

Integrated Supportive Housing Program

Program Guidelines

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Definitions

Department of Health and Human Services (“DHHS”) is the department of State Government that manages the delivery of health and human-related services for all North Carolinians.

Hard Set-aside Units are ISHP units that are held theoretically indefinitely for an ISHP qualified tenant. The Owner can mitigate rent loss on these units by accessing a Vacancy Reserve established for the property for use with ISHP Hard Set-aside units only. The ISHP program does allow for the LME/MCO to release Hard Set-aside units to DHHS to try to fill with an eligible household, and if that is not successful, then the unit may be released to the Owner to fill with an otherwise LIHTC (or other program the property is subject to) eligible household, with the next available unit being offered to the LME/MCO for referral until the ISHP set-aside requirement is met.

Hold Fee is a payment made from a source other than the Vacancy Reserve to cover the period after a viable applicant is identified but additional time is needed to complete the application process or for the applicant to occupy the unit, and this period of time is not covered by a Vacancy Payment.

Household Income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 (“Section 8”), not in accordance with the determination of gross income for federal income tax liability. Section 8 defines annual income as follows:

1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; OR
2. (If changes to income can be determined) All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date. Additionally,
3. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

Annual income includes all amounts that are not specifically excluded by regulation. NCHFA offers training periodically, which covers income certification in depth. See the NCHFA website for the training locations and schedule.

Integrated Supportive Housing Program (“ISHP”) fosters a collaboration between a local housing developer and LME/MCO to increase the supply of integrated, affordable rental housing. This housing consists of independent rental units where no more than 20% of the units are required to be set aside for persons with a disabling condition. Prospective tenants will be referred by LME/MCOs, or their designee approved by DHHS, and are anticipated to come with rental assistance and connection to supportive services.

ISHP Units are units that are set aside within a property for persons with a disabling condition. ISHP units float and are not fixed, in order to ensure flexibility in unit choice for the program applicant (tenant), and are primarily Hard Set-aside, but some units may be Soft Set-aside. All ISHP units are considered Required as a condition of ISHP loan funding.

Key Subsidy is the rental assistance that can be used for Key eligible households in Targeted units only. Key is a project based rent subsidy co-administered by NCHFA and DHHS.

Low Income Housing Tax Credit (“LIHTC”) is a federal housing program administered by NCHFA.

Local Management Entity/Managed Care Organization (“LME/MCO”) is a local management entity that is under contract with DHHS to operate the combined Medicaid Waiver program authorized under Section 1915(b) and Section 1915(c) of the Social Security Act.

Memorandum of Understanding (“MOU”) is the most recent MOU by and between the Owner and the LME/MCO that establishes their roles and responsibilities related to ISHP operational matters.

North Carolina Housing Finance Agency (“NCHFA”) is a self-supporting public agency which administers ISHP among other affordable housing programs.

Owner is the legal entity which holds title to the real estate on which ISHP-funded rental units are located and any associated parent company and/or General Partner which acted as the ISHP applicant.

Qualified Tenant means a tenant household whose Household Income does not exceed fifty percent (50%) of the Area Median Income of the County where the project is located, and is an individual with a disabling condition that meets the DHHS criteria for ISHP eligibility.

Required Set-Aside Units are units either mandated in NCHFA’s Qualified Allocation Plan (QAP) as Targeting units, or units mandated as a condition of loan funding (such as ISHP), based on a formula related to the amount of funding in the project.

Risk Mitigation Tools are ISHP program payments which assist with some expenses to reduce an Owners risk related to program participation.

Soft Set-Aside Units are Targeting or ISHP units that are held for a set-aside (Targeting or ISHP) applicant for **90** days during property rent-up and for **30** days upon unit turnover. If an eligible referral is not made during that time, then the unit is rented by the Owner to an otherwise LIHTC (or other program the property is subject to) eligible household, with the next available unit being offered to the LME/MCO for referral until the ISHP set-aside requirement is met.

Targeted Units are units that are set aside within a property for a person with disabilities who is referred to the property by DHHS. Targeted units float (not permanently tied to a specific unit) and are considered a soft set-aside. These units are either Required (mandated by the Qualified Allocation Plan) or Voluntary (offered voluntarily by the Owner, but can be withdrawn at any time with a 90-day written notice).

Tenant Selection Plan (“TSP”) is the plan, created by the Owner, which describes the criteria that will be applied to all applicants to determine eligibility for tenancy. It must be no more restrictive than the Fair Housing and Tenant Selection Policy located on NCHFA’s website and updated from time to time. It must be posted on site and clearly visible to applicants and provided to prospective applicants upon request.

Transition to Community Living Voucher (“TCLV”) is state-funded tenant based rental assistance, administered by LME/MCOs, that can be used to assist ISHP households in any unit (Targeting, ISHP, other affordable, or market rate). When a tenant is eligible for either Key or TCLV, then it is preferred that TCLV is used. Therefore, a Targeting unit can be assisted with TCLV subsidy.

Vacancy Reserve is funded in an ISHP project’s development budget for use with the Hard Set-Aside units. This fund is held by the Owner, who can make withdrawals for Vacancy Payments in accordance with the Program

Guidelines upon receiving written or emailed approval from DHHS or their designee or as otherwise agreed upon by DHHS and NCHFA and described in the MOU between the Owner and the LME/MCO.

Vacancy Payment is made to cover the eligible period approved by NCHFA and DHHS until a viable applicant moves into the unit, provided funds are available. The eligible period begins either **60** days (initial rent up) or **30** days (unit turnover) from the date of availability provided by written notice by the Owner or Property Management Company to the LME/MCO or their designee approved by DHHS, and ends when the unit is either leased or released.

Vacancy & Referral System is a NCHFA online system used by DHHS, or their designee (LME/MCO), and Owners/Property Management Companies to communicate vacancy and referral information. If a property has both Targeting and ISHP units, DHHS and the LME/MCO must designate one entity to use the system – either the DHHS Regional Housing Coordinator or the LME/MCO.

Voluntary Set-aside Units are Targeting units offered by an Owner, typically in exchange for an enhanced Key subsidy rent standard. An Owner can rescind the Voluntary units at any time, with a written 90-day notice.

Program Guidelines

Affordability of ISHP Units

Initial rent, including utilities, for the residential units in the Project shall not exceed the rents as published by NCHFA (the “Affordable Rents”) initially in Exhibit B of the Declaration of Deed Restrictions and updated in NCHFA’s Rental Compliance Reporting System (“RCRS”) thereafter. To be considered affordable, gross rent limits must be calculated in a manner consistent with HUD affordability calculations, or 30% of the applicable 50% income limit, assuming 1.5 persons per bedroom. The Affordable Rents may be revised in writing by NCHFA at the request of the Owner or Property Management Company after updated median income levels are provided by HUD, and in accordance with NCHFA’s rent increase policies. Each revision will be effective as of the date of NCHFA’s written notice. Rents may only be increased with NCHFA’s prior written approval.

For Qualified Tenants with TCLV, or its successor state-funded rental assistance, contract rents charged for households occupying ISHP set-aside units shall not exceed the LIHTC rent established for the unit and approved by NCHFA, unless a different rent structure is approved by NCHFA and DHHS.

Applicant Choice

ISHP Units are required to float among the property’s Units to ensure Qualified Tenants have a choice of which eligible Unit to occupy and to prevent over-concentration of special needs tenants in one area of the Project. ISHP Units will not be segregated within the property or in any way distinguishable from non-ISHP Units, and the ISHP Unit size and mix of ISHP Units will depend on the needs of Qualified Tenants.

Compliance with most recent version of ISHP Program Guidelines

The ISHP Program Guidelines may be modified, supplemented, or amended from time to time by NCHFA, with consultation from DHHS and the participating LME/MCOs. Modifications, supplements and additions to the ISHP Program Guidelines shall become effective no earlier than thirty (30) days after the date of issuance, or as noticed in the modification, supplement or amendment, and may be disseminated by mail, email, or another web-based format including posting to the NCHFA’s web site. NCHFA shall provide written notice through email to participating LME/MCOs, Owner and Property Management Company of any modification, supplement or

amendment to the ISHP Program Guidelines. The ISHP Program Guidelines and any subsequent updates or amendments will be published on the NCHFA website.

Confidentiality

The fact that the Qualified Tenant has a disability will not be disclosed beyond the issuance of the referral letter by the LME/MCO, or its designee as approved by DHHS, stating that the person is program eligible. The nature of the participant's disability may only be disclosed by the Qualified Tenant and should not be needed by the Owner or Property Management Company. Reasonable accommodations can be requested without disclosing the nature of the participant's disability. Owner and Property Management Company staff must not disclose Qualified Tenant's participation in ISHP to anyone else, including other tenants. Strict confidentiality must be practiced and adhered to, failure to do so shall be deemed a breach of these Program Guidelines.

Determining Program Eligibility

The Owner will rely on the referral letter or referral form from the LME/MCO, or their designee, as approved by DHHS, to establish ISHP program eligibility. The Owner and Property Management Company are responsible to determine that the Qualified Tenant (applicant) meets the income eligibility requirements for all programs, and the additional eligibility requirements of the other programs in which the property is subject to regulation, and collect the documentation needed to establish and prove that eligibility. All eligibility determinations must comply with the Tenant Selection Plan for the property.

NCHFA Online Reporting Systems

The following online systems, administered by NCHFA, must be used for properties funded by ISHP for the purposes described.

- Rental Compliance Reporting System ("RCRS") – Owner/Property Management Company enter household characteristic data related to unit events to support documenting regulatory compliance for all applicable NCHFA programs the property participates in, for access and review by NCHFA Compliance staff.
- Vacancy and Referral System ("V&R") –
 - Owner/Property Management Company enter information regarding all vacant units for access and view by the LME/MCO and DHHS.
 - DHHS or its designee, the LME/MCO, enter basic household information regarding ISHP Qualified Tenants referred to the property (name, household size, and accessibility needs).
 - Applicant's needs, and preferences are accessed and viewed by the Owner or Property Management Company and matched against available unit characteristics to initiate and facilitate the unit selection and leasing process.
- Community Living Integration Verification System ("CLive") – CLive is the system of record used by the LME/MCO to request TCLV and related housing expense reimbursement from NCHFA on behalf of DHHS.

Ongoing Communication

Owner or Property Management Company shall communicate tenancy issues of ISHP participants to DHHS and its designee, the LME/MCO, in a timely manner to keep the LME/MCO and DHHS aware and provide the opportunity for intervention to preserve tenancies, if needed.

Owner or Property Management Company must participate in monthly Socialserve telephonic surveys regarding program operations and tenancy issues. Participation in the survey does not negate the Owner and/or Property Management Company's obligation to report tenancy issues to the LME/MCO directly and timely.

Program Termination

In the event the State-funded rental assistance to support ISHP Qualified Tenants ends, and the LME/MCO, or its successor or designee, has not established a DHHS-approved transition plan, the Owner or Property Management Company shall provide 90-day written notice to the tenant of the impending ending of assistance. Once subsidy ends:

- Owner shall accept only the tenant-paid portion of the rent as full satisfaction of the rent payment for the duration of the lease, or for a period of 90 days from the date of the written notice to the tenant, whichever is greater.
- Owner shall be able to use the remaining vacancy reserve balance to satisfy any unpaid portion of the rent not covered by the tenant or loss in State-funded rental assistance.
- After the 90-day period or upon the expiration of the lease, whichever is greater, the tenant will be responsible for the entire amount of the rent.
- Loss of rental assistance may not be considered a breach of the lease, nor grounds for eviction.

Providing Notification of Vacancies and Referrals

Owner or Property Management Company shall report unit vacancies and shall establish procedures with DHHS or its designee, the LME/MCO, to receive unit referrals through NCHFA's online vacancy and referral system, or an alternative method as determined by NCHFA.

Removal of Management Agent

Owner is responsible for ensuring the Property Management staff of the Project understands and agrees to abide by the ISHP Program Guidelines and Tenant Selection Requirements. In the event Property Management Company fails to comply with the ISHP Program Guidelines and/or Tenant Selection Requirements, NCHFA shall provide written notice of the noncompliance to the Owner and Property Management Company and an opportunity to cure the noncompliance. Repeated failures of compliance and/or refusal to follow the ISHP Program Guidelines and/or Tenant Selection Requirements shall be grounds for NCHFA requiring the removal and replacement of Property Management Company. Owner must receive written approval from NCHFA for any successor Property Management Company. NCHFA may refuse to approve any Property Management Company that has previously had failures of compliance or is currently not in compliance with applicable NCHFA Program Guidelines and/or Tenant Selection Requirements.

Rental Requirement

All units in the Project will be rented or available for rent in good condition (must meet HUD HQS or UPCS standards, as applicable) on a continuous basis throughout the compliance period, to members of the public and the Owner or Property Management Company will not give preference to any particular class or group, except to the extent that ISHP set-aside units must be leased to Qualified Tenants, as defined herein.

No more than 20% of units (rounded up to reflect whole units) are set aside by deed restriction for persons with a disabling condition. These units will house ISHP qualified tenants referred by DHHS or its designee, the LME/MCO, in accordance with these Program Guidelines.

Reporting Requirements for Owner

The Owner agrees to submit annually to NCHFA an affidavit executed by the Owner stating that no default has occurred under the Declaration of Deed Restrictions or the Note or any other documents evidencing or securing the ISHP Loan. The affidavit must be in the form provided by or otherwise acceptable to NCHFA. The first affidavit shall be submitted by the Owner to NCHFA at the later of six months after the receipt of the certificate of

occupancy for the Project or ninety days after the date of this Declaration and thereafter affidavits shall be submitted annually within 45 days of the end of the calendar year. In order for the affidavit to be considered complete, the income levels of the Qualified Tenants must be reported electronically to NCHFA using RCRS, or its successor.

The Owner or Property Management Company agrees to obtain from each Qualified Tenant, at the time of the tenant's initial occupancy in the Project, a Tenant Income Certification dated immediately prior to the initial occupancy of the tenant. The Tenant Income Certification must be in the form provided by or otherwise acceptable to NCHFA. The Owner or Property Management Company agrees to obtain written, third party verification of each tenant's sources of income in order to determine income eligibility. Original verifications and recertifications shall be retained by the Owner or Property Management Company during the period of affordability or the loan term, whichever is longer. The Owner agrees to update and report:

1. occupancy (move-ins, move-outs, and interim unit events, if applicable),
2. income, and
3. rent

for each unit within 30 days of each unit event, but no less than annually, unless another frequency schedule is approved by NCHFA, and in a format approved by NCHFA.

Resident and Participant Protections

The Owner and Property Management Company must comply with the program participant protections as detailed in the Fair Housing and Tenant Selection Policy for Properties Monitored by NCHFA, which includes a required lease addendum which addresses tenant protections. In the event of an eviction, these protections include but are not limited to:

1. Written notice to the Qualified Tenant which contains a clear statement of the reasons for eviction or termination;
2. Review of the decision, in which the tenant/participant is given the opportunity to present written or oral objections to a person other than the person (or subordinate of such person) who made or approved the eviction or termination decision; and
3. Prompt written notice of the final decision to the tenant/participant.
4. Termination of rental assistance does not constitute a breach of the lease.

Risk Mitigation Tools

Risk Mitigation tools include program payments for the following:

- Security Deposits
- Reimbursement of Unpaid Damages after Tenant Move-Out
- Reimbursement of Unpaid Tenant Portion of Rent and Late Fees
- Reimbursement for Vacancy Due to Tenant Abandonment of Unit
- Reimbursement for Successful Eviction Costs.

For additional information on Risk Mitigation Tools related to eligibility, calculations and caps, see the document "Targeting and Key Program Risk Mitigation Tools" on NCHFA's website and as updated from time to time or as published by DHHS in the Housing Funds Guidelines.

Supportive Services

Owner or Property Management Company may not require a Qualified Tenant to participate in supportive services as a condition of tenancy.

Tenant Selection Plan

All properties must have a NCHFA-approved TSP that is no more restrictive than NCHFA's most current Fair Housing and Tenant Selection Policy located on NCHFA's website. Properties must update the TSP from time to time based on NCHFA updates to the Policy, which may require an amendment to the MOU between the Owner and LME/MCO. A copy of the Tenant Selection Policy must be provided to all ISHP applicants at the time they request an application.

Based on the current Policy, TSPs must include:

1. All screening criteria, including the eligibility requirements of the governing financing source(s), with enough specificity for an applicant to determine their eligibility before applying to the property.
2. A description of the population eligible to live at the property and, if a property is built to specifically serve the elderly must disclose the elderly definition selected. Unless there is a compelling reason agreed to by NCHFA, the Owner must use the age 55 definition and specifically allow persons age 45 or older to occupy a percentage of the units that corresponds with the percent of ISHP set-aside units, not to exceed 20%.
3. The right to request a Reasonable Accommodation.
4. Reasonable screening criteria that ensure that ISHP applicants fair housing rights are adhered to during the screening process.

The Property Owner and Property Management Company must:

1. Take affirmative actions to work with DHHS or its designee, the LME/MCO, to fill the ISHP units with program eligible households referred by DHHS or its designee, the LME/MCO, and utilize deference when conducting individualized assessments of criminal histories and making application approval determinations in order to ensure program applicants have an opportunity to occupy a set-aside unit and demonstrate success living independently in the community.
2. Make applicants aware of their right to request a reasonable accommodation if they have a disabling condition.
3. If the screening criteria includes a minimum income, include the value of any rental assistance in the calculation of household income for the purpose of meeting the minimum income. Minimum income policies may not unreasonably exclude ISHP Program applicants with SSI or SSDI benefits and a source of rental assistance. All screening criteria must be acceptable to NCHFA.

In the event an applicant for an ISHP Unit is denied housing, the TSP must describe a process where the Property Owner and Property Management Company:

1. Promptly notify the applicant and the LME/MCO or DHHS in writing of the reason for denial and the applicant's right to request a reasonable accommodation in accordance with federal and state Fair Housing law.
2. Allow a minimum period of **8** business days for the ISHP Unit applicant to prepare and submit a request for reasonable accommodation.
3. Expeditiously review requests for reasonable accommodation and render decisions as quickly as possible.
4. Notify the applicant and the LME/MCO or DHHS in writing of the outcome of the reasonable accommodation request. The LME/MCO or DHHS will either release the unit for re-rental or ask for reconsideration in writing after reviewing the written notification of outcome from the Owner or Property Management Company.
5. The unit will be held until the request is resolved.

Training of On-site Property Management Staff

Owner or Property Management Company shall:

1. Educate initial and all subsequent on-site property management staff and all other management agent staff responsible for operations, on regulatory compliance for ISHP and all other applicable funding sources.
2. Ensure staff have access to the most current ISHP Program Guidelines.
3. All management agent staff processing applications for housing and making tenancy decisions related to the ISHP set-aside units shall receive annual training in the program rules and procedures as issued in writing by either NCHFA or the Department of Health and Human Services (DHHS), and attend Fair Housing Training offered by NCHFA and DHHS.
4. Notify the LME/MCO and the DHHS Regional Housing Coordinator assigned to the specified property, and NCHFA of the names and contact information of management agent staff working with ISHP and provide timely updates as staff turnover occurs through the Rental Compliance Reporting System ("RCRS").

Vacancy Reserve and Vacancy Payments

Source of Vacancy Payments

- Vacancy payments may be made utilizing funds in the Vacancy Reserve account.
- Alternatively, the LME/MCO can choose to make Vacancy Payments from their own source of funds for a time period of their choosing and then switch to payments from the Vacancy Reserve account.

Funding the Vacancy Reserve Account

Owners have two options:

1. Fund the Vacancy Reserve Account prior to rent up using other project funds until the ISHP loan closes, or
2. Wait to fund the Vacancy Reserve Account until ISHP loan closing, and book an accounts receivable for any approved draws of Vacancy Reserve funds prior to the funding of the account.

Vacancy Payment Amount

- The amount of the monthly Vacancy Payment shall not exceed the NCHFA-approved LIHTC rent for the unit, or if the property is not subject to LIHTC, other rent amount, as approved by NCHFA.
- It shall not be less than 80% of the NCHFA-approved LIHTC rent, or other rent amount, as approved by NCHFA, unless mutually agreed to by the Owner or Property Management Company and the LME/MCO.
- The actual payment amount may be negotiated by the parties within the above parameters.

Eligible Uses for the Vacancy Reserve

- On initial rent up, a vacant ISHP Hard set-aside unit is eligible for vacancy payments for the period after being available to the LME/MCO for **60** days, until LME/MCO either fills the unit or releases it.
- On turn-over, the vacant ISHP Hard set-aside unit is eligible for vacancy payments for the period after the unit has been made available to the LME/MCO for **30** days, until LME/MCO either fills the unit or releases it.
- A vacant unit will not be eligible for vacancy payments if the unit is in substandard condition (does not meet HUD HQS or UPCS), or is otherwise not rent ready, or other factors under the control of the Owner.

Vacancy Payment Timing (Initial Lease-up)

1. Vacancy Payments from the Vacancy Reserve are eligible to begin on the later of:
 - 60 days after the unit becomes available (date of the Certificate of Occupancy) or,

- 60 days from the date the LME/MCO receives written notification (via a NCHFA online system or an alternative method determined by NCHFA) from the Owner or Owner's Property Management Company that the unit is available.
2. Vacancy Payments will cease when one of the following happens:
- The unit is leased.
 - The LME/MCO or DHHS releases the unit back to the Owner or Owner's Property Management Company for occupancy by a LIHTC or other program qualified household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,
 3. By a special needs household,
 4. By any qualified household.
 - The Vacancy Reserve is depleted and an alternate source of funds for Vacancy Payments is not identified, which triggers release of the unit as described in the bullet point above.

No vacancy payment will be allowed for the first 60 days the unit is available. Vacancy payments will not be allowed for the period of time where a request for a reasonable accommodation is under consideration.

Vacancy Payment Timing for Unit Turn-over (after Initial Lease-up)

1. Vacancy payments from the Vacancy Reserve are eligible to begin:
- 30 days after the unit turns over (becomes vacant), which is defined as the later of:
 - the date the unit is available, or
 - the date of written notification by the landlord to the LME/MCO (via an online system or an alternative method determined by NCHFA) that the unit is available.
2. Vacancy Payments will cease when one of the following happens:
- The unit is leased.
 - The LME/MCO or DHHS releases the unit back to the Owner or Owner's Property Management Company for occupancy by a LIHTC-qualified household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,
 3. By a special needs household,
 4. By any qualified household.
 - The Vacancy Reserve is depleted and an alternate source of funds for Vacancy Payment has not been identified. This triggers release of the unit to any qualified household, as described in the bullet point above.

No vacancy payment will be allowed for the first 30 days the unit is available. Vacancy payments will not be allowed for the period of time where a request for a reasonable accommodation is under consideration.

Required Vacancy Reserve Withdrawal Tracking Form

Whenever the Owner makes or incurs a withdrawal from the Vacancy Reserve, the Owner enters the withdrawal into the required form. The LME/MCO's approval of the request to make a withdrawal is an acknowledgement that the LME/MCO is aware of the withdrawal and that the amount requested conforms to the amount agreed upon between the LME/MCO and the Owner. Tracking spreadsheet will include at a minimum:

- Unit number (address)
- Date Landlord notified the LME/MCO in writing that the unit is available

- The date unit becomes vacancy payment eligible (either 60 days at lease-up or 30 days on turn-over from date of availability)
- The date unit is either released or rented
- Total days eligible for vacancy payment
- Amount of vacancy payment.

Making Withdrawals from the Vacancy Reserve

Owner will have discretion to make withdrawals from the vacancy reserve monthly or after a unit is leased or released. The steps for making withdrawals is as follows:

- Owner or Property Management Company completes an entry into a tracking spreadsheet (template provided by NCHFA) for the property Vacancy Reserve account.
- Owner or Property Management Company obtains written (email) approval from DHHS or their designee, to transfer the funds. Approval to transfer funds is an acknowledgement that DHHS or their designee is aware of the following:
 - the transfer,
 - the account balance after the withdrawal, and
 - the request seems appropriate as follows:
 - the LME/MCO is aware of the unit,
 - The LME/MCO is aware of the Qualified Tenant,
 - The LME/MCO considers the general time period the unit was held as reasonable.

It is not a certification that the request meets the ISHP Program Guidelines.
 - The accuracy of withdrawals from the Vacancy Reserve are the responsibility of the Owner, and will be monitored by NCHFA Compliance staff annually and the Owner will be required to replenish the Vacancy Reserve Account for any withdrawals or portions of withdrawals made in error, as determined by NCHFA.
- Owner or Property Management Company transfers funds from the Vacancy Reserve account (held by the Owner) to property Operating Account.
- Owner or Property Management Company retains the email approval from the DHHS or its designee as supporting documentation of the transfer.
- Owner or Property Management Company provides the tracking spreadsheet and reconciliation of the Vacancy Reserve account (including any NCHFA-required supporting documentation) to NCHFA on a periodic basis to monitor for compliance.

Depletion of Vacancy Reserve

If the Vacancy Reserve is depleted before the hard set-aside units are leased by ISHP or DHHS referrals, the LME/MCO has the option to:

- Utilize another source of funds that it controls to hold an agreed-upon number of units vacant.
- Fill the unit with an ISHP referral during the 30-day period after notification of unit availability from the Owner or Owner's Management Agent,
- Release the unit at any point for a referral to DHHS for the balance of the 30 day period. DHHS may offer a Hold Fee to hold the unit vacant for an additional period of time while they work with an applicant or release the unit earlier if they do not have a applicant to refer.
- Release the unit to the Owner or Owner's Management Agent for occupancy by a LIHTC (or otherwise qualified) household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,

3. By a special needs household,
4. By any qualified household.

Property Rent-Up and Referral Procedures

Hard Set-aside Unit Hold Policies at Initial Lease-up

Hard Set-aside Units will be held for referrals as follows:

- The number of Hard Set-aside units identified in the ISHP Rider #1 to the Declaration of Deed Restrictions (and Final Commitment Letter) will be held vacant for ISHP referrals from the LME/MCO until:
 - 120 days before the LIHTC occupancy deadline.
 - Or, the LME/MCO releases the unit. The LME/MCO may, at its discretion, release an ISHP unit early if the unit is deemed inappropriate or there is a lack of ISHP referrals.
- The units will be made available to DHHS Targeting Program if no ISHP referral has occupied the unit by the date that is 120 days before the LIHTC occupancy deadline or if the unit has been released. DHHS will have 30 days to make a referral to the unit with a source of rental assistance, if appropriate.
- If an ISHP or DHHS household has not occupied an ISHP set-aside unit by a time which is 90 days before the LIHTC occupancy deadline, the unit will be released back to the landlord for occupancy by a LIHTC-qualified household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,
 3. By a special needs household,
 4. By any qualified household.

Hard Set-aside Unit Hold Policies for Unit Turn-over (after Initial Lease-up)

After a unit has had a LIHTC-qualifying occupant and if the property is below the required ISHP set-aside then as units become available upon turn-over the Owner or the Owner's Management Agent will provide a vacancy notification to the LME/MCO (via a NCHFA online system or an alternative method determined by NCHFA) and hold the unit for an ISHP referral from the LME/MCO. The LME/MCO will take one or some combination of the following actions:

- Send an ISHP referral within 30 days of the date of the vacancy notification,
- At its discretion, release an ISHP unit early to DHHS Targeting Program if the unit is deemed inappropriate or there is a lack of ISHP referrals,
- If no ISHP referral moves in within 30 days, request the unit be held for a longer period and approve Vacancy Payments from a source of their choosing until an ISHP referral moves in,
- Release the unit for a referral by DHHS for an additional 15 day period. and authorize vacancy payments to cover that period. DHHS may offer to pay a "Hold Fee" to extend the vacancy hold beyond 15 days while they work with an applicant for the unit.
- If a DHHS referral is not approved within 15 days, or by the end of the hold period, the unit will be released back to the landlord for occupancy by a LIHTC-qualified household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,
 3. By a special needs household,
 4. By any qualified household.
- If the Vacancy Reserve is depleted and the LME/MCO wishes to continue holding the unit, the LME/MCO may utilize its own funds to make Vacancy Payments or pay Hold Fees.

Soft Set-Aside Unit Hold Policies – *this only applies to projects with established soft set-aside units*

Soft set-aside units are Targeting or ISHP units that are held for a set-aside (Targeting or ISHP) applicant for **90** days during property rent-up and for **30** days upon unit turn-over. If an eligible referral is not made during that time, then the unit is rented by the Owner to an otherwise LIHTC eligible household, with the next available unit being offered for referral until the set-aside requirement is met. There is no Vacancy Reserve for soft set-aside units.

How to determine Soft Set-aside vs. Hard Set-aside Units

In properties with both Hard and Soft Set-aside units, units will count toward the soft set aside requirement as follows: any unit filled within 60 days at rent-up or 30 days upon turnover is considered a Soft Set-aside Unit and applies toward the property’s soft set aside required unit total until the soft set aside is met, if applicable. After that, units will be considered hard set-aside.

Soft Set-aside Unit Hold Policies at Initial Lease-Up

The number of soft set-aside units identified in the ISHP Rider #1 to the Declaration of Deed Restrictions (and Final Commitment Letter) will be held vacant for ISHP referrals from the LME/MCO for up to 90 days. The LME/MCO will take one or some combination of the following actions:

- Send an ISHP referral for application processing by the landlord within 60 days of notification to the LME/MCO of the vacancy. The LME/MCO may offer a hold fee from their own source of funds to hold the unit for an additional period of time (beyond 90 days) while they work with an ISHP applicant.
- Release the unit to DHHS for the balance of 90 days at any point. DHHS may offer to pay a “Hold Fee” to extend the vacancy hold beyond the 90 day period while they work with an applicant for the unit.
- In the event DHHS is unable to make a referral, during the period of time specified above, or if the unit is released early, the LME/MCO may confer with DHHS to identify referrals with a non-TCLV source of rental assistance.
- Release the unit back to the landlord for occupancy by any otherwise qualified LIHTC household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,
 3. By a special needs household,
 4. By any qualified household.

At initial lease-up the unit must be released no later than 120 days before the LIHTC deadline for occupancy by any otherwise qualified LIHTC household.

Soft Set-aside Unit Hold Policies at Unit Turn-Over (after Initial Lease-Up)

After a unit has had a LIHTC-qualifying occupant and if the property is below the required ISHP total set-aside units, then as units become available upon turn-over the landlord will notify the LME/MCO (via an online system or an alternative method determined by NCHFA) and hold the unit for up to 30 days for a referral from the LME/MCO or DHHS. The LME/MCO will take one or some combination of the following actions:

- Send an ISHP referral for application processing by the landlord within 15 days of notification to the LME/MCO of the vacancy. The LME/MCO may offer a hold fee from their own source of funds to hold the unit for an additional period of time (beyond 30 days) while they work with an ISHP applicant.
- Release the unit to DHHS for referrals of applicants for the balance of 30 days at any point. DHHS may offer a hold fee to extend the vacancy hold beyond the 30 day period while they work with an applicant.

- In the event DHHS is unable to make a referral, during the period of time specified above, or if the unit is released early, the LME/MCO may confer with DHHS to identify referrals with a non-TCLV source of rental assistance
- Release the unit back to the landlord for occupancy by any otherwise qualified LIHTC household with preference in the following order:
 1. By a household containing an adult with disabilities from the property waiting list,
 2. By a household containing a minor child with disabilities from the property waiting list,
 3. By a special needs household,
 4. By any qualified household.

Chart of ISHP Set-aside Unit Hold Periods

	During Initial Rent Up (First LIHTC Qualifying Tenant)	After First Qualified Tenant	After Vacancy Reserve Depleted
Hard Set-aside Unit Periods	Unit will be held: <ul style="list-style-type: none"> • until 120 days before LIHTC occupancy deadline • unless released early by LME/MCO or DHHS 	Unit will be held: <ul style="list-style-type: none"> • Until vacancy reserve depleted • Or, LME/MCO stops vacancy payment • Or, unit released by LME/MCO 	Unit will be released: <ul style="list-style-type: none"> • after 30 days • unless released early by LME/MCO or DHHS
Soft Set-aside Unit Periods	Unit will be released: <ul style="list-style-type: none"> • after 90 days • unless released early by LME/MCO 	Unit will be released: <ul style="list-style-type: none"> • after 30 days • unless released early by LME/MCO 	Not Applicable