

## LOSP Policies and Procedures Manual and Lease Addenda Training

July 10, 2018 at San Francisco Main Library, Koret Auditorium | 1:00pm-2:00pm

### Questions and Answers

1. If the LOSP head of household has to enter treatment as per Child Protective Services, how long does the LOSP subsidy remain in place?

A: The addendum provides the guideline of six months for a family to demonstrate satisfaction of court or FCS requirements for reunification with children. HSH, however, recognizes that every situation is different and we would like to work with the Housing Provider in the ways that are possible, to support the family and make an informed decision about ongoing subsidy. Please connect with your HSH Program Manager as soon as possible if this is a current situation with a family so next steps can be determined accordingly.

2. Do only DAH program participants initial the DAH paragraphs on the Adult Lease Addendum?

A: Yes, in the On-Going Compliance section of the Adult Lease Addendum, the last 3 bullet points (on pages 3 and 4) cover current DAH Program Rules. These are applicable only to DAH program participants.

3. What will happen if tenants do not comply in signing the lease addenda within 90 days?

A: It should be noted either on the lease addendum itself or on agency letterhead attached to the lease addendum the date the lease addendum was presented to the tenant, that the tenant refused to sign it, and agency staff sign off. Even if the tenant refuses to sign the lease addendum, the LOSP program rules still apply.

4. Do we need to notify residents that the lease addenda is coming and provide 30-day notice?

A: Yes, tenants will need to be notified and Property Management shall use their protocol in noticing tenants of the upcoming change.

5. Do you have a template letter to notify residents of subsidy changes?

A: Subsidy revocation letters will include information such as the dates and types of notices/reminders Property Management sent to the client to comply with the lease agreement; the deadline for the client to come into compliance; the full underlying restricted rent for the unit; the effective date of the rent change; and the process and timeline for the client to request a hearing. HSH has a form letter / template that property management should put on agency letterhead for the last warning.

6. Do you have rules on interim rent changes?

A: The funding sources will dictate the processes and timelines. The Housing Provider should follow their funding regulations. The LOSP Manual supports, rather than overrides, those regulations.

7. Will the lease addenda be available in other languages than English?

A: The lease addenda will be translated into Spanish, Filipino and Chinese and posted on the MOHCD website. In the meantime, please reference the English lease addenda.

## LOSP Stakeholder Session July 2017

### Questions and Answers

**Sections 1 and 2:** No Comments.

#### **Section 3 questions and comments:**

Q: Please provide more info about plans for NPLH in San Francisco.

A: Brief explanation of City allocation of capital funds, anticipate that LOSP could fund operating and services would be funded by City for SMI population; NPLH NOFA anticipated to come out in Jan 2018. *Please note that this has been extended to 2019 due to a lawsuit.* We project that it could fund up to 500 new permanent support housing units for SMI population.

#### **Section 4 questions and comments:**

Comment: Family lease addendum reunification timeframe is tight and not realistic with the timeframe of how CPS works. S+C has another timeframe and appeal process that works better.

A: We adjusted this to 6 months to meet the CoC timeline and provide flexibility for a case by case evaluation.

Q: Does HSH want to be informed of internal transfers?

A: Yes, we need to ensure that the unit portfolio remains consistent and we have a process that is the same across the target populations.

Q: Is unit configuration looked at?

A: Yes

Comment: In Manual it states that good standing status is required for transfers, what about reasonable accommodation? Requirement of good standing may conflict with fair housing and RA transfer needs to include language that there is flexibility.

A: Agreed, there needs to be flexibility. Good standing status is not required for RA transfers.

Q: ONE system and triggers related to unit composition and size – how will this be addressed by CES and ONE?

A: Right now HSH is doing ONE mapping. HSH will notify providers serving adults and youth about future trainings and how to configure the ONE system for each program / building.

Q: 3 months for families to reunify is too short – courts work on 6 month time frame.

A: We had more internal discussion and the time period has been extended and made more flexible depending on each circumstance.

Q: Why are there no behavioral ties to subsidy termination? It would save Property Management a lot of money and time and provide leverage in addition to the courts.

A: The City does not wish to replicate the S+C HAP Agreement which requires a lot of oversight, investigation and an appeals process. Such lease violations need to be addressed by Property Management on the basis of the lease agreement.

Q: Homeless adult couples without minor children – are partners now eligible to be added to the lease given the language around couples?

A: Each project's Tenant Selection Criteria governs min/max occupancy, but if a sponsor would like to revise their plan, we are open to reviewing it and for the housing to serve more tenants and couples.

Q: In instance of federal subsidy and no LOSP Agreement (like 1036 Mission), what do we do to maintain the HSH referrals without the subsidy?

A: The City and sponsor need to create MOU or other agreement regarding referrals and services.

Q: 10 day vs 3 day notice – is this timing requirement determined by LOSP?

A: No, that is a property management decision.

Q: Page 22: LOSP family maintains subsidy after minor children become 18 years old, provided the household maintains the appropriate size in the unit. What you mean by appropriate size: they can't be under or over occupied based on the occupancy standards at the property- is that correct?

A: Yes.

Q: Page 22 & 29 - 15 day response period for recertification. Many properties have other regulations such as LIHTC or HUD. The standard annual recertification notices per HUD are set at 120 days, 90 days, 60 days and 30 days depending on the regulatory program. According to HUD, in the 60 day notice, the resident has until the 10<sup>th</sup> day, of the 11<sup>th</sup> month prior to the effective date to complete the annual recertification or assistance may be terminated. In The LOSP Manual, it is not clear how and when the requirement for the household to respond within 15 days of the request would work for annual recertification's (ARs) if the property follows LIHTC or HUD rules. Can you clarify, is this for ARs or for interim recertification?

A: We agreed that properties should follow LIHTC or HUD rules as applicable for tenant income certifications and recertification notices.

Q: Page 23: "10 day deadline following original due date for recertification"- This does not work with other regulatory requirements (HUD and LIHTC). See question 2 above. Please explain.

A: We clarified that sponsor should follow HUD and / or LIHTC guidelines as applicable, or have due date of no earlier than 30 calendar days from date of request.

Q: Page 25: Minimum Rents. Some properties have not implemented a minimum rent. We would like to do so. Who do we request this of at MOHCD?

A: Minimum rent request should be included in the property's Marketing Plan which is subject to MOHCD approval. Sponsors are encouraged to consider providing a hardship waiver. If the sponsor would like to implement after the lease up, it must be requested of MOHCD Asset Management who will consult with HSH. Approval would require an update to the Marketing and Tenant Selection Plan.

Q: Assuming the "New" LOSP addendum should be implemented at all properties, this would be implemented with a 30 day notice to change the terms of the lease, yes? When do we implement this?

A: Yes. The first priority for the City to implement the lease addendums is new LOSP projects and projects requesting a LOSP Grant renewal. For all projects, the City will let sponsors know the timeline of implementation and roll-out.

Q: Page 26- change in household size that requires a unit transfer- Unit transfer could be at the property in an available appropriate sized LOSP unit or to any LOSP unit with in the LOSP program. What happens if the household refuses to transfer to a unit at a different property?

A: LOSP could be terminated as outlined in the LOSP Termination Policy.

Q: Page 29- LOSP termination: There is no guidance in the event a LOSP household goes over income? For example: at 10<sup>th</sup> & Mission all LOSP units are at very low set aside (20%, 25% and 30% AMI) and non LOSP households are at 50%AMI. LOSP households in which the annual income increases to 50% AMI or above are still LOSP households?

A: Yes, until they move out or participate in the “moving on” initiative. LOSP Contract does not restrict household by income; the underlying capital financing restrictions are the governing documents; income eligibility is based on time of lease up. However, rent payment is still based on percentage of income or underlying the restricted rent if the rent payment standard exceeds it.

Q: Is the unit transfer procedure used for households in which the LOSP subsidy is terminated in order to regain subsidy- i.e. a resident in a family LOSP unit loses custody, then can transfer to an adult LOSP Unit?

A: Yes.

Q: Page 34: Critical Incident Reporting: I am assuming that the reporting will be to the appropriate agency for the property not all three ( MOHCD, OCII, HSH). Is there correct?

A: Yes, this section was clarified for each agency.

Q: LOSP Addendum: Page 1: “LOSP subsidy is based on household members listed on initial move in certification..... even if specific occupants have changed”- What happens if there are no original occupants from the initial move in left in the household? Is the LOSP subsidy terminated? Does the remaining household member receive subsidy? This needs to be addressed.

A: This is covered in the lease addendum.

Q: p. 6. Sizing the LOSP request. Operating Costs include

- a. “(g) any extraordinary expenses arising from the ownership of operation of the project approved in advance and in writing by MOHCD.” It is not always possible to obtain approval in advance when it comes to health and safety items.

A: if a sponsor is unable to predict and propose a possible expense, it is difficult for LOSP funding to cover it.

- b. “Operating costs shall not include payment of deferred developer fee nor any service provision costs.” There are some projects where LOSP funds are used to pay for services.

A: Which ones? Typically this is not the case.

- c. “Tenant rents historically been \$250-\$300.” With the City’s priority to house chronically homeless, many tenants come with income much lower than SSI or no income at all.

A: When we looked at average LOSP tenant AMI from 2015, it was 15.3% AMI, which would be a rent of around \$300 / month. We can change to “historically have averaged around \$300 / month” to recognize that there are lower and higher incomes. Services staff should also be prioritizing efforts to increase benefits for eligible formerly homeless asap.

- d. It would be helpful if MOH could clarify if an Operating budget should include replacements for unit furnishings and start up soft goods for tenants upon turnover and as things break down (microwaves, beds)

*A: We agreed that they can include replacement of soft goods in annual service budgets; replacement of unit furnishings, if they are damaged or wear down, can be done through replacement reserves. The sponsor’s capitalization guidelines should cover what is a replacement reserve-eligible expense.*

Comment on p. 15 Referral Process - One referral at a time has created delays and unnecessary vacancies for an extended period of time. It could take 2-3 months to receive and process a referral, and when a unit is declined or a household doesn’t qualify, the entire process has to be re-started. If there was a way to receive at least 2 referrals per unit, it would be very helpful.

A: Referrals will be made one referral per slot, however, it should not take 2-3 months to receive and process a referral. CES will refer applicants one for one as well.

Comment: Regarding Termination of subsidy, I am concerned that the Issuance of the Notice of Termination of Subsidy may eventually lead to eviction. In this case, housing providers are in a very challenging position. Hopefully, this won’t happen but it is a concern.

A: A notice of Subsidy Termination is used as a last resort for a tenant to come into compliance with HSH program rules, many which overlap with Property Management’s lease agreement and house rules. Prior to issuing a notice of Subsidy Termination, HSH will collect documentation from the Housing Provider that shows there was due process in not only informing tenants of the HSH Program rules and lease obligations but providing ample time for the tenant to come into compliance. One of the top reasons for subsidy termination is non-compliance with the annual recertification process.

Q: Critical Incident Reporting – it states that the Owner notifies the agencies. We have been following MOH reporting and notifying of serious incidents, relocation, etc. However, I noticed that reporting on the removal of minor children by CPS is new. The Owner is usually the asset manager who doesn’t usually have knowledge on the children. Maybe that Section should be clarified to indicate that a Service Provider would report if becomes aware of the situation.

A: We have changed this reporting requirements to be provider, inclusive of service provider; and clarified HSH and MOHCD reporting requirements.

Comment: In addition to these comments, I’d like to share a few challenges that we’ve experienced with the program in case they can be addressed or clarified in the handbook. MOHCD’s asset management staff has been great in helping us work through each challenge but they are often limited by MOHCD’s approved proformas and loan docs.

Comment: Management fee increases are limited. In order to make proformas work, Management Agent agrees to a very low fee. When a property operates well and cash flows due multiple factors, including but not

limited to tenant based-vouchers/FMRs, we are not able to increase fee beyond what's in the proforma. No way to bring fees in line with market.

A: MOHCD restricts management fees to HUD approved fee.

Comment: Negative cash flow on LOSP projects is the responsibility of the Owner. No safety net. Asset Management does a true up of the subsidy annually for LOSP units, and then determines if we used all the subsidy. If not, the amount for next year is reduced by the amount we didn't use. If we use it all, then we ask for the full amount of subsidy budgeted for the following fiscal year. We are not allowed to put the surplus into a reserve for a rainy day and when the property has a deficit. If there is a deficit, we have to decide if it is serious enough to justify asking MOH for a budget increase. It would be beneficial to have some flexibility on LOSP surplus for projects that have history of deficit.

A: We need to do annual true up given large overall LOSP budget. This is no different than any other City funding program: we can only allow you to keep City \$ provided for a given time period if the expenses were actually incurred during that time period.

Comment: Pre-authorized alternative LOSP split should be negotiated by development during underwriting (not pro rata). That includes higher allocations for LOSP units for Property Manager's time, Maintenance, Security/Desk Clerks, services, Legal, turn over cost

A: Alternative splits are allowed for some line items in underwriting; they need to be requested and justified. This is also a reminder of the importance of coordination between sponsor development staff and sponsor asset management & property management staff.

Comment: Commercial allocation should be pro rata to match HCD underwriting. 100% of commercial should not be used to support LOSP units. When that happens, Owner is not able to take IMF or any accrued fees. Sounds like this will be addressed in the handbook.

A: This is now addressed in the manual and references the latest Commercial Space Policy.

Comment: Units stay vacant due to a slow referral process. Not always allowed to apply vacancy loss to tenant portion of LOSP

A: Vacancy loss should be applied to tenant portion of LOSP; we should get to bottom of why there is a slow referral process. Mike: what is the barrier to applying vacancy loss to the tenant portion of LOSP?

Comment: Deferred developer fee is listed as eligible operating cost in 2.2 and then contradicted in last sentence says operating costs shall not include payment of deferred developer fee.

A: Deferred Developer Fee will be removed from 2.2 (d).

Comment: Underwriting guidelines description states that supportive housing unit furnishings are calculated per unit; requests that should reference common area furnishings as well.

A: We were trying to specify PSH underwriting here; however, we can add common area furnishings for clarity.

Comment: Question about vacancy loss for commercial.

A: This is now specified in the new Commercial Space Policy.

Comment: Underwriting assumption of \$250 - \$300 rent per LOSP unit is only an initial assumption; housing provider will work with MOHCD / HSH to revise assumptions for LOSP application.

A: Yes.

Comment: Supportive Services funding for LOSP units will be funded through HSH and should not be included in the operating budget – RAD is an exception. Should it be called out?

A: As there are no LOSP units in RAD buildings, we don't want to call out RAD.

Comment: Steps for Loan Committee Approval section should include deferred developer fee in standard allowance for appropriate reserves and fees.

A: No, not permitted from LOSP financing; can be drawn from non-LOSP units if permitted by Loan Committee approval.

Comment: P. 10 C – add “regulated” to “underlying contract rents” for the LOSP units.

A: Agreed.