Office of Portfolio Management

March 28, 2019

Speakers: Jill Cromartie, Denise Farrior, 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 Officer
- Asset Manager
- Lead Compliance Officer
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

- 88%: 5 Properties or More
- 12%: 4 Properties or Less
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
REGULATORY UPDATES

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 LIHC 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 LIHC Minimum Unit Sample Size Reference Chart
<table>
<thead>
<tr>
<th>Number of low-income units in the low-income housing project</th>
<th>Number of low-income units selected for inspection or for low-income certification review (minimum unit sample size)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
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<tr>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>5-6</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>8-9</td>
<td>7</td>
</tr>
<tr>
<td>10-11</td>
<td>8</td>
</tr>
<tr>
<td>12-13</td>
<td>9</td>
</tr>
<tr>
<td>14-16</td>
<td>10</td>
</tr>
<tr>
<td>17-18</td>
<td>11</td>
</tr>
<tr>
<td>19-21</td>
<td>12</td>
</tr>
<tr>
<td>22-25</td>
<td>13</td>
</tr>
<tr>
<td>26-29</td>
<td>14</td>
</tr>
</tbody>
</table>
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
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
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

<table>
<thead>
<tr>
<th>First Month</th>
<th>Notice of Inspection</th>
<th>Pre-Audit Submission Due</th>
<th>Notification of Files for Review:</th>
<th>All Tenant Files Due</th>
<th>Notification of Units Selected for Physical Inspection</th>
<th>Physical Inspection Day</th>
<th>Health and Safety Cures Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day 1</td>
<td>Day 4</td>
<td>Day 11</td>
<td>Day 12</td>
<td>Day 13</td>
<td>Day 14</td>
<td>Day 15</td>
<td>Day 15</td>
</tr>
</tbody>
</table>

Second and Third Month

<table>
<thead>
<tr>
<th>Second and Third Month</th>
<th>Deficiency Letters Sent</th>
<th>Cures Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5/2 - 5/9</td>
<td>6/16-6/23</td>
</tr>
</tbody>
</table>

Day 29 - Day 36          Day 74 - 81

Third Month

<table>
<thead>
<tr>
<th>Third Month</th>
<th>Property Inspection Close-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7/2-8/1</td>
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</tbody>
</table>

Day 50 – Day 120
# Example of Inspection Timeline

## First Month

<table>
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<tr>
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<td>Day 12</td>
<td>Day 13</td>
<td>Day 15</td>
<td>Day 18</td>
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</table>

## Second and Third Month

<table>
<thead>
<tr>
<th>Deficiency Letters Sent</th>
<th>Cures Due</th>
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</thead>
<tbody>
<tr>
<td>5/8 - 5/15</td>
<td>6/22 - 6/29</td>
</tr>
</tbody>
</table>

Day 29 - Day 36  
Day 74 - 81

## Third Month

<table>
<thead>
<tr>
<th>Property Inspection Close-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/8 – 8/7</td>
</tr>
</tbody>
</table>

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:**

- ✔ PHYSICAL INSPECTION
- ✔ FILE REVIEW
- ☐ EXTENDED USE INSPECTION
- ☐ RE-INSPECTION

**FUNDING:**

- ✔ LIHTC
- ✔ HOME
- ☐ FDIC
- ☐ NSP
- ☐ EXCHANGE
- ☐ KRESGE
- ✔ TCAP
- ☐ HOUSING TRUST FUND
- ☐ EXCHANGE
- ☐ KRESGE
- ☐ USDA
- ☐ 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

**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
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
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
AVGERAGE INCOME

FEDERAL COMPLIANCE MONITORING

- Minimum Set-Aside
- Applicable Fraction
- Income Limit
- Rent Limit
- Next Available Unit Rule (NAU)
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
<table>
<thead>
<tr>
<th>GA ID</th>
<th>Year</th>
<th># of Units</th>
<th>Total # Units</th>
<th>AI Average</th>
<th>PBRA</th>
<th>Revenue/Month</th>
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<tbody>
<tr>
<td>18-509</td>
<td>2018</td>
<td>21 21 334 30</td>
<td>406</td>
<td>59.98%</td>
<td>No</td>
<td>$388,317 $388,522</td>
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<tr>
<td>18-518</td>
<td>2018</td>
<td>36 117 18</td>
<td>171</td>
<td>60.00%</td>
<td>Yes</td>
<td>$155,640</td>
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<tr>
<td>18-525</td>
<td>2018</td>
<td>54 96 27</td>
<td>177</td>
<td>60.00%</td>
<td>No</td>
<td>$154,904</td>
</tr>
<tr>
<td>18-513</td>
<td>2018</td>
<td>58 93 24</td>
<td>175</td>
<td>59.43%</td>
<td>No</td>
<td>$150,930 $152,420</td>
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<tr>
<td>18-519</td>
<td>2018</td>
<td>12 122 13</td>
<td>147</td>
<td>58.98%</td>
<td>No</td>
<td>$112,489</td>
</tr>
<tr>
<td>18-511</td>
<td>2018</td>
<td>15 107 22</td>
<td>144</td>
<td>59.93%</td>
<td>No</td>
<td>$124,493 $124,628</td>
</tr>
</tbody>
</table>
EXAMPLE:

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

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Designations</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.00%</td>
<td>60.00%</td>
</tr>
<tr>
<td>1 Person</td>
<td>15,720</td>
</tr>
<tr>
<td>2 Person</td>
<td>17,970</td>
</tr>
</tbody>
</table>

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

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

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

\[
\frac{16,845}{12} = 1,403.75 \\
\times 0.30 = 421.13 \text{ (gross rent limit per month*)}
\]

*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
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
Bi-Monthly E-newsletter

SIGN UP NOW  It will help you later!
QUESTIONS?