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San Diego Housing Commission Affordable Housing Preservation Notice of Funding Availability (NOFA) Training: Compliance Monitoring April 30, 2021

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SDHC – Affordable Housing Preservation NOFA

What is Compliance Monitoring?

- The San Diego Housing Commission (SDHC) Compliance Monitoring Department (CMD) monitors the compliance of more than 375 projects with close to 20,500 affordable units with their corresponding affordability terms.
- Terms & restrictions generally include limiting contract rents and leasing units to income-eligible households.
- CMD ensures that owners of affordable housing developments comply with the affordability terms of their agreements and follow program regulations, guidelines and procedures.



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What is Compliance Monitoring? (Continued)

- SDHC collaborates with nonprofit agencies and private developers to create and preserve affordable multifamily and special purpose rental housing in the City of San Diego.
- SDHC administers programs created by government entities for the same purpose, including, but not limited to, Inclusionary Housing & Density Bonus policies.
- CMD monitors HOME Investment Partnerships, Housing Trust Fund, and Tax-Exempt Multifamily Bonds compliance.
- Monitoring procedures are governed by program rules and regulations and project-specific, affordable housing agreements (i.e., covenants, conditions and restrictions).



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What is Compliance Monitoring? (Continued)

- SDHC also follows the U.S. Department of Housing and Urban Development (HUD) 4350.3 Occupancy Requirements of Subsidized Multifamily Programs handbook for monitoring project compliance.
- Additionally, CMD relies on SDHC's Rental Assistance Division's Section 8 Administrative Plan in areas where no answer is found in program regulations and/or HUD guidelines.
- There shall be no discrimination against any tenant or prospective tenant based on race, age, sexual orientation, marital status, color, religion, sex, disability or national origin.



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Types of Affordable Housing Restrictions Monitored

- Affordable housing developments may be created through a variety of programs and government regulations.
- The City of San Diego enacts land use ordinances that require developers to set aside a percentage of new units for occupation by very low-, low- or moderate-income households.
- SDHC provides financial assistance to affordable housing developers and nonprofit agencies in the form of gap financing loans.
- Financial assistance from SDHC must be approved by the SDHC Board of Commissioners and/or the Housing Authority of the City of San Diego (Housing Authority), based on reports prepared by SDHC staff members.
- SDHC also monitors compliance for affordable housing developments in the City of San Diego funded by other entities, such as the City's former redevelopment agency.



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Legal Document Requirements & Process

- Upon approval of a development by the SDHC Board of Commissioners and/or the Housing Authority, or when a project includes local, state, or federal funds and/or is subject to a local city ordinance, affordability agreements are drafted to ensure that the housing units are kept affordable throughout the term of the agreement.
- The Compliance Monitoring Supervisor (Monitoring Supervisor) receives a copy of all pertinent documents and compares them to the Board report, if applicable.



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Legal Document Requirements & Process (Continued)

- Additional responsibilities of CMD & Monitoring Supervisor include:
 - Drafting and distributing legal documents to all parties involved for review and feedback. The Monitoring Supervisor thoroughly reviews the areas that pertain to income levels, rent, occupancy and affordability restrictions.
 - Comparison of legal documents to the corresponding Board/Housing Authority report(s), as applicable, to ensure compliance with original intended agreements and provisions (e.g., number of units, Area Median Income [AMI] limits, etc.).
- If the information is different, the Monitoring Supervisor looks for documentation of changes and/or requests clarification from the Project Manager.
- Execution & recording of documents upon completion of review by all parties.



SDHC – Affordable Housing Preservation NOFA Compliance Monitoring File Sharing & Fees

- Prior to leasing/certifying units, the Monitoring Supervisor will set up a new development file and prepare an owner packet.
- The owner packet includes a summary of the affordability requirements for the development's Affordable Agreement(s), the “Compliance Monitoring Requirements,” tenant forms and maximum income and rent chart.
- Shortly thereafter, CMD commences review of tenant applications to ensure eligibility. Owner/manager training is provided as a one-time courtesy.
- CMD charges a fee for initial and annual reviews of tenant eligibility to cover the costs of this service. This fee schedule is available on the SDHC website:

https://www.sdhc.org/uploadedFiles/Rental_Assistance/FeeSchedule-New.pdf



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Compliance Monitoring File Sharing & Fees (Continued)

Reviewing of Initial Certification files:

- To ensure income eligibility, the Tenant Income Certification (TIC) form is reviewed for completeness. Use link below on how to complete the TIC.
<https://www.sdhc.org/about-us/compliance-monitoring/>
- Based on the information provided by the applicant, the manager will gather income and asset documentation which is acceptable to SDHC.



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Compliance Monitoring File Sharing & Fees (Continued)

Verifying Income:

- When verifying income, the property owner must consider all amounts, monetary or not, that
 - Go to, or on behalf of, the family
 - Are anticipated to be received from a source outside the family during the 12-month period following admission
 - Are not specifically excluded by HUD.
- Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.
- For a more extensive list of countable and excluded incomes, refer to HUD manual 4350.3, Chapter 5.



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Compliance Monitoring File Sharing & Fees (Continued)

Acceptable Methods of Verification (most common):

- Military: Two months of the most recent Leave and Earnings Statement.
- Employed: Two months of the most current and consecutive pay stubs.
- Benefits: Current award letter from the Social Security Administration, Notice of Action from Health and Human Services Agency, or unemployment or disability income from the Employment Development Department. For retirement/pension benefits, contact the source of the benefit.
- Self-employed: Current federal income tax return, Schedule C and/or applicant can complete the Self-employment verification form.



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Compliance Monitoring File Sharing & Fees (Continued)

Verifying Assets:

- Current bank statement and/or financial statement, i.e., retirement account.
- If verifying improved property, contact your Compliance Monitor.



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Compliance Monitoring File Sharing & Fees (Continued)

Pre-approval of applicant family:

- Submit the family's initial file to the assigned Compliance Monitor. This person is identified when you receive the initial owner's packet.
- The initial file will be reviewed, and a response will be sent via email within 48 working hours.

Participants of the Section 8 Housing Choice Voucher (HCV) Program:

- Family's participating in the HCV program may lease an affordable unit.
- The owner/manager and applicant family will be involved in two processes.
- It is suggested that CMD review applicant family for income eligibility.



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Compliance Monitoring File Sharing & Fees (Continued)

HCV participants (Continued):

- HCV staff will contact CMD to ensure that the family is eligible and to ensure that the rent is within the approved limits.
- Applicant family will need to contact their HCV worker and request approval to move and the pertinent documents, including the Request for Tenancy Approval.
- Note: SDHC will not pay a subsidy to the owner unless the unit and family have met all requirements, i.e., unit passing the Housing Quality Standards inspection.



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Compliance Monitoring File Sharing & Fees (Continued)

Annual Income-Eligibility Recertifications:

- The owner/manager must re-examine household income eligibility every year throughout the affordability period established in the agreements.
- The procedures for the annual recertifications are, for the most part, identical to those used in determining initial eligibility.



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Compliance Monitoring File Sharing & Fees (Continued)

Over-Income Households:

- When a household's income is over the income limits, management staff should review the agreements to determine what action may/must be taken (i.e., the development may have the flexibility to designate another unit as an affordable unit, or the development may have to terminate occupancy).
- Evictions – CMD staff is not responsible for serving eviction notices to the over-income households. Management staff should serve the appropriate notice when it is discovered that the family's income is over the income limit. CMD staff will review the recertification file and the copy of the notice for appropriateness and will contact management staff if changes are necessary.



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Additional Information

Occupancy Standards are used to ensure that a household is occupying a housing unit of the appropriate size. Exceptions may be made depending on the specific situation of the household.

HOUSEHOLD SIZE

| Unit Size | Minimum | Maximum |
|-----------|---------|---------|
| 0 Bedroom | 1 | 2 |
| 1 Bedroom | 1 | 4 |
| 2 Bedroom | 2 | 6 |
| 3 Bedroom | 4 | 8 |
| 4 Bedroom | 6 | 10 |
| 5 Bedroom | 8 | 12 |



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Additional Information (Continued)

- More information about Compliance Monitoring is available on SDHC's website:

<https://www.sdhc.org/about-us/compliance-monitoring/>

- For additional information, please contact Maurcell Gresham at Maurcell@sdhc.org



Questions & Comments

