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APPLICABILITY

All HOME, NSP, and HTF-assisted projects

PROGRAM MONITORING AND COMPLIANCE

IHFA monitors all assisted projects and activities for program and regulatory compliance throughout the project's Period of Affordability. Compliance monitoring ensures the assisted project continues to be used in accordance with statutory, regulatory, and IHFA requirements.

IHFA will take appropriate action(s) if an assisted project fails to meet its compliance obligations, including monetary and non-monetary events of default. These actions may include a request to change a management company and/or the potential disqualification of entities or individuals with legal interest in projects deemed to be in default.

Compliance Monitoring:

- Ensures production and accountability;
- Ensures compliance with program rules and other cross-cutting requirements; and
- Evaluates the organizational and project performance during the affordability period

DEVELOPMENT PHASE

- Monitor progress with special attention to any pending or anticipated problems;
- Regularly discuss issues with sponsors and provide any technical assistance needed;
- Make periodic visits to the site to inspect the quality of the construction and evaluate progress;
- Review Sponsor's and Contractor's record keeping;
- Review project schedule to determine if the project is on schedule, all major milestones have been

met, and the number of units proposed are being produced;

- Review project compliance with Davis-Bacon, Section 3, MBE/WBE and other federal regulation as established in the written agreement;
- Review the project's compliance with accessibility requirements; and
- Review project payments to ensure the costs are on target and the requests for disbursement are properly documented and accurate.

LONG-TERM COMPLIANCE MONITORING

MULTI-FAMILY

Owners are responsible for the continuing compliance of an assisted project during the *Period of Affordability*. During this time, the assisted project is subject to compliance monitoring, including tenant selection and preferences, physical inspections and financial oversight, tenant lease protections, Federal crosscutting requirements, and recordkeeping [§92.508].

IHFA reserves the right to pursue enforcement of program requirements as identified in owner's HOME Award Agreement.

UTILITY ALLOWANCE ANNUAL CALCULATION

Applicability

- HOME and HTF-assisted units
- Any assisted units funded on or after August 23, 2013 may no longer use the Public Housing Authority's (PHA) utility schedules. Any assisted units funded prior to this date may continue to use the PHA utility schedule.
- Effective April 1, 2017, utility allowances for assisted units will need to be submitted no later than the last day of February each year for review and approval by IHFA Compliance Department.
- The utility allowance calculation will be submitted with the Annual Occupancy Report (AOR), Certificates of Continuing Compliance (CCC) and monitoring fees.

HUD Utility Schedule Model

IHFA has determined the one of the following three (3) methods may be utilized by the owners/agents to determine each project's utility allowance calculation.

1. The HUD Utility Schedule Model (HUSM)

The HUSM allows owners to calculate utility schedules by housing type after entering utility rate information. HUSM uses data based on climate and survey information from the U.S. Energy Information Administration of the Department of Energy and it incorporates energy efficiency and Energy Star data. The HUSM and user instructions are available at <https://www.huduser.gov/portal/resources/utilallowance.html>

The report is available as either an excel spreadsheet or a web based model on HUD User at <https://www.huduser.gov/portal/datasets/husm/uam.html>

2. Utility Company Estimate

The Utility Company Estimate is an actual collection of data from the utility company. The owner/agent will gather the information and calculate an average usage amount to determine the utility allowance. This generally will give you the most accurate utility average. Agents will be required to collect signatures from all adults in the household that grants the agent permission to collect the information from the utility company. The estimate must be obtained in writing and must be based on the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building is located.

3. Energy Consumption Model (Engineer Model)

The Energy Consumption Model (Engineer Model) is an energy model prepared by a properly licensed engineer or qualified professional. The person conducting the analysis must be independent from the owner/agent.

Project Monitoring Fee [§ 92.214.b(1)(i)]

- (HOME/HTF) Effective August 23, 2013 IHFA is allowed to charge the owner of an assisted rental project a reasonable annual monitoring fee. According to the HOME and HTF rules, the fee must be based on the average actual cost of performing the monitoring of all assisted rental projects.

This annual fee will apply to a project that receives a commitment of funds on or after August 23, 2013.

The annual fee will be determined by actual compliance and monitoring costs incurred during the previous fiscal year divided by the number of rental units that are in IHFA's portfolio currently within their period of affordability. These cost include activities related to monitoring, i.e. desk monitoring, risk assessments, physical inspections, training, etc. Each project's annual monitoring fee will be based on the total number of assisted units in the project.

A project owner may be charged an additional fee if a re-inspection(s) of the project is required.

- NSP assisted rental project owners cannot be charged an annual project monitoring fee.

Good Standing

IHFA may determine the current standing of an owner/agent (defined as developer, owner, sponsor, applicant, or a management company and includes a current member, partner or shareholder who owns a majority percentage) involved in a proposed project. An owner/agent may not be in good standing if their previous project(s) has serious, ongoing and/or pervasive non-compliance issues, including loan payments in arrears or in default, and/or has repetitive or unresolved material and significant findings or negative response(s) from another organization or public jurisdiction involved in the administration or monitoring of other federal housing programs.

IHFA may choose not to review an application for funding if the owner/developer of the proposed project is not in good standing. Actions to resolve this determination may include, but are not limited to, a change in the management company, and/or the potential disqualification of entities or individuals with a legal interest in project.

Property Management Capacity

A determination of property management capacity is made at the sole discretion of IHFA as determined by the IHFA Compliance and HOME Programs Managers. In making this determination, IHFA will consider

circumstances that are beyond the sponsor's control, i.e. accidents or acts of nature. IHFA may make this determination if substantial and significant unresolved material compliance issues are not resolved within a reasonable time period as determined by IHFA.

IHFA Record-Keeping

IHFA will establish and maintain records that document the status of each project as well as the over-all program administration. Records include but are not limited to

- Documentation of maximization of private sector involvement
- Documentation of eligibility of all assisted activities
- Documentation of tenant eligibility and income targeting requirements
- Documentation of compliance with matching requirements

HOME-Only- Community Housing Development Organizations (CHDOs)

- Documentation of CHDO qualifications and certification
- Documentation of the predevelopment loans and operating assistance grants awarded to CHDOs
- Written agreements

Project File

- Documentation of the sources and uses of funds for each project
- Verification of property code/property standards for each project
- Documentation of Period of Affordability
- Documentation of tenant selection process
- Lease includes tenant protections
- Documentation that the amount of program funds invested in a project meet the minimum and maximum requirements
- Records indicating the number and type of assisted units in the project
- Applicable Federal regulations

Program Administration

- Documentation regarding the amount of drawn-down and expenditure of federal program funds and Program Income
- Records associated with the Integrated Disbursement and Information System (IDIS)
- Project documentation including agreements, sources and uses of funds, audits and resolution of any audit findings

Records are maintained in accordance with the program rules and IHFA's retention policies.

Homebuyer Activities

Homebuyer activities do not require compliance inspections. IHFA does conduct annual verification that the home continues to be the HOME-assisted homeowner's principal residence¹ throughout the period of affordability. IHFA reserves the right to pursue enforcement of program requirements and IHFA requirements through the Memorandum of Restrictive Covenants and/or the Deed of Trust Note.

¹ See Chapter 2 for IHFA definition of Principle Residence