



# RI Housing Updates

NEAHMA RI Agency Meeting  
March 27, 2019



# New Lease

## **New Lease for Homeless Families: *Welcome to RI***

- MA-based effort to implement a homeless preference in multi-family housing
- Founded by 8 owners to address family homelessness to administer homeless preference
- Function as intermediary between owners/agents and service providers to expedite housing placement and stabilize homeless individuals and families

<http://www.newleasehousing.org/>



# New Lease

**New Lease:** taps into consortium of talented service providers to help households through entire tenancy.

- **Housing Placement Assistance**
  - Application and eligibility documents provided upon vacancy to reduce screening times
  - Case manager attendance at housing appointments
  - Mitigation to address barriers such as CORI/BCI, poor credit and housing history.
  - Pre-rejection Conference for applicants who fail screening.
  - 1-2 business day communication turnaround



# New Lease *(cont.)*

- **Support Tenancies**
  - 12 months of stabilization case management
  - Continued tracking and support by New Lease staff
  - Re-engages Case Management to address serious tenancy issues



# New Lease *(cont.)*

- **Success in Massachusetts includes:**

- Placed **300+ families** in **40 buildings** across MA
- As a result, over **500** children have a place to call home
- 96% of failed screenings are overturned
- **NO** vacancy loss for owners
- 98% Retention Rate

- **Update on Rhode Island initiative:**

- 6 owners have committed to participate
- Expect to place first families/individuals by Summer 2019



# Multifamily FSS

- **Family Self-Sufficiency Program:**
  - Expanded authority to network of private owners serving over 1.2 million households in U.S.
  - Provides incentives to families to increase earned income
  - Case management or coaching
- H-2016-08: Provides guidance on establishing and operating FSS program
- Voluntary for both owners and tenants

Your goals may be closer than you think.



The Family Self-Sufficiency Program (FSS) is a voluntary five-year program offered to all Section 8 voucher holders. It is designed to help you meet your personal and professional goals and work toward economic independence.

#### Benefits of FSS

- Establishment of a savings account to help you achieve financial independence
- Connection with education, training and employment resources to help meet your goals
- FSS Coordinator provides personalized financial coaching and help to improve your credit

Contact an FSS Program Coordinator today to get started: **401-450-1318** or **FSS@rihousing.com**.



# Multifamily FSS *(cont.)*

- **Family Self-Sufficiency Act**

- Passed on Nov. 14, 2017
- Provides permanent authority
- Owners may enter into coop agreements with local PHAs
- May operate in partnership with other owners
- One household member has to seek and maintain suitable employment
- Owners may be awarded grant for FSS coordinator



# Multifamily FSS *(cont.)*

## ***IT WORKS!***



2011 study of FSS Participants Public and Indian Housing by HUD:

- Graduates **increased income by \$13,500** (*17% annual growth rate*) for four-year study period
- Average escrow account savings: **\$6,500**
- **36% left housing assistance** within 1 year of graduation
- **11.76% purchased a home**





# Multifamily FSS (cont.)

- RI Housing FSS:
  - 13.3% of HCVP families enrolled
  - Of 186 enrolled:
    - 64 increased earnings by average of \$11,557.96 and increased escrow by \$1,442
    - 73 decreased their HAP by \$219
  - 24 graduates of FSS in the last year, collectively saved \$163,954

2018	Average Earnings	Average HAP	Average Credit Score
Baseline	\$8,051	\$1,040	603
Graduating	\$26,030	\$755	628



# Multifamily FSS (cont.)

POAH commits early and partners with Compass:

***“Early data suggests that well-executed FSS programs lead to a significant impact on participating families while also providing a real return on investment to owners.”***

- POAH/Compass Outcomes:
  - Serving 30% of eligible households; six times national average
  - 50% already begun building savings in escrow within one year of enrolling



# Multifamily FSS (cont.)

## EARLY SUCCESS IN POAH-COMPASS FSS PROGRAMS

	AT ENROLLMENT	CURRENT
Full-Time Employed	22%	36%
Unemployed	39%	27%
Average Earned Income (Annual)	\$12,211	\$17,722
Average FICO Score	587	616
% Clients with Debt in Collection	69%	59%

***POAH: “Our broad recommendation to private owners is to think creatively about how targeting your resources toward providing a strong FSS program for residents could impact not only your residents, but also your properties and your organization.”***



# PBCA

All documents can now be sent to your Contract Administrator via email.

*This includes:*

- Rent Comp Studies
- Special Claims – MUST be sent via email
- Contract Renewal Packages
- Rent Schedules
- OCAF letters – MUST be completed via DocuSign

Subscribe to our e-blast!

Send a request to [hlanphear@rihousing.com](mailto:hlanphear@rihousing.com)



# PBCA *(cont.)*

## MOR Preparation

- Conduct a self-review
- Go through the HUD-9834 form and fill it out ahead of time
- Recommend a file review using worksheets provided– this section of the MOR has the most weight in the final score

## Materials to have Prepared:

- Backup documentation for each question
- All materials requested on Addendum C that are not on the HUD-9834 form itself (*neither is exhaustive*)



# PBCA *(cont.)*

## Things to Consider:

- Buildings constructed prior 1978: CAs request RI Lead Safe/Lead Free Compliance Certificate or initial comprehensive exam and proof of inspections
- Include Violence Against Women Act (VAWA) Notice of Occupancy Rights in rejection and termination letters
- Include VAWA emergency transfer plan and applicable preferences in TSP
- Boilerplate contact info for HUD and RIHousing on HUD-9887 must be updated
- Check that forms are most recent versions:  
[www.hud.gov/huclips](http://www.hud.gov/huclips)



# PBCA *(cont.)*

## Things to Consider *Continued...*

- Demonstrate review of Affirmative Fair Housing Market Plan in last 5 years. AFHMP chart must be filled out completely.
- Make sure your Enterprise Income Verification (EIV) master binder is complete and includes notes on how hits were researched and resolved
- Ensure you have copies of your work orders (for both Exigent Health and Safety (EH&S) and Non-EH&S items) for any items cited on your last REAC report



# PBCA *(cont.)*

## Things to Consider *Continued...*

- For sites who keep their security deposits in account whose interest fluctuates annually, please make sure annual interest accrual amount is documented as proof may be requested at time of MOR to verify security deposit returns.
- User Access Authorization forms (*current and initial*), rules of behavior, and security awareness trainings are needed. See Checklist
- Vouchers should be submitted by 10<sup>th</sup> of each month. We will be marking late voucher submission as findings on the MOR
- Ensure all findings and observations from your previous MOR are addressed and continue to be addressed for new move-ins





# PBCA *(cont.)*

## During the MOR:

- Be able to hand your reviewer (or point to in your documentation binder) each piece of supporting documentation during the interview
- During both the interview and the exit interview you can discuss both your policies and any potential findings
- Exit interview:
  - This is your opportunity to point to an item you think we've missed or explain why something was done



# PBCA *(cont.)*

## Responding to the MOR:

- You have 30 days to respond
  - You can start corrections before you get the report
  - We will provide a summary of file findings at exit interview
- Complete corrective action as described. We try to make them as specific as possible.
- Send all of your responses to our office at one time. Do not send them in individually or with multiple email attachments. MORs cannot be closed out until all findings have been addressed.
- Organize! Have cover letter summarizing responses and backup materials labeled by the finding and in order.

*Tell us if you need more time and reach out with any questions.*

***We are here to help!***



# Questions?

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# Contact Info

## Director of Leased Housing and Rental Services

Claribel Shavers

[cshavers@rihousing.com](mailto:cshavers@rihousing.com) 401-457-1223

## PBCA Supervisor

Hope Lanphear

[hlanphear@rihousing.com](mailto:hlanphear@rihousing.com) 401-429-1409



# Contact Info

## Contract Administrators

Nancy Boyd

[nboyd@rihousing.com](mailto:nboyd@rihousing.com)

401-457-1238

Joanne Curtis

[jcurtis@rihousing.com](mailto:jcurtis@rihousing.com)

401-457-1117

Latoshia Denson

[ldenson@rihousing.com](mailto:ldenson@rihousing.com)

401-450-1329

Jesus Diaz

[jdiaz@rihousing.com](mailto:jdiaz@rihousing.com)

401-457-1233

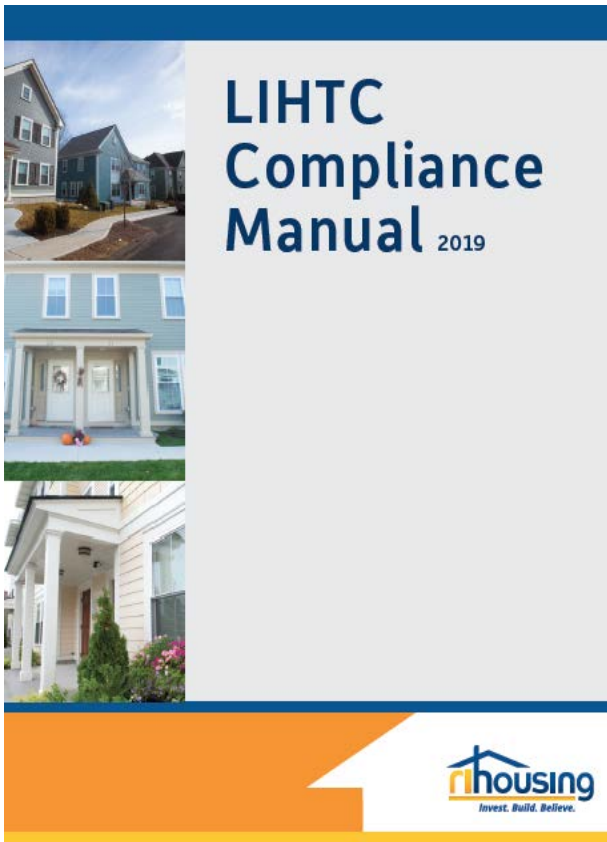
Richelle Fitzgerald

[rfitzgerald@rihousing.com](mailto:rfitzgerald@rihousing.com)

401-457-1227



# NEW LIHTC Compliance Manual



- Contracted with Costello Compliance, a nationally recognized industry leader and expert in LIHTC compliance
- Developed specifically for owners and managers of LIHTC developments in Rhode Island



# NEW LIHTC Compliance Manual (*cont.*)

- Reflects significant changes in policy at RIHousing
- Scaled back non-regulatory RIHousing requirements
- Consistent with HUD methods
- Consistent with IRS guidance and industry best practices



# NEW LIHTC Compliance Manual (*cont.*)

- Discusses LIHTC compliance intricacies
- Includes the new “Average Income Test”
- Real case studies and recommendations
- Multiple program guide





# NEW LIHTC Compliance Manual Features

- Easily searchable in pdf format
- Click on Table of Contents
- Index
- Charts and flow charts
- FAQs to be published



# NEW LIHTC Compliance Manual

Before	After
Review 20% of tenant files or <u>all</u> new MI tenant files	Review number provided in “Sample Size Chart”
<b>AR Waivers</b> <ul style="list-style-type: none"> <li>• Owners needed to request</li> <li>• Seldom approved</li> <li>• Applicable with year 3 of tenancy</li> </ul>	<ul style="list-style-type: none"> <li>• Abbreviated Certifications allowed only for 100% LIHTC projects</li> <li>• Owner must request and receive approval for Abbreviated AR</li> <li>• Owners of 100% LIHTC projects are allowed to conduct an Abbreviated AR Certification for <u>all years after IC/MI</u></li> </ul>
<b>Annual income calculations</b> <ul style="list-style-type: none"> <li>• Must use highest amount</li> <li>• Averaging hours not allowed</li> <li>• If tenant works 35 - 40 hrs, calculate 40 hrs</li> </ul>	Allow Section 8 method of averaging <ul style="list-style-type: none"> <li>• A tenant works 34-40 hours a week, HUD would calculate this as average of 37 hours.</li> </ul>
<b>Range of paystubs to calculate annual income</b>  RIHousing policy: 4 - 6 , strongly recommended 6 paystubs	Suggest 2 months of pay history to align with HOME.  Require 2-month minimum when using paystubs to verify employment income
Lease Agreement: 1-year term minimum	Lease Agreement: 6-month term minimum
Rent increase \$25 every 6 months w/o approval More than \$25, requires approval	Rent increase more than 5% needs pre-approval



# Multifamily Compliance

## Inspection changes

- **LIHTC**

- Department of the Treasury, Internal Revenue Service
- Approved February 13, 2019, Published February 26, 2019
  - Final regulations to amend the compliance monitoring requirements for (LIHTC) projects
  - *Effective immediately*

- **REAC**

- HUD Notice 19-013
- Published February 26, 2019
  - Inspection Notification & Consequences
  - 30 days to implement



# Multifamily Compliance (cont.)

## LIHTC Inspection Changes

- Sample Size
  - Required min. sample size based on “the Chart”
  - 20% a thing of the past
- Separate Projects
  - 8609, Line 8b determines the number of projects at a site
  - Each building may be treated as a separate project
    - Likely subject to increased compliance monitoring requirements

**8609** Low-Income Housing Credit Allocation and Certification OMB No. 1545-0088

Form 8609 (Rev. May 2014)  
Department of the Treasury  
Internal Revenue Service  
Go to [www.irs.gov/Form8609](http://www.irs.gov/Form8609) for instructions and the latest information.

**Part I Allocation of Credit**

Check  Addition to Qualified Basis  Amended Form

**A** Address of building (do not use P.O. box for instructions) \_\_\_\_\_

**B** Name and address of housing credit agency \_\_\_\_\_

**C** Name, address, and TIN of building owner receiving allocation \_\_\_\_\_

**D** Employer identification number of agency \_\_\_\_\_

**E** Building identification number (BIN) \_\_\_\_\_

TIN \_\_\_\_\_

1a	Date of allocation	b	Maximum housing credit dollar amount allowable	1b	
2	Maximum applicable credit percentage allowable (see instructions)	2			%
3a	Maximum qualified basis	3a			
b	Check here <input type="checkbox"/> if the eligible basis used in the computation of the line 3a was increased under the high-cost area provisions of section 42(i)(5)(B). Enter the percentage to which the eligible basis was increased (see instructions)				%
4	Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-)	4		1	%
5	Date building placed in service	5			
6	Check the boxes that describe the allocation for the building (check those that apply):				
a	<input type="checkbox"/> Newly constructed and federally subsidized	b	<input type="checkbox"/> Newly constructed and not federally subsidized	c	<input type="checkbox"/> Existing building
d	<input type="checkbox"/> Sec. 42(j) rehabilitation expenditures federally subsidized	e	<input type="checkbox"/> Sec. 42(e) rehabilitation expenditures not federally subsidized	f	<input type="checkbox"/> Allocation subject to nonprofit test under sec. 42(i)(6)

**Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only**

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.

Signature of authorized official \_\_\_\_\_ Name (please type or print) \_\_\_\_\_ Date \_\_\_\_\_

**Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period**

**7** Eligible basis of building (see instructions) \_\_\_\_\_ **7**

**8a** Original qualified basis of the building at close of first year of credit period (see instructions)? \_\_\_\_\_ **8a**

**9a** Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?  Yes  No

**9b** If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?  Yes  No

**9c** For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low-income units under section 42(i)(3)(B)?  Yes  No

**10** Check the appropriate box for each election.

**Caution:** Once made, the following elections are irrevocable.

**a** Elect to begin credit period the first year after the building is placed in service (section 42(i)(1))  Yes  No

**b** Elect not to treat large partnership as taxpayer (section 42(i)(3))  Yes  No

**c** Elect minimum set-aside requirement (section 42(j)) (see instructions):  25-50  40-60  Average income  25-60 (N.Y.C. only)

**d** Elect deep rent skewed project (section 142(i)(4)(B)) (see instructions)  15-40

Under penalties of perjury, I declare that I have examined this form and accompanying attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature \_\_\_\_\_ Taxpayer identification number \_\_\_\_\_ Date \_\_\_\_\_

Name (please type or print) \_\_\_\_\_ First year of the credit period \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. OMB No. 1545-0088 Form 8609 (Rev. 05-2014)

**Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period**

<b>7</b>	Eligible basis of building (see instructions)	<b>7</b>	
<b>8a</b>	Original qualified basis of the building at close of first year of credit period	<b>8a</b>	
<b>b</b>	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?		<input type="checkbox"/> Yes <input type="checkbox"/> No



# Multifamily Compliance (cont.)

Number of Low-Income Units in the Low-Income Housing Project	Number of Low-Income Units Selected for Inspection or Low-Income Certification Review (Minimum Unit Sample Size)
1	1
2	2
3	3
4	4
5-6	5
7	6
8-9	7
10-11	8
12-13	9
14-16	10
17-18	11
19-21	12
22-25	13
26-29	14
30-34	15
35-40	16
41-47	17
48-56	18
57-67	19
68-81	20
82-101	21
102-130	22
131-175	23
176-257	24
258-449	25
450-1,461	26
1,462-9,999	27

## LIHTC Inspection Changes

### • Example 1

- Owner selected “No” on item 8b
  - Each building is a project
- Large Scattered Site
  - 20 buildings
  - 1 – 5 units in each building
- 100% of files/units will be inspected
  - At least once every three years

### • Example 2

- One building = One project
- 200 units
- 24 files/units will be inspected
  - At least once every three years



# Multifamily Compliance (*cont.*)

## LIHTC & REAC Inspection Changes

- Reasonable Notice
  - The “reasonable time” period to notify an owner of an upcoming inspection has been reduced from 30 days to 15 days.
    - Inspection dates will no longer be mutually agreed upon
    - Exceptions will be allowed only for extraordinary circumstances, including natural disasters and severe weather conditions.



# Multifamily Compliance (*cont.*)

## LIHTC & REAC Inspection Changes *Continued...*

- **LIHTC**

- Compliance Specialist will provide notification letter
- *Effective immediately*

- **REAC**

- Inspector will provide notification letter
- Effective 30 days after notice = March 22, 2019



# Questions?

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# Contact Info

## Assistant Director of Development

Michael DiChiaro

[mdichiaro@rihousing.com](mailto:mdichiaro@rihousing.com)

401-457-1274

## Rental Compliance/Training Coordinator

Kathleen Millerick

[kmillerick@rihousing.com](mailto:kmillerick@rihousing.com)

401-457-1241

## Multifamily Compliance Supervisor

Lenore Coughlin

[lcoughlin@rihousing.com](mailto:lcoughlin@rihousing.com)

401-450-1307



# Contact Info

## LIHTC Program Multifamily Compliance Specialists

Melissa DeLuca

[mdeluca@rihousing.com](mailto:mdeluca@rihousing.com)

401-429-1496

Kristi Richardson

[krichardson@rihousing.com](mailto:krichardson@rihousing.com)

401-457-1258

Craig Scorpio

[cscorpio@rihousing.com](mailto:cscorpio@rihousing.com)

401-450-1326

Glen Turner

[gturner@rihousing.com](mailto:gturner@rihousing.com)

401-457-1154

Jamie Wolcott

[jwolcott@rihousing.com](mailto:jwolcott@rihousing.com)

401-450-1343

## HOME Program Compliance Specialist

Brittany Toomey

[btoomey@rihousing.com](mailto:btoomey@rihousing.com)

401-429-1455



# Asset Management Overview

## Financial Monitoring:

- Audited Financial Statements
- Analysis, Compliance
- HUD Reporting – Risk Share
- Surplus Cash
- Quarterly Interim Operating Statements-compared to prior year to identify trends
- Annual Budget Collection
- Approval of Operating Reserve Withdrawals



# Asset Management Overview *(cont.)*

- Annual Escrow Analysis
- Approval of 'NOP' Operating Subsidy Requisitions
- Delinquency Reporting
- Loan Workout Meetings
- Owner/Manager Meetings to discuss Action Plans/Resources/Resolutions
- Review and Approval of Pro-forma Operating Budget for all new RIHousing financed projects
- Unit Turnover Rates



# Asset Management Offerings

## **Supportive Resources available:**

- Historical Average Operating Expense data
- REAC – failing scores on Risk Share insured. HUD regulations and protocol to follow
- Meetings to discuss challenges/plans or future financing through our underwriting team



# Asset Management Topics of Focus

## Current Topics:

- Rent Levels
- Updating WTC
- Operating Reserve withdrawals



# Questions?

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# Asset Management Team Contacts

## Manager of Asset Management

Susan Halloran

[shalloran@rihousing.com](mailto:shalloran@rihousing.com)

401-450-1339

## Financial Analyst

Kate Mashburn

[kmashburn@rihousing.com](mailto:kmashburn@rihousing.com)

401-450-1351

## Asset Management Compliance Specialist

Renelder Duncan

[rduncan@rihousing.com](mailto:rduncan@rihousing.com)

401-433-1602

