

Integrated Supportive Housing Program

Program Guidelines

Revision Date: 5/15/2020

Index

Definitions

Program Guidelines

1. Affordability of ISHP Units
2. Applicant Choice
3. Compliance with most recent version of Program Guidelines
4. Confidentiality
5. Determining Program Eligibility
6. NCHFA Online Reporting Systems
7. Ongoing Communication
8. Program Termination
9. Providing Notification of Vacancies and Referrals
10. Removal of Management Agent
11. Rental Requirement
12. Reporting Requirements
13. Resident and Participant Protections
14. Risk Mitigation Tools
15. Supportive Services
16. Tenant Selection Plan (“TSP”)
17. Training of On-site Property Management Staff

Vacancy Reserve and Vacancy Payments

1. Funding the Vacancy Reserve
2. Vacancy Payment Amount
3. Eligible Uses for the Vacancy Reserve
4. Vacancy Payment Timing (Initial Lease-up)
5. Vacancy Payment Timing for Unit Turn-over (after Initial Lease-up)
6. Required Vacancy Reserve Withdrawal Tracking Form
7. Making Withdrawals from the Vacancy Reserve
8. Depletion of Vacancy Reserve

Property Rent-Up and Referral Procedures

1. Hard Set-aside Unit Hold Policies at Initial Lease-up
2. Hard Set-aside Unit Hold Policies for Unit Turn-over (after Initial Lease-up)
3. Soft Set-Aside Unit Hold Policies
4. How to determine Soft Set-aside vs. Hard Set-aside Units
5. Soft Set-aside Unit Hold Policies at Initial Lease-Up
6. Soft Set-aside Unit Hold Policies at Unit Turn-Over (after Initial Lease-Up)
7. Chart of ISHP Set-aside Unit Hold Periods

Definitions

Department of Health and Human Services (“DHHS”) is the unit 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. Only projects awarded in the 2018 ISHP cycle have Hard Set-aside units. 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 DHHS to release Hard Set-aside units 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 DHHS 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, DHHS and the 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 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 either Hard Set-aside (2018 Program only) or 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. Key subsidy is governed by an Owner’s Agreement to Participate (OAP).

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, if any, 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 referred by DHHS 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 payments which assist with some expenses to reduce an Owners risk related to housing program participants utilizing either Key or TCLV rent assistance.

Soft Set-Aside Units in an ISHP funded project are units that are held for a set-aside (Targeting or ISHP) applicant for **120** days during property rent-up and for **30** days upon unit turnover. During property rent up, hold fees may be paid, if requested by the property owner, for the period the unit is held exceeding 90 days. During unit turnover, hold fees may be paid, if requested by the property owner, for the period the unit is held exceeding 30 days. If an eligible referral is not made during that time, then the unit is rented in accordance with the procedures outlined in the Program Guidelines, section titled Property Rent-Up and Referral Procedures. The next available unit must be offered to DHHS 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 (QAP)) or Voluntary (offered voluntarily by the Owner, but can be withdrawn at any time with a 90-day written notice). Targeting Units are governed by a Targeting Unit Agreement (TUA).

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. The TSP 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 a requirement only for projects receiving funding in the 2018 ISHP program cycle, is funded in an ISHP project's development budget and is only 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 as otherwise agreed upon by DHHS and NCHFA and described in the MOU between the Owner and the LME/MCO, if any.

Vacancy Payment is for **Hard Set-aside units only** 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 after either **60** days (initial rent up) or **30** days (unit turnover) from the date of availability provided by written notice entered into the V&R system by the Owner or Property Management Company to DHHS and ends when the unit is either leased or released.

Vacancy & Referral System is a NCHFA online system used by DHHS and Owners/Property Management Companies to communicate vacancy and referral information.

Voluntary Set-aside Units are Targeting units offered by an Owner, but not required by the governing QAP or as a condition of loan funding. Targeting units are governed by a Targeting Unit Agreement (TUA). 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. 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, or equivalent, rent established for the unit and approved by NCHFA, unless a different rent structure is approved by NCHFA and DHHS.

For Qualified Tenants with Key Rent Assistance, the contract rent charged for the unit will be the applicable Key payment standard.

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 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 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 and upload supporting documentation to demonstrate regulatory compliance for all applicable NCHFA programs the property participates in, for access and review by NCHFA compliance monitoring staff.
- Vacancy and Referral System ("V&R") –
 - Owner/Property Management Company enter information regarding all vacant units for access and view by DHHS.
 - DHHS enters 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 in a timely manner to keep 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 DHHS directly and timely.

Program Termination

In the event the State-funded rental assistance to support ISHP Qualified Tenants ends, and DHHS has not established a 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, if any, 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 all unit vacancies and shall establish procedures with DHHS to receive unit referrals through NCHFA's online vacancy and referral system (V&R), or a successor 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 in accordance with these Program Guidelines. This does not prohibit the property owner from renting additional units to persons with

disabilities, not referred by DHHS, as long as the unit is not under a deed restriction that causes the property to exceed the ISHP cap of 20% of units deed restricted for persons with disabilities.

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. All DHHS referrals (applicants and tenants) applying for or residing in ISHP units shall be afforded all of the protections for Targeting applicants/tenants outlined in the Fair Housing and Tenant Selection Policy for Properties Monitored by NCHFA. This includes a prohibition to charge an application fee.

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:

At move-in:

- Security Deposits

After move-out:

- 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 “Risk Mitigation Tools for Landlords, Owners, and Management Agents” 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 any MOU between the Owner and LME/MCO. A copy of the Tenant Selection Policy must be made available 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 to fill the ISHP units with program eligible households referred by DHHS 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 DHHS in writing, by uploading the denial letter in V&R, 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. Regardless of denial date, the clock does not begin until the denial letter has been uploaded in V&R.
3. Expeditiously review requests for reasonable accommodation and render decisions as quickly as possible.
4. Notify the applicant and DHHS in writing of the outcome of the reasonable accommodation request. 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 DHHS, and attend Fair Housing Training offered by NCHFA and DHHS.
4. Notify the DHHS Housing Assessor, or other designated DHHS staff person 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 – Hard Set-aside Units/2018 Program Only

Source of Vacancy Payments

- Vacancy payments may be made utilizing funds in the Vacancy Reserve account.
- Alternatively, DHHS or 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 in any MOU.
- 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 DHHS for **60** days, until DHHS 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 DHHS for **30** days, until DHHS 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 DHHS receives written notification (via NCHFA's online V&R 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.
 - 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 DHHS (via NCHFA's online V&R 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.
 - 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. DHHS's approval of the request to make a withdrawal is an acknowledgement that DHHS is aware of the withdrawal and that the amount requested conforms to the amount agreed upon in the MOU between the LME/MCO and the Owner. Tracking spreadsheet will include at a minimum:

- Unit number (address)
- Date Landlord notified the DHHS 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 to transfer the funds. Approval to transfer funds is an acknowledgement that DHHS is aware of the following:
 - the transfer,
 - the account balance after the withdrawal, and
 - the request seems appropriate as follows:
 - DHHS is aware of the unit,
 - DHHS is aware of the Qualified Tenant,
 - The DHHS 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 DHHS 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) upon request by 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 referrals, DHHS or 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 DHHS referral during the 30-day period after notification of unit availability from the Owner or Owner's Management Agent,
- 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 DHHS until:
 - 120 days before the LIHTC occupancy deadline.
 - Or, DHHS releases the unit. DHHS may, at its discretion, release an ISHP unit early if the unit is deemed inappropriate or there is a lack of ISHP referrals.
- If a DHHS referred household has not occupied an ISHP set-aside unit by a time which is 120 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 DHHS (via NCHFA's V&R online system or an alternative method determined by NCHFA) and hold the unit for an ISHP referral. DHHS will take one or some combination of the following actions:

- Send an ISHP referral within 30 days of the date of the vacancy notification,
- 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,
- If an ISHP referral is not approved 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 or DHHS wishes to continue holding the unit, the LME/MCO or DHHS may utilize its own funds to make Vacancy Payments or pay Hold Fees.

Soft Set-Aside Unit Hold Policies

Soft set-aside units are Targeting or ISHP units that are held for a set-aside (Targeting or ISHP) applicant for **120** days during property rent-up and for **30** days upon unit turn-over. Units that have turned over must be held for an additional 30 days if DHHS or the LME/MCO opts to pay a hold fee. 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 120 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 DHHS for up to 120 days from the date DHHS is notified of the unit availability (via NCHFA's online V&R system or an alternative method determined by NCHFA). DHHS will take one or some combination of the following actions:

- Send an ISHP referral for application processing by the landlord within 120 days of notification to the DHHS of the vacancy.
- DHHS or the LME/MCO may negotiate with the property owner/management agent and offer a hold fee from their own source of funds to hold the unit for an additional period of time (beyond 120 days) while they work with an ISHP applicant.
- During property rent up, hold fees may be paid, if requested by the property owner, for the period the unit is held exceeding 90 days.
- In the event DHHS is unable to make a referral, prior to release of the unit, the LME/MCO may confer with DHHS to identify other 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.
- The next available unit must be offered to DHHS for referral until the ISHP set-aside requirement is met.

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 DHHS (via NCHFA's online V&R system or an alternative method determined by NCHFA) and hold the unit for up to 30 days for a referral from the DHHS. DHHS will take one or some combination of the following actions:

- Send an ISHP referral for application processing by the landlord within 30 days of notification to DHHS of the vacancy.
- DHHS or 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.
- During unit turn-over, hold fees may be paid, if requested by the property owner, for the period the unit is held exceeding 30 days.
- In the event DHHS is unable to make a referral, prior to release of the unit, the LME/MCO may confer with DHHS to identify other 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.
- The next available unit must be offered to DHHS for referral until the ISHP set-aside requirement is met.

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 DHHS 	Unit will be held: <ul style="list-style-type: none"> • Until vacancy reserve depleted • Or, DHHS stops vacancy payment • Or, unit released by DHHS 	Unit will be released: <ul style="list-style-type: none"> • after 30 days • unless released early by DHHS
Soft Set-aside Unit Periods	Unit will be released: <ul style="list-style-type: none"> • after 120 days from the date the unit is listed as available in the V&R system, or date of CO, whichever is later. • unless released early by DHHS 	Unit will be released: <ul style="list-style-type: none"> • after 30 days • unless released early by DHHS 	Not Applicable