



INDUSTRY DAY

Holiday Inn Sacramento Downtown - Arena

April 15th 2024

**CAHI Update on HOTMA & Other
tips for MORs, UAs & RCSs v3.2**

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HOUSEKEEPING

- Put your phones away, put them on 'silent'
- We'll make a pdf version of this presentation available
- We'll stop along the way for questions

GOALS FOR TODAY'S SESSION

- Scope of today's session will focus on HUD HQ's Instructions to PBCA's in regards to HOTMA and MORS.
- **Only from the POV of Project Based Section 8**
- What it is not: Training on HOTMA or guidance.
- Tips for preparation of UAs and RCS.
- Review PBCA and HUD roles/responsibilities.

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WHO IS CAHI?

- The Oakland Housing Authority (OHA)
- CGI Federal
- PBCA for Northern California since 2004

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HOUSING OPPORTUNITY THROUGH MODERNIZATION ACT OF 2016 (HOTMA)

- Significant changes to income calculation, net family assets, income reviews, to initial eligibility and definitions.
- Help streamline and simplify the process and program
- HUD Notice 2023-10
- HUD revised notice, 2/6/2024

“HUD’s Office of Multifamily Housing Programs strongly recommends that owners align their own HOTMA implementation timeframe with the release of 203A (anticipated Summer 2024).”

HUD INSTRUCTIONS TO PBCAS 2/7/2024

OA did not adopt any provision of HOTMA or updated requirements – Review as we currently do*

For owners who have adopted one or more HOTMA provisions, PBCAs...

HUD INSTRUCTIONS TO PBCAS 2/7/2024

For owners who have adopted one or more HOTMA or other Notice H 2023–10 provisions, PBCAs will not be required to validate the accuracy of tenant rents that were calculated using some or all of HOTMA's provisions, regardless of whether the tenant rent was overridden in TRACS by the owner.

FINDINGS FOR ONLY 4 SITUATIONS

PBCAs must issue HOTMA and Notice H 2023–10–related findings only for the following items:

1. The owner-initiated termination of assistance for a family whose assets exceeded the asset limitation at reexamination without the execution of a revised HUD Model Lease that lists noncompliance with the asset limitation as a potential reason for termination;
2. The owner's TSP and EIV Policies & Procedures were not appropriately updated or made publicly available by March 31, 2024*;
3. The owner implemented HOTMA or other Notice H 2023–10 provisions for certifications with an effective date prior to January 1, 2024, or without an updated TSP and/or EIV Policies & Procedures;
4. The owner's tenant files were not annotated as described in HUD's above-linked message to owners.

PBCAS CAN MAKE 4 FINDINGS:

1. The owner-initiated termination of assistance for a family whose assets exceeded the asset limitation at reexamination without the execution of a revised HUD Model Lease that lists noncompliance with the asset limitation as a potential reason for termination;

2. The owner's TSP and EIV Policies & Procedures were not appropriately updated or made publicly available by March 31, 2024*;

(deadline extended to 5/31/2024)

WHAT REQUIRED TSP & EIV UPDATES?

[MFH List of Discretionary Policies to Implement
HOTMA - Updated 2-1-2024 \(hud.gov\)](#)



Adobe Acrobat
Document

This table from HUD clearly outlines the required updates that must be in the new TSP and EIV policies & procedures

*TSP & EIV UPDATES DEADLINE EXTENDED TO MAY 31, 2024

- HUD Notice H2024-04 issued on 2/28/2024

6.2 Compliance Date and Required Housing)

By March 31, 2024:

- By March 31, 2024, MFH Owners must update their TSPs and EIV policies and procedures to reflect the changes.
- MFH Owners must make the necessary updates to their TSPs and EIV policies and procedures to reflect the changes.

Note: MFH Owners must continue to follow their existing TSPs and EIV policies & procedures until 203A.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

ASSISTANT SECRETARY FOR HOUSING —
FEDERAL HOUSING COMMISSIONER

Special Attention of:	Notice H 2024-04
Multifamily Asset Management Division Directors	Issued: 2/28/2024
Multifamily Contract Administrators	Expires: This Notice remains in effect until amended, superseded, or rescinded.
Multifamily Project Owners	
Multifamily Regional Center Directors	Cross References: Notice H 2023-10

Revised Compliance Date: Updates to Tenant Selection Plan (TSP) and Enterprise Income Verification (EIV) Policies and Procedures

1. PURPOSE

Section 6.2 of “Implementation Guidance: Sections 102 and 104 of the Housing Opportunity Through Modernization Act of 2016 (HOTMA)” (Notice H 2023-10) establishes a deadline of March 31, 2024, for Multifamily Housing (MFH) Owners to update their TSPs and EIV Policies and Procedures. The purpose of this Notice 2024-04 is to **extend that deadline to May 31, 2024.**

-
3. The owner implemented HOTMA or other Notice H 2023–10 provisions for certifications with an effective date prior to January 1, 2024, or without an updated TSP and/or EIV Policies & Procedures;

-
4. The owner's tenant files were not annotated as described in HUD's above-linked message to owners (sent 2/6/2024).

HUD'S 2/6/2024 MESSAGE TO OWNERS

[Important New HOTMA Section 102 and 104
Implementation Guidance Now Available
\(\[govdelivery.com\]\(https://govdelivery.com\)\)](#)

PASSBOOK RATE CHANGES

- Now or later

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WHAT ARE MANAGEMENT & OCCUPANCY REVIEWS?

“The management review is one of the integral mechanisms of project monitoring used to ensure that owners/agents comply with the requirements under the Regulatory Agreement, Mortgage, Management Certification, Housing Assistance Payments (HAP) Contract and/or other relevant business agreements.”

- HUD Handbook 4350.1 Multifamily Asset Management and Project Servicing, Chapter 6 Project Monitoring

MOR CHANGES OVER THE YEARS

- MORs occurred annually in Northern California starting in 2004
- 2011, HUD suspended all MORS around the country
- 2016, MORS restarted in the Summer. 66% of PBCA's portfolio annually. MORs approved quarterly by HUD HQ.
- 2022, Final Rule on MOR scheduling, Risk based scheduling of MORs
- 2023 PBCAs instructed to not remove documents from property either physically or electronically
- HOTMA

RISK BASED SCHEDULING

Establish 'baseline'. First MOR to occur on/after
9/26/2022.

Previous MOR	Unsatisfactory	Below average	Satisfactory	Above average	Superior
Next MOR must be conducted within . . .					
Risk Classification: Troubled	12 months of previous MOR.				
Risk Classification: Potentially Troubled.	12 months of previous MOR.				
Risk Classification: Not Troubled	12 months of previous MOR.	12 months of previous MOR.	24 months of previous MOR.	36 months of previous MOR.	36 months of previous MOR.

MOR TIMELINE



PREPPING FOR CAHI'S VISIT

- Addendum C documents*
- Review Past MOR reports. Unresolved Conditions? No repeat Conditions!
- Prior to visit, let us know if tenant files are located off site!
- 24 hour notice to tenants that units may be entered (REAC/NSPIRE Follow up)
- Notify your staff and maintenance teams

*HUD's 10/20/2023 updated MOR guidance forbids property/tenant documents from leaving the property either physically or electronically

DAY(S) OF ON-SITE VISIT

- Tenant File Sample
- Recent MO, Rejected Applicant, Repayment Agreements
- Addendum C documents
- Vacant Units
- REAC/NSPIRE Follow-up, visit maintenance facilities

EXIT MEETING

- Review Preliminary Findings – used to be able to have you send stuff after review....not anymore
- Go over expectations of when MOR written report will be issued
- Appeals Process if overall score is BA or Unsat
- Response process

POST VISIT

- Appeals
- CAHI's Quality Assurance Team may follow up
- Summary Page
- Tenant File Summary
- Conditions

CORRECTIVE ACTIONS – DON'T SEND US DOCUMENTS!

Condition: File missing adequate third-party verification, Units XYZ: Direct Express, Wages ending and checking 6 month balance.

Criteria: HUD Handbook 4350.3, REV-1, CHG-4, Chapter 5, Paragraphs 5-12A, "Owners must verify all income, assets, expenses, deductions, family characteristics, and circumstances that affect family eligibility or level of assistance." 5-13 "Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible." and Exhibit 5-2A1.

Cause: OA failed to obtain proper verification.

Effect: HAP payment and tenant rent may be incorrect.

Corrective

Action: Provide detailed narrative of steps taken to properly verify missing information. Include how it was verified, how the correct amounts impacted the TTP. Also provide dates that a corrected 50059 was properly executed and the date it was transmitted to TRACS. Review of this documentation will occur at the next scheduled MOR.

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UTILITY ALLOWANCES

- The Utility Allowance (UA) is intended to reimburse residents for utility expenses for projects receiving subsidy assistance where all or some utilities are paid directly by the tenant.
- The UA is *not* intended to pay all utility costs.

UTILITY ANALYSIS LIFECYCLE

HUD Notice 2015-04

- UA analyses are required with each annual rent adjustment.
- The UA will be adjusted based on the supported analyses which can warrant an increase or a decrease.
- Baseline, an analysis of tenants' bills, based on a minimum sample size, for a given time period, to determine average usage
- Baselines are processed in 3 year cycles
 - Year 1 – Utility Allowance Baseline
 - Year 2 – Utility Allowance Factor (UAF)
 - Year 3 – Utility Allowance Factor (UAF)

COLLECT THE APPROPRIATE DATA

When compiling data for your baseline, please confirm that:

- Determine Sample Size(s)
- 12 months (or at least 10 months) of utility bills have been submitted for each unit and unit type.
- Data is no more than 18 months old (from site's HAP anniversary).
- All data for each unit type is from the same 12 month period.

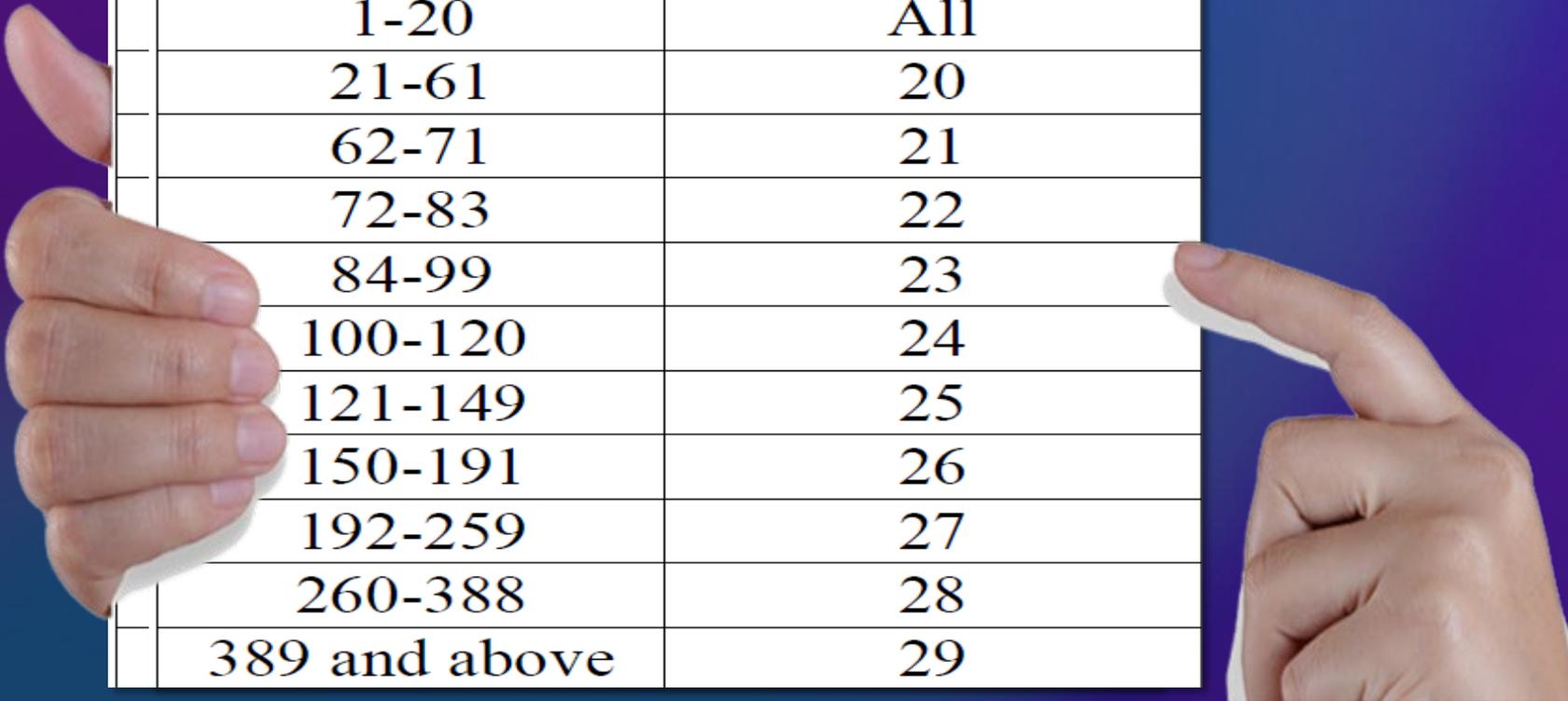
BASELINES SHOULD *NOT* INCLUDE...

- Market rate units.
- Units receiving an increased U/A as a reasonable accommodation.
- Units receiving a flat utility rate as part of a low-income rate assistance utility program
- Units that have been vacant for more than 2 months. Units included in the sample must have at least 10 months of occupancy
 - ▶ *If a resident vacates an apartment and another resident moves in, documentation from both residents residing in the unit can be submitted.*

COMPLETING THE UA BASELINE

- If there are like units with varying sizes, e.g. 1BD Small, 1BR Large, there should be a separate UA calculation for each bedroom size.
- Properties with multiple utility types will have to do a separate comprehensive analysis for each type.
- RHS/USDA Properties must submit a Utility Analysis. It is no longer acceptable to use the UA amounts listed on the USDA budget or letter.
- Third Party Utility Analysis providers are acceptable so long as the analysis meets the requirements of the notice.

MINIMUM SAMPLE SIZES PER UNIT TYPE



Number of Units *	Minimum Sample
1-20	All
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24
121-149	25
150-191	26
192-259	27
260-388	28
389 and above	29

HUD SAMPLE UA WORKBOOK – SUMMARY PAGE

2	Property Name:	_____					Date	_____
3	Contract Number:	_____						
4	Project Number:	_____						
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34								

Contract Units	Units to be Sampled
0 Bedroom Units	0
1 Bedroom Units	0
2 Bedroom Units	0
3 Bedroom Units	0
4 Bedroom Units	0
5 Bedroom Units	0

Average as Calculated from Analysis	
0 Bedroom Units	N/A
1 Bedroom Units	N/A
2 Bedroom Units	N/A
3 Bedroom Units	N/A
4 Bedroom Units	N/A
5 Bedroom Units	N/A

	Current Utility Allowance	Proposed Utility Allowance
0 Bedroom Units		
1 Bedroom Units		
2 Bedroom Units		
3 Bedroom Units		
4 Bedroom Units		
5 Bedroom Units		

Enter number of units per current rent schedule

Enter UA amounts per current rent schedule

Must be provided

ANALYSIS TABS

The screenshot shows an Excel spreadsheet with the following structure:

- Columns:** A, B, C, D, E, F, G, H, I, J, K, L, M, N. Column C is highlighted.
- Worksheet Title:** 1 Bedroom Analysis
- Table Headers:** Unit, Month 1, Month 2, Month 3, Month 4, Month 5, Month 6, Month 7, Month 8, Month 9, Month 10, Month 11, Month 12, Average.
- Table Rows:** Unit 1 through Unit 37.
- Tab Bar:** Summary, 0 Bedroom Analysis, 1 Bedroom Analysis (selected), 2 Bedroom Analysis, 3 Bedroom Analysis, 4 Bedroom Analysis, 5 Bedroom Analysis.

Annotations:

- A purple arrow points to the 'Unit' column header with the text 'Enter unit numbers'.
- A blue arrow points to the 'Month 10' header with the text 'Use billing date'.
- A green arrow points to the '1 Bedroom Analysis' tab with the text 'Unit size must be clearly marked on each tab'.

Unit size must be clearly marked on each tab

OTHER MUSTS FOR UA BASELINES

- Owner must determine average utility cost without removing ANY units from the analysis... DO NOT remove highest and lowest household to determine the average.
- O/A must submit the completed analysis to the CA for review and approval and recommend the UA amount to CA.
- O/A must submit data in a format that uses HUD's formulas for averaging UA costs. HUD has provided an Excel Workbook with built-in formulas for calculating UA increases/decreases. O/A do not have to use this particular form, but must use HUD's formulas.
- The utility bills DO NOT need to be submitted with the UA analysis, but must be retained for the period of tenancy plus 3 years, and made available for a review, if requested.

TENANT NOTICE & CERTIFICATION

- Per HUD Notice 2015-04, whenever an adjustment to the utility allowance results in a decrease, the owner must provide notice to tenants.
- If a UA decrease has been calculated, OAs MUST post a 30-Day Tenant Notice.
- The Certification of Compliance with Tenant Comment Procedures should be submitted once the Tenant Notice has been posted for a full 30 days. Owners must ensure that tenants have the right to the entire 30 day comment period. Certifications should be signed on the 31st day!
- Both the 30-Day Tenant Notice and The Certification of Compliance with Tenant Comment Procedures are a part of the Complete Package requirement.

OTHER REQUIREMENTS FOR BASELINES

- Note: UA MUST be increased whenever changes in utility rates result in a cumulative increase of 10% or more.
- Special submission guidelines have been provided in the notice for properties undergoing New Construction or Substantial Rehab.
- With HUD approval, properties undergoing NC or SR can establish baseline based on analysis completed at underwriting through an energy consumption model.
- This option instead of the regular methodology can only be used in the first year of occupancy post-construction.

UAF PROCESS

- If the property is eligible, the UAF document is sent with the 6 month reminder letter from CAHI, during the rent adjustment/contract renewal process. The purpose of this notification is to show how we calculated the UAF.
- When you receive your reminder letter, please confirm if you are in fact eligible (you are in year 2 or 3 of your baseline cycle) for a UAF adjustment and that the proposed UA amounts meet the needs of your tenants.
- If you agree, please sign and return the notice to your CA.

RECAP OF UA

- Utility Allowance Baselines are often labor intensive and take several weeks (sometimes months) to complete
- We send 6 month letters out, get started on Baselines ASAP!
- Proper sample sizes, proper timeframes for data
- If tenants are not cooperative, it can be a lease violation

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RENT COMPARABILITY STUDIES

- The purpose of a Rent Comparability Study (RCS) is to estimate “market” rents for each Section 8-unit type. “Market Rent” is the rent that a knowledgeable tenant would most probably pay for Section 8 units, as of the date of the appraiser’s report, if the tenants were not receiving rental subsidies and rents were not restricted by HUD or other government agencies.
- Section 8 Renewal Guide, Chapter 9

AVOID STALE RCS

- The RCS should be submitted no more than 180 days from the property's anniversary/expiration date and no less than 120 days from the property's anniversary/expiration date.

RCS COMPLETE PACKAGE

- Owners must review and submit an RCS with an Owner's Cover Letter (formerly known as the Owner's RCS Certification) and the RCS checklist
- The RCS Owner's Cover Letter and the checklist are parts of a complete RCS package. The RCS cannot be reviewed until CAHI receives both the letter, the checklist and the RCS.

RCS MUST BE PRESENTED IN SPECIFIC ORDER

Section 9-14 requires the following contents of the RCS to be submitted in the following order:

1. Appraiser's Transmittal Letter
2. Scope of Work
3. Description of Subject Property (with color photos)
4. Identification of Subject's Market Area
5. Description of Neighborhood
6. Narrative Describing Selection of Comparable properties
7. Locator Map for Subject and Comparable properties
8. Rent Comparability Grid for Each Primary Unit
9. Narrative Explaining Adjustments and Market Rent Conclusions (one set of explanations for each Rent Grid)
10. Comparable Property Profiles (including photos)
11. Appraiser's Certification
12. Copy of Appraiser's License (if relying upon a temporary license)

TIMELINESS AND COMPLETENESS REVIEW

- Not stale.
- The order of the contents of the RCS are also checked under Initial Review.
- The RCS must pass an “Initial Review” before moving to Step 2.

SUBSTANTIVE REVIEW

- Assess and evaluate whether the Owner's RCS appraiser's selection of comparables, adjustments and rent conclusions are reasonable.

MANDATORY MARKET RENT THRESHOLD

- See Section 8 Renewal Guide, Chapter 9, Paragraph 9-14 for details. If the site's rents exceed the threshold, a HUD 3rd party RCS must be ordered

RCS RECAP

- We send reminder letters to you 6 months in advance
- Start the process so your RCS is ready in the proper timeframe
- Make sure your appraiser knows the requirements of HUD's Sec 8RG Chapter 9
- Make sure you have a complete RCS package, all items are included and presented in the proper order
- Make sure your appraiser is responsive to our appraiser
- HUD process to get RCSs also takes a lot of time

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WHO DOES WHAT

Original ACC Some tasks never implemented

Processed by HUD, however, PBCA needs to know approved amount and Claim ID# for processing on the voucher.

3/21/02

Owner/Agent Quick Reference Chart Performance Based Section 8 Contract Administrator

What is HUD responsible for? <i>You should mail any information that relates to the following areas to HUD directly:</i>	What is PB-CA responsible for? <i>You should mail any information that relates to the following areas to the PB-CA directly:</i>	Examples of Overlapping Areas of responsibilities between HUD and PB-CA
<ol style="list-style-type: none"> 1. Approve Management Certifications 2. Requests for changes in managing agents 3. Reserve for Replacements requests, suspensions and releases 4. Residual Receipts requests 5. General Operating Reserve requests 6. Monthly Accounting Reports 7. Annual Financial Statements (submitting through the FASS System) including responses to findings 8. Transfer of Physical Asset Package 9. Requests for Partial Releases of Security/Partial Payment of Claim 10. Requests for a Workout Agreement 11. Neighborhood Networks Plans 12. NOFA Applications (i.e. Drug Elimination, Safe Neighborhood Grant Service Coordinator and 202/811) 13. Monthly Vouchers on any funded NOFA Grant (i.e. DEG, SNG, Service Coor) 14. Monitoring Service Coordinators 15. Process prepayment requests 16. Assignment of HAP contracts to owner 17. Process and monitor flexible subsidy 18. Process special claims (debt service) 19. Management reviews on HUD administered 	<ol style="list-style-type: none"> 1. Establish resident baseline data 2. Review of Monthly HAP Vouchers and Special Claims 3. Responses to Discrepancies on monthly HAP vouchers 4. Disburse monthly housing assistance payments to owners 5. Section 8 Contract Opt Out Notification 6. Rent Increase requests/budgets, specials 7. HAP renewal requests (governed by Section 8 Renewal Policy, 1/19/01) 8. Tenant inquiries/Complaints for life and non-life threatening health and safety issues 9. General resident/community complaints 10. Follow-up to REAC Physical Inspections including EH&S findings 11. Process abatement action and advise HUD 12. Recommend Section 8 contract terminations 13. Negotiate Management Improvement Operating plans (MIO) 14. Management /Fair Housing Reviews on PB-CA contracts 16. Requests for information related to the payment of a specific voucher 17. Process special claims (vacancy, damage) 18. Utility allowance analysis 	<ol style="list-style-type: none"> 1. Processing Contract Opt Outs 2. Approval of MIO Plans for physical inspections with scores below 45 3. Rent increases over 5% 4. Coordination of activities within various branches of HUD 5. Rent increases-236 vs Section 8 6. Management reviews which indicate the need for enforcement activities 7. Management reviews with a rating of below average or unsatisfactory 8. FHEO checklist review 9. Appeals processing 10. FOIA and congressional inquiries 11. Enforcement/Compliance activity 12. Funding reservations for contract renewals 13. Data input

Early Terminations

SUMMARY & WRAP UP

- Reviewed some HOTMA impacts
- Risk Based Scheduling for MORS
- Overview of MOR process
 - Procedural updates
- UA Baselines
- RCS
- HUD & PBCA, Who does what?
- www.cahi-Oakland.org

THANK YOU FOR JOINING US

