

# SHIP Program Administration Part 2

Sponsored by the  
Florida Housing Finance Corporation's  
*Affordable Housing Catalyst Program*

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THE FLORIDA HOUSING COALITION



# SHIP Program Administration

## Part 1 Webinar

- [October 5, 2021](#)
- <https://vimeo.com/623775268>

### Topics Covered

- SHIP Program Overview
- Program Resources
- Elements of the LHAP
- Financial Requirements
- File Guidance



# Our Thanks to the Florida Housing Catalyst Program



**AFFORDABLE HOUSING CATALYST PROGRAM**

## Sponsored by the Florida Housing Finance Corporation



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# File Documentation

- Application for Program Assistance
- Identification, possibly a Driver's License
- Authorization for the Release of Information Form
- Income and asset Verification Forms
- Divorce Decree (for child support income, if applicable)
- Signed statement RE: social security numbers



# More File Documentation

- Income Certification Form
- Detailed income calculations
- Award Letter – Include conditions of award
- Recorded Lien Document with Default Provisions
- Client Notes/File Log



# Rehabilitation File Documentation

- Proof of Property Ownership
- Initial Property Inspection
- Work Write-up & Cost Estimate
- Contractor(s) Bid or Proposals
- Contractor Licensure and Certification of Non-Debarment
- Contractor/Homeowner Contract
- Change Orders (if applicable)
- Construction Payment Requests
- Work Inspection Report(s)
- Interim and Final Payment Release
- Certificate of Completion
- LHAP specific requirements (ex. Insurance)





# Purchase Assistance Documentation

- Contract for Purchase
- Loan Disclosure Forms (formerly HUD 1, Truth in Lending)
- Copy of First Mortgage Document
- Title Policy for Title Insurance
- Proof of repairs and Release of Liens
- Final Inspection Report/pictures
- Certificate of Occupancy
- Housing Counseling certificate and contract with agency
- FTHB?



# Right of Rescission

Give Rehab applicant 3 days to change their minds and cancel the loan.

OR

Have City/County attorney review the TILA regulations and issue a statement that its not needed. Place this written determination in your file.





# SHIP Loan Modification

- Do your final loan documents, Annual Report, tracking spreadsheet and General Ledger match? If not, why?

## SHIP Loan modification

- Record a loan modification document to ensure that the final amount of assistance provided is consistent.



# SHIP Loan Subordination

- Have a policy for subordination
- Should be outlined in your LHAP
- Follow that specific policy in the event of a request for subordination



# Notice of Funding Availability

- If funding is unavailable due to a waiting list, no NOFA required.
- Advertise in a newspaper of general circulation and periodicals serving ethnic and diverse neighborhoods.
- At least 30 days before beginning application period.



# According to SHIP Rule 67-37.005 (6), Advertisement Must Include:

- Projected Amount of the Distribution
- Beginning and end date of application period (or instead of end date state, stop applications once funds are fully committed)
- Local contact person. Where to apply

*In addition, consider adding Details per Strategy:*

- Estimated amount per strategy
- Income categories assisted
- Selection criteria
- Maximum housing value

Anything else added should be consistent with the LHAP



# Waiting List/Priorities/Prescreening

## Waiting List

- Provide list to the monitors
- LHAP: Explain in clear detailed language how the waiting list is kept
- Should be a list that cannot be compromised
- Track case status on waiting list



# 1st Qualified, 1st Served OR Priority

- Common: first priority for households qualifying as Special Needs
- Also: Essential Service Personnel
- Sample 2016 LHAP includes priority for very-low income, then low, then moderate.



# LHAP Related Observations

- Amendments and Technical Revisions must be submitted for review to Florida Housing
- Document compliance with Maximum Price or Value (**both Purchase AND Rehab**)
- Consistent recapture/default provisions between LHAP and recorded loan docs.
- Use LHAP that covers funds being spent





# Strategy Implementation



# Local Partnerships

Establish local partnerships with:

- Lending institutions
- Builders and developers
- Not-for-profit and community-based housing providers and service organizations (e.g. CHDOs, CLTs, CBDOs)
- Providers of professional services related to affordable housing
- Advocates for low-income persons
- Real estate professionals
- Persons or entities that can provide housing or support services
- Lead agencies of the local continuums of care



# Subrecipients

A person or non-state organization **contracted** by a SHIP eligible local government and compensated with SHIP funds to provide **administration** of any portion of the SHIP program.

- 67-37.002 Definitions.

[Read Technical Bulletin Handout](#)



# Subrecipient Example

- A SHIP jurisdiction enters into a contract/agreement with a Sub recipient to implement the SHIP Purchase Assistance Program.
- The responsibilities include advertising, keeping a waiting list, processing applications, tracking, and annual reports.
- The sub recipient will perform applicant intake, counseling, income qualification, issuing award letters, underwriting, agreements and coordinating closing with the first mortgage lender.



# Advertising for Subrecipients

- Best Practice - A selection process not required but highly recommended
- Request for Qualifications
- Detail minimum requirements for selection and other required qualifications
- Include specific requirements based on local preferences
- Negotiate the terms of the award



# Criteria for Subrecipients

- Financially sound
- Experience
- Funding source
- Program
- Staff/Board capacity
- Reputation
- Project team
- Program budget
- Program description
- Outcomes
- Timeline
- Other funding sources

# Subrecipient Agreements

- Detail all responsibilities of the subrecipient
- Include pertinent references required by the SHIP rule
- Time of performance – recommended contract term coincides with term of the LHAP
- Budget
- Project schedule/milestones
- Compensation and Method of Payment
- Records and reporting requirements
- Financial Management
- Suspension and termination
- Monitoring





# Managing Subrecipients

- Hold regular meetings with staff/subrecipients to discuss program timeline, changes, expenditures, deadlines.
- Give staff/subrecipients an opportunity to share experiences, issues and concerns.
- Require staff/subrecipients to attend regular training.
- Provide staff/subrecipients copies of policies and procedures, LHAP, updates.

# Sponsor

Means a *person* or a *private or public for-profit or not-for-profit* entity that **applies** for an *award* under the local housing assistance plan for the purpose of providing *eligible housing* for eligible persons to partially assist in the acquisition, construction, rehabilitation, or financing of eligible housing or to provide the cost of tenant or ownership qualifications.

420.9075 Local housing assistance plans; partnerships.--



# Developer/Sponsor Example

- A SHIP community issues an RFA for a developer to construct 10 rental units for low income tenants. The RFA requires the developer has site control and the project is “shovel ready”.
- A nonprofit sponsor responds to an RFP to use SHIP funding to buy 5 single family homes, rehab them and sell the homes to SHIP eligible buyers. The nonprofit and SHIP office executes an agreement stating the work that is entailed and the responsibility of the Nonprofit Sponsor.



# Sponsor Selection

- Selection process is outlined in the LHAP
- They apply for an award through an application process
- Agreement should include a scope of work
- Agreement should have an award amount
- Local governments must include in LHAP the terms to the developer as well as the terms to the beneficiary which are two distinct and separate items
- Explain how benefits flow from sponsor to buyer

# Sample Sponsor Selection Criteria

- Market Study
- Developer Capacity
  - Experience
    - Funding source
    - Similar project
  - Financial capacity
  - Reputation
  - Current Pipeline
  - Bonding ability
- Project Budget
  - Construction / Predevelopment
  - Cost reasonableness
- Commitment/award of other funding sources
- Subsidy Layering and Underwriting
- Realistic timeline- ability to proceed
  - SHIP expenditure deadline- 24 months from close of State Fiscal year
  - CO
- Property management experience



# Soliciting Sponsors

- Request for Applications
- Usually separate from ad for program participants for housing services
- Specific in nature
  - Includes what will be delivered, when, how, and by whom
- Include funds available for activities that require a sponsor
- Use a fair and equitable selection process
- Include selection criteria and scoring used to evaluate proposals
  - Follow LHAP criteria
- Evolves into the Scope of Services (as proposed by the respondent)



# Sponsor/Developer Agreement

- Detailed statement of work
- Amount of the award
- Use of SHIP Funds
- Project schedule – timeframe for expenditure/completion
- # of SHIP assisted units
- Required SHIP set-aside
  - ELI, VLI, LI, MI
  - Special Needs
- Contract term/duration
- Affordability period (rental housing) – 15 years or longer/50 years best practice
- References to SHIP rule/program requirements
- Records and reporting requirements
- Security documents – Land use restriction agreement + Mortgage/note





# SHIP agreement continued

- Rent limits
- Initial Income verification
- Annual recertification
- Lease provisions
  - Florida Residential Landlord and Tenant Act (Chapter 83, Part II of the Florida Statutes)
- Maximum Subsidy
- Marketing and advertising (fair housing)
- Property standards
- Energy /Green/ mitigation/ accessibility requirements
- Other construction requirements
- SHIP sign



# Finding Contractors

- Contractors are not Sponsors
- Advertise
- Display/Distribute flyers
- Post on website
- Get labels of active contractors from the occupational license department/purchasing department/procurement
- Talk to building and county inspectors for references
- Search [www.myfloridalicense.com](http://www.myfloridalicense.com)
- Talk to other Cities and Counties for referrals



# Create or Update Your SHIP Policies & Procedures Manual

- Advertisement
- Pre-screening:  
provide a script
- Waiting List
- Application
- Verification
- Certification
- Award Letter

# Policies & Procedures Manual

## Rehabilitation

- Steps in Rehab Process
- Procurement policy for selecting contractors
- Periodic activity to identify new contractors
- Process for contractor payment requests
  - Address Change Orders
  - Contractor evaluation process?



# Policies & Procedures Manual

## Purchase Assistance

- Purchase New? Existing?
- Closing Costs only? CC limited?  
Down Payment?



- Max purchase price
- Housing counseling required?
- Steps in Purchase Process
- Pre-approval for a first mortgage?
- Periodic activity to identify new lenders

# Effective Written Agreements

- Serves as a management, accountability and enforcement tool for the local government.
- Should be executed whenever funds or services are exchanged.
- Who Prepares the Written Agreement: SHIP Staff, City/City Attorney, Paid Consultant.

# Items to include in Written Agreements

- Identify funding source and provide budget
- Specify the activity to be carried out
- Roles and responsibilities of each party
- Payment procedures and schedule
- Compliance, reporting and monitoring requirements
- What changes are allowed and process to incorporate those changes

Note: conditions stated in LHAP must be included in written agreement.





# Encumber Funds by Written Agreement

Deposits made to the local affordable housing trust fund have been committed by **contract, or purchase order, letter of commitment or award ...**

**67-37.002 Definitions**

## Training Recording:

Effective Written Agreements

**<https://vimeo.com/298053542>**



# Local Government Responsibilities

- Provide training opportunities
- Keep organization updated on LHAP changes, income, value limits and any rule changes that impact the organization
- Require reports as outlined in the agreement
- Communicate on a regular basis

## Training Recording:

Working with Nonprofits, Sponsors and Subrecipients

<https://vimeo.com/355183467>



# SHIP Requires Rental Monitoring

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

---SHIP Rule: 67-37.007(11), F.A.C.

Monitor for Rental Development, NOT Rental Assistance



# File Tips

- Keep a log of actions
- Update a file checklist
- Date stamp all verifications
- All documents: signed, dated



# Preparing for State Monitoring Visits



# Elements of a Monitoring Visit

- Consistency – Written policies & procedures
- Accuracy – Double check calculations
- Thoroughness – File & forms are complete
- Oversight – Another person reviews

# Monitoring Process

1. Notification
2. Confirmation
3. On-site or desk review
4. Inspections – (no physical inspections by state)
5. Exit conference
6. Monitoring report
7. Response
8. Corrective action/follow up plan

# How to Prepare for a Visit


Review:

- LHAP
- Annual reports
- Tracking system
- Independent Audit/Comprehensive Annual Financial Review (CAFR)
- Finance Department's general ledger
- Advertising, waiting list
- Rental monitoring reports
- Client files
- Other items





# Review Monitoring Handout

|  we make housing affordable™<br>Florida Housing<br>Finance Corporation |   | 227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301<br>850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org |  | SHIP Compliance Monitoring Program<br>Local Government SHIP Administration Review Checklist<br>2018 |    |     |
|---|---|---|--|---|----|-----|
| Local Government:   |   | SHIP Fiscal Year:   |  |   |    |     |
| <b>Rental Developments</b>  |   |   |  | Yes   | No | N/A |
| 1a.   | Are assisted rental developments monitored per program requirements?                        |   |  |   |    |     |
| 1b.   | Are tenant income and affordability requirements being met?                                 |   |  |   |    |     |
| <b>Internal Tracking System</b>   |   |   |  | Yes   | No | N/A |
| 2a.   | Is an internal tracking system utilized to track expenditures and program income?           |   |  |   |    |     |
| <b>Program Income</b>   |   |   |  | Yes   | No | N/A |
| 3a.   | Is a system in place to determine when Program Income is received?                          |   |  |   |    |     |
| <b>Administrative Expenditures</b>  |   |   |  | Yes   | No | N/A |
| 4a.   | Are Admin Expenditures compliant with 67-37.007(5)?   |   |  |   |    |     |
| <b>Notice of Funding Availability (NOFA)</b>  |   |   |  | Yes   | No | N/A |
| 5a.   | Were examples of advertising provided?  |   |  |   |    |     |
| 5b.   | Advertised at least 30 days prior to the beginning of the application period?               |   |  |   |    |     |
| 5c.   | Identified the amount of funds projected to be received from the State for the fiscal year? |   |  |   |    |     |
| 5d.   | Listed the beginning and ending dates of the application period?                            |   |  |   |    |     |
| 5e.   | Provided the name of the local plan contact person and location where applicants may apply? |   |  |   |    |     |



# SHIP Monitoring Activities listed in SHIP Rule: 67-37.019 (1) - (6)

- Incentive Strategies: Evidence that permits for affordable housing are expedited. Also confirm an ongoing review process for local policies, etc.

Florida Housing will inspect:

- Applications
- Financial records
- Construction cost reviews
- SHIP recipient lists
- All documentation contained in recipient files
- Sponsor/Sub Recipient verification (receipts & contracts)



# Secrets to Compliance

- Use File Checklist
- Avoid Duplication
- Log of Action
- Date stamp all verifications
- All documents: properly executed and dated
- Affordable Housing Lien: signed and recorded
- Balance Tracking to General Ledger
- Income calculation reflects info from verification forms
- Do not round up or down



# Avoid Common Administrative Mistakes

## Administrative Procedures

- Exceeding maximum award
- Exceeding maximum income limits
- Lack of clear policies and procedures
- Not obtaining release forms or authorizations
- Discrepancy between LHAP and lien document
- Inaccurate tracking of cases or expenditures

## Income Calculations

- Exceeding 120-day clock
- Inaccurate or Incomplete Verifications
- Missing or incomplete Income Certification



# Subrecipients must be Monitored

- The local government is responsible for the actions of the subrecipient
- Subrecipients should be monitored on a regular basis
- Ensure that subrecipients are complying with program requirements, policies and procedures
- Agreements should state monitoring policies and procedures

# Monitoring Items to Review

- Advertising, waiting list, application
- Income eligibility compliance
- LHAP Strategy Compliance
- Physical inspection of work
- Organization wellness review
- Staff Capacity/Organizational structure
- Financial Capacity/fiscal soundness
- File documentation/reporting – agreements, award letter, SHIP mortgage and note, property value, first mortgage documents

# Monitoring Rental Properties

- Per rule annual monitoring of rental properties to verify tenant incomes throughout affordability period is required
- For SHIP funding of more than \$10,000 per project (minimum 15 years)
  - Unless monitored by another gov't entity (per statute)
  - Must ensure that monitoring agency is reviewing the required regulatory items and any additional requirements in the written agreement

# Annual Monitoring of Tenants

- Annual Recertification
  - Monitor for unit affordability
  - Monitor for tenant eligibility (income)
    - While occupying the unit, household income may increase to 140% of the median area income category as designated during initial certification without changing unit income status
    - Section 420.9071(19)(20)(28), Florida Statutes
- Maximum rents and adjusted household incomes published annually by FHFC

| County (Metro)  | Percentage Category | Income Limit by Number of Persons in Household |        |        |         |         |         |         |         |              |         | Rent Limit by Number of Bedrooms in Unit |       |       |       |       |       |
|---|---------------------|--|--------|--------|---------|---------|---------|---------|---------|--------------|---------|--|-------|-------|-------|-------|-------|
|   |                     | 1  | 2      | 3      | 4       | 5       | 6       | 7       | 8       | 9            | 10      | 0  | 1     | 2     | 3     | 4     | 5     |
| Alachua County<br>(Gainesville MSA)<br><br>Median: 80,800 | 30%                 | 15,400   | 17,600 | 21,960 | 26,500  | 31,040  | 35,580  | 40,120  | 44,660  | Refer to HUD |         | 385                                      | 412   | 549   | 719   | 889   | 1,059 |
|   | 50%                 | 25,650   | 29,300 | 32,950 | 36,600  | 39,550  | 42,500  | 45,400  | 48,350  | 51,240       | 54,168  | 641                                      | 686   | 823   | 951   | 1,062 | 1,171 |
|   | 80%                 | 41,000   | 46,850 | 52,700 | 58,550  | 63,250  | 67,950  | 72,650  | 77,300  | 81,984       | 86,669  | 1,025                                    | 1,098 | 1,317 | 1,522 | 1,698 | 1,874 |
|   | 120%                | 61,560   | 70,320 | 79,080 | 87,840  | 94,920  | 102,000 | 108,960 | 116,040 | 122,976      | 130,003 | 1,539                                    | 1,648 | 1,977 | 2,284 | 2,550 | 2,812 |
|   | 140%                | 71,820   | 82,040 | 92,260 | 102,480 | 110,740 | 119,000 | 127,120 | 135,380 | 143,472      | 151,670 | 1,795                                    | 1,923 | 2,306 | 2,665 | 2,975 | 3,281 |





# Components of a Good Rental Monitoring Plan

- Who?
  - 3rd party or internal staff
- When?
  - Annually unless FHFC monitors (Get a copy of their report and review it!)
- What?
  - Income, rents, property condition, property performance
- How many?
  - Refer to agreement
  - Tracking Forms
  - Project Files



# Rental Items to Review

- Agreements
- Current rent limits
- Funding sources in project
- Advertising
- Marketing/ lease up plan
- Application
- Lease provisions
- Rules and regulations
- Tenant selection policy
- Tenant dispute policy
- Income Verifications
- Recertification
- Tracking systems
- Rent Roll
- Financial condition
- Property condition (site, common areas, unit sample)

# Common Rental Monitoring Findings

- Rental units not being monitored annually
- Noncompliant with initial rent limits
- Noncompliance with income limits
- Noncompliance with set asides
- LHAP, Agreement, LURA, mortgage terms conflict
- **Income certification completed incorrectly**
- Asset calculation, income calculation & documentation
- Not signed , white out, no date stamp/inconsistent dates



# Technical Assistance is Available

- Call us at 800 677 4548
- Request a site visit or training
- Complete training schedule
  - [www.flhousing.org](http://www.flhousing.org)

