

# Office of Portfolio Management



March 28, 2019

Speakers: Jill Cromartie, Denise Fariior, Merranda James, Stephen Vlkovic

# DCA STAFF CHANGES

## NEW ROLES

- **Steve Vlkovic**

Manager of Asset Management

- **Merranda James**

External Training and Development Coordinator

## NEW HIRES

### **Compliance Officers**

- Erica DeShazor
- Kimberly Lewis
- Imari Blackwell

### **Asset Manager**

- Tricia Manning

# OPM GOALS IN 2019

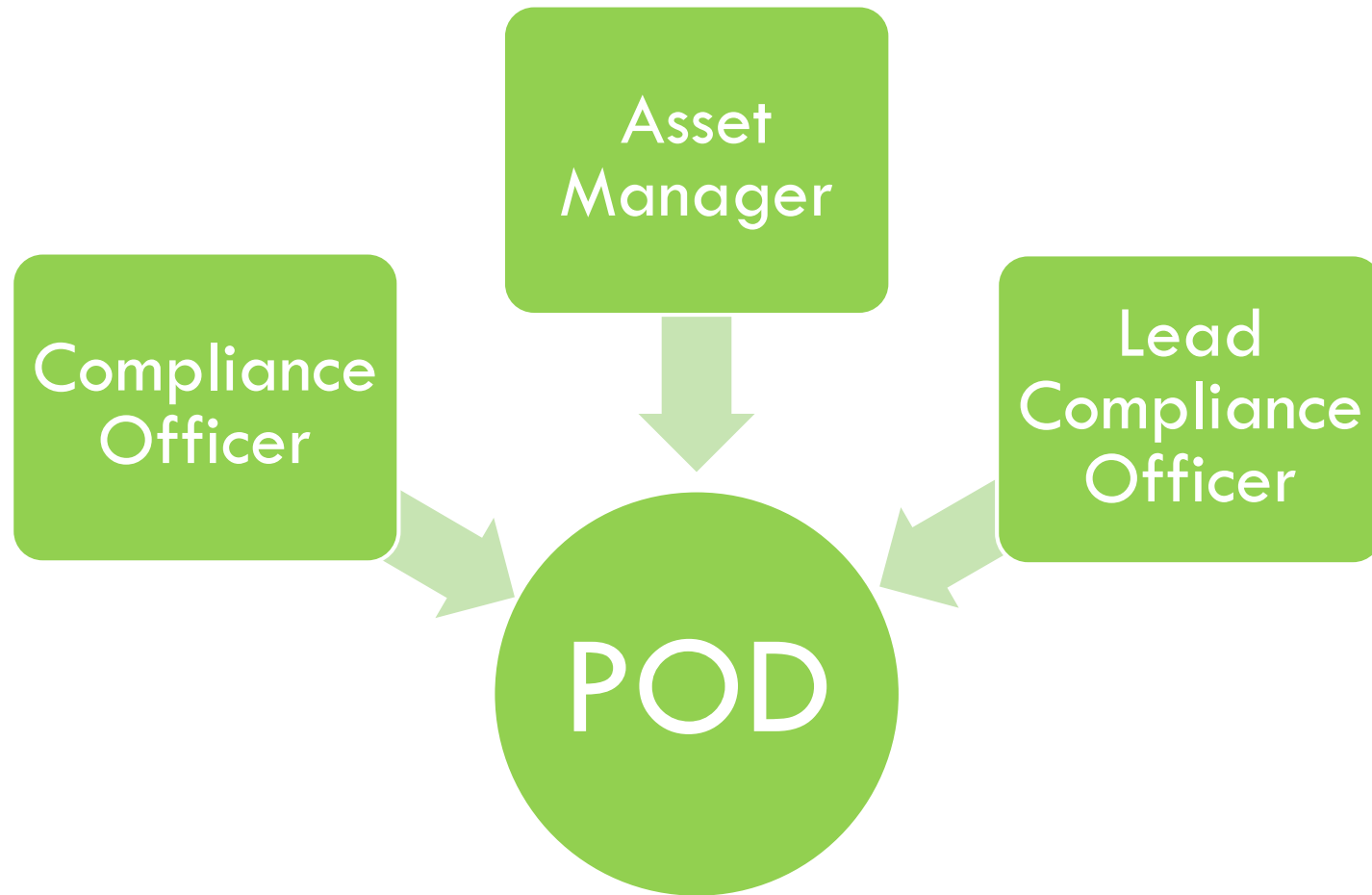
- POD Release
- Publish an approved Management Company List
- New Inspection Process
- Manual Updates
- Utility Allowance Revision
- Preservation
  - Qualified Contracts
  - Extended Use Policy (EUP) Update
- Training Platform

# WELCOME LETTER



- Mid-construction handoff
- 50% Completion
- Highlights of the application/deal
  - Amenities
  - Services
- What to Expect from DCA
- What DCA Expects from You
- DCA Points of Contact

# POD STRUCTURE



# COMPLIANCE



## FILE OVERSIGHT

- Audits
- Tenant Concerns
- Casualty Losses
- Utility Allowances
- Recert Waiver Requests
- AOC

# COMPLIANCE



## PHYSICAL INSPECTION OVERSIGHT

- Amenities
- Health & Safety
- Accessibility
- Property Maintenance

# ASSET MANAGEMENT



## FINANCIAL OVERSIGHT

- ❑ Reserves (Replacement, Operating Deficit, Cash Flow)
- ❑ Audited Financial Statements
- ❑ Loan Performance
- ❑ Operational Performance
- ❑ Qualified Contracts
- ❑ Project Concept Changes



# PERFORMANCE STATS & SCORING

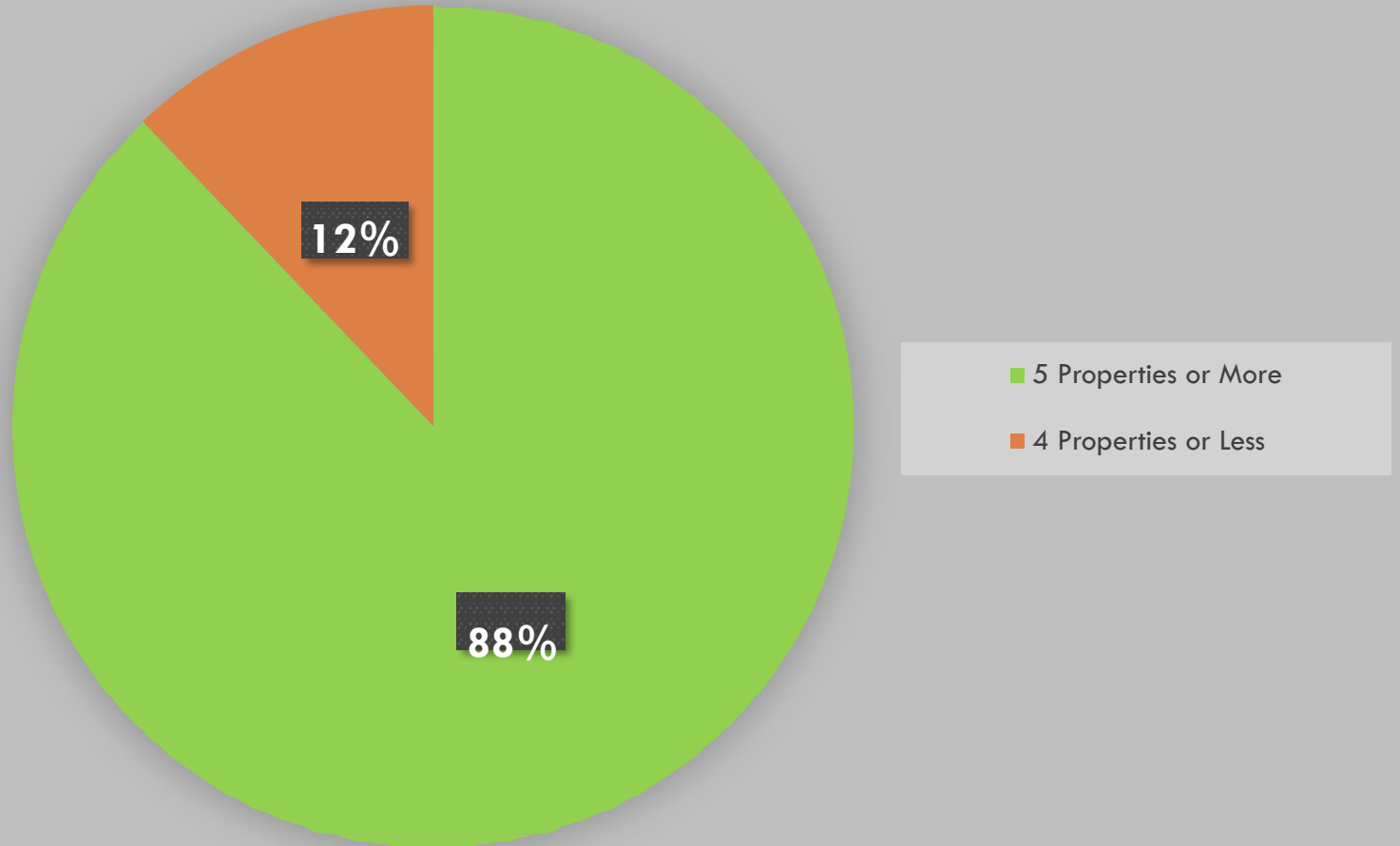


- Economic Occupancy
- DCR or Cash Flow
- Reserves
- Reporting
- File Compliance
- Physical Maintenance
- General Partner Responsiveness
- Management Company Responsiveness

# FUNDING SOURCES AND PROGRAMS

- Low Income Housing Tax Credit (LIHTC)
- HOME
- Housing Trust Fund (HTF)
- Section 1602 (Exchange Funds)
- TCAP
- FDIC
- NSP

# PORTFOLIO BY MGMT COMPANIES



# INSPECTION PROCESS

# INSPECTION UPDATES

- **20% Each**

- Physical Inspection + File Audit = 40% of units

- **Tenant File Submissions**

- Upload PDFs by unit

- **Health and Safety Violations**

- Cure submissions **due** within 72 hours of the physical inspection date

# FILE AUDIT UPDATES

## Notice of Deficiencies

- ❑ 14-21 days from the inspection date

## Email Notices Sent to

- ❑ Owner
- ❑ Management Company, and
- ❑ Syndicator

## New Inspection Schedule

- ❑ Y1-Y15 Properties – 9/30
- ❑ Extended Use Properties – 10/1-12/31

# REGULATORY UPDATES

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## Whether the REAC Numbers Should Replace the 20-Percent Rule for Physical Inspection and Low-Income Certification Review

### FORMER RULE

Minimum sample size to be **the lesser of**

- 20 % of total number of low-income units or
- The minimum unit sample size set forth in LHC Minimum Unit Sample Size Reference Chart

### NEW RULE

- Must inspect **no fewer units than** the number specified for projects of the relevant size as set forth in the LHC Minimum Unit Sample Size Reference Chart



# REGULATORY UPDATES

## LHC Minimum Unit Sample Size Chart Reference Chart

Table to Paragraph (c)(2)(iii)

Number of low-income units in the low-income housing project	Number of low-income units selected for inspection or for 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

# REGULATORY UPDATES

## Whether the Final Regulations Should Retain the All-Buildings Requirement

- Maintain “all buildings” rule
- Requires HFAs to inspect units in all buildings in a project
- Versus applying the **minimum unit sample size** on a project-wide basis\*\*
- If a project encompasses multiple buildings
- Must inspect some aspect of the building

\*\*LINK TO CHART ON DCA WEBSITE

# REGULATORY UPDATES

## Whether the Final Regulations Should Shorten the Reasonable-Notice Time Frame

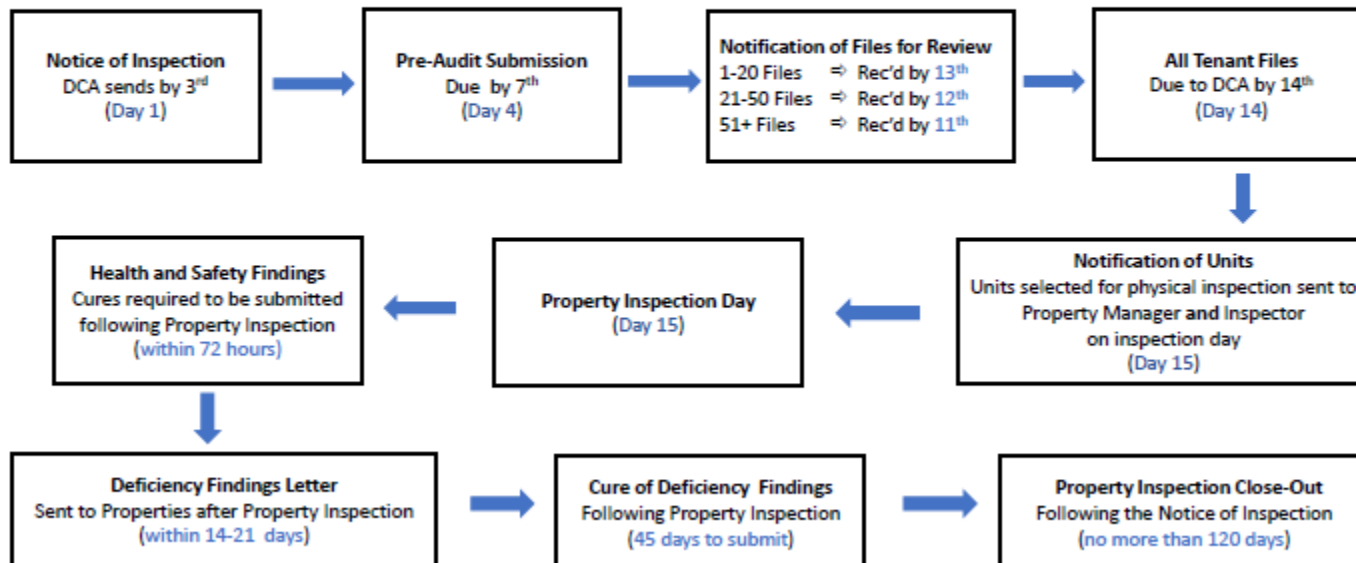
- Shorten the reasonable notice requirement to 15 days in advance of physical inspection or review of low-income certification
- May notify the owner of the particular low-income units for inspection only on the day of inspection

### **FORMER**

- Reduced from the 30-day notice requirement under temporary regulations

# INSPECTION TIMELINE

## DCA INSPECTION TIMELINE



# REGULATORY UPDATES

- Whether the Final Regulations Should Allow an Agency To Treat a Scattered Site or Multiple Buildings With a Common Owner and Plan of Financing as One Low-Income Housing Project Absent a Multiple-Building Election Under Section 42(g)(3)(D)
- Certification and Review Provisions Under § 1.42-5(c)

NO DCA CHANGES

# REGULATORY UPDATES

## (FORMER) TEMPORARY REGULATIONS

- Obsolete with respect to an Agency as of the date on which the Agency's QAP is amended to reflect these final regulations
- In all cases, however, Rev. Proc. 2016-15
  - OBSOLETE AFTER **December 31, 2020**

# REGULATORY UPDATES

## Applicability Date

- Department of Treasury and IRS
- Aware that additional time may be needed to amend QAP
- Final Regs allow a reasonable period of time to amend their QAPs

## **AMENDMENTS TO QAP NO LATER THAN**

- December 31, 2020

## **WHAT DOES THAT MEAN FOR GEORGIA?**

# EXAMPLE OF INSPECTION TIMELINE

## Example of Inspection Timeline

First Month								
Notice of Inspection	Pre-Audit Submission Due	Notification of Files for Review:			All Tenant Files Due	Notification of Units Selected for Physical Inspection	Physical Inspection Day	Health and Safety Cures Due
		# Files > = 51	# Files = 21 to 50	# Files < = 20				
4/3	4/7	4/14	4/15	4/16	4/17	4/18	4/18	4/21
Day 1	Day 4	Day 11	Day 12	Day 13	Day 14	Day 15	Day 15	Day 18

Second and Third Month	
Deficiency Letters Sent	Cures Due
5/2 - 5/9	6/16-6/23
Day 29 - Day 36	Day 74 -81

Third Month
Property Inspection Close-Out
7/2 -8/1
Day 90 -Day 120



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		# Files > = 51	# Files = 21 to 50	# Files < = 20				
4/9	4/13	4/20	4/21	4/22	4/23	4/24	4/24	4/27
Day 1	Day 4	Day 11	Day 12	Day 13	Day 14	Day 15	Day 15	Day 18

Second and Third Month	
Deficiency Letters Sent	Cures Due
5/8 - 5/15	6/22 - 6/29
Day 29 - Day 36	Day 74 - 81

Third Month
Property Inspection Close-Out
7/8 - 8/7
Day 90 - Day 120

# FILE AUDIT TIMELINE



## Pre-Audit Stage

- Notification of Inspection
- Request for Documentation

## Audit Stage

- Physical Inspection and File Audit Review
- Notice of Deficiencies Letter
- Cure Response Period

## Post-Audit Stage

- Audit Completion
- Close-Out Letter

# NOTICE OF UPCOMING REVIEW

[2002-056 PAVILLION PLACE AKA CRESCENT HILLS]

**AUDIT TYPE:**

<input checked="" type="checkbox"/>	PHYSICAL INSPECTION	<input checked="" type="checkbox"/>	FILE REVIEW
<input type="checkbox"/>	EXTENDED USE INSPECTION	<input type="checkbox"/>	RE-INSPECTION

**FUNDING:**

<input checked="" type="checkbox"/>	LIHTC	<input checked="" type="checkbox"/>	HOME
<input type="checkbox"/>	FDIC	<input type="checkbox"/>	NSP
<input type="checkbox"/>	EXCHANGE	<input type="checkbox"/>	KRESGE
<input checked="" type="checkbox"/>	TCAP	<input type="checkbox"/>	HOUSING TRUST FUND
<input type="checkbox"/>	EXCHANGE	<input type="checkbox"/>	KRESGE
<input type="checkbox"/>	USDA	<input type="checkbox"/>	OTHER:

**DATE TO RECEIVE NOTICE OF FILES FOR AUDIT:** April 1, 2019

**DATE & TIME OF PHYSICAL INSPECTION:** April 11, 2019 @ 11:00 AM

**EMAIL TO SUBMIT PRE-AUDIT DOCS:** [Review.Submissions@dca.ga.gov](mailto:Review.Submissions@dca.ga.gov)

**SUBJECT LINE FOR PRE-AUDIT DOCS:** TDumas02-056 Pavillion Place Pre-Audit

# NEW AND IMPROVED FORMS



- Forms are now available in fillable PDF
  - Pre-Audit Checklist
  - Property Information Sheet
  - Marketing Certification
  - Supportive Services Certificate
  
- Forms available on DCA Website

# GENERAL UPDATES

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- Resident Letter
- AFHMP
- AOC
- MITAS
- Rent Increase Requirements and Limitations
  - A tenant that is properly notified of the 5% proposed rent increase, may terminate or not renew the lease using notification in accordance with the terms of the lease, and by providing a move-out date or lease-end date that is effective on or following the proposed implementation date of the rent increase

# AVERAGE INCOME

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## Set-Aside Designations

- ❑ Made at application
- ❑ Irrevocable
- ❑ Must reflect parity of set-aside distribution
- ❑ Elections are made on the 8609
- ❑ Reflected in an exhibit of the LURC



# AVERAGE INCOME

## FEDERAL COMPLIANCE MONITORING

- ❑ Minimum Set-Aside
- ❑ Applicable Fraction
- ❑ Income Limit
- ❑ Rent Limit
- ❑ Next Available Unit Rule (NAU)



# AVERAGE INCOME

## STATE COMPLIANCE MONITORING

- Reporting
  - AOC
  - Monthly MITAS Reporting
- Parity and Designations
- Management Company Preparedness
  - Written Policies & Procedures
  - Training
    - Regional or Compliance Manager

\*APRIL 10 WEBINAR



# AVERAGE INCOME: Snapshot

GA ID	Year	# of Units							Total # Units	AI Average	PBRA	Revenue/Month	
		20%	30%	40%	50%	60%	70%	80%				AI Set-Aside	60% Set-Aside
18-509	2018			21	21	334		30	406	59.98%	No	\$388,317	\$388,522
18-518	2018				36	117		18	171	60.00%	Yes	\$155,640	
18-525	2018				54	96		27	177	60.00%	No	\$154,904	
18-513	2018				58	93		24	175	59.43%	No	\$150,930	\$152,420
18-519	2018		12			122		13	147	58.98%	No	\$112,489	
18-511	2018		15			107		22	144	59.93%	No	\$124,493	\$124,628

# 30% DESIGNATION

## EXAMPLE:

- 1-bedroom unit in Cobb County
- Assumes **1.5 people** in the household

LIHTC Income Limits for 2018 (Cobb County)		
Household Size	Designations	
	30.00%	60.00%
1 Person	15,720	31,440
2 Person	17,970	35,940

**Income Limit for a 1.5 person household is \$16,845**

$$16845 = ((17970 - 15720) / 2) + 15720$$



# RENT LIMITS

## □ Rent Limits

- Maximum rent that can be charged is 30% of the respective designation

$$\begin{array}{r} \$16,845 \\ \div \quad \underline{\quad 12} \text{ (months)} \\ = \$1,403.75 \\ \times \quad \underline{\quad .30} \text{ (30\% of maximum income)} \\ \$ \quad 421.13 \text{ (gross rent limit per month*)} \end{array}$$

\*Always round down = \$421 /month



# APPLICANTS

- Most management companies want to see 2.5-3 times the rent in income
  - $\$421 * 2.5 = \$1,052.50$
  - $\$421 * 3.0 = \$1,263.00$
- Income Range of \$1,052.00 - \$1,403.00
- Average SS Benefit:
  - \$1,234.00 /month (AARP 2012)
  - \$1,382.00 /month (Business Insider 2018)

# PRESERVATION

# PRESERVATION



- Extended Use Policies
- Preservation NOFA
- Qualified Contracts



# QUALIFIED CONTRACTS



- Requests
- Displaces the low income residents
- DCA's mission to facilitate & provide affordable housing

# DECONTROL

- 3-year period following the termination of a LURC
- 40 properties in the Decontrol Period
- 5,769 Units / 40 Properties
- Owner **CANNOT:**
  - Evict or terminate the tenancy without good cause
  - Increase gross rent above amount permitted by Section 42

# DECONTROL

Owner must:

1. Provide an Rent Roll at the Decontrol Period start date
2. Continue monthly MITAS reporting
3. Complete the Annual Owner Certification
4. Provide notice to residents about the Decontrol Period
5. Notify DCA if the Property is sold during Decontrol

# BLAST!

□ Bi-Monthly E-newsletter

■ **SIGN UP NOW** It will help you later!



# QUESTIONS?



Georgia<sup>®</sup> Department of



# Community Affairs