

FREQUENTLY ASKED SHIP QUESTIONS

State Housing Initiatives Partnership Program

QUESTION: We provide rent assistance in the form of utility and rent deposits. The applicant is required to participate in tenant counseling, including a review of the household budget to ensure long-term sustainability in the unit. Do we have to use the SHIP rent limits?

ANSWER: No, not for the specific situation you describe. Florida Housing Finance Corporation has provided recent guidance about SHIP rent assistance compliance for several activities described below. For the first three activities, the SHIP rent limits chart must be used.

- **Rent subsidies.** Ongoing payment by SHIP of the monthly rent (e.g., rent subsidies for rapid rehousing) requires compliance with the SHIP rent limits chart.
- **Eviction prevention.** Similarly, since eviction prevention is the payment of multiple months of past due rent, SHIP can provide this assistance only when an applicant occupies a unit where rent is at or below the amount on the rent limits chart.
- **Developing rental housing.** The same is true for SHIP spent on rental development activities such as new construction or rehabilitation.
- **Rent and utility deposits only.** The utility and rent deposits you ask about fall outside of the requirements listed above. Under this strategy you do not have to comply with the SHIP rent limits, regardless of whether rental counseling is required of program participants.

QUESTION: You note that ongoing rent payments, eviction prevention and rental development are activities that must comply with the SHIP rent limits chart. Please provide details about how to comply.

ANSWER: In the case of rent payments, eviction prevention, and rental development, SHIP is available only when an applicant occupies a unit with rent at or below the amount on the rent limits chart. Generally speaking, you comply by finding the proper amount based on the household's income category

and number of bedrooms. Special situations are outlined below.

Compliance for ELI households. Note that extremely low-income tenants are considered part of the very low-income category when you consult the SHIP rent limits chart. As such, they cannot be charged a rent that is unaffordable to a tenant at 50% of the area median income. The reason for this is included in the SHIP program's definition of affordable, which mentions only three income categories. The definition references the percentage of the median annual gross income for households that have "low-income household," moderate-income household," and "very-low income household."

Compliance for voucher holders. The approach is different when SHIP provides rent assistance to a Housing Choice Voucher holder (Section 8). In that instance you must look at the amount of monthly rent that the voucher holder pays as the amount to be compared with the SHIP rent limits. This answer is based on guidance from HUD Housing Notice H 00-12 on preparing, submitting, and reviewing rent comparability studies. It addresses the topic of rent affordability for a voucher holder and confirms that you should consider only that portion of the rent to be paid by the voucher holder when evaluating rent affordability.

Compliance for rent subsidies. There is one type of assistance for which the rent limits requirement is not based on the household's income category: rent subsidies, such as ongoing rent assistance or rapid rehousing rent assistance. This occurs when SHIP funds help pay rents for a VLI homeless household or special needs household. In this situation, you must check the rent limits, but compliance is achieved if the rent does not surpass the 120% AMI amount on the rent limits chart, irrespective of the household income.

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

ANSWER: 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 annually by the local government, or to the extent another government entity or Corporation program provides periodic monitoring, the local government may rely on that entity's monitoring for 15 years or the term of assistance, whichever is longer, for compliance with tenant income and affordability requirements, except as referenced in Section 420.9075(4)(e), F.S... In determining the maximum allowable rents, 30 percent of the applicable income category divided by 12 months shall be used based on the number of bedrooms... A rental limit chart based on the above calculation adjusted for bedroom size will be provided to the local governments by the Corporation annually. 67-37.007(11), F.A.C.

An exception is stated in section 420.9075(4)(e) of the SHIP Statute, which indicates that no monitoring is required when rental developments receive relatively little SHIP assistance: "Any loan or grant in the original amount of \$10,000 or less shall not be subject to these annual monitoring and determination of tenant eligibility requirements." The \$10,000 limit refers to the total of SHIP funds received for multiple units in a development.

Monitoring is required only for SHIP-funded rental developments, when rental units are constructed, rehabilitated or otherwise assisted. This monitoring requirement does not apply when providing households with rental assistance, such as a rent deposit, eviction prevention assistance, or rent subsidies.

The passage above from the SHIP rule includes a time saving measure that might pertain to your SHIP-assisted properties. If the rental development also includes SAIL, Tax Credits (LIHTC), or Florida Housing Finance Corporation (FHFC) bonds, you can rely on the periodic monitoring information collected by the FHFC's contracted monitors for those programs. Note that in cases where the data collected by the FHFC's contracted monitors does not cover all the elements of compliance with the SHIP rental agreement, you are required to collect the additional data. You must check each rental property for 1) income eligibility, 2) rent limits for affordability requirements, and 3) the property's physical condition. These factors are described further below.

Income Eligibility. Each time you monitor a rental property, you must confirm that the tenants living in SHIP-assisted rental units are still income-eligible. You must review the written agreement between the property owner and your city or county. The agreement will indicate if all or a portion of the rental units in a

multifamily 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. Once a year you should review and confirm if the number and income levels of tenants comply with the requirements of the agreement.

Affordability requirement. After you confirm that tenants are income-eligible, you must determine if their monthly rents are set at an affordable level. Annually, FHFC 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 may use to confirm affordable rents for SHIP households at 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. While this is not required by the SHIP statute, conducting an annual physical inspection is a recommended best practice. You should examine 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 developed. You should also examine current policies for property and liability insurance coverage to ensure that insurance is maintained as required by the agreement.

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; this is reported on the second page of the SHIP annual report. In practice, you will collect many more details during your rental monitoring. All monitoring records should be completed and properly filed. You may be asked to provide them during your next visit from the SHIP monitor.

QUESTION: We are planning to provide SHIP funding to assist a group home for persons with developmental disabilities. SHIP funds will be used for roof and bedroom repairs, along with accessibility modification in the kitchen and bathrooms. Do we have to income-qualify everyone living in the facility?

ANSWER: This is an important question to ask, since this project proposes to spend SHIP on repairs to the roof and common areas, which will benefit all residents. The number of residents to income-qualify depends on SHIP's relative contribution to total repair cost. If SHIP pays 100 percent of

the costs of these repairs, then 100 percent of residents must be determined to be SHIP income-eligible. Alternatively, if SHIP pays for 50 percent of the costs, then only 50 percent of residents are required to be certified as income-eligible.

This group home is rental housing, so be mindful of the homeownership set-aside. You may only spend funds on rental housing after reserving 65 percent of the SHIP allocation for homeownership activities, along with another 10 percent for administration. The remaining amount of the allocation may be spent on rental housing, along with all program income. In some cases, the amount left for rental housing may be too small to fully fund the costs of a group home repair project. However, you may split these costs between two or more allocations.

In addition to the initial income qualification of some or all residents, the SHIP statute requires you to monitor the SHIP-assisted bedrooms in a group home for at least 15 years if \$10,000 or more of SHIP funding is spent on the entire project. Even if you are awarding funds to a sponsor or subrecipient (e.g., a nonprofit partner), the requirement remains in place. The local government is responsible for ensuring monitoring is done correctly. SHIP Technical Bulletin 2017-02 may assist you in this effort. Entitled “Income Compliance on Small Rental Properties,” this technical bulletin addresses the very subject of your question. Some highlights of its guidance include:

- Confirm that assistance is provided under an approved LHAP strategy.

- Local governments should review all income certifications performed by sponsors/subrecipients to ensure accuracy and compliance with program requirements rather than solely relying on the sponsor/subrecipient to ensure that tenants are properly income qualified.
- The local government should ensure that all requirements included in its agreement with a sponsor/subrecipient be monitored.

QUESTION: I have a question about SHIP rental occupancy standards. If there is a household of two that is a married couple, would SHIP rental assistance only be provided for a one-bedroom unit?

ANSWER: Yes. The SHIP Rule, Chapter 67-37 of the Florida Administrative Code, answers this question. Section 67-37.007(15) states:

(15) ... In determining the maximum allowable rents, 30 percent of the applicable income category divided by 12 months shall be used based on the number of bedrooms. A one-person household shall be used for an efficiency unit, and for units with separate bedrooms, one and one-half persons per bedroom shall be used.

A two-bedroom unit is limited to households with at least three people. Consider another common household: a married couple with two children. Using the guidance in the SHIP Rule, such a household could receive SHIP assistance for a rental with no more than three bedrooms. **HNN**

MORE GUIDANCE IN TECHNICAL BULLETINS | Florida Housing Finance Corporation provides SHIP-specific written guidance in Technical Bulletins. Some of the most recent bulletins have addressed the subjects of record retention, NOFA advertisements, and SHIP audit and monitoring requirements. You may access the bulletins on Florida Housing’s website, www.floridahousing.org. Find SHIP by selecting Programs and then Special Programs from the pull-down menu.



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QUESTIONS ABOUT THE SHIP PROGRAM?

Free telephone technical assistance is available to help you successfully implement your SHIP funded work.

Call the Florida Housing Coalition’s SHIP hotline at (800) 677-4548, Mon.-Fri. 8:30-5:00.