**Chapter XI**

State Recipient Rental Project Long Term Monitoring

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*See:” Rules for Combining Compliance Requirements of HOME- assisted and & Tax Credit Properties” at* <http://www.hcd.ca.gov/fa/home/MonitoringStateRecipients.html>

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**State Recipients are required to have**

**a written system in place to review rental projects**

**for HOME compliance, and are encouraged to review**

**“CHDO Long Term Monitoring” of HOME-assisted**

**rental projects to identify “*best practices*.”**

**Chapter XI**

State Recipient Rental Project Long Term Monitoring

I. Overview

A. TRANSITION TO LONG TERM MONITORING

As a rental project is completed, the responsibility shifts from a HOME underwriting staff person to a State Recipient (HOME Recipient) monitoring person. Local jurisdictions are responsible for the long-term monitoring of their rental projects. There are a number of state and federal requirements which must be met to ensure the proper management of the project for the period of affordability. These requirements are detailed in the project’s HOME Regulatory Agreement.

Take the time to set up a HOME document reference binder in preparation for the long term monitoring process. At a minimum, each HOME-Recipient monitoring staff person and property managing agent should have the following documents readily available:

* HOME Regulatory Agreement and any amendments
* Riders to Regulatory Agreement (i.e., for 202 & 811 projects)
* Management Plan & Tenant Selection Plan (TSP)
* Management Agreement
* Affirmative Fair Housing Marketing (AFHM) Plan for multifamily housing– form HUD-935-2A and the Annual Affirmative Marketing Analysis Report
* Income Calculation and Determination Guide for Federal Programs at

<http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>

* If property is also receiving tax credits, see: “Rules for Combining Compliance Requirements of HOME-assisted & Tax Properties” at: <http://www.hcd.ca.gov/fa/home/MonitoringStateRecipients.html>
* Annual Project Compliance Report Instructions
* Completed Sample of the Annual Project Compliance Report

All monitoring forms and instructions are available at:

[http://www.hcd.ca.gov/fa/home/monitoringforms.htm](http://www.hcd.ca.gov/fa/home/MonitoringStateRecipients.html)

State Recipient and HOME Program monitoring staff will periodically conduct on-site visits of HOME-assisted rental projects to ensure continued compliance with state and federal regulations. Owners and managing agents will be better able to address any questions or concerns if a HOME Program reference binder is easily accessible.

*Desk reviews and Site Visits*

Monitoring Rental Projects by State Recipients – see *Section II*

Monitoring State Recipients by HOME – see *Section III*

**B. IDENTIFYING FINDINGS AND CONCERNS**

**1. Communication**

Communicating the results of monitoring is essential for improving the performance of HOME-recipients. Conclusions made during the monitoring are summarized orally in the exit conference and followed-up in writing to the participant. Verbal communication should be summarized, documented and included in the monitoring file/data system. Conclusions should be supported by documented evidence and/or observations.

Monitoring staff may conclude that:

* Performance was adequate, exemplary or that there were significant achievements; and/or
* There were findings (conditions that are not in compliance with handbook, regulatory, or statutory requirements) and/or;
* There were concerns (deficiencies in performance that are not based on a regulatory or statutory requirement that should be brought to the attention of the program participant).

**2. Common Monitoring Findings and Concerns**

* Annual recertification not conducted for the on-site manager residing in a HOME-assisted unit.
* Asset documentation not requested at initial or annual recertification.
* Copy of recertification notice(s) to tenant not in file.
* Files not setup in typical file order.
* File documentation not in chronological order.
* No effective or expiration dates noted on Utility Allowance schedules.
* Incorrect Utility Allowance used for initial or annual recertification.
* Recertification process did not begin 120 days prior to anniversary date.
* Gross rent (tenant share, utility allowance, and tenant-based rent subsidy) exceeds the allowable HOME rent.
* Race / ethnicity, disability, age, and gender data not collected or analyzed.
* Unit inspections not conducted at least annually by the owner / management agent.
* The Lease Agreement format does not adequately address HOME requirements.
* The project does not have a separate account or sub-account for the Operating Reserve.
* Operating Reserve and/or Replacement Reserve is underfunded.
* Does not obtain prior written approval from HOME for a Replacement Reserve withdrawal.

**3. Follow-up**

Required corrective actions must be tracked to ensure all are completed in the required time-frames. Actions taken to correct deficiencies must be verified and documented by Monitoring staff.

The State Recipient or HOME-Program Monitoring staff will conclude that the action was acceptable or unacceptable and whether further action is needed and communicate their determination in writing.

Monitoring is an ongoing process that builds upon previous experiences with HOME-recipients and project owners. In order to effectively assess progress and resolve identified deficiencies, systems should be in place to track the monitoring process. Some system elements will be driven by specific program requirements established by regulation or statute.

Systems should include:

* Date of written notification from Monitoring staff to the HOME- recipient to be monitored.
* The date(s) the monitoring was actually conducted and the areas covered.
* The date the exit conference was conducted.
* The date(s) monitoring report(s) were sent.
* The target date the project owner or property management agent was to resolve and/or resolved matters identified in the monitoring report.
* The date Monitoring staff received the response to the monitoring report.
* Individual “finding” clearance date(s) (expected and actual).
* The date of Monitoring staff “clearance letter”.
* The date that any unresolved or noncompliance findings were forwarded to the proper entity for disciplinary action.

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C: USING HOME AND LIHTC TOGETHER

HOME and Low Income Housing Tax Credit (LIHTC) both provide a source of permanent funding for multifamily housing projects, but in ways that have implications over the long-term life of the project.

Typically, rental housing (and most real estate) is financed with three distinct sources of long-term financing:

* first or primary mortgage debt;
* equity investment; and
* gap financing. Housing tax credits supply equity, while HOME is generally used for gap financing.

Depending on the size of the project, HOME funds may trigger many additional federal requirements that are not triggered by tax credit projects, including Davis-Bacon wage rates, Uniform Relocation Act, National Environmental Policy Act and lead-based paint regulations

Projects using HOME funds with Low Income Housing Tax Credits have to consider a number of items in blending the two sets of program rules.

“Rules for Combining Compliance Requirements of HOME-assisted & Tax Properties“ at: <http://www.hcd.ca.gov/fa/home/MonitoringStateRecipients.html>provides an overview for combining the two programs.

For additional information about LIHTC and HOME, refer to Chapter 6 of “Building HOME: A HOME Program Primer” at the following website:

[www.hud.gov/offices/cpd/affordablehousing/training/materials/building/](http://www.hud.gov/offices/cpd/affordablehousing/training/materials/building/)

**See also the HOME and Low-Income Housing Tax Credit Guidebook at:**

[**https://www.onecpd.info/resources/documents/HOMEandLowIncomeHousingTaxCreditGuidebook.pdf**](https://www.onecpd.info/resources/documents/HOMEandLowIncomeHousingTaxCreditGuidebook.pdf)

D. RECORDS RETENTION – Rental Housing (24 CFR 92.508 (a) (7) (c)):

* General records must be kept five years after project completion; and
* Tenant income, rent, and inspection information must be kept for the most recent five years, until five years after the affordability period ends.

**E. ADDITIONAL RESOURCES**

**1. Websites**

For information about the HOME Program:

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>

State HOME Website

<http://www.hcd.ca.gov/fa/home/>

EPA Documents and Brochures

* + [Lead Poisoning and Your Children (PDF)](http://www.epa.gov/lead/pubs/lpandyce.pdf) (2 pp, 165K)
  + [Lead Poisoning and Your Children (En Español) (PDF)](http://www.epa.gov/lead/pubs/lpandycs.pdf) (2 pp)
  + [Protect Your Family From Lead in Your Home (PDF)](http://www.epa.gov/lead/pubs/leadpdfe.pdf) (17 pp)
  + [Protect Your Family From Lead in Your Home (En Español) (PDF)](http://www.epa.gov/lead/pubs/pyfcameraspan.pdf) (8 pp)
  + [Ten Tips to Protect Children from Pesticide and Lead Poisonings around the Home (PDF)](http://www.epa.gov/lead/pubs/tentips.pdf) (2 pp)
  + [Lead and a Healthy Diet (PDF)](http://www.epa.gov/lead/pubs/nutrition.pdf) (10 pp)

“Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards”

<http://www.hud.gov/offices/lead/library/enforcement/lesr_eng.pdf>

**2. Guidebooks & Handbooks**

Asset Management: Strategies for the Successful Operation of Affordable Rental Housing HUD-2018-CPD May 2000

Income Calculation and Determination Guide for Federal Programs at

<http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>

Compliance in HOME Rental Projects <http://portal.hud.gov/hudportal/documents/huddoc?id=19760_2009homerentalpo.pdf>

HUD Handbook 4350.3 “Occupancy Requirements of Subsidized Multifamily Housing Programs” This handbook applies to many of HUD’s multifamily housing programs including Section 8 and Section 236.

Access the handbook through HUDCLIPS: <http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4350.3/index.cfm>

to print:

Chapter 2 Civil Rights and Non-Discrimination Requirements

Chapter 3 Eligibility for Assistance and Occupancy

Chapter 4 Waiting List and Tenant Selection

Chapter 5 Determining Income and Calculating Rent

Chapter 6 Lease Requirements and Leasing Activities

Chapter 7 Recertification, Unit Transfers and Gross Rent Changes

The HOME Program does not require the use of this handbook, but many will find the information in it helpful in understanding and clarifying the Part 5 income rules and requirements. The handbook is updated whenever changes are made to the regulations.

1. **CPD” HOME” Training – provided by HUD-Certified national Consultants**

Some of the trainings cover HOME long-term monitoring. For detailed course information and registration, go to:

# [HOME Technical Assistance -- Training Schedule](https://www.hometa.info/index.cfm?do=viewTrainings) (hyperlink)

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