROJECT RECORDS

- Types:
 - Tenant eligibility
 - Participant selection
 - Rents & utilities
 - Property standards
 - Financial
- See HUD monitoring checklist for more details
 - <http://www.hud.gov/offices/cpd/affordablehousing/training/web/checkup/performance/monitoringtools.cfm>
- Keep 5 years

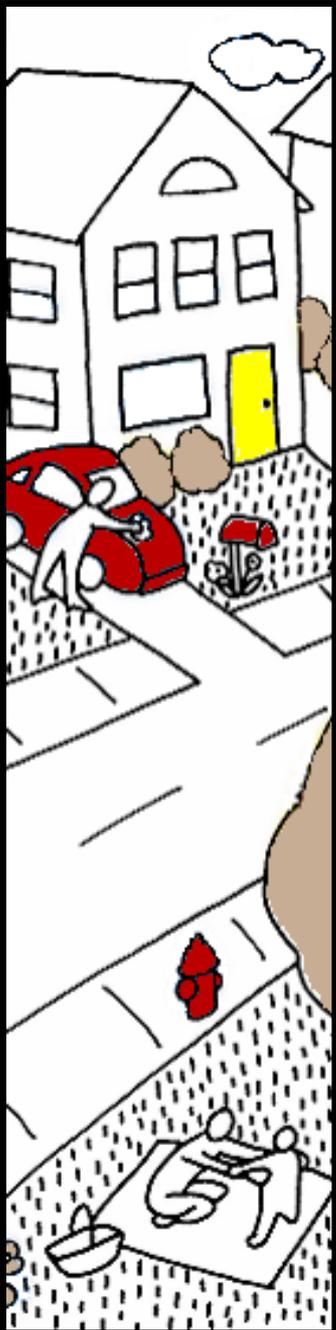
ADDRESSING MONITORING FINDINGS

- Enforcement occurs when owner violates an agreement
- Categorized as three types of violations:
 1. Level 1: minor issue, not a recurrent problem
 2. Level 2: moderate issue, noncompliant but does not effect health & safety of tenants or long run viability or compliance of project
 3. Level 3: severe issue, may be recurrent problem or may require immediate and significant action



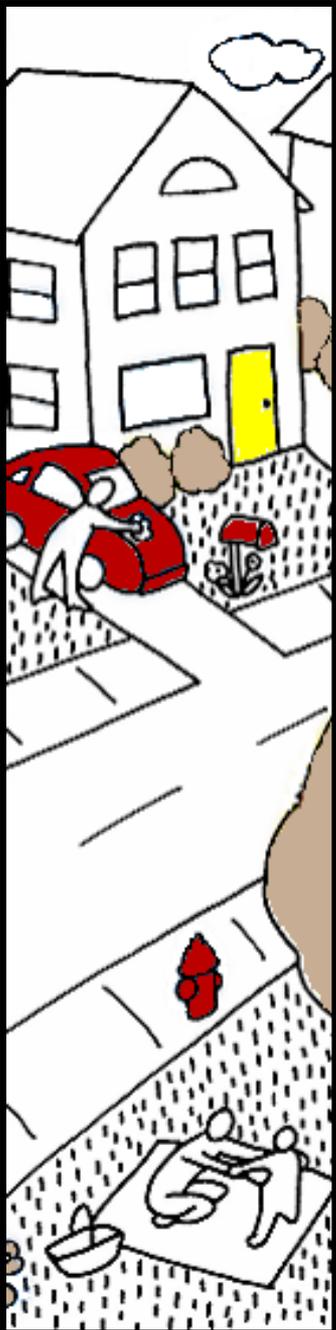
TYPES OF PENALTIES

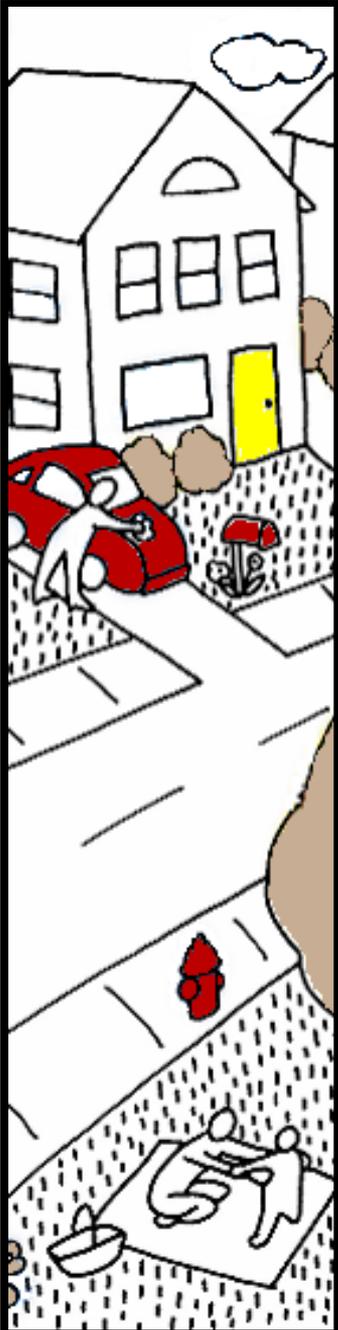
- Financial penalties:
 - Charge re-inspection or late fees
 - Increase interest rate
 - Reimburse tenants for rent overpayment
 - Accelerate loan repayment terms
 - Call a portion or all of loan for immediate repayment
 - Change in ownership
 - Foreclose



TYPES OF PENALTIES (cont)

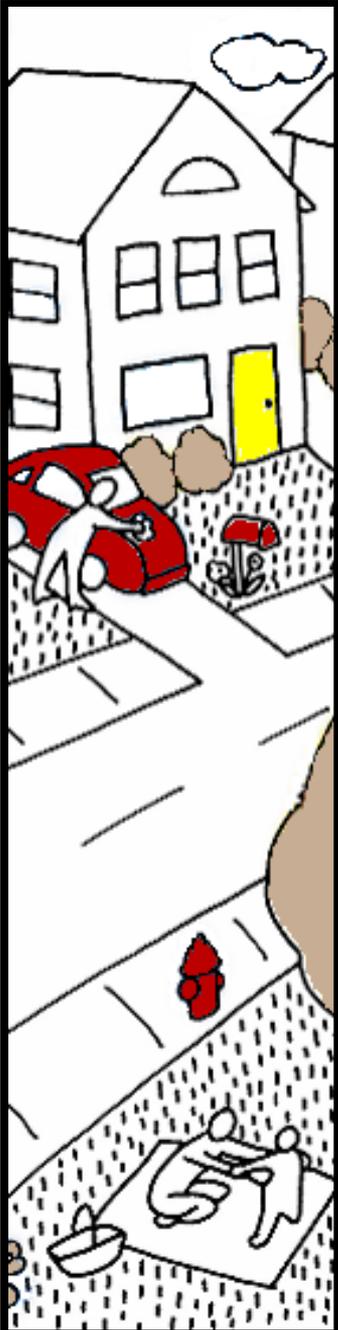
- Non-financial penalties:
 - Increase reporting requirements
 - Increase monitoring
 - Restrict decision-making authority
 - Extend affordability period
 - Debar or suspend





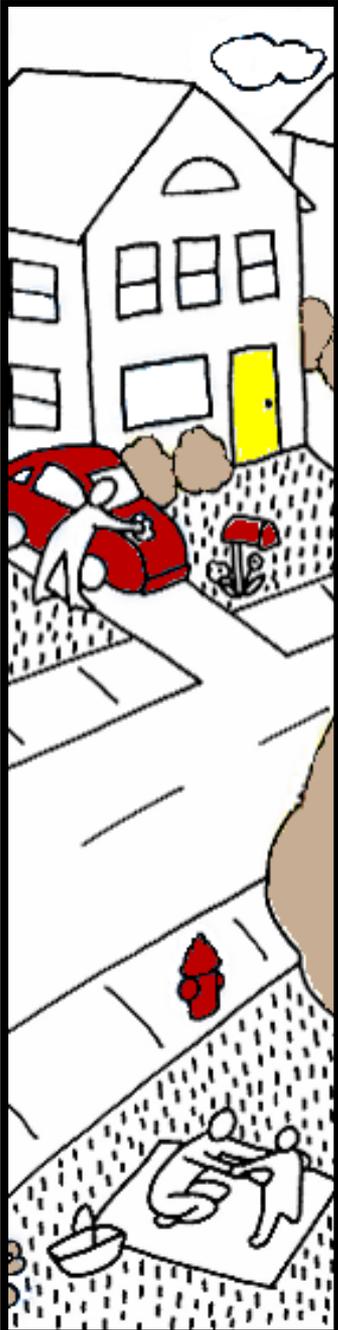
ENFORCEMENT AND OTHER PROGRAMS

- PJ cannot enforce tax credit penalties
- Report violations to State tax credit authority



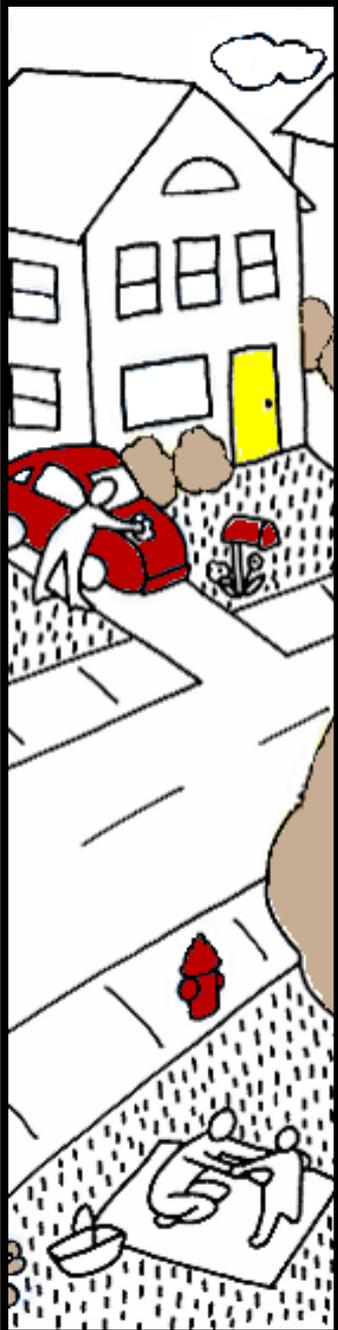
DHCD Monitoring

- Currently reviewing rent and occupancy reports
- On-site monitoring beginning May/June 2012
- Initially technical assistance visits
- Based on the results of our visits, follow-up monitoring may be required



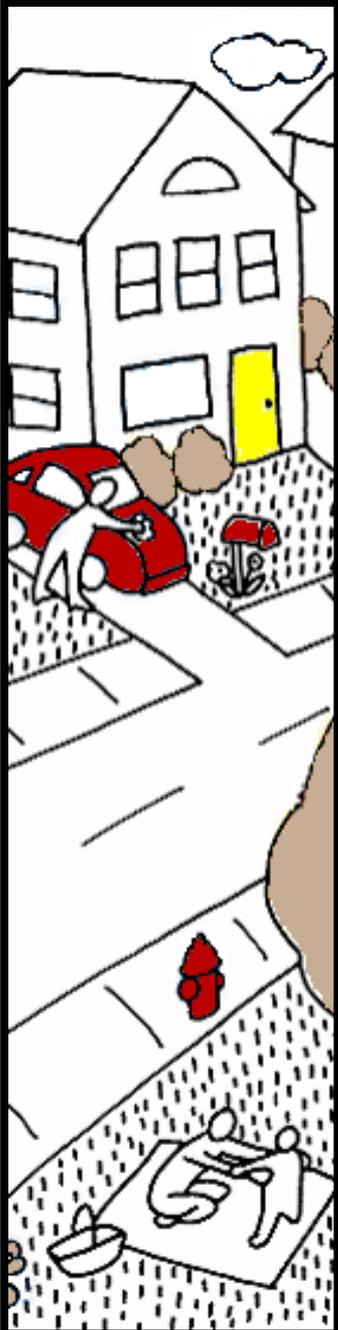
DHCD Monitoring

- Verification of rent and occupancy report data
 - Sample of the HOME-assisted units from the last submitted report (min. 5 units)
 - Reviewing leases, income calculations and verification documentation
 - Verification of rent and utility allowance amounts



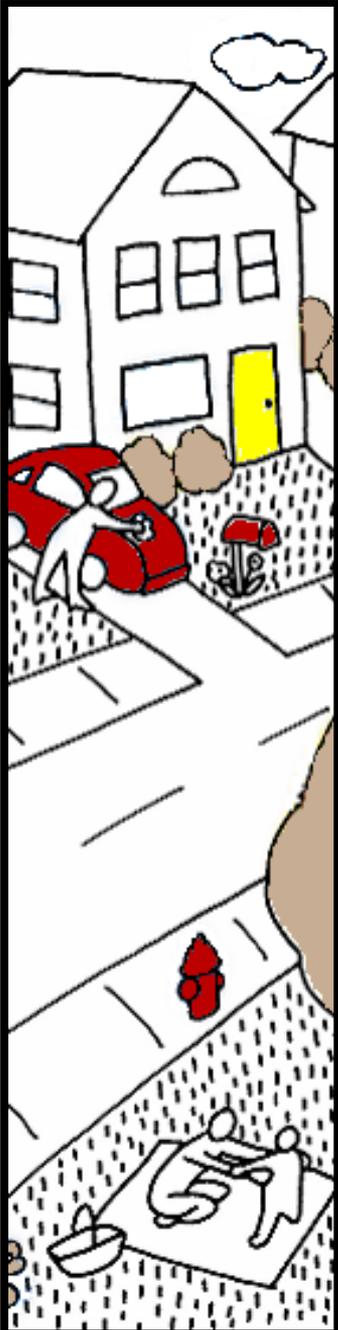
DHCD Monitoring

- Financial Information
 - Operating budgets
 - ✓ Current, prior year (actual), and proposed
 - Vacancy rates
 - Verification of contributions to reserve
 - Will be reviewed by financial staff at DHCD for red flags



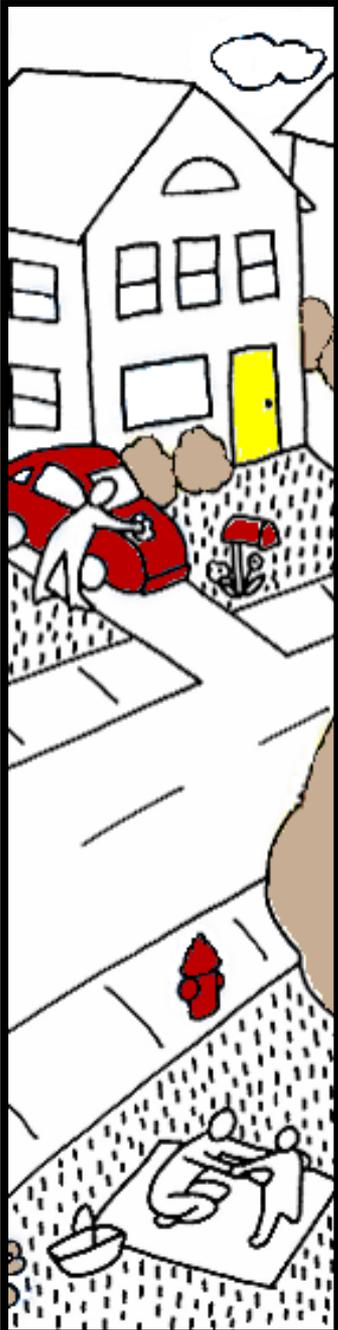
DHCD Monitoring

- Evidence of compliance with Fair Housing laws and regulations
- Fair Housing notices
- Affirmative Marketing Plan
 - Is it in place?
 - Is it being followed?
- Tenant Selection Plan
 - Is it in place?
 - Is it being followed?
- Grievance policies



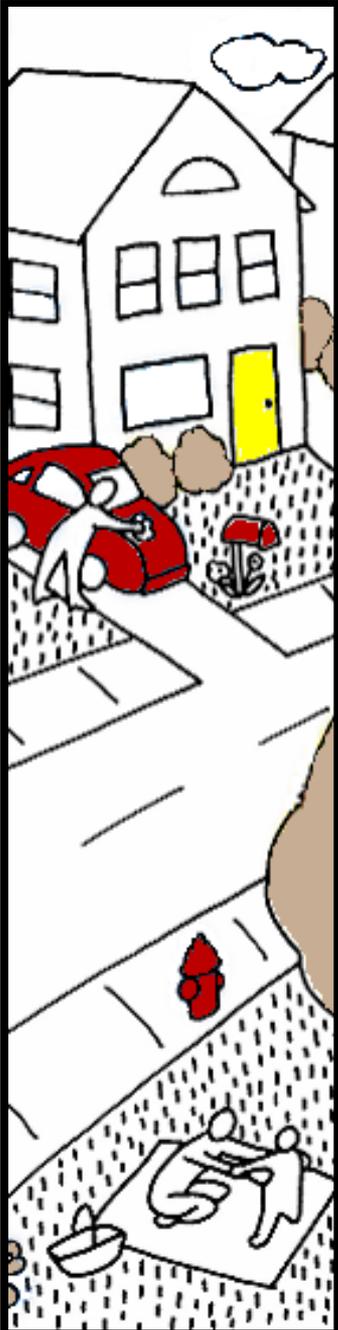
DHCD Monitoring

- CHDO projects
 - Process in place for tenant selection and planning
 - Tenant participation plan
 - ✓ Evidence of tenant participation



WRAP UP

- Compliance monitoring is not enough: consider an integrated approach to monitoring that addresses viability as well as compliance
 - Link underwriting & monitoring
 - Emphasize agreements
 - Take a portfolio management approach
 - Create an intervention strategy
 - Act before projects fall into crisis



HELPFUL RESOURCES

- **DHCD Housing Division staff**
- **HUD Field Office staff**
- **HOME Written Model Guidebooks:**
 - HUD 2030-CPD, Monitoring HOME Program Performance
 - HUD 2018-CPD, Asset Management: Strategies for the Successful Operation of Affordable Rental Housing
 - HUD 1780-CPD, Technical Guide for Determining Income and Allowances for the HOME Program
 - Using HOME with Low-Income Housing Tax Credits (November 1998)
- **HOMEfires**
 - See list in back of manual
- **HOME websites**
 - HOME Program: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>
 - Community Connections: <http://www.comcon.org/>