



HOME Program Monitoring Series Session 10: Long-Term Rental Compliance

Spring 2021



Overview

Presenters

Kris Richmond

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HOME Monitoring Webinar Series Overview

	Understanding Monitoring April 13, 2021					
General Administration	Program Oversight and Financial Management; Matc Exhibits: 7-25 7-33 April 15, 2021	h	CHDO Exhibit: 7-32 April 20, 2021		Exhibits: 7-34 7-35 7-36 April 22, 2021	
Homeowner -	Homebuyer Development Exhibit: 7-27 April 27, 2021	Н	l omebuyer Assistan Exhibit: 7-28 May 4, 2021	ice	Homeowner Rehabilitation Exhibit: 7-26 May 11, 2021	
Rental -	Rental Exhibit: 7-29 April 29, 2021		TBRA Exhibit: 7-31 May 6, 2021	Lo	ng-Term Rental Compliance Exhibit: 7-30 May 13, 2021	
SON AND CLASS AND DEVELOPMENT	EQUAL HOUSING POPPORTUNITY		4			

Webinar Objectives

- Introduce applicable regulations and CPD Monitoring Handbook Exhibit 7-30
- Identify HOME rental requirements that apply during POA & required file documentation
- Introduce optional steps PJ can take to enhance compliance
- Recommend steps to prepare for PJ self-assessment and HUD monitoring





For How Long Have You Worked on Long-Term Rental Compliance?

A. Less than 1 year

B. 1-5 years

C. 5+ years







Regulatory Requirements

Regulatory Provisions

Key long-term rental housing requirements

- Affordability / Rental requirements § 92.252
 - Rents
 - Income targeting
 - Affordability period
- Tenant protections § 92.253
- Income eligibility & determinations § 92.203
- Ongoing property conditions standards § 92.251(f)

Other HOME Requirements

- Affirmative marketing § 92.351(a)
- Inspections and financial oversight § 92.504(d)
- Permitted fees § 92.214(b)
- Records retention § 92.508(c)(1)





Exhibit 7-30 Qs here

Intro to CPD Monitoring Handbook Exhibit 7-30

Guide for Review of Rental Project Compliance and/or Policies & Procedures

Guide for Review of Rental Project Compliance and/or Policies & Procedures					
Participating Jurisdiction: Click or tap here to enter	Subrecipient: Click or tap here to enter text.				
text.					
PJ Staff Consulted: Click or tap here to enter text.					
Project Owner: Click or tap here to enter text.	Project Address: Click or tap here to enter text.				
Period of affordability:Click or tap here to enter text.	Number of HOME-assisted Units:				
	Fixed or Floating: \Box Fixed \Box Floating				
Name of HUD Reviewer(s):Click or tap here to enter	Date of Review: Click or tap here to enter text.				
text.					
Type of Monitoring Review:	Project File Review				
	□ Policies & Procedures Review				
	Combined: Project and Policies &				
	Procedures Review				

NOTE: All questions contain the citation for the source of the requirement (statute or regulation). If the requirement is not met, HUD must make a finding of noncompliance.





Key Policies and Procedures

	PJ Considerations			
Project Completion & Lease-Up	Occupancy & Maintaining Unit Mix	Property Standards & Condition	Administration	PJ Operational Decisions
Completion Information	Income Determination	Property Standards	Procurement	Enhancing Long-Term Viability
18-Month Occupancy	Rents	Inspections	Permitted Fees	Administrative structure(s)
Affirmative Marketing		Financial Condition	Records Retention	
Tenant Selection				

Lease Compliance







Monitoring Long-Term Rental Housing Requirements

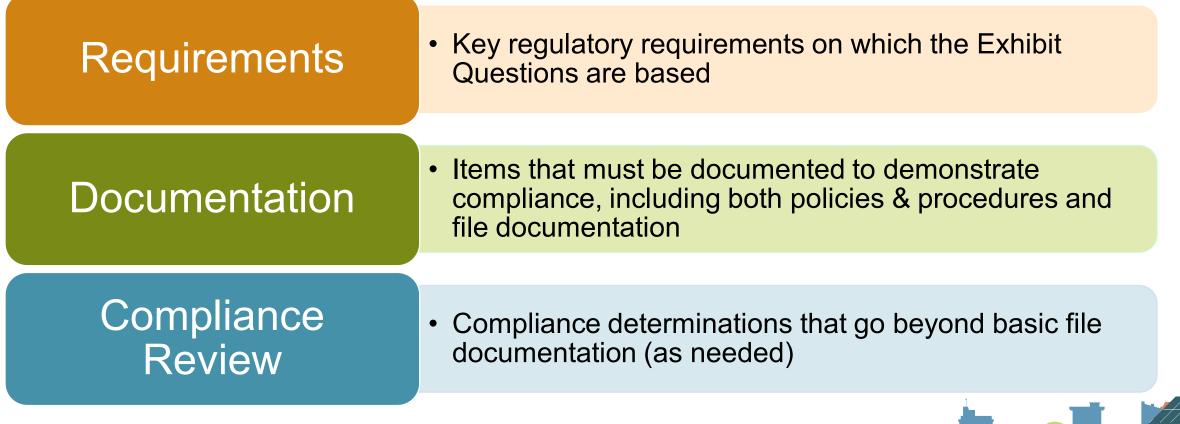
Who Is Responsible for Monitoring Long-Term Compliance?

- PJ (or partner) must monitor compliance for every property in PJ's portfolio
 - Contractor (must be competitively procured per Federal rules)
 - State recipient
 - Subrecipient
- If a partner is responsible for long-term compliance, the PJ must oversee that partner

See Exhibits 7-34, 7-35 & 7-36 for Oversight of contractors, state recipients or subrecipients, and related webinar.



Discussion of Topic Areas







Requirements: Project Completion and Lease-up







Requirement

PJ must enter project completion data into IDIS within 120 days of final project draw

Compliance Review

- Project completion was timely (within 120 days)
- Data in IDIS matches info in written agreement and project files for activity type, property type, # units and HOME units, LBP (rehab only), Section 3 labor hours (if applicable), HOME unit # and # BRs, HOME costs & beneficiary data



Documentation

Dated final inspection and/or certificate of occupancy -- shows that project met the definition of project completion



18-Month Occupancy

Requirement

HOME-assisted units must be rented to eligible tenants no later than 18 mos. after project completion

- PJ must enter beneficiary data into IDIS w/in 18 mos.
- PJ must repay HOME funds invested in any vacant units

Documentation

- Documentation to show full occupancy
 - E.g., owner report on beneficiaries, including unit numbers, unit size, household size, racial/demographic information; occupancy data input into IDIS
- Evidence of repayment of HOME costs for any units that were not occupied w/in 18 mos. of completion





Affirmative Marketing

Requirement

Owner must follow PJ's affirmative marketing policy, for projects with 5+ HOME units

Documentation

Evidence of all outreach activities (ads, flyers, social media activity)

Compliance Review

Outreach was conducted to those least likely to apply, per PJ's policy as conveyed in written agreement





Tenant Selection Policies and Criteria

Requirements

- Project owner must have written tenant selection policies and criteria that meet HOME requirements
- Policy must describe:
 - Who can rent units (income restrictions, special populations, nondiscrimination against those with rental assistance)
 - VAWA protections
 - Use of waiting list and applicant notification of reasons for rejection





Tenant Selection Policies and Criteria (cont.)

Requirements (cont.)

- Tenant selection policy & criteria must include the following, per 92.253(d)
 - Occupancy is limited to very low- and low-income households
 - Description of preferences to particular population(s), if any
 - Must also be in PJ's Con Plan and written agreement
 - No exclusion of applicants who hold rental assistance certificate or voucher
 - Required use of waiting list and selection of tenants in chronological order of application, to extent possible
 - Owners must give prompt written notice to rejected applicants, with the reason
 - Compliance with VAWA protections per 92.359





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Tenant Selection Policies and Criteria (cont.)

Documentation

- Copy of tenant selection policy for the project must address required elements
- Tenant files and rejected applications *must show compliance with selection policy*
- Written agreement and Con Plan must describe any preference to particular populations, if applicable

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Lease Compliance

Requirement

There must be a lease between owner and tenant, and it must:

- Be for at least one year; shorter term by mutual written agreement
- Include VAWA lease addendum, if HOME commitment made to project after 12/16/2016
- Must NOT contain prohibited lease terms per 92.253(b)

Documentation

Lease in tenant files – *must show compliance with above requirements*





Requirements: Occupancy & Maintaining Unit Mix







Initial Income Eligibility Determination

Requirement

- For initial leasing, owner determines tenant income eligibility
 - Use HOME income limits applicable at time
 - Use PJ-specified definition of income (Part 5 or IRS 1040)
 - Review at least 2 mos. of source documentation
 - Count income for all household members
 - Project household's prevailing rate of income for the next 12 mos.
- Determination no more than 6 mos. before signing lease
- Same definition of income for all tenants in project





Initial Income Eligibility Determination (cont.)

Documentation

- Copy of PJ's income determination -- *must show household qualified as low-income per tenant file*
- Tenant's application/worksheet reporting household members & income
- Source documents (pay stubs, etc.) must show that PJ verified income

Compliance Review

- For each tenant file, owner documents compliance with all requirements
- For all tenants in project, owner uses same definition of income





Annual Income Recertification

Requirement

- During the POA, owner must annually recertify tenant household income
- Owner must use one of these methods:
 - At least 2 months source documentation
 - Family self-certification
 - From government program administrator of program with income test, statement that family receives benefits and is income-eligible
- If owner uses a self-certification or government program statement, owner must verify income with at least 2 mos. of source documentation every 6th year of POA, *if POA > 10 years*
- Use PJ-specified definition of income (Part 5 or IRS 1040)





Annual Income Recertification (cont.)

Documentation

- In each tenant file during subsequent years after initial occupancy:
 - Copy of self-certification, government program statement or source documentation that shows tenant was income-eligible based on HOME income limits in effect at the time
 - For properties with POA > 10 yrs, source documentation every 6th year

Compliance Review

- Owner must determine household income accurately and compare to correct HOME income limits
- Tenant file information must be consistent with owner's annual reports for rent and occupancy
- Tenant's continued income-eligibility must be based on HOME income limits in effect at the time of the redetermination





Initial Rents and Rent Schedule

Requirements

- Rents cannot exceed the high HOME rent limit
- In projects with 5+ HOME units, 20% of HOME units must charge rent that cannot exceed low HOME rent limit
- If tenant pays for utilities and/or services:
 - Owner must deduct a utility allowance from HOME rent limit to determine maximum rent
 - Owner uses PJ's utility allowances -- based on HUD Utility Schedule Model or another model that is based on type of utilities at the project
- PJ must review and approve the initial project rents





Initial Rents and Rent Schedule (cont.)

Documentation

- PJ approval of initial rent schedule
- Tenant leases
- PJ's utility allowance schedule

Compliance Review

- Determination that rent stated in lease is HOME compliant
- Reported rents (on approved rent schedule & rent and occupancy report) = rents specified in leases
- If tenant paid utilities, determination that owner correctly deducted utility allowance when determining maximum rent
 - Rent charged to tenant ≤ HOME rent Utility allowance





Subsequent Rents

Requirements

- PJ must provide updated rent limits and utility allowances to owner, annually
- Owner must submit annual rent & occupancy report
- Annually, PJ must review and approve the project rents
- Owner must charge the correct HOME rents
 - Generally, rents cannot exceed high or low HOME rents, for unit designation
 - If tenant pays utilities, owner must deduct utility allowance to determine max. rent
 - Maximum rent = applicable HOME rent minus utility allowance
 - If tenant's income is above the income limit for the unit, rent must be adjusted





Subsequent Rents (cont.)

Documentation

- Copy of applicable utility allowance schedule and rent limits
- Tenant leases
- Owner rent & occupancy report
- Annual rent schedule evidence of PJ review & approval

Compliance Review

- Rent stated in lease is HOME compliant
 - Rent charged to tenant ≤ HOME rent Utility allowance (if tenant pays utilities)
 - Owner used correct rent limits, utility allowances & calculated correctly
- Rents on rent & occupancy report = rents specified in leases





Maintaining Required Unit Mix

Requirements

- Low HOME units must be rented (and re-rented upon vacancy) to very lowincome households (at or below 50% of AMI)
- For all HOME units, owner must adjust tenant's rent if their income increases above 80% of AMI

Fixed HOME units	Tenant pays lesser of 30% of the tenant's adjusted income or amount payable under state/local law
Floating units	Tenant pays lesser of 30% of adjusted income or amount payable under state/local law, capped at market rent; and owner must lease next available, comparable unit to a HOME-eligible tenant

Note: Over-income definition is different for LIHTC projects and HOME applies LIHTC definition



Maintaining Required Unit Mix (cont.)

Documentation

- Tenant leases
- Property's rent roll

Compliance Review

- Vacated units were rented to income-eligible tenants, for unit type (high or low HOME unit)
- Rents were properly adjusted for any tenant whose income increased above low-income limit
- Rents in leases = Rents in annual rent/occupancy report from owner





Requirements: Property Standards and Condition







Ongoing Property Standards

Requirements

- PJ must adopt property condition standards that apply throughout POA; must include:
 - State & local codes or PJ-developed ongoing property standards based on HUD's UPCS inspectable items and areas
 - Health and safety standards that address life-threatening deficiencies
 - Ongoing lead-based paint maintenance rules per 24 CFR 35.935, if applicable
- Owner must maintain HOME units to meet PJ standard & certify that property is in habitable condition annually

Property Standards Tool: <u>https://files.hudexchange.info/course-content/home-</u> monitoring-webinar-series-chdos/HOME-Monitoring-Property-Standards-Handout.pdf



Ongoing Property Standards (cont.)

Requirements (cont.)

- PJ must inspect property to determine that project meets ongoing property conditions standards
 - Within 12 mos. of project completion
 - At least every 3 years during POA more frequently if complaints
- PJ must inspect sample size (number of units) appropriate for property size
 - 1-4 units = 100%
 - For each building with HOME units: Inspections of inspectable items (site, building exterior, building systems, and common areas)





Ongoing Property Standards (cont.)

Requirements (cont.)

- If inspection identifies deficiencies
 - Re-inspection w/i 12 mos to verify deficiencies were corrected
 - For health & safety deficiencies, immediate correction & more frequent inspections
 - For non-hazardous deficiencies, PJ can use third party docs (e.g., invoices) to verify





Ongoing Property Standards (cont.)

Documentation

- Inspection reports
- If deficiencies found, re-inspection report(s), or other documentation for nonhazardous deficiencies
- Owner's annual certification that units are suitable for occupancy

Compliance Review

- Inspection shows property meets applicable standards; if found, deficiencies are corrected per requirements
- Inspection dated w/in 12 mos of completion & at least every 3 yrs during POA





Financial Condition

Requirement

 For projects with 10+ units, PJ must assess project's financial condition annually

Documentation

- Owner's annual financial report (described in the written agreement)
- PJ's assessment of property's financial condition

Compliance Review

• Determine the continued financial viability of the project; take steps to intervene when there are signs of trouble





Requirements: Administration







Procurement

Requirement

• PJ must follow Federal procurement requirements for selection of contractor, per 2 CFR part 200

Documentation

- Documentation of bid process, bid solicitation & bids received
- PJ's justification for selection

Exhibits 7-34 and 34-3 cover procurement





Permitted Fees

Requirement

- PJ can charge annual compliance monitoring fee, if in underwriting & based on actual cost
- Owner can charge certain fees, including:
 - Reasonable application fees and other fees if customary for area
 - Fees for services, if services are optional and tenant opts in

Documentation

- If PJ charged monitoring fees, PJ's underwriting and analysis that established the basis
- If owner charged fees, documentation that they are customary, eligible & reasonable



Records Retention

Requirement

- Required records retention periods
 - Rental project records 5 years after project completion
 - Tenant income verifications, project rents and inspection records For most recent 5-year period until 5 years after end of POA
 - Written agreement For 5 years after it terminates (5 years after the end of the affordability period)

Documentation

Applicable records are available for required period





During the affordability period, can a tenant's rent exceed the HOME rent limit? If so, when?

A. No, never

B. Yes, after the tenant has lived in the HOME-assisted unit for more than two years

C. Yes, the rent must be adjusted when/if the tenant's income increases over 80% AMI







PJ Considerations for Long-term Rental Compliance

A Quick Recap

- Discussed so far:
 - Policies related to risk assessment, monitoring, and inspections
 - On-site monitoring
 - Desk monitoring of owners' annual reports
- Next discuss practices to enhance required long-term monitoring
 - Purpose: To identify property(ies) that may be in trouble and intervene before they fail





When To Take Additional Steps

- Be strategic! Take additional steps when there's a concern. Examples:
 - Owner financial report shows increasing vacancies and declining revenue
 - Staff hears of huge layoffs at a local employer near a HOME property
- Be proactive! Early intervention gives PJ best protection to mitigate or eliminate serious issues





Additional Practices to Enhance Monitoring

- Assess property management staff expertise and experience managing affordable housing
- Increase frequency of owner reporting
- Increase onsite inspections
- Take "pulse" of the neighborhood changes that may affect marketability
- Conduct drive-by inspections of properties in portfolio for physical signs of property health – continued landscaping, property maintenance





Administrative Issues

- Policies and procedures
 - Risk assessment and monitoring plans must reflect long-term monitoring goals and objectives
- Administrative structure / Staffing
 - Effective hand-off between staff at project completion
 - Sufficient for required number of on-site visits
 - Expertise with property standards (inspectors)
 - Expertise with HOME requirements for file reviews (program staff)
- Good communication between PJ and owner
 - Strong partnerships help keep property viable







Preparing for HUD Monitoring

CPD Monitoring Handbook, Exhibit 7-30

Guide for Review of Rental and/or Policies &	· ·
Participating Jurisdiction: Click or tap here to enter	Subrecipient: Click or tap here to enter text.
text.	
PJ Staff Consulted: Click or tap here to enter text.	
Project Owner: Click or tap here to enter text.	Project Address: Click or tap here to enter text.
Period of affordability: Click or tap here to enter text.	Number of HOME-assisted Units:
	Fixed or Floating: \Box Fixed \Box Floating
Name of HUD Reviewer(s): Click or tap here to enter	Date of Review: Click or tap here to enter text.
text.	
Type of Monitoring Review:	Project File Review
	Policies & Procedures Review
	Combined: Project and Policies &
	Procedures Review

NOTE: All questions contain the citation for the source of the requirement (statute or regulation). If the requirement is not met, HUD must make a finding of noncompliance.





Preparing for HUD: Document Assembly

Document Assembly

- Program-wide P&P for
 Rental program
 Inspection policy & coho
 - $_{\odot}$ Inspection policy & schedule
- Project specific P&P for

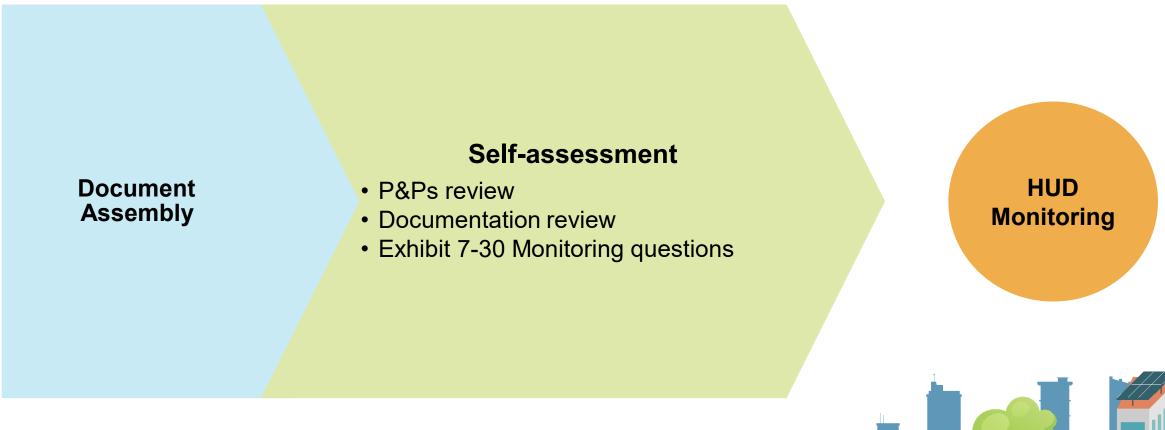
 Marketing/affirmative marketing
 Tenant selection
- Written agreements
- Eligibility docs (rent & income limits)
- Owner reports (rents, habitability, financial)
- Past monitoring results
- Citizen input
- Exhibits 7-24 and 7-30

Selfassessment

HUD Monitoring



Preparing for HUD: Self-Assessment





Pre-monitoring Self-assessment

Regulatory Compliance

- Policies and procedures
- Written agreements and docs
- Regulatory limits and requirements
- Eligibility documentation

Monitoring & Evaluation

- PJ monitoring
- Response to prior monitoring
- Citizen comments/media
- Staff skills/training
- Changes to program

https://files.hudexchange.info/course-content/home-monitoring-webinar-seriesunderstanding-monitoring/HOME-Monitoring-PJ-Self-Assessment-Handout.pdf





Resources and Tools

CPD Monitoring Handbook

1	CHAPTER 7: HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)	WORD	
	Optional Attachments 7-0 (4 files), Exhibits 7-1 through 7-23, and Attachment 7-1 – (REMOVED)		
	Exhibit 7-24 - HOME Pre-Monitoring Checklist	WORD	
	Exhibit 7-25 - Guide for Review of Program Oversight, Financial Management, and Cost Allowability	WORD	
	Exhibit 7-26 - Guide for Review of Homeowner Rehabilitation Projects and/or Policies & Procedures	WORD	
	Exhibit 7-27 - Guide for Review of Homebuyer Development and/or Rehabilitation Projects and/or Policies & Procedures	WORD	
	Exhibit 7-28 - Guide for Review of Homebuyer Downpayment Assistance Projects and/or Policies & Procedures	WORD	
	Exhibit 7-29 - Guide for Review of Rental Development or Rehabilitation Projects and/or Policies & Procedures	WORD	
			-
	Exhibit 7-30 - Guide for Review of Rental Project Compliance and/or Policies & Procedures	WORD	
	Exhibit 7-30 - Guide for Review of Rental Project Compliance and/or Policies & Procedures Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures	WORD WORD	
	Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures	WORD	
	Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures Exhibit 7-32 - Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies & Procedures	WORD WORD	
	Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures Exhibit 7-32 - Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies & Procedures Exhibit 7-33 - Guide for Review of Match Requirements	WORD WORD WORD	
	Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures Exhibit 7-32 - Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies & Procedures Exhibit 7-33 - Guide for Review of Match Requirements Exhibit 7-34 - Guide for Review of Contractor Written Agreements	WORD WORD WORD WORD	

https://www.hud.gov/program_ offices/administration/hudclips/ handbooks/cpd/6509.2/

HUD Exchange HOME Page – Rental Topic





HOME Rental Housing

HOME Investment Partnerships Program (HOME) funds may be used for the acquisition, new construction, or rehabilitation of affordable rental housing. HOME-assisted rental units must be occupied by income eligible tenants, and carry rent and occupancy restrictions for varying lengths of time depending upon the amount of HOME funds invested per unit. Included in this topic area is information about program design issues, subsidy layering, lease terms, calculating rents, using HOME with Low-Income Housing Tax Credits, and managing for ongoing compliance.

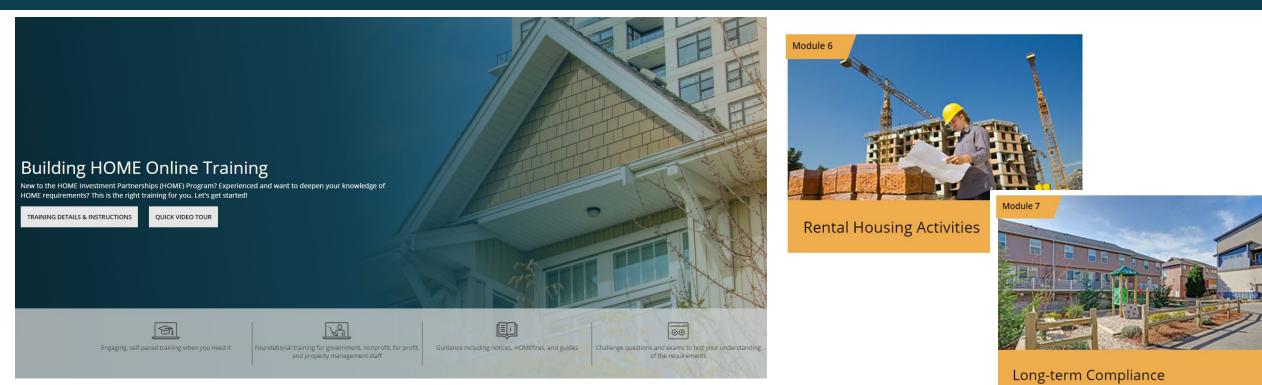
For more information on Rental Housing, see 24 CFR 92.252.

Find by Resource Type Policy Guidance and FAQs Guidebooks and Tools Videos and Training Material	Policy Guidance and FAQs FAQs HOME Rental Housing Development FAQs View HOME Rental Housing Development FAQs.
	Program Limits
	HOME Maximum Per-Unit Subsidy Limits This notice establishes an interim policy that Field Office staff and PJs must follow directing PJs to use

Inis notice establishes an interim policy that Held Office staff and PJs must follow directing PJs to use the Section 234-Condominium Housing basic mortgage limits, for elevator-type projects, as an alternative to the Section 221(d)(3) limits in order to determine the maximum amount of HOME funds a PJ may invest on a per-unit basis in HOME-assisted housing projects.



Building HOME Online Training



https://www.hudexchange.info/trainings/building-home/



Additional Resources

Compliance in HOME Rental Projects: A Guide for PJs (May 2012) available at: <u>https://www.hudexchange.info/resource/2394/compliance-in-home-rental-projects-a-guide-for-pjs/</u>

Compliance in HOME Rental Projects: A Guide for Property Owners (May 2012) available at: https://www.hudexchange.info/resource/2395/compliance-in-home-rental-projects-a-guide-for-property-owners/

Self-Assessment Tool: <u>https://files.hudexchange.info/course-content/home-monitoring-webinar-series-understanding-monitoring/HOME-Monitoring-PJ-Self-Assessment-Handout.pdf</u>

Property Standards Tool: <u>https://files.hudexchange.info/course-content/home-monitoring-webinar-series-chdos/HOME-Monitoring-Property-Standards-Handout.pdf</u>

Need technical assistance to prepare for HUD monitoring? Request TA on the HUD Exchange.







Wrap Up

Questions?



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