

Finance Department Staff Affordable Housing Training

May 10, 2023 at 2pm



Sponsored by
Florida Housing
Finance Corporation's
Catalyst Program



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Catalyst Training Schedule



The Coalition is Florida's affordable housing training and technical assistance provider.

Hotline: 1-800-677-4548

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Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- If non typing capability, click raise your hand button
- 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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Training Objectives

- Enhance competency in managing State and Federal affordable housing funds
- Ensure that funds are used for purposes for which they are awarded
- Avoid common challenges local governments face
- Share grant and financial management best practices



Differences between CDBG/HOME and SHIP

- HUD fiscal year starts Oct 1 - Sept 30
- HUD enters into a legal agreement with local government
- Governed by federal regulations
- Funds are drawn when needed on a reimbursement basis
- Ongoing reporting in IDIS as funds are spent
- SHIP fiscal year starts July 1 - June 30
- No executed agreement for SHIP funds
- Governed by rule and statute
- SHIP funds are advanced to the local government

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More Differences between CDBG/HOME and SHIP

- CAPER due 90 days after end of PY – usually December
- HUD establishes procurement guidelines
- CDBG can be used for public services, economic development, public facilities and improvements
- Check and balance for drawdowns established by HUD for IDIS
- Report due by September 15
- No procurement guidelines under SHIP. Follow local procurement procedures.
- SHIP can only be used for housing activities
- Local policies for check and balance of SHIP expenditures

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Similarities between CDBG/HOME and SHIP

- Expenses must be eligible
- Expenses must be necessary, reasonable and in accordance with the CP and Annual Action Plan
- Expenses must be tracked and reconciled
- Requires an agreement before services are rendered
- Procedures for cash management should allow for accurate monitoring and reporting
- Both require an annual report
- SHIP activities must be in accordance with the LHAP
- SHIP must be tracked and reconciled to General Ledger
- Maintain source documentation for accounting records
- Funds used for failed projects must be transferred to administration

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Financial Management: What does HUD require?

- Identify HUD programs, awards received, and expenditures by CFDA title and number, HUD award identification number, and year
- Identify the source and application of funds for HUD-funded activities
- Maintain adequate source documentation
- Ability to compare expenditures with budgeted amounts for each HUD award

Financial Management:

What does HUD require? cont'd

- Record an encumbrance/obligation when contracts are executed, purchase orders issued
- Identify the use of program funds for eligible activities
- Reconcile information in HUD reports with accounting reports
- Maintain control over all funds, property, and other assets to ensure they are used solely for authorized purposes

Key Components of Financial Management

Internal
Controls

Budgeting

Cost Principles

Accounting
and
Recordkeeping

Procurement

Reporting

Audits

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Key Elements of Internal Control

- Organizational structure
- Policies and procedures
- Separation of duties
- Secure recordkeeping system
- Regular reconciliation of budgets and records



Internal Controls: What does HUD require?

- Chart of accounts with account numbers to ensure that resources used do not exceed resources authorized
- Control over design and use of documents and records to ensure that transactions are properly documented and recorded
- Segregation of duties to reduce opportunity for someone to conceal errors or irregularities
- Ability to prepare financial statements that conform to GAAP

Accounting and Recordkeeping

- Chart of accounts
- General ledger
- Cash receipts journal
- Cash disbursements journal
- Payroll journal
- Payable and receivable ledgers



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Accounting: What does HUD Require?

- Financial information recorded in IDIS must match the accounting records
- Obligations, expenditures, and program income submitted to HUD in the CAPER must reconcile with accounting records



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Consolidated Planning

- Application for HUD funding
- Consolidated planning document required every 5 years
- Collaborative process between residents, stakeholders, and the grantee
- Identifies housing and community development needs and priorities
- Strategies to be followed in carrying out HUD programs
- Stipulates how HUD funding will be allocated



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Consolidated Planning Process



Determining Resources:

- Anticipated funding from all sources
- Expected Amount Available:
 - Annual Allocation
 - Program Income
 - Prior Year Resources
- Matching Funds

Goals and Objectives:

- Goals to be carried out and outcomes
- Funding amount that will be used to address each goal

Projects:

- Eligible projects, objectives, and outcomes
- Amount of funds allocated to project and source
- Target date for completion

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Annual Action Plan

- Summary of the actions, activities, and programs that will take place during the program year to address the priority needs and goals identified by the Strategic Plan.
- The Action Plan provides an outline of:
 - Annual Expected Resources
 - Annual Goals and Objectives
 - Annual Projects
 - Other planned actions



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Integrated Disbursement and Information System (IDIS)

A nationwide database that provides HUD with current information on program activities

- Disbursement of funds
- Program performance

Basic components:

- Consolidated Plan/Action Plan
- Activity Set up
- Activity Funding
- Drawdowns
- Reporting

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What is CDBG?

Community Development Block Grant Program

CDBG program is a federal program administered by HUD that provides funding for community revitalization purposes.

Program goals include the provision of:

1. Decent housing
2. A suitable living environment
3. Expanded economic opportunity

Please go to [Basically CDBG for Entitlements - HUD Exchange](#)



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CDBG National Objectives

- CDBG funds must be used for activities which meet a national objective
- Three national objectives:
 1. Benefit low- and moderate-income persons (<80% AMI)
 - Area Benefit
 - Limited Clientele
 - Low/Mod Housing
 - Job Creation/Retention
 2. Elimination of slums or blight
 3. Urgent Need

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CDBG Entitlement Program: Eligible Activities

Eligible Activities include:

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements
- Public services (up to 15%)
- Provision of assistance to for-profit businesses for economic development and job creation/retention activities
- Planning and Administration (up to 20%)



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CDBG Entitlement Program: Ineligible Activities

Ineligible Activities include:

- Acquisition, construction, or reconstruction of buildings for the general conduct of government
- Political activities
- Certain income payments
- Construction of new housing (with some exceptions)



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What is HOME?

HOME Investment Partnerships Program

- Exclusively creates or preserves affordable housing for low-income households.
- Program Objectives:
 - Provide decent, affordable housing for low-income persons (<80% AMI)
 - Expand the capacity of nonprofit housing providers
 - Leverage private-sector participation
 - 25% Match



[HOME: HOME Investment Partnerships Program - HUD Exchange](#)

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HOME: Eligible Activities

Eligible HOME activities include:

- Homeownership Assistance
- Housing Rehabilitation
- Direct Rental Assistance (TBRA)
- New Construction of Affordable Housing
- Planning and Administration
(up to 10%)



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Eligible Costs and Ineligible Activities and Costs

Eligible Costs:

- New construction
- Rehabilitation
- Reconstruction
- Conversion
- Acquisition of property and vacant land
- Site improvements – installation or repair of infrastructure
- Demolition
- Relocation costs
- Refinancing
- Project-related soft costs



Ineligible Costs:

- Non-housing related activities
- Project reserve accounts
- TBRA in certain units
- Match for other Federal programs
- Assistance to public housing
- Project-based rental assistance
- Paying delinquent taxes or fees
- Acquisition of PJ-owned property
- HOME projects during affordability period



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Community Housing Development Organization

- Non-profit organization
- Specific qualification criteria
- Owners, developers, sponsors of affordable housing
- PJ must certify that the CHDO is qualified
 - Certification required for each specific project commitment
- 15% set-aside of annual HOME allocation

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Eligible CHDO Set-aside Activities

RENTAL HOUSING

- Acquisition and/or rehabilitation of rental units
- New construction of rental housing
- Acquisition and management of rental housing

HOMEBUYER PROPERTY

- Acquisition and/or rehabilitation of homebuyer properties
- New construction of homebuyer units
- Direct financial assistance of CHDO-developed properties

CHDOs may also
carry out eligible
HOME activities
as subrecipients



INELIGIBLE USES

Non-development activities:

- Homeowner rehabilitation
- TBRA
- Brokering or other real estate transaction

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Program Income

Program income is the gross income received by the grantee and its subrecipients directly generated from the use of program funds



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HOME Program Income

- Interim Commitment Rule changes the rules for local Account funds (PI, Recapture, Repaid funds)
- PI no longer must be expended prior to treasury account funds
- Local account funds accrued and reported in AAP



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Program Income: What does HUD require?



- Establish revenue accounts to record program income
- A system to determine the amount of program income attributable by program (CDBG, HOME)
- Disburse program income in payment of program costs prior to making further cash withdrawals from the U.S. Treasury

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Program Income: What does HUD require? cont'd



- Implement a system to track program income (including subrecipient PI)
- A system to ensure that upon expiration of any agreements, subrecipients transfer funds to the recipient in a timely manner
- Comply with requirements for reporting on the receipt and use of program income in IDIS

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Admin/Planning Costs

- General management, monitoring & coordination
- Eligible travel costs
- Fair Housing
- Preparation of Consolidated Plan
- Compliance with other federal requirements



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Admin Vs. Activity Delivery Costs

- Certain costs directly related to carrying out projects may be either admin or project costs
- Must be charged to admin if the project does not go forward



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Basic Elements of Budget Controls

- Maintaining accounting records that include the amounts budgeted for eligible activities
- Periodically comparing expenditure-to date against planned expenditures and against projected accomplishments
- Reporting deviations from budget and program plans
- Requesting approval for budget and program plan revisions

Reconciliation

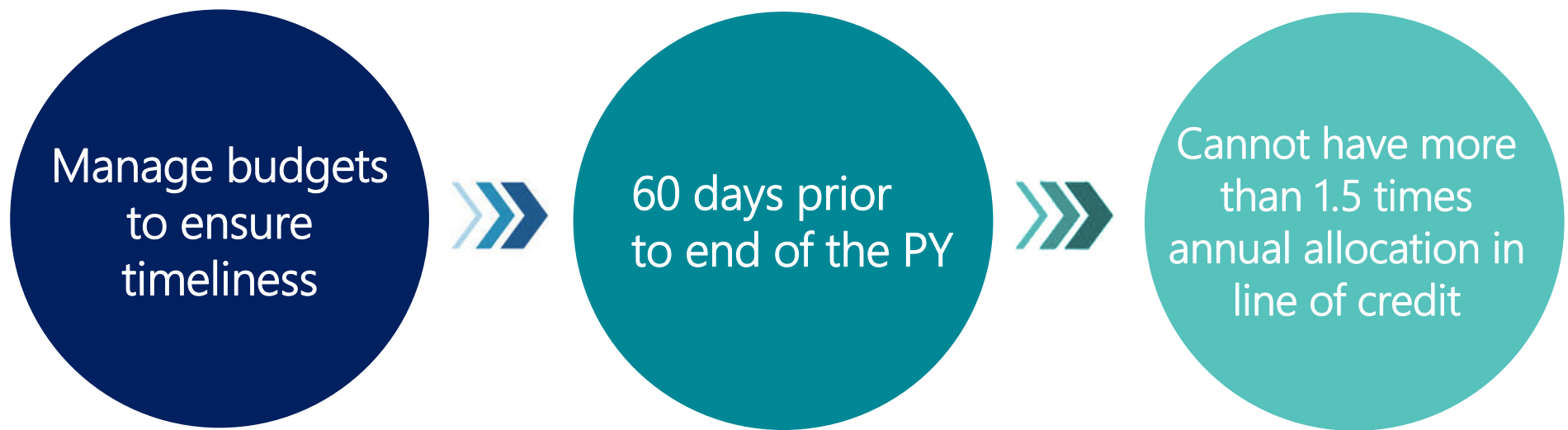
- Periodic comparisons of financial records to actual assets and liabilities
- In cases where discrepancies are found, corrective action must be taken to resolve them



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Tracking CDBG Timeliness



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Timeliness Calculation

- Current CDBG Grant - \$1,000,000
- Available Line of credit - \$1,500,000
- Program income on hand - \$100,000
- Total available funds - \$1,600,000

$$\begin{aligned} & (\text{LOC} + \text{PI}) \div \text{Annual Grant} \\ & (\$1,500,000 + \$100,000) \div \$1,000,000 \\ & = 1.6 \end{aligned}$$

> 1.5 means



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HOME Commitment and Expenditure Deadlines

- Commit funds within 2 years
- Expend funds within 5 years (eliminated for FY 2015 and later allocations)
- 9-month homebuyer sales deadline
- 18-month lease up for rental housing
- 4-year project completion deadline based on agreement date
- Fully expend no later than expiration date of grant
e.g. 2017 Disbursements must be expended by 9/30/2025

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Recordkeeping: Standards for Source Documentation

Identifies:

Amount of expense

Method of Payment

Purpose

Date of Transaction

Authorization

Other Pertinent
Information

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Recordkeeping: Source Documentation

Cancelled Checks

Payroll Records

Contract

Paid Invoices

Time and
Attendance Records

Receipts

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Reporting for CDBG/HOME: Keys to Successful Reporting

- Setting up the grants in the system
- Collecting data
- Analyzing data for accuracy and completeness
- Submitting data in the HUD-required system
- Applying quality control
- Posting reports publicly, if required

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CDBG/HOME Reporting

- Annual outcomes and performance assessed in the Consolidated Annual Performance and Evaluation Report (CAPER)
- Due to HUD within 90 days after the end of the PY
- CAPERS must be entered and submitted in IDIS

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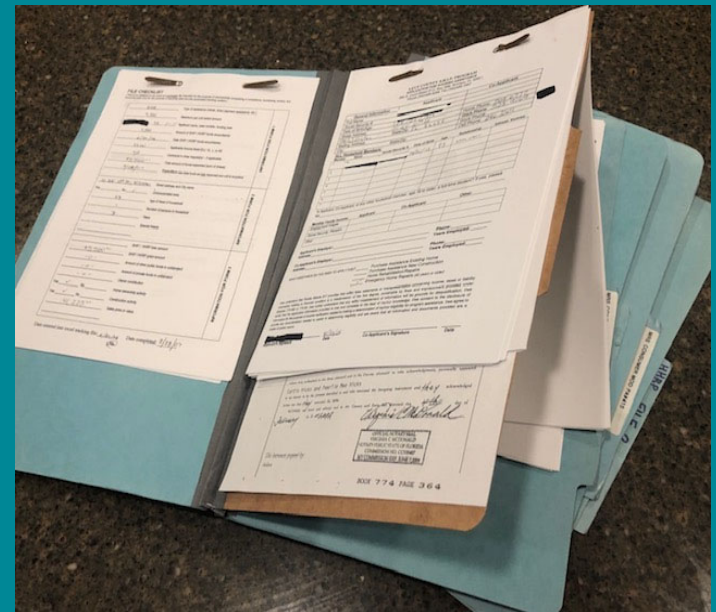


CAPER Must-Do's

- Ensure Annual Action Plan is marked as "Review Complete"
- Enter all amendments in IDIS, submit and ensure marked as "Review Complete"
- Ensure AAP includes correct projects (associated with correct activities and correct PY)
- Enter all accomplishment Data in IDIS
- Ongoing reconciliation and communication between program and finance staff

Components of PR26

- 1 Summary of CDBG Resources
- 2 Summary of CDBG Expenditures
- 3 Low to moderate income benefit
- 4 Public services calculation
- 5 Planning and program administration cap calculation



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HUD Community Assessment

- 60- day timeliness test
 - Is the grantee compliant?
- Funds expended towards CDBG LMI national objective
 - Primary objective met? At least 70%
- Expenditures for public service activities
- Planning and admin obligations
- HOME Commitment deadline
- CHDO set-aside
- Single Audit
- Other programmatic efforts – fair housing

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Tracking SHIP Funds and Activities

19/20 | | |

July 1, 2020 June 30, 2023

20/21 | | |

21/22 | | |

22/23 | | |

23/24 | | |

Key Reporting Principles

- 3 years to spend SHIP, so you often have money from multiple FY allocations.
- Generally, “First received, First expended” **What Exceptions to the Rule?**
- Most attention is on close out allocation
- Strive to pay recipient’s total assistance from only one SHIP allocation

Tracking & Reporting Timing

June 30: Encumbrance & Expenditure Deadline.
Report activity through June

- FY 20/21 (close-out) all funds must be expended
- FY 21/22 funds must be expended or encumbered
- FY 22/23 funds may be expended, encumbered or unencumbered
- Encumber for real, eligible applicants

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Comply with 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

- A) At least 30% of all Revenue for Very Low
- B) At least 60% for VLI and Low combined

Special Needs Set-Aside

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

SHIPDATA Spreadsheet

	A	B	C	D	E	F	G	H
1								
2	Local Government:					Closeout Year:		
3								
4	Applicant Information							
5	First Name	Last Name	Street Address	City	Zip	City/Unincorporated	Structure Type	Income Category

- Add data for Close Out allocation (20/21), as well as interim year 1 (21/22)
- Include activity through June 30, 2023

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Applicant Level Data TAB

	A	B	C	D	E	F
1						
2	Local Government:					Close
3						
4	Applicant Information					
5	First Name	Last Name	Street Address	City	Zip	City/ Unincorporated
6						
7						

Applicant Level Data

Rental Developments

+

Ready

- Primary tab: Enter expenditure/encumbrance data and related assistance details
- One row per household assisted

Applicant Information

4	Applicant Information					
5	First Name	Last Name	Street Address	City	Zip	City/ Unincorporated
6						Structure Type
7						
<div><div>Applicant Level Data</div><div>Rental Developments</div><div>+</div></div>						

City/Unincorporated: You cannot tell solely by the address. Some unincorporated areas list a city in the address

Structure Type: Single Family SF Home, townhome, condo, mobile home, apartment, other

Demographic Information

Demographic Information						
Income Category	Age HoH	Family Size	Race HoH	Special Needs	Non-Special Needs Demographic	Essential Service Personnel

- Income Category includes ELI and 121–140% AMI
- Non-Special Needs Demographic: Homeless, Farmworker, Elderly
- ESP: Nurse/Healthcare, First Responder, Educator, Building Trades, Hospitality, Retail Sales, Active Military, Veteran, Government employee, Service Industry

Funding Information

Funding Information							
Local Strategy Name	Strategy Code	Meets 75% Set- aside	SHIP Funding Amount	Funding Status	Funding Type	Funding Year	Unit Counted In Another Year

- 75% Set-aside: new construction or rehabilitation
- Funding Amount: No multiple fields for draws
- Status: Expended, Encumbered
- Type: Grant, Deferred forgivable, Deferred payable, Monthly payments
- Unit Counted In Another Year: rarely used column

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Navigating through Two Different Fiscal Years

- Local fiscal year: October-September
State fiscal year: July-June
- Be specific about dates when communicating with Finance Department
 - Example “What was the interest on the local housing trust fund from July 1, 2016, to June 30, 2017?”



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 activity



SHIP Reports must reconcile with General Ledger

- Florida Single Audit Act: Audit is required of local governments with program funds totaling more than \$750,000.
- Auditors review a percentage of all local funds, usually including SHIP
- The SHIP CSFA number (Catalog of State Financial Assistance) is 40.901

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Test if SHIP Reports reconcile with General Ledger

Sum of Unencumbered plus Unspent
Encumbered money on SHIPDATA
Spreadsheet

Compared With

Current balance of the SHIP Local
Housing Trust Fund



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Reasons for Being “Out of Balance”

- Tracking expenses are not fully updated/accurate
- Track spreadsheet missing some recipients
- Finance accidentally charged HOME instead of SHIP

NO MATTER THE REASON...

- In-depth assistance available to update SHIP Tracking System



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Correcting the SHIP Tracking System

- Use General Ledger revenue and expense data to update SHIP tracking
- Check SHIP files for demographics and additional data
- Re-create SHIP tracking back to the SHIP allocation preceding the current close out year

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Tracking & Reporting Timing

June – September, 2023:

- Create and upload SHIPDATA spreadsheet with 20/21 and 21/22 data
- Certification form signed by Chief Elected Official or Designee

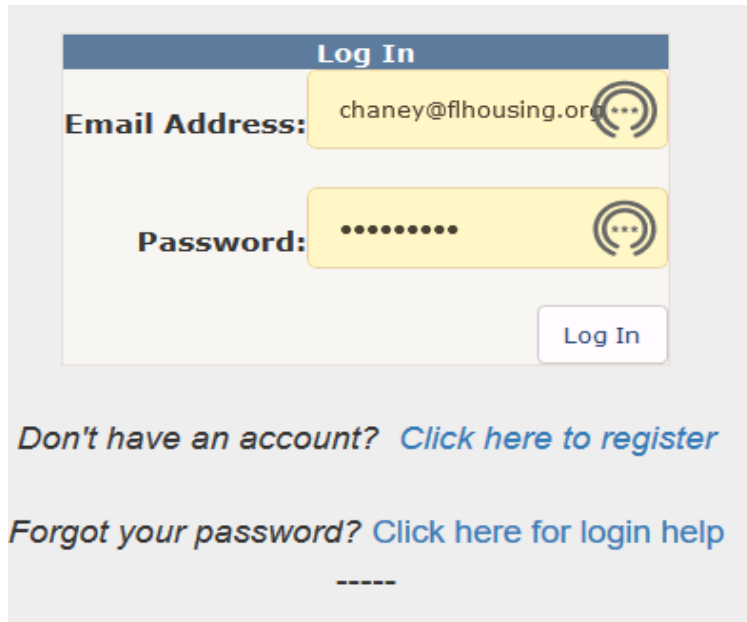
September 15, 2023: Annual Report is Due!

October 2023: Create a new SHIPDATA spreadsheet.
Start adding 22/23 activity

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Access Report Website Today



The screenshot shows a login form titled "Log In". It has two input fields: "Email Address" with the text "chaney@flhousing.org" and a password field with masked characters ".....". Both fields have a circular icon with three dots to their right. A "Log In" button is located below the password field. Below the form, there are two links: "Don't have an account? Click here to register" and "Forgot your password? Click here for login help".

<http://www.FloridaHousing.org/SHIPAR>

- First, staff person who has admin rights should try to access.
- Further assistance with "Access Denied":
cameka.gardner@floridahousing.org
- Do not use "Click here to register"
- First Task: Update SHIP Contact and Program information

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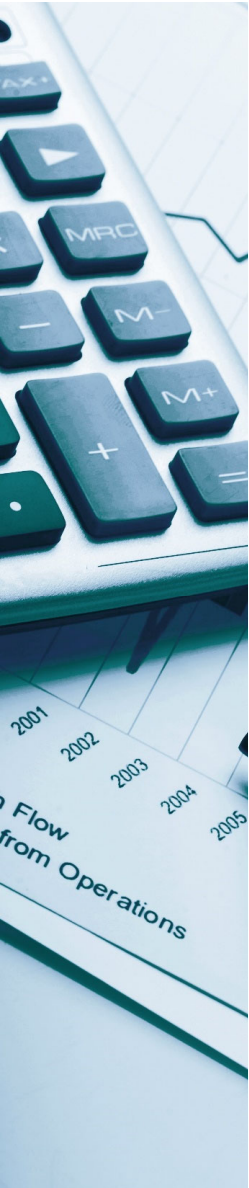
One New Spreadsheet Every Year

- Track 2 allocations on spreadsheet
- In October after completing Annual Report
 - Copy Data upload spreadsheet
 - Delete 20/21 Data
 - 21/22 data is now 'Close Out'
 - Add 22/23 data



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Use the Report as a Summary Page

- You may solely upload spreadsheet data without adding all other data to auto-populate the report
- Throughout the year, Annual Report serves as Tracking & Compliance guide

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"Review and Submit" Tab

Includes Validation Error Messages

Comments Box when Explanation is Needed. Specify which FY the comment applies to.

Report: 2013-2014 Interim-2 (Unsubmitted) Save

Form 1 Form 2 Form 3 Form 4 Form 5 **Review & Submit**

Review Status And Submit [Click here for a printer-friendly \(PDF\) copy of this annual report](#)

The current status of this report is: **Unsubmitted**

Additional Comments to FHFC:

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SHIP Program Income



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

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Program Income: SHIP vs CDBG/HOME

SHIP

Governed by the LHAP rules of the fiscal year in which it is received

Reported in the fiscal year received

Not all the SHIP rules apply to Program Income

CDBG/HOME

Governed by current federal rules. Only PI if more than \$25,000 in total in a program year

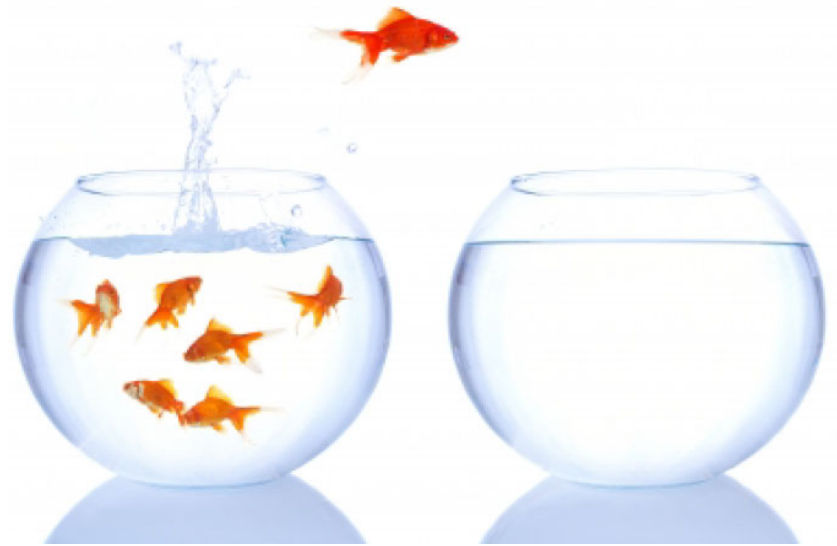
PI must be spent before other funds are drawn

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Correcting Set-aside and Deadline Errors: Re-assigning a project from one allocation to another.

- Fix Set-Aside or Deadline problems
- Re-Assign Expenses Example:
Change expense from 'Closeout' to 'Interim 1' on the spreadsheet
- Jurisdiction may CHOOSE which distribution to spend on a project
- Finance: adjust records accordingly



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Example # 1: "Pushing Back" a Project

19/20 | | |

July 1, 2020

June 30, 2023

20/21 | | |

21/22 | | |

22/23 | | |

23/24 | | |

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Example # 2: Meet your Set-Asides

“Help, I Haven’t Dedicated Enough 20/21 to VLI!”

Distribution	VLI Expended & Encumbered	Compliance Status
20/21	\$82,000	20% \$40,000 Short
21/22	\$28,000	22% \$12,000 Short
22/23	\$52,000	40% \$0 Short
TOTAL	\$162,000	

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Solution: Re-Assign Expenses/Encumbrances

Adjusted Tracking Spreadsheets

Distribution	VLI Expended & Encumbered	Compliance Status
20/21	\$122,000	30% \$0 Short
21/22	\$40,000	30% \$0 Short
22/23	\$0	0% \$43,000 Short
TOTAL	\$162,000	

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Looking for Trainings?

Visit Our Calendar of Trainings

Technical Assistance is Available

Available Daily: 1 (800) 677-4548

Options for Further Assistance Include:

- ❖ Phone and Email consultation
- ❖ Site Visits

Register at www.flhousing.org for:

- ❖ Workshops
- ❖ Webinars

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Please Complete the Evaluation!



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