



Antonio R. Villaraigosa, Mayor
Mercedes Márquez, General Manager

AN INTRODUCTION TO COMPLIANCE MONITORING

FOR THE MULTIFAMILY AFFORDABLE HOUSING LOAN PROGRAMS
ADMINISTERED BY THE LOS ANGELES HOUSING DEPARTMENT (LAHD)

THANK YOU for helping to provide safe, decent and affordable housing to the residents of Los Angeles by securing a multi-family housing rehabilitation loan administered by the City of Los Angeles. As a condition of the type of funding you received, you agreed to certain occupancy and rent restrictions, as well as other accompanying affordability and reporting requirements. These requirements are set forth in the Regulatory Agreement (Covenant) attached to your Loan Agreement, which is recorded against the property for the term of the Covenant regardless of the loan term, its repayment, or transference of property ownership. The Occupancy Monitoring Section of the Los Angeles Housing Department (LAHD) monitors all covenants administered by LAHD. We welcome you and look forward to working with you for the duration of your Covenant.

Your Covenant requires you to implement a City-approved Property Management Plan describing how you will market and manage your property. The Property Management Plan packet has been provided to guide you in the management of your affordable units. It contains a standardized Property Management Plan form and other forms required for reporting the information requested in the Plan. It also contains compliance certification documentation and reporting forms for the restricted units on your property, to be submitted at initial lease-up, annually, and as requested by LAHD. All properties are required to have a tenant selection plan. In addition, for properties with five or more units, an affirmative marketing outreach plan is also required.

It is important that you review your Covenant for specific affordability requirements. A general summary of your program's affordability and reporting requirements, based on your funding source, as well as an Owner Reply Form have been included in the packet to ensure the accurate completion and submission of all required documents. Please complete the Owner Reply Form and attach all documentation to it. Failure to fully complete the Owner Reply Form and submit all required documentation to LAHD at the address below could delay processing or result in a finding of non-compliance. **If you have received, completed and submitted the management plan, it is not necessary to resubmit it.**

Again, thank you for your participation in providing affordable housing to the residents of Los Angeles. If you have any questions or need assistance in completing the compliance certification process, please contact *Occupancy Monitoring* at (213) 808-8943 or (213) 808-8929.

Los Angeles Housing Department
Housing Services
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017
Attention: Occupancy Monitoring

LOS ANGELES HOUSING DEPARTMENT
MAJOR PROJECTS (MIXED-FUNDED)
AFFORDABILITY AND ANNUAL COMPLIANCE REPORTING REQUIREMENTS

OCCUPANCY, RENT AND INCOME REQUIREMENTS:

All assisted units must be occupied or held vacant and available for rental at affordable rates by households whose income does not exceed the HUD determined median income level mandated in the covenant. Please review your covenant for your Program's occupancy, rent and income affordability requirements. A utility allowance, as defined by the Housing Authority of the City of Los Angeles (HACLA), must be deducted from the rent for tenant-paid utilities to determine the maximum allowable rent (MAR). Contact LAHD to determine whether subsidized rent for Section 8 units must be within the Program rent limits.

INITIAL INCOME CERTIFICATION AND VERIFICATION:

All households upon initially occupying a restricted unit must *certify* their projected gross income by completing a **Tenant Income and Rent Certification Form** (Tenant Form), which is signed by both owner and the tenant. Owner must also *verify* the tenants' projected gross income reported on the Tenant Form by examining and submitting copies of the tenants' **Income Source Documents**, such as pay stubs, check stubs from SSI awards, etc. All income certification and verification documents must be current within six months. The Section 8 definition of income must be used to qualify tenants. Tax returns are not acceptable. A copy of the Tenant Form must be (a) given to the tenant, (b) maintained in the owner's files, and (c) submitted to the City.

ANNUAL COMPLIANCE REPORTING:

Owners must *certify* the tenants' projected gross income by submitting a **Tenant Income and Rent Certification Form** for all households in a restricted unit (a) annually or if applicable to your program guidelines, (b) whenever there is a change in household composition or size, and (c) upon request. Owners must *verify* the tenants' projected gross income for all households in a restricted unit by examining and submitting **Income Source Documents** (a) annually or if applicable to your program guidelines, (b) whenever there is a change in household composition or size, and (c) upon request.

Owners must also verify their continued compliance with the affordability terms of their covenant by completing, signing and submitting a **Certificate of Continuing Program Compliance** and an **Occupancy Summary** (a) at lease-up, (b) annually, and (c) upon request.

TENANT-OWNER AGREEMENT:

Owner must complete a **Mandatory Addendum to Lease or Rental Agreement**, signed by owner and tenant, for every tenant household (a) at lease-up and (b) upon request. The Addendum ensures owner-tenant cooperation with program rules. A copy of the Addendum must be given to the tenant, maintained in the owner's files and a copy submitted to the City. Owner is required to **Lease** restricted units for not less than one year. If both owner and tenant do not wish an annual lease, then a **Lease Waiver** must be signed and placed into the tenant's file.

INCREASE IN TENANT INCOME:

See program guidelines or the Covenant or consult with LAHD. (*Note: If the project has HOME funds, see HOME affordability requirements. For a project with both HOME and LIHTC funds, the rents for over-income tenants are not adjusted*). (*Note: Rent increases are subject to the terms of the lease and local rent stabilization laws*).

TENANT NOTIFICATION:

Owners must notify tenants when the Covenant's affordability period is scheduled to expire, and must provide LAHD with written evidence of such notice, at a minimum, on the following three occasions: (a) prior to initial rental; (b) one year prior to the expiration date; and (c) 90 days prior to the expiration date.

PROPERTY MAINTENANCE AND FILE MAINTENANCE:

All owners must complete a **Property Management Plan** describing how they will market and manage the property. The City reserves the right to make periodic on-site inspections of all units in the property in order to determine owner compliance with Housing Quality Standards and to verify the tenant information submitted by owners. Compliance documents must be kept current and available for inspection at any time. Owners must keep file copies of all compliance documents, including income source documents, for five years after Covenant expiration.

LOS ANGELES HOUSING DEPARTMENT

HOME AFFORDABILITY AND ANNUAL COMPLIANCE REPORTING REQUIREMENTS

(See HUD Website for Complete Regulations: <http://www.hud.gov:80/offices/cpd/affordablehousing/lawsandregs/regs/home/index.cfm>)

OCCUPANCY, RENT AND INCOME REQUIREMENTS (24CFR92.252):

All HOME-assisted units in projects with four or less units must be occupied or held vacant and available for rental at affordable rates by households whose income does not exceed the following percentages of the HUD determined median income: all restricted units must be rented to households initially at or below the 60% income level, and subsequently at or below the 80% income level, at the high HOME rent level. A utility allowance must be deducted from the HOME rents for tenant-paid utilities to determine the maximum allowable rent. Subsidized rent for Section 8 tenants must be within the HOME program rent limits.

All HOME-assisted units in projects with five or more units must be occupied or held vacant and available for rental at affordable rates by households whose income does not exceed the following percentages of the HUD determined median income: (1) 20% of the units must be rented to tenants at or below the 50% income level at the low HOME rent level; (2) The remainder of the restricted units must be rented to households as indicated in the paragraph above.

INCOME CERTIFICATION AND VERIFICATION (24CFR92.203 & CFR92.252):

All households occupying a restricted unit must *certify* their projected gross income by completing a **Tenant Income and Rent Certification Form** (Tenant Form), which is signed by both owner and the tenant, and submitted by owner at the following times: (a) at lease-up; (b) annually; and (c) upon request. At the time of lease-up of new tenants and every six years for recertifying tenants, owners must also examine and submit current (within 6 months) **Income Source Documents**, such as pay stub, SSI award statements, etc., which verify the projected annual income reported on the Tenant Form. The Section 8 definition of income must be used to qualify tenants and to calculate rent adjustments. Tax returns are not acceptable.

ANNUAL COMPLIANCE REPORTING (24CFR92.252):

On an annual basis, owners must verify their continued compliance with the affordability terms of their covenant by completing, signing and submitting a **Certificate of Continuing Program Compliance** and an **Occupancy Summary**. Owners must also annually certify project rents and tenant income eligibility by submitting a **Tenant Income and Rent Certification Form** for all households in a restricted unit and income verification for new tenants.

TENANT-OWNER AGREEMENT (24CFR92.253):

A **Mandatory Addendum to Lease or Rental Agreement (Addendum)**, signed by both owner and tenant, must be completed for every tenant household (a) at lease-up and (b) upon request. The Addendum ensures owner-tenant cooperation with HOME program rules and outlines lease terms prohibited by HUD. A copy of the Addendum must be given to the tenant, maintained in the owner's files and a copy submitted to the City along with the Tenant Form. HUD requires **Leases** for restricted units to be not less than one year. If both owner and tenant do not wish an annual lease, then a **Lease Waiver** must be signed and placed into the tenant's file.

INCREASE IN TENANT INCOME (24CFR92.252):

When a tenant's income, upon reexamination, exceeds the 50% median income limit in a Low HOME Unit, the unit becomes a High HOME Unit, and rent for the unit may be increased to High HOME rent after the owner replaces the income ineligible unit with an existing 50% income eligible unit, or rents the next available comparable vacant "floating" unit or HOME-assisted "fixed" unit to a 50% of median income eligible tenant. When a tenant Household's income, upon reexamination, exceeds the 80% median income limit, the owner must charge the tenant the lessor of market rent or 30% of the tenant's monthly adjusted income for rent and utilities. In projects where the units "float," the owner must replace the income ineligible unit with an existing income eligible unit or, rent the next available comparable vacant unit to an income eligible household. Rent increases for "floating" units may not exceed market rates for a comparable, unassisted unit. In projects where the HOME rent and occupancy requirements are "fixed" to specific units throughout the affordability period, there is no rent cap other than what is mandated by local law and the tenant's lease. *(Note: The rents remains restricted for over-income tenants in units with both HOME and LIHTC)*

TENANT NOTIFICATION:

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PROPERTY MAINTENANCE (24CFR92.251) AND FILE MAINTENANCE (24CFR92.508(a)(3)):

All owners must complete a **Property Management Plan** describing how they will market and manage the property. The City reserves the right to make periodic on-site inspections of all units in the property in order to determine owner compliance with Housing Quality Standards and to verify the tenant information submitted by owners. Compliance documents must be kept current and available for inspection at any time. Owners must keep file copies of all compliance documents, including income source documents, for five years after Covenant expiration.

**LOS ANGELES HOUSING DEPARTMENT
EARTHQUAKE EMERGENCY LOAN PROGRAM
AFFORDABILITY AND COMPLIANCE REPORTING REQUIREMENTS**

OCCUPANCY, RENT AND INCOME REQUIREMENTS:

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Owners must also *certify* their continued compliance with the affordability terms of their covenant by completing, signing and submitting a **Certificate of Continuing Program Compliance** and an **Occupancy Summary** (a) at lease-up, (b) annually, and (c) upon request.

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