

**Pierce County Human Services/  
Pierce County Community Development Corporation (CDC)**

**HOME Rental Housing Policies for Owners**

**Effective May 30, 2014  
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Updated December 15, 2016  
Updated October 31, 2017**

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## I. Reporting Requirements

### **Annual Tenant Income/Rent reports:**

Owners of HOME funded rental units are required to submit annual tenant income and rental reports on a format provided by Pierce County and/or the Pierce County Community Development Corporation (CDC). The reporting schedule is outlined below. All tenants that occupy a HOME unit during the calendar year must be reported on even if they moved out of the HOME unit during the reporting period. Please note move out and move in dates respectively as well as vacant units.

### **Occupancy Certification:**

Owners of HOME funded rental units are required to certify annually that all buildings and HOME units in the project meet property and occupancy standards. The certification must be submitted in writing and signed by the Chief Executive Officer of the owner's organization.

*Note: This is a new HOME requirement based on the revised HOME Program final rule published August 24, 2013. This requirement was implemented starting with the 2014 annual reports that were due January 31, 2015.*

### **Financial Reports:**

Owners of HOME funded rental projects are required to submit annual financial statements for properties of over 10 HOME assisted units. The County/CDC will evaluate the projects financial health, and if needed, take corrective action if the project is not cash flowing or is experiencing other financial difficulty. *This change was a part of the new HOME final rule and is effective July 24, 2014. The County/CDC may require submission of financial reports for properties less than 10 HOME units at its discretion.*

### **Annual Reporting Schedule:**

Occupancy Certification	Due: January 31 – for the previous calendar year.
Tenant Income/Rental Reports/Utility Allowance	Due: January 31 – for the previous calendar year.
Financial Reports	Due: June 30 – for the organizations previous budget year.

**Other:** If it is determined, based on a risk assessment performed by the County/CDC, that the project is a risk, additional reporting may be required.

## II. Designating HOME Units

HOME units are designated at the time the HOME written agreement is signed. Properties with five or more HOME-assisted units, at least 20 percent of the HOME-assisted rental units be 'Low HOME Units' (see below) through the period of affordability. Owners should be aware of the number and type of HOME units in their projects. Owners are responsible for ensuring that property management and on-site managers are aware of the income and rent requirements in each HOME funded project. Below are definitions of various types of HOME units.

### **High HOME Unit:**

Units rented to tenants with income not to exceed 60% of Area Median Income (AMI) at initial occupancy and 80% of AMI thereafter. Unit rents not to exceed the High HOME rents less utility allowances.

### **Low HOME Unit:**

Units rented to tenants with income not to exceed 50% of AMI at initial occupancy and 50% of AMI thereafter. Unit rents shall not exceed the Low HOME rents less utility allowances. *Note: If the project receives a project based voucher whereby the tenant pays only 30% of their adjusted gross income for rent, the Low HOME rental limits can be superseded and the unit rent may exceed Low HOME rents.*

### **Fixed HOME Unit:**

Specific units that are designated as HOME units and will never change for the affordability period.

### **Floating HOME Unit:**

When a HOME Unit is a Floating HOME Unit, the units that are designated as HOME units in a project may change over time as long as the total number of HOME Units in the project remains constant. The HOME unit designations must be comparable to the non-HOME units. (i.e. all one bedroom units are HOME and all two bedroom are non-HOME would not be allowed). Any changes in HOME unit designations must be reported to the County/CDC within one month of the change.

## III. Rents and Utility Allowances

### **HOME Rents:**

The County/CDC will review and approve rents in HOME assisted units annually. The Owner will ensure and certify that each tenant's rent in a HOME unit shall not exceed the applicable High and Low HOME rents as published annually by U.S Department of Housing & Urban Development (HUD) less the approved utility allowance amount. (See exceptions for Low HOME units on page 3). The County/CDC will make available the HOME rent limits annually (and as requested intermittently by an agency) as published by HUD.

**Rent Increases:**

The County/CDC must approve any increase in tenant rent in a HOME assisted unit. A request with the justification for the increase must be sent submitted and approved prior to the rent increase notices are issued to the tenants and in advance of the rent increase. The County/CDC will respond in writing to the increase request within 30 days of receipt. Note that the owner must provide tenants of HOME assisted units, a minimum of 30 days prior written notice before implementing any increase in rents.

**Utility Allowances:**

If the tenants pay the utilities, the owner must submit a utility allowance for each HOME funded project including all back up documentation used to determine the allowance with the annual report. HUD Regulations 24 CFR section 92.252(d)(1) requires the County/CDC to establish maximum monthly allowances for utilities and services (excluding telephone/cable) and update the allowances annually.

- **Projects with HOME funds committed *prior to August 23, 2013:***

The County/CDC may approve one of the following methods when establishing property specific utility allowance:

1. Public Housing Authority utility allowance.
2. Multifamily Housing Utility Analysis.
3. HUD and USDA RD regulated properties approved utility allowance.
4. Completed HUD Utility Schedule Model found at:  
<http://huduser.org/portal/resources/utimodel.html>
5. A Utility Company Estimate.
6. Low Income Housing Tax Credit Agency Estimate.
7. Energy Consumption Model.

- **Projects with HOME funds committed *on or after August 23, 2013:***

The County/CDC may approve one of the following methods when establishing project specific utility allowance:

1. HUD and USDA RD regulated properties approved utility allowance.
2. Multifamily Housing Utility Analysis.
3. Completed HUD Utility Schedule Model found at:  
<http://huduser.org/portal/resources/utimodel.html>
4. A Utility Company Estimate.
5. Low Income Housing Tax Credit Agency Estimate, excluding UA's established by the local PHA.
6. Energy Consumption Model.

HOME projects with funds committed on or after August 23, 2013 must notify County/CDC when a recipient of a Tenant Based Housing Choice Voucher (HCV) is occupying a HOME unit and the utility allowance differs from the approved utility allowance.

**Utility Allowance for Special Housing Types:**

- **SRO (Single Room Occupancy):**  
Per 24 CFR CH. IX 982.605 utility allowances for an assisted person residing in SRO housing is 75 percent of the zero bedroom utility allowance.
- **Group Home:**  
Per 24 CFR CH. IX 982.612, utility allowances for each assisted person residing in a group home is the pro-rate portion of the utility allowance for the group home unit size.

## **IV. Leases**

**Lease Requirements:**

Each tenant must have a written lease and are subject to review by Pierce County/CDC. The lease between the owner and tenant in a HOME assisted property must be for at least one year, unless by mutual agreement. The lease cannot contain the prohibited provisions as outlined in 24 CFR 92.253(b) below:

*1. Agreement to be sued.* Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;

*2. Treatment of property.* Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;

*3. Excusing owner from responsibility.* Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

*4. Waiver of notice.* Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;

*5. Waiver of legal proceedings.* Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

*6. Waiver of a jury trial.* Agreement by the tenant to waive any right to a trial by jury;

7. *Waiver of right to appeal court decision.* Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease;

8. *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses; and

9. *Mandatory supportive services.* Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

**Submission of Leases:**

Any changes to the master rental lease agreement and addendums between a tenant and the owner must be submitted to County/CDC for approval. (i.e. changes to the persons on the lease or changes in any of the terms of the lease itself).

**Termination of Tenancy:**

An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds, except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination.

**Prohibited Fees:**

Owners cannot charge fees that are not customarily charged in rental housing. Owners cannot charge application fees that would create an undue impediment to a low income family from applying for a HOME unit.

**HOME Lease Addendum:**

A HOME lease addendum can be provided upon request. The County/CDC encourages owners to use a HOME lease addendum to ensure all leases comply with the HOME requirements.

## **V. Tenant Selection/Affirmative Marketing/Other Federal**

**Tenant Selection:**

The owner must provide the County or CDC upon request a tenant selection policy that: (1) Is consistent with the purpose of providing housing for low and very low income tenants; (2) Must include whether or not there is an elderly restriction or other preference in the admission of tenants. The restriction or preference must cite the supporting documentation to ensure nondiscrimination in the selection of tenants. (3) Is reasonably related to program eligibility and applicants ability to perform the obligation of the lease; (4) Provides for the selection of

tenants from a written waiting list in the order of their application insofar as practical; and (5) Provides prompt written notification to any rejected applicant of the grounds for any rejection. Specific guidance as to what must be included in the Plan and Policy per HUD, if requested.

**Affirmative Marketing:**

With the exception of Section 8 tenant based rental housing or families with tenant based rental assistance provided with HOME Funds, projects over 5 HOME assisted units must have an affirmative marketing plan completed on HUD form 2529-0013. The form can be located at: <http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf>

Any changes or updates to the plan must be submitted to the County/CDC for approval. The County/CDC will review affirmative marketing efforts annually to ensure they comply with the County's affirmative marketing plan. The affirmative marketing plan is available upon request.

**Fair Housing:**

Owner shall comply with all applicable Federal, State and County Fair Housing laws, including, without limitation: (a) [Fair Housing Act](#), 42 U.S.C. 3601 et seq., (prohibits discrimination by direct providers of housing, such as landlords and real estate companies as well as other entities, such as municipalities, banks or other lending institutions and homeowners insurance companies whose discriminatory practices make housing unavailable to persons because of [race or color](#), [religion](#), [sex](#), [national origin](#), [familial status](#), or [disability](#)); (b) Title VIII of the Civil Rights Act of 1964 (prohibits discrimination on the basis of race, color, national origin, religion, sex familial status, and disability); (c) Title VI of the Civil Rights Act of 1964 (prohibits discrimination on the basis of race, color, nation origin in all Federally assisted programs); and (d) the Age Discrimination Act of 1975 (prohibits age discrimination in all federally assisted programs). In addition, Owner agrees that it will make the HOME Units accessible (as defined in Section 504 of the Rehabilitation Act of 1973), upon the request of the prospective tenant(s) if the nature of the prospective tenant's disability so requires. The Owner shall work with the prospective tenants to make such HOME Units accessible. All accessibility features must comply with the Uniform Federal Accessibility Standards (UFAS) for the design, construction and alteration of buildings so that physically handicapped persons will have ready access to and use of them in accordance with the architectural barriers Act, 42 U.S.C. 4151-4157. Owner will also not discriminate against persons with disabilities as required by Section 504 of the Rehabilitation Act of 1973.

**Conflict of Interest:**

Any unit benefits or financial assistance associated with HOME Program projects or programs administered by the Owner, including occupancy of a HOME Unit in a project by the owners employees, employees families, or Board members is prohibited. This prohibition does not apply to an employee or agent of the Owner who occupies a HOME Unit as the on-site project manager or maintenance worker

## **VI. Income Targeting**

HUD establishes HOME income limits for different localities and adjusts them for household size. It provides a specific maximum annual dollar amount necessary to qualify to reside in a HOME unit. The income limits are published each year, generally in February or March and are available online at <https://www.hudexchange.info/programs/home/home-income-limits/> or from Pierce County CDC Staff. HUD defines a 'low income household' as one in which the annual gross income is not greater than 80 percent of the area median income. A 'very low income household' is one in which the annual gross income is no greater than 50 percent of the area median income.

HUD requires that every HOME-assisted rental unit be occupied by a household that is low income. To determine eligibility, the County uses Part 5, Section 8 method of calculating household income as described in the HOME regulations. All income determinations described shall be deemed to be the best way to determine the applicant(s) anticipated income for the next 12 months.

### **Frequency of Income Reviews:**

- Initial Occupancy: At initial occupancy owners are required to examine source documentation (original record) for tenant income. This is to validate the information is correct and used to certify that the tenant is eligible to reside in the HOME unit.
- Annually: Owners are required to re-examine tenant household income annually after initial occupancy. The income re-certification must be done within a year (365 days) of initial occupancy and within one year (365 days) of the re-certification thereafter. A signed (by both tenant and owner) self-certification is allowed (see requirements below), however owners are required to examine source documentation for tenant income every sixth year during the period of affordability. If source documentation is collected annually it must be done in accordance with the source documentation requirements below.

### **Self-Certification Requirements:**

- Must state the tenant annual household income and household size. All household members and their incomes must be listed.
- Must contain a clause that all information is complete and accurate and that the tenant will provide source documentation upon request. If the owner believes that information is not accurate source documentation must be examined.
- Must be signed as true and accurate under penalty of perjury by both Owner and Tenant.
- If an owner re-examines tenant's annual income through a statement and self-certification they must examine the income of each tenant in the project through a statement and self-certification. In other words owners must choose this self-certification for all tenants in the project. Owners cannot selectively choose tenants for self-certification, and make other tenants in HOME units provide source documentation (outside of initial occupancy).

***NOTE: If the owner chooses to use self-certification of income the owner will need to contact the County/CDC to see which year's source documentation is required. The owner is also encouraged to submit the self-certification form to the County/CDC for review.***

**Source Documentation Requirements:**

- Salary and Wages: Shall be verified through two months of paystubs, and/or a third party verification of employment.
- Unemployment Income: Should be verified with 2 months of weekly unemployment statements.
- Child Support: Shall be verified by court order, DSHS statement, auto deposit, cancelled checks or other third party methods. A minimum 2 month history should be collected.
- Self Employed Income: Persons that are self-employed must provide at least two year's tax returns to verify income. P&L's can be considered as a substitute only if prepared by a certified public accountant.
- Social Security/SSI Income: Shall be verified with most recent year's award letter.
- Pension Income: Shall be verified with a monthly, quarterly or annual statement.
- Assets: Two months of bank or other account statements. Interest or income earned on liquid assets over \$5,000 would need to be counted as income using current HUD passbook rate of .06 percent Households with less than \$5,000 in Assets are to complete the 'Under \$5,000 Asset Certification' form.

**Income Determinations:**

An income determination worksheet should be completed for every tenant household upon initial occupancy and whenever income is re-examined. The income determination worksheet will describe the methodology for determining income, including asset income and the determination of income eligibility. The worksheet will be signed and dated by the owner and will certify the households income eligibility for the applicable program. *A sample worksheet is available upon request however there is no required format.*

A household information form will be required to be completed by all tenants at initial occupancy and annually thereafter. The household information form will list all household members, relation to the head of household, dates of birth, social security or Alien Regs. No., and gross income. The head of household will sign the form and will certify the accuracy of the form. Any adults (18 and over) disclosing no income will be required to complete an affidavit of no income. *This form is available upon request.*

- Salaried/Hourly Employee: Base wages shall be the gross hourly rate of pay times the number of hours worked per week. If these hours vary, income can be determined by using

the average hours worked provided on the third party verification of employment, or income can be determined using a year to date average of wages earned.

- Unemployment income: Unless otherwise stated it shall be assumed that unemployment income will continue for the purposes of determining the maximum allowable income. Count the gross amount of unemployment received.
- Seasonal Income: If income is based on seasonal work the income shall be averaged over the past year and current year to date. All income earned including unemployment income would be averaged to determine project annual income in the next twelve months.
- Investment income/interest, dividend income: Shall be verified through year end 1099's or bank statements. The income should be determined by the average of previous year's income.
- Liquid assets: The owner shall use the HUD passbook rate to determine income for assets that exceed \$5,000 that do not have a predetermined income. This rate adjusts accordingly and effective February 1, 2015 is .06 percent. The tenant shall provide 2 months banks statements on all accounts to verify liquid assets.
- Unverifiable income: If the tenant earns income that is not verifiable by normal means, the owner shall get third party written verifications on what the tenant is paid. These can be third party signed certifications that the tenant was paid cash for work performed.
- Self Employed: A two year average net business income will be used to determine annual income. If the self-employed income is significantly higher Year to Date (YTD) than the previous year an explanation should be provided. In the absence of an explanation greater weight shall be placed on the most recent year.
- Other:
  - Commission Income: Commission income should be averaged year to date.
  - Bonus Income: The same as Commission income.
  - Overtime Income: The same as bonus income.

### **Income Inclusions and Exclusions:**

- **Inclusions:**

- 1) The full gross amount of wages including overtime, bonus, tips, and other compensation, including income from a second job.
- 2) Net income from the operation of a business, \*Depreciation may be added back depending on the type of depreciation used;
- 3) Interest, annuity, dividend, or rental income;
- 4) The full amount of Social Security, Pensions, Disability, or death benefits, including benefits received on behalf of a minor child;

- 5) Unemployment Compensation;
- 6) Welfare Assistance (Cash Only);
- 7) Alimony and/or Child Support;
- 8) All regular pay, special pay, and allowances of a member of the Armed Forces;
- 9) Income from a second job regardless of time on the job;
- 10) Income from all investment or assets;

• **Exclusions:**

- 1) Income from children under age 18;
- 2) Foster care payments for children or adults unrelated to the family;
- 3) Adoption Assistance in excess of \$480 per child;
- 4) Lump Sum payments or additions to family assets;
- 5) Student Financial Aid;
- 6) Income of an unrelated live in Aide;
- 7) Earnings in excess of \$480 for each full time student 18 years or older; (Excludes Head of Household or Spouse)
- 8) Other exclusions as allowed by HUD Regulations;

## **VII. Ineligible Tenants/Occupancy**

### **Over Income Tenants in Floating Units:**

If the income of a tenant occupying a Low HOME unit increases, but does not exceed 80 percent of AMI, that unit becomes a High HOME unit. To replace the Low HOME unit the owner must rent the next available unit to a very low income (50% of AMI or below) tenant, creating a new Low HOME unit. If a tenant's income increases above 80 percent of the AMI, this unit is still considered to be a HOME unit but the tenant's rent must be adjusted to 30% of adjusted gross income or current fair market rent, whichever is less. In the event the project receives Low Income Housing Tax Credits (LIHTC) the rent shall not be increased above the permitted LIHTC rent.

### **Over Income Tenants in Fixed Units:**

If the income of a tenant in a fixed HOME unit exceeds eighty percent (80%) of the area median income, the tenant must be charged thirty percent (30%) of their gross income for rent regardless of market rent.

*NOTE: Tenants in HOME units cannot be evicted because of income, only their rents can be adjusted.*

### **Timing Requirements for Over Income Tenants:**

If rents have to be adjusted in must be done at lease renewal, or as soon as feasible, in accordance with Washington State Landlord/Tenant Law. Subject to review and approval see page 4.

**Students:**

An individual does not qualify as an eligible tenant under the HOME program if that individual is a student, who is not eligible to received Section 8 assistance under 24 CFR 5.612.

**Occupancy:**

Owner must report units vacant for more than 6 months and advise the County/CDC on marketing efforts.

## **VIII. Property Standards**

**Property Standards:**

The County/CDC will inspect HOME funded units to Uniform Physical Conditions Standards (UPCS) and/or HUD Housing Quality Standards (HQS). *NOTE: The implementation of UPCS is on hold pending further guidance from HUD.*

**Corrections of Failures:**

Health and safety failures that may pose an immediate danger to the occupants of the house must be corrected in 72 hours. Other failures that do not pose an immediate danger to the occupants of the house must be corrected in 30 days.

**Frequency of Inspections:**

HOME units will inspected to HQS (Pending HUD guidance on UPCS) standards every 3 years beginning in 2015. However, based on the condition of the property the frequency of inspections may be increased at the discretion of the County/CDC based on a risk assessment performed annually.

**Owner Certification:**

Owners of HOME assisted units must annually certify that each building and all HOME assisted units in the project are suitable for occupancy. This certification is part of the annual report due in January (See page 1 for further information).

## **IX. Record Keeping**

**Income:**

Owners must keep all records on tenant income, including but not limited to household verification forms, source documentation, and self-certifications.

**Leases:**

Owners must keep all signed tenant leases and addendums

**Affirmative Marketing:**

For projects that meet the requirement, owners must keep a copy of their affirmative marketing plan and all affirmative marketing actions for the project. The policy must include methods for providing information about Federal fair housing laws, special outreach and soliciting procedures, records policy regarding demonstration of affirmatively marketing of units and result measurements, etc.

**Tenant Selection:**

Owners must keep all policies and procedures related to tenant selection. This included tenants received through Coordinated Entry referral. The policy Owners must keep records of applicants that were rejected for tenancy in a HOME unit.

**Retention period:**

Owners must keep all records related to the HOME project for five years and for five years after the end of the period of affordability.

**X. Monitoring Summary**

On-Site Unit Inspections	Every 3 years. More frequent inspections may be required depending on the condition of the units.
On-Site review of Tenant Files	Every 3 years. More frequent inspections may be required based on the Risk Assessment.
Desk Monitoring	Annual review of tenant/rent reports and if over 10 units, financial statements on projects
Risk Assessment	Annual risk assessment to determine frequency of monitoring and on-site inspections. The risk assessment will be performed after the tenant reports are due January 31.

## **XI. Exhibits**

- Request for Rent Increase (required form)
- HOME Lease Addendum (recommended)
- Tenant Household Verification (recommended)
- Household Income/Asset Certification Form (required - may substitute format)
- No Income Affidavit (required if applicable - may substitute format)
- Under \$5,000 Asset Certification (recommended)
- Affirmative Fair Housing Marketing Plan (required if over 5 HOME units - may substitute format)
- Tenant Selection Policy (required - may substitute format)
- Utility Allowance Calculation (required - may substitute format)
- HOME Annual Report and Cover Sheet (required form)
- Owner Occupancy Certification (required - may substitute format)
- Income Determination Worksheet (recommended)