



Rental Housing Compliance



Agenda

- Review of HOME Requirements impacting unit mix
- Written Agreements and Deed Restrictions
- Income Limits and Income Determinations
- HOME Rents and Utilities
- Maintaining Affordability and Unit Mix
- Marketing and Tenant Relations
- Unit Quality and Inspections
- Monitoring

Program Rule

- HOME requirements related to beneficiaries:
 - All assisted households at or below 80% AMI
 - Eligibility is determined at initial occupancy and recertified on an annual basis
- 90% of HOME rental and TBRA households must have incomes at/below 60% of AMI at initial rent up of property

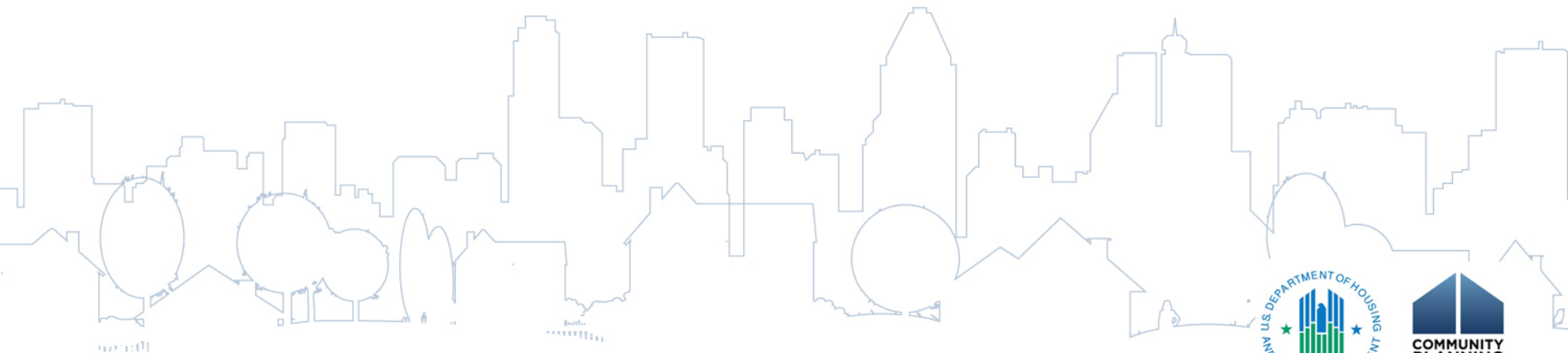
Project Rule

- Projects with 5 or more HOME-assisted units:
 - At least 20% of units must be occupied by households at/below 50% of AMI [Note: can have more than 20%!]
 - 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 AMI with high HOME rent level

Rental Occupancy Deadline

- HOME units must be occupied by income-eligible tenants within 18 months of project completion
- Critical for owner to report initial occupancy of HOME units to PJ and PJ to enter data into IDIS to document compliance
- HUD will track HOME units not occupied within 6-months – PJ to provide strategy to meet deadline
- PJ must repay HOME investment for units not occupied within 18 month term

Written Agreements



Slide 6



Written Agreement

- Provides the final version of the HOME and project specific requirements that will apply throughout the affordability period;
- Serves as the go to reference for owners, property managers, and PJ compliance staff;
- Any changes to the terms of the original written agreement must be amended thru the completion of an amendment which may require re-underwriting and cost allocation.

Written Agreement and Rental Compliance

- Number and type of HOME assisted units
 - Bedroom distribution
 - Low HOME/ High HOME
 - Fixed or floating
 - Rent limits
- Affordability period
- Affirmative marketing
- Definition of income
- Enforcement provision

Written Agreement and Rental Compliance (cont)

- Income certification
 - Annual certification
 - Verification
 - Over income
- Lease requirements
- Property standards
- Access to files & units: PJ, HUD, IG
- Reports (annual)
- Recordkeeping

Optional Written Agreement Contents

- Approval of sale or transfer including approval of transfer of CHDO control
- Default provisions – noncompliance
- Budget review & financial reports
- Optional monitoring & intervention rights:
 - Reserves contributions/ disbursement approvals
 - Change in management/ownership
 - Access to CPA/auditor

HOME Units and Affordability Period

- Number of HOME-assisted units described in the written agreement
 - All units HOME-assisted, or
 - Some units determined to be HOME-assisted through a cost allocation process
- Affordability period based on HOME investment per unit
- Above minimum # units required = PJ's discretion
- Project must maintain unit mix thru affordability period

Affordability & Compliance

HOME Activity	HOME Investment Per Unit	Length of Compliance/Affordability period
Rental housing acquisition and/or rehabilitation	Less than \$15,000	5 years
	\$15,000 - \$40,000	10 years
	More than \$40,000	15 years
New construction of rental housing	Any \$	20 years
Refinancing of rental housing	Any \$	15 years

* Pay-off of the HOME assistance does not end the affordability period

Designate Fixed or Floating Units

- Only units receiving HOME \$ are subject to HOME requirements
- 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

Project Based Assistance

- PJ may allow owner to charge project based program rent when:
 - Low HOME unit; and
 - Unit receives federal or state 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

Combining HOME and Project Based Subsidies

- Project Rule requires projects with 5 or more HOME units to designate 20% of the HOME units as low HOME units;
- If the project based subsidy unit is not designated as low HOME the contract rent cannot exceed the HOME rent;
- The PJ may want to designate additional low HOME units to utilize the project based subsidy.

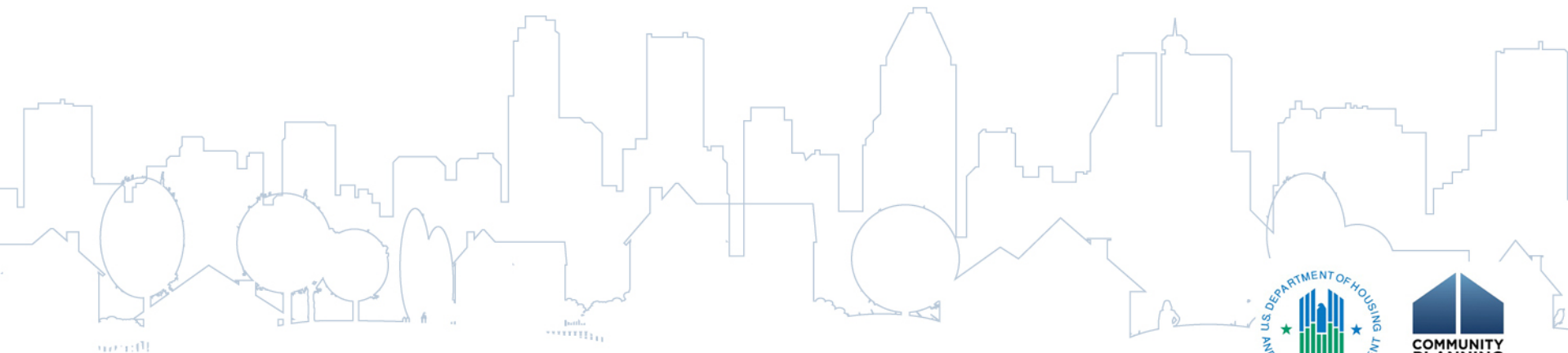
HOME & LIHTC: Affordability Period

- HOME affordability period is based on activity type & investment
 - 5 to 20 years depending on activity
- LIHTC compliance period determined by State
 - Base compliance period of 15 years
 - After year 15, some projects terminate compliance period
 - For other projects, post 15 year compliance period often less stringently enforced
 - States may impose longer period
- Comply with HOME rules for affordability period and LIHTC rules for Tax Credit compliance period

Deed and Use Restrictions

- HOME rental affordability restrictions must be imposed by deed or other restrictions on the property that run with the title to the land for at least the minimum affordability period
- Must apply without regard to any loan, repayment, or transfer
- Rights of purchase and other methods may supplement

Maintaining Affordability

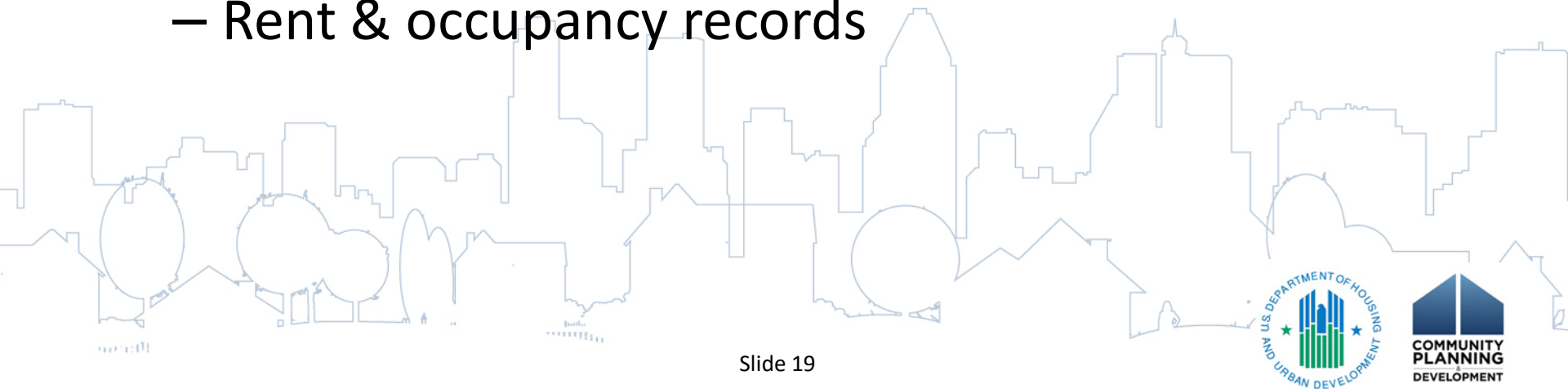


Slide 18



In This Module...

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



What Counts As Income

- Two definitions
 - Section 8 (Part 5)
 - IRS Adjusted Gross Income
- Must anticipate income for next 12 months
- PJ selects one for a program
- Income definition remains same throughout affordability period

Use the Income Calculator on HUD's website

Income Eligibility Levels

- HOME defines two key levels of income for tenants:
 - Very Low Income (VLI): established by HUD at 50% of Area Median Income (AMI)
 - Low Income (LI): established by HUD at 80% of AMI
- 60% of AMI is only applicable to initial occupancy of HOME rental properties (program rule)

Income Targeting

- Two phases of income targeting:
 - At initial occupancy (program rule)
 - Over life of the affordability period
- Requirement also depends on number of HOME 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
 - Must not “kick out” existing HOME tenant due to income increase
- Some projects will have an extended use period of affordability after HOME has been completed

Income Targeting (cont)

- Review the written agreement to determine the income requirements for an available unit
- PJ may impose more restrictive income targeting based on local housing needs
- Some PJs will allow eligible income to rise after program rule (initial occupancy) but others will hold incomes at 60% through the affordability period

HOME Income Limits

- “Household” is all occupants of unit – not just related family members
- HUD issues income limits annually
 - Vary by jurisdiction and household size
- PJ responsible for informing owner/manager of annual income limit updates
- Newly released HOME income and rent limits include an effective date with the notice

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

Larger Households

- Income limits stop at 8 person households
- Rules for calculating income limit as:
 - 9 person = 1.4 times 4 person limit
 - 10 person = 1.48 times 4 person limit
 - 11 person = 1.56 times 4 person limit
- Online income calculator provides income limits for all household sizes

Gross v. Adjusted Income

- Gross income used for eligibility
 - Income inclusions & exclusions based on chosen definition
- Adjusted income used in limited circumstances:
 - Deducts specific amounts for topics such as elderly, disabled, dependents
 - Used for:
 - Over-income tenant rent
 - TBRA
 - Some URA calculations

Income Verification

- Owners must verify initial tenant income using source documentation
 - Verification is good for 6 months
- Acceptable source documents:
 - Wage statements (2 months required)
 - Interest statements
 - Unemployment compensation statements
 - Third party verification from employer, bank, etc.

Income Recertification

- **Must recertify rental income at least annually:**
 - Must review source documents every 6th year of the 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;
 - Lease renewal; or
 - Annual schedule where all tenant incomes are verified at one point

HOME & LIHTC: Income Definition

- Low Income Housing Tax Credit (LIHTC) rules
 - Uses Section 8 definition of annual (gross) income
 - Allows for tenant certification of assets when \leq \$5000
 - Like HOME, LIHTC income limits now based on household size
- 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
- When programs combined in same unit, use lowest income limit

HOME Rent Limits

- Key terms in looking at High and Low HOME rents:
 - **HOME rent limits** – maximum rent cap (High and Low HOME rents) published by HUD for each PJ by bedroom size
 - **Maximum rent** – the most an owner is permitted to charge for rent once tenant-paid utilities are deducted; never more than the HOME limit
 - **Contract rent** – the actual rent in the lease charged to household by owner; can never exceed the maximum rent but may be less
- HOME rent may not apply for certain special unit types (more later)
- HOME rent limits may go up or down over time
 - Owner is not required to accept rents lower than initial rents in the written agreement

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

- Published HOME rents include the cost of utilities
- Must adjust max rent limits if tenant pays utilities
 - Subtract utility allowance to determine limit for rent paid by tenant
- PJs must determine the utility allowance for HOME – assisted rental units by using either:
 - The HUD Utility Schedule Model (HUSM); or,
 - A project specific methodology
- HOMEfires – Vol 13 No 2, August 2016 provides further guidance including identifying four other acceptable utility models

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
- Do not count bedroom of service provider
- 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 whether unit has 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 & LIHTC: Rents

- Both programs publish rent limits & subtract utility allowance to get to max rent
- LIHTC/HOME units must comply with more restrictive program limits
- HOME & LIHTC rents change over time
- Combined units must comply with both rules
- Some PJs include a chart of units within the written agreement to help property managers understand what rules apply to which units; HOME only, HOME and LIHTC, or market rate

PJ Annual Action on Rents

- PJ must:
 - Provide new HOME rents to owners/managers annually when published
 - Review and approve rents, or require changes if not in compliance
 - Review utility schedules

Monitoring Income and Rents

- Tips:
 - Use a standard reporting form that shows all units
 - sample form in owner guidebook – see resource list
 - Annual or quarterly report - Compare to previous reports to watch what happens at turnover
 - Annual submission of income certifications and leases required
 - On-site review required to verify report

Managing Unit Mix Over Affordability Period

- PJ must ensure that owner maintains number and type of HOME assisted units
- Key considerations:
 - Total number of HOME v. other units
 - Rights of existing tenants
 - Timing of rent changes
 - Whether units are fixed or floating

Unit Mix: Number of HOME-Assisted Units

- Must maintain total number of HOME & non-HOME units
 - Designated in written agreement
 - Example: If agreement dictates 10 HOME units, owner is not required to have 11 units with HOME restrictions
- Must maintain proportion of Low & High HOME rent units
 - Minimum Low HOME: 20% of HOME-assisted units in rental projects with 5 or more HOME units
 - Actual number established in written agreement

Unit Mix: Rights of Existing Tenants

- Existing tenants are never required to move due to income change
 - Neither *required* to move out from project nor required to move to different unit in same project
 - Existing tenant may *choose* to move out if he/she does not like the new rent; this is not “displacement”
- No cap on percent of rent increase unless dictated by state/local law
 - Example: Tenant’s unit changes from low to high HOME and their rent changes from \$600 to \$900

Unit Mix: Timing of Rent Changes

- Tenant income is verified annually; rent changes occur when permitted by lease
 - Tenant is provided 30 days notice of rent change
- Cannot change rent from Low to High HOME until substitute Low HOME unit is identified
- Can change rent for over-income household (over 80% AMI) as permitted by lease – do not need to wait for substitute unit
- Project and unit may be in “temporary non-compliance”
 - Correct as soon as applicable units become available

Fixed Units

- If units are not comparable, HOME units must be fixed
- Fixed units remain HOME units throughout affordability period
 - Regardless of if the unit becomes vacant or when an existing tenant becomes over income
 - Unit number and location is known from outset
- Fixed units may switch between Low and High HOME designation during affordability period

Fixed Units: Tenant Income Increases

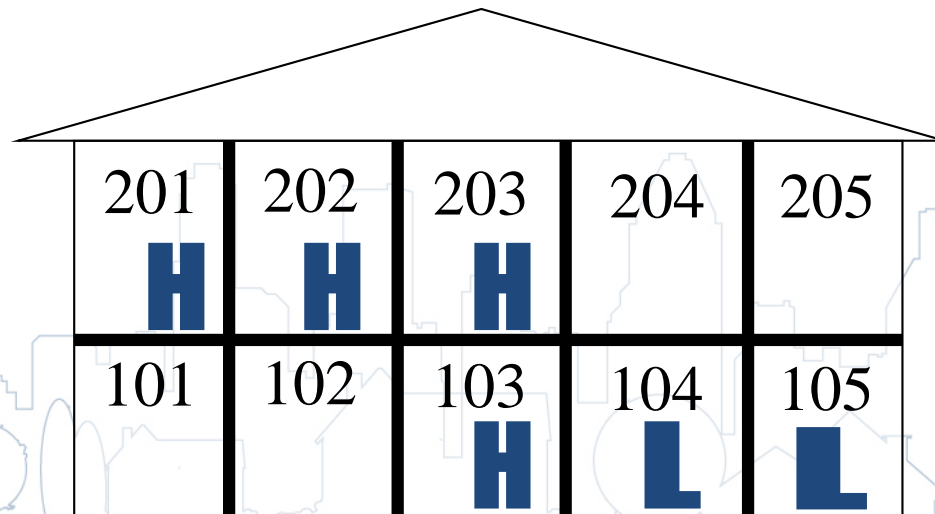
- When tenant income in Low HOME unit goes above 50% but remains \leq 80% of AMI:
 - Rent next vacant High HOME unit at Low HOME rent, OR
 - Can re-designate existing High HOME unit to Low HOME if occupied by VLI household
 - Until re-designation, rent stays at Low HOME
- Once VLI/Low HOME Rent requirement met, then existing tenant rent may change to High HOME rent level - subject to lease terms

Fixed Units: Over Income Tenants

- If income of a tenant in a fixed HOME unit exceeds 80% of AMI:
 - Tenant may remain in HOME 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 unit must be rented to low income person (if High HOME unit needed) or very low income person (if need Low HOME unit)

Fixed Unit Exercise

- 10 one bedroom units in project; 6 units are HOME
- Example 1: Ms. Smith's income in 104 goes up to 64% AMI & 202 becomes vacant
- Example 2: Mr. Ramirez in 203 goes up to 92% AMI & 204 becomes vacant



Slide 46



Floating Units

- Total number of HOME units is constant but individual unit designations may change
- Units must be comparable in terms of:
 - Amenities and finishes
 - Square footage
 - Configuration
- Can have bedroom size mix if :
 - 1) All one-bedrooms are comparable, all two-bedrooms are comparable, etc.; and,
 - 2) Number of HOME units by bedroom size does not change over time

Floating Units: Tenant Income Increases

- If income of VLI tenant in Low HOME Rent unit increases above 50% but remains \leq 80% of AMI:
 - Remain temporarily out of compliance until comparable High HOME unit is available, rent stays at Low HOME
 - Do not look to market rate unit unless project has insufficient total number of HOME units
 - Can re-designate existing High HOME unit to Low HOME if occupied by VLI household
- Example: Assume agreement requires 20 HOME units and all are occupied by eligible households. If change next available market rate unit to Low HOME, would now have 21 HOME units, which exceeds owner's commitment

Floating Units: Over Income Tenants

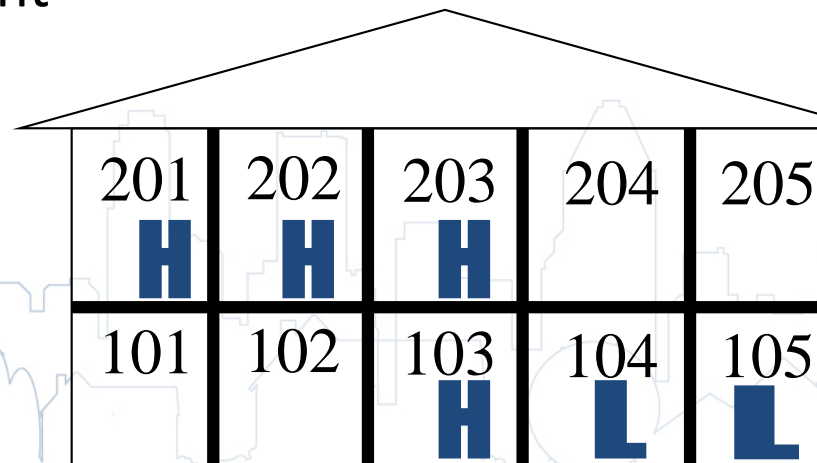
- When existing household becomes over income (over 80% AMI):
 - Must increase rent to 30% of adjusted gross income, capped at market rent for comparable, unassisted unit
 - Project remains temporarily out of compliance until next available, comparable, non-assisted unit is substituted

Floating Units: Over Income Tenants (cont.)

- When existing household becomes over income (cont):
 - New unit must be comparable
 - If need Low HOME unit: substituted tenant must be VLI and rent is Low HOME
 - Can re-designate existing market rent unit to Low HOME if occupied by VLI household
 - If need High HOME unit: substituted tenant may be up to 80% median and rent is High HOME
 - Once new unit designated, old unit can become market rent unit

Floating Unit Exercise

- 10 one bedroom units in project; 6 units are HOME
- Example 1: Ms. Chan's income in 105 goes up to 58% AMI & 102 becomes vacant (for now assume all HOME units occupied & eligible)
- Example 2: Mr. Preston in 203 goes up to 102% AMI & 204 becomes vacant



Unit Mix Questions When Reviewing Owner's Annual Report

- Does total number of HOME-assisted units match written agreement?
- Does project have correct number of Low and High HOME rent units?
- Are there tenants in Low HOME units whose income exceeds 50% AMI?
- Are there tenants in any HOME unit whose income exceeds 80% AMI?
- Can project be brought back into compliance by making a unit swap?

Unit Swaps

- Depending on existing tenant incomes and units, unit swap may be possible
 - PJ/owner is expected to make swap if needed to bring project back into compliance
 - Example: need Low HOME unit & VLI household lives in High HOME unit
 - Good idea to recertify income again
 - In fixed projects, swap only within HOME-assisted units
 - In floating projects, look within whole project BUT never need to exceed total agreed-upon number of HOME units

HOME & LIHTC: Over-Income Tenants

- LIHTC rule: rent for over-income tenant remains restricted
 - “Over-income” defined as above 140% of income limit (not AMI)
 - 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 & LIHTC: Over-Income Tenants (cont.)

- In units with both \$\$\$, HOME defers to LIHTC and does not deem household as over-income until 140% of LIHTC income limit
 - If household income is over 80% AMI, can raise rent to LIHTC rent (if greater than HOME)
 - HOME rule on increasing rent for over-income tenants in High HOME units does not apply
 - Rent does not change to market until unit is replaced through “next available rule”

HOME & LIHTC: Over-Income Tenants (cont)

- Over income example:
 - Mr. Martinelli lives in a High HOME unit with LIHTC assistance
 - At recertification, his income is at 102% of LIHTC income limit
 - Because his unit has combined funding, he is not deemed to be over income:
 - His rent may go up to LIHTC rent (if higher)
 - However, if possible within unit configuration, HUD encourages PJ to look for unit swap

Student Rule

- Generally, a student under the age of 24 is ineligible for HOME assistance, including occupying a HOME-assisted rental unit unless he or she meets a specific exception outlined in 24 CFR 5.612
- Student who is under the age of 24 is presumed to be a dependent member of another household.
- Applies to both full-time and part-time students.

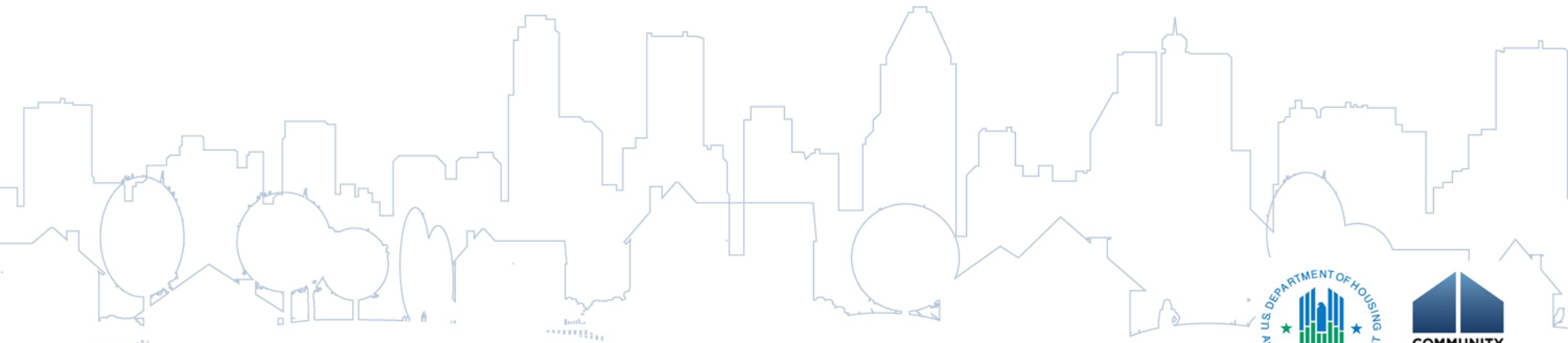
Student Rule Exceptions

- Student is a member of an income-eligible household
 - Must count the income of all members of the family, even if student resides in a different jurisdiction
- Student is not a dependent member of another household – example an youth emancipated from the foster care system
- The student meets one of the other exceptions:
 - A veteran of the United States military;
 - Married;
 - Has a dependent child; or
 - Is disabled and was receiving Section 8 assistance as of November 30, 2005

In-Place Students in HOME Rental Units

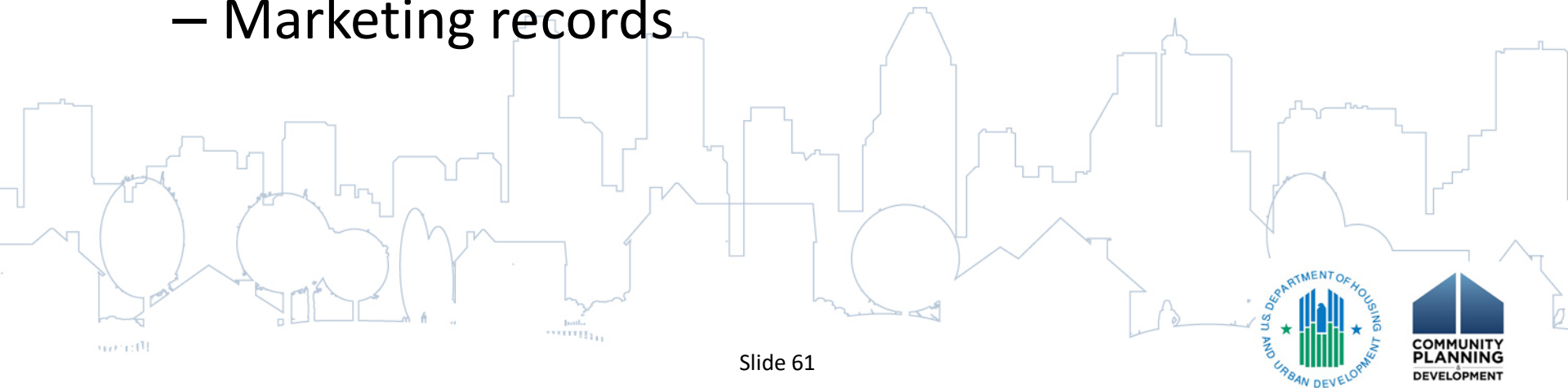
- First step is to determine the composition of the household
- Property owner/manager must determine the household's income level including off site family such as parents at another location
- Independent student cannot be claimed for tax purposes as a dependent of another household
- If the household is over-income, the property owner/manager must apply the over-income tenant provisions of the HOME regulations at §92.252(i).

MARKETING & TENANT RELATIONS



In This Module...

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



HOME Requirements: Marketing & Tenant Selection

- Project marketing 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

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

Affirmative Marketing

- Plan to conduct special outreach to those least likely to apply
- Required for PJ's program & all properties with 5 or more HOME-assisted units
- Affirmative marketing plans can be similar but should be specified to each property
- PJ must annually assess affirmative marketing success

Marketing Accessible Units

- Initial rent up:
 - Persons with disabilities needing accessible unit
 - Tenant application to self identify need for unit accommodations
- Ongoing offering:
 - First available to current occupant who requires accessibility features
 - Next to eligible qualified applicant on the waiting list who requires accessibility features
 - Market to attract new disabled applicant
 - Last to non-disabled person on waiting list

Documenting Marketing & Tenant Selection

- Must keep records documenting efforts to:
 - Market affirmatively to eligible population
 - Market accessible units to disabled persons who need accessibility features
- Maintain records of operation of tenant selection procedures
 - Waiting list
 - Who selected from waiting list & why
 - Leases

Occupancy Standards

- No specific HOME rule on max persons per unit
 - PJ should establish standards based on local code
 - Standards must be reasonable and not based on age, gender, relationship
- Not a HOME violation to have household too small for unit size
- Cannot require household to move if over crowded
 - Owner can work with household to find more appropriate unit

Tenant Protection: Lease Requirements

- PJ must review and approve leases
- Leases are required for all tenants
- One year term at minimum
 - Unless mutually agreed upon
- The lease must include:
 - Rent, and
 - Procedures for adjustments to rents
- PJ can provide a standard lease or a lease addendum to waive prohibited clauses

Lease Requirements: Prohibited Clauses

- Agreement to be sued
- Treatment of property
- Excusing owner from responsibility
- Waiver of notice
- Waiver of legal proceedings
- Waiver of a jury trial
- Waiver of right to appeal court decision
- Tenant chargeable with costs of legal actions regardless of outcome

Tenant Protection: Terminating Tenancy/ Refusal To Renew

- Termination or Refusal to renew lease requires good cause:
 - Violation of lease terms;
 - Violation of applicable laws;
 - Completion of tenancy period for transitional housing; or,
 - Other good cause
 - Lease should specify basis
 - Increase in income is not good cause

VAWA

- Violence Against Women Reauthorization Act of 2013 Final Rule applies to project committed on or after Dec. 16, 2016 and all HTF projects
- VAWA protects any person who is **BOTH**-an applicant or tenant of a covered project: **and**
 - A survivor of
 - Domestic violence,
 - Dating violence,
 - Sexual assault, or
 - Stalking

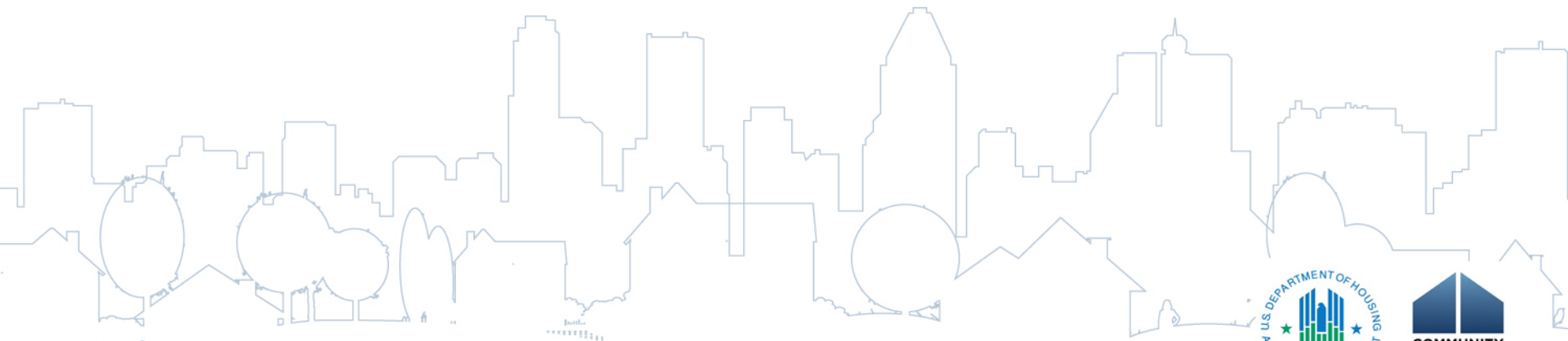
VAWA(cont)

- A Notice of Occupancy Rights and a Certification Form must be provided to tenants when they apply for a HOME or HTF unit and if application is rejected; also applies to TBRA and to evictions or termination of TBRA;
- PJ is required to adopt emergency transfer plans

VAWA(cont)

- Must allow tenants who qualify to transfer to another HOME/HTF unit in same project if considered safe or may assist to move out of project into another HOME/HTF project
- May utilize TBRA for emergency transfers if a part of TBRA plan
- May bifurcate lease to evict abuser

UNIT QUALITY & INSPECTIONS

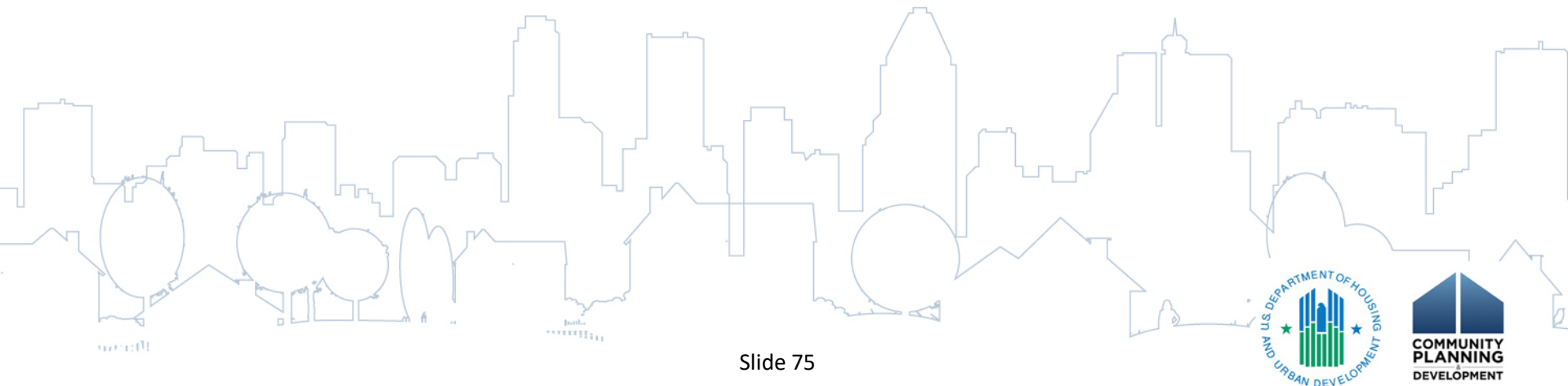


Slide 74



In This Module...

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



Property Standards

- If HOME \$ is spent, the unit must be brought up to “standard”
- Three types of codes or requirements may apply:
 - Building and Rehabilitation Codes
 - Rehabilitation Standards
 - Ongoing Property Condition/Habitability Codes
- Building codes & rehab standards apply at project development phase
- Property condition or habitability codes apply for acquisition only activities and throughout affordability period (ongoing property condition)

Written Rehabilitation Standards

- Required by the HOME Program
- Developed locally, but may use existing model
- Defines the type and quality of materials and workmanship for rehabilitation projects
- Specifies the type of repairs to be carried out
- May define performance standard for items that are not addressed such as remaining useful life

Ongoing Property Standards

- Sets basic conditions for decent, safe and sanitary housing
- Basis for inspection of during affordability period
- Minimum standards for on-going rental habitation (not construction)
 - State and local property condition/habitability
 - UPCS
 - Must include on-going LBP maintenance
 - Also includes UFAS standards for handicapped access
- PJs may adopt more stringent standards

Ongoing 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

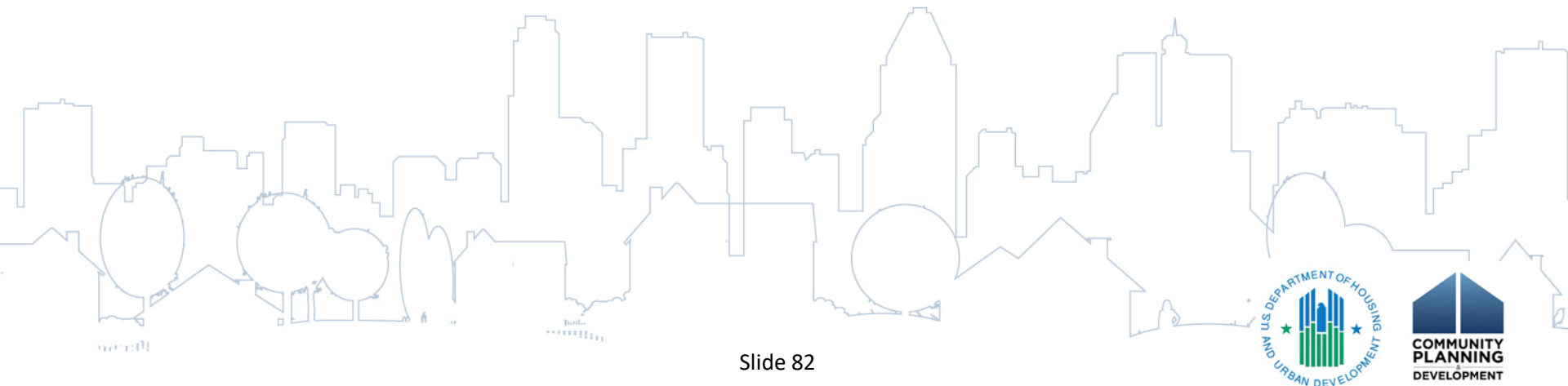
- PJ must require owner to correct deficiencies
 - May include requiring specific repairs
 - After first year, PJ cannot pay for these repairs with HOME \$\$\$ during affordability period
- If property not brought up to standard PJ must enforce agreement with owner
 - May involve legal action

Required Oversight & Inspections

- PJs must verify compliance with HOME requirements each year
 - Owner Certification of property condition; might include pictures of property, maintenance records, sub work orders, and tenant complaints
 - Provide a reporting format!
 - Drive-by is also recommended

Onsite Inspection Frequency

- PJ must inspect within 12 months of completion
- At least every three years thereafter
- More often if health/safety issues or other problems identified



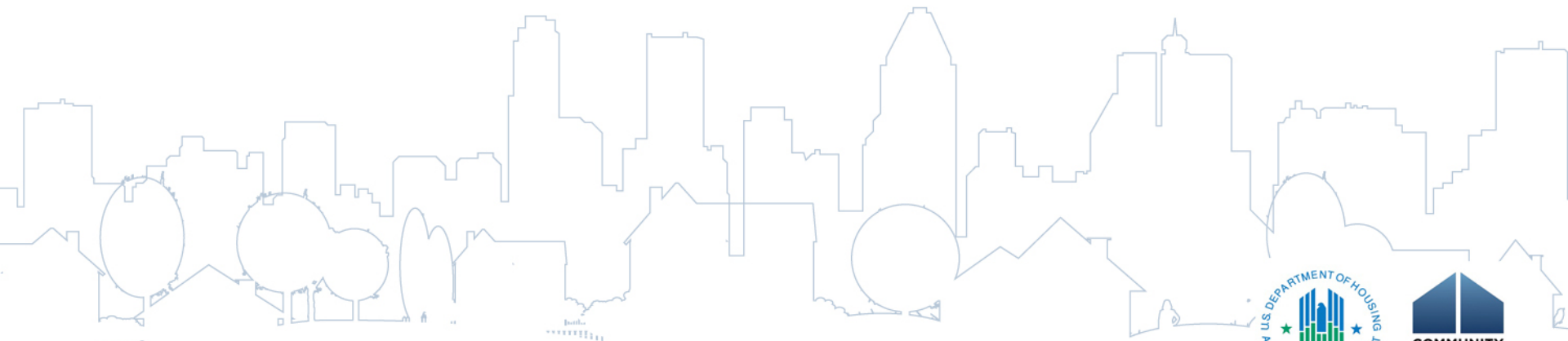
HOME & LIHTC: Inspection Schedule

- 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 generally based on a 3 year schedule unless more frequently based on identified issues & sufficient sample of units
- PJ should conduct inspections according to each program's requirements

Inspection Policies & Procedures

- PJs must have written policies and procedures for inspections
- Inform owner of compliance issues in writing and in person
- Consider impact on tenants
- Keep records of actions taken

Monitoring



Slide 85



Compliance Monitoring

- Important to ensure that rental projects meet compliance requirements for affordability period
 - Rents and income
 - Property condition
 - Financial condition
- If project is not compliant:
 - Not providing quality housing to eligible households
 - Requires more PJ oversight
 - May fail and HOME funds have to be repaid

Financial Oversight

- PJ must do an annual review of financial condition
 - Applies to projects with 10 or more HOME units
- If PJ sees problems, must take action, such as:
 - More frequent reporting and monitoring
 - Provide technical assistance
 - Assist in identifying additional non-federal funding or another appropriate owner

Planning for Monitoring

- Develop an annual monitoring plan
 - Monitoring objectives
 - Risk assessment
 - Monitoring strategy
 - Desk monitoring
 - On-site monitoring
 - Approaches and tools
 - Staff and schedule

Monitoring Fees

- Project committed under new rule – on or after Aug. 23, 2013 to charge monitoring fee
- See HOMEfire Vol. 14, No.2 April 2018 for additional guidance
- Must be based on actual costs
- Must be included in initial underwriting
- Does not apply to projects under old rule
- Monitoring fees are considered applicable credits not program income; revenue is used to offset monitoring expenses

Annual Report to PJ

- HOME requires annual rent and occupancy report from owner to PJ
- 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: Financial

- Recommend PJ obtain financial report from owner/manager:
 - Budget v. actual operating statement
 - Schedule of major disbursements
 - Accounts payable listing
 - Aged tenant accounts receivable listing
- Recommend also obtain 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

- Recommend obtain 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

Troubled Projects

- Applies to existing HOME rental projects no longer financially viable within the affordability period
 - Troubled: operating costs significantly exceed operating revenue
- PJ may request HUD approve investing additional HOME funds into the property if new + old HOME funds does not exceed current subsidy limits
- PJ may request HUD approve reduction in number of HOME units if original number higher than required

Helpful Resources

- **HUD Field Office staff**
- **Notices, HOMEfires, and HOME Facts**
- **HOME Written Guidebooks:**
 - *Compliance in HOME Rental Projects: A Guide for PJs*
 - *Compliance in HOME Rental Projects: A Guide for Owners*
 - *Guidebook on Promoting Fair and Accessible Housing Opportunities in HOME*
 - 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