

Targeting Units in the Low Income Housing Tax Credit (LIHTC) Program Background Information

DHHS Partnership in the LIHTC Program

Since 2002, the NC Housing Finance Agency (HFA) has partnered with the NC Department of Health and Human Services (DHHS) to facilitate the inclusion of persons with disabilities and homeless populations within LIHTC developments.

In 2002 and 2003, substantial bonus points were made available to developers that targeted 10% of the units in their developments to these populations. To support this commitment, developers partnered with a Local Lead Agency in the preparation of a Targeting Plan, outlining how the development will work with the local community to make the units available and useful to the target population. In addition, applicants received bonus points for making a percentage of the units in their development accessible, above the legal minimum requirements, to persons with mobility impairments.

In 2002 and 2003, successful Targeting Plans also included mechanisms that would make these units affordable to the targeted population, including persons with incomes as low as Supplemental Security Income (SSI). Mechanisms for achieving affordability varied, but many developments counted on project-based rental assistance from the local housing authority for the entire project, or for only a percentage of the units. Due to changes in HUD policy and the increasingly limited availability of Section 8, many developments that received bonus points in 2002 or 2003 have not been able to carry out the affordability strategy they had identified in their plan.

2004-2005 Expansion of the HFA-DHHS Partnership

The 2004 Qualified Allocation Plan (QAP) moved the submission of a Targeting Plan from an opportunity to receive bonus points to a threshold requirement. This means that all Low-Income Housing Tax Credit applications in 2004 had to include an acceptable Targeting Plan that made 10% of the units in the development available to extremely low-income persons with disabilities, including homeless persons with disabilities. Bonus points for creating truly accessible units remained.

The responsibility of making these units affordable to persons with incomes as low as SSI was removed as a requirement for developers. The Key Program, a demonstration rental assistance program developed by HFA and DHHS, is available to LIHTC developments funded in 2004 and 2005 to assure affordability of the targeted units. Key Program assistance is limited to person with disabilities, including homeless persons with disabilities.

In 2005, the submission of Targeting Plans remained a threshold requirement, but submission was moved to a post award activity, i.e. Targeting Plans will be developed only by developers who have already received a LIHTC award. Plans are due in the year following the award. Bonus points for creating truly accessible units remained.

Implementing Targeting Plans

DHHS staff has been working in local communities since the spring of 2005, bringing together representatives of local service systems and the partners named in Targeting Plans submitted with LIHTC applications. These groups are collaborating to implement Targeting Plans for each development by deciding: how tenants are referred to properties; how applications for tenancy are screened; and how the local human services system, working within the guidelines and capacity of their individual programs, can collectively work to assure that tenants living in a particular development have access to services they may need to live successfully in the community. Local groups implementing Targeting Plans are informing the development of standardized procedures and documents adaptable to the needs of each community.

It is important to remember that while the Targeting Program was designed to increase access to LIHTC developments for extremely low-income persons with disabilities, the 10% of units within developments that are covered by Targeting Plans do not establish an upper limit or quota for the number of persons with disabilities that can or might live in any development. Persons with disabilities who can afford the rent and/or have Section 8 rental assistance can apply and live in the development as any other tenant. Qualified tenants referred to the development through the local Targeting process qualify for the developments' internal affordability mechanism, or for Key Program rental assistance at developments funded in 2004 or 2005. In addition, while the human service system attempts to meet the services needs of persons with disabilities regardless of where they live, tenants referred through Targeting Plans come with specific assurances from the local service system that the tenant will have access to the services they may need.

Role of Property Management

In addition to the normal duties of keeping the units leased, collecting rents and keeping the property in good repair, property management at LIHTC developments have the additional responsibility of assuring that the units are operated in accordance with LIHTC rules and compliance agreements. Tenants in LIHTC units must be income-qualified as part of the leasing process, i.e. all tenants must provide detailed financial information to establish that they are qualified to live in the LIHTC unit. Income certifications are completed at lease-up and re-certified annually. This information is submitted to HFA, which monitors LIHTC developments for compliance.

The Targeting Plan for the development is incorporated into the compliance agreement. Property managers will use the same screening criteria for Targeted tenants that they use for all tenants, but should also be familiar with, and open to, requests for reasonable accommodations. Their overarching concern is to develop an efficient working relationship with the Local Lead Agency to keep the units occupied—at lease-up and in the event of vacancies—and as a source of assistance for the tenant if issues arise during the screening process or tenancy.

Role of the Local Lead Agency

Successful Targeting Plans in 2002, 2003 and 2004 demonstrated a meaningful partnership between the proposed development and the Local Lead Agency, and provided evidence on how the housing will meet the needs of targeted tenants. Local Lead Agencies agreed to act as providers, coordinators or referral agents for the range of community services available to persons with disabilities in their communities. Local Lead Agencies might serve a particular disability group, but Targeting Plans must be inclusive of persons with all types of disabilities. Successful implementation must assure that a range of interests is represented so that these resources are open to persons with all types of disabilities.

While individual property managers will develop their own working relationships with the local services community, to minimize property management involvement with individual service needs, Local Lead Agencies have also agreed to act as contacts for Targeted Units with the developments' management over the life of the project, i.e. the Local Lead Agency represents the local services system in dealings with property management. While each community will develop its own internal process for making referrals, when the time comes to refer a tenant to the development, the Local Lead Agency will submit the **Letter of Referral for Low-Income Housing Tax Credit Targeted Units** to property management.

Role of Community Service Providers

Local community service providers, in working with persons with disabilities who need affordable housing, are encouraged to collaborate with the Local Lead Agency to develop processes for referral and ongoing support of the tenants. Referrals to developments will go through the Lead Agency; it is therefore reasonable that the Lead Agency have adequate knowledge and confidence that each participating referral agency understands both the eligibility requirements for referral and the commitment to remain the primary service contact for the tenant during their tenancy.

2005 Targeting Plans

Ninety days before the development is ready for occupancy, developers awarded LIHTCs in August 2005 must submit a Targeting Plan that describes the development's location, proximity to community amenities, rent structure, etc. and information on the Lead Agency and other local human services agencies who will work together to implement the Plan.

A required and critical element of the Targeting Plan is the **Referral, Screening and Communication Plan**. This document is a description of how the Plan will be implemented: how the community of providers will work with the Lead Agency in making referrals and work together to assure tenants have access to services they may need; how the Lead Agency will work with property management staff to offer assistance with any problems that may arise during a referral's tenancy; how management will screen referrals, negotiate reasonable accommodations and maintain contact with the Local Lead Agency during a referral's tenancy; and how the Lead Agency and management will maintain communication that will accommodate staff turnover during the compliance period. DHHS staff will help local communities facilitate the process of working with developers and management agents in the preparation of Targeting Plans.

KEY Program Assistance

Qualified tenants referred to Targeted Units in LIHTC developments funded in 2004 and 2005 will have access to Key Program assistance, a demonstration operating assistance program administered by HFA. A detailed description of the program can be found in the **DHHS Targeting Plan and Key Program Operating Assistance: Procedures and Requirements**. Qualified recipients are adults with long-term disabilities who are receiving income based upon their disability (SSI, SSDI, etc), and whose total household income does not exceed 30% of the area median income.

Application for Key Assistance is made through the submission of a completed **Letter of Referral for Low-Income Housing Tax Credit Targeted Units**. The Letter of Referral includes: a Release of Information from the applicant limited to establishing eligibility and matters related to their tenancy; certification that the applicant is qualified for a Targeted Unit (i.e. has a long-term disability) and is qualified for the Key Program (i.e. receiving income based upon their disability that does not exceed 30% of the area median income); and certification of the applicant's status with the local Section 8 administering program to facilitate the transition to a permanent source of rental assistance if the opportunity arises.

Tenants are responsible for their own utilities. The tenant household rental share will be calculated as a percentage of their gross annual income based upon the size of the unit that they are renting. The household's gross income is determined by property management as part of their normal LIHTC income certification. A waiver for the straight percentage calculation is available for tenants who have unusually high qualifying expenses. Applications for waivers are made to the Department of Health and Human Services, not property management. Details on waiver requests can be found in the **Key Program Waiver Policies and Procedures**.