

STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM



by Michael Chaney

Q: With the diversion of SHIP funds by the legislature for the past four years, we have so little SHIP money left that

we are unsure about how to expend the small distribution we received when Florida Housing Finance Corporation disbursed approximately \$7.4 million in SHIP funds that were previously set-aside for disaster recovery. What guidance can you provide to help us properly spend this small amount of funds?

A: Funding for the state Fiscal Year 2012/13 has been allocated according to the population formula used for SHIP distributions. A county-level minimum of \$25,000 has been established, but some cities that administer their own SHIP program received less, such as \$16,533 in Ft. Pierce, \$14,597 in North Miami and \$6,767 in Cocoa.

There is no change to the statutory requirement of three years to expend and there is no restriction on which strategies the money may be expended. Before spending 2012/13 funds, confirm that your jurisdiction has an approved LHAP that governs funding for this state fiscal year. Most SHIP jurisdictions have at least one strategy in their LHAP that would permit assisting one or more applicants with the amount of 2012/13 SHIP funds you received. For example, one or more rehabilitation projects could benefit from this funding.

When you assist an applicant with 2012/13 funds, you must comply with the SHIP set-asides. A minimum of 65 percent of funds must be devoted to homeownership activities, like rehabilitation and purchase assistance. At the same time, 75 percent must be spent on construction or rehabilitation activities. At least 30 percent of funds must be devoted to assisting very low-income applicants, while the amount spent on very low-income household plus low-income households must total at least 60 percent. If you only assist one household, this must be a very low-income household. In practice, therefore, you must spend 2012/13 funds to provide at least one very low income household with homeownership assistance, such as emergency repairs or rehabilitation activity.

Providing emergency repairs or rehabilitation assistance can comply with all set-aside requirements. In contrast, you cannot use this money for foreclosure prevention or security deposits. Neither activity is construction or rehabilitation-related, and the latter also does not comply with the homeownership set-aside.

If the 2012/13 SHIP allocation is too small to fully assist a SHIP applicant, you may combine 2012/13 funds with SHIP money previously received (or possibly a future SHIP allocation) to assist an eligible household. For example, any 2012/13 funds not expended on SHIP administration may be combined with money from the 2011/12 distribution by including more expenses than revenue on the 2011/12 annual report. The web-based annual report form will automatically calculate a negative

carry forward amount in the amount of your 2012/13 allocation, minus any funds spent on administration. Here is an example:

1. Combine 2012/13 funds with previously received SHIP funds...

\$10,000	Total 12/13 allocation
- \$1,000	Spent on administration
\$9,000	Amount of 12/13 funds to combine with 11/12 funds

2. To fully assist a SHIP-eligible household....

\$9,000	12/13 funds
+ \$3,000	11/12 funds
\$12,000	Purchase assistance for Ms. Ann Smith

3. And report this assistance on your 11/12 annual report:

\$389,000	11/12 Expenses PLUS Encumbrances (including Ms. Smith assistance)
- \$380,000	11/12 Revenue
\$9,000	Negative Carry Forward on 11/12 annual report

If you plan to carry back funds in this manner, review the other expenses and encumbrances on your 2011/12 tracking spreadsheet. Confirm that the expenses for the next household you plan to assist will not jeopardize overall set-aside compliance on the 2011/12 annual report.

Q: Please provide guidance on monitoring SHIP-assisted rental units.

A: The SHIP monitoring requirements for rental housing are included in the SHIP Rule:

“Rental units constructed, rehabilitated or otherwise assisted from the local housing assistance

trust fund must be monitored at least annually for 15 years or the term of assistance, whichever is longer, for compliance with tenant income and affordability requirements..." 67-37.007(11), F.A.C.

An exception is stated in section 420.9075(3)(e) of the SHIP Statute, which indicates that no monitoring is needed when renters receive small amounts of SHIP assistance: "Any loan or grant in the original amount of \$3,000 or less shall not be subject to these annual monitoring and determination of tenant eligibility requirements."

This part of the SHIP statute also includes a time saving measure that might pertain to your SHIP-assisted properties. If the rental development also includes SAIL, Tax Credits or Florida Housing Finance Corporation (FHFC) bonds, you can rely on the annual monitoring information collected by the FHFC's contracted monitors for those programs:

"...to the extent another governmental entity provides the same monitoring and determination, a municipality, county, or local housing financing authority may rely on such monitoring and determination of tenant eligibility." 420.9075(3)(e), Florida Statutes.

If you are unable to rely on the data collected by the FHFC's contracted monitors, you will have to collect it yourself. Check each rental property for 1) income eligibility, 2) Rent Limits for Affordability Requirements and 3) the property's physical condition.

INCOME ELIGIBILITY

You must confirm that the tenants living in SHIP-assisted rental units are still income eligible. Review the written agreement between your city or county and the property owner. The agreement will indicate if all or a portion of the rental units in a multi-family property must be occupied by SHIP-eligible tenants. It may also reserve some or all of the SHIP-assisted units for very low- or low-income households. The agreement will also likely require the property managers of your SHIP-assisted units to complete annual re-certifications of income eligibility.

Some households may experience a significant increase in income from one year to the next. This raises the question about whether long-time income eligible tenants might one day earn an increased amount of income that tips the scales making them ineligible. The subject is addressed in the SHIP statute, where the definition for "low-income household" addresses rental housing: "With respect to rental units, the low-income household's annual income at the time of initial occupancy may not exceed 80 percent of the area's median income adjusted for family size. While occupying the rental unit, a low-income household's annual income may increase to an amount not to exceed 140 percent of 80 percent of the area's median income adjusted for family size." Corresponding rental-related stipulations are included in the definitions for "moderate-income household" and "very low-income household." Property managers should provide over-income tenants with a letter of non-renewal at least

30 days before their lease expires, to give them time to find new housing.

AFFORDABILITY REQUIREMENT: RENT LIMITS

After you confirm that tenants are income eligible, you must review whether their monthly rent is set at an affordable level. The FHFC annually posts to its website a rent limits chart. Using the area median rent for a county or metropolitan statistical area, the chart lists rent information that you can use to confirm affordable rents for SHIP households at 30, 50, 80 or 120 percent of the area median income. You must document each tenant's monthly rent and confirm that it complies with the rent limits chart.

PHYSICAL CONDITION

Check the exterior of all properties and the interior of sample units to assess each building's physical condition and ensure that property standards are maintained. Issues of disrepair or deferred maintenance should be addressed with the property owner and a plan of action should be developed. If the agreement with the property owner requires ongoing property and liability insurance coverage, ask to see current policies. As part of your physical inspection, assess whether tenant files are organized, properly maintained, and secured in a confidential manner.

Once you complete your annual monitoring of SHIP-assisted rental properties, you must report to FHFC the amount of rent for each bedroom size per unit by rental strategy. In practice, you will collect many more details during your rental monitoring. **HNN**