

Affordable Housing Blender: PBV + LIHTC and/or HOME



AGENDA

- Types of Section 8
- Development Issues
 - Applying for PBV
 - QAP Considerations
 - Underwriting & Subsidy Layering
 - AHAP & HAP
 - Crosscutting Requirements
- Compliance Issues
 - Implementing Rent Limits
 - Implementing Utility Allowances
 - Tenant File
 - Income Verification Issues



3 TYPES OF SECTION 8

	Housing Choice Voucher (HCV)	Project Based Voucher (PBV)	Project Based Rental Assistance (PBRA)
HUD Division	Public & Indian Housing	Public & Indian Housing	Multifamily
Tenant or project based?	Tenant	Project	Project
HUD income cert form #	50058	50058	50059
Rent standard	FMR / Rent Reasonableness	FMR	OCAF
Voucher source and oversight	Public Housing Agency (PHA)	Public Housing Agency (PHA)- up to 30% of HCV	HUD / Contract Administrator (CA)
Housing Assistance Payment (HAP) contract	PHA + Owner	PHA + Owner	HUD + Owner
Utility Allowance	PHA chart (Form 52667)	PHA chart (Form 52667)	Project-specific – full baseline analysis every 3 years, adjust by UAF

DEVELOPMENT ISSUES: FUN WITH NUMBERS, DOCUMENTS, & TIMING

APPLYING FOR PBV

Awarded through a Public Housing Agency (PHA) per their HUD-approved Administrative Plan

Two possible methods of selection:

1. Issue a competitive RFP for PBV issuance
2. Use a previous competition process from another funder that did not involve consideration that the project would receive PBV

IHCDA admin plan = utilizes Supportive Housing Institute as previous competition

Most other IN PHAs = RFP

24 CFR 983.56 25% Cap Rule- PHA may only project-base up to 25% of the units in a project unless the units are specifically for elderly, persons with disabilities, or tenants receiving supportive services

QAP CONSIDERATIONS

Scoring category 6.4(B): Non-IHCDA Rental Assistance

Up to 2 points if proposed Development has a commitment of non-IHCDA project-based rental assistance

- Must be a federal or state program
- Term must be at least 15 years
- Must cover at least 20% of units to maximize points; 1 point if at least 10% of units
- Must provide letter from funding agency
 - May be conditional upon receipt of LIHTC
 - Must certify the assistance meets the requirements above
 - Must identify the payment standard used to set PBV rents

PBV qualifies if PHA provides appropriate commitment letter

UNDERWRITING AND SUBSIDY LAYERING

Underwriting requirements for LIHTC developments with PBV:

- Cash flow (minus any acceptable reserve amounts) cannot exceed 10% of total expenses
- Vacancy rate in pro forma must be between 4-7% (instead of typical 6-8%)
- Debt Coverage Ratio must be between 1.10-1.45 for all years
- Operating Expense Growth and Rental Income Growth at 2% per year (same as all LIHTC)
- If IHCDA QAP vs HUD SLR guidelines contradict, must use strictest requirement
- Must submit appraisal establishing “as is” value of property

Subsidy Layering Review (SLR) must be completed to ensure project is not over-subsidized

- Applies to both new construction and rehab with governmental assistance
- If project has LIHTC, IHCDA is authorized to conduct the SLR on behalf of HUD
 - Initiated by IHCDA or the awarding PHA
 - Average approval time 15 days after receiving all documents
 - IHCDA submits certification to HUD that it has conducted and approved the SLR
- If not LIHTC, SLR must go to HUD for approval = much longer approval period

AHAP & HAP

AHAP = Agreement to Enter into Housing Assistance Payment Contract

- HUD Form 52531A
- Includes site location, number of total units, number of PBV units, amenities and accessible features, estimated initial rents, utility responsibilities, etc.
- Identifies construction timeline
- Formal commitment of PBV- comes after ERR, Release of Funds, and SLR
- Must be in place before construction begins

HAP = Housing Assistance Payment Contract

- HUD Form 52530A
- Includes length of contract, number of PBV units and if they are fixed or floating, amenities and accessible features, initial rents, utility responsibilities, etc.
- Maximum initial term 20 years
 - IHCD will match 15-year LIHTC federal compliance period or length of HOME affordability period
- After certificate of occupancy and Housing Quality Standards (HQS) inspection

CROSSCUTTING FEDERAL REQUIREMENTS

Must complete part 58 Environmental Review and receive HUD Release of Funds (Form 7015.16) before SLR review and execution of AHAP and construction

9+ PBV units = Davis Bacon

- Budget accordingly!
- Identify Labor Standards Officer

PUTTING IT ALL TOGETHER- ORDER OF OPERATIONS

- Apply for PBV through PHA
- PHA awards
- Complete Part 58 Environmental Review and obtain HUD Release of Funds
- Complete SLR- IHCD or HUD conducts
- Execute AHAP (PHA + Owner)
- Close and start construction – if pre-AHAP, lose PBV
- Complete construction
- Certificate of occupancy issued
- PHA conducts HQS inspection
- Execute HAP Contract (PHA + Owner)
- Comply throughout contract term
- Possible renewals



Mandatory order. Not a suggested checklist!

COMPLIANCE ISSUES: RENTS, UTILITIES, AND INCOME

PBV RENT STANDARDS & INCREASES

IHCDA utilizes 100% of county Fair Market Rent (FMR)

Other PHAs may utilize small area FMRs or allow rent standard up to 110% of FMR if identified in HUD-approved Administrative Plan

Rent increases must be requested annually by the owner and if approved will be made effective on the anniversary date of the HAP contract

RENT LIMITS- LIHTC + SECTION 8

LIHTC gross rent must be at or below the LIHTC rent limit

- LIHTC gross rent = tenant paid rent + utility allowance + non-optional fees
- Does **not** include rental assistance portion (e.g., HAP)

Gross rent may exceed the LIHTC rent limit if:

- The household is receiving at least \$1 of HAP
- The rent charged complies with Section 8 requirements

RENT LIMITS- HOME + HCV

HOME gross rent must be at or below the HOME rent limit

- HOME gross rent = tenant paid rent + tenant-based rental assistance + utility allowance + non-optional fees
- **Does** include tenant-based rental assistance portion (e.g., HCV HAP)

Gross rent may **not** exceed the HOME rent limit

RENT LIMITS- HOME + PBV OR PBRA

Instead of following the HOME rent limit, the owner may charge the rent allowed by PBV or PBRA if:

- The unit is designated as a Low-HOME unit (50% AMI rent and income restriction or less); and
- The unit is occupied by a household at or below 50% AMI; and
- The unit is PBV or PBRA HAP; and
- Household does not pay more than 30% of adjusted income as tenant-paid rent

EXAMPLE

PBV maximum rent for a unit is \$1200

Low HOME Rent Limit for a unit is \$750

Utility Allowance is \$100

Tenant Adjusted Income is \$18,000

Rent= $\$18,000 / 12 \times 30\% = \450

Tenant rent payment = $\$450 - \100 (utility allowance) = \$350

PHA rent payment to the owner = $\$1200 - \$350 = \$850$ **THIS IS ALLOWED**

UTILITY ALLOWANCE – LIHTC + SECTION 8

Type of Section 8	Which UA must be used?
HCV	PHA chart (Form 52667) for HCV units
PBV	PHA chart (Form 52667) for PBV units
PBRA*	Project specific approved by HUD/CA for entire building

*Considered a “HUD-regulated building” for purposes of LIHTC UA regs

UTILITY ALLOWANCE – HOME + SECTION 8

Received HOME commitment on or before 8/23/13	
Type of Section 8	Which UA must be used?
HCV	May use PHA chart (Form 52667) but not required
PBV	May use PHA chart (Form 52667) but not required
PBRA	Project specific approved by HUD/CA for entire building

Received HOME commitment after 8/23/13	
Type of Section 8	Which UA must be used?
HCV	Must create project specific. CANNOT USE PHA chart (Form 52667)
PBV	Must create project specific. CANNOT USE PHA chart (Form 52667)
PBRA	Project specific approved by HUD/CA for entire building

UTILITY ALLOWANCE – LIHTC + HOME + SECTION 8

LIHTC & received HOME commitment on or before 8/23/13	
Type of Section 8	Which UA must be used?
HCV	PHA chart (Form 52667) for HCV units- LIHTC requires, HOME allows
PBV	PHA chart (Form 52667) for PBV units- LIHTC requires, HOME allows
PBRA	Project specific approved by HUD/CA for entire building

LIHTC & received HOME commitment after 8/23/13	
Type of Section 8	Which UA must be used?
HCV	<p>CONFLICT! = Will have two separate UAs</p> <ul style="list-style-type: none"> • For LIHTC gross rent must use PHA chart (Form 52667) for HCV units • For HOME gross rent must use project-specific
PBV	<p>CONFLICT! = Will have two separate UAs</p> <ul style="list-style-type: none"> • For LIHTC gross rent must use PHA chart (Form 52667) for PBV units • For HOME gross rent must use project-specific
PBRA	Project specific approved by HUD/CA for entire building

WHAT MUST BE IN THE TENANT FILE?

To verify household receives assistance, the tenant file must contain

Type of Section 8	Document required in LIHTC or HOME tenant file
HCV	Either: <ul style="list-style-type: none">• Original HAP contract and current HAP amendment; or• Current HUD Form 50058
PBV	Current HUD Form 50058
PBRA	Current HUD Form 50059

Do **not** keep EIV paperwork in LIHTC or HOME files

- Not a LIHTC or HOME compliance issue, but violates HUD/EIV user agreement

LIHTC – USING PHA INCOME VERIFICATION

If a LIHTC unit is also a PBV unit or is housing an HCV tenant, the owner is not required to obtain traditional income verification if instead they receive one of the following from the PHA:

- HUD Form 50058; or
- IHCD's PHA Verification Form

IHCDA TIC must still be created and must compare income to LIHTC income limit

- Make sure to use the gross income for LIHTC qualification, not adjusted income

Either form must be received prior to move-in or recertification date and may not be more than 120 days old

This is **not** an option for HOME compliance

STUDENT FINANCIAL ASSISTANCE

For both LIHTC and HOME, student financial assistance is included in total household income only for household receiving Section 8 assistance

For Section 8 households, income includes:

- Any financial assistance in excess of cost of tuition
- E.g., cost of books, room and board, other class fees, etc.
- May be grants, scholarships, private assistance, entitlements, etc.
- Does not include loans

EXCEPTION: Do **not** count as income if:

- Student is over age 23 with dependent children; or
- Student is living with their parents who are receiving Section 8 assistance

Questions?

mrayburn@ihcda.in.gov

317-233-9564