MONTGOMERY COUNTY, MARYLAND ❖ DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rental Compliance Manual

for

Montgomery County's

HOME-Assisted Housing Developments

Revised January 2007

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❖ SECTION I – HOME PROGRAM BACKGROUND ❖

FACT SHEET

A. Background

The “HOME Investment Partnerships Program” was signed into law in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act of 1990. States and local governments first received funds in federal fiscal year (FFY) 1992. Governments receiving funds directly from HUD under its formula allocation are known as “Participating Jurisdictions” or “PJs”.

As compared to the Community Development Block Grant (CDBG) program which can be used to support a broad number of “community development” activities, the HOME program is focused on creating new, and preserving existing, affordable housing. Since its creation in 1992, the HOME program has undergone a number of changes. Generally, each interim change made the program more flexible and user-friendly.

B. Programs and Activities

While the program has several requirements that must be met, it does allow state and local governments broad discretion in deciding the types of properties assisted, the forms of assistance, and the households assisted. The four major program activities under the HOME program are:

- Homebuyer programs
- Homeowner rehabilitation programs
- Rental housing development/preservation programs
- Tenant-based rental assistance (TBRA)

Under each of the broad program areas, several eligible activities may be undertaken, including:

- Acquisition
- Rehabilitation
- Reconstruction
- New construction
- Selected activities, such as acquiring land, demolishing structures, providing infrastructure/site improvements, and refinancing debt as long as the activities are associated with the HOME project and creating affordable housing.
- Relocation assistance
- Project soft costs that are reasonable and necessary.

C. HOME Program Requirements

While the HOME program does offer great flexibility, there are certain requirements that must be met:

- **Property standards and value.** Once completed, each HOME-assisted housing unit must meet the County's housing code. At a minimum, the County's monitor must ensure that the County's housing inspectors inspect the development according to the time table established in the HOME Program to verify that assisted properties are kept up to this standard.

- **Investments per unit.** The minimum HOME investment per unit is $1,000; the maximum investment is set by HUD based on its Section 221(d)(3) limits, which vary by jurisdiction. In Montgomery County, the maximum HOME investment per unit as of January 2006 is:

0 bedroom	$109,217
1 bedroom	$125,928
2 bedroom	$151,870
3 bedroom	$194,395
4 bedroom	$216,564

- **Low Income Provisions.** The HOME program was created to provide affordable housing for persons with low- and very low-incomes. There are two key forms of protection for low- and very low-income persons: income targeting and affordability (initial and long-term). These topics are discussed in the following section.

- **Nondiscrimination against rental assistance subsidy holders.** The owner cannot refuse to lease HOME assisted units to a certificate or voucher holder (24 CFR part 982-Section 8 Tenant-Based Assistance: Unified Rule for Tenant -Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Voucher Program).

- **Affirmative Marketing Policy.** The owner must have available for review written procedures that describe how the owner will carry out the affirmative marketing activities as required by the Department and HUD. The affirmative marketing procedures should include:

  - The method for informing the public, owners and potential tenants about fair housing law (the use of the fair housing logo),
  - The actions the owner will take to affirmatively market the HOME assisted rental project,
  - The method the owner will employ to inform persons not likely to apply for housing without special outreach,
  - The method the owner will employ to access the effectiveness of their marketing efforts and the corrective action that will be taken if requirements are not met,
  - Evidence and documentation to support that the owner is adhering to the written affirmative marketing policy. Records must document the actions taken to affirmatively market the HOME assisted rental units and document the assessment of the property's marketing efforts.

- **Tenant Selection Policy.** The owner must adopt a tenant selection policy and criteria. This written selection policy must be publicly accessible and should include the following:

- The criteria that will be used to identify eligible tenants that is consistent with the purpose of providing housing for very low - and low income families,
- Specific program requirements related to the rental units (HOME income and rent requirements), and the applicants ability to comply with the terms of the program requirements as well as the terms of the lease,
- The conformance with other federal requirements, including Fair Housing and Equal Opportunity,
- The procedures that will be used to review applications from prospective tenants,
- The process and use of the tenant waiting list from which tenants will be selected in chronological order,
- The process for notifying rejected applicants with prompt written notification of the grounds for rejection.

➢ **Record Keeping.** The owner is responsible for maintaining property and tenant records in order to demonstrate compliance with HOME, federal, and local requirements. General rental housing records must be kept for five years after project completion. Tenant income, rent and inspection information must be kept for the most recent five years, until five years after the affordability period.

D. Income Targeting and Affordability in HOME-Assisted Developments

Only those rental units in a development that receive HOME funds are considered HOME-assisted units. A rental development may be 100 percent HOME-assisted, or it may be "mixed", with some HOME-assisted units and other units. In a mixed development, the HOME-assisted units may be "fixed" (that is, permanently designated over time) or "floating", and this designation must be made at the time HOME funds are committed to the project. Floating units may change over time as long as the total number of affordable units remains the same and the substituted units are comparable in terms of size, features, and number of bedrooms.

Income Targeting:

Income targeting refers to who may reside in a HOME-assisted unit as defined by the person's income level. In a rental development, the project manager is responsible for monitoring the incomes of tenants in HOME-assisted developments at initial lease-up and throughout the applicable affordability period.

All HOME funds must be used to benefit persons earning no more than the "Low Income" limit (usually 80 percent or less of the area median income) as determined annually by HUD. Further targeting provisions apply to rental and TBRA programs:

- **Program Rule**: Under the program rule, 90 percent of rental units (and TBRA) assisted by Montgomery County in any fiscal year must be used to benefit persons earning 60 percent or below of median income; and

- **Project Rule**: Additionally, 20 percent of rental units in any single project must be used to benefits persons earning 50 percent or below of median income throughout the affordability period.

In practice, these two rules combined mean that any project funded must initially have 20 percent of its units available to persons earning 50 percent or below of median income, with the balance (80 percent) available to persons earning 60 percent or below of median income. Income targeting and eligibility are determined based on a tenant's gross **annual income** (as opposed to adjusted income which is discussed below).

Affordability:

Homebuyer and rental projects assisted with HOME funds have a minimum affordability period associated with them that is tied to the amount of the HOME funds invested. For **rental** developments, rents are set at an affordable level at initial occupancy, and these rent levels must be in place throughout the affordability period (which begins upon initial occupancy). Rent levels are determined based on a tenant's **adjusted income** (as opposed to gross annual income).

Rental Housing Activity	Minimum Period of Affordability (Years)
Rehabilitation or acquisition of existing housing per unit amount of HOME funds:	
under $15,000	5
$15,000 - $40,000	10
Over $40,000 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed housing	20

If a tenant in a HOME-assisted unit becomes over income at some time throughout the affordability period, the tenant may still occupy the unit. However, tenants who no longer qualify as low-income families must pay as rent the amount payable by the tenant under State or local rent control laws, or 30 percent of the family's adjusted income. If the HOME-assisted development has also received Low Income Housing Tax Credits (LIHTC) under section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the applicable rents are governed by section 42. The unit itself may no longer be considered a HOME-eligible unit, and the development is technically in non-compliance. Such non-compliance is allowed as long as the property manager brings the development into compliance at the next available opportunity. This means that for floating HOME units, the property manager must assure that the next unit available is rented to a HOME-eligible family at the appropriate rent level. For fixed units, the property manager must assure that once the unit is vacated, it is filled with another HOME eligible household.

E. Monitoring by the County

Montgomery County is responsible for overall monitoring of its HOME program, which means that it must monitor each development assisted under the HOME program. During the period of affordability, the County must perform on-site inspections of HOME-assisted rental housing to determine compliance with property standards and rent/income requirements. At a minimum, the County will conduct on-site monitoring according to the following schedule:

Project Size	Monitoring Frequency
1 to 4 units	every 3 years
5 to 25 units	every 2 years
26 or more units	annually

MONITORING TENANT INCOMES AND RENT LEVELS
(Adapted from 24 CFR Part 92.203 and Part 92.252)

A. Background

The HOME program has income targeting requirements for the HOME program and for HOME projects. Montgomery County is responsible for ensuring that each family benefiting from the HOME program is **income eligible**. Under the County's multifamily program, owners and property managers are responsible for determining a tenant's **gross annual household income** at the time the initial lease is signed, and throughout the tenant's residency in the HOME-assisted development. The owner/property manager is also responsible for ensuring that the HOME rents are affordable at the time of initial lease-up, and throughout the applicable affordability period. The County will monitor each owner's performance in meeting these income requirements under the provisions of the regulatory agreement which is signed at the time HOME assistance is granted.

B. Income Definitions

A family's **gross annual household income** must be used to determine if it is eligible to receive HOME assistance. When determining whether or not a family is eligible, the owner/program manager must use annual income as defined under the Section 8 Housing Assistance Payments program.[1] Under this program, gross annual household income is defined as the anticipated income from all sources received by the family head and spouse (even if temporarily absent) and by each additional member of the family over the age of 18 during the 12-month period.

For very low-income families, the families' **adjusted household income** is used to determine the applicable HOME rents for the project. When determining the adjusted income of a family, the owner/program manager must use the definition of "adjusted income" from the **Section 8 Housing Assistance Payments program**, regardless of which method is used to determine a family's annual income. (In general, the "adjusted income" is the family's "gross annual household income" plus or minus certain eligible additions and deductions, such as dependent deductions, medical expenses deductions, deductions for child care expenses, elderly household deductions, and handicap assistance deductions).

For more information on income definitions, please call us at 240.777.3728; we will put you in touch with an income calculation specialist at the Montgomery County Housing Opportunities Commission (HOC).

C. Income Determinations

For tenants in HOME-assisted rental developments, the owner/property manager must determine a family's annual income at the time of **initial lease up**. In addition, each year during the affordability period, the owner/property manager must conduct an **annual re-examination** of each tenant's annual income, and calculate the adjusted income.

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[1] Under the HOME final rule, there are two other allowable methods for calculating "annual income":
- "Annual income" as reported under the Census long form for the most recent available decennial census; or,
- "Adjusted gross income" as defined for purposes of reporting under Internal Revenue Service (IRS) form 1040 series for individual federal annual income tax purposes.
- However, Montgomery County has selected the Section 8 definition as the preferred method. The County's HOME monitor may make exceptions on a case-by-case basis.

At the time of initial lease-up, the owner/property manager must conduct a complete income verification, including a complete examination of the applicant's source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement, assets, etc.) for the household.

During the annual re-examination, the owner/property manager may use one of the following three methods to determine a family's income:

(1) Obtain from the family a written statement of the amount of its annual income and household size, along with a certification that the information is complete and accurate (the certification must state that the family will provide source documentation upon request); or

(2) Obtain a written statement from the administrator of a government program under which the family receives benefits and which examines the family's annual income each year. The statement must indicate the family's size and state the amount of the family's annual income; or the statement must indicate the current dollar limit for very low- and low-income families for the family size of the tenant and state that the family's annual income does not exceed this limit; or,

(3) Examine source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement, assets, etc.) for the family;

For developments with an affordability period of 10 years or more, when the owner/property manager uses the certification and statement option (option 1) described above, he/she must still conduct a more thorough source documentation review every **sixth** year of the affordability period. Otherwise, an owner/property manager who accepts a tenant's certification and statement is not required to conduct a source documentation review unless there is evidence that the tenant's written statement failed to completely and accurately state information about the family's size and income.

D. Over-Income Tenant's

HOME-assisted units continue to qualify as affordable housing despite a temporary noncompliance caused by increases in the incomes of existing tenants if actions satisfactory to Montgomery County and HUD are being taken to ensure that all vacancies are being filled in a manner that will correct the noncompliance.

Tenants who no longer qualify as low-income families must pay as rent the amount payable by the tenant under State or local rent control laws, or 30 percent of the family's adjusted income. If the HOME-assisted development has also received Low Income Housing Tax Credits (LIHTC) under section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the applicable rents are governed by section 42.

E. Other Publications

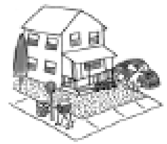
The Department of Housing and Urban Development actively pursues technical assistance contractors to train its HOME participating jurisdictions, especially when regulations are amended. Often these technical assistance contractors develop manuals for HOME staff use. Below are two attachments. Attachment A contains two excerpts from HUD's "Building HOME" manual, a manual developed by one of HUD's contractors (ICF). "Building HOME" covers HOME regulations in depth. Please feel free to link to and download it. Attachment B contains an excerpt from the HOME Program regulations (24 CFR 92). These are also available for download.

Attachment A

HOME MONITORING 101: "Rental Projects AND Monitoring, Record-Keeping and Reporting"

<u>Excerpt from "Building HOME Manual"</u>

CHAPTER 6: RENTAL HOUSING ACTIVITIES



HOME funds may be used for the acquisition, new construction or rehabilitation of affordable rental housing. This chapter covers the basic program requirements governing HOME-assisted rental housing, such as eligible activities and costs, income and occupancy requirements and rent levels. This chapter also discusses several program design topics, including using HOME with tax credits, subsidy layering, refinancing guidelines, lease terms and managing for ongoing compliance.

NOTES

PART I: HOME PROGRAM REQUIREMENTS

ELIGIBLE ACTIVITIES

- HOME funds may be used for acquisition, new construction or rehabilitation of affordable rental housing. The developers or owners of the rental housing may be small scale property owners, for-profit developers, nonprofit housing providers, CHDOs or the local government, redevelopment organizations or public housing authorities.

FORMS OF ASSISTANCE

- The PJ may provide assistance to rental housing in a number of different forms. See Chapter 3: General Program Rules for a list of specific types of assistance.
- Some types of financing that the PJ may wish to consider, and the risks involved in each, are shown in Exhibit 6-1.
- **Refinancing:** HOME funds may be used to refinance existing debt if the HOME funds are used to rehabilitate the property and the refinancing is necessary to permit or continue affordability. Certain restrictions apply. (See discussion entitled "Refinancing Guidelines" in Part II of this chapter.)

ELIGIBLE COSTS

Eligible expenses for rental property are the same as for other HOME activities. (See Exhibit 6-2.)

For the full text of this section, please visit, http://www.hud.gov/offices/cpd/affordablehousing/library/building/ch06.pdf

CHAPTER 10: MONITORING, RECORD-KEEPING AND REPORTING

Acceptance of HOME funds obligates participating jurisdictions (PJs) to ensure that HOME monies are used in accordance with all applicable requirements. This chapter will cover two key components of this process – monitoring and record-keeping. It will also discuss current annual performance reporting requirements for the HOME Program.

NOTES

MONITORING

- PJs are responsible for managing the day-to-day operations of their HOME Programs and ensuring that HOME funds are used in keeping with program requirements. Implementation of HOME Program activities by other entities (state recipients, subrecipients, CHDOs, etc.) does not relieve PJs of this responsibility.
- The regulations require that the performance of each contractor and subrecipient receiving HOME funds must be reviewed by PJs at least annually. Good practice suggests that:
  - Any entity receiving HOME funds for an eligible project must be monitored to ensure compliance with applicable program requirements.
  - More frequent reviews may be appropriate based on the length and complexity of the activity being undertaken, and the experience and capacity of the funding recipient.
- Goals: Three primary goals of monitoring are to:
  - Ensure production and accountability;
  - Ensure compliance with HOME and other Federal requirements; and
  - Evaluate organizational and project performance.

Monitoring Plan

- PJs should develop a monitoring plan at the beginning of each program year in order to match their available resources for monitoring with the needs and capacity of funded entities. A monitoring plan may include the following:
  - Objectives of the monitoring plan;

For the full text of this section, please visit, http://www.hud.gov/offices/cpd/affordablehousing/library/building/ch10.pdf

Attachment B
HOME Program Final Rule

Excerpt from the HOME Program Final Rule
(Federal Register, December 22, 2004)

§ 92.252 Qualification as Affordable Housing: Rental Housing

The HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low-income families and must meet the following requirements to qualify as affordable housing. The affordability requirements also apply to the HOME-assisted non-owner-occupied units in single-family housing purchased with HOME funds in accordance with § 92.254.

a. *Rent limitation.* HUD provides the following maximum HOME rent limits. The maximum HOME rents are the lesser of:

   1. The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or

   2. A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

b. *Additional Rent limitations.* In rental projects with five or more HOME-assisted rental units, twenty (20) percent of the HOME-assisted units must be occupied by very low-income families and meet one of following rent requirements:

   1. The rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. However, if the rent determined under this paragraph is higher than the applicable rent under (a) of this section, then the maximum rent for units under this paragraph is that calculated under paragraph (a).

   2. The rent does not exceed 30 percent of the family's adjusted income. If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

c. *Initial rent schedule and utility allowances.* The participating jurisdiction must establish maximum monthly allowances for utilities and services (excluding telephone). The participating jurisdiction must review and approve rents proposed by the owner for units subject to the maximum rent limitations in paragraphs (a) or (b) of this section. For all units subject to the maximum rent limitations in paragraphs (a) or (b) of this section for which the tenant is paying utilities and services, the participating jurisdiction must ensure

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For the full text of the final rule, please visit,
http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/finalrule.pdf

❖ SECTION II – MONTGOMERY COUNTY'S HOME PROGRAM ❖

A LOOK AT THE COUNTY'S HOUSING MARKET

The HOME Investment Partnerships (HOME) Program is a federal affordable housing program designed to provide decent, safe and sanitary housing to low-income households. As with most federal programs, there are myriad regulations that participating jurisdictions, developers, property managers and households must follow. These regulations do not mandate a particular style of implementation but rather create the framework for the program. Every jurisdiction is unique and faces its own challenges. The following section presents these challenges and introduces the HOME Program as implemented by Montgomery County.

Montgomery County celebrates diversity and represents a full spectrum of demographics including African American, Native American, Asian, Hispanic, Pacific Islander and many more. Its population in 2004 was approximately 931,000, of which over 26% were foreign born. As of 2000, the county accommodated almost 335,000 housing units, 77.3% of which were owner occupied.

Located adjacent to Washington D.C. and in close proximity to Columbia and Baltimore, Montgomery County's job market can be labeled "red hot." Montgomery County is home to several Fortune 500 companies including Host Marriot, Lockheed Martin and Marriot International while a revitalized downtown Silver Spring boasts Discovery Communications, Inc. Its prime location in conjunction with well-planned corridors of transportation, nearby parks, and a variety of entertainment and restaurants generate high demand to reside in the county.

With high demand for housing and an area that spans 495.5 miles^2, one could imagine that housing development would uncontrollably sprout up county-wide. That is not true. Metropolitan areas have witnessed an explosion in planned production, especially in the condo and high end markets; however, much of the land to west of Germantown, located on the west side of I-270, is a part of the county preserve, and cannot be developed. In fact, 93,000 acres in Montgomery County have been set aside for agricultural and open space uses. With a high demand for housing and a limited area to supply it to, prices have increased at an accelerated rate. In 2003, the median sales price for a new single family home was $590,760 up almost 50% from 1999.

Even with a hot job market, the aforementioned high housing prices make it difficult for low-income households to find decent housing. There is a large disparity between what is available and what is affordable. This is where Montgomery County's HOME Program finds its niche.

Receiving approximately $2 - 2.5 million in HOME Program funds annually, Montgomery County utilizes its endowment toward the acquisition, rehabilitation and/or new construction of affordable rental housing. Around the HOME Program's inception, homeownership units were also developed; however, as related previously, there is a limited supply of developable county land and a high demand to reside on it. This drives the price of land up creating financial difficulties in developing affordable homeownership projects. In addition, the price of construction materials such as wood and concrete have increased steadily, limiting new construction and rehabilitation projects except in the case of high subsidy layering.

Montgomery County has devised innovative strategies to hurdle these difficulties and has created partnerships between programs. The Moderately-Priced Dwelling Unit (MPDU) Program mandates developers of over 20-unit projects keep 12.5% of the units affordable. The synergy of this relationship is clearly apparent. Several prominent non-profit developers have utilized HOME funds to acquire MPDUs. These MPDUs are used to accommodate numerous housing needs varying from single family to assisted living to those with chronic mental illnesses who are capable of independent living.

HOME Program support is awarded on a continuous basis. To receive funding, developers must submit an application to the Office of Multi-Family Housing highlighting their capacity and experience. If a developer is found to have insufficient capacity and experience, the application will only be entertained if the developer agrees to be assisted by a consultant. Loan officers review the applications for federal, state and county regulations and financial viability. Applications that meet threshold are taken before the Loan Review Committee and are voted on for pre-approval. All pre-approved applications receive a final review by the Director, who determines the project's final approval. For approved projects once underwriting is complete, an outside law firm prepares the loan documents and reviews the due diligence items that the loan officer has assembled. Finally, loan closing is held, the developers sign the loan documents, and a lien is secured on the property.

APPLYING THE HOME REGULATIONS

A. Affordability Revisited

The importance of the affordability period cannot be stressed enough. As introduced in Section I, the Period of Affordability is the period of time that a project must remain affordable and follow HOME regulations. The affordability period is based on two factors, the type of project and the HOME per-unit cost of the project. Please note, however, that **Montgomery County enforces affordability restrictions for the life of the loan, typically 30 to 40 years.** This period is much longer than the minimum period restricted by HUD, so that affordable housing remains affordable.

B. Calculating Income

The Section 8 Housing Assistance Payments program, or Part 5, definition of annual income is defined as the gross amount of income of all adult household members that is anticipated to be received during the coming 12 - month period. Tenant income must be reviewed and determined initially and re-verified annually by the examination of source documents. Source documents include but are not limited to the following: wage statements, interest statements, or unemployment compensation statements. Copies of all source documentation must be maintained in the tenant's file.

For a detailed account of calculating income, please review the "Technical Guide for Determining Income and Allowances for the HOME Program." This manual can be downloaded directly from HUD's website at http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/1780.pdf. Pay particular attention to Chapter 3 - Calculating Gross Income." This chapter offers a detailed process for calculating the annual gross tenant income for the HOME program. It includes the inclusions and exclusions for anticipated income and assets. Please use it as a reference when determining tenant income.

- **Tenant Income.** In general, tenant income is composed of both assets and anticipated income. The following details the method to verify assets and anticipated income. As mentioned, "Chapter 3 - Calculating Gross Income" from the Technical Guide for Determining Income and Allowances for the

HOME Program offers a more intensive and detailed process for computing tenant income from assets and anticipated income and is attached to this section.

- o **Actual Income from Assets.** Actual income from assets include income generated from the following:

    - Cash held in savings accounts (use current balance), checking accounts (use average 6 month balance), safe deposit boxes, homes, trusts, equity in rental property or capital investments, cash value of stocks, bonds, CD's, money market accounts, IRA's, retirement/pension accounts etc. (Please refer to "Chapter 3 - Calculating Gross Income" from the Technical Guide for Determining Income and Allowances for the HOME Program located in the appendix of this manual for a detailed review of the required inclusions and exclusions of assets).

    - The tenant must submit annually to the owner or property manager the proper documentation to support the value of the asset.

    - If the family assets total to be $5000 or less, the actual income from the assets is used in the computation of annual income.

    - If assets total to be more than $5000, the total amount of the assets is multiplied by the Passbook Rate. This amount (assets multiplied by Passbook Rate) is used in the computation of annual income. (The Passbook Rate is established periodically by HUD. As of 12/2000 the Passbook Rate is 2.18%)

- o **Anticipated Income.** Anticipated income includes income from wages /salaries, benefits/pensions, public assistance and other income.

    - Tenants must submit annually to the owner or the property manager 2 *consecutive pay stubs* from each income source in order to verify anticipated income. The average of the two pay-stubs (including the other income sources) is to be reported as the income of the tenant.

    - Social Security, benefit, pension, and public assistance income should be verified by source documentation annually unless the document states that the amount reported (for their benefits or pension -etc.) will not change.

➢ **Annualized Income.** The tenant income from assets and anticipated income reported from the source documentation (see section above) must be converted to anticipated annual income. Anticipated annual income is the gross amount of income anticipated to be received by the family during the 12 months following the verification. The owner must use the tenant's current circumstances (from current assets and income) to anticipate income.

The following will assist in calculating annual income from the income reported by the tenant.

For	Weekly pay stubs	multiply by 52
For	Bi-weekly pay stubs	multiply by 26
For	Semi Monthly	multiply by 24
For	10-month employment pay stubs*	multiply by 21

(*Usually for Montgomery County School System Employees)

- **Tenant Income Reporting.** The Tenant Income Reporting form should be used to report and calculate the annual income (assets and anticipated income) of the tenant. All income source documentation used to determine the annual income should be attached to this form. This form along with the source documents should be maintained in the tenant's file. The Maryland LIHTC Tenant Income Certification form can be used in place of the Tenant Income Reporting Form.

- **Re-Verification of Income.** Tenant income must be re-verified annually by the method stated in this section. Owners can choose the scheduled date of re-verification of the income (i.e. at tenant lease renewal or during a set time in the year). Income and demographic data should be entered on the Tenant Demographic Affidavit. The Maryland LIHTC Tenant Income Certification form can be used in place of the Tenant Demographic Affidavit.

C. Calculating Rents

Rents must fall within the HOME rent limitations. Project rents are gross rents; the amount the tenant pays (contract rent), any rental subsidies, plus an allowance for utilities.

To calculate the gross rent for the rental unit, the amount the tenant contributes to the rent (tenant contribution) and rental subsidies are added to the utility allowance. The combined total of the three equals the gross rent for that unit. The calculated gross rent must fall within the HOME rent limits in order to be compliant with HOME regulations. Below is an illustration of the process.

Gross Rents Calculation	Maximum Rent Calculation
Tenant Contribution	HOME Program Rent
+ Rental Subsidy	- Utility Allowance
+ Utility Allowance	= Maximum Rent to be charged (Tenant Contribution plus Rental Subsidy)
=Gross Rent	

Attachment C

Montgomery County Tenant Income Limits

MONTGOMERY COUNTY
Tenant Income Limits

Effective Date: April 5, 2006

Income Limits				
Household Size	50% of Median (20% of tenants must meet this income standard and occupy very-low-income rent-plus-utility units)	60% of Median (All tenants must meet this standard.)	"Low Income" (Capped by HUD – approx 66% AMI standard.)	80% of Median (estimated)
1 person	$31,600	$37,920	$41,700	$50,560
2 persons	$36,100	$43,320	$47,700	$57,760
3 persons	$40,650	$48,780	$53,650	$65,040
4 persons	$45,150	$54,180	$59,600	$72,240
5 persons	$48,750	$58,500	$64,350	$78,000
6 persons	$52,350	$62,820	$69,150	$83,760
7 persons	$56,000	$67,200	$73,900	$89,600
8 persons	$59,600	$71,520	$78,650	$95,360

OCCUPANCY

- ❑ At the time of initial lease signing:
  - ➢ 90% of tenants must be $\leq$ 60% median income (see chart)
  - ➢ For projects of five or more units, at least 20% of tenants must be $\leq$ 50% median income (see chart) and occupy the very-low-income rent-plus-utility units.
  - ➢ No tenants may sign initial leases in a HOME assisted unit if their income is > 80% of median income
  - ➢ Tenant income may rise during occupancy with no effect in rent (see changes in Tenant Income)

Attachment D

Montgomery County Maximum Rents

MONTGOMERY COUNTY
Maximum Rent Standards

Effective Date: __April 5, 2006__

MAXIMUM RENT-PLUS-UTILITY STANDARDS Subtract Utility Allowance to Determine Maximum Actual Rents (see CHART 3)						
Unit Size	0 bedrooms	1 Bedroom	2 Bedroom	3 bedrooms	4 Bedrooms	5 Bedrooms
Very-Low-Income Rent-plus-Utility Standard (at least 20% of the units must be at or below this level)	$790	$846	$1,016	$1,173	$1,308	$1,445
Low-Income Rent-plus-Utility Standard (all units must be at or below this level)	$948	$1,080	$1,225	$1,492	$1645	$1,797

MAXIMUM ALLOWABLE HOME RENTS AND UTILITY ALLOWANCES

- The rent standards above must be reduced if the tenant pays for utilities. This is because the calculation of these rent standards includes all utilities, except telephone. Yet, in practice, many utilities -- water, heat, air conditioning, fuel, etc. -- are not included in rents.

- Utility allowances provide a mechanism for adjusting the maximum allowable HOME rents when some or all utilities are paid by the tenant.

  Examples:

$1080	Low-income HOME rent	$846	Very-low-income HOME rent
-50	Allowance for heat and water	-50	Allowance for heat and water
$1030	Maximum allowable HOME rent for 80% of units	$794	Maximum allowable HOME rent for 20% of units

- The utility allowances on CHART 2A, 2B or 2C (depending on the type of development) must be used when adjusting rents.

Attachment E

Montgomery County Utility Allowance Charts

MONTGOMERY COUNTY
U.S. Department of Housing and Urban Development Section 8 Housing
Allowances for Utilities and Other Services: CHART 1

LOCALITY: Montgomery County, Maryland UNIT TYPE APARTMENT (EFFECTIVE 2/24/06)						
	MONTHLY DOLLAR ALLOWANCES					
UTILITY OR SERVICE	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
HEATING						
A. Natural Gas	$ 33	$ 41	$ 50	$ 59	$ 71	$ 80
B. LPG Propane	$ 30	$ 42	$ 55	$ 67	$ 85	$ 97
C. Electric	$ 29	$ 40	$ 52	$ 64	$ 81	$ 92
D. Oil	$ 13	$ 19	$ 24	$ 29	$ 37	$ 42
COOKING						
A. Natural Gas	$ 6	$ 9	$ 11	$ 14	$ 17	$ 20
B. LPG Propane	$ 10	$ 14	$ 18	$ 22	$ 28	$ 32
C. Electric	$ 5	$ 7	$ 9	$ 11	$ 14	$ 15
OTHER ELECTRIC/LIGHTING	$ 10	$ 14	$ 19	$ 23	$ 29	$ 33
AIR CONDITIONING	$ 4	$ 5	$ 7	$ 9	$ 11	$ 12
HOT WATER HEATING						
A. Natural Gas	$ 13	$ 18	$ 24	$ 29	$ 37	$ 42
B. LPG Propane	$ 21	$ 30	$ 39	$ 47	$ 60	$ 69
C. Electric	$ 20	$ 28	$ 36	$ 44	$ 56	$ 64
D. Oil	$ 12	$ 17	$ 22	$ 27	$ 34	$ 39
WATER	$ 7	$ 9	$ 14	$ 23	$ 34	$ 46
SEWER	$ 5	$ 7	$ 16	$ 29	$ 45	$ 62

MONTGOMERY COUNTY
U.S. Department of Housing and Urban Development Section 8 Housing
Allowances for Utilities and Other Services: CHART 2

LOCALITY: Montgomery County, Maryland UNIT TYPE (EFFECTIVE 2/24/06) DUPLEX UNITS, GARDEN STYLE UNITS AND TOWNHOMES WITH 2-WALL EXPOSURE						
	MONTHLY DOLLAR ALLOWANCES					
UTILITY OR SERVICE	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
HEATING						
A. Natural Gas	$ 41	$ 53	$ 65	$ 76	$ 94	$ 105
B. LPG Propane	$ 45	$ 64	$ 82	$ 100	$ 121	$ 138
C. Electric	$ 43	$ 61	$ 78	$ 95	$ 121	$ 139
D. Oil	$ 21	$ 30	$ 38	$ 46	$ 59	$ 67
COOKING						
A. Natural Gas	$ 6	$ 9	$ 11	$ 14	$ 14	$ 20
B. LPG Propane	$ 10	$ 14	$ 18	$ 22	$ 20	$ 32
C. Electric	$ 5	$ 7	$ 9	$ 11	$ 14	$ 15
OTHER ELECTRIC/LIGHTING	$ 10	$ 14	$ 19	$ 23	$ 29	$ 33
AIR CONDITIONING	$ 6	$ 8	$ 10	$ 13	$ 16	$ 19
HOT WATER HEATING						
A. Natural Gas	$ 13	$ 18	$ 24	$ 29	$ 37	$ 42
B. LPG Propane	$ 21	$ 30	$ 39	$ 47	$ 60	$ 69
C. Electric	$ 20	$ 28	$ 36	$ 44	$ 56	$ 64
D. Oil	$ 12	$ 17	$ 22	$ 27	$ 34	$ 39
WATER	$ 7	$ 9	$ 14	$ 23	$ 34	$ 46
SEWER	$ 5	$ 7	$ 16	$ 29	$ 45	$ 62

MONTGOMERY COUNTY

U.S. Department of Housing and Urban Development Section 8 Housing Allowances for Utilities and Other Services: CHART 3

LOCALITY: Montgomery County, Maryland UNIT TYPE (EFFECTIVE 2/24/06)
SINGLE FAMILY HOMES AND TOWNHOMES WITH 3-WALL EXPOSURE

UTILITY OR SERVICE	MONTHLY DOLLAR ALLOWANCES					
	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
HEATING						
A. Natural Gas	$ 42	$ 55	$ 67	$ 79	$ 97	$ 109
B. LPG Propane	$ 49	$ 68	$ 88	$ 108	$ 130	$ 149
C. Electric	$ 47	$ 65	$ 84	$ 102	$ 130	$ 149
D. Oil	$ 24	$ 34	$ 43	$ 53	$ 67	$ 76
COOKING						
A. Natural Gas	$ 6	$ 9	$ 11	$ 14	$ 17	$ 20
B. LPG Propane	$ 10	$ 14	$ 18	$ 22	$ 28	$ 32
C. Electric	$ 5	$ 7	$ 9	$ 11	$ 14	$ 15
OTHER ELECTRIC/LIGHTING	$ 10	$ 14	$ 19	$ 23	$ 29	$ 33
AIR CONDITIONING	$ 6	$ 9	$ 11	$ 14	$ 18	$ 20
HOT WATER HEATING						
A. Natural Gas	$ 13	$ 18	$ 24	$ 24	$ 31	$ 35
B. LPG Propane	$ 21	$ 30	$ 39	$ 34	$ 43	$ 50
C. Electric	$ 20	$ 28	$ 36	$ 31	$ 39	$ 45
D. Oil	$ 12	$ 17	$ 22	$ 27	$ 34	$ 39
WATER	$ 8	$ 10	$ 20	$ 34	$ 48	$ 63
SEWER	$ 6	$ 10	$ 24	$ 44	$ 65	$ 87

❖ SECTION III – COMPLIANCE REPORTING, RISK ANALYSIS AND NON-COMPLIANCE ❖

This section will detail the annual reporting and monitoring requirements for rental properties assisted with HOME funding. It will also discuss how projects are rated in terms of risk as well as how to correct compliance violations.

A. Compliance Reporting and Project Monitoring

As specified in earlier sections, owners and/or property managers of HOME-assisted rental housing developments are responsible for determining a tenant's gross annual household income at the time the initial lease is signed, and throughout the tenant's residency in the HOME-assisted development. The property manager must also ensure that the proper rents are charged for HOME-assisted units. Montgomery County monitors owners and managers off-site annually through Annual Affordability Reviews and on-site on a frequency dependent upon the number of units in the project. The county's monitoring requirements are available in Section I. Aside from affordability compliance, owners and property managers must keep their properties safe, sanitary and financially viable. Montgomery County schedules physical property inspections with the same frequency of on-site file inspections and reviews financial audits annually.

- **Annual Affordability Review.** To ensure that this responsibility is being met, Montgomery County requires that owners/property managers complete and submit an "Annual Certificate of Compliance" (available here) and "Affordable Housing Compliance Report" (available here) each year.

  The Affordable Housing Compliance Report need only give information for the HOME-assisted units in the rental development. Separate certifications and compliance reports are required for each separate development. To see how the county reviews the Annual Affordability Report, click here.

  UPDATE!!!
  DHCA is happy to announce a new, online system that greatly simplifies the submittal process and aids us in tracking the information. Simply type in the following web address and enter your username and password (the county will supply you with these).
  http://www.montgomerycountymd.gov/apps/dhca/loan_monitor/default.asp

- **On-Site File Inspection.** File inspections verify the information (individual tenant files) submitted by property managers and owners during the Annual Affordability Review. Inspectors examine source documentation for rent and income and examine the lease for illegal provisions. To view the checklist that inspectors use during the review, click here. Inspectors also review project information including waiting lists, affirmative marketing plans and tenant selection plans. To view the checklist that inspectors use during the review, click here. In addition to reviewing the files, inspectors also interview managers and occasionally tenants to determine the present market and management conditions. Follow the preceding hyperlinks for more information.

- **Housing Quality Standards Inspections.** Housing Quality Standard (HQS) inspections verify the ongoing physical quality of the total property, its units, and common areas. The property must meet at a minimum the codes of Section 8 Housing Quality Standards and the federal requirements for lead paint more stringent codes may be utilities.

  HQS inspections are scheduled for rental property's annually or every two or three years depending on the number of units. Once a date is scheduled with an inspector, the owner or manager must give prior notice of the inspection to the tenant - notifying all tenants living in HOME assisted units of the inspection date and time in writing.

- **Financial Monitoring.** Annually the county reviews each project's financial audit. The main purpose is to confirm a projects financial viability as well as to review its cash flow statement to determine if the proper project reserve and debt service payments are being made. For additional information on what the county reviews, click here.

B. Risk Analysis

By utilizing a risk analysis system the county has the ability to quantify the effects of non-compliance on its HOME Program housing stock. This tool takes into consideration the probability, difficulty to correct and impact of the area of non-compliance, and returns a risk score, the higher the score, the more severe the impact. There are four ratings of risk, low, moderate, high and extreme. A violation that returns a low score would be common and easy to correct with little impact or significance, while a violation that returns high score would be something that is rare, that would be difficult to correct and would have a serious to critical impact on the property or its inhabitants. Examples of a property under extreme risk would be one that is physically deteriorating, financially unstable, or that has over-crowding of the units. In these situations, the likelihood of tenant displacement is very high. Click here to review the Risk Matrix.

Risk is divided into four main categories which reflect the four key components of review. Again, these include Annual Affordability Review, On-Site File Inspection, Housing Quality Standards Inspection and Financial Monitoring. These not only prepare the county for dealing with non-compliance issues, but also guide priority to larger items. Click here to view a complete list of non-compliance items with their risk scores and calculations.

C. Non-Compliance (Compliance Violations)

If the Department's review or inspection results in a compliance violation for the property, an evaluation letter is sent to the project owner or manager. The evaluation will include the area of non-compliance and the corrective action necessary to bring the property into compliance. The corrective action is determined upon the severity of the violation.

Most compliance violations are required to be corrected within 60 days of the evaluation. The owner or property manager is required to provide by the due date a report on how the repairs will or have been addressed. The Department will reschedule the review or on site inspection to verify that the area of non-compliance was corrected.

More serious violations will require technical assistance training from the Department. Properties with more serious violations must provide to the Department a correction strategy within 14 working days in writing after the scheduled technical assistance date. More severe areas of non-compliance may warrant a full investigation by the Director of the Department of Housing and Community Affairs (DHCA). The property may be subject to probationary status – restricting some of the project's actions. The Department may also initiate full legal actions to remedy the compliance violation.

The following details the corrective actions for correcting common compliance violations that may be found in the Annual Affordability Review, Financial Review or the on site inspections for HQS and File Verification.

- **Failure to Submit Documentation.** The owner does not submit the required compliance reporting documents:

  - The Owner does not submit the rent roll,
  - The Owner does not submit the project's financial audit,
  - The Owner does not participate in HQS or file inspections.

  Not submitting the required reporting documents or participating with departmental inspections is regarded as a Serious Violation to the Department. Properties will not only be placed in non-compliance but the Department will place the property in technical default for violating the required HOME, federal and local regulations.

  Failure to correct the default, on or before the scheduled due date and provide the County with evidence of the correction, will cause the Department to exercise its full legal remedies under the Loan Agreement and applicable law.

- **Tenant income exceeds limits / Over Income Tenants.** If tenant incomes are found to be above the 60% mark of the HOME income limits, the property is s*trongly advised* of the HOME regulations regarding tenant incomes.

  The property will be placed in temporary non-compliance if tenant incomes are found to be above the "Low Income AMI%."

  - **Corrective Action.** HOME assisted units continue to qualify as affordable housing despite a temporary non-compliance caused by increases in the incomes of existing tenants (HOME Final Rule paragraph 92.252 (i)(1)).

    Tenants, who no longer qualify as low income families, pay as rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the family's adjusted income (HOME Final Rule paragraph 92.252(i)(2)). If the unit is a floating unit the rent can be increased up to the market rent.

    All future vacancies must be filled in accordance to HOME rental income and rent requirements in order to correct the non-compliance.

  - **Projects with Low Income Tax Credits.** If the rental unit contains both HOME and Low Income Tax Credits, the tenant is not considered over-income until the income is above the 140% of the project income limit (either 50% or 60%).

    The rent for over- income tenants may not be increased until the unit is replaced.

- **Rents exceed HOME rent limits.** The property will be placed in non-compliance if tenant rents are above the applicable HOME Program limit.

  - **Corrective Action**
    The Owner is required to reduce the gross rent for the rental unit within 60 days. The reduced

gross rent is effective by the end of the 60-day deadline. The Owner may be required to reimburse the tenants the overpayment of the rent.

The Department will require that the Rent Roll for the property is resubmitted at the end of the 60 day deadline.

- **Violations involving HQS Inspections.** If the property is found to be in non-compliance as a result of the HQS inspection, the degree of violation is considered before a corrective action is determined.

  - **Corrective Action**
    Property violations that can be easily corrected and minor deficiencies listed on the inspection and evaluation reports will be required to be corrected within 60 days.

    Prior to the set deadline, the owner or property manager may need to provide to the Division of Code Enforcement a report on how the repairs will or have been addressed.

    Code Enforcement will reschedule a follow up inspection subsequent to the deadline to ensure that the repairs were addressed.

  - **For Properties with More Severe HQS Violations**
    The Department will schedule a meeting with the property owner or manager. For more serious property standard violations the HQS inspector and the senior housing staff will be in attendance.

    The Department and the owner will collectively develop a correction strategy and compliance timeline based on the nature of the violation. The owner must provide to the Department a correction strategy in writing within 2 weeks of the scheduled technical assistance.

    Properties with severe violations will be re-inspected every 120 days (3 times a year) until the project is in compliance.

- **Violations involving File Inspections.** If there are violations found with the File Inspection the property will be placed in non-compliance.

  - **Corrective Action**
    The Department will schedule technical assistance with the Owner or manager and will advise the Owner / manager of the corrective action required.

    The Owner will be required to correct the deficiency within 60 days of the scheduled technical assistance training.

Attachment F

Annual Affordability Reporting Forms

(Management Company Letterhead)

ANNUAL CERTIFICATE OF COMPLIANCE

(*Each HOME-assisted development owner/property manager* <u>*must*</u> *complete and submit this certification by the date listed on the request (either December 15 or July 15 of each year*.)

The undersigned, as duly authorized representative of the residential property,

located at

hereby certifies to the Montgomery County Department of Housing and Community Affairs that to the best of my knowledge, understanding, and belief, the aforementioned property complies with the tenant income restrictions required by the regulatory documents and the applicable HOME program regulations, and that the tenant income information attached to this Certificate is true and correct.

Current records supporting this certification are maintained by the development's owner/property manager and will be available for inspection by Department personnel.

SIGNATURE:

_______________________________________ _______________

(Owner's Name, printed) *(Date)*

_______________________________________ _______________

(Signature of Owner or Authorized Representative) *(Title)*

This certificate should be submitted to:

Tim Goetzinger
Montgomery County Department of Housing and Community Affairs
100 Maryland Avenue, 4th Floor
Rockville, Maryland 20850

AFFORDABLE HOUSING
COMPLIANCE REPORT

UNIT STATUS REPORT

Reporting Period _______________ 20__ through _______________ 20__

Page 1 of __

NOTE: A SEPARATE FORM MUST BE COMPLETED FOR EACH PROPERTY
PLEASE COPY ADDITIONAL PAGES AS NEEDED

1. Name of Property: ____
2. Property Identification Number: ___________________________________
3. City/County of Property: Montgomery County, MD
4. Number of Units in Property:
5. Lower Income Set Aside

	Percent	Units
Total Set Aside	_____	_____
-- Very Low-Income (<50% AMI)	_____	_____
-- Low-Income (<60% AMI)	_____	_____

LIST EACH UNIT IN THE PROPERTY SEPARATELY:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	AGENCY ONLY
BLDG ADDRESS	UNIT NUMBER	TENANT NAME	NO. PERS.	NO. BR'S	DATE OF LAST INC CERT	EFFECT DATE OF LEASE	UNIT DESIGNATION LI, VL, OI, UNR	MAX. RENT	UTILITY ALLOWANCE	MONTHLY UNIT RENT	TENANT'S ANNUAL GROSS INCOME	COMPLIANCE Y/N	DEMOGRAPHIC CATEGORY (SEE BELOW)	HISPANIC Y/N	UNIT STATUS

(11) White (12) Black/African American (13) Asian (14) Amer. Indian/Alaskan Native (15) Hawaiian/Pacific Islander (16) Amer. Indian/Alaskan Native & White (17) Asian & White (18) Black/African American & White (19) Amer. Indian/Alaskan & Black/African American (20) Other Multi-Racial (21) Asian/Pacific Islander (22) Hispanic

Attachment G

Montgomery County Monitoring Checklists

Montgomery County Department of Housing and Community Affairs
Annual Affordability (Rent Roll) Review Checklist

Name of Project	**HUD ID**	**Project ID**

Total # of Units	**HOME Units**	**No. Low Rent Units** 50% AMI (No. of HOME Units X .20)

Income Restricted HOME Unit Breakdown (via Loan Docs)

____ 80% AMI ____ 65% AMI ____ 60% AMI ____ 50% AMI ____ 40% AMI ____ 30% AMI

Program and Income Limits Effective **(Attach chart to checklist)**	**Utility Allowance Effective** **(Attach chart to checklist)**

Review

Affordability Compliance	**Affordability Non-compliance**
☐ Reported the Correct No. of HOME units	☐ Incorrect No. of HOME units
☐ Correct number of HIGH / LOW units	☐ Incorrect number of HIGH / LOW units
☐ Correct number of RESTRICTED units	☐ Incorrect number of RESTRICTED units
☐ Rents are within HOME Program limits	☐ Rents exceed HOME Program limits
☐ Tenant income within HOME Program limits	☐ Tenant income exceed HOME Program limits

Notes (Instances of Non-compliance):

Pass / Fail

Rent Roll Reviewed By: **Compliance Officer**	**Date Reviewed**

Montgomery County Department of Housing and Community Affairs
File Inspection Overall Results

Project Name : ________________________________	IDIS #: ____________________
Monitor: ____________________________________	
Date: _______________________________________	Total Units: ________________
Manager Interviewed: ___________________________	HOME Units: _______________

<u>Compliance with Project Requirements</u>

<u>Compliance with Lease Standards</u>

<u>Compliance with Rent Standards</u>

<u>Compliance with Income Standards</u>

<u>Comments</u>

(circle one)

PASS **FAIL**

Montgomery County Department of Housing and Community Affairs
Individual Tenant File Examination

Project Name: ____________ **IDIS #** __________ **Date:** __________ **Monitor:** ____________

Lease Analysis	*(circle one)*			**Unit Information**	
Signed	Yes		No	Address	____________
Dated	Yes		No	Unit Size	SRO/Studio 1 2 3 4 5 6 7
Expiration Date Listed	Yes		No	Family Size	1 2 3 4 5 6 7 8 9 10
Lease Addendum	Yes	n/a	No		

				A.A. Rpt Comparison	*(circle one)*		*Comments*
If n/a, is lease free of prohibited provisions?	Yes		No	Same Tenant	Yes	No	____________
				Income Matches	Yes	No	____________
				Rent Matches	Yes	No	____________

Rent Analysis	*(circle one)*			*(amount)*	*Comments / Sources*
Tenant Contribution Listed	Yes		No	$ ________	____________
Subsidy Documentation	Yes	n/a	No	$ ________	____________
Total Rent Listed	Yes		No	$ ________	____________
Within HOME Limits	Yes		No		

Income Analysis	*(circle one)*			*Comments / Sources*
Tenant Income Listed	Yes		No	*(amount)* $ ________ Frequency ________
Annually (Re)Certified	Yes		No	*(date)* ________
Documented	Yes		No	*(source(s))* ____________
Within HOME Limits	Yes		No	____________

Comments ____________

Lease Analysis	*(circle one)*			**Unit Information**	
Signed	Yes		No	Address	____________
Dated	Yes		No	Unit Size	SRO/Studio 1 2 3 4 5 6 7
Expiration Date Listed	Yes		No	Family Size	1 2 3 4 5 6 7 8 9 10
Lease Addendum	Yes	n/a	No		

				A.A. Rpt Comparison	*(circle one)*		*Comments*
If n/a, is lease free of prohibited provisions?	Yes		No	Same Tenant	Yes	No	____________
				Income Matches	Yes	No	____________
				Rent Matches	Yes	No	____________

Rent Analysis	*(circle one)*			*(amount)*	*Comments / Sources*
Tenant Contribution Listed	Yes		No	$ ________	____________
Subsidy Documentation	Yes	n/a	No	$ ________	____________
Total Rent Listed	Yes		No	$ ________	____________
Within HOME Limits	Yes		No		

Income Analysis	*(circle one)*			*Comments / Sources*
Tenant Income Listed	Yes		No	*(amount)* $ ________ Frequency ________
Annually (Re)Certified	Yes		No	*(date)* ________
Documented	Yes		No	*(source(s))* ____________
Within HOME Limits	Yes		No	____________

Comments ____________

Montgomery County Department of Housing and Community Affairs
Project File Examination

Monitor: ______________________________

Project Name: ____

Date: ______________________________

Property Manager Interviewed: _______________________________

	Written Evidence / Comments	Verbal Knowledge of Process / Comments
Written Selection Policy		
Affirmative Marketing Plan		
Evidence of a Waiting List		
Evidence of Fair Housing		
Acceptable Lease Document with the Attached HOME Addendum (as applicable)		
Evidence of the Correct Method of Determining Annual Income		
Evidence of Approved Rent Adjustments		

Montgomery County Department of Housing and Community Affairs
Market Examination

Monitor: ___________________________________ Project Name: ____

Date: _____________________________________ Property Manager Interviewed: _______________________________

	Documentation	Verbal Knowledge
Marketing Efforts		
Residential Turnover Rate		
Ease / Difficulty in Renting to Low-Income Households		
Crime Level		
Tenant Services Provided (Type)		
Property Manager On-Site? If no, what's the proximity to site		
Residential Profile		
Single Site or Scattered Small Project or Large		

Montgomery County Department of Housing and Community Affairs
Management Examination

Monitor: ___________________________________ Project Name: ____

Date: _____________________________________ Property Manager Interviewed: _______________________________

	Written Evidence / Comments	Response / Comments
Overall Compliance with Reporting Requirements	____ Rent Roll ____ HQS ____ File Inspection	
Management Capacity	____ Total Staff ____ Total Units ____ Total Maintenance Staff	
Procedures (Management Plan)		
Response to County's Request		
Response to Tenant Requests and Property Needs		
Staff Experience		

Montgomery County Department of Housing and Community Affairs
Financial Examination

Monitor: ____________________________________ Project Name: _______________________

Date: ______________________________________ Property Manager Interviewed: ___________

Action	Standard	Calculation / Notes	Standard Met
Review Replacement Reserve	*$250/unit/yr (N.C.)* *$300/unit/yr (Rehab)*		
Compare Income to Budget	*x >= 100%*		
Compare Expense to Budget	*x >= 100%*		
Analyze Rent Collection	*x >= 95%*		
Analyze Payroll Expenses	*x ~ 25 - 35%*		
Rent Loss			
Vacancy Loss			
Market	*x ~ 6 - 10%*		
Affordable	*x = 2 - 5%*		
Project-Based (Deep Subsidy)	*x < 1%*		
Bad Debt Loss	*0 < x < 1*		
Debt Service Coverage			
Market	*x ~ 1.20 - 1.60*		
Affordable	*x = 1.05 - 1.10+*		
Property Age	*(circle one)*	**(1-5yrs) (6-15) (16-25)** **(26-40) (40+)**	
Property Taxes Paid?	*(circle one)*	**(yes) (no)**	
Insurance (casualty and liability) Paid?	*(circle one)*	**(yes) (no)**	
Loan Type			
Loan Current / Positive Cash Flow?	*(circle one)*	**(yes) (no)**	
Capital Needs Assessment Recommended	*(circle one)*	**(yes) (no)**	

Attachment H

Risk Analysis

Risk Matrix											
Probability / Difficulty to Correct		Risk Score = P_{DC} x I									
Rare / Extremely Difficult	5	5	M	10	M	15	H	20	E	25	E
Unlikely / Very Difficult	4	4	L	8	M	12	H	16	H	20	E
Possible / Average	3	3	L	6	M	9	M	12	H	15	H
Likely / Easy	2	2	L	4	L	6	M	8	M	10	H
Almost Certain / Simple	1	1	L	2	L	3	L	4	L	5	M
		1		2		3		4		5	
		Insignificant		Minor		Moderate		Serious		Critical	
		Impact									

Risk Rating Descriptors	
Rating / Key	Required Action
L = Low Range = 1 - 4	Acceptable: Unlikely to require specific application of resources; Manage by routine procedures. Monitor and review.
M = Moderate Range = 5 - 10	Acceptable: Unlikely to cause much damage and/or threaten the efficiency and effectiveness of the program/activity. Treatment plans to be developed and implemented by DHCA Asset and project Property Managers. Manage by specific monitoring or response procedures.
H = High Range = 11 - 16	Generally not acceptable: Likely to cause some damage or disruption to regulatory environment, property or tenants. DHCA Manager and property owner attention needed. Treatment plans to be developed and reported to Asset Manager and DHCA Manager
E = Extreme Range = 17 - 25	Not acceptable: Likely to threaten the effective functioning of the property. Project is in gross violation of the regulatory environment, is in great fiscal distress or is a danger to tenants. Immediate action required; Owners and Senior DHCA Management must be notified and updated. Treatment plans including T.A. consulting a necessity.

Risk Analysis				
Risk Type / Description	**Probability / Difficulty to Correct**	**Impact**	**Total**	**Risk Rating**
Compliance Risk				
Annual Affordability Reporting				
Rec'd Late	3	2	6	Moderate
Errors in Report	4	2	8	Moderate
Over-Income Tenant	3	3	9	Moderate
Over-Charged Tenant	4	4	16	High
Did Not Receive	5	4	20	Extreme
On-site File Inspection				
No Evidence of Fair Housing	3	2	6	Moderate
No Waiting List	2	3	6	Moderate
No Written Selection Policy	4	2	8	Moderate
No Affirmative Marketing Plan	4	2	8	Moderate
Over-Income Tenant	3	3	9	Moderate
Over-Charged Tenant	4	4	16	High
Incorrect Income Calculation				
Less than 10% Occurrence	3	3	9	Moderate
Over 10% Occurrence	5	3	15	High
Missing Source Documents				
Less than 10% Occurrence	3	3	9	Moderate
Over 10% Occurrence	5	3	15	High
No Annual Recertification				
Less than 10% Occurrence	3	3	9	Moderate
Over 10% Occurrence	5	3	15	High
Over-crowding of the Unit	5	5	25	Extreme
Physical Risk				
Inconclusive Unit	3	3	9	Moderate
Failing Unit				
Minor Fail (paint, hole in wall)	3	3	9	Moderate
Medium Fail (infestation, a/c, smoke detectors)	4	3	12	High
Major Fail (roof, mold, heat)	5	4	20	Extreme
Over-crowding of the Unit	5	5	25	Extreme
Management Risk				
Experience	3	3	9	Moderate
Responsiveness to Tenant Requests	3	3	9	Moderate
Responsiveness to County Requests	3	3	9	Moderate
Management Capacity	3	3	9	Moderate
Financial Risk (are the following within industry standards?)				
Income to Budget	3	3	9	Moderate
Expense to Budget	3	3	9	Moderate
Payroll Expenses	3	3	9	Moderate
Bad-debt Loss	3	3	9	Moderate
Debt Service Coverage	3	3	9	Moderate
Replacement Reserve	4	3	12	High
Rent Collection	4	3	12	High
Vacancy Loss	4	3	12	High
Property Age				
1 - 5 years	1	3	3	Low
6 - 15 years	2	3	6	Moderate
16 - 25 years	3	3	9	Moderate
26 - 40 years	4	3	12	High
40 + years	5	3	15	High
Property Taxes Paid?	5	5	25	Extreme
Property Insured?	5	5	25	Extreme
Loan Current?	5	5	25	Extreme
Market Risk				
Marketing Efforts	3	3	9	Moderate
Residential Turnover Rate				
Low	1	1	1	Low
Medium	3	3	9	Moderate
High	4	3	12	High
Crime Level				
Low	1	1	1	Low
Medium	3	3	9	Moderate
High	5	5	25	Extreme
Property Manager on Site	3	1	3	Low
Single Site Project	3	1	3	Low
Property Manager off Site	3	3	9	Moderate
Scattered Site Project	3	3	9	Moderate