



Preparing for the SHIP Monitor: Part 2

Sponsored by the Florida Housing Finance Corporation's Catalyst Program

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SHIP

housing a stronger Florida

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Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- Handouts are available for your review.
- This webinar is being recorded and will be available at www.flhousing.org
- Use headphones for best audio
- A survey will immediately follow the webinar; *please* complete it! Thanks!



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Upcoming Income Webinar

Proficiency in the Income Qualification Process Parts 1 and 2

WEBINAR: Proficiency in Income Qualification: Part 1

November 15 - 2:00 pm - 3:30 pm

<https://flhousing.org/event/webinar-proficiency-in-income-qualification-part-1-2/>

WEBINAR- Proficiency in Income Qualification: Part 2

November 17 - 2:00 pm - 3:00 pm

<https://flhousing.org/event/webinar-proficiency-in-income-qualification-part-2-3/>

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Overview Part 1 and 2

Part 1

- Overview of the Monitoring Process
- Elements of Compliance: File Documentation

Part 2

- Eligibility Determination
- Administrative Procedures, including LHAP
- Annual Report Responsibilities
- Monitoring Sub Recipients and Sponsors
- Monitoring Rental Housing



Robin Fowler

SHIP Compliance Monitoring Administrator

- Updates
- Tips
- Best Practices



A young Black woman with a short, light-colored buzz cut is smiling warmly at the camera. She is wearing a dark red, long-sleeved top and a small black hoop earring. Her right hand is extended, pointing her index finger directly at the viewer. The background is a blurred office environment with wooden walls, a black office chair, and a computer monitor. The lighting is soft and natural, coming from the right side of the frame.

Eligibility Determination

Overview of Resources

- Code of Fed Regulation: 24 CFR Part 5.609
- Income inclusions and exclusions
- HUD Handbook 4350.3: Chapter 5, Appendices 3 and 6C
- Income and rent limits chart

Income Verification Process

Verify:

- Employment including overtime and tips
- Social Security
- Child Support/Alimony
- Regular Cash Contributions
- Unemployment Compensation

Income Verification Methods

- Methods: Written or Oral Third-Party Verification
- Acceptable method: Upfront-income verification (UIV)



Compliance with the 120-day Clock

- Verifications shall be dated no more than **120 days** from each other.
- Re-verify those out of compliance

"Stop The Clock"

- Issue Award Letter
- Contract for Lease, Purchase or New Construction
- OR Fully provide assistance



Importance of Stamping Verifications

- If you do not date stamp the verification when received, monitors will use:
- Date on the document (pay stub, SS verification, bank statement, etc.)
- If there is no date on the document, they cannot establish compliance with the 120 days.

CRF Files



- All CRF files will be monitored
- Document Waivers were submitted and approved
- Document Technical Revisions were submitted and approved
- PDF of approved and final LHAP



CRF and Income Eligibility

Minimum Documentation

- Application
- Resident Income Certification (and back up documentation) or Self Certification
- Award letter if applicable

Administrative Procedures



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
- 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

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
- **Do not delete the name of assisted applicants**

1st Qualified 1st Served Or Priority

- Common: first priority for households qualifying as Special Needs

Example:

- Very low, Special needs
- Low, Special needs
- Moderate, Special needs
- Very low
- Low
- Moderate

PRIORITIES



1.
2.
3.



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 documents.
- Use LHAP for funds being spent, not most current

LHAP Related Compliance

Not meeting specific requirements outlined in the LHAP

- Housing units
- Recipient selection criteria
- Defaults
- Loan terms
- Maximum award limits or approval by the commission allowing a higher amount

Create or Update Policies & Procedures Manual

• Advertisement	• Verification
• Pre-screening: provide a script	• Certification
• Waiting List	• Award Letter
• Application	• File Closeout Procedures

Identify backup staff in Policies and Procedures

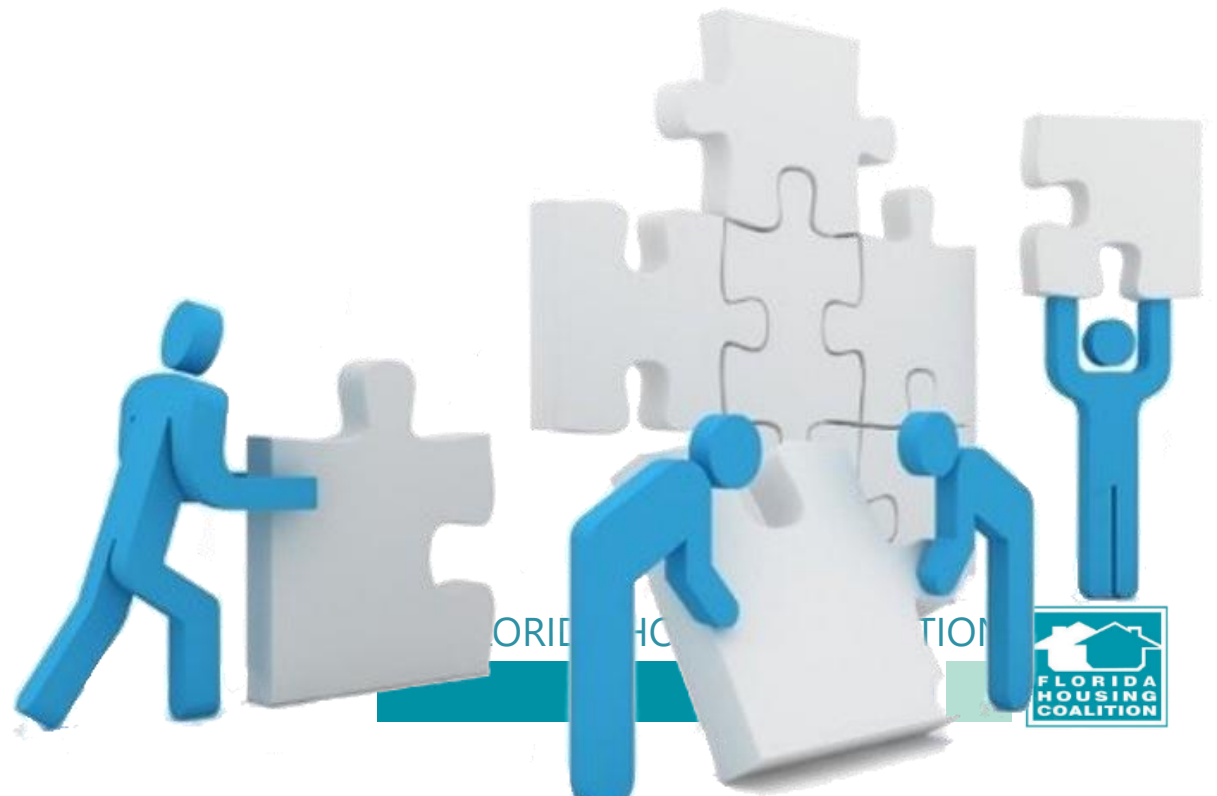
If SHIP administrator is not available during monitoring, assign a staff person who:

- Knows where the documents and files are
- Knows the process
- Knows what documentation is required
- Has access to where files are located

Policies & Procedures Manual

Rehabilitation:

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



Policies & Procedures Manual

Purchase Assistance:

- Purchase New or Existing homes
- Down Payment, Closing Costs only
- Owner Contributions
- Inspections
- Max purchase price limits
- 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.
- Include single audit act requirements in all written agreements

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

Items to Include in Written Agreements

- Identify funding source and provide budget
- Specify the activity to be carried out
- Timeline
- Roles and responsibilities of each party
- Payment procedures and schedule
- Default Provisions
- Compliance, reporting and monitoring requirements
- Amendments

Annual Report Responsibilities

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Key Reporting Principles

- 3 years to spend SHIP, so you often have money from multiple FY allocations.
- Each year, submit 3 annual reports for 3 distributions
- Generally, **“First received, First expended”**
- Strive to pay recipient’s total assistance from only one SHIP allocation

Meet your Set-Asides

Homeownership Set-aside

65% of Distribution + Recaptured Funds

- Housing Counseling expenditures do not count towards the Homeownership Set-Aside

Construction/Rehab Set-aside

75% of Distribution + Recaptured Funds

The Income Set-Aside



1. At least **30% of all Revenue** for Very Low
2. At least **60%** for VLI and Low combined

Special Needs Set-Aside

20% of Allocation for household meeting statutory definition of Special Needs

Types of Special Needs defined in S.420.0004

- Developmental Disabilities (DD)
- Receives SSD/SSI or other Disability Benefits
- Youth Aging Out of Foster Care
- Survivor of Domestic Violence
- Person with Disabling Condition requiring Independent Living Services



Tracking Spreadsheet

- Keep up to date (recommend at least monthly)
- General Ledger Reconciliation-Track revenues and expenditures
- Track compliance with set asides-Homeownership, Construction, Income, and Special Needs
- Record SHIP program income received
- Expend and Encumber funds within timeline
- Do not exceed administration cap
- Record collected disbursements from FHFC

SHIP Data Upload Form

- Used for annual report
- Get most current from extranet reference tab
- One upload form for each closeout year
- Does not show set aside compliance unless uploaded
- Closeout year and interim 1 year data required
- Update regularly to see progress

Good Relationship with Finance

- City and County are responsible for compliance not just the Housing Department
- It's the City and County that receives the revenue
- The Chief elected official signs the certification on behalf of the local government
- Tracking and reconciliation are required by rule and statute
- Running a good program is everyone's responsibility

Establish a Procedure to Reconcile

- Reconcile daily, weekly, monthly not annually
- Establish a process for the Finance Department and the SHIP administrator to periodically reconcile their independent tracking of SHIP expenditures
- Request that the Finance Department place the applicant's name or client number on each expense record
- Related Common Problem: Discrepancies between file docs and tracking spreadsheet

The Difference Between Encumbered and Expended

“Encumbered”: Deposits made to the local housing trust fund have been committed by contract, purchase order, or letter of commitment.

“Expended” or “Spent”:

1. Activities are complete. Certificate of Occupancy or Completion
2. The unit is occupied by an eligible household
3. SHIP funds have paid for the cost of the activity

Track Program Income

- Bank Interest
- Sale of Property
- Repayment of Loans
- Refinance
- Foreclosure



Program Income

- Reported in the year it is received regardless of when assistance is provided
- Rules of that LHAP apply
- Admin 5% unless you receive \$350,000 or less, then 10%
- Tracked in finance and tracking reports
- Track different types of program income for reporting purposes
- Recapture not program income

Manufactured Housing Tracking

- If you assist manufactured housing, track to ensure that 20% is not exceeded.
- Download updated tracking spreadsheet: <http://www.flhousing.org/wp-content/uploads/2016/03/TRAKSHIP-w-Sp-Needs-Manufactured-housing.xls>

Compliance With Minimum Statutory Set-asides

	Target	%	Actual	%
65% Home Ownership requirement:	\$0.00	65%	\$0.00	#DIV/0!
75% Construction requirement:	\$0.00	75%	\$0.00	#DIV/0!
At least 30% Very Low Income:	\$0.00	30%	\$0.00	#DIV/0!
At least 30% Low Income:	\$0.00	30%	\$0.00	#DIV/0!
Up to 40% Moderate Income:	\$0.00	40%	\$0.00	#DIV/0!
At least 20% Special Needs:	\$0.00	20%	\$0.00	#DIV/0!

Up to 20% for Manufactured Housing:

\$0.00

#DIV/0!

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Mobile Homes

Monitors look for:

- Proof of installation after 1994
- Proof that it was installed by a licensed installer

Check public records and add to file documentation



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Group Homes

If the group homes is licensed as a facility to serve special needs and provide operational and residential services for special needs households, the occupants will count toward the 20% special needs set aside. Example: ARC

- Documentation: copy of state license

Or...

Include documentation that each resident meets the definition of special needs

Monitoring Nonprofit Sub Recipients & Sponsors

NONPROFIT



SHIP Monitoring Requirements

“The LG should periodically monitor the performance of its Sub Recipient to ensure work performed on its behalf is performed in a manner consistent with pertinent federal, state, and local laws, statutes, administrative rules, and ordinances.”



Types of Sub Recipient and Sponsor Monitoring

- File documentation /reporting
- Income Eligibility Compliance
- Strategy Compliance
- Physical Inspection of Work
- Organization wellness review
- Staff Capacity/Organizational Structure
- Financial Capacity/Fiscal Soundness

Sub Recipient

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.

Monitors will look at:

The “scope of services” section of the contract/agreement between the local government and the subrecipient to identify the specific tasks the subrecipient is expected to perform. Some agreements are more specific than others and the contracts between subrecipients and LG’s are very broad.

- FHFC will tend to fall back on the statute and rule (as with any agreement) to identify those tasks the local government would be responsible for performing if no subrecipient was in place.

Sub Recipient

Any contract or document establishing the relationship between a SHIP eligible local government and a non-state organization which is a Sub Recipient receiving SHIP funds shall contain the standard audit language on Form DFS-A2-CL (Effective 7/05) of the Florida Single Audit Act in the document.

<https://apps.fldfs.com/fsaa/statutes.aspx>

67-37.019 Compliance Monitoring for Housing Developed With SHIP Local Housing Distribution Funds.

Sponsor

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.--

Sponsor

As a condition of receipt of an award, the eligible sponsor or eligible person must **contractually commit** to comply with the affordable housing criteria provided under ss. 420.907-420.9079 applicable to the affordable housing objective of the award. The plan criteria adopted by the county or eligible municipality **must prescribe the contractual obligations required** to ensure compliance with award conditions.

420.9075 Local housing assistance plans; partnerships.--

Contractual Requirements

- Monthly reports are submitted in a timely and consistent fashion
- Activities, client eligibility, reimbursement requests, etc., Are adequately documented
- Records and files are complete and adequately maintained
- All contract requirements are met in full

Document file review and compliance

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

Questions from Monitors

1. Was the assisted unit eligible housing?
2. If applicable, did the subrecipient monitor rental housing tenant eligibility and affordability?
3. Was the sales price/value of assisted units equal to or less than the purchase price limits established in the LHAP?
4. For DPA strategies, was affordability of the housing unit determined?
5. Were admin costs allowable?
6. Was the SHIP Annual Report submitted by the deadline and expenditures reconciled prior to its submission?
 - Was the Annual Report made available before submission?
7. Were recipients income eligible as either VLI, LI, or MI?
8. Were other LHAP requirements specific to a strategy verified and documented?

Monitoring Rental Housing for SHIP Compliance



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

SHIP Monitoring Rules

- Tenant income of projects that receive more than \$10,000 total investment must be monitored annually (not per unit, per project)
- May rely on monitoring report of another entity even if periodic
“....to the extent another governmental entity or corporation program provides periodic monitoring and determination, a municipality, county, or local housing financing authority may rely on such monitoring and determination of tenant eligibility.”
- Does not require utility allowances

Tracking System for Rental Properties

How many rental properties has the local government assisted in the past that require monitoring?

How many rental properties have SHIP funds invested?

- Look at old annual reports to identify properties
- Need a system to track properties
- Share information with several staff members
- Include list in policies and procedures and monitoring manual

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 Eligibility
- Rent Affordability
- Property condition
- Property performance

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Rental Monitoring Plan, Continued



- How many units are SHIP assisted units?
- How many units are dedicated EL, VL, L, M?
 - Refer to agreement
- Project Forms
- Process
 - Notification
 - Confirmation
 - On site vs Desk Review
 - Exit conference
 - Monitoring report
 - Client response
 - Corrective Action /follow up plan

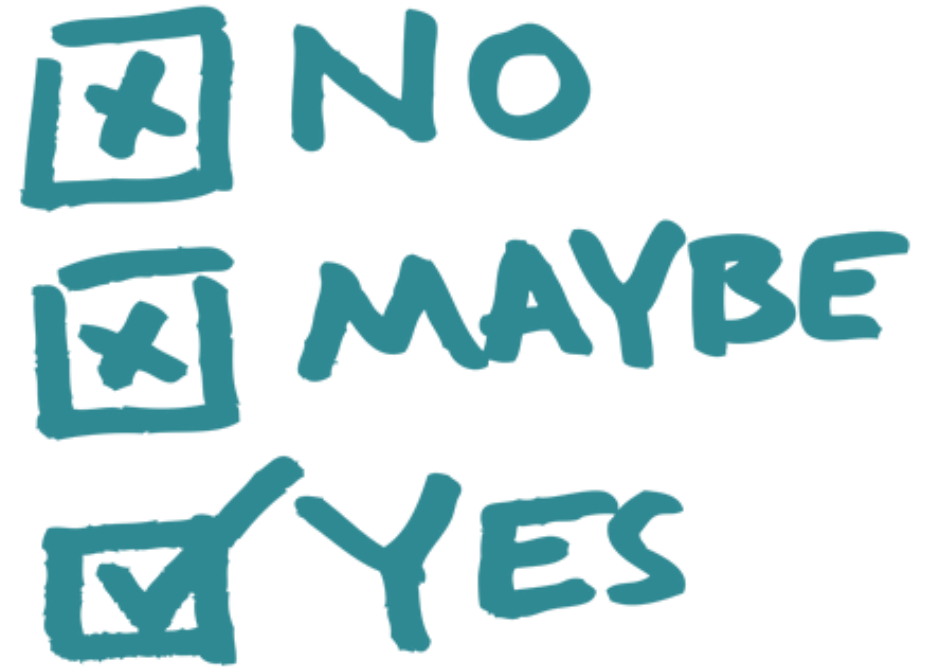
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Tenant Income Eligibility

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 20.9071(19)(20)(28), Florida Statutes



Rental First Right of Refusal



SHIP RULE: (g) Eligible sponsors that offer rental housing for sale before 15 years or that have remaining mortgages funded under this program must give a first **right of refusal to eligible nonprofit organizations** for purchase at the current market value for continued occupancy by eligible persons.

Common Observations



- **Rental units not being monitored annually**
- Noncompliant with initial rent limits
- Noncompliance with income limits
- Noncompliance with income set aside
- LHAP, Agreement, LURA & Mortgage conflict
- **Income certification completed incorrectly**

Please complete the evaluation!



Questions?

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Technical Assistance Hotline: 1-800-677-4548