CHAPTER 12
PHFA HOMES PROGRAM (Agency Reserves)

The policies and procedures for properties that have an Agency initial loan closing prior to July 1,1995 for HOMES Program funds (only) require that the property follow the income and eligibility guidelines contained in the respective property Regulatory and Management Agreements.

Properties with Tax Credits that have completed year 15 refer to Chapter 16.

All properties that have an Agency initial loan closing on or after July 1, 1995 must comply with the PennHOMES Program requirements. Proceed now to Chapter 15, PHFA PennHOMES Programs.

The HOMES Program requirements also pertain to properties previously funded through the Homeless and Demonstration Programs, unless low income housing tax credits or other types of financing are involved.

A. <u>Unit Eligibility Requirements</u>

1. Agency funded units may not be used for transient housing. The initial lease term must be for not less than one year.

   Under the Low-Income Housing Tax Credit Program, a resident is considered transient if the initial lease term is less than six months; the only exception to the six-month lease restriction is Single Room Occupancy (SRO) housing, which permits units to be rented on a monthly basis.

2. When housing students, HOMES Program properties that do not utilize Low-income housing tax credits must only meet income and eligibility requirements.

   Under the Low-Income Housing Tax Credit Program, a unit is not considered a low-income unit if all of the occupants of such a unit are full-time students (as defined in Section 151(c)(4) of the Code), and none of the students are married and file a joint tax return. However, students in governmentally supported job-training programs, defined as the Job-Training Partnership Act and similar federal, state, or local programs are deemed to be eligible residents for purposes of the credit. Other exceptions are students receiving Temporary Assistance for Needy Families (TANF) and single parents living with their minor children providing none of the persons is a dependent of a third party.

3. When a HOMES Program unit is vacated, <u>the next available unit</u> that is comparable in terms of size and features must be leased to a household that meets the same income eligibility as the previous household.

   Under the Low-Income Housing Tax Credit Program, when a unit that was formerly occupied by a low-income household becomes vacant, it may continue to be treated as occupied by a qualified, low-income household for purposes of the set-aside requirement (as well as for determining qualified basis) provided reasonable attempts are made to rent the unit and no other units of comparable or smaller size in the property are rented to nonqualifying households. (Reference the Agency Low-Income Housing Tax Credit Compliance Manual requirements when a resident income exceeds the area median income limits at recertification.)

B. Income Eligibility Requirements

The HOMES Program requires that the determination of eligible household income be based on the HUD Section 8 rules for calculating annual gross income, except for interest and asset income.

The owner and agent must obtain verification of income sources of all adult household members age 18 and older, as well as benefits paid on behalf of minors in the household.

This process cannot take place until third-party verification of all income has occurred. Sample verification forms can be found in Exhibit 2. All items that affect the eligibility of an applicant must be verified and be 120 days current to the move-in date. When this verification has been retrieved, the owner or agent will complete a Tenant Income Certification Form, (TIC), Exhibit 6.

The program requires that a minimum of 50 percent of the units be leased to residents whose incomes do not exceed 50 percent of the area median income, adjusted by family size. The remaining units must be leased to residents whose incomes do not exceed 60 percent of the area median income, adjusted by family size. Any possible exceptions to this requirement are outlined in the Property Regulatory Agreement.

In HOMES Program properties with Low-income housing tax credits, additional occupancy and income requirements must be met. If the property has 100 percent tax credit units and the owner designated the minimum set-aside as a 20/50 property, then all units must be leased to households at or below 50 percent of the area median income, adjusted by family size.

C. Income Limits

The U.S. Department of Housing and Urban Development (HUD) publishes median income information for Pennsylvania, which is broken down into local areas, such as county or metropolitan areas. HUD publishes these limits on an annual basis. PHFA calculates building specific rent and income limits via our Automated Web Entry System based upon data previously submitted by the owner for each property. PHFA does not guarantee the accuracy of the numbers on the PHFA Automated Web Entry System, since the owner supplied the basic information. PHFA advises owners to independently calculate income/rent limits for each project to ensure accuracy.

D. Rent Requirements

The HOMES Program places limits on the rent that can be charged for restricted rent units.

It also mandates that at initial occupancy 50 percent of the units in a property have rents based on 50 percent of median income; the remaining units must have rents based on 60 percent of median income.

When a unit is vacated, the next available unit that is comparable in terms of size and features must be leased to a household that meets the same income eligibility and rent restrictions as the previous household.

Properties utilizing tax credits must refer to the Agency Low-Income Housing Tax Credit Compliance Manual for the current applicable tax credit program rents.

E. Rent Increase Procedure

Prior to the Agency loan commitment, a market analysis is completed to establish appropriate market rents for the property. Each Agency multifamily program requires a restriction of rents as delineated in the property Regulatory Agreement signed by the owner and the Agency at the initial loan closing. The Agency posts maximum rent and income charts to the Agency website on an annual basis; current applicable data is contained in Exhibit 7, Income/Rent Limit Chart. For properties utilizing tax credits, refer to the *Low-Income Housing Tax Credit Compliance Manual.*

Before a rent increase can be implemented, the owner must determine the market affordability rent restrictions and submit the required utility information WHEN THE RESIDENT PAYS FOR ANY UTILITIES - Please refer to Exhibit 8 for specific guidance.

Notify the Housing Management Representative assigned to the property of any and all rent increases.

F. Initial Income Certification

To determine whether an applicant is eligible, an owner must compare the applicant anticipated annual (gross) income for the next 12 months to the income limits for the appropriate household size. The eligible income from all members of the household is counted when determining the annual income for a household.

Income from assets is not included in annual income for this program, however, if the property utilizes tax credits, income from assets is included. There are specific requirements regarding the sources of income that must be included and excluded when determining annual income. Exhibit 5, Annual Income/Assets, defines all the terms associated with this process.

G. Annual Recertification

This program does not require annual recertification. Properties utilizing tax credits must refer to the Low-Income Housing Tax Credit Compliance Manual.

H. Other Compliance Requirements

1. Rent-Up Meeting

The meeting, which is usually held 90 days before construction is completed on the property, affords the owner, management agent, and manager the opportunity to meet with the Agency staff assigned to the development to discuss the specific program requirements.

2. **Project History Form**

The Project History Form, Exhibit 9, Part 1, is to be completed and returned to the HMR within 30 days after the rent-up meeting. If the property has low-income housing tax credits, the form must be completed again after the placed-in-service date as required by the Low-Income Housing Tax Credit Program.

3. **Occupancy Review**

The property owner or agent must notify the Agency HMR when the property is 50 percent occupied. The HMR will then conduct a file review to be performed on site for properties with 12 or more units. The review of properties with 11 or fewer units will be done by way of remote monitoring. Property owners must submit records by mail to the HMR, which includes all documents listed under Section I, Recordkeeping Requirements. Management Reviews will continue to be performed by the Agency HMR on an as-needed basis.

I. Recordkeeping Requirements

The following documents must be retained in each resident file:

1. Rental Application Form (sample contained in Exhibit 2)
2. Tenant Income Certification Form, Exhibit 6.
3. Third-Party Income Verification (samples contained in Exhibit 2)
4 Residential Lease.
5. Lead-Based Paint Disclosure (if applicable).

The following documents must be retained at the rental office:

1. Marketing and Management Plan.
2. Affirmative Fair Housing Marketing Plan (AFHMP).
3. Utility Data Documentation.
4. Copy of all Income/Rent Charts issued since property occupied.

J. Reporting Requirements

1. Monthly occupancy information is described in Chapter 11 of this Manual.

2. Utility Allowance information as contained in Exhibit 8.

3. Owner's Certificate of Continuing Program Compliance, including all attachments, Exhibit 4 (for properties with low income housing tax credits).

K. Record Retention

All recordkeeping items as listed above must be retained for three years after the year to which such records apply.

If the property has Low-income housing tax credits, refer to the Agency Low-Income Housing Tax Credit Compliance Manual.

All records must be available upon request for Agency staff review.