

DEVELOPMENT: PART 3

OPERATIONS

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WELCOME

Zoom Tools

Host

Instructors

Introductions

Agenda

- Zoom Tools
- Host
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- Introductions

Meeting Controls

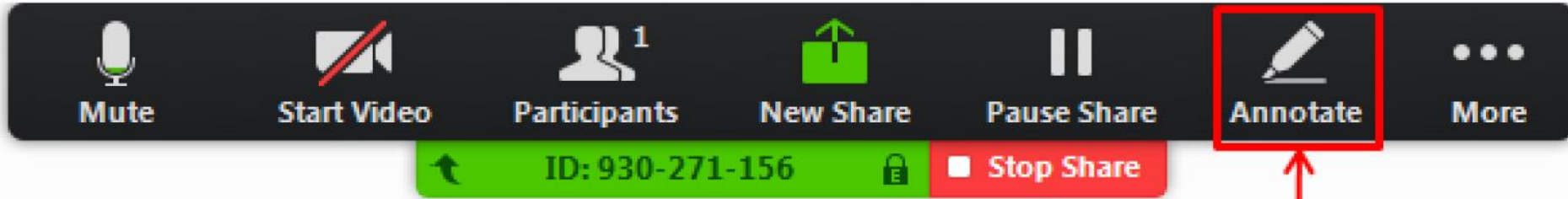
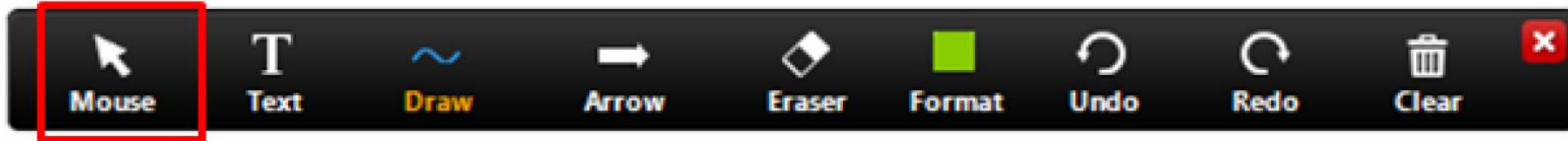


INSTRUCTOR

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Mouse instead of



Annotate instead of



Click Annotate to view the menu at the top. It doesn't appear by default as is the case when you share a whiteboard.

This image shows a screenshot of an annotation toolbar with several text boxes explaining the functions of the icons. The toolbar includes icons for Mouse, Select, Text, Draw, Stamp, Spotlight, Eraser, Format, Undo, Redo, Clear, and Save. Below the main toolbar, three sub-menus are shown: a drawing tools menu, an icon menu, and a formatting menu.

Top Row Text Boxes:

- Select, move or resize your annotations. To select several annotations at once, click and drag your mouse over them.
- Insert Text
- Click and drag to erase parts of your annotation
- Undo
- Redo
- Delete
- Save all annotations on the screen as a screenshot

Toolbar Icons: Mouse, Select, Text, Draw, Stamp, Spotlight, Eraser, Format, Undo, Redo, Clear, Save

Bottom Row Text Boxes:

- Switch to your mouse pointer. It is blue when then annotation tools are deactivated.
- Insert lines, arrows, and shapes
- Insert icons
- Turn the cursor into a spotlight or arrow
- Change the formatting options of annotations tools like colour, line width, and font.

Sub-menus:

- Drawing Tools:** A grid of icons for drawing lines, rectangles, circles, and other shapes.
- Icon Menu:** A grid of icons for inserting various symbols like arrows, checkmarks, stars, and hearts.
- Formatting Menu:** A color palette, a line width slider, and font settings (B, I, 24).

ALASKA





Poll: I work as a/an . . .

- A. Executive Director
- B. Board Member
- C. Tribal Council Member
- D. Occupancy or Housing Manager
- E. Housing Counselor
- F. Maintenance/Construction
- G. Finance Officer
- H. Consultant
- I. ONAP Rep
- J. I am not sure what my job is

Poll: How familiar are you with operating IHBG programs?

- A. Not at all
- B. Somewhat
- C. Good
- D. Very Good
- E. Very Very Good

HOW LONG
HAVE YOU
BEEN
WORKING IN
HOUSING?

- Zero to 6 months
- 7 to 12 months
- 1 to 3 years
- 4 to 5 years
- 6 to 10 years
- 10 years +

Poll: I want to learn about_____.

Select all that apply

- A. Operating Budgets
- B. Management
- C. Calculation tools to evaluate performance
- D. Insurance
- E. Useful life
- F. I don't know.

Course Objectives

- Discuss the need to adopt a plan for transitioning from development to operations.
- Distinguish between asset management and property management.
- Outline organizational structures designed to help managers achieve the entity's objectives on an ongoing basis.
- Describe elements of day-to-day operations.
- Recognize the process and need for policies and procedures.
- Apply tools to analyze a property's performance.
- Examine an operating budget.
- Explain the function of housing counseling.
- Identify key area to monitor.

Table of Contents

- Transitioning from Development to Operations
- Asset Management
- Administrative Requirements
- Property Management
- Organizational Design
- Policies
- Management & Operations
- Admissions & Occupancy
- Housing Counseling
- Maintenance Operations
- ns
- Collections
- Managing a Mortgage-Driven Lease-Purchase Program
- File Management & Recordkeeping
- Financial Planning
- Setting Rents
- Guiding Your Vision for Affordable Housing

Transitioning from Development to Management

Is this a development or management issue?



Retrace Involvement in Development Process

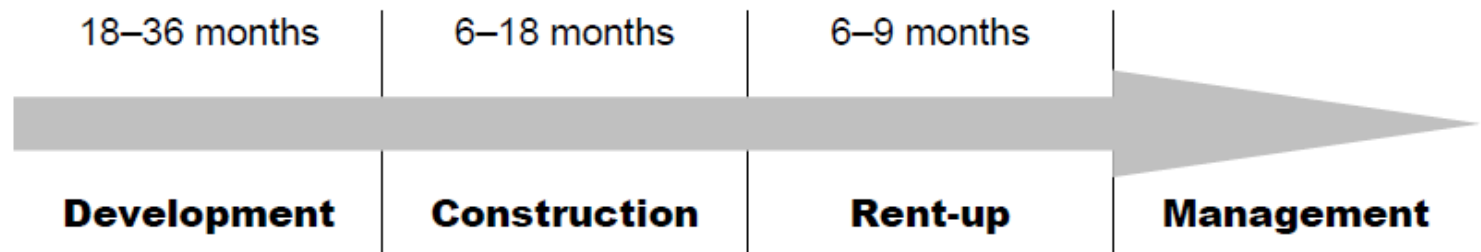
- In order to appreciate the larger picture involved in the life cycle of projects, it is helpful to take a step back and retrace some of the major steps leading up from the Development side.
- Housing Management is involved in the process prior to the actual point of transfer of records.
- Loan Management becomes involved in project operations at initial occupancy
- Of course, there are variations, particularly with limited staff.

When Does Property Management Begin?

There are several stages in the life of an affordable housing property:

- ▶ Pre-construction development
- ▶ Construction
- ▶ Rent-up
- ▶ On-going management

TIME LINE



When does property management really begin?

Experienced property managers and developers can usually cite many examples of affordable housing projects that could have identified and avoided problems if skilled property management input was available at the early stages of development.

Development to Management

- If the same people do development and operations
 - We rely on personal memory
 - *And then they leave with those memories*
- If different people do development and operations
 - Need to share information back and forth

Either way there needs to be a process for the organization to retain project development information for efficient project operations.

Include Operations in Planning & Development

Ask

Ask maintenance for input on best and worst materials and fixtures

Ask

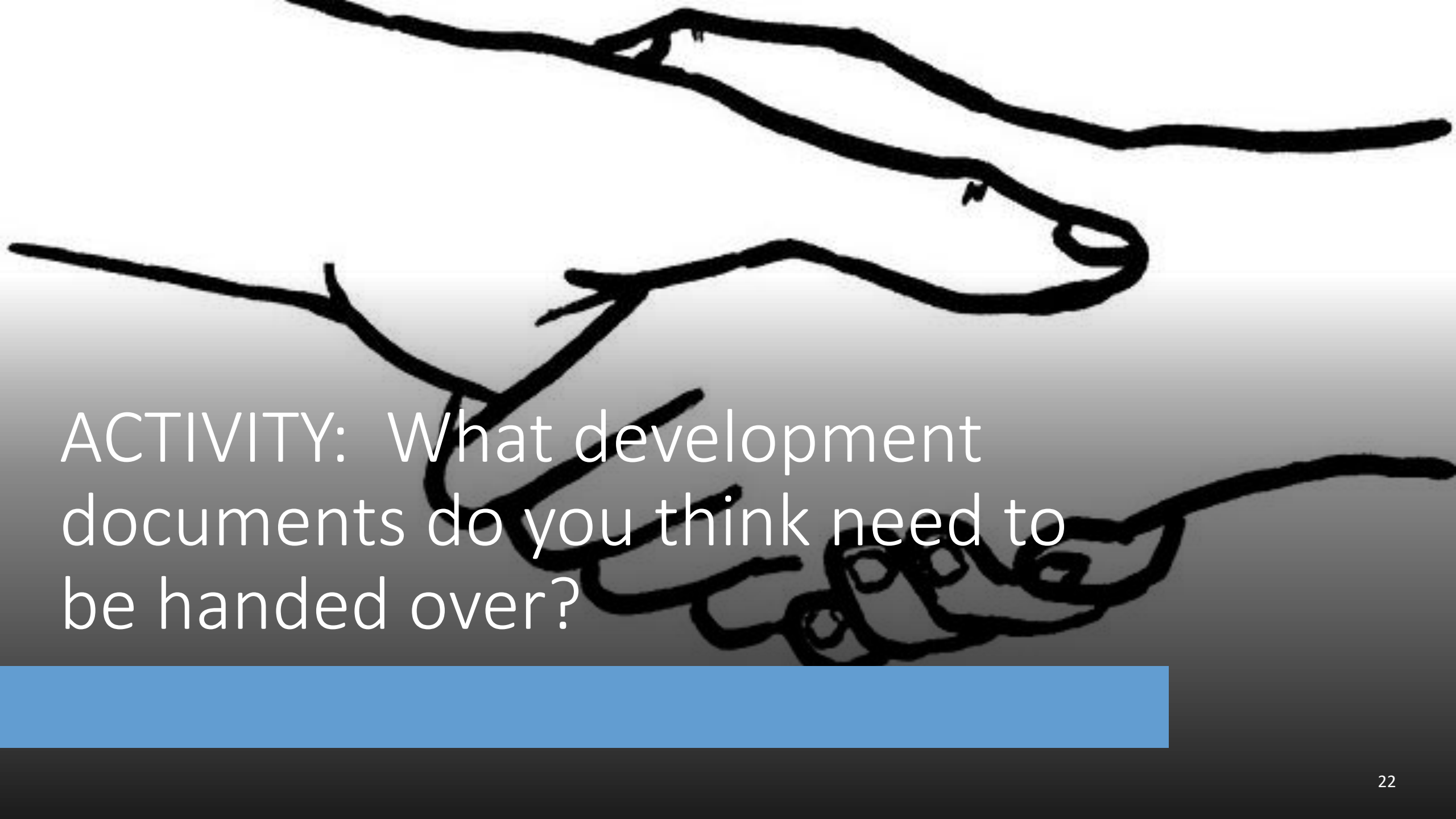
Ask occupancy staff and maintenance about the most loved/hated features in prior homes

Let

Let the Director and occupancy know far in advance if the standard lease will need revisions

Work

Work with the intake staff about adding questions to the application form to capture required data

A black and white line drawing of a person's profile, facing right. The person is wearing glasses and holding a pen in their right hand. The drawing is composed of thick, black, hand-drawn lines. The background is a light gray gradient. At the bottom of the image, there is a solid blue horizontal bar.

ACTIVITY: What development documents do you think need to be handed over?

DOCUMENTS TO BE TURNED OVER



Regulatory Compliance

- Regulatory compliance may include compliance with:
 - Lender requirements
 - Federal requirements
 - State and local requirements



Monitoring and Reporting Requirements

- Make a cheat sheet!
 - Comb through the financing documents
 - List what reports are due and when
 - List what data is needed for those reports
 - Note if there are penalties for noncompliance
 - Note how often inspections/monitoring visits will happen
 - Put page & document references for each
- Who needs this at your organization?

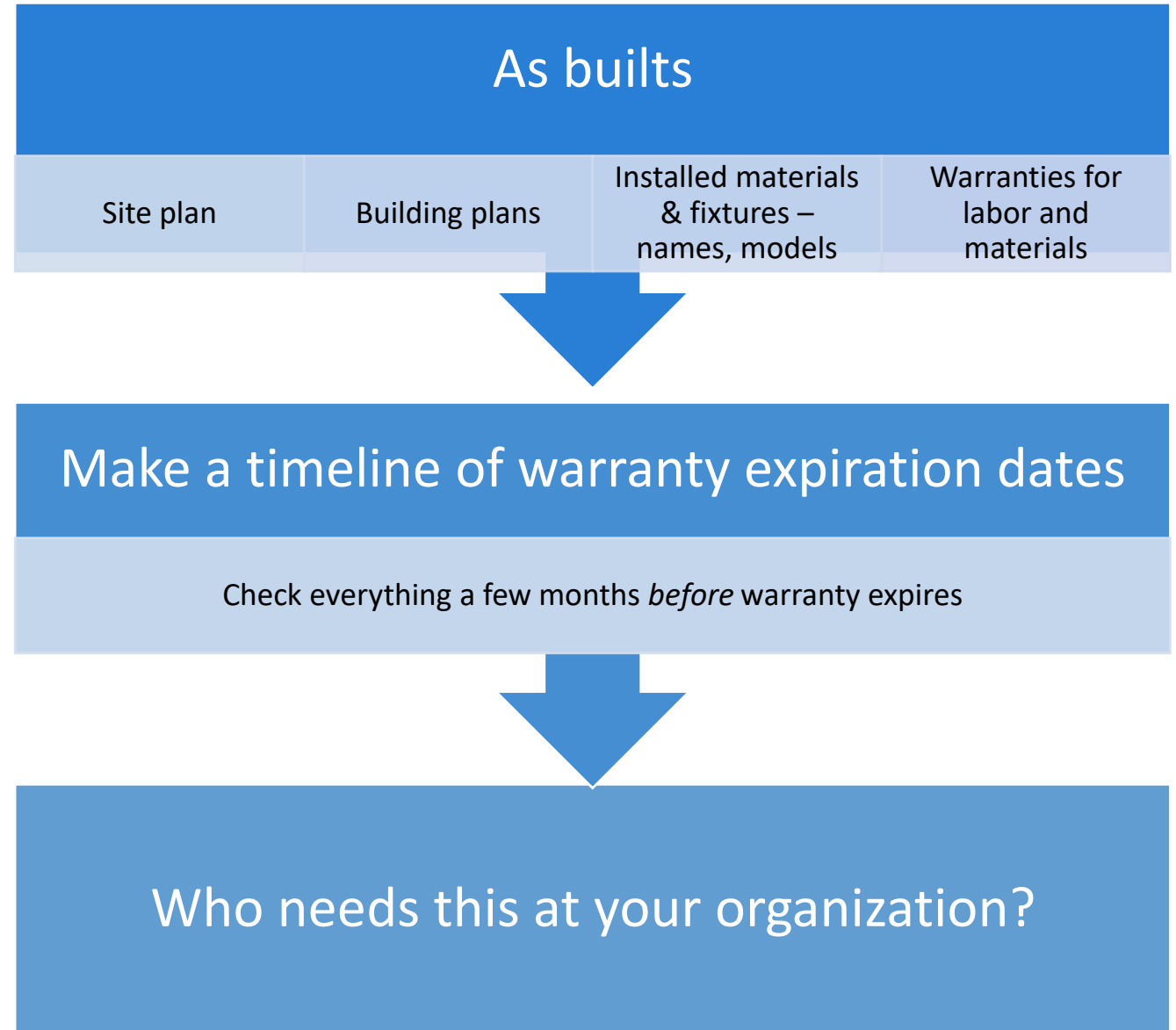
Poll

- Financial Management Reports include all of the following except (select all that apply)?
 - a. Monthly Work Order Report
 - b. Schedule of Court Filings
 - c. Proformas
 - d. Vacancy Report
 - e. Aging Reports

Income, Rent, Sale, Operations Restrictions

- Make another cheat sheet!
 - Income eligibility requirements
 - Any caps on allowable rent or sales price
 - Any resale or recapture restrictions
 - Any subsidy forgiveness for homeowners
 - Any operating requirements from funders such as reserves or debt coverage ratio
 - Put page & document references for each
- Who needs this at your organization?

As Built Plans, Materials and Warranties



Get Organized, So This Won't Happen...

- Employee left, and the files are a mess
- We found three site plans showing different sewer pipe locations. Which one was final?
- The water heaters are burning out at 4 years old. Are they under warranty?
- We have a dispute with the funder, but the contract refers to the grant application, which we shredded after two years
- We missed a reporting deadline we didn't know about



Poll

1. People managing and maintaining the development property need to (select all that apply)?
 - a. Be prepared
 - b. Rely on personal memory
 - c. Be involved in the development process
 - d. Know what the development team knew

Asset Management

The slide features a dark blue background. The title 'Asset Management' is centered in a large, white, sans-serif font. Below the title, there are two horizontal blue bars. The first bar is a solid blue rectangle. The second bar is a blue rectangle that starts to the right of the first bar and has a 3D effect, appearing to be a block that has been pushed forward from the first bar.

Section Objectives

- This section:
 - Defines asset management
 - Identifies the three pillars of asset management
 - Identifies areas to monitor regularly



Asset Management

Asset management ensures the long-term viability and profitability of the asset.

Goals of Asset Management

What are the goals of asset management????

- ✓ **Physical viability over time**
- ✓ **Financial viability over time**
- ✓ **Regulatory compliance**

Physical Viability

- The quality of the building or physical asset is maintained through:
 - Planned maintenance schedule
 - Planned replacements schedule
 - Capital improvements to remain competitive

Capital Improvement Plan

The data for the Reserve Analysis was compiled from data collected from 113 rental units currently maintained by TDHE

ANALYSIS OF PROJECTED MAINTENANCE

It is reasonable to assume that the following items will **not** require substantial replacement within a 15 year period.

Siding	HVAC System
Electrical Wiring	Insulation
Plumbing Pipes	Cabinets / Counter tops

It is also reasonable to assume that the following items **will** require substantial replacement 15 years from initial occupancy.

Flooring	Plumbing Fixtures
Locks	Sprinklers
Paint	Window Coverings
Selective Appliances	Windows

ANALYSIS OF CAPITAL IMPROVEMENT RESERVE:

Capital Improvement Reserve	\$900.00
Multiplied by 12 months	\$10,800.00
Multiplied by 15 years	\$162,000.00
Divided by 10 units	\$16,200.00

\$16,200 is the avg. per unit cost at the end of 15 years.

Financial Viability

- The financial viability or profitability of the asset is ensured by:
 - Measuring against indicators
 - Analyzing trends
 - Ensuring reserves
 - Assessing outstanding debt



Asset Management Trend Analysis

Table with columns for Year (2011-2017) and rows for metrics like # of homes, Average Rent Amt, Gross Potential Rent, Total Rent Collected, Management & Admin, NOI, Turnovers, Months Vacant, Use of Reserves, Reserve balance, and Families on wait list.

Form with columns 'What do you think is happening?' and 'Your estimate 2018' and multiple rows for data entry.

Overall, what do you think happened between 2011 and 2017 to explain the trends you see?

What do you want to investigate further and who will you ask?

What will you recommend for the future?

Development Budget to Operating Budget

- Need to know how much the project costs
- Need to know operating expenses
- Knowledge of the two budgets provides answers to the following questions:
 - How much revenue will be generated by the project?
 - What are the costs of other operating expenses?
 - Are there sufficient funds for loan repayment?

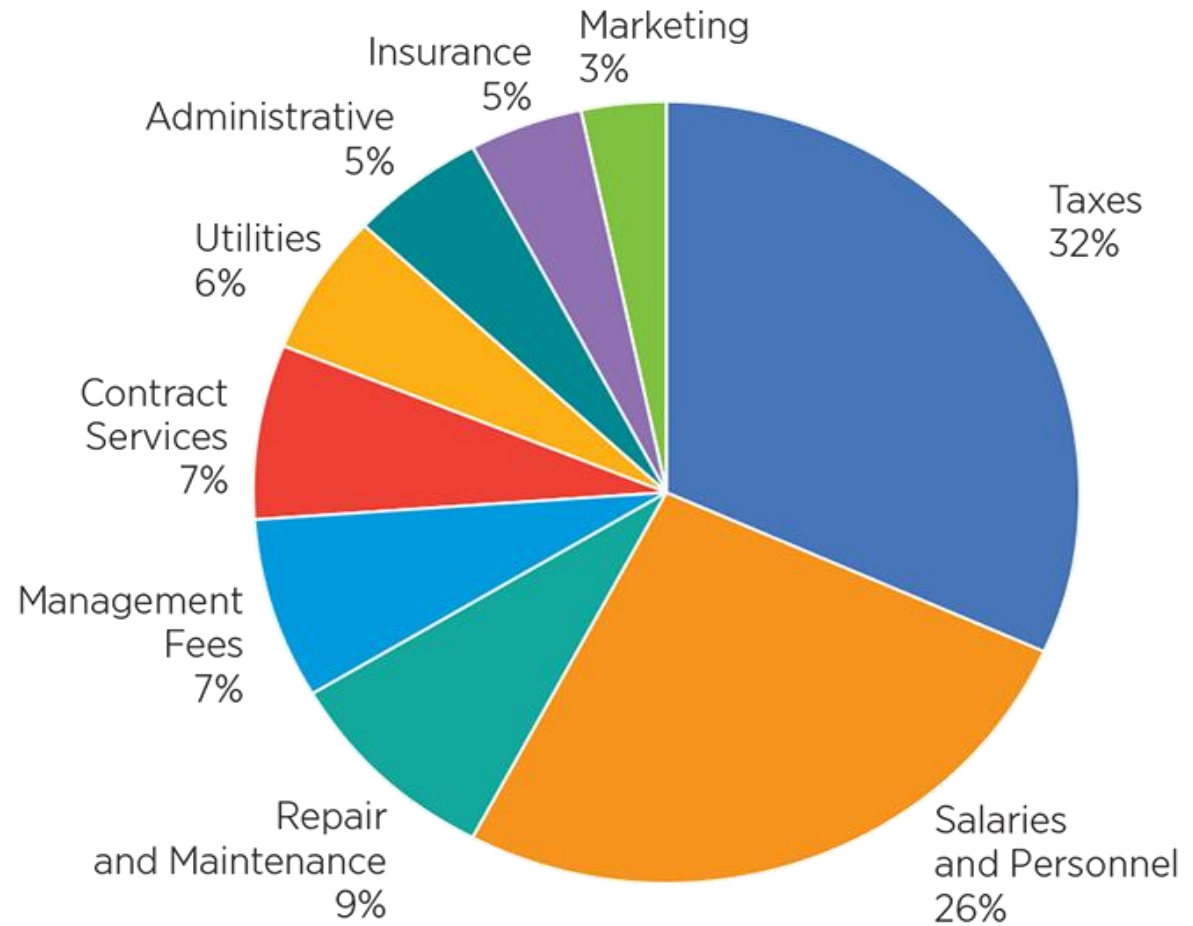
	A	B	C	D	E	F	G	H	I	J	K	Q
	ESTIMATED ANNUAL											
3	OPERATING EXPENSES:	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	
4	Real Estate Taxes											
5	Advertising and Marketing											
6	Utilities											
7	Insurance											
8	Administrative											
9	Counseling											
10	Legal Fees											
11	Routine Property Maintenance											
12	NON-Routine Property Maintenance											
13	Annual Compliance Audit											
14	Collection Loss											
15	Reserve											
16	Other											
17	TOTAL ANNUAL OPERATING EXPENSES											
18	Expenses per unit											
19	Expenses per unit per month											
20	ESTIMATED ANNUAL OPERATING INCOME:											
21	ental Income (monthly income X 12)											
22	Vacancy Loss @ 7%											
23	Collection Loss (10%)											
24	EGI											
25	Subtract Annual Operating Expenses											
26	NOI											
27	DCR											
28	AMOUNT AVAILABLE FOR DS											

Monitor Strategic Issues

- The asset manager must monitor financial performance for:
 - Consistent and increasing revenue
 - Ability to absorb cost increases
 - Unusual trends for specific costs
 - Sufficient and growing reserves
 - Debt coverage ratio
 - Anticipated changes in future years

Identify Operating Expenses

Operating Expenses Per Unit Garden Apartments



Source: NAA 2018 Survey of Operating Income & Expenses; market rate, individually metered and recovery system properties

Key Documents to Obtain and Review



From private lender:

Loan review/analysis
Appraisal



From developer:

Development Budget
Sources and Uses Statement
Operating Budget (pro-forma)

Development Budget (abbreviated example)

<i>Development Costs</i>	<i>Cost</i>
Concrete	\$0
Masonry	\$0
Rough Carpentry	\$0
Finish Carpentry	\$0
Roofing	\$0
Sheet Metal	\$0
Doors	\$0
Windows	\$0
Tile Work	\$0
Cabinets	\$0
Appliances	\$0
Elevators	\$0
Plumbing and Hot Water	\$0
Heat and Ventilation	\$0
Air Conditioning	\$0
Electrical	\$0
Site Utilities	\$0
Roads and Walks	\$0
Site Improvement	\$0
Lawns and Planting	\$0
General Requirements	\$0
Building Permit	\$0
Builder Overhead	\$0
Builder's Profit	\$0
Bond Premium	\$0
Construction Contingency	\$0
TOTAL COSTS	\$0

Sources And Uses Statement

- Costs and funds to complete the project
- Helps determine how much funding needed to develop property
- Sources = funds to pay costs
- Uses = one-time costs

SOURCES = USES

When Uses are greater than Sources, you have a Gap.

Sources & Uses (partial example)		
	Amount	Month
A. Acquisition Costs 1. Land 2. Existing Structures		
B. Site Work <i>(not included in construction contract)</i> 1. Demolition/Clearance 2. Site Remediation 3. Improvements		
C. Construction/Rehabilitation 1. Other Site Work 2. New Construction 3. Rehabilitation 4. General Requirements 5. Builder's Overhead 6. Builder Profit 7. Performance Bond Premium 8. Construction Contingency		

Sources & Uses (partial example - cont)

SOURCES	Amount	Month
M. Interim Funding Sources <ol style="list-style-type: none"> 1. Predevelopment Loan 2. Acquisition Loan 3. Construction Loan 4. Bridge Loan (for equity) 5. Grants 		
N. TOTAL INTERIM SOURCES		
O. Permanent Funding Sources <ol style="list-style-type: none"> 1. Equity Pay-in 2. LIHTC Proceeds 3. Other Proceeds 4. Permanent Loan 1 5. Permanent Loan 2 6. Grants 		
P. TOTAL PERMANENT SOURCES		
Q. Cumulative Difference (Cash Position)		

Monitor Strategic Issues

The asset manager uses ratios to indicate how successfully a property is utilizing its assets to generate revenues. ... Common examples include ratios to assess

- Unit turnover
- Inventory turnover
- Accounts payable & receivables ratios
- Cash conversion cycle - It is the time required for a business to turn purchases into cash receipts from customers.
- Collections
- Vacancy

Appropriate budgeting

- Budget versus actual
- Financing requirements

Calculations for Asset Management

- Occupancy Rate
- Vacancy Rate
- Turnover Rate
- Breakeven
- Mortgage Delinquency Rate
- Loan to Value
- Debt Coverage Ratio

Calculations for Asset Management

- **Occupancy Rate** formula for a particular month is number of units rented/number available to be rented X 100. For example, you may have 50 units rented of the total of 55 units.

$$50 / 55 = .90 \times 100 = 90\%$$

- **Vacancy Rate:** Take the number of vacant units and dividing that number the total number of units. The vacancy rate and occupancy rate should add up to 100%. So if an apartment building has 300 units, and 30 units are unoccupied, it means the vacancy rate is 10%.

$$30 / 300 = .01$$

$$.01 \times 100 = 10\%$$

Calculations for Asset Management

- **Turnover Rate:** Divide the number of tenants that move out in a 12-month period over the total number of tenants that you have in that 12-month period. Then, multiply by 100.

$$32 / 90 = .35 \times 100 = 35\%$$

- **Mortgage Delinquency Rate:** Divide the number of loans that are delinquent by the total number of loans held by the Recipient.

$$70 / 100 = .70 \times 100 = 70\%$$

1. Calculate Occupancy Rate

Sundown Heights Subdivision has a total of 85 units rented out of its 95 total units. What is Sundown Heights Subdivision's occupancy rate?

$$85 / 95 = .89 \times 100 = 89\%$$

2. Calculate Vacancy Rate

What percentage of Sundown Heights Subdivision units are unoccupied?

$$11 / 100 = .11$$

$$11 \times 100 = 11\%$$

3. Calculate Mortgage Delinquency Rate

The Any TDHE holds 20 mortgage loans of which 4 are delinquent. What is the rate of delinquency?

$$4 / 20 = .20 \times 100 = 20\%$$

4. Calculate Mortgage the Turnover Rate

In 2020, 12 tenants moved out of a total of 150 tenants. Calculate the turnover rate.

$$12 / 150 = .08 \times 100 = 8\%$$

Key Rental Housing Requirements – Implications for Underwriting

- Project must be maintained for affordability period
 - Rental income must be sufficient to operate property
 - Sufficient income to pay expenses & debt service
 - Sufficient income to save for reserves
 - Property manager must maintain proper number of - assisted units and document tenant incomes
 - Grantee must have method of ensuring on-going compliance after subsequent rents/sales
 - Deed restriction or land covenant
- Follow sustainable underwriting approach

ACTIVITY: Affordable Housing Analysis

Operating Budget		Development Budget	
Gross Potential Rent	\$100,000	Hard Costs	\$600,000
Vacancy Loss	<u>(\$10,000)</u>	Soft Costs	\$100,000
Net Rent	\$90,000	Other Costs	\$50,000
Other Income	<u>\$5,000</u>	TDC	\$750,000
Effective Gross Income	\$95,000	Maximum Loan	(\$429,000)
Operating Expenses	<u>(\$50,000)</u>	Equity	(\$50,000)
Net Operating Income	\$45,000	Gap	\$271,000
Debt Service	<u>(\$40,000)</u>	Public Subsidy	(\$271,000)
Cash Flow	\$5,000	Remaining Gap	\$0

Market Rate Housing

Operating Budget		Development Budget	
Gross Potential Rent	\$140,000	Hard Costs	\$600,000
Vacancy Loss	<u>(\$10,000)</u>	Soft Costs	\$100,000
Net Rent	\$130,000	Other Costs	\$50,000
Other Income	<u>\$5,000</u>	TDC	\$750,000
Effective Gross Income	\$135,000	Maximum Loan	(\$704,000)
Operating Expenses	<u>(\$60,000)</u>	Equity	(\$46,000)
Net Operating Income	\$75,000	Gap	\$0
Debt Service	<u>(\$65,000)</u>		
Cash Flow	\$10,000		

How Much Private Debt Can Be Supported?

- Private loan amount is lower of:
 - Loan by LTV (loan to value) and
 - Loan by DCR (debt coverage ratio)
- Loan by LTV = don't loan more than lender could recover in foreclosure sale
- Loan by DCR = payments can't be more than project can afford to pay
- Must fill the gap between private loan & project financial need; otherwise, the project will fail

Loan by LTV

- Loan to value (LTV)
 - Loan amount ÷ fair market value
 - Usually no more than 60 -80%
 - Higher = larger loan amount (and less \$\$\$\$ needed)
 - Lower = less risky

Fair Market Value

- Determined by an appraisal
- Evaluate the appraisal (Don't just accept it as truth!)
 - Three approaches
 - Income
 - Comparable Sales
 - Replacements Cost
 - Ability of appraiser
 - Looking at comparables

LTV (1)

First position loans:

$$\text{LTV} = \frac{\text{LOAN AMOUNT FAIR}}{\text{MARKET VALUE}}$$

Example:

$$\text{LTV} = \frac{\$100,000}{\$140,000} = 71\%$$

Also:

$$80\% = \frac{\text{Loan Amount}}{\$140,000} \quad \text{Loan} = \left(\begin{array}{l} \$140,000 \times \\ 80\% = \$112,000 \end{array} \right)$$

Loan By DCR

$$\text{Debt Coverage Ratio (DCR)} = \frac{\text{Net Operating Income}}{\text{Debt Service}}$$

- Always > 1
- Lenders typically want 120% or more of NOI
 - Provides lender with cushion
- a.k.a. DSCR (debt service coverage ratio)

ACTIVITY: DCR Example

$$\frac{\text{Net Operating Income}}{\text{Debt Service}} = \frac{\$11,000}{\$9,000} = 1.22 \text{ DCR}$$

WHAT IF?????

$$\frac{\text{Net Operating Income}}{\text{Debt Service}} = \frac{\$100,000}{\$99,000} = 1.01 \text{ DCR}$$



Monitor Strategic Issues

- The asset manager must review records at least annually, including:
 - Financing documents
 - Reporting requirements
 - Warranties

Watch for Challenges

- Some challenges that may arise over time include:
 - Resident turnover
 - Staff turnover
 - High vacancies
 - Financial weakness
 - Property deterioration
 - Community change
 - Attention from lenders

Property Management Overview



By the end of
this Lesson,
you will be
able to:

- Describe property management functions.
- Identify the functions of IHBG program management
- Identify programs and their respective characteristics
- Develop goals for property management
- List day-to-day operation tasks
- Discuss and establish performance standards.

Property Management Functions



Administrative Requirements



Management & Operations



Procurement & Indian Preference



Admissions & Occupancy



Maintenance



Financial Management



Useful Life & Insurance



Monitoring

WHITEBOARD ACTIVITY: Are You Ready for Property Management

- Do you have annual goals and performance objectives?
- Can you explain your organizational framework?
- Are you able to list all your programs and their requirements?
- Can you identify specific administrative requirements?
- What type of housing counseling services do you need to assist families?

YES	NO

WHITEBOARD ACTIVITY: Are You Ready for Property Management

- Have you determined your staffing requirements
- Can you identify your properties' routine maintenance needs
- Can you identify capital improvements and associated costs for the next five years?
- Can you describe your resident service and supportive services needs?

YES	NO

Establish Property Management Goals:

- Comply with all tribal and applicable federal, state, and local laws and regulations,
- Build capacity to provide an array of services tailored to the needs of the community,
- Provide excellent service to all residents,
- Maintain the property in superb condition,
- Keep expenses within the operating budget,
- Explore opportunities for revenue growth or expense reduction, and
- Assess and address capital needs proactively.
- Access funds and services to enhance the ability to meet community housing needs.

Which of the following applies to NAHASDA?

- Age Discrimination Act of 1975 (42 U.S.C 6101-6107) and HUD's implementing regulations in 24 CFR Part 146.
- Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and HUD's Regulations at 24 CFR Part 8.
- The Indian Civil Rights Act (Title II of the Civil Rights Act of 1968; 25 U.S.C. 1301-1303)
- *Real Property acquisition requirements* subject to 49 CFR Part 24, Subpart B.

Which of the following applies to NAHASDA?

- Department of Labor Standards
- The Uniform Relocation Act.
- National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321)
- 24 CFR Part 584 CFR Part 50
- 2 CFR Part 2424 on the use of debarred, suspended, or ineligible contractors
- Indian Self-determination and Education Assistance Act (ISDEAA)

Estimation of Monthly Reserve - Single Family Home

5 Years	Cost	10 Years	Cost	15 Years	Cost	20 Years	Cost	Cost for Life of Home
60		120		180		240		
Seal Driveway	\$2,000	Appliances	\$ 3,000	Exterior Doors	\$ 500	Roof	\$7,000	
Septic Pumping (5yrs)	\$1,000	Water heater	\$ 600	Leechfield	\$10,000	Furnace	\$3,000	
		Electrical Outlets	\$ 300			Siding	\$2,000	
		Interior Painting	\$ 1,000					
		Sump Pump	\$ 150					
		Septic Pump (repl)	\$ 600					
TOTAL COST	\$3,000		\$ 5,650		\$10,500		12,000	
MONTHLY COS	\$ 50		\$ 47.08		\$ 58.33		\$50.00	\$ 205.42

Administrative Requirements

2 CFR Part 200

File Management

§1000.26 What are the administrative requirements under NAHASDA?

“Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards”, except for the following sections:

- (1) Section 200.113 applies, except that, in lieu of the remedies described in §200.338, HUD shall be authorized to seek remedies under subpart F of this part.
- (2) Section 200.302(a), “Financial management.”
- (3) Section 200.305, “Payment,” applies, except that HUD shall not require a recipient to expend retained program income before drawing down or expending IHBG funds.
- (4) Section 200.306, “Cost sharing or matching.”
- (5) Section 200.307, “Program income.”
- (6) Section 200.308, “Revision of budget and program plans.”
- (7) Section 200.311, “Real property,” except as provided in 24 CFR 5.109.
- (8) Section 200.313, “Equipment,” applies, except that in all cases in which the equipment is sold, the proceeds shall be program income.
- (9) Section 200.314, “Supplies,” applies, except in all cases in which the supplies are sold, the proceeds shall be program income.
- (10) Section 200.317, “Procurement by states.”

§1000.26 What are the administrative requirements under NAHASDA?

(11) Sections 200.318 through 200.326 apply, as modified in this paragraph (a)(11):

(i) De minimis procurement. A recipient shall not be required to comply with 2 CFR 200.318 through 200.326 with respect to any procurement, using a grant provided under NAHASDA, of goods and services with a value of less than \$5,000.

(ii) Utilizing Federal supply sources in procurement. In accordance with Section 101(j) of NAHASDA, recipients may use Federal supply sources made available by the General Services Administration pursuant to 40 U.S.C. 501.

(12) Section 200.325, “Bonding requirements,” applies. There may be circumstances under which the bonding requirements of 2 CFR 200.325 are inconsistent with other responsibilities and obligations of the recipient. In such circumstances, acceptable methods to provide performance and payment assurance may include:

(i) Deposit with the recipient of a cash escrow of not less than 20 percent of the total contract price, subject to reduction during the warranty period, commensurate with potential risk;

(ii) Letter of credit for 25 percent of the total contract price, unconditionally payable upon demand of the recipient, subject to reduction during any warranty period commensurate with potential risk; or

(iii) Letter of credit for 10 percent of the total contract price, unconditionally payable upon demand of the recipient, subject to reduction during any warranty period commensurate with potential risk, and compliance with the procedures for monitoring of disbursements by the contractor.

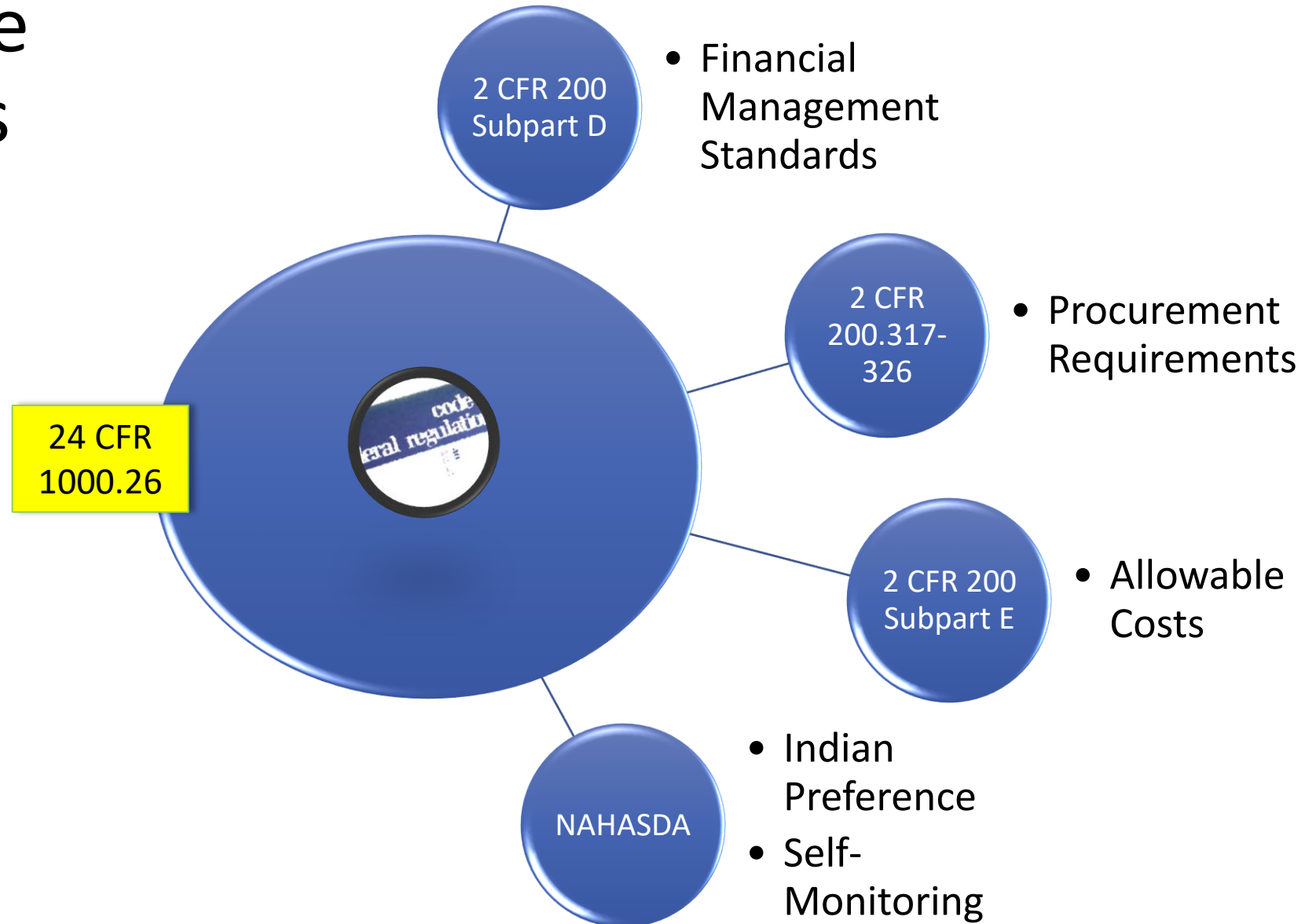
(13) Section 200.328(b) through (d) and (f), “Monitoring and reporting program performance.”

(14) Section 200.333, “Retention requirements for records.”

(15) Section 200.338, “Remedies for noncompliance.”

(16) Section 200.343, “Closeout.”


2 CFR Part 200 Administrative Requirements



Standards for Financial Management Systems

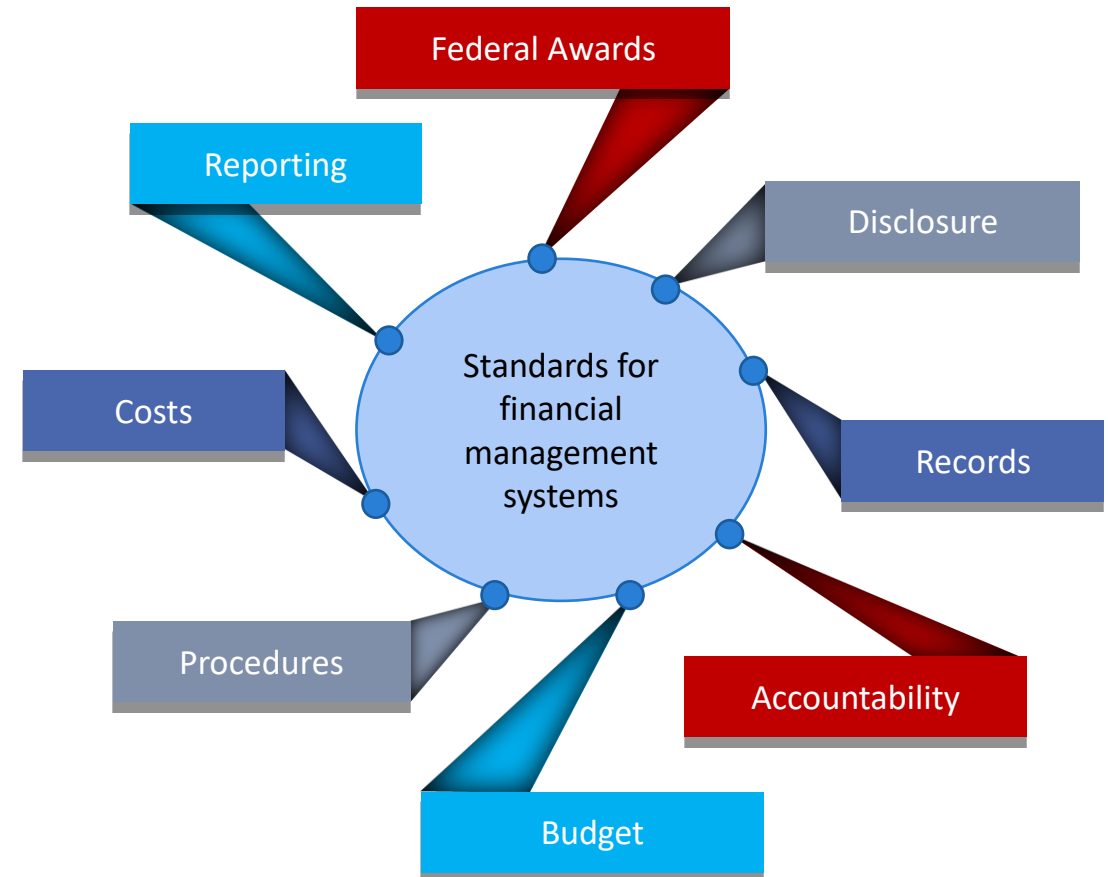
Standards include:

Federal Awards



Recipients must establish a chart of accounts code, identifying the following:

- ❖ CFDA title and number
- ❖ Federal award identification number and year, name of the Federal agency
- ❖ Fiscal year awarded
- ❖ Name of the pass-through entity (if any)
- ❖ Classification system for charges and disbursements



Standards for Financial Management Systems (now at 2 CFR § 200.302)

- Identification of all federal awards
- Accurate, current, and complete disclosure
- Records – source and application
- Effective control & accountability
- Budget control
- Written procedures – payment methods
- Written Procedures – allowable costs

Records and Disclosure

- The Recipient's entity's records will be subject to the Freedom of Information Act (FOIA) and applicable exemptions;
- Identifiable information will be kept confidential subject to circumstances described in 2 CFR Part 200.337;
- Recipients must disclose their cost accounting practices by filing a Disclosure Statement when receiving more than \$50 million; and
- All conflicts of interest, potential or real, must be disclosed.

Records

- Identifying the source and application of funds
- Contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest
- Supported by source documentation
- The Recipient's obligation to account for its activities
- Accept responsibility and disclose the results

Accountability Standards

Standards include:

- The Recipient's obligation to account for its activities
- Accept responsibility and disclose the results

Budget

- A financial plan for a Recipient's project
- Must be prepared according to performance measures for program evaluation
- Chart of accounts must be established to reflect job and unit costs

Procedures

The Recipient must maintain written procedures describing:

- Staff responsibilities
- Tasks
- Activities for Federal award implementation
- Costs must be:
 - Reasonable
 - Allowable
 - Allocable

Reporting

The Recipient must maintain accurate, current, and complete disclosure of the financial results.

- Maintain the following essential reports:
- Quarterly SF 425 financial status reports
- Year-end financial statements
- Audit reports
- Annual performance reports
- Self-monitoring
- Annual audits

Audits

- Audits - (2 CFR Part 200 Subpart F and 24 CFR Part 1000.544 – 550)
- New threshold: \$750,000 Federal funds expended in FY
- Independent auditor
- In accordance with generally accepted government auditing standards covering financial audits
- Due 9 months after end of FY (must submit to clearinghouse and HUD ONAP)

Comply with Federal Cost Principles

Written policies and procedures are necessary to ensure that costs are reasonable, allocable, and allowable

NAHASDA PROGRAM: 2 CFR Part 200 Subpart E Cost Principles – ALLOWABILITY OF COSTS

UG 2 CFR 200	COST TYPE	DESCRIPTION
421	Advertising	ALLOWABLE if costs are incurred for recruitment of staff or trainees, procurement of goods and services, and other specific purposes necessary to meet the requirements of the NAHASDA-supported project or activity.
421	Public relations	ALLOWABLE if (1) costs are incurred for communicating with the public and press pertaining to specific accomplishments which result from performance of the NAHASDA program or (2) costs of conducting communication and liaison necessary to keep the public informed on matters of public concern such as notices of awards, financial matters, etc. costs
422	Advisory councils	ALLOWABLE: Advisory councils or committees, such as Finance Committees or Investment Committees, costs are allowable.
423	Alcoholic beverages	UNALLOWABLE.
425	Audit services	ALLOWABLE. Periodic financial reviews are also allowable See §1000.546.
426	Bad debts	UNALLOWABLE - Bad debt and related collection and legal costs.
427	Bonding costs	ALLOWABLE, when HUD requires bonding to protect its interest.
428	Collection of improper payments	ALLOWABLE, to recover payments incorrectly made to employees, tenants or contractors.
430	Compensation: Salary and wages	ALLOWABLE costs to the extent that the amount is reasonable in relation to the work performed. ALLOWABLE if person providing consultant services in an employer-employee type of relationship does NOT receive more than a reasonable rate of compensation for personal services paid with IHBG funds. Compensation CANNOT exceed the equivalent of the daily rate paid for Level IV of the Executive Schedule. See §1000.26(b)(2).
431	Compensation: Fringe benefits	ALLOWABLE, however NOT ALLOWABLE: (1) Automobile costs for personal use are unallowable, regardless of whether the cost is reported as taxable income to employees.
432	Conferences	ALLOWABLE. (1) Costs for meetings, retreats, seminars, and symposiums are allowable, which may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences. (2) Cost of IDENTIFYING (but not providing) locally dependent care resources.

Cost Principles

HANDOUT

Unallowable Costs Include . . .

- Entertainment
- Contributions
- Liquor
- Donations
- Costs related to criminal or civil proceedings
- Lobbying
- Items for personal use
- Costs incurred for uncollectable receivables
- The cost of governing
- Fundraising
- Pre-award costs
- Investment management
- Idle facilities
- Interest
- Bad debts, fines, and penalties

Reasonable Cost

A cost is reasonable if it does not exceed what a prudent person would pay, under the circumstances prevailing at the time the decision was made to incur the cost.

Poll

The prevailing cost of a complete set of snow tires is \$1200. You are offered a set of snow tires costing \$4,000 because the studs use a special set of “hard steel” studs. Is this a reasonable cost?

- Yes
- No

ACTIVITY: Cost Principles-Allowable/Unallowable

1. Subscription charges of \$350 consisted of \$150 for professional journals and \$200 for unsavory pornographic periodicals.
2. All advertising cost were incurred for purposes of recruiting staff.
3. Included in the \$4,200 of miscellaneous expenses were:
 - a. Insurance the corporation is required to carry of \$2,000.
 - b. Copying costs of a fundraising effort at \$1,500.
 - c. Payment of \$700 to a seedy individual for attempting to influence the outcome of a local referendum
4. TDHE used NAHASDA funds to pay for bad debt.
5. Equipment maintenance costs were for maintenance contracts on all office equipment used by indirect staff.

Insurance

NAHASDA Citation for Insurance

- (c) INSURANCE COVERAGE- Each Recipient shall maintain adequate insurance coverage for housing units that are owned or operated or assisted with grant amounts provided under this Act.

Insurance

PROGRAM GUIDANCE 2014-03 (RECIP)

March 21, 2014 Page 2

Purpose: The intent of this guidance is to provide IHBG recipients with direction on the following: (1) When is insurance required? (2) What insurance requirements apply, and when is insurance adequate? (3) What insurance requirements apply to contractors and subcontractors? And, (4) What are other insurance requirements under NAHASDA?

When is insurance required and in what amount? Insurance coverage is required for housing units that are owned, operated, or assisted with IHBG funds. Adequate insurance is insurance in an amount that will protect the financial stability of the recipient's IHBG program. This means that the recipient's housing units and privately owned housing units that are assisted with IHBG funds must be adequately insured for one of the two time periods listed below, whichever is longer:

☐ the useful life (affordability period) of recipient or privately owned units, or

☐ the term of a repayment or forgiveness agreement for all or part of the IHBG assistance for privately owned housing units.

Housing units assisted with IHBG funds must remain affordable for their useful life as determined by the recipient (affordability period), and recipients must have a means of insuring their investment during this period. Therefore, as long as the useful life (affordability period) has not expired, IHBG-assisted housing units owned or operated by the recipient must be covered by adequate insurance.

Insurance

Insurance for housing may be either a purchased insurance policy from an insurance provider or a plan of self-insurance. Recipients may not require insurance on privately owned housing assisted with IHBG funds, if there is no risk of loss or exposure to the recipient, or if the assistance is in an amount less than \$5,000, unless repayment of all or a portion of the assistance is part of the assistance agreement. If private homeowners are unable to provide proof of insurance during the useful life (affordability period) of the assisted properties, the recipient must take steps to insure the units in order to protect its IHBG investment. This protection can be provided in a number of ways including:

- Purchase insurance for housing units that are owned, operated, or assisted with IHBG funds in an amount that is adequate to provide replacement cost to protect the IHBG investment.

- Have IHBG-assisted, private homeowners provide proof of replacement insurance for the useful life (affordability period) of the assistance received.

- Purchase insurance for privately owned housing units in the amount of the outstanding balance of the IHBG assistance provided.

Useful Life

- Program Guidance 2020-02 - clarify (1) what will be considered “satisfactory to the Secretary”; and (2) what constitutes an acceptable binding commitment.
- Provides samples to document useful life for housing units assisted with IHBG funds, and replaces Program Guidance 2014-09.

Minor Investments

- ▶ If the period is less than a year it is not necessary to record the written use restriction for purposes of complying with NAHASDA.
- ▶ It is good business practice to record the use restriction for purposes of giving notice to subsequent purchasers.

Binding Agreement

- ▶ Binding agreement satisfactory to HUD is
 - ▶ A written use restriction agreement, developed by the recipient, and placed on an assisted property for the period of its useful life
- ▶ Program Guidance 2020-02 provides sample binding agreements

Ongoing Issues for Rental Housing

- Useful Life: Rental property funded with IHBG funds – must remain affordable over its established Useful Life
 - Tribe must describe in IHP the Useful Life for all IHBG assisted units

QUIZ:

You have provided a buydown of \$60,000 to a homebuyer who can qualify for a \$200,000 mortgage loan. NAHASDA requires that the \$60,000 be secured by a binding agreement. The Recipient decides that a 20-year soft 2nd meets the useful life requirements. How much is forgiven for each year the homeowner owns the home?

Poll

Which do you believe would be a good management goal (select all that apply)?

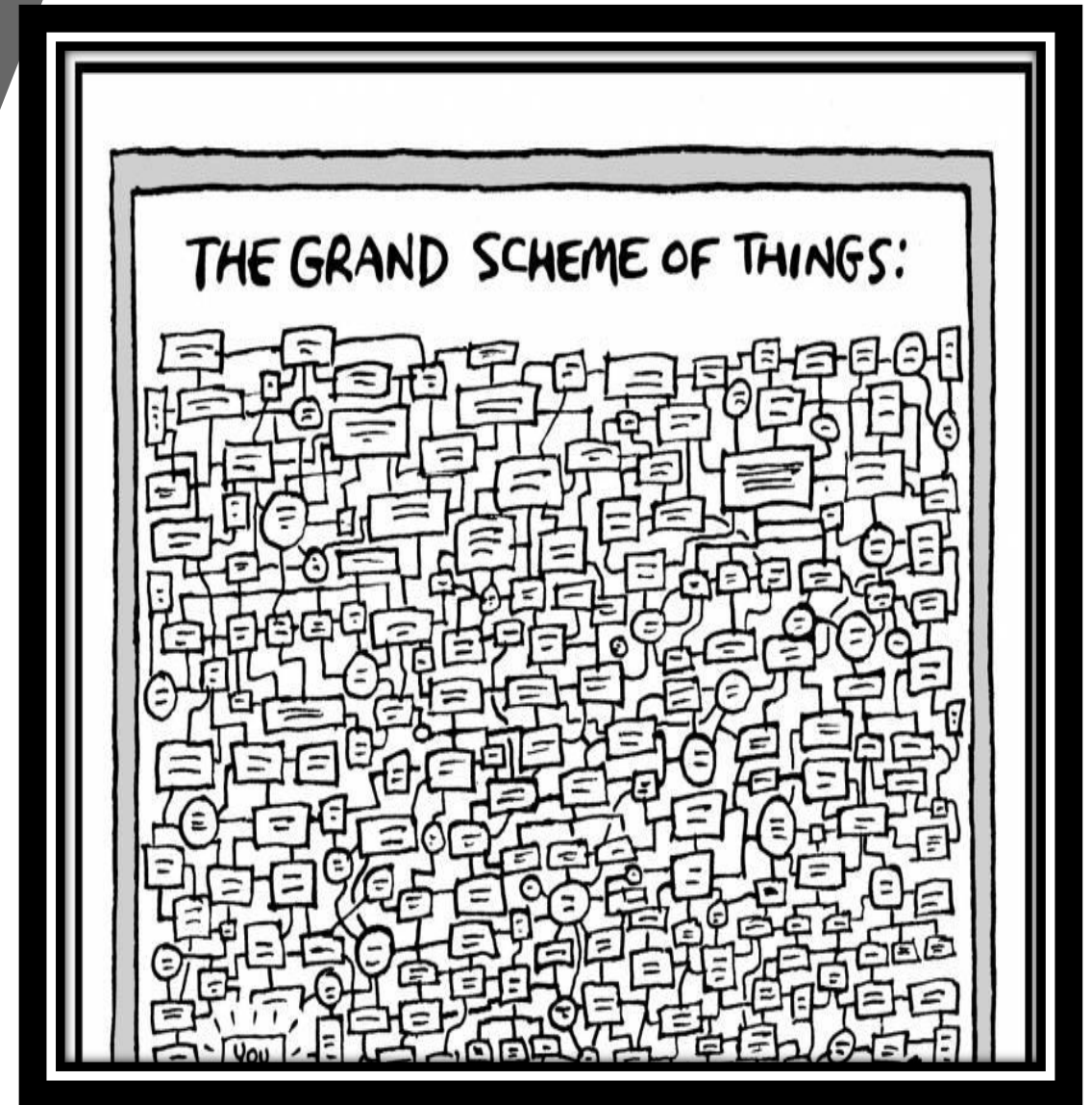
- a. Provide excellent service to all residents
- b. Keep expenses within the operating budget
- c. Complete daily records filing
- d. Assess and address capital needs proactively
- e. Build capacity to provide services that meet the needs of the community

Organizational Design

Organizational Structure
Governance

Well-Defined
Organizations
Achieve Goals

Well-Defined
Organization
Implement
Effective Internal
Controls



Management and Organizational Structure Objective

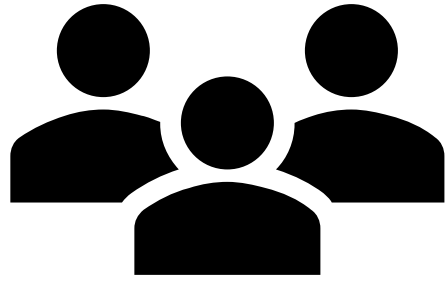
- Must establish an organizational structure assuring
 - Implementation of key areas of authority,
 - Appropriate lines of reporting, and
 - Internal controls are sufficient to reduce risk and safeguard assets

Management and Organizational Structure - ONAP Perspective

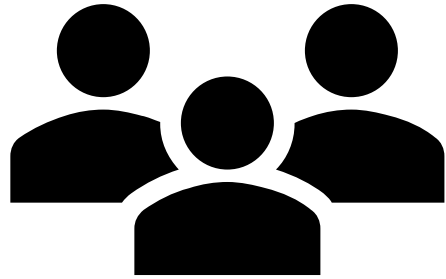
- The Council/Board members are responsible for ensuring:
 - Policies are adopted and properly carried out
 - Annual audits and self-monitoring are conducted
 - Findings and issues are resolved in a timely manner by the Executive or Housing Director

Management and Organizational Structure - ONAP Perspective

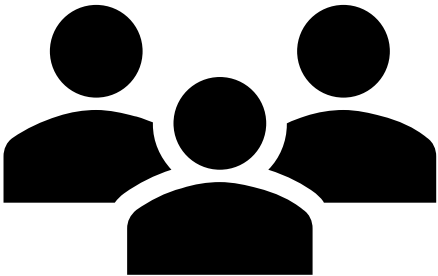
- The Council/Board members should:
 - Have appropriate knowledge and experience to ensure the organization operates in a legal and ethical manner
 - Maintain its independence from management;
 - Select and hire an Executive/Housing Director
 - Approve the annual budget
 - Act as community liaison



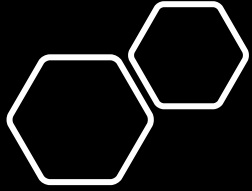
TDHE: Board . . . Department: Council . . .



- Many factors to be considered
 - Liability
 - Accessibility to concerns, issues
 - Knowledge of resources, issues
 - Management capacity
 - Degree of control
 - Cost to operate



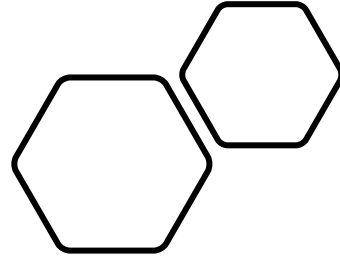
Governance



Governance

- Typical Board Responsibilities
 - Set the strategic direction of the organization
 - Ensure compliance with laws, regulations, grants, etc.
 - Approve annual budgets, financial reports, and audits
 - Set spending and contracting authority
 - No “magic number.” Based upon the circumstances, including the ED’s experience, tenure, history, etc.
 - Review and approve expenditures in excess of spending authorities
 - Best practice: hire and retain competent Executive Director (or CEO), then avoid micromanaging

Governance



- Typical Board Responsibilities, cont.
 - Engage with the community and understand local needs
 - Articulate the mission; implement through policies
 - Review and approve policies and policy revisions
 - Where does the “buck stop” – Board or Executive Director?

POLL: Governance-Board Responsibilities

1. Board Members are responsible for organizational performance. To ensure employees are doing their jobs, the Board should review and approve the annual performance evaluations for all staff.

TRUE

FALSE

2. Board Member knows her brother is the best contractor that works in the village. Board Member should urge the ED to contract with her brother's company because he does the best work.

TRUE

FALSE

POLL: Governance-Board Responsibilities

3. Board member does not understand the financial reports ED provided and believes the presentation could be improved. Should he ask ED to make changes to the report?

TRUE

FALSE

4. Board Member worked in construction for many years before retiring. Because Board Member has special knowledge, he should review and approve all plans and designs.

TRUE

FALS

Policies

What is a Policy?



Policies and procedures provide for consistent and cohesive action on the part of an organization.



A policy is a value or perspective that guides action.



Policies say what to do or states a desired outcome and help achieve fairness and consistency.



Provide rules governing implementation of a process.

Purpose of Policies

- Ensure that all housing staff do things the same way, thus promoting consistency and fairness while also minimizing the potential for disputes or legal actions
- Provide a foundation for sound management and supervision
- Provide a basis for auditor justification

What is a Procedure?

Procedures tell what to do when to do it, and who is responsible for doing it.

A procedure establishes the specific manner in which a function is to be performed, assigns responsibility, and describes specific action, whether it be answering a phone, setting up a file, determining income, inspecting a property, preparing a form, or writing a report.

Why are Procedures Necessary?

- A good set of written procedures increases the likelihood that programs will be:
 - Administered properly;
 - Delivered in a way that staff know their responsibilities;
 - Implemented in a manner that ensures performance objectives are met according to the established policies;
 - Consistently delivered;
 - Understood and trusted by the public;
 - Delivered efficiently, with as many households served as possible;
 - More easily delivered by new staff with little interruption to workflow; and
 - Understood and accurately described by staff, members of the board and/or tribal council.



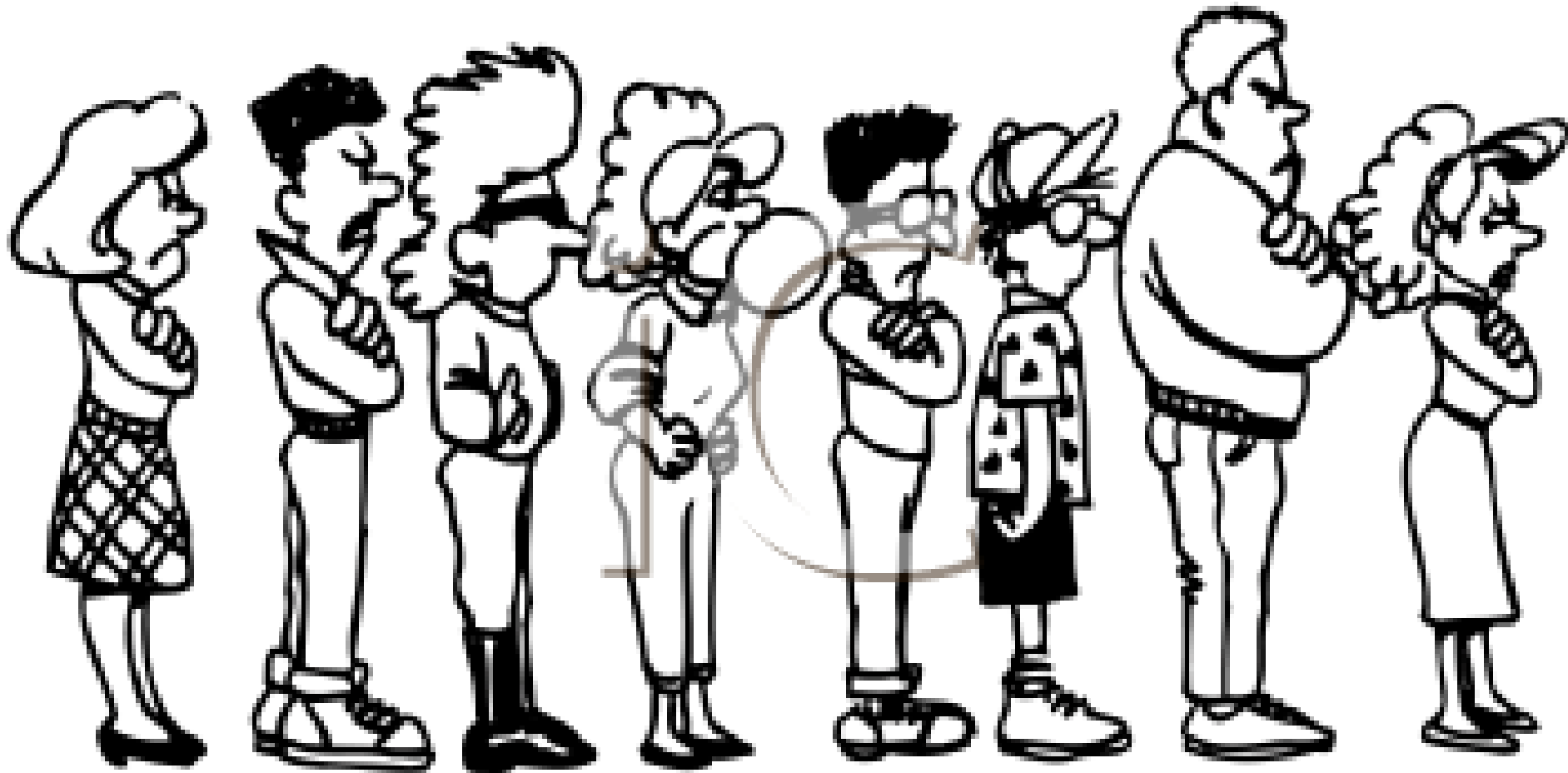
Required Policies

- Section 203 of NAHASDA requires that certain policies be adopted.
 - Rent
 - Insurance
 - Admissions & Occupancy
 - Maintenance
 - Inspections
 - Conflict of Interest

Essential Components of a Housing Policies

- Purpose
- Applicability
- Application
- Income and other eligibility requirements
- Calculation of assistance
- Preferences
- Selection process
- Verification requirement
- Waiting list requirements
- Amount of assistance
- Useful life

WAITING LIST POLICY



Examples of Preferences and Priorities

PREFERENCES	PRIORITIES
<ol style="list-style-type: none">1. Heads of household are enrolled tribal members.2. Tribal member head of household with federally recognized member cohead3. Heads of household and children who are members of a federally recognized tribe	<ul style="list-style-type: none">• Income targeting• Creditworthiness• Elderly• Disabled family• Veterans

Homebuyer Priorities For Selection Sample

Priority #	Priority
1	Families who can achieve mortgage readiness immediately.
2	Families who can achieve mortgage readiness within 1 to 6 months.
3	Families who can achieve mortgage readiness within 7 to 12 months.
4	Families who can achieve mortgage readiness within 13 to 18 months.
5	Families who can achieve mortgage readiness within 19 to 24 months.
6	Families who can achieve mortgage readiness within 25 to 30 months.
7	Families who can achieve mortgage readiness within 31 to 36 months.
8	Families who can achieve mortgage readiness within 37 to 42 months.

ACTIVITY 21: Poll

The purpose of the Waiting List is to establish service order based on all preferences and other factors.

A. True

B. False

Selection Process



Applicant completes preliminary application to be determined eligible and placed on waiting list.



Applications updated annually.



When unit is available, top two applicants notified and asked to be interviewed.



Staff verifies applicant information.



After verification, eligibility confirmed, offer extended, and unit assigned.

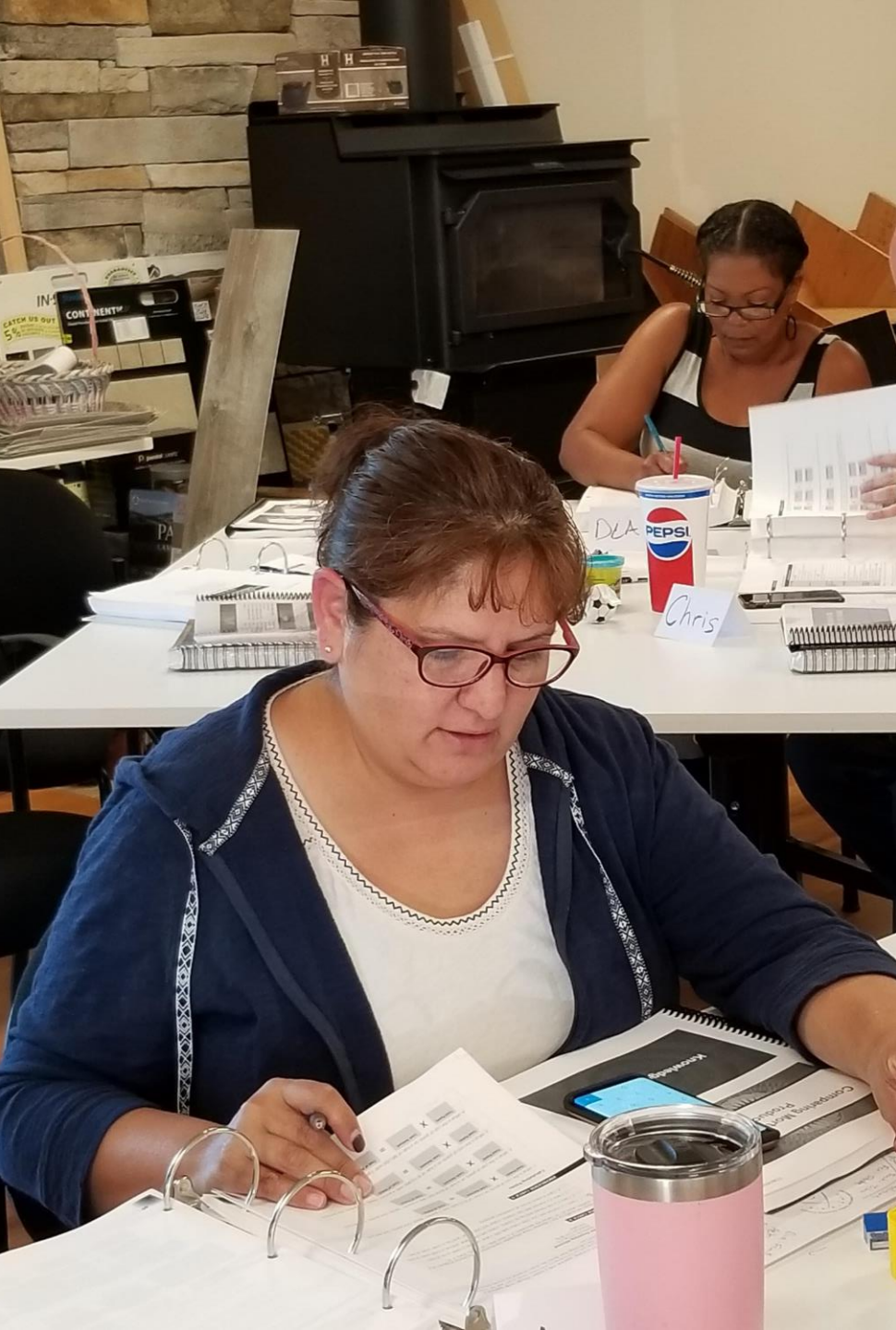
Verification Forms

Should be comprehensive, but not complicated

Should ask secondary questions (are expenses reimbursed, etc)

Should include a “false statement” statement

Must include a signed authorization for release of information



Verification Requirements

- Income, assets and asset income
- Income exclusions
- Allowances and deductions
- Family composition
- Social security numbers
- Income exclusions, if, without that verification, a Recipient would not be able to determine whether or not the income is to be excluded

Standard Verification Forms

Consent to Release Information

Verification of Employment

Verification of Income

Verification of Trust Income

Verification of Savings

Verification of Pensions

Landlord Verification

Obtaining information for verification purposes, requires a signed consent for release of information from the family member whose information is being requested.

Authorization for Release of Information/ Privacy Act Statement (form HUD-9886)



All adult family members & spouse must sign



Can be used between regular re-exams to verify unreported income



Applicant's certification that income & other information is accurate and complete

Authorization for Release of Information/ Privacy Act Statement (form HUD-9886)

Authorization for the Release of Information/ Privacy Act Notice
to the U.S. Department of Housing and Urban Development (HUD) and the Housing Agency/Authority (HA)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB CONTROL NUMBER: 2501-0014
exp. 1/31/2014

PHA requesting release of information: (Cross out space if none) (Full address, name of contact person, and date)

HA requesting release of information: (Cross out space if none) (Full address, name of contact person, and date)

Authority: Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by Section 903 of the Housing and Community Development Act of 1992 and Section 3003 of the Omnibus Budget Reconciliation Act of 1993. This law is found at 42 U.S.C. 3544.

This law requires that you sign a consent form authorizing: (1) HUD and the Housing Agency/Authority (HA) to request verification of salary and wages from current or previous employers; (2) HUD and the HA to request wage and unemployment compensation claim information from the state agency responsible for keeping that information; (3) HUD to request certain tax return information from the U.S. Social Security Administration and the U.S. Internal Revenue Service. The law also requires independent verification of income information. Therefore, HUD or the HA may request information from financial institutions to verify your eligibility and level of benefits.

Purpose: In signing this consent form, you are authorizing HUD and the above-named HA to request income information from the sources listed on the form. HUD and the HA need this information to verify your household's income, in order to ensure that you are eligible for assisted housing benefits and that these benefits are set at the correct level. HUD and the HA may participate in computer matching programs with these sources in order to verify your eligibility and level of benefits.

Uses of Information to be Obtained: HUD is required to protect the income information it obtains in accordance with the Privacy Act of 1974, 5 U.S.C. 552a. HUD may disclose information (other than tax return information) for certain routine uses, such as to other government agencies for law enforcement purposes, to Federal agencies for employment suitability assistance. The HA is also required to protect the income information it obtains in accordance with any applicable State privacy law. HUD and HA employees may be subject to penalties for unauthorized disclosures or improper uses of the income information that is obtained based on the consent form. Private owners may not request or receive information authorized by this form.

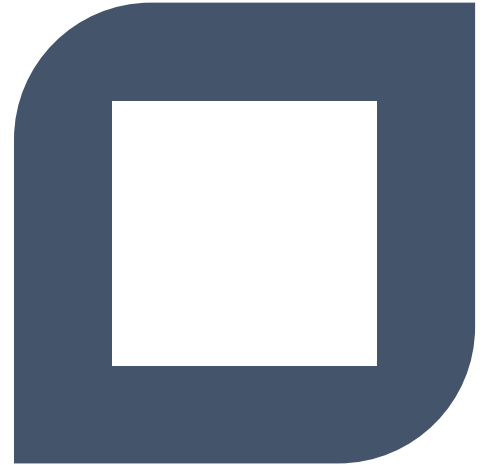
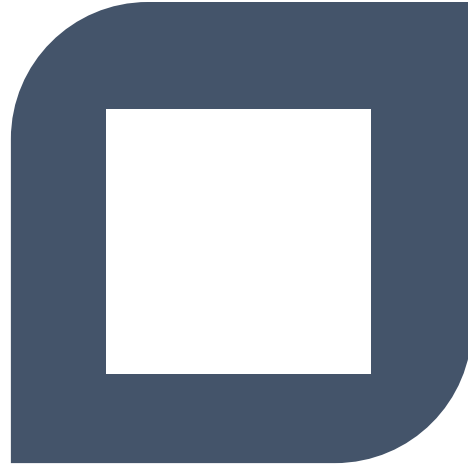
Who Must Sign the Consent Form: Each member of your household who is 18 years of age or older must sign the consent form. Additional signatures must be obtained from new adult members joining the household or whenever members of the household become 18 years of age.

Persons who apply for or receive assistance under the following programs are required to sign this consent form:
PHA-owned rental public housing
Turnkey III Homeownership Opportunities
Mutual Help Homeownership Opportunity
Section 23 and 19(c) leased housing
Section 23 Housing Assistance Payments
HA-owned rental Indian housing
Section 8 Rental Certificate
Section 8 Rental Voucher
Section 8 Moderate Rehabilitation

Failure to Sign Consent Form: Your failure to sign the consent form may result in the denial of eligibility or termination of assisted housing benefits, or both. Denial of eligibility or termination of benefits is subject to the HA's grievance procedures and Section 8 informal hearing procedures.

Sources of Information To Be Obtained
State Wage Information Collection Agencies. (This consent is limited to wages and unemployment compensation I have received during period(s) within the last 5 years when I have received assisted housing benefits.)
U.S. Social Security Administration (HUD only) (This consent is limited to the wage and self employment information and payments of retirement income as referenced at Section 6103(i)(7)(A) of the Internal Revenue Code.)
U.S. Internal Revenue Service (HUD only) (This consent is limited to unearned income [i.e., interest and dividends].)
Information may also be obtained directly from: (a) current and former employers concerning salary and wages and (b) financial institutions concerning unearned income (i.e., interest and dividends). I understand that income information obtained from these sources will be used to verify information that I provide in determining eligibility for assisted housing programs and the level of benefits. Therefore, this consent form only authorizes release directly from employers and financial institutions of information regarding any period(s) within the last 5 years when I have received assisted housing benefits.

Original is retained by the requesting organization.
ref. Handbooks 7420.7, 7420.8, & 7465.1
form HUD-9886 (7/94)



HUD-9886 MAY ONLY BE USED FOR
VERIFICATION SOURCES LISTED ON THE
FORM

VALID FOR 15 MONTHS
FROM DATE OF SIGNATURE

POLL: Policy or Procedure

1

A. POLICY B. PROCEDURE

“Fair market rents for the area as published by HUD annually will be used by the Recipient as the ceiling rents for low-rent units.”

2

A. POLICY B. PROCEDURE

“Usually we use two people to conduct a Move-In inspection.”

3

A. POLICY B. PROCEDURE

“The tenant will be notified by staff that there might be charges for repairs, which will be added to the new unit bill as additional rent.”

4

A. POLICY B. PROCEDURE

“File labels will be typed by the receptionist and affixed to the file folder.”

POLL

1. Who has to sign Release Forms for verification?
 - A. Head of Household
 - B. Head of Household and Spouse
 - C. All household members over the age of 18**
 - D. All household members

2. Which of the following should be verified?
 - A. Income
 - B. Deductions
 - C. Exclusions
 - D. All of the above**
 - E. None of the above

3. Which clients will qualify for the Cullowhee Tribal Affordable Homeownership Assistance Program? If a client qualifies, write “Yes” on the space provided. If a client does not qualify, write “No” in the space provided.
 - _____ 1. Client 1 is a tribal member married with one child, makes \$46,000 a year, and has a credit score of 600.
 - _____ 2. Client 2 is a non-tribal member, not married and has no children, makes \$40,000 a year, and has a credit score of 650.
 - _____ 3. Client is a non-Indian essential family is married with two children (all are non-Indian), makes \$50,000 a year, and has a credit score of 640.
 - _____ 4. Client 4 wants to buy an investment property.

Management and Operations

So You
Inherited a
New
Program –
What's the
Plan?

- Identify programs
- Establish program goals
- Describe housing assistance type
- Beneficiaries
- Set income limits
- Establish staffing and employment requirements
- Identify special requirements
- Identify multiple funders' requirements
- Train staff

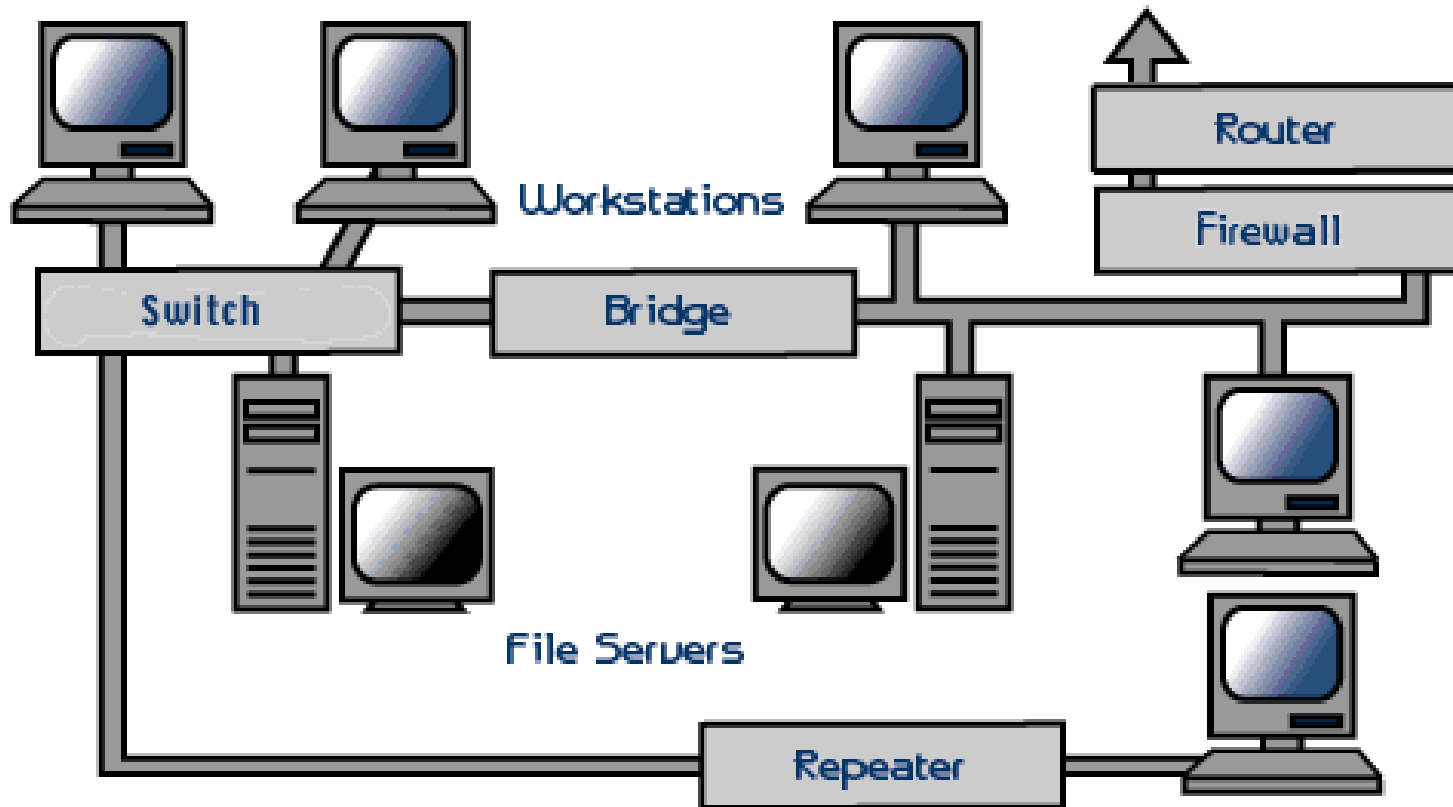
Management Plan

- Explains how you intend to manage a property day-to-day AND describes the
 - ✓ Properties to be served, location, number
 - ✓ Functions to be performed
 - ✓ Qualifying criteria for admissions and occupancy
 - ✓ Maintenance plan
 - ✓ Charges
 - ✓ Programs offered
 - ✓ Continued occupancy
 - ✓ Collections
 - ✓ Operating budget
 - ✓ Organization of staff
 - ✓ Funding
 - ✓ Fees
 - ✓ Special Requirements
 - ✓ Technology

Programs Menu Example

PROGRAM	FUNDING	HOUSING ASSISTANCE TYPE	BENEFICIARIES	AGE REQs.	TERMS	INCOME	SPECIAL RESTRICTIONS	PAYMENT CALCULATIONS
Low-Rent Housing	NAHASDA	Rental	CDA Member first priority; other federally recognized Natives 2nd priority	N/A	Subsidized	Low to moderate income	Moderate & Over-Income families can't receive the same benefit as Low-Income families	Section 8
MH	NAHASDA	Lease w/Option to Purchase	CDA Members	N/A	Subsidized	Low to moderate income	Discontinued	37 Act
HBE	HUD/ROSS	Housing Counseling	All	N/A	N/A	All	12 hours of class	Grant
Financial Skills Development	NAHASDA	Housing Counseling	All	N/A	N/A	All	class	Grant
One-on-One Counseling	NAHASDA	Housing Counseling	All	N/A	N/A	All		Grant
ROSS Elderly-Disabled	HUD	Housing Counseling & Case Management	CDA Members	Elders 62 years +	Depends on service	Low to moderate income	CDTHA residents	Grant (Matching-NAHASDA)
Down Payment Assistance	NAHASDA	Mortgage Assistance	CDA Members	N/A		Low to moderate income		Conditional Grant
Prequalifying for Mortgage Financing	NAHASDA; General Fund	Homeownership; Rehab	All	N/A	N/A	All		Grant
CDTHA Revolving Loan	General Fund	Home Repairs Improvements	CDTHA Residents first priority; Other CDA Homeowners 2nd priority	N/A	Individualized	Low to moderate income		Loan
CDT ELDERLY 55 FUND	CDT	Home Repairs Improvements		55+		N/A	\$10,000 MAX.	Grant
Individual Development Account	ROSS	Asset Building	Home Purchaser	N/A	Savings	Low to moderate income	\$2 to \$1	Conditional Grant
Senior Apartments	NAHASDA	Rental	CDA members by age first priority; other federally recognized Natives 2nd priority	70+ = 1st priority; 55 to 70 years = 2nd priority	Subsidized	Low to moderate income	Moderate & Low-Income families can't receive the same benefit as Low-Income families	Section 8
Weatherization	BPA	Energy Efficiency (education, insulation)	CDA members	N/A	N/A	County Area low-income	Very low-income; State monitored	Grant

System Requirements



- Trained staff
- Internet access
- Computer network
- Updated technology/security
- Current software
 - Finance software
 - Tenant accounts receivable software
 - Maintenance/work order software
 - Fixed asset software
 - Inventory software

Collections/Arrears/Evictions

Damage Repairs

Water Damage \$18-\$22,000
(latest \$47,000)

Move-out Maintenance/
Rehabilitation

High \$12,995; Low \$103

Average 1,905 (over 48 units)

NAHASDA Homebuyers

- 40% of the 54 units pay \$74.00 per month (admin fee only)
- 50% pay between \$78 - \$297 per month
- 10% pay between \$340 - \$477 per month

SAMPLE

Collections Arrears Evictions

Low Rent

- Rent non-payments
- Utility non-payments
- 393 households
- 15-20 vacancies
- Over 11 case plans
 - Stipulated Agreements
 - Contract Rider Agreements

Low Rent

- 18% of the 300 occupied units pay \$0 rent per month
- 48% pay between \$1.00 - \$100 per month
- 34% pay between \$101 - \$425 per month

SAMPLE

Maintenance Activity: Identify Type of Damage

TDHE or Tenant



TDHE or Tenant



SAMPLE

Maintenance Activity

Frozen Pipes



Water Damage



SAMPLE

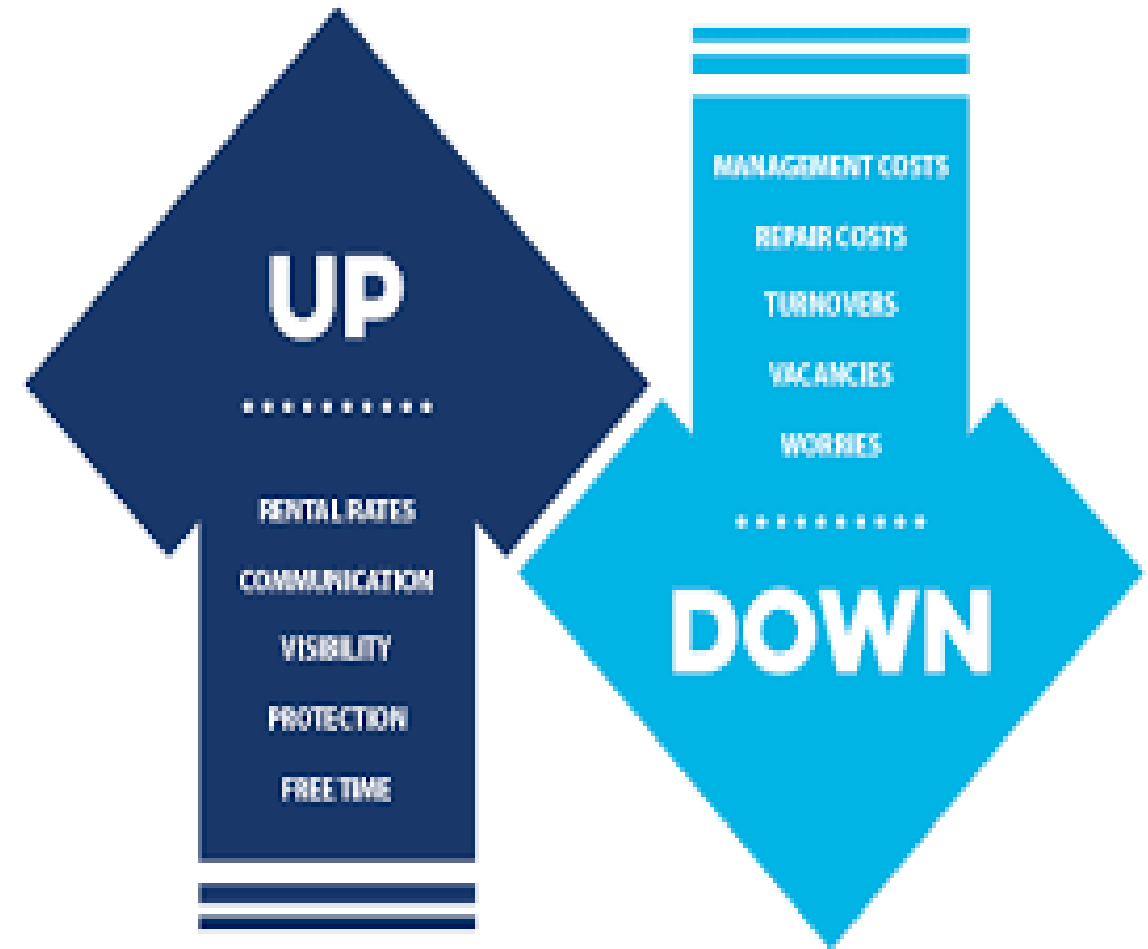
Substance Abuse Activity



SAMPLE

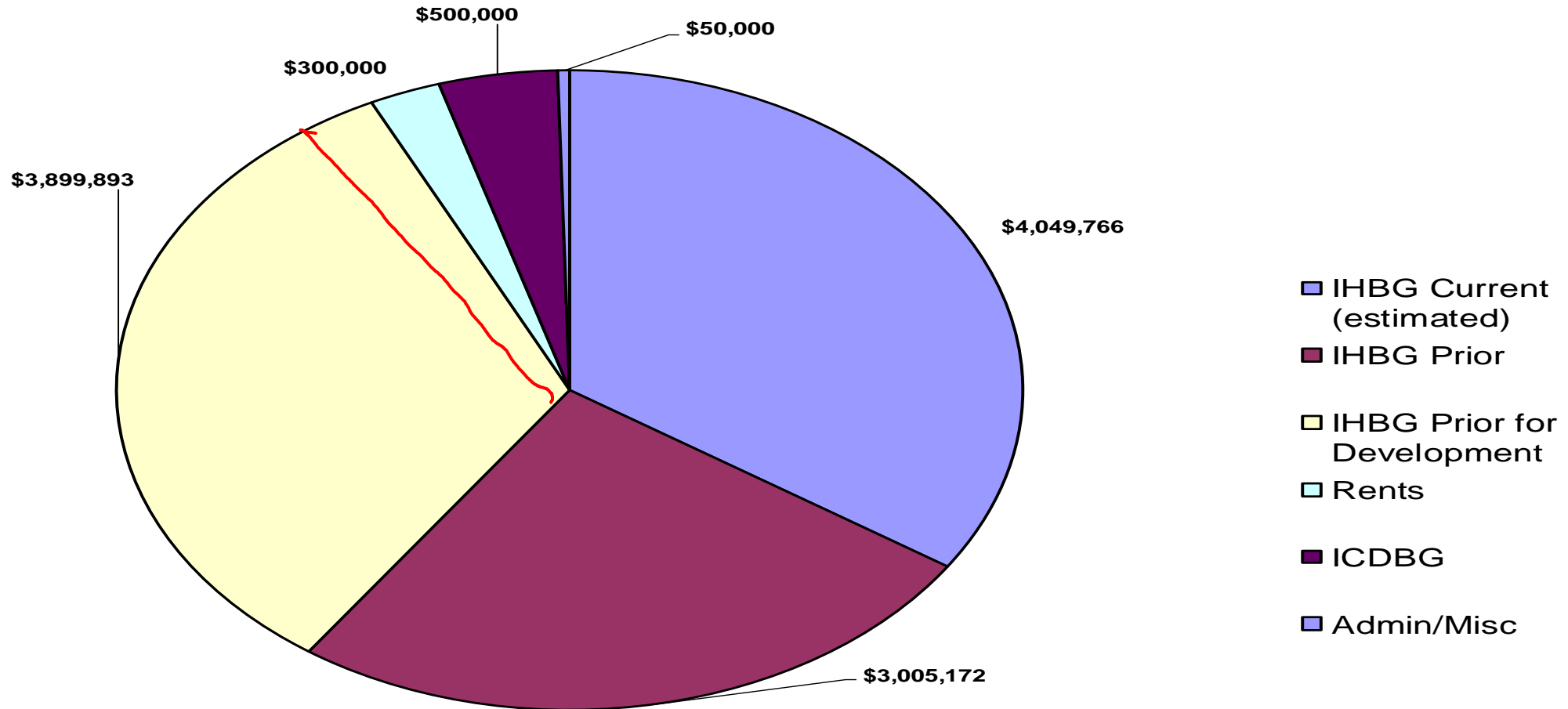
EXPENDITURES – What are they?

- Admin
- Maintenance
- Insurance
- Legal
- Project 1 – Rental
- Project 2 – LIHTC
- Project 3 – Homebuyer
- Program – Down Payment Assistance



FUNDING SOURCES

CIHA 2014 Projected Funding Sources



Community Involvement



- Staff participation
 - Nez Perce Long House Rebuilding
 - Youth Sports Coaching
 - District Meetings
 - Cleanup Day
 - Home Fair
 - Alcohol Awareness Relay
 - TEAM community awareness
 - Community Center Support for Youth Activities

Factors to Consider When Developing Programs

- Overcrowded Units
- Lack of housing
- Affordability
- Housing rehab
- Modernization
- Storage
- Alcohol & Drug issues
- Damaged Units
- Emergency repairs
- Elder needs
- Social programs
- Garbage
- Health and safety
- Land
- Preventative maintenance
- Economic self-sufficiency
- Nonpayment of rents
- Animal control
- Enforcement
- Abandoned Vehicles
- Collections
- Abandonment
- Ongoing repairs
- Maintaining units
- Audits and reporting
- Grant writing
- Homeownership education
- Financial literacy
- Water/sewer facilities
- Operating expenses
- Quality Control

ACTIVITY: Identify Common Elements of an Admissions and Occupancy Policy.

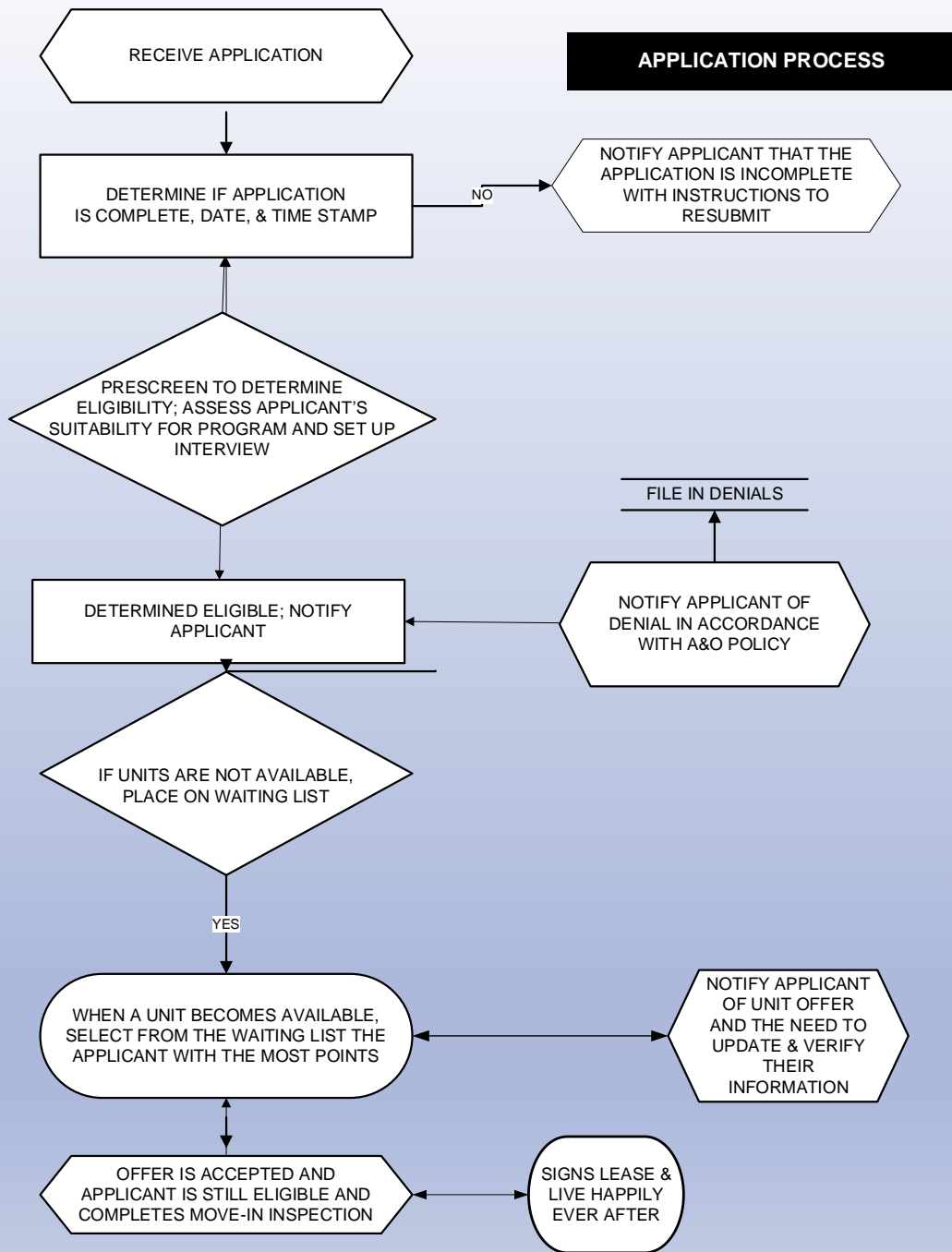
- Example: Rent Payment



Admissions and Occupancy

Policy
Staffing

Calculating Assistance



Application Process

Admission and Occupancy

- Admission and Occupancy policies addresses —eligibility, admission and occupancy standards:
- Eligible participants
 - Low-income Indian families
 - Non-low-income Indian families
 - Essential families
 - Law enforcement officers
- Admission: ensures the participants receive fair treatment.

Admissions & Occupancy Policy Outline

- Application
- Eligibility Criteria
- Preferences
- Income Eligibility
- Ineligibility
- Determining House Payments
- Waiting List
- Verification
- Pre-Selection
- Unit Offers

- Final Selection
- Occupancy
- Housing Counseling
- Lease or Contract Compliance
- Maintenance, inspections, recertification
- Collections
- Termination

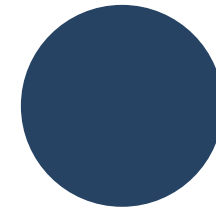
Staffing



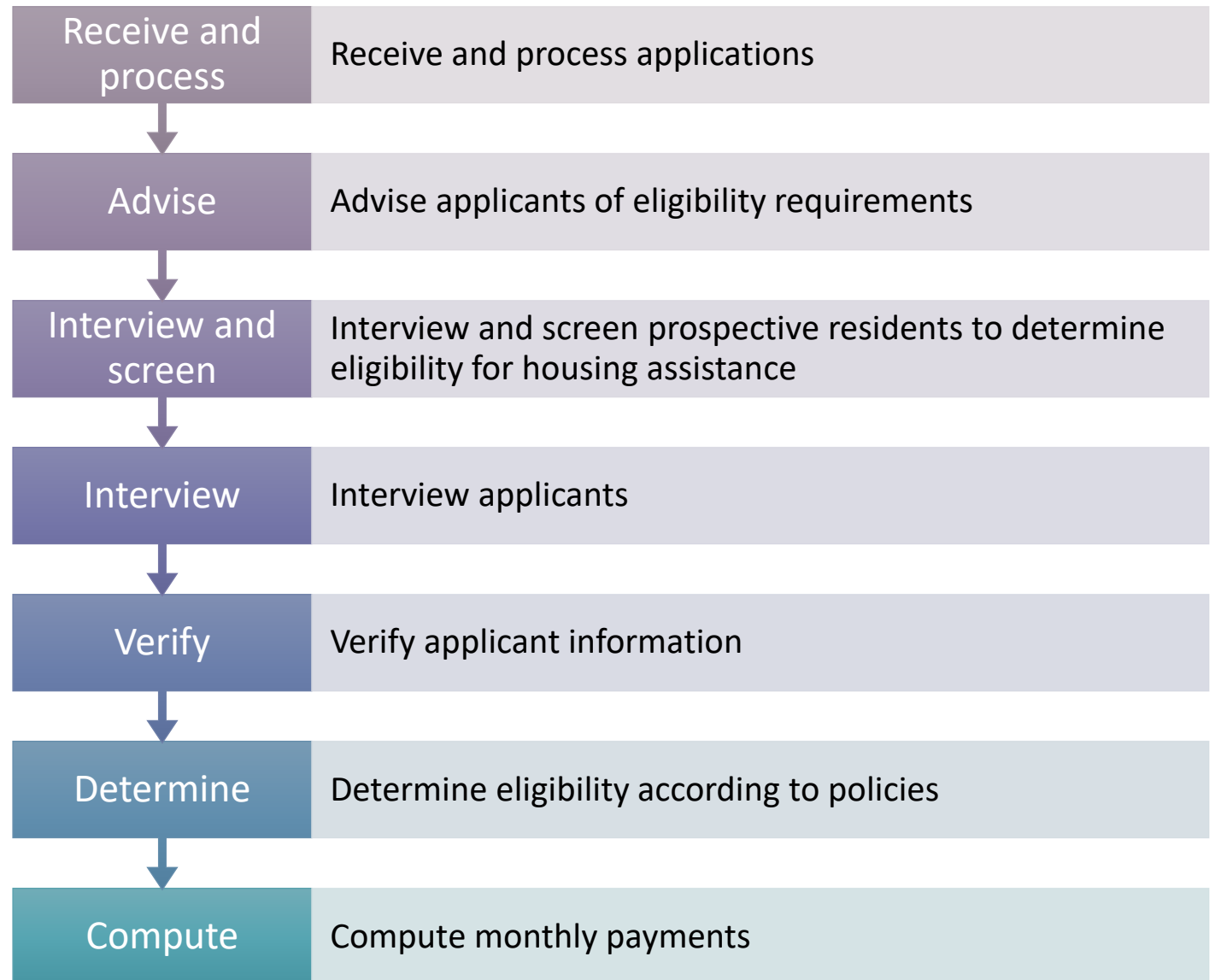
- Depends on
 - Scope of project
 - Type of project
 - Rental
 - Homebuyer
 - Location of project
 - Subdivision
 - Scattered



Staffing Requirements



Duties of A & O Staff



Duties of A & O Staff cont.

- Conduct re-certifications
- Assist residents with maintenance
- Visit homes to conduct inspections
- Provide housing counseling services
- Meet with Board of Commissioners, or Housing Committee, as required
- Report Tenants Accounts Receivable (TARS)
- Assist tenants with maintenance work orders

Executive Director/Housing Director

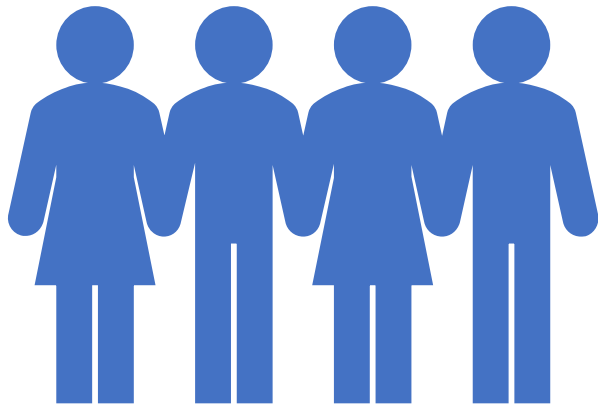
EXECUTIVE DIRECTOR

- Provides leadership and management of the planning, organizing, staffing, direction and control functions of the housing department or TDHE
- Interprets, implements, and administers policies approved by the governing body

HOUSING DIRECTOR/MANAGER

- Administers and monitors all aspects of housing management including
 - planning & development of housing assistance programs
 - comprehensive housing counseling
 - resident relations
 - compliance
- Ensures a consistent and optimal rental income stream and applicant and resident satisfaction.

Intake & Occupancy Staff



- Assists applicants and residents in
 - Obtaining appropriate housing assistance
 - Meeting financial obligations
 - Providing counseling in the pre- and post-occupancy phases
 - Providing formal education classes and one-on-one counseling regarding obligations associated with renting or owning a home.

Accounting Staff

- Financial Reporting
 - Accounting Director is responsible for providing
 - Budgetary performance of the property
 - Financial reports
 - Assures all charges to property are proper
 - Submits financial reports by 11th business day of the month
 - Explains all major line item variances
 - Coordinates audits

Poll

The Admission and Occupancy policy should outline the following except?

- a. Collections
- b. Eligibility
- c. Preference and Priorities
- d. Termination
- e. Procedures for containing dwelling infestation

Calculating Assistance

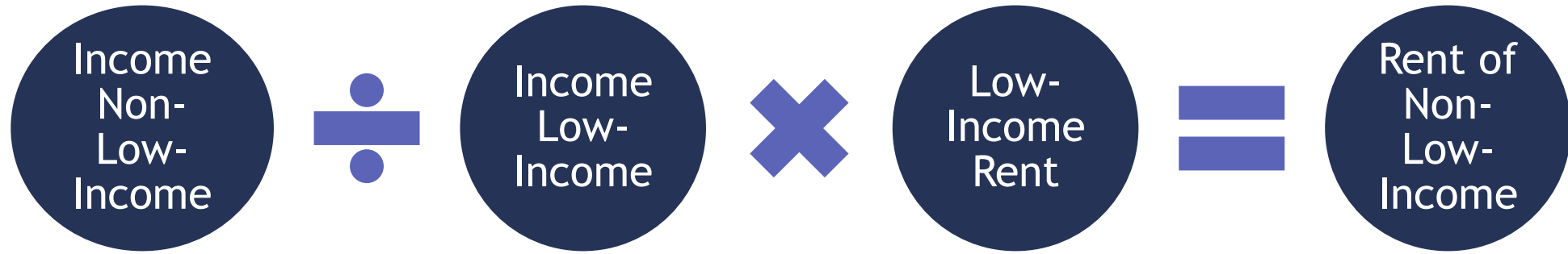
Calculating Maximum Payment-low-income

$$\text{Annual Income} - \text{Allowances} = \text{Annual Adjusted Income}$$

$$\text{Annual Adjusted Income} \div 12 = \text{Monthly Adjusted Income}$$

$$\text{Monthly Adjusted Income} \times 30\% = \text{Maximum Payment}$$

Rent Payment for Non-Low-Income Families

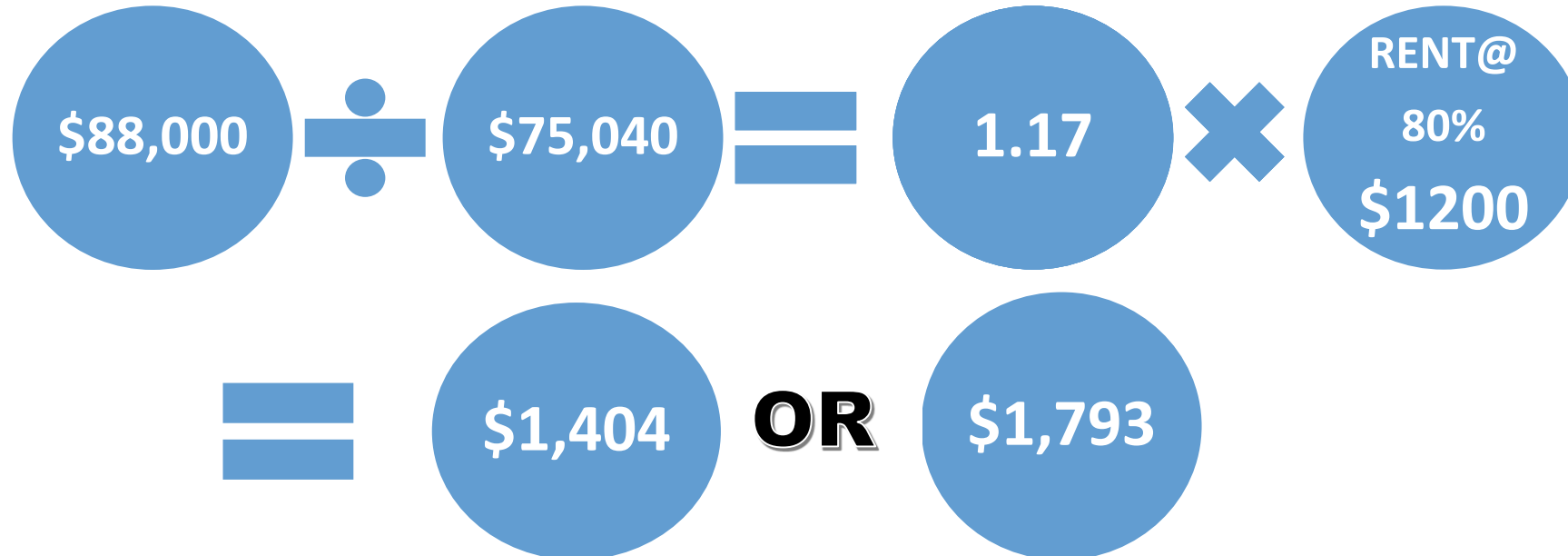


Non-Low-Income Rental Payment Requirements

- The rent (including homebuyer payments under a lease purchase agreement) to be paid by a non-low-income family cannot be less than [income of non-low-income family/income of family at 80 percent of median income] × [rental payment of family at 80 percent of median income], but need not exceed the fair market rent or value of the unit.

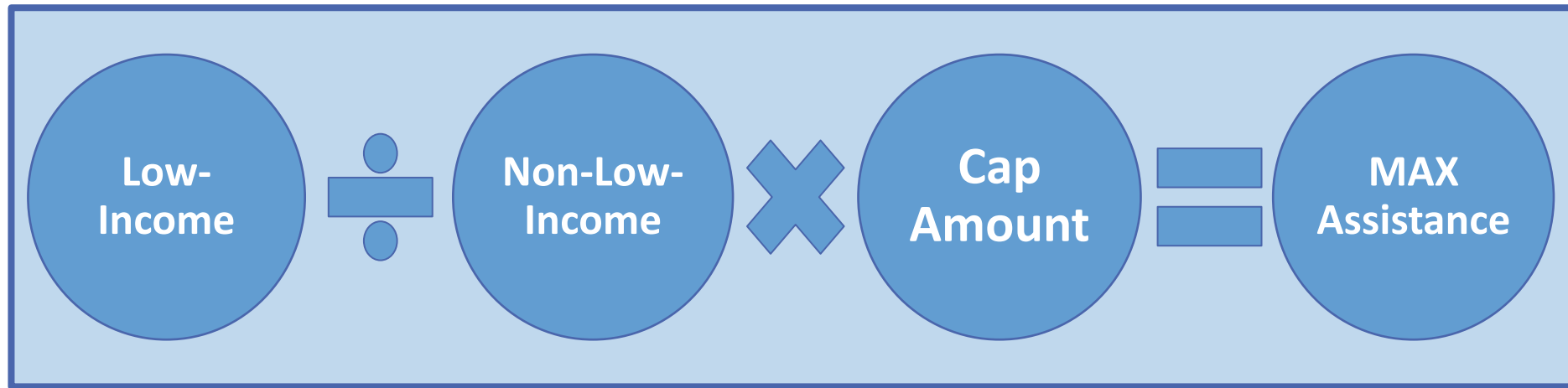
Non-Low-Income Rent Calculation

- Eighty percent of the median income for a family of four in Fairbanks is \$75,040
- Rental Payment for a family at 80 percent of median income is \$1200 per month
- FMR 3-bedroom = \$1,793 per month
- A non-low-income Indian family of four earns \$88,000/yr



Non-Low-Income Other Assistance Payment Formula

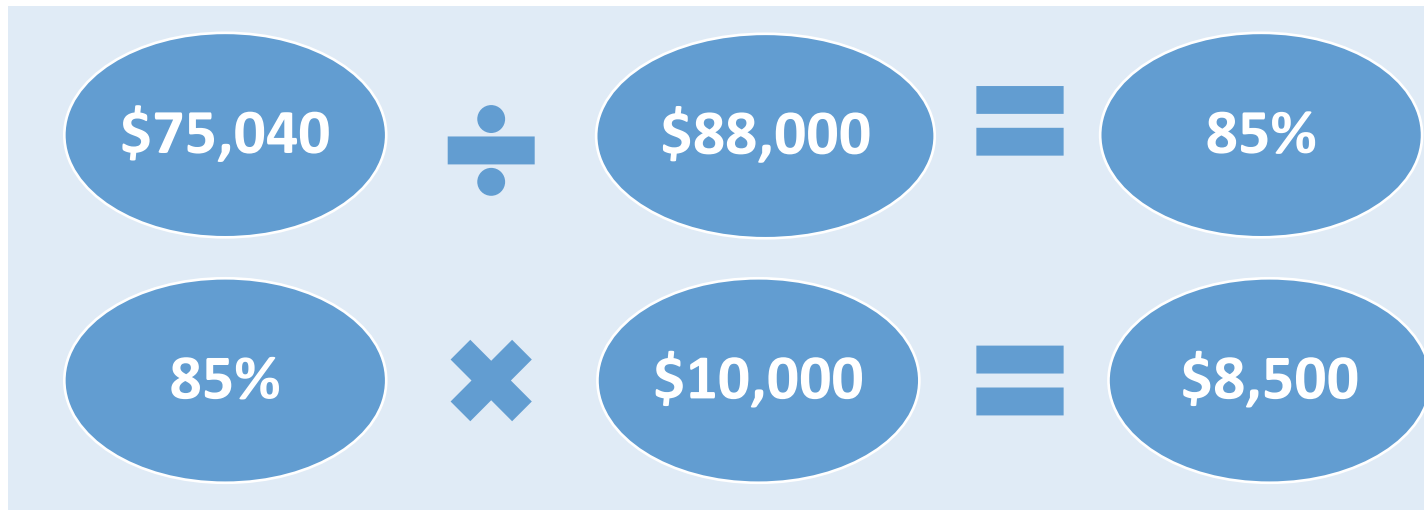
- Other assistance, including down payment assistance, to non-low-income families, cannot exceed [income of family at 80 percent of median income/income of non-low-income family] × [present value of the assistance provided to family at 80 percent of median income]



Calculating Down Payment Assistance for Non-Low-Income

- Eighty percent of the median income for a family of four in Fairbanks is \$75,040
- Down Payment Assistance is capped at \$10,000 for a family at 80 percent of median income
- A non-low-income Indian family of fours earns \$88,000

Down Payment Assistance for Non-Low-Income Families



Lease Terms

- No unreasonable terms
- Maintain the housing to code;
- Written notice of termination
- Opportunity for due diligence if evicted
- Terminate for only for serious or repeated violations
- May terminate for any activity which threatens health & safety of residents



Criminal History: Can you . . .

- Screen applicants for criminal history?
- Pursue eviction for crime committed?
- Test applicants for drug use?
- Disclose applicant's record?



POLL

1. Low-income limits are defined as what percent of the HUD median income?

- A. 50% of the median
- B. 60% of the median
- C. 70% of the median
- D. 80% of the median

2. Non-low-income limits are defined as what percent of the HUD median income?

- A. 70-100% of the median
- B. 80-100% of the median
- C. 80-110% of the median
- D. non-low-income is not included in NAHASDA

POLL: Under NAHASDA Tenant/Homebuyer Selection. . .

- | | | |
|--|-------------|--------------|
| • Is cited in the NAHASDA statute | TRUE | FALSE |
| • Policy must be in writing | TRUE | FALSE |
| • A selection policy is not required | TRUE | FALSE |
| • Needs adoption by the governing body | TRUE | FALSE |

ACTIVITY: Quality Control (Risk Management)

- Need two staff to sign off on tenant application to avoid:

- Need two staff to sign off on calculations, such as

Housing Counseling

9

POLLING

I DO THE FOLLOWING TYPES OF COUNSELING . . .

1.	PREQUALFYING	YES	NO
2.	DEBT MANAGEMENT	YES	NO
3.	FINANCIAL LITERACY	YES	NO
4.	CREDIT	YES	NO
5.	BUDGETING	YES	NO

Orientation Topics

- Tenant rights & responsibilities
- Recipient rights & responsibilities
- Transparency
- Q & A
- Explain
 - Work order process
 - Charges
 - Non-compliance
 - Collections
 - Recertification



Independent Living Orientation

Common Areas

- Includes congregate area (Building #3)
- Open from 8 a.m. to 4 p.m.
- Open and closed by Seniors Program cooks or Ken Sherwood or CDTHA custodian staff
- Special occasions for use of common area must be arranged through Ken Sherwood. Reservations for use of common area will require a \$100 deposit and a reservation form showing purpose, number of people, etc.
- Purposes are for seniors only.

Parking: 26 spaces (Required)


- 1 assigned per unit = 20
- 2 Staff only
- 4 Older Americans Vans & vehicles
- Bus & Loading Area
- No RVs, semi-trucks
- No parking in the front drop off area
- Unauthorized vehicles will be towed at owner's expense at minimum of \$125 per towing plus storage
- Vehicle registration

Maintenance

- Interior common areas will be cleaned and maintained by CDTHA staff in the morning each day.
- Kitchen area will be maintained by Seniors Program
- Exterior of building will be maintained by Tribe Facilities Department
- CDTHA staff will change light bulbs for seniors upon request. The work will be done in the morning or late afternoon. Tenant must provide the light bulbs.
- Inspection requirements
- Work Orders (tenant damage)


Common areas will be fully accessible to tenants of Sennwichen (their activities come first)

Schedule Housing Counseling Classes



COEUR D'ALENE TRIBAL HOUSING AUTHORITY

HOUSING CLASSES



CLASS DATES:
JUNE DATES:
9, 16, 23, 30
4:30–5:30 P.M.
JULY DATES:
CALL FOR DATES
FUTURE CLASSES
to look for:
PATHWAYS HOME:
A Native
Homeownership
Guide
**Classes are
free.**

Classes held at
CDA
Tribal Housing
Authority
1005 8th St.
Plummer
Contact:
Jules Summers

Registration is recommended.
Classes address a variety of topics.
Please bring all your housing
questions for discussion.
Call to sign up today 686-1927.

Various Types of Counseling Programs

- Pre-occupancy
- Pre-purchase
- Credit counseling
- Budget counseling
- Post purchase
- Default counseling
- Advocacy



One-on-one Counseling Focuses

- Affordability
- Debt
- Credit
- Down payment assistance
- Recognizing predatory lending practices
- Understanding fair lending
- Avoiding foreclosure
- Resolving a financial crisis



Counseling Barriers

- Slow payment
- Credit issues
- Insufficient income
- High Debt or Slow Payment
- Low savings
- Employment stability
- Trust property



Budget Counseling Involves . . .

- Short- and long-term goals
- Budgeting - a tool to achieve goals
- Thoroughly explain the budget creation process

Debt Management

- The ***PowerPay® Debt-Reduction System*** developed by F. Dean Minor, Jr. and Judy L. Harris of Utah State University addresses the issue of excessive debt.
 - used by housing counselors to help their clients achieve an acceptable debt-to-income ratio for mortgage-loan qualification by applying the most strategic and effective repayment methods for accelerated debt reduction.

Making Power Payments Work...

- Power payments can get you out of debt faster and save you money.
 1. Make a commitment (stop borrowing, charging and increasing debt)
 2. Determine how much money you have to repay debts
 3. Use power pay
 4. Use the roll over method
 5. Consider adding lump sums....



Managing Counseling Files

- Maintaining accurate records of Client activity is required.
- Housing counseling does not always follow a natural progression of events from start to finish.
- A good record-keeping system is the foundation to providing good service to clients.

TYPE OF FORM

Intake Form
Application
Pre-Qual Worksheet
Client Action Plan
Homebuyer Education Class
Tracking/Budget/Debt Worksheets
House Hunting checklist
Home Evaluation Checklist
Wants and Needs Checklist
Application Checklist
Uniform Residential Loan App.
Loan Estimate
Sample Purchase Contract
Closing Disclosure
Evaluation & Comment Form

WHEN TO USE

Initial Session
Pre-Occupancy
Pre-Purchase Counseling Session
Initial Session/Return Appointments
Homebuyer Education Certificate
Monthly
As Necessary
As Necessary
As Necessary
Mortgage-ready
Mortgage-ready
Application gage-ready
Mortgage-ready
Closing
As Formal Classes are Completed

Maintenance Operations

Maintenance
Inspections

What is Maintenance?

- Definition
 - Keeping in an existing state
 - Preserving from failure or decline

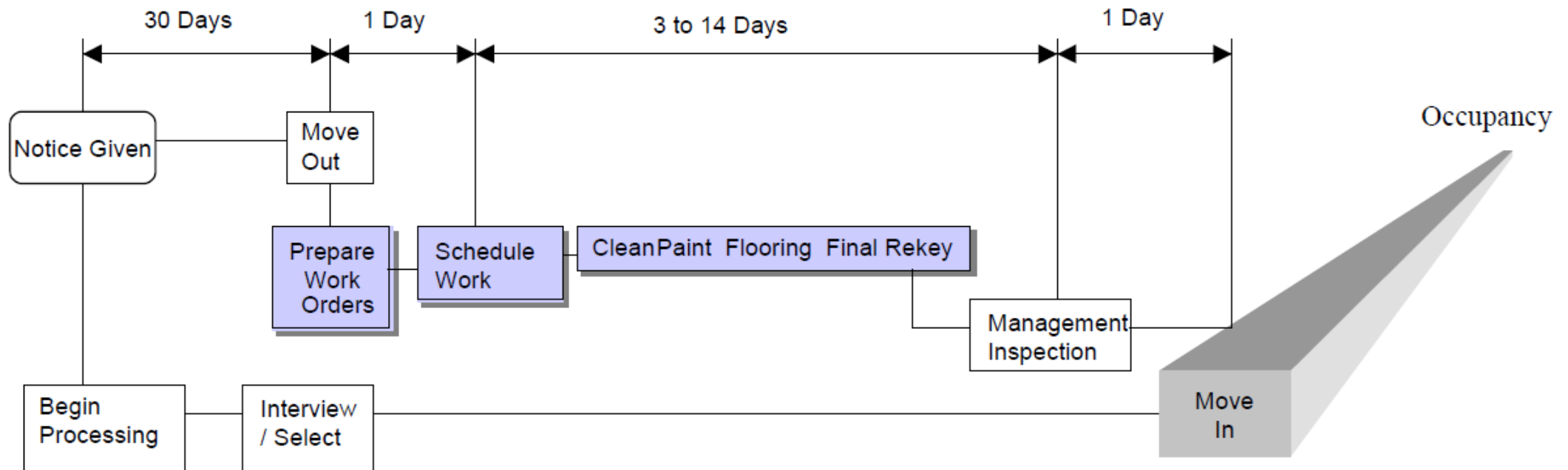
Maintenance Policies



Four important documents that influence your *maintenance management policy*:

- NAHASDA
- Regulations – 24 CFR 1000
- Dwelling Lease
- Program Policy
- Maintenance Policy

UNIT TURNOVER



Policy must Identify Participant Responsibility

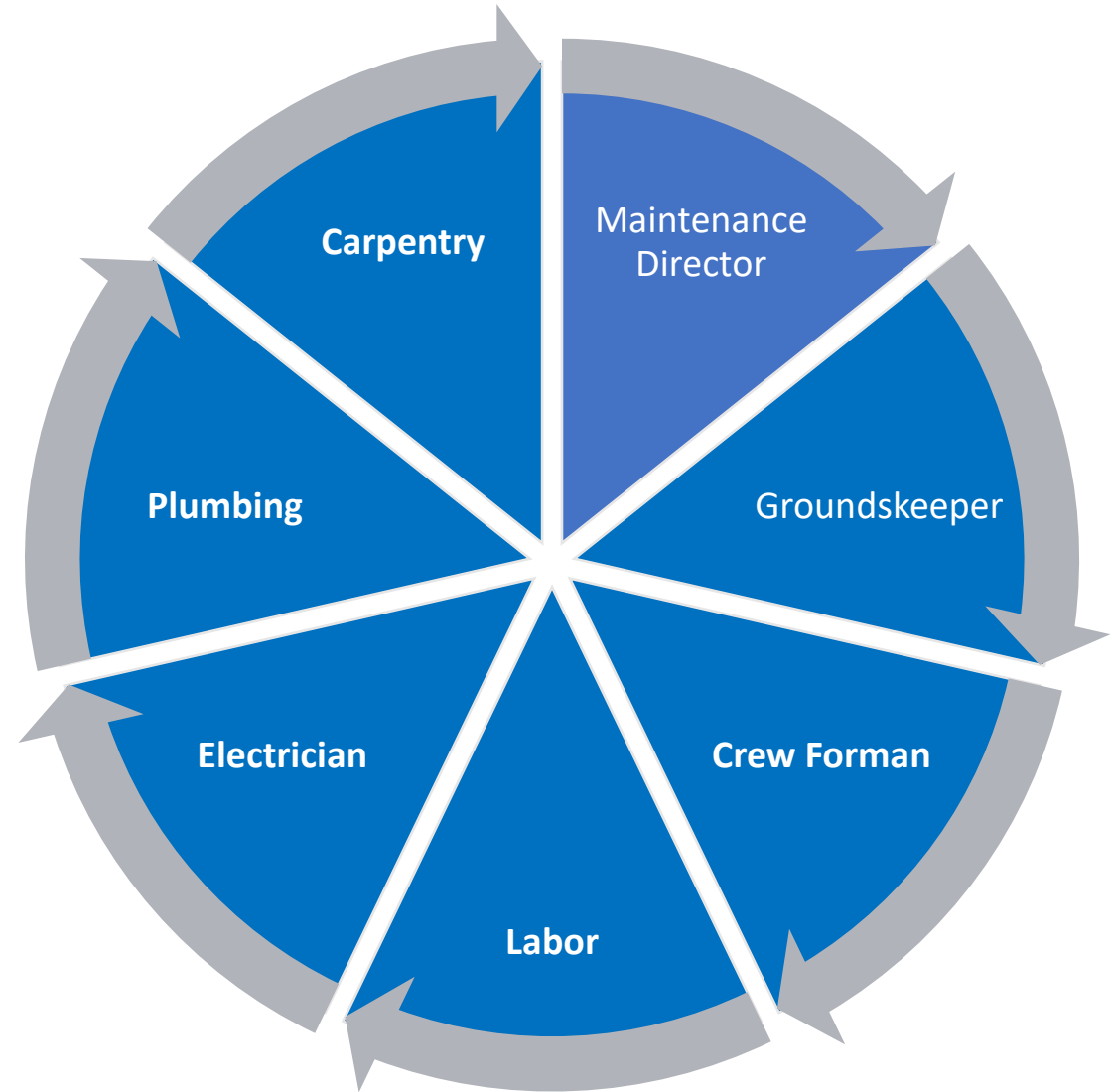
Maintenance Type	Homebuyer		Rentals	
	Family	Recipient	Family	Recipient
Routine Maintenance				
Damages (tenant-caused)				
Normal Wear and Tear				
Non-routine Maintenance				
Safety Issues				
Insurance Claims				
Inspections				

Maintenance Planning

- Compiling a Maintenance Manual
 - Written policies and procedures
 - Delegation of responsibilities
 - Type of maintenance activity and tasks
 - Outlines common problems & solutions
 - Location of as-built drawings
 - Forms, reports, and work orders

Staffing

- Depends on number of units, types, location, property condition, Skilled labor availability



Budgeting Requirements

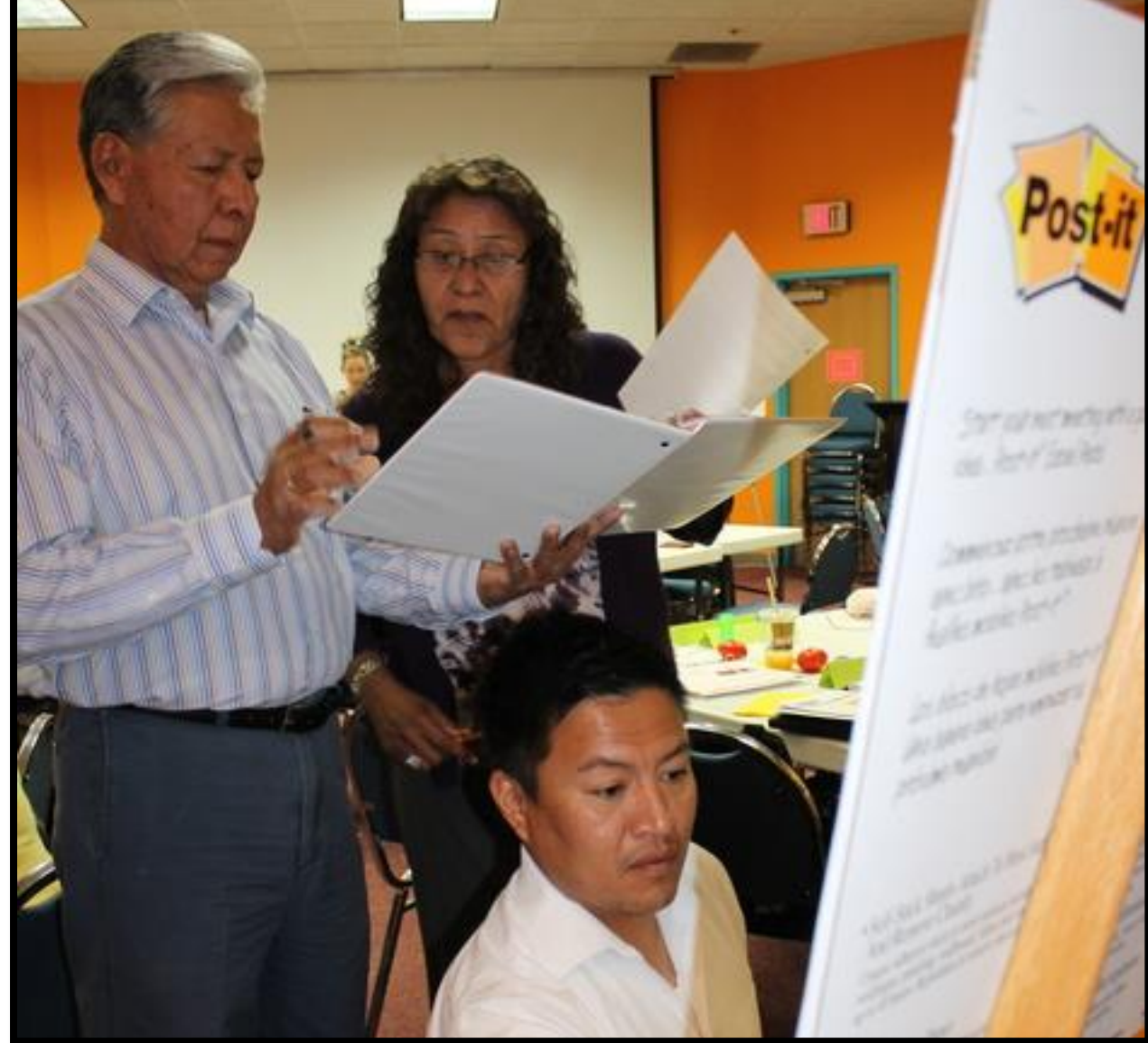
- Itemize by
 - Labor
 - Supplies
 - Contract costs
- Always capture
 - Maintenance type
 - Unit type
 - Program type
- Gather Data
 - Routine
 - Non-routine
 - Tenant damage
 - Capital improvements
 - Preventative
 - Environmental upgrades

Standard Operating Procedures

- Develop appropriate
 - Checklists and forms
 - Job descriptions
 - Subcontractor lists
 - Costs data tracking mechanisms

Purchasing

- Who has authority?
- Purchasing limits w/o approval
- Purchase orders
- Competitive bidding - based on cost, quality, reputation, timeliness, warranties, and guarantees



Inventory* Storage

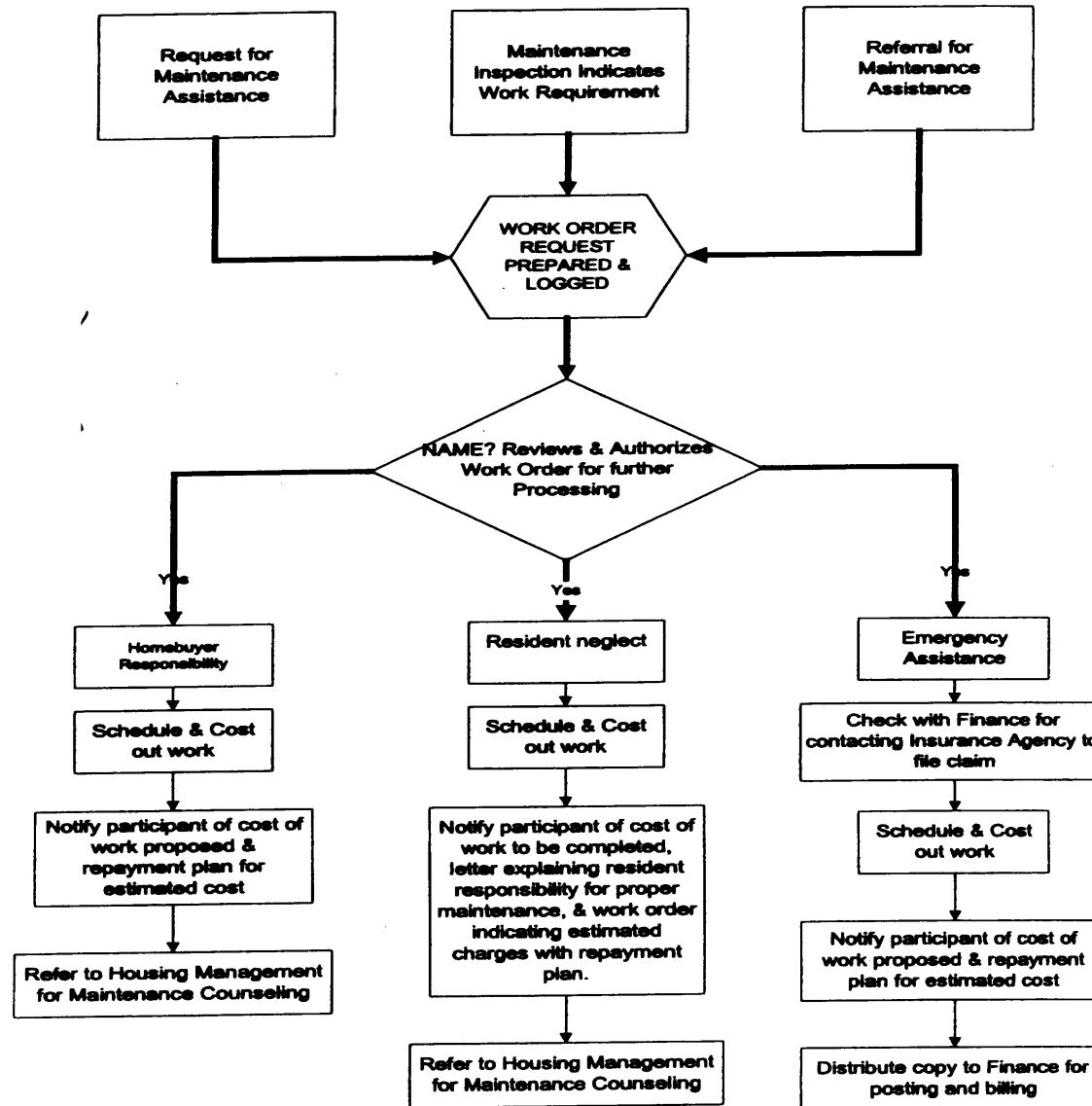
- Convenient location
 - Adequate storage
 - Clean, organized & safe
 - Label any chemicals
 - Limit access
 - Sign-out/security system
 - Use date codes
- *Reconcile each month**

Work Order System

- Code/filing #
- Date of issue
- Date/time of action
- Signature of issuer
- Description of work to be performed or problem to be solved
- Description of equipment necessary
- Charge account #
- Required craft: plumbing, electrical
- Work performed
- Materials used
- Time to complete work
- Date/time start/complete

Work Order Procedures

- Work Order (W.O.) issued
- W.O. received by maintenance dept.
- Maint. Supervisor reviews and clears W.O.
- Maint. Supervisor assigns W.O. to appropriate staff and sets schedule
- Work is completed
- W.O. returned and recorded



WORK ORDER FLOW CHART

Capital Improvements



Create and maintain inventory of appliances, structures, building systems to launch building renewal plan



Prepare schedule of items and cost and update annually

Indicate replacements actually made and those remaining



Project needs and costs over the next 20 year



Calculate renewal costs and schedule



Establish a replacement reserve based on findings



Maintenance Staff
Maintenance Sta

10-20 Year Replacement Plan

	10 YEAR			SCHEDULE REPLACEMENT	20 YEAR		
	YES	NO	PARTIAL		YES	NO	PARTIAL
APPLIANCES	X				X		
DOORS	X				X		
ELECTRICAL			X				X
FLOORING	X				X		
HVAC		X					X
LOCKS			X		X		
PAINT / EXTERIOR	X				X		
PAINT / INTERIOR	X				X		
PLUMBING / FIXTURE	X				X		
ROOFING		X			X		
SIDING		X					X
SMOKE DETECTORS	X				X		
SPRINKLERS			X				X
WINDOW COVERINGS	X				X		
WINDOWS		X					X
FENCES			X		X		
WATER HEATERS		X			X		
GARBAGE DISPOSAL	X				X		
GARAGE DOORS			X		X		
GARAGE DOOR OPENERS	X						
GUTTERS			X		X		
WASHER / DRYERS			X		X		

ACTIVITY: Examine the Reserve Analysis and determine the cost per unit per year.

Group activity

Maintenance Requirements

TYPES

- Preventive
- Corrective
- Routine/Janitorial
- Emergency
- Cosmetic
- Deferred

SCHEDULING

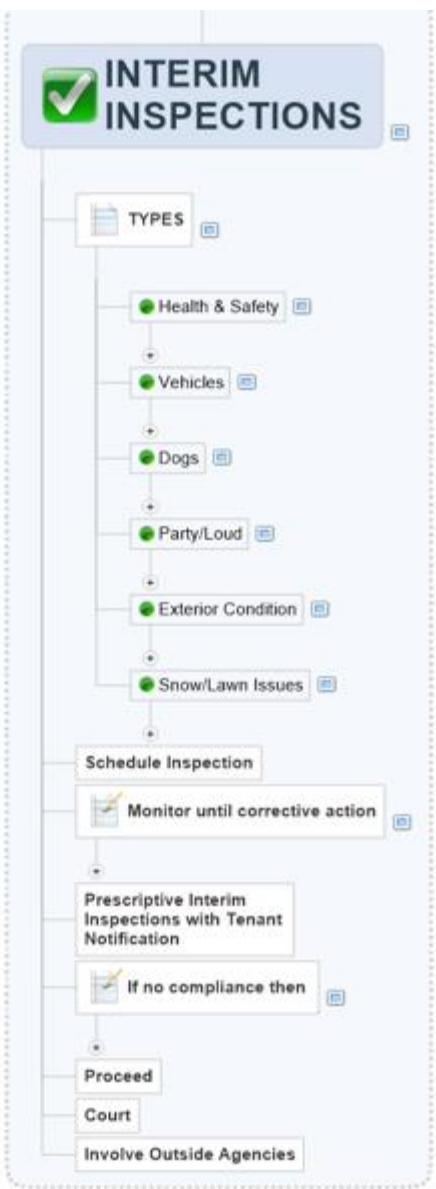
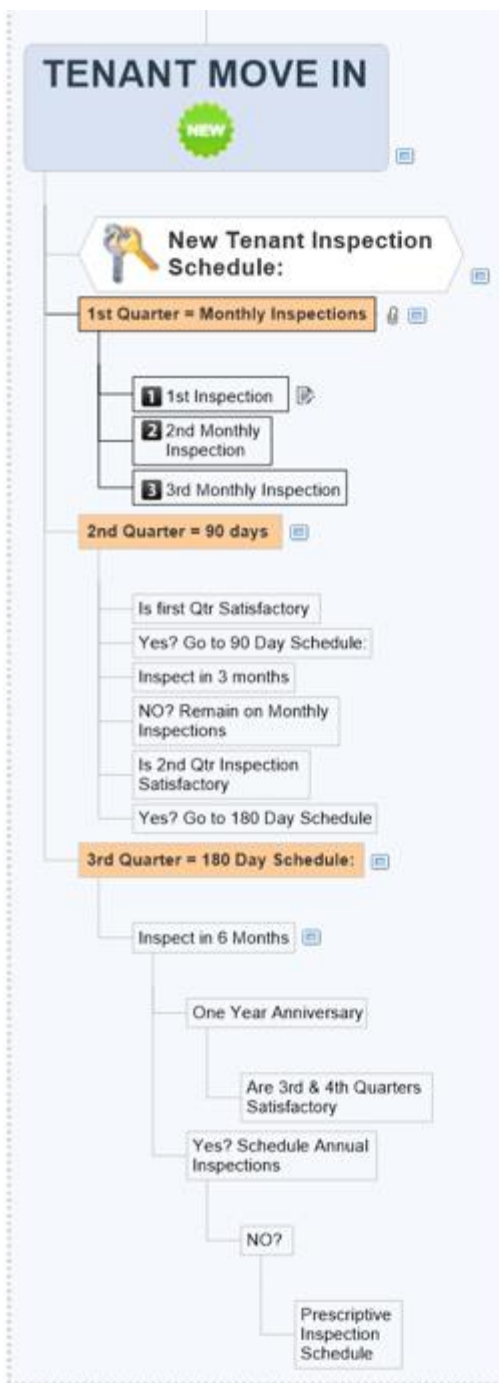
- Preventive maintenance
 - Annual basis, by month
- Routine Maintenance
 - Monthly basis, by week
- Daily Maintenance
 - Schedule work for the next day

Inspections

Poll

When developing a capital improvement plan, what should be considered (select all that apply)?

- a. Whether or not to consider repair costs or replacement costs
- b. The importance of deferred maintenance
- c. Project needs and costs over the next 20 years
- d. Calculating renewal costs and creating a cost schedule



Inspections

- Section 403 (b) compliance
“appropriate level”
- Health and safety issues



- To ensure family is in compliance with their lease or agreement

Property Inspections

- Common areas
- Exterior
- Interior
- Unit
- Curb Appeal

*** Use Standard Forms**

Move-Out Inspection

- Within 24 hours of tenant moving out.
- Move-Out Inspection compared to Move-In Inspection and prior inspections.
- Maintenance Department determines costs for any repairs
 - Tenant damage
 - Wear and tear
 - Upgrades
 - Etc.



Move-In Inspection

- Both recipient & tenant must be present
- Documents condition of unit and acts as a basis for all future inspections
- The move-out inspection is compared to the move-in inspection – tenant is charged for all damage that is beyond normal wear & tear

Move-In Date: _____ Address: _____

Unit Key/Number: _____ Manager/Owner: _____

Move-In Condition Checklist

Area	Good	Fair	Poor	Comments
Living Room				
Walls (paint, holes)				
Floor, carpet				
Ceiling (light, holes)				
Dining Room				
Walls (paint, holes)				
Floor, carpet				
Ceiling (light, holes)				
Kitchen				
Walls (paint, holes)				
Floor, carpet				
Ceiling (light, holes)				
Cabinets, counter-top				
Sinks, Stove				
Refrigerator				

MONTHLY INSPECTIONS



- Each new tenant must commit to having their home inspected on a monthly basis for the first three months. If no tenant damage occurs and the home is maintained in a healthy and safe manner the tenant graduates to having their home inspected every **Three Months**

Exterior Inspection

Date:		Name:		Staff::	
Type :	<input type="checkbox"/> MH	<input type="checkbox"/> LR	<input type="checkbox"/> SR APT.	Location:	Unit #:
Item #	Description	Pass	Deficient	Comments	
1.	Yard is free of debris/trash				
2.	Carport is free of Debris/Trash				
3.	Porch (front and rear) is free from clutter/storage				
4.	Steps are in Proper order and free of trash/debris/storage				
5.	Sidewalks are free from hazards				
6.	Exterior belongings are stacked in a neat and orderly fashion				
7.	Storm Doors are clean with screen in tact				
8.	Siding is clean and free of graffiti/dirt/bugs				
9.	Grass/Yard is properly maintained				
10.	Yard is free of inoperable vehicles and vehicle parts				
11.	No visible evidence of Parking on Lawns				
12.	Windows and window screens are in good condition and in place				
13.	Other				

Annual Inspections

- Once the tenant graduates to annual inspection, they remain on annual inspections unless tenant damage or improper housekeeping is noted.
- If tenant damage or improper housekeeping occurs the tenant will be placed on monthly inspections until the problem is cured.

POLL

1. Which of these is not a reason to track maintenance work orders?

- A. Scheduling work appropriately
- B. Track costs for the APR
- C. Track costs for Total Development Cost
- D. None are reasons to track maintenance work orders
- E. All are reasons to track maintenance work orders

2. Are inspections required for Homeownership units?

- A. Yes
- B. No
- C. Depends on your policy

POLL

3. The Recipient provides a rehab grant of \$15,000, to low-income homeowners. Identify from the following NAHASDA requirement that apply.
- A. Useful life
 - B. Requires the family to have Insurance
 - C. Requires the family to have life Insurance
 - D. A and B**

Risk Management

- Liability - reasonable effort
- Safety - slippery surfaces
- Security - keys, locks, lighting
- Emergency - fire & weather hazards

Collections

The bottom of the slide features two horizontal blue bars. The first bar is a solid blue rectangle extending across the width of the slide. The second bar is a 3D-style blue bar that starts at the right edge of the first bar and extends further to the right, creating a layered effect.

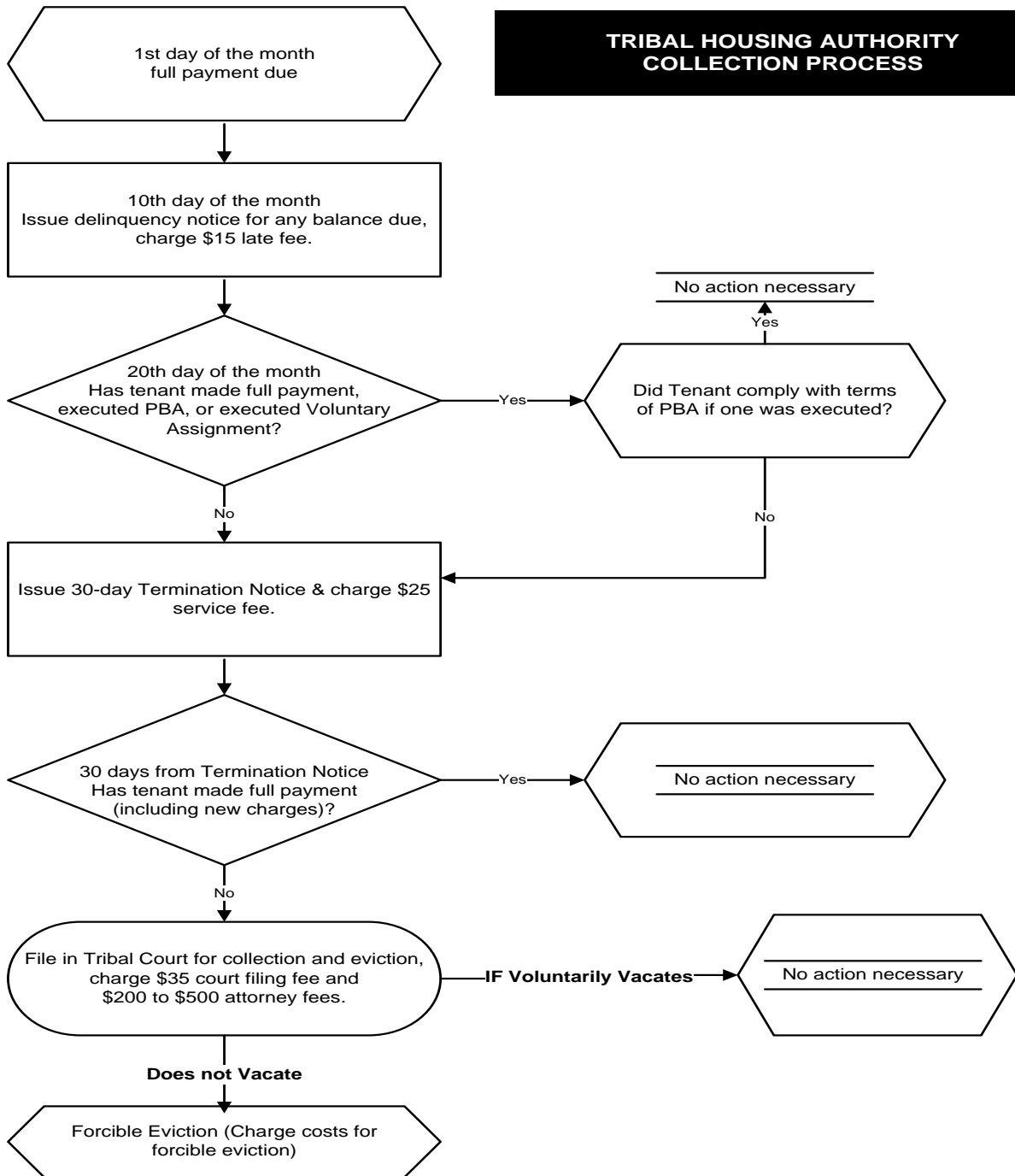
Collection Tips

1. Establish ability and willingness to evict.
2. Match policies with your practices.
3. Follow up.
4. Use receipts and remember to say “thank you.”
5. Recognize a participant of the month – emphasize positive payment history.
6. Aggressively offer job placement services. Promote self-sufficiency.

Collection Tips *cont.*

7. Address the toughest cases in monthly staff meetings.
8. Revisit incentives for prompt payment.
9. Communicate with both spouses and other family members, if appropriate.^{non-Indian}
10. Develop skills in using the appropriate court system.

TRIBAL HOUSING AUTHORITY COLLECTION PROCESS



Collections Recommendations

- Everyone has a role in collections and compliance.
- Everything you do can have an impact on the program's success.
- Make all the efforts for collection and compliance positive and constructive.

Collection Tips



Establish ability and willingness to evict.



Match policies with your practices.



Follow up.



Use receipts and remember to say “thank you.”



Recognize a participant of the month – emphasize positive payment history.



Aggressively offer job placement services. Promote self-sufficiency.

Poll

- What would be a good collection behavior to practice (select all that apply)?
 - Quick-trigger finger on evictions
 - Establishing different policies for collection and evictions
 - Nepotism
 - Being aggressive and intimidating during the collection process
 - Incentivizing positive payments through personal recognition

Managing Mortgage-Driven Lease Purchase

Overview

Purchasing the Home

Overview

Why Lease Purchase?

?

- Helps potential home buyers to save for down payment/closing costs/mortgage and replacement reserve
- Opportunity to train potential home buyers on obligations of homeownership
- Provide homeownership opportunities to nontraditional homebuyers
- *Consistent with tradition of Native families owning their own home*

Lease Purchase Programs

- Gets families on the path to homeownership
- Family rents to own the home
- Family may or may not be responsible for maintenance while renting
- Family has the exclusive right to purchase the home at a certain point in time





Monitoring Mortgage-Driven Lease Purchase

- 20 contracts to monitor
- Housing counseling contact every 30 days
- Option to purchase expiration dates
- Can solve issues of readiness to buy
- Does not solve insufficient income

ACTIVITY: Identify Areas to be Monitored

- Established maximum 36-month lease to own period
- 20 applicants entered into Client Action Plan (CAP) establishing
 - Date of option exercise
 - Dates for payment of judgments, collections
 - Dates for retirement of debt
 - Credit improvement goals
 - Annual review of credit
 - Savings goals
 - Collections
 - Insurance
 - Budget changes
 - Unanticipated issues
 - Voluntary or involuntary terminations
 - Inspections
 - Maintenance
 - One-on-one housing counseling hours

Use and Occupancy Agreement

AKA Lease

Term is the length of the Client
Action Plan

Address same things as a rental
lease

- Grounds for termination
- Minimum rent (can be debt payment plus admin or management fee)
- Inspections

Use and Occupancy Agreement

- Hybrid of renting and owning
- Maintenance typically by the tenant at own cost
 - But owner can step in to repair and charge the tenant if left unaddressed
- No alterations, paint w/out consent of owner
- All utilities paid by tenant
- Fire & property insurance by owner
- Tenant has NO EQUITY from paying rent

Restrictions

- Cannot sublease, sell, or convey option to purchase to anyone
- Can allow succession to a family member in the case of death or incapacity
 - Successor must meet the qualifications of the program
- A set lease option period is established in the lease

Option to Purchase Expires

- The option expires at the end of the lease period if they have not obtained financing
- The rental lease is automatically terminated at the end of the lease period
 - Means they are supposed to move out
 - Takes political will and strong policies
 - Allows someone else to move in, try for lease purchase, or buy

Policy & Procedures Identifying . . .

Qualification

Homebuyer education & Client Action Plan requirements

Homebuyer responsibilities

Termination of Option

Termination of Occupancy Agreement (lease)

Documents required

Useful life requirements

Purchase Price

Exercise of option

Homebuyer Education

Won't be successful without a strong homebuyer education program

Families need support to repair credit, get mortgage-ready

Make participation mandatory to continue in the program

May give credit against purchase price for hours spent in homebuyer education

Client Action Plan

Assesses mortgage readiness

Outlines steps to

- Overcoming obstacles to mortgage readiness
- One-on-one counseling requirements
- Tracking personal finances
- Saving for housing goals

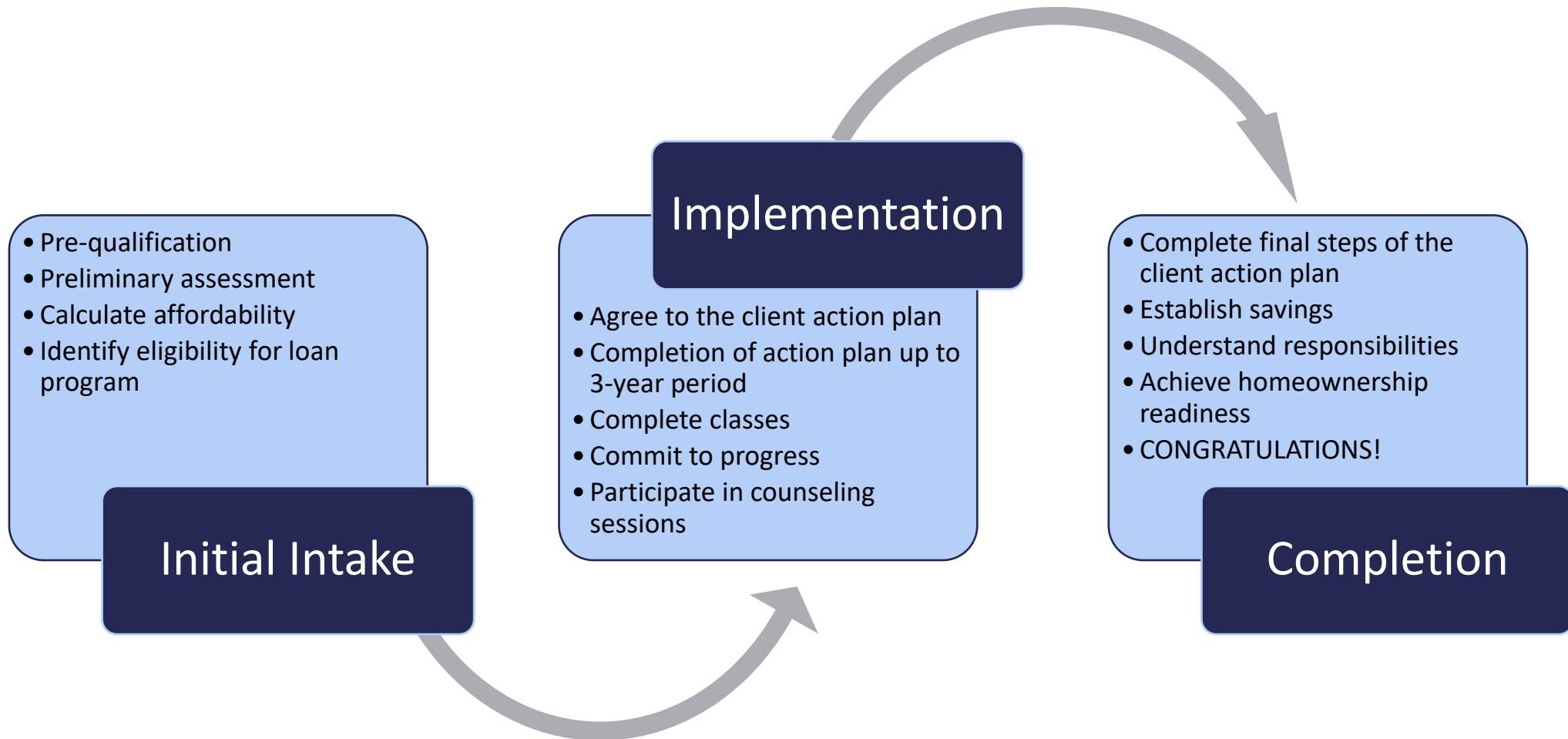
Projects date of mortgage readiness

Failure to comply is grounds for termination of the lease agreement and a notice to vacate

Sample Client Action Plan (CAP)

FILE #: 000HUD123	COUNSELOR: Rebecca	CLIENT NAME: Cheyenne
DATE: January 10, 2018		PURPOSE OF VISIT: Financial Counseling
HOUSING GOALS:		
<ol style="list-style-type: none"> 1. Pay off debt in six months 2. Save for a down payment to buy a house in about a year 		
OBSTACLES:		
<ol style="list-style-type: none"> 1. No savings 2. No money left in budget to contribute to down payment fund 3. Credit card debt 		
FINANCIAL SNAPSHOT:		INCOME SUMMARY:
Current Credit Score	---	• Full Time Employment
Current Savings	\$0	• Part Time
Gross Monthly Income (GMI)	\$2,500	• Employment
Net Monthly Income	\$2,000	• Self-Employment
Current Monthly Expenses	\$1,975	• Child Support
Monthly Debt Obligations	\$358	• Spouse/Partner Employ
Discretionary Income Left Over	\$25	• Pension
Current Mortgage/Rent	\$150	• Retirement/Soc Sec
Housing Ratio	7.5%	• Other
Debt-to-Income Ratio	25.4%	
Housing & Transportation Ratio (renters)	35%	
COUNSELORS ACTIONS/TASKS AND TIME FRAMES:		
<ol style="list-style-type: none"> 1. Follow up with Cheyenne to review progress (by February) 		
CLIENT ACTIONS/TASKS AND TIME FRAMES:		
<ol style="list-style-type: none"> 1. Make budget adjustments to save an additional \$300/month, using strategies to increase income and reduce spending (beginning immediately) 2. Save tax refund toward fund for down payment (by April) 3. Pay down \$300 of credit card debt (by July) 4. Save \$5,000 for 5% down payment on \$100,000 home (by January 2019) 		
REFERRALS: 1. Financial Management course – 800-123-SAVE		
NEXT APPOINTMENT:		
CLIENT SIGNATURE: <i>Cheyenne</i>	DATE: January 10, 2018	
COUSELOR SIGNATURE: <i>Rebecca</i>	DATE: January 10, 2018	

Client Action Plan Process



◆ **RATIOS** (Remember: divide annual income by 12)

A.	\$ 28,000	÷	12	=	\$ 2,333.33	1
	<i>Annual Income</i>				Monthly Income	
B.	\$ 2,333	X	15%	=	\$ 350.00	2
	<i>Mo. Income</i>		<i>Housing Ratio</i>		Allowable Mo. Housing Cost	
C.	\$ 2,333	X	41%	=	\$ 956.67	3
	<i>Mo. Income</i>		<i>Housing Ratio</i>		Allowable Mo. Recurring Debt	
Total Monthly Debt Payments						
D.	\$ -		<i>Debt Load</i>	=	\$ -	4
					Debt Load	
E.	Subtract Line 4 from Line 3			=	\$ 956.67	5
					Available for Mo. PITI Cost	

◆ **Maximum Monthly Mortgage Payment Allowed**

F.	Enter the LESSER amount from Line 2 or 5 . if not debt load, enter 6 + difference between 6 and max house payment coverage	=	\$350.00	6
-----------	---	---	----------	----------

◆ **Escrows**

G.	Enter amount if applicable on Line 7 .	=	\$50.00	7
			<i>Taxes and Insurance</i>	

Sample Down Payment Assistance Program

Sample Cullowhee Down Payment Assistance Program

Affordable Homeownership Assistance Program	
Program Description ①	<ul style="list-style-type: none"> • \$10,000 of mortgage assistance in the form of a 0% interest rate soft second mortgage ② • Payment is forgivable 20% each year for five years • The prorated balance is due if property is sold, refinanced, foreclosed, not owner-occupied, or title transfers within five years
Borrower Eligibility	<ul style="list-style-type: none"> • Must be a first-time homebuyer • Borrower must occupy property as primary residence • Credit score above 620 ③ • Household income cannot exceed 100% of the National Median Income Limits adjusted for family size
Buyer's Maximum Annual Household Income Adjusted for Household Size ④	1 \$57,520
	2 \$64,710
	3 \$71,900

Sample Down Payment Assistance Program

Property Eligibility 5	<ul style="list-style-type: none">• Must be within the tribe's Indian area• Maximum purchase price on new or existing home is based on the loan product limits• Must be single-family detached home, new manufactured home on permanent foundation• Must be owner-occupied primary residence
Homebuyer Education and Housing Counseling Requirements 6	<ul style="list-style-type: none">• Must attend an eight-hour homebuyer education class conducted TDHE or a HUD-approved counseling agency prior to closing• Must complete one-on-one counseling as determined by the tribal housing entity or a HUD-approved housing counseling agency
First Mortgage Requirements	<ul style="list-style-type: none">• Must have mortgage pre-approval from a participating program lender• Must be a conventional, FHA, or VA 30-year fixed rate loan

Case Study: Cindy Credit

Cindy earns \$32,000 (net) a year. Her regular monthly expenses for rent, food, and utilities total approximately \$2,000. Her current monthly debt payments are her car at \$400 and Visa at \$25. She has several delinquent accounts according to her credit report that's listed on the next slide.

	Creditor	Amount Past Due	Status	Balance
	Cell Phone	\$300	Collection Account	\$300
	Judgement	\$5,000	Not Satisfied	\$5,000
	Student Loan	\$7,500	Collection Account	\$7,500
	Department Store Credit Card	\$150	30 Days Past Due	\$150
	Master Card	\$150	90 Days Past Due	\$150

Poll

If a lessee fails to exercise the option to purchase, the lease is typically _____ when the option is not exercised.

- a. Recertified
- b. Ratified
- c. Terminated
- d. An Afterthought
- e. None of the above

Purchasing the Home





Initiating the Purchase

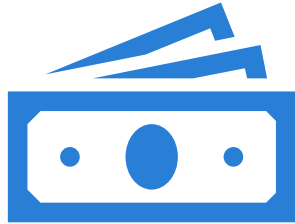
- Staff initiates as option period approaches purchase date
- Meets with homebuyer, reviews process, and ensures Client Action Plan completion
- Checks credit
- Checks amount for down payment
- Identifies principal, interest, taxes, and insurance using current rates
- Reviews replacement reserve and (if required) mortgage reserve
- Reviews administrative fee/management fee
- Reviews maintenance/repairs/utilities responsibilities and approximate costs
- Reviews budget



Steps: Sell Property

1. Purchase and Sale Agreement with Board Resolution identify terms for purchase and closing, describe property
2. Board resolution to authorize conveyance contingent upon closing
3. Tribal Council resolution authorizing a fifty (50) year Section 184 Loan Guaranty Residential Lease with borrowers, cancels lease with TDHE, authorizes BIA to execute new lease.
4. Tribal Council executes Section 184 lease to be executed simultaneously with Step 3.
5. Certificate of Approval from TDHE regarding conveyance
6. Cancellation of TDHE interest in lease to be signed at closing (tribe signs at closing or shortly after closing)
7. Bill of Sale signed and dated at closing

Sale Proceeds



Upon sale, the proceeds flow to the seller



Use depends on how seller financed the development

Pay down the Tribal 184 loan

Pay down any other debt used to build

If IHBG, then is program income

ACTIVITY: How Will You Monitor Sales Proceeds?

	Mortgage Readiness Range	# of Applicants	Projected FY
1	0 to 1 month (immediate)	7	2005
2	2 to 6 months	2	2005
3	7 to 12 months	7	2006
4	13 to 24 months	9	2007
5	25 to 30 months	0	2008
6	31 to 36 months	3	2008
TOTAL		28	5 Years**

ACTIVITY: Calculate Sale Proceeds

- Identify the gross proceeds to be realized assuming the following:

Home Cost	NPTHA Buy Down	# of Applicants	FY Purchase
\$144,000	\$44,000	7	2020
\$128,500	\$28,000	3	2021
\$144,000	\$44,000	7	2022
\$104,000	\$25,000	3	2023

2. Determine Net Proceeds by subtracting the total Buy Down assistance from the total gross Proceeds.

Is There More to Monitor???

- Oh, yes. When multiple funds are involved, you need to:
 - Submit reports
 - Monitor for program compliance
 - Compliance issues have different terms for different funds
 - Provide post-purchase counseling to
 - Prevent foreclosure
 - Avoid or resolve difficult situations

Post-Purchase Counseling Capacity

- Maintenance /repairs one-on-one or group counseling
- Need staff to conduct post-purchase counseling credit counseling
- Foreclosure prevention intervention



Post-Purchase Education Aims to . . .

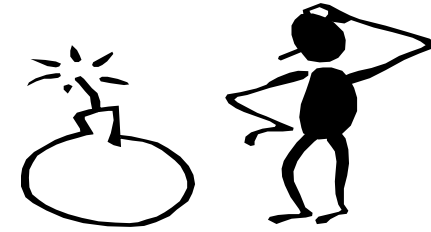
- Help Native homeowners enhance and build on the money management skills they learned in their pre-purchase homebuyer education courses so they can:
 - Re-set goals
 - Build and protect their financial investment and equity
 - Build necessary savings
 - Budget for homeownership
 - Build and protect credit
 - Maintain insurance
 - Avoid scams, predatory lending
 - Avoid foreclosure
 - Manage recordkeeping

Financial Capacity/\$



- Down payment and closing costs to purchase properties
- Subsidies to make properties affordable to target market of homebuyers
- Unrestricted cash balance to cover market changes or rent losses
 - Defined by Fannie Mae to be greater of 10% of PITI for portfolio mortgages for 6 months or total PITI for the largest mortgage for a minimum of six months
- Plan to remarket or improve/market/convert to rental - those properties that initial renters do not purchase

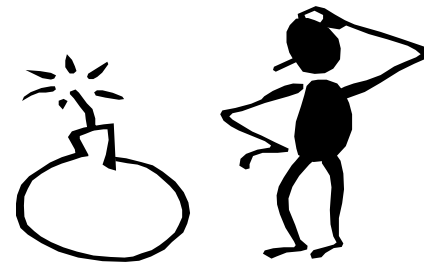
Biggest Risks.....




- Delinquent rent payments
 - Remember, if there are two or more rent payment delinquencies, could prevent lender's willingness to permit tenant assumption of loan
- Insufficient market
 - Customers - limited customer base - good credit homebuyers with insufficient dp/cc/rr
- Lack of familiarity with mortgage financing
 - Remember, mortgage payments do not fluctuate like low-rent programs. BE SURE FAMILIES ARE PREPARED.

Biggest Risks....

- Will the families actually buy the house?
 - The lower the income and the less required up-front, the higher the risks (e.g.. loss of income, lack of incentive to stay)
 - Tenant does not meet required training/ maintenance obligations/sweat equity requirements
 - Experience of existing programs - longer the lease period the higher the risk
- Political climate





Is There Still More to Monitor???

- Oh, yes. You aren't done yet!!!!
- You need to monitor "Useful Life" requirements if
 - You provided down payment assistance with NAHASDA funds
 - What are the terms?
 - When are the terms satisfied?????
 - Another funder provided assistance, you need to monitor
 - Funders' compliance requirements

Financial Planning

Budgeting for Performance

Objectives

Be	By the end of this training, you will be able to:
Discuss	Discuss a chart of accounts
Describe	Describe the components of an operating budget
Interpret	Interpret a pro-forma to determine net operating income (NOI)
Define	Define financial standards
Identify	Identify options for setting rents

Operating Pro Formas

Chart of Accounts structure

Determining a suitable rent structure

Determining operating expenses & reserves

Determining supportable debt

Whether rental or operating subsidy is needed

Long term projections

Chart of Accounts

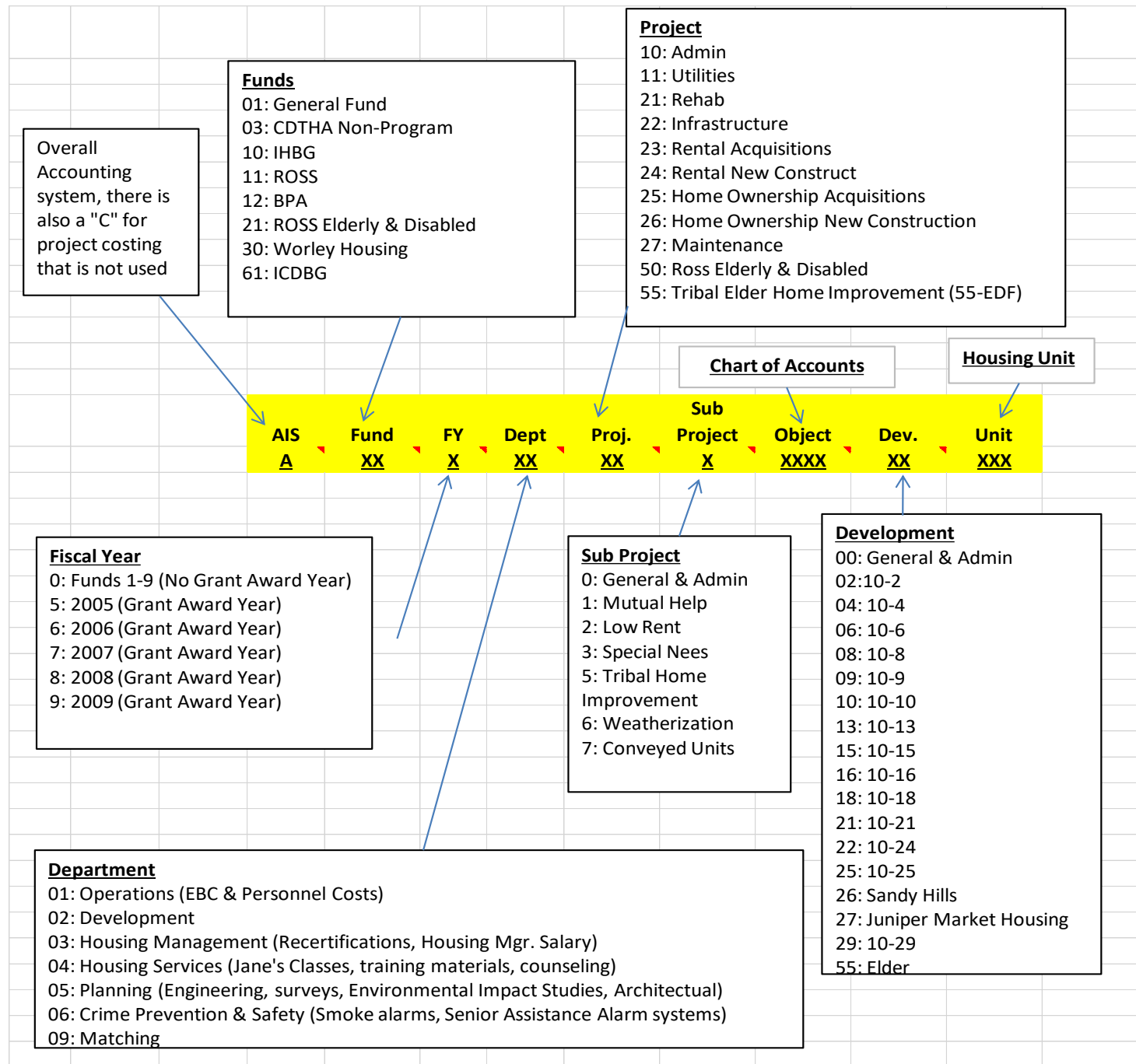
Lists all of the accounts that are tracked in the general ledger.

Determine what the required business accounts will be and then define.

Once you have defined your accounts, then you should assign each account a numeric code.

Numeric codes help you to identify the account.

SAMPLE



Operating Budget

Project Operating Budget and Tracking

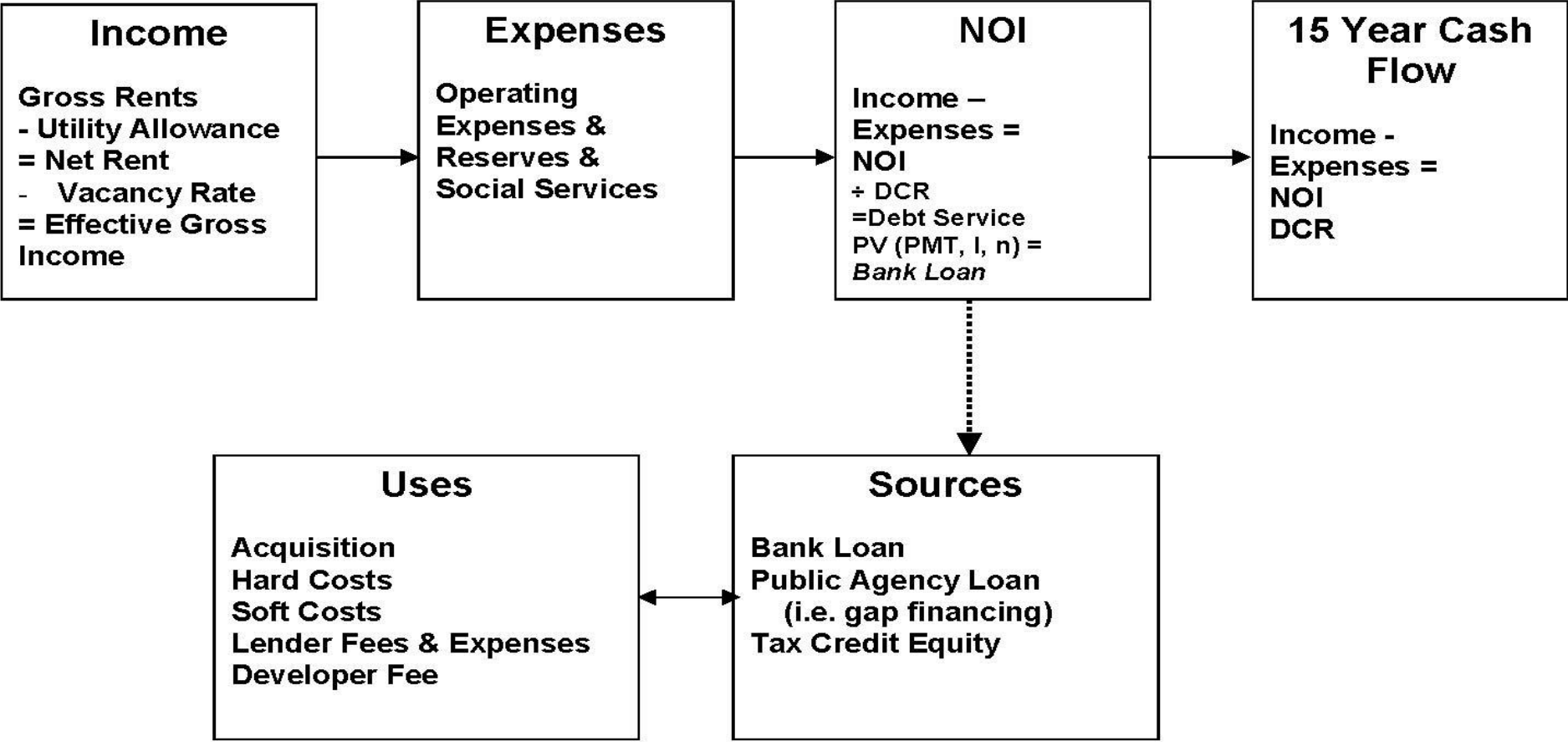
- For rental or lease to own projects
- Wise to budget and track separately
 - Each project will have its own trends
 - New housing will have different costs than old
- If using outside funding such as LIHTC or loans, then MUST budget and track separately
 - Funder requirements for costs, reserves
 - Required reporting on income & expense
 - If debt, report on Debt Coverage Ratio



Key Aspects of a Project Operating Budget

- The key aspects of an affordable housing operating budget are:
 - Affordable rents
 - Revenues
 - Operating expenses
 - Debt payments
 - Rental assistance or subsidy

Rental Proforma Map





Income

Income:

- **Rents** (paid by tenants)
- **Other income** (laundry, parking, commercial, etc.)

Gross Potential Rent (GPR)

- Rent that *would be* collected if
 - All units are rented and
 - All residents pay their rent

Effective Gross Income (EGI)

- $GPR + \text{other income} - \text{uncollected rent}$



Organizing Operating Budgets – How Much Does It Cost to Operate???

- Costs to run your entire organization
 - May be multiple activities/projects
 - May be charged to multiple funding sources or cost centers
 - Fund accounting

ACTIVITY: List Typical Operating Expenses for a Rental Project. Consider the following:

- What administrative and maintenance staff is needed to run the property?
- Do you have realistic expense comparisons to like properties, especially in the category of utilities?
- What is the real cost of annual administration and maintenance contracts after the first year?

Common Operating Expenses

Management Staff

- Admissions and occupancy
- Accounting
- Asset management
- Oversight of the above

May be your own staff with time allocated to the project

May all be encompassed in a management fee to a management company

Reserves for Replacement

Replacement reserves, also known as capital reserves are for replacing project systems at the end of useful life

- Carpet, flooring, water heaters, HVAC units, appliances, exterior paint, roofing

Not for routine maintenance or single-unit replacements

Meant to cover all capital needs for 30 years or more

Reserves for Replacement

- Deposits made monthly, quarterly or annually
- Commonly \$250 per unit per year (PUPY) to \$300 PUPY for new construction
- Higher, or based on Capital Needs Assessment for rehab projects
- It is wise to increase the deposits by 3% per year
- Build up over time so the funds are available when needed.

ACTIVITY:
Examine
operating
expenses.
There is a total
of 45 Units

Property Operating Expenses			
Annual Op Expense - EOY 2012	Bldg 1	Bldg 2	Totals
Advertising PR	\$ 1,109.60	\$ 48.00	\$ 1,157.60
Appliances - New	\$ 1,017.34	\$ 1,156.97	\$ 2,174.31
Appliances - Used	\$ -	\$ 433.22	\$ 433.22
Bank Charges	\$ 90.00	\$ 281.25	\$ 371.25
Cleaning Vacant Unit	\$ 1,269.00	\$ 944.50	\$ 2,213.50
Carpet Cleaning	\$ 623.00	\$ 930.00	\$ 1,553.00
Carpet New	\$ 1,580.42	\$ -	\$ 1,580.42
Cleaning Supplies	\$ -	\$ 124.50	\$ 124.50
Drain Cleaning	\$ 147.00	\$ 95.00	\$ 242.00
Boiler	\$ 24.50	\$ 512.07	\$ 536.57
Elevator	\$ 2,100.09	\$ 2,429.36	\$ 4,529.45
Physical Eviction Cost	\$ 161.50	\$ 197.00	\$ 358.50
Fire Protection	\$ 34.16	\$ -	\$ 34.16
Ins - Fire & Extend Cov	\$ 1,488.20	\$ 5,740.50	\$ 7,228.70
Landscaping	\$ 412.02	\$ 360.02	\$ 772.04
Leasing Fees	\$ 225.00	\$ 150.00	\$ 375.00
Legal	\$ 1,031.00	\$ 1,000.00	\$ 2,031.00
Licenses, Fee, Permits	\$ -	\$ 50.00	\$ 50.00
Lock service	\$ 322.00	\$ 319.50	\$ 641.50
Maintenance	\$ 385.50	\$ 844.00	\$ 1,229.50
Maintenance Supplies	\$ 3,908.37	\$ 8,987.35	\$ 12,895.72
Make Ready Maintenance	\$ 4,441.50	\$ 2,064.50	\$ 6,506.00
Management Fees	\$ 4,857.03	\$ 7,442.13	\$ 12,299.16
Misc Expense	\$ 29.89	\$ -	\$ 29.89
Painting Labor	\$ 875.00	\$ 1,750.00	\$ 2,625.00
Pest Control	\$ 1,377.00	\$ 1,822.00	\$ 3,199.00
Parking Lot	\$ -	\$ 1,569.02	\$ 1,569.02
Resident Manager	\$ 1,968.49	\$ 1,900.00	\$ 3,868.49
Payroll Tax Escrow	\$ 256.90	\$ 325.41	\$ 582.31
Repair - Appliance	\$ 164.00	\$ 293.50	\$ 457.50
Repair - Electrical	\$ 265.50	\$ 68.50	\$ 334.00
Repair - Plumbing	\$ 2,454.50	\$ 2,329.00	\$ 4,783.50
Repair - General	\$ 1,135.00	\$ 561.50	\$ 1,696.50
Repair - Dry Wall	\$ 36.50	\$ 300.00	\$ 336.50
Repair - Heating	\$ 522.88	\$ 1,038.00	\$ 1,560.88
Screens/Blinds	\$ 446.50	\$ 38.01	\$ 484.51
Sewer/Wastewater	\$ 46.50	\$ 24.50	\$ 71.00
Snow Removal	\$ 172.75	\$ 280.63	\$ 453.38
Tax - Pers Prop	\$ 4,822.86	\$ 84.05	\$ 15,727.30
Property Taxes	\$ 4,611.86	\$ 6,208.53	\$ 10,820.39
Telephone DSL	\$ -	\$ 480.00	\$ 480.00
Trash Removal	\$ 3,569.60	\$ 4,229.61	\$ 7,799.21
Travel	\$ 35.50	\$ -	\$ 35.50
Utilities - apartments	\$ 2,840.39	\$ 6,517.31	\$ 9,357.70
Utilities	\$ 9,615.38	\$ 11,707.95	\$ 21,323.33
Water	\$ 3,381.20	\$ 5,240.06	\$ 8,621.26
Window Replacement	\$ 242.44	\$ 84.95	\$ 327.39
Window Coverings	\$ 68.50	\$ 35.50	\$ 104.00
Total Annual Expenses	\$ 64,166.37	\$ 80,997.90	\$ 140,634.82

HANDOUT

Determining Net Operating Income

$$\begin{aligned} & \text{Effective Gross Income} \\ & \quad - \underline{\text{Operating Expenses}} \\ & = \text{Net Operating Income (NOI)} \end{aligned}$$

NOI Also Has To Cover ...

- Debt service – the cost of borrowing money
 - The loan's **interest rate** and **term** affect monthly debt payments
 - Debt payments include **principal** and **interest**

$$\begin{aligned} & \text{Net Operating Income} \\ - & \text{ Maximum Debt Payment} \\ & = \text{Cash Flow} \end{aligned}$$

Uses of Cash Flow

- Cash flow is what's left after paying all operating expenses, reserves, and debt payments
- Also known as program income in NAHASDA funded housing



Uses of Net Operating Income

$$\begin{aligned} & \text{Net Operating Income} \\ & \div \text{Debt Coverage Ratio} \\ & = \text{Maximum Debt Payment} \end{aligned}$$

and

$$\begin{aligned} & \text{Net Operating Income} \\ & - \text{Maximum Debt Payment} \\ & = \text{Cash Flow} \end{aligned}$$

Lease-up Vs. Stabilized Operating Budget (abbreviated example)

	Lease-Up	Stabilized
Gross Potential Rent	\$ 180,000	\$ 180,000
Rent Loss	\$ (45,000)	\$ (12,600)
Other Income	\$ 900	\$ 1,800
Effective Gross Income	\$ 135,900	\$ 169,200
<u>Operating Costs</u>	\$ (100,000)	\$ (111,402)
NOI	\$ 35,900	\$ 57,798
Debt Service	\$ (50,259)	\$ (50,259)
Asset Management	\$ -	\$ (3,000)
Cash-Flow	\$ (14,359)	\$ 4,539

Trending & Sustainability

- Expenses should trend at general inflation, or perhaps a bit higher
- Rents should trend below general inflation
- Rent trending assumptions should be reasonable in light of recent trends in rents, AMIs, and FMRs

Rent Loss

- Adjust GPR due to:
 - Vacancy - look at current market & ten-year variation
 - Concessions
 - Bad Debt

Line Items That Can Blow Projections

- Staffing Decisions:
 - Adequate staffing patterns and adequate salaries and benefits
 - Skill levels
 - Providing social services
- Maintenance:
 - Cost of repairs due to poor construction or rehab materials used
- Legal:
 - Cost of eviction
 - Alternatives to eviction

Line Items that can Blow Projections

Utilities

- Building style
- Interior space to be lighted, heated, ventilated
- Landscaping
- Utilities paid by owner

Insurance and Taxes

- Special assessments
- Property insurance costs

Debt Coverage Ratio

- Debt Coverage Ratio (DCR) is the ratio of Net Operating Income (NOI) to the required debt payment.
- Provides the lender with a cushion in case income decreases, or expenses increase
- Conventional lenders set minimum DCR requirements, typically 1.15 to 1.20

DCR Example

- The project's annual Net Operating Income is \$50,000. The lender's required debt service coverage is 1.20. What is the maximum annual loan payment?

$$\$50,000 \div 1.20 = \$41,666.67$$

- How much cash flow is there annually? $\$50,000 - \$41,666 = \$8,333$
- How much cash flow per month? $\$8,333 \div 12 = \694

Looking Forward

Proformas for Planning

Looking Forward

- Usually 15 to 30 year pro forma period
- Need to trend income & expenses based on best estimate of actual growth
- Ensure:
 - Income is sufficient
 - Margin of safety
 - Project stays in balance
 - Plan for balloon payments
 - Reserves are adequate

Long Term Projections

Make projections forward

- 15 years
- 30 years
- 50 or 55 years for LIHTC in some states

Build in trends

- Common to assume 2% rent increase
- Common to assume 3% expense increase

Sustainability: Key Challenges

- **Can the property survive moderate “income shocks”?**
 - For example, 3% additional rent loss
- **Can the property survive moderate “expense shocks”?**
 - For example, a 7%-10% increase in operating expenses
- **Will the property be able to self-fund its long-term capital needs?**
 - From some combination of reserves, cash flow, and refinancing

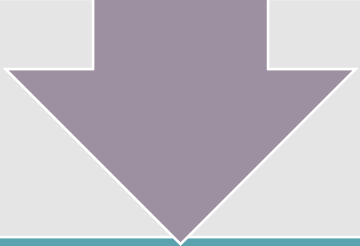
Rental Assistance

- Use IHBG funds to pay the difference between the pro forma rent and the family's TTP
- May be useful approach if the rent is set high enough to cover the operating expenses, and most families can't afford that rent
 - Then rental assistance just goes to the few families who have lower income, or whose income drops
- If using LIHTC, investor will likely require a 15-year contract for IHBG rental assistance

Operating Support

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Use IHBG funds to cover any costs to operate the property that are not covered by the rents



May be useful when it is clear rents will not cover operating expenses

Because all families make too little

Because maximum rents set by the board are low

Setting Rents

The slide features a dark blue background. The title 'Setting Rents' is centered in the upper half in a white, sans-serif font. Below the title, there are two horizontal blue bars. The first bar is a solid medium blue rectangle. The second bar is a slightly lighter blue rectangle that starts to the right of the first bar's end and extends to the right edge of the slide, creating a layered effect.

Rent Setting Considerations

- What is the potential rental income?
- How is it restricted by regulatory agreements from funders?
- What can applicants afford?
- What is the expected vacancy or turnover?
- What is the expected rent loss?
- What is the impact of rent increases on residents?

NAHASDA Rent Requirements

- Rent is calculated based on a maximum of 30% of a family's adjusted gross income
- Known as TTP or total tenant payment
- TDHE's can choose to use a lower percentage

$$\begin{aligned} &\text{Adjusted Household Income} \\ &\quad \times \underline{30\% \text{ (or .30)}} \\ &= \text{Affordable Rent} \end{aligned}$$

NAHASDA Rent Requirements Example

- The Diesel family has an adjusted gross income of \$19,600
- If they rent a house funded with IHBG, how much is the maximum rent they can pay?

$$\$19,600 / 12 = \$1,633.33 \times .3 = \$490.$$

Key aspects: Affordable Housing Pro-forma

- Affordable rents
- Revenues
- Operating expenses & reserves
- Debt Coverage Ratio, Loan to Value, and Supportable Debt
- Trending and long-term performance
- Development costs
- Subsidies to fill the gap

Note: When NOI is negative, the Recipient needs to subsidize the project.



ACTIVITY: Examine Operating Projections.

ANY TRIBAL HOUSING AUTHORITY (ATHA) 20 LOW-RENT UNITS - CASH FLOW ONE YEAR PROJECTION

Sl. No.		
	GROSS INCOME (REVENUE)	
1	Rental Income (\$350*20*12) (based on 30% of \$27,000 with utility allowance of \$250 per month)	\$84,000
2	Vacancy Loss @ 5%	-\$4,200
3	Collection Loss	\$0
4	SUBTOTAL RENTAL INCOME	\$79,800
5	Other income	\$1,200
6	EFFECTIVE GROSS INCOME (EGI)	\$81,000
	ESTIMATED ANNUAL OPERATING EXPENSES:	Yr 1 2018
7	Water (Contractor says \$290/mo for water & sewer)	\$100
8	Landscaping (\$400/mo. all lawn) (if bushes -\$100/mo.)	\$4,800
9	Electric (common areas \$300/mo)	\$3,600
10	Solid Waste Disposal	
11	Insurance	
12	Pest Control	
13	Administrative & Cou	
14	Routine/Preventive B	
15	Annual Compliance A	
16	Collection Loss	
17	Reserve (\$150/UNIT X 12 months)	\$36,000
18	TOTAL ANNUAL OPERATING EXPENSES	\$91,740
19	EXPENSES PER UNIT	\$4,587
20	EXPENSES PER UNIT PER MONTH	\$382
21	EFFECTIVE GROSS INCOME (EGI)	\$81,000
22	OPERATING EXPENSES	\$91,740
23	NOI	10,740
24	MAX Rent to meet expenses	\$382

Gross Income

Rents for all homes – Vacancy + Other Income = Effective Gross Income (EGI)

Sl. No. ANY TRIBAL HOUSING AUTHORITY (ATHA) 20 LOW-RENT UNITS - CASH FLOW ONE YEAR PROJECTION

GROSS INCOME (REVENUE)

1 Rental Income (\$ allowance of \$25

2 Vacancy Loss @ 5

3 Collection Loss

4 SUBTOTAL RENTA

5 Other Income

6 **EFFECTIVE GROS**

Cash Flow

Effective Gross Income (EGI) – Operating Expenses = Net Operating Income (NOI)

ESTIMATED ANNUAL OPERATING EXPENSES.

Y1 2018

Y1 2018

7 Water (Contractor says \$290/mo for water & sewer)

\$100

\$100

8 Landscaping (\$400/mo. all lawn) (if bushes -\$100/mo.)

\$4,800

\$4,800

9 Electric (common areas \$300/mo)

\$3,600

\$3,600

10 Solid Waste Disposal

\$1,140

\$1,140

11 Insurance

\$35,000

\$35,000

12 Pest Control

\$2,450

\$2,450

13 Administrative & Counselling Overhead (150*12*20)

\$6,600

\$6,600

14 Routine/Preventive Building Maintenance

\$2,000

\$2,000

15 Annual Compliance Audit

\$50

\$50

16 Collection Loss

\$0

\$0

17 Reserve (\$150/UNIT X 12 months)

\$36,000

\$36,000

18 **TOTAL ANNUAL OPERATING EXPENSES**

\$91,740

\$91,740

19 **EXPENSES PER UNIT**

\$4587

\$4,587

20 **EXPENSES PER UNIT PER MONTH**

\$382

\$382

21 **EFFECTIVE GROSS INCOME (EGI)**

\$81,000

\$138,000

22 **OPERATING EXPENSES**

\$91,740

\$91,740

23 **NOI**

10,740

\$46,260

24 **MAX Rent to meet expenses**

\$382

\$382

LIHTC Rent Requirements

- Gross rents cannot exceed published amounts for the *targeted* income level
 - All LIHTC-funded units must be for 60% AMI or less
 - Developers promise lower targeting to be competitive
 - State allocating agencies publish charts of allowable rents for various targeted income levels
- This is a maximum, tenants may pay less

Utility Allowances

- NAHASDA
 - Choice of whether a utility allowance is deducted from the 30% rent cap or not
- LIHTC, AHP, HOME, Section 8 Voucher
 - Must deduct utility allowance for tenant-paid utilities from allowable gross rent to get maximum net rent

Line Items That Can Blow Projections

- Revenue:
 - Actual rents less than pro forma rents
 - Unrealistic rent increases
 - Vacancy loss
 - Rent loss/bad debt

2.00%		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Income	286	Units											
Low-rent		\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630	\$ 33,630
LWOP		\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850	\$ 3,850
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL		\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480	\$ 37,480
Vacancy	7.5%	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811	\$ 2,811
Rental Income		\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669	\$ 34,669
Expenses													
Admin/Repair		\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970	\$ 107,970
Receivables		\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490	\$ 19,490
Reserve		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,671,660	\$ 8,671,660	\$ 8,671,660	\$ 8,671,660	\$ 8,671,660	\$ 8,671,660
TOTAL		\$ 127,460	\$ 127,460	\$ 127,460	\$ 127,460	\$ 127,460	\$ 127,460	\$ 8,799,120	\$ 8,799,120	\$ 8,799,120	\$ 8,799,120	\$ 8,799,120	\$ 8,799,120
Net Rental Income		\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)
Subsidy Needed		\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (92,791)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)	\$ (8,764,451)
Cumulative		\$ (92,791)	\$ (185,581)	\$ (278,372)	\$ (371,162)	\$ (463,953)	\$ (556,744)	\$ (9,321,194)	\$ (18,085,645)	\$ (26,850,095)	\$ (35,614,546)	\$ (44,378,997)	\$ (53,143,447)

Monitoring

Self-Monitoring Requirements
Performance Standards
Tools of Control

Self-Monitoring Requirements



NAHASDA: Section 403(b), Periodic Monitoring

Not less frequently than **annually**, each recipient **shall review the activities conducted** and housing assisted under this Act to **assess compliance** with the requirements of this Act.

Such review shall include **on-site inspection of housing** to determine compliance with applicable requirements.

The results of each review shall be included in the performance report of the recipient submitted to the Secretary under Section 404 and made available to the public.



24 CFR 1000.502

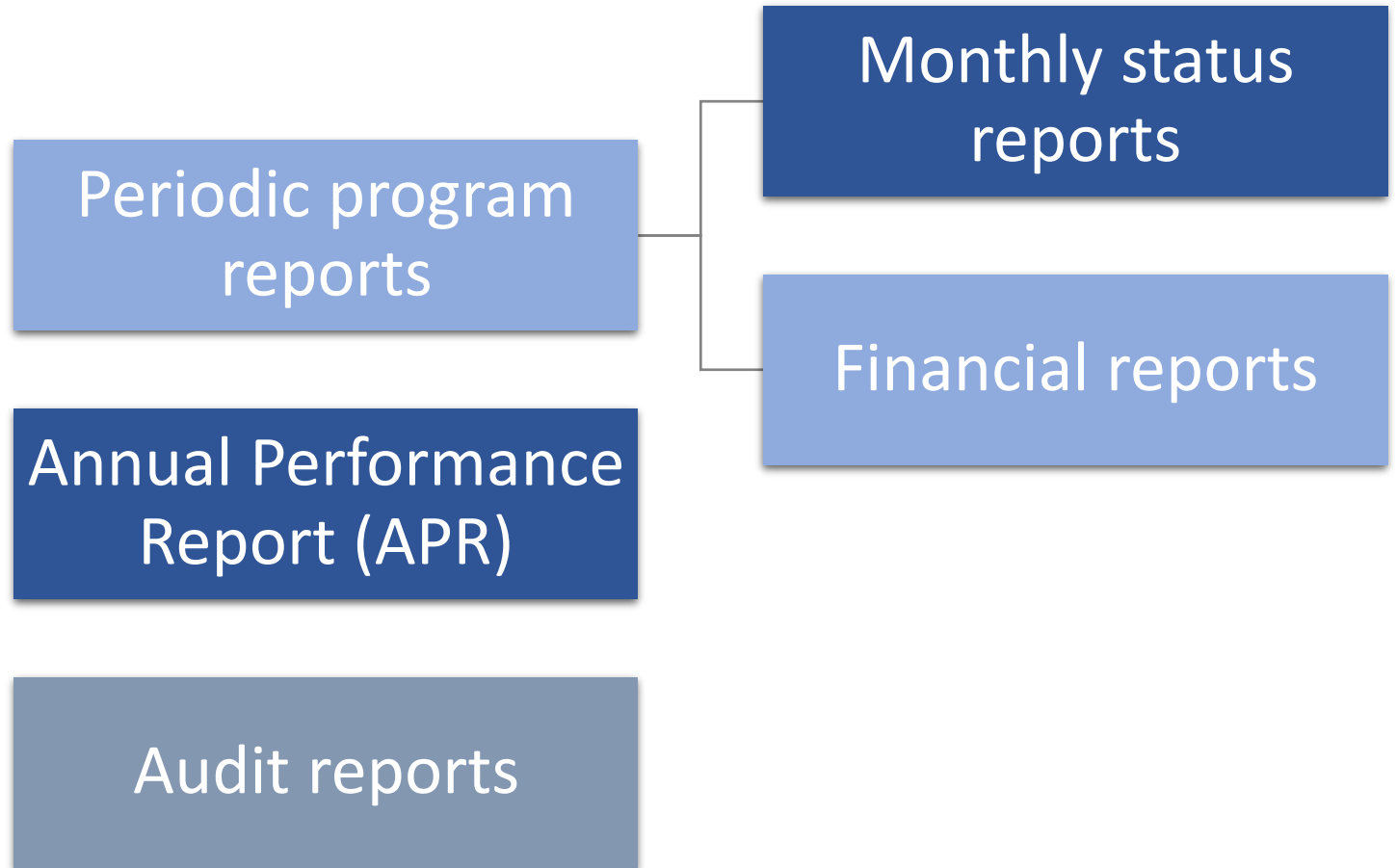
The recipient is responsible for monitoring grant activities to ensure compliance with the applicable Federal requirements and monitoring performance goals under the IHP.

What Is Self-Monitoring?

Self-monitoring is the process of:

- Recording the operation of a system
- Observing/reviewing activities over the course of a year
- Detecting deficiencies and taking steps to correct them
- Recording/reporting through the Annual Compliance Assessment and Annual Performance Report

Managing Ongoing Monitoring



Audit

Required when Board spends **\$750,000** or more in federal funds for the year



Complete within 9 months of program year end



Submit to Federal Audit Clearinghouse (FAC)



TDHE must submit copy to Tribe



Ongoing Performance Monitoring

Performance Standards Overview

Day-to-Day Operations

- Performance Standard 1: Occupancy Role
- Performance Standard 2: Rent Collection
- Performance Standard 3: Turnaround Time
- Performance Standard 4: Work Order Systems
- Performance Standard 5: Energy Conservation
- Performance Standard 6: Management Plan

Performance Standards Overview

Long-Term Asset Preservation

- Performance Standard 7: Replacement Reserves
- Performance Standard 8: Unit Inspections and Preventive Maintenance
- Performance Standard 9: Development
- Performance Standard 10: Disposition and Refinancing
- Performance Standard 11: Operating Reserves

Tenant/Community Relations

- Performance Standard 12: Tenant Satisfaction
- Performance Standard 13: Curb Appeal
- Performance Standard 14: Security

Performance Standards Overview

Budgeting & Financial Management

- Performance Standard 15: Expenses to Income
- Performance Standard 16: Accounts Payable

Investor/Regulatory Compliance

- Performance Standard 17: Reporting to Investors/Lenders/Regulators
- Performance Standard 18: Reporting Systems

Performance Standard 1: Occupancy Rate

This standard represents the average occupancy relative to rental days available.

The property should meet or exceed the highest of

- a) the industry standard of 95%;
- b) b) underwriting assumptions; or,
- c) historical performance.

- The waiting list should be reviewed and updated annually.

**Factors That Influence
Occupancy Rates:**

Performance Standard 2: Rent Collection

This standard represents the average percentage of the gross potential rent collected excluding delinquencies, late fees and other penalties.

90-95% of the tenant portion and 100% collection of subsidies, although for elderly and special needs housing, a ratio of 97% 98% maybe appropriate.

Factors that May Influence Rent Collection:

Performance Standard 3: Turnaround Time

This standard represents the time it takes to clean, repair and find new tenants for vacant apartments.

Turnaround time from move out to move in: less than 10 business days is excellent; 10 to 15 business days is acceptable. In buildings where more than 10% of the units turnover annually, it is especially important to achieve excellence in turnaround time.

Factors that May Effect Turnover Time

Performance Standard 4: Work Order System

This standard represents the average time that it should take to complete a work order.

Work orders should be tracked. The following are standards for completion of various types of work orders:

- Emergency: 24 hours
- Vacancy Refurbishment: 3 to 15 business days
- Preventive: within two weeks of schedule
- Planned: 5 to 10 business days
- Responses to Routine Items: 3 to 7 business days

Factors that May Influence Work Order Completion Times:

Counseling Activity Report

Tenant Contact	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Home Visits	31	34	13	29	27	9	12						155
Telephone Calls	93	70	54	90	52	61	53						473
Letters	92	50	147	238	101	136	75						839
Door Knockers	32	3	15	32	35	26	16						159
Office Visits	79	72	34	57	41	45	37						365
Weatherization	0	4	1	3	4	3	4	2	0	0	0	0	21
Recerts	21	7		3									31
	348	240	264	452	260	280	197						2041
Homebuyer Education	2	4	3	2	2	3	3	2	3	2	3	2	31
Maintenance Class	1	1	1	2	1	1	1	1	1	1	1	1	13
Budget Counseling & Debt Reduction	2	3	3	2	3	2	2	3	2	3	2	2	29
Community Get Togethers										1		1	2
Weatherization			1										
Seniors			1	1	1	1	1	1	1	1	1	1	73

MONTHLY REPORTS SCHEDULE **FY** **20**

1	2	3	4	5	6	7
<input type="checkbox"/> END OF MONTH CLOSE OUT IN HDS for previous month (Asst Acct Dir) <input type="checkbox"/> Update Master Tracker (Asst Acct Dir) <input type="checkbox"/> PBAs Start - DC	<input type="checkbox"/> Conveyances Reviewed (Asst Acct Dir) <input type="checkbox"/> Review PBAs Folder (Asst Acct Dir)		<input type="checkbox"/> Legal Summary/ Court Notes (Jules)	<input type="checkbox"/> Vacancy Report (Tim) <input type="checkbox"/> Housing Counseling/ Management Report Due (B) <input type="checkbox"/> Monthly Compliance (B, Deb, C., & T) <input type="checkbox"/> ROSS Elder/Dis Monthly	<input type="checkbox"/> PAYABLES & LOCCS DRAWDOWN	
8	9	10	11	12	13	14
		<input type="checkbox"/> MOS Summary (Acct. Dir.) <input type="checkbox"/> Financial Reports (Acct .Dir) <input type="checkbox"/> Housing Mgmt Meeting (B, Deb, C., & T) <input type="checkbox"/> A/R CLEAN UP IN HDS (Asst Acct Dir)	<input type="checkbox"/> ASSESS LATE FEES (Asst Acct Dir, B, Deb, C.,) <input type="checkbox"/> AGING REPORT <input type="checkbox"/> VACANCY REPORT			
15	16	17	18	19	20	21
				<input checked="" type="checkbox"/> Third Thursday BOC Mtg.	<input type="checkbox"/> PAYABLES & LOCCS DRAWDOWN <input type="checkbox"/> Housing Management Meeting (B, Deb, C., & T)	<input type="checkbox"/> NOTs SENT OUT (30 day tracking starts) (DC. & T)
22	23	24	25	26	27	28
					<input type="checkbox"/> A/R CLEAN UP IN HDS (Asst Acct Dir)	
29	30	31				
	<input type="checkbox"/> Review of 30 day NOT expiration. (DC & T) <input type="checkbox"/> Conveyances Completed Accounts Zeroed in HDS Folders Combined & Filed (Asst Acct Dir)	<input type="checkbox"/> MO ANNUAL LEAVE REPORT (Acct Dir to ED)				

Sample Occupancy Activity Report

ACTIVITY CONDUCTED					
	COMPLETE PAPERWORK		INVESTIGATE COMPLAINT		LEGAL ACTION
20	Waiting List				
33	Recertification		Domestic Disturbance		Arrears
3	Annual Inspection		Children Disturbance	7	Payback Agreement
1	Principal Residence		Neighbor Disturbance		Service of Summons Complaint
1	Family Composition	6	Animal Disturbance	31	Eviction Action
4	Income Verification		Substance Abuse		Change Locks
0	New Application		Fire Arms	3	VAPC
3	Move In		Inoperable Vehicles		Conveyance
4	Move Out	5	Exterior House Problems		IHS
5	Budget Counseling	24	Interior House Problems	1	Land Issues
15	184 Mortgage Loan Program		Structural		
5	MFA	18	Billing		
2	IDA		Water/Plumbing/Sewer		
0	E/D \$10k Fund	4	Electrical		
2	Revolving Loan				

INSPECTION STATUS REPORT – 10/01/2009 through 09/30/2010

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	FY Total
MOVE-INS	1	1	2										
Mutual Help			0										
Low Rent			2										
MOVE-IN INTERIMS	0	2	0										
Mutual Help			0										
Low Rent			0										
MOVE-IN QUARTERLY	4	6	0										
Mutual Help			0										
Low Rent			0										
ANNUALS	6	4	2										
Mutual Help			2										
Low Rent			0										
ANNUAL INTERIMS	4	1	8										
Mutual Help			0										
Low Rent			8										
MOVE-OUTs	0	0	1										
Mutual Help			0										
Low Rent			1										
WEATHERIZATION	0	0	0										
Mutual Help			0										
Low Rent			0										
Other			0										
EXTERIORS	30	21	20										
Mutual Help			0										
Low Rent			20										
NOTICE OF TERMINATIONS (POSTINGS OF)	20	17	13										
ANIMAL COMPLAINTS	3	3	5										
VEHICLE TAGS	3	4	1										

Sample Compliance Report

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
LATE FEE NOTICES LR	28	19	21	24	25	23	28	22	26	25	36	32
LATE FEE NOTICES MH	15	13	13	8	13	9	9	14	13	16	14	14
LATE FEE NOTICES SR	2	4	2	2	4	0	3	0	0	0	2	0
LATE FEE NOTICES W					2	2	2	2	1	2	3	3
NOTs	19	10	5	9	11	6	10	1	13	22	17	12
PBAs NEW	1	2	3	0	5	0	6	0	7	5	2	1
PBAs SATISFIED	0	0	0	0	3	0	0	0	1	1	1	3
ASSIGNMENTS NEW	0	3	5	4	2	0	6	2	5	2	1	0
BREACHED PBAs	1	0	1	2	0	3	0	1	3	8	0	1
FILED IN COURT	0	1	0	2	2	2	4	3	2	0	3	2
SENT TO ATTORNEY	6	14	6	6	19	11	13	19	19	22	34	12
COURT PROCESS COMPLETED	1	4	1	3	7	7	3	2	1	1	7	1
MOVE-OUTs	2	1	1	0	0	6	1	2	0	0	0	0
MOVE-INs	2	9	3	1	1	0	0	2	0	1	0	2
WARNING LETTERS	6	2	6	11	3	10	26	19	3	0	7	0
CONVEYANCES	0	0	1	2	1	0	0	2	0	0	0	0

Accounts Receivable Aging Report

	AR	Prepay	Curren	Over 1 Mo.	Over 2 Mo.	Over 3 Mo.	Over 4 Mo.	Over 5 Mo.	Ove r 6
Unit-Sq Project 007 - Market Housing									
Name									
code	-171.00	-171.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
code	-171.00	-171.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
code	-214.00	-214.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
code	-1,000.00	-1,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
code	-464.00	-464.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
code	-550.00	-550.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
code	-452.00	-452.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	-3022.00	-3022.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

VACANCY UNITS REPORT

PLANNED	9/5/15	9/14/15	10/26/15	11/30/15	1/6/16	1/16/16
UTOPIA		3- bdrm TAKEN	3 - bdrm - START	3 -bdrm START		4 -bdrm
				3 -bdrm START		3 -bdrm
OLYMPUS			3 - bdrm - DEMO		3 - bdrm - DEMO	
			4 - bdrm - DEMO		4 - bdrm - DEMO	
GLADES	4 - bdrm	3- bdrm				3 -bdrm ready
	MOVED IN	MOVED IN				2 -bdrm ready

Financial Management Reports

- Pro-formas
- Monthly Operating Statements
- Aging Reports
- Year-to-Date Revenue & Expenditure Report
- Work Order Report
- Collections Report
- Vacancy Report

MONTHLY CHECKLIST FOR PROPERTY INFORMATION

- _____ Income for the month
- _____ Expenses for the month
- _____ Comparison of Income and Expenses to the budget this month
- _____ Comparison of Income and Expenses to the budget year-to-date
- _____ Written Variance Report explaining over budget “controllable expenses” (5% over annual budget or other determining factor)
- _____ Status of all bank accounts, including Reserves
- _____ Vacancy rate
- _____ Status of Vacancies
- _____ Rent delinquencies
- _____ Major incidents e.g., insurance claims, fires
- _____ Status of big maintenance or replacement items
- _____ Resident activities
- _____ Items of interest for a Corporate newsletter
- _____ Other items

Value of Tracking Financial Data

- Establishes a historical database of local *actual development cost*
 - Per unit
 - Per square foot
 - By building type
- Enables accuracy in projecting operating expenses
- Allows more realistic planning

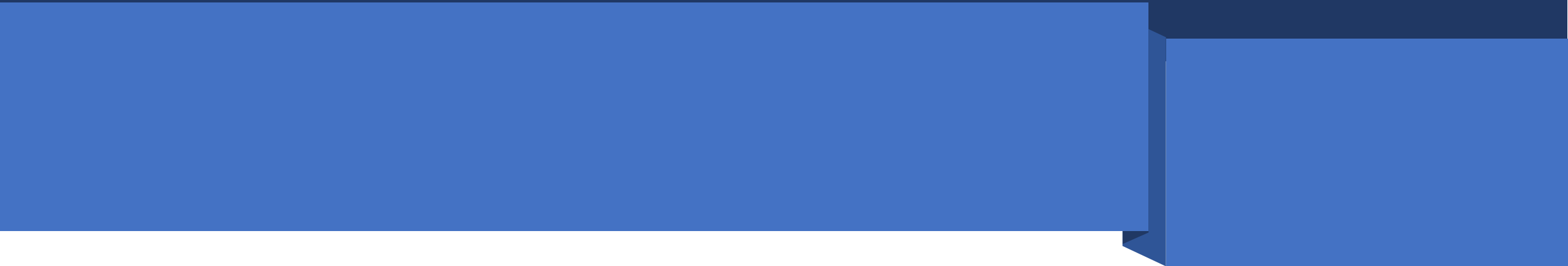
Year-to-Date Budget Monitoring

- Reflects
 - Budget
 - Current Month Expenditure
 - Year-To-Date Expenditure
 - Balance
 - % Expended
 - % Completed

YTD REPORT: All Programs IHBG PERIOD: 10/01/20 – 7/31/20

COSTS	BUDGET	EXPENDED	REMAINING	%EXP	%CMPLT	COMMENTS
Housing Rehab	142,500	132,200	10,300	93%	86%	Will be discussed at next Board meeting
Administration and Planning	32,100	14,500	17,600	45%	50%	Progressing as Planned
Development	150,000	0	150,000	0	40%	Planning
Housing Services	86,000	21,500	64,500	25%	25%	Counseling
Housing Management	550,000	225,000	325,400	41%	50%	
TOTAL	960,600	393,200	567,800	41%		Reduction in scope of work or additional funds are needed

Guiding Your Vision for Affordable Housing



Government Housing Perspective

- Government property management seeks to
 - Establish an appropriate framework within which to achieve the objectives of the government which includes spending as little as possible to
 - Meet the most essential need for shelter
 - Educate and empower people
 - Provide a safe and secure environment
 - Design sustainable housing

Property Management . . .

- Government sponsored housing typically has a more rigid administrative structure (a.k.a. bureaucracy) and is not supposed to generate a profit.
- Little effort to spend money
- Budgetary constraints
- No thought to selling property for profit
- Demolition is usually a budgetary decision

Management Style

Reactive management

- Short term goal focus rather than long-term
- The objective for property, if one existed, tended to be related to minimizing costs in the short term rather than assessing and enhancing the added value property could bring to the organization

Landlord versus tenant objectives

- A landlord is concerned with maintaining and enhancing the value of the asset while the tenant is concerned with minimizing the cost of occupancy and obligations.

Ask Yourself . . .

What do you want the property to look like after it is built?

What do you want the property to look like 10 years after it is built?

What kinds of behavior do you want your tenants to adopt about their housing community?

Approaches to Property Management

- Ways to accomplish good asset management are:
 - Communicate expectations
 - Monitor strategic issues
 - Measure performance
 - Develop early warning systems



Watch for Early Warnings of Trouble

- High vacancies or turnover
- Utility cost increase + utility allowance increase can make rents lower
- Increasing maintenance needs & costs
- Financial weakness
- Property deterioration
- Uncollected rents
- Inspection findings



Poll

- Communicating expectations, monitoring strategic issues, and measuring performances are all good approaches to what (select all that apply)?
 - Sound management practices
 - Property management
 - Asset management
 - Financial management
 - All of the above

Final Thoughts:
Plan, Plan,
Plan, Monitor,
Monitor,
Monitor

