

CHAPTER 13

TAXABLE BOND FINANCING PROGRAM

The policies and procedures for properties receiving only taxable bond financing require that the property follow the income and eligibility requirements contained in the respective Regulatory and Management Agreements.

All taxable bond-financed properties that have PennHOMES Program financing must comply with the PennHOMES Program requirements. Proceed now to Chapter 15.

In a property with taxable bond financing, only 20 percent of the units are restricted. The restricted unit must house families whose annual income is at or less than 80 percent of the area median income for a family of four.

The management agent must complete a Tenant Income Certification Form (TIC), which is Exhibit 6, for each income-qualified resident in properties financed with taxable bonds. The form must be maintained in each resident file.

A. Unit Eligibility Requirements

1. Agency funded units may not be used for transient housing. Under the Taxable Bond Program, 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, taxable bond financed 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 adult members 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, other than the other parent. Students previously in foster care are also an exception effective 7/30/2008.

3. When a restricted unit is vacated, the next available unit that is comparable in terms of size and features must be leased to a household whose annual income is less than 80 percent of the area median income limits for a family of four.

Under the Low-Income Housing Tax Credit Program, when a unit which 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.

B. Income Eligibility Requirements

The program requires that the determination of eligible household income be based on the HUD Section 8 rules for calculating annual gross income as contained in the HUD 4350.3. The exceptions are that interest and asset income are not taken into consideration under the Taxable Bond Financing Program. 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 received, the owner and agent will complete a Tenant Income Certification Form (TIC), Exhibit 6.

For taxable bond financing only, 20 percent of the units must house families whose annual income is at or below 80 percent of the area medium income limit for a family of four. Owners and management agents should note that income verification is only required for the households in the 20 percent category.

For properties with low-income housing tax credits, additional occupancy and income requirements must be met. If the property has 100 percent tax credit units, then all units must be leased in accordance with the elected minimum set-aside. Refer to the LIHTC Compliance Manual on the Agency Website www.phfa.org.

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. These limits are published by HUD on an annual basis and are in Exhibit 7, Income/Rent Limits Chart. The Agency posts new income/rent limit charts annually to the website, www.phfa.org.

D. Rent Requirements

There are no rent restrictions for the Taxable Bond Program. Properties utilizing tax credits must restrict rents in accordance with the low-income housing tax credit requirements, as referenced in the Agency Low-Income Housing Tax Credit Compliance Manual.

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 annually; see Exhibit 7. 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 in writing of any and all rent increases.

F. Initial Income Certification

To determine whether an applicant is eligible, an owner must compare the household anticipated annual (gross) income for the next 12 months to the income limit for a family of four. The eligible income from all adult 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, Part 1, Exhibit 9, is to be completed and returned to the HMR within 30 days after the rent-up meeting; and, if the property has low-income housing tax credits, the Project History 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 fewer than 12 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 Verifications (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), Exhibit 3.

J. Reporting Requirements

1. The monthly occupancy reporting information is described in Chapter 11 of this Manual.
2. Utility allowance information, Exhibit 8.
3. Owner's Certificate of Continuing Program Compliance, with attachments, Exhibit 4 for properties with tax credits only.

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 for Agency staff review.