

Targeting Plan and Key Program Operating Assistance: Basic Procedures and Requirements

I. Overview

A. Basic Requirements

Since 2002, NC Housing Finance Agency (NCHFA) and NC Department of Health and Human Services (DHHS) have partnered to create quality, affordable apartments for persons with disabilities.

All Housing Credit projects awarded since 2004 (and many in the preceding two years) target ten percent (10%) of the total units (Targeted Units) to households referred through DHHS by local human service agencies pursuant to a Targeting Plan. Certain other affordable rental projects target ten to twenty percent of total units (including projects awarded Preservation Loan Program (PLP) and/or Key Program funding).

Housing Credit projects with federal project-based rental assistance (PBRA) must target at least five units. The Targeted Units do not establish an upper limit for the number of persons with disabilities that can or might live in any project. Persons with disabilities who can afford the rent and/or have Section 8 rental assistance should be encouraged to apply to the project as any other tenant without being referred.

Projects are not required to provide onsite supportive services or a services coordinator, and participation in supportive services is voluntary and not a condition of tenancy.

After the award of Housing Credits, PLP funding or Key Program funding, owners must submit a Targeting Plan to DHHS that identifies a Local Lead Agency.

B. Accessible vs. Targeted Units

The legally required accessible units or additional accessible units with curbless showers (required by the QAP) in Housing Credit projects are NOT necessarily the same as the Targeted Units, and are not required to be held solely for referrals from DHHS during lease up. Some households referred under a Targeting Plan may have disabilities that require an accessible unit. Others will have disabilities that are not physical in nature. Similarly, some households may not be qualified for a Targeted Unit, and need an accessible unit.

II. Roles and Responsibilities

For each project with a Targeting Plan, owners and/or management companies (Management) and the Local Lead Agency have entered into a Memorandum of Understanding (MOU) specifying:

- 1) that the Local Lead Agency will make supportive services available to the applicant(s) and/or act as referral agent for other community services as needed,
- 2) the willingness of all parties to negotiate Reasonable Accommodations to facilitate the admittance and retention of persons with disabilities, and
- 3) a communications plan between the Local Lead Agency and Management that will accommodate staff turnover and assure continuing linkages for the duration of the compliance period.

A. Local Lead Agency

The Local Lead Agency agrees to act as a provider, coordinator or referral agent for the range of community services available to persons with disabilities in their communities. While the named Local Lead Agency in the MOU may serve a particular population, the Targeted Units must be made available to qualified applicants with all types of disabilities.

Individual property managers may develop their own working relationships with the local services community; however, to minimize Management involvement with individual service needs, Local Lead Agencies have also agreed to act as the point of contact with the Management over the life of the project, and to represent the local services system in dealings with Management.

B. Tenant

The prospective tenant will complete an application for tenancy and any other documentation required by Management, including information required for the verification of income. Once tenancy has been established, the tenant must fulfill the obligations of tenancy, provide annual information required for verification of income, and actively pursue Section 8 assistance. The tenant is also responsible for his/her own application fee, security deposit and share of the monthly rent.

C. Management

Management is responsible for qualifying the applicant and will screen each referral, applying the same criteria used for all other applicants. If Key Program assistance will be utilized, Key Program eligibility also applies (see Section V(B)). Referred households must be program eligible (income, student status) and project eligible (elderly, non-elderly, household size, credit worthy, criminal background, rental history, etc.). Management will notify the applicant and DHHS Regional staff to whether the household's application is approved or rejected (reason must be disclosed). If the household doesn't meet the project's screening criteria, Management will consider requests for Reasonable Accommodations.

Other requirements of Management:

- notify DHHS contacts prior to commencement of pre-leasing or upon receipt of notice of intent to vacate Targeted Units;
- include a section on Reasonable Accommodation in the application for tenancy;
- hold unit open for referrals for the required timeframe (described in Section IV(A));
- execute all pertinent documents to create a valid tenancy with the tenant;
- identify units with Targeting Plan referrals and Key Program assistance in the Rental Compliance Reporting System, contact DHHS staff with questions regarding a Targeted Unit household's application;
- request Key reimbursement in a timely and accurate manner; and
- contact the Local Lead Agency about any issues that may arise during the tenancy.

III. **Targeted Populations**

Projects funded with Housing Credits in 2002 and 2003 have various mechanisms to ensure Targeted Units are affordable to people with extremely low incomes. In these projects, targeted populations may include the formerly homeless, and/or persons with disabilities.

Projects funded with Housing Credits since 2004 can also target households that are formerly homeless, and/or people with disabilities. These projects have access to Key Program assistance (described in Section V) which is limited to individuals who receive income based upon their disability (i.e. SSI, SSDI, VA). Households headed by individuals over the age of 65 who receive SSI income meet this requirement. Projects that target non-disabled homeless households or households headed by persons who do not receive income based upon their disability must have an alternative method to assure the units are affordable to the target population, because these households do not qualify for Key assistance.

A. Eligibility for a Targeted Unit

Targeted Units may only be occupied by persons referred through DHHS by approved referral agencies using the Targeting Program Letter of Referral. "Walk-ins" may reveal that they have a disability or are formerly homeless, but if the project has not received a completed Letter of Referral, the household does not count towards the required number of Targeted Units and cannot be made retroactively eligible for Key Program rental assistance.

In addition to a Letter of Referral and meeting program/project (household size, screening criteria) standards, eligibility for a Targeted Unit depends upon the source of rental assistance.

- For Key Program assisted units, the head of household receives income based upon disability (SSI, SSDI, etc.) that is no more than 30% of the Area Median Income (AMI) but at least \$300 per month. See Section V(B) for complete eligibility criteria and V(E) for information on exceptions.

- For all other types of rental assistance (i.e. households with Section 8 vouchers or PBRA assisted units), the head of household meets the assistance administrator's program's definition of disabled and/or homeless, income restrictions, etc.

B. Household Composition: Unrelated Adults, Changes in Household, Children, and Live-In Caregivers

A Targeted Unit can be filled by unrelated adults, as long as one head-of-household has a disability. If a single adult or household headed by a person with a disability qualifies for and moves into a Targeted Unit, then subsequently has someone move in, it is acceptable as long as the tenant follows lease requirements (i.e. requesting person to be added to the lease, reporting any additional income).

If the head of household with a disability leaves the unit, any remaining household members that want to remain in the unit will need to qualify for the unit according to the project's standard criteria and the unit should no longer be considered Targeted. (See Section V(B) for information regarding the death of Key eligible individuals with surviving household members.)

Households with children who have disabilities are only eligible if a head of household also has a disability. Tenants that require caregivers or live-in aides are eligible for Targeted Units. All caregivers that reside in the unit should be screened for criminal history eligibility; however, caregivers should be screened for credit eligibility only if they are responsible to pay rent, in which case the caregiver is a member of the household and their income is included in the total household income for income qualification and rent determination purposes.

The income of a live-in aide is not included in the household income and such individuals should not be screened for credit eligibility. Live-in aides qualify by being able to document the following:

- is essential to the care and well being of the person with disabilities,
- is not obligated to support the household, and
- would not be living in the unit except to provide the necessary assistance and supportive services.

Relatives may qualify as live-in aides, but must meet the above requirements, and documentation is essential. Leases or lease addendums should deny occupancy of the live-in aide if the qualifying household member moves from the unit, or the live-in aide violates any rules established by the development.

IV. Processing Referrals to Targeted Units

A unit only qualifies as Targeted if occupied by a household referred through DHHS by approved referral agencies, as documented by the Targeting Program Letter of Referral. Units otherwise occupied by persons with disabilities do not count towards the required number. There are several reasons for this limitation, the most important being potential Fair Housing concerns.

A. Rent-Up and Unit Mix

Management is responsible for contacting DHHS prior to commencement of pre-leasing. Working with DHHS early on will facilitate compliance and avoid delays in referrals and occupancy. Subject only to the federal project-based rental assistance (PBRA) and rehabilitation exceptions below:

- 1) The required number of Targeted Units will be held open for referrals for the lesser of ninety (90) days after the first Certificate of Occupancy or until the project meets the requirement.
- 2) After initial lease-up, if the project does not have the required number of Targeted Units, vacancies must be held open for referrals for a period of thirty (30) days starting when DHHS receives notice of the vacancy from Management.

Management should not designate which units are going to be targeted prior to receiving referrals and should attempt to avoid concentrating the Targeted Units into one building.

B. Waitlists

DHHS will maintain project-specific Targeted Unit waiting lists for persons with disabilities and will refer waitlisted persons to property management during initial lease up, based upon the required number of Targeted Units. During and after rent-up, Targeted Unit referrals must be moved in first regardless of chronological order of the general waiting list until all Targeted Units are occupied with referrals. Management may not have a preference for referrals with a Section 8 voucher. Management must notify DHHS of vacancies as they occur,

regardless of unit size or income targeting, until the total number of Targeted Units are occupied by referred households.

C. Federal project-based assistance

Leasing and occupancy rules enforced by the provider of federal PBRA may supersede these procedures and requirements for such units. Units occupied by persons with disabilities who have a Targeting Program Letter of Referral from DHHS count as targeted. Management will maintain communication with DHHS to facilitate fulfillment of targeting requirements.

D. Rehabilitation projects

Households who were relocated as part of a rehabilitation of the project have first priority to return regardless of disability status. Returning or existing tenants cannot occupy Targeted Units. Management should notify DHHS of units not filled by returning or existing tenants, and accept referrals from DHHS until the required number of Targeted Units are filled.

V. Key Program Operating Assistance

NCHFA and DHHS have created the Key Program, which provides operating assistance for Targeted Units. Participation in the Key Program is not mandatory. However, eligible projects that do not participate may only charge targeted tenants what they would pay under the Key Program.

A. Key Program Initiation

Owners must sign an Owner Agreement to Participate (OAP) at the time Targeting Plans are due as specified in the Qualified Allocation Plan. The earliest owners may begin billing Key for occupied Targeted Units is the first day of the month following the month the OAP is executed. Before the Agency can make Key payments, documentation necessary for electronic payment must be completed, tenants must be entered in the Agency's Rental Compliance Reporting System (RCRS) and monthly requisitions must be submitted with all required documentation.

B. Key Program Eligibility

Eligible recipients are limited to households who have a Targeting Program Letter of Referral from DHHS and are headed by adults receiving income based upon their disability from Social Security (SSI and SSDI) or other state/federal program (such as the Veterans' Administration). Households headed by individuals over the age of 65 who receive SSI benefits meet this requirement. If the decision about the head of household's source of income based on disability is pending or the head of household has temporary disability income such as Worker's Compensation, the household is NOT eligible for the Key Program.

Total household income cannot exceed thirty percent (30%) AMI and a minimum gross income of \$300 a month is required. Households must also meet the minimum household size per bedroom size standard presented in the table below. The Agency will not approve payment requests for units that do not comply with these requirements, but tenants will continue to pay the tenant rent share as calculated under Key Program rules for the duration of the lease term.

The Key assistance is only available while the qualified person with a disability is occupying the Targeted Unit. Households cannot transfer this assistance to other rental properties. If the Key eligible household member dies, continued Key Program eligibility for surviving household members party to the lease at the time of the death will be determined on a case by case basis.

C. Payment Standards

The Key Program subsidy will fund the difference between the tenant rent share and the payment standard. The tenant rent share will be based upon a percentage of the household's gross monthly income as calculated by Management according to standard Housing Credit rules, without consideration of utilities. The resulting amount will be included in the lease or the Key Lease Addendum. The percentage of income the household pays varies by unit size and who pays utilities:

| Unit Size | Minimum Household Size | Percentage of Household Income Paid for Rent (Resident pays utilities) | Percentage of Household Income Paid for Rent (Owner pays utilities) |
|---------------|------------------------|--|---|
| One Bedroom | 1 person | 25% | 30% |
| Two Bedroom | 2 persons | 20% | 30% |
| Three Bedroom | 4 persons | 15% | 30% |
| Four Bedroom | 6 persons | 10% | 30% |

Note: For projects built without one-bedroom units, single persons can rent two-bedroom units calculated at the 25% of income rate. If the project has one-bedroom units but they are all full, the single tenant qualified for a Targeted Unit should be kept on the Targeted Unit waiting list for the next available one-bedroom.

Projects may accept the payment standard even if it is higher than the rent Management planned to charge as long as doing so does not result in the tenant paying more for rent than they would without the assistance.

D. Rent, Income and Unit Size Waivers

A household may qualify for a waiver if the tenant rent share poses an undue burden or the household has income that exceeds the Key Program limit of thirty percent (30%) AMI. In these limited cases, documented, ongoing household expenses may merit a deduction in the gross income used to qualify the household and/or to calculate tenant rent share. Examples include expenses related to health care and child care or disability assistance that allow a household member to be employed. Such expenses require third party written verification.

A household may also qualify for a waiver if two or more household members receive income based upon disability that is individually less than 30% AMI and combined less than 50% AMI. The Key Program income waiver does not affect Housing Credit requirements that occupants must initially earn less than the percentage of AMI needed to qualify for the project.

If a referred household needs a larger unit size than the Key Program allows, the household’s referral agency may submit a unit size waiver request on their letterhead explaining why the household needs a larger unit.

All waiver requests must be sponsored by the referral agency that referred the household in need of the waiver. Requests for the Key Program Waiver Packet, questions and completed waiver requests should be addressed to regional DHHS Housing Support Coordinators.

E. Annual Income Re-certification

Tenant income and the tenant rent share must be calculated annually. The resulting amount will be included in the lease or the Key Lease Addendum. Income increases above 30% AMI do not affect Key Program eligibility. The tenant rent share simply increases proportionate to the increase in income.

If increased income results in tenant rent share exceeding Key payment standards, property management should continue to calculate tenant rent share using the Key formula, and include the unit in the monthly Key requisition (subsidy listed at \$0) until tenants have sufficient income to pay the rent associated with the income targeting level for the particular unit.

If household size decreases over the course of tenancy and during re-certification a household is found to no longer meet the Key Program minimum household size per unit size standard, the household’s rent share should be increased to the percentage of rent associated with the unit size for which it is eligible and Management should put the household on the waitlist for the next available unit appropriate for the household’s size.

F. Transitioning to a Housing Choice (Section 8) Voucher

In order to maximize Key Program assistance, all Targeted tenants should be actively seeking Section 8 assistance. Upon receipt of a Section 8 voucher, the household may choose to move and use the voucher elsewhere. If the household moves, the Targeted Unit becomes open for another referral. If the household stays in the unit, the household remains a Targeted Unit, but Management can choose to accept another Key Program-eligible referral for a vacant unit. (Under HUD rules, Management may increase rent for the unit transitioning from Key to Section 8 to Fair Market Rent.)

The Key Program allows single person households to occupy two-bedroom units if the project was built without one-bedroom units, but the local Section 8 program may only allow the single person a one-bedroom Section 8 payment standard.

VI. Contact and Other Information

A. Targeting Plans and Tenant Referrals

DHHS reviews and approves Targeting Plans for each project and brings together representatives of local service systems to work through the issues and specifics of how to implement individual Plans. Once a Targeting Plan is in place, Management should contact DHHS for referrals. For assistance in developing plans and/or issues that may arise related to their implementation contact Heather Dominique, DHHS Housing Support Coordinator, at 919-733-4534.

B. Key Program Payments and Compliance

NCHFA administers the Key Program and monitors projects for compliance. Contact Susan Westbrook at 919-877-5647 to complete the paperwork required to access Key Program assistance. Questions about Key Program payments should be directed to LaRue White at 919-877-5670. General questions may be directed to Mark Shelburne at 919-877-5645.

C. Other Information

Please see <http://www.nchfa.com/Rental/Mforms.aspx> for necessary Targeting Plan and Key Program forms. Check this page often as the documents are updated periodically.