City of Chattanooga

Department of Economic & Community Development

RENTAL HOUSING

The U.S. Department of Housing and Urban Development (HUD) has provided millions in federal funding like Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), and Neighborhood Stabilization Program (NSP) that have enabled the City of Chattanooga to assist in the development/renovation of projects yielding over 2,000 rental units in the past twenty years. The City is responsible for seeing that the assisted rental housing is affordable, its occupants are low- and very low-income, and the property is maintained in standard condition for a sustained period – known as the “affordability period”, which is a long-term obligation. The term of the obligation is outlined in your project agreement.

Because of the long-term nature of the obligation, the City must have a sound rental compliance system. Not only must the City see that the assisted units comply with the CDBG, NSP, and or HOME regulations, the City must also see that these rental projects remain financially, physically, and managerially viable so that they can continue to house low-income families for the duration of the affordability period. When a property fails to do this, the funds must be repaid. Failure to comply can result in other corrective actions, including suspension of future awards to owners.

Property owners and managers share responsibility with the City for compliance as they have direct control over leasing, marketing, property maintenance, and tenant relations – tasks that are significantly impacted by the federal requirements for occupancy, affordability, property standards, and protection of tenant rights. The City endeavors to have a compliance system that includes a proactive and ongoing technical assistance component so that property owners/managers are well-versed in, and able to implement these requirements.

This guide provides information and generic tools for owners and property managers – in the form of checklists, forms, and sample documents – to facilitate the day-to-day rental management of HOME, CDBG, and NSP assisted properties. The information is generic to all rental projects. Depending on the source of funding, additional requirements may also be applicable. Please contact the Department of Economic and Community Development regarding any requirement that you need clarification on.

To manage assisted properties in compliance with Federal/City requirements, owners must maintain certain information and documentation on file, in addition to adhering to many other requirements. To demonstrate compliance with certain requirements, the owner is required to maintain certain information on file and submit other information to the City on an annual basis. There is also information that the City is required to provide, annually, to the owner.

The City must provide the following information to the owner on an annual basis during the period of affordability:

* Income limits
* Rent limits
* City-Established utility allowances (for use when tenants pay their own utilities directly)
* Changes to policies or procedures that might impact the property’s management, such as changes to affirmative marketing procedures or housing codes and/or standards.

The owner must provide the following information to the City, on at least an annual basis, during the period of affordability:

* Rent and Occupancy Report (also known as the “Rental Project Annual Compliance Report”)
* Affirmative marketing information, as specified by the City
* Financial reports, as specified by the City
* Proof of insurance coverage on property
* Other reports and information to document compliance and property financial viability, as specified by the City.

Following are highlights of requirements along with forms and sample documents that may be used in operating/managing rental projects assisted with HOME, CDBG, and NSP funds provided through the City of Chattanooga.

# 1. DEVELOPING POLICIES AND PROCEDURES

1.1 Your organization must formally adopt a set of Policies and Procedures for the operation of the assisted project to serve as guidelines. If tenants are aware of the project requirements many potential problems and misunderstandings can be eliminated.

1.2 The City can provide a "Sample Set of Policies and Procedures". You may wish to use these as a guide, adopt them in whole or in part. Your policies and procedures must be approved by the City before adoption.

# 2. TENANT SELECTION

2.1 The Policies and Procedures governing the operation of your rental housing project must include written tenant selection policies and criteria that:

 1. Are consistent with the purpose of providing housing for low and very low income families;

 2. Are reasonably related to program eligibility and the applicants’ ability to perform the obligations of the lease;

 3. Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as practical; and

 4. Give prompt written notification to any rejected applicant of the grounds for any rejection.

 5. Has a current waiting list which includes the application date, eligibility, and date accepted or rejected for a rental unit.

# 3. TENANT RECORDS

3.1 In addition to program records which establish a Grantee's compliance with HOME, CDBG and NSP regulations, there must also be individual tenant records. These files should contain, at a minimum, the following:

 1. The tenant's application for a rental unit.

 2. Verification of the tenant's income and eligibility within the respective grant program income limits.

 3. Copies of required notices signed by the tenant, i.e., lead-based paint notices and fair housing.

 4. A signed 12-month lease for the unit with the required tenant protections.

# 4. OWNER’S ON-GOING OBLIGATIONS FOR RENTAL PROPERTY

4.1 Properties will be monitored annually to determine each project’s compliance with the applicable rules and regulations. Each owner will also be monitored for adherence to its contract with the City.

1. The rental housing long term monitoring requirements are the responsibility of the owner. They are responsible for:

1. Annual income certification of tenants;
2. Adherence to the rent and income composition guidelines;
3. Compliance with the Standard Housing Codes or Section 8 Housing Quality Standards;
4. Reporting to the City

4.2 Owner records must include:

 1. Documentation of the owner’s efforts to ensure that the composition of the units meets income guidelines.

 2. Documentation that all of the units meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code, HOME/NSP-assisted rental new construction must meet the Standard Building Code and HOME/NSP/CDBG-assisted rental rehabilitation must meet the Standard Housing Code.

 3. Documentation that the Grantee (if applicable) has adopted an Affirmative Marketing Plan and is marketing the rental units according to the plan.

 4. Documentation that the rents for all the units are in compliance with regulations.

# 5. Marketing

5.1 Owners/Managers of assisted rental housing must conduct marketing and advertising activities in accordance with applicable fair housing laws and affirmative marketing requirements.

5.2 Owners/Managers must comply with all fair housing laws, which prohibit discrimination in housing based on a person’s race, color, religion, sex, familial status, national origin, age, or disability.

5.3 Owners/Managers of properties with five or more HOME/NSP-assisted units must also follow affirmative marketing procedures to conduct special outreach to those groups least likely to apply for the HOME/NSP-assisted housing.

5.4 Owners/Managers must offer accessible units in the property to persons with disabilities first.

# 6. PROPERTY STANDARDS AND SPECIFICATIONS

6.1 Rental housing that is constructed or rehabilitated with HOME, NSP or other funds provided by the City must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code, HOME/NSP-assisted rental new construction must meet the Standard Building Code and HOME,NSP, CDBG-assisted rental rehabilitation must meet the Standard Housing Code. Properties will be inspected by the City every 1-3 years (this is determined by the size of the project and demonstrated capacity of the owner).

# 7. INCOME REQUIREMENTS FOR TENANTS

7.1 Program requirements with respect to the occupancy and affordability of the units apply at the time funding assistance is *initially* provided *and* over an extended period of time.

7.2 **INITIAL OCCUPANCY** - During initial occupancy, income requirements of the tenants differ from those in place during the long-term affordability period. Initial occupancy means the first tenants residing in the unit when the project is complete, i.e., the acquisition and rehabilitation are done and the project is rented.

7.3 **LONG TERM OCCUPANCY REQUIREMENTS** - After initial occupancy requirements have been met, long term occupancy requirements become effective for the duration of the affordability period, ranging from 5 to 20 years.

7.5 The owner should make every effort to keep the project in compliance during the affordability period by leasing the next available unit to an individual at the income level needed for compliance.

7.6 Each year during the period of affordability the owner must re-examine each tenant’s annual income to make sure the tenant household remains income eligible for the project.

7.7 Tenants who no longer qualify as low income families must pay as rent 30 percent of the family's *adjusted* gross monthly income, as re-certified annually.

# 8. RENT LEVELS

8.1 Rents are controlled for the length of the applicable affordability period. These rents are determined on an annual basis by HUD. Rents shall not exceed the published rents, adjusted for utility arrangements and bedroom size. *However, because these rents must also be attractive to lower income tenants, actual rents may be lower than the published rents.*

8.2 The City of Chattanooga will provide owners the new rents when they become available each year. *The utilities paid by tenants must be subtracted from the rents provided to determine the maximum allowable rents*.

8.3 Rents may increase or decrease from year to year. Where rents have increased, an owner may not raise rents in occupied units immediately. Any increase in rent is subject to the existing lease provisions, and the owner must provide the tenants 30 day prior written notice before increasing any rents.

8.4 Where rents have decreased, an owner is not required to reduce the rents in occupied units immediately. Compliance with the decreased limits may be done at the point in time specified in the lease, or if not specified, customary for periodic (usually annual) adjustments in rent.

8.5 Regardless of changes in Fair Market Rents and in median income over time, the qualifying rents are not required to be lower than the rent for the project in effect at the time of project commitment.

# 9. TENANT LEASE PROTECTIONS (92.253)

9.1 The lease, between a tenant and an owner of rental housing assisted with federal funds, must be for at least ONE year, unless by mutual consent the tenant and the owner agree to a lesser term.

9.2 An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with federal funds except for serious or repeated violation of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause.

Any termination of refusal to renew must be preceded by not less than 30 days by the owner's service upon the tenant of a written notice specifying the grounds for the action.

9.3 An owner of rental housing assisted with federal funds must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the Section 8 housing quality standards.

9.4 Owners may not refuse to lease as assisted unit to a family which holds a rental certificate (Rental Certificate Program) or a rental voucher (Rental Voucher Program) or a comparable document under City-assisted housing programs.

9.5 PROHIBITED LEASE TERMS - Certain Lease Terms are prohibited. These include:

 1. Agreement to be sued. Agreement by the tenant to be sued, admit guilt, or to a judgement 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 the state law.

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

 4. WAIVER OF NOTICE - Agreement by 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 jury trial.

 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 decision in connection with the lease.

 8. TENANT CHARGEABLE WITH COST OF LEGAL ACTION REGARDLESS OF OUTCOME. Agreement by the tenant to pay attorney fees or other legal costs even if the tenant wins the court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

9.6 Owners shall comply with all applicable state statutes, including the Uniform Landlord Tenant Law. The Grantee's attorney, or the area Legal Aid Office, can provide assistance.

9.7 Owners shall also comply with all applicable local ordinances and keep informed about the existence of or changes in such ordinances.

# 10. RENTAL HOUSING RECORDKEEPING

10.1 Owners/managers are responsible for maintaining records that demonstrate that they are operating the rental housing project in compliance with applicable regulations. At a minimum, the project records must include the following:

**1. APPLICATION AND CONTRACT FILE**

\_\_\_\_\_ Board of Directors Authorization to Seek Funding

\_\_\_\_\_ Application

\_\_\_\_\_ Award letter

\_\_\_\_\_ Contract

\_\_\_\_\_ Contract Amendments (if any)

\_\_\_\_\_ Project Approval Application(s)

\_\_\_\_\_ Project Agreement(s)

\_\_\_\_\_ Grant Note

\_\_\_\_\_ Restrictive Covenant

**2. GENERAL CORRESPONDENCE**

\_\_\_\_\_ General Correspondence

\_\_\_\_\_ City Letters

**3. PROCUREMENT FILE FOR ADMINISTRATIVE/CONSULTANT SERVICES**

\_\_\_\_\_ Newspaper Advertisement

\_\_\_\_\_ Solicitation Letters or Faxes

\_\_\_\_\_ Proposals or Statements of Qualifications Received

\_\_\_\_\_ Evaluations of Qualifications

\_\_\_\_\_ Written Statement of the Reason the Winner was Selected

\_\_\_\_\_ Contract

\_\_\_\_\_ Report or Product Produced as a Result of the Services

**4. FINANCIAL MANAGEMENT FILE**

\_\_\_\_\_ Set-up form

\_\_\_\_\_ completion form

\_\_\_\_\_ Invoices

\_\_\_\_\_ Request(s) for Payment

\_\_\_\_\_ Copy of Cancelled Checks

\_\_\_\_\_ Budget Revisions

**5. ENVIRONMENTAL REVIEW RECORD**

**6. RELOCATION FILES**

**7. ACQUISITION FILE**

\_\_\_\_\_ An independent appraisal of the property;

\_\_\_\_\_\_ A signed sales contract with addendum;

\_\_\_\_\_\_ A copy of the final settlement statement; and

\_\_\_\_\_\_ A copy of the recorded deed

**8. EQUAL OPPORTUNITY/FAIR HOUSING FILE**

\_\_\_\_\_ Bid Advertisement for Construction/Contractors

\_\_\_\_\_ List of Minority/Female Contractors

\_\_\_\_\_ Documentation of Attempts to Solicit Minority/Female Businesses

\_\_\_\_\_ Owner’s Affirmative Marketing Plan (Applicable for Rental Projects w/ Five or more Units)

\_\_\_\_\_ Documentation of Efforts to Affirmatively Market Rental Units (as Applicable)

\_\_\_\_\_ Section Three Questionnaire (if applicable)

\_\_\_\_\_ Policy of Non‑Discrimination

\_\_\_\_\_ Signed Copies of the Fair Housing Pamphlet

\_\_\_\_\_ Documentation of Compliance with Section 504 (if applicable)

\_\_\_\_\_ Documentation of Compliance with Site and Neighborhood Standards (as applicable)

\_\_\_\_\_ Grantee Hiring/Personnel policies

\_\_\_\_\_ Grantee Drugfree Workplace Policy

\_\_\_\_\_ Contractor/Subcontractor Activity Reports

\_\_\_\_\_ EO/FH Complaints

**9. DESIGN, CONSTRUCTION BIDDING AND CONTRACT COMPLIANCE FILE**

\_\_\_\_\_ Certification for Lead‑Based Paint ‑ Housing Inspector

\_\_\_\_\_ Certification for Lead‑Based Paint ‑ Children Under 6

\_\_\_\_\_ Preliminary Design and Cost Estimates

\_\_\_\_\_ Final Design Documents, Work Write-ups and Cost Estimates

\_\_\_\_\_ Approval of Bid Documents by Authorities having Jurisdiction Over Project (as appropriate)

\_\_\_\_\_ Certification of Compliance with Architectural Barriers Act (if applicable)

\_\_\_\_\_ Copy of Bidding Documents

\_\_\_\_\_ Bid Document Pickup Form

\_\_\_\_\_ Bid Advertisement

\_\_\_\_\_ Bids Received, Including Envelopes with Required Contractor/Subcontractor Information

\_\_\_\_\_ Minutes of Bid Opening

\_\_\_\_\_ Bid Tabulation

\_\_\_\_\_ Award to Successful Bidder

\_\_\_\_\_ Contractor/Subcontractor Certifications of Eligibility/Non-Debarment

\_\_\_\_\_ Executed Contract Documents including Contractor/Subcontractor Certification concerning Equal Opportunity and Labor Standards

\_\_\_\_\_ Non‑Kickback Certification

\_\_\_\_\_ Change Orders (indicate each)

\_\_\_\_\_ Certification of Insurance

\_\_\_\_\_ Bonding Documents, if Contract >$100,000

**10. RENTAL PROPERTY REHABILITATIONS/CCONSTRUCTIONS**

\_\_\_\_\_ Notice to Proceed

\_\_\_\_\_ Building Permit

For Each Interim Draw Payment:

 \_\_\_\_\_ Inspection Report Indicating Progress Sufficient to Support Draw Applied For

 \_\_\_\_\_ Documents Required Prior to Payment Form, and Documents Referenced Therein

\_\_\_\_\_ Request for Payment

For Final Draw Payment:

\_\_\_\_\_ Certificate of Occupancy

\_\_\_\_\_ HQS Inspection Report

\_\_\_\_\_ Manufacturer’s and Supplier’s Warranties and Guarantees

\_\_\_\_\_ Final Documents Required Prior to Payment Form, and Documents Referenced Therein

\_\_\_\_\_ Inspection and Punch List Report

\_\_\_\_\_ Contractor’s Final Release of Liens

\_\_\_\_\_ Contractor’s Affidavit of Final Payment

\_\_\_\_\_ Notice of Completion

\_\_\_\_\_ Certification Of Completion and Final Inspection

\_\_\_\_\_ Copies of Contractor Payments (Canceled checks, front and back)

\_\_\_\_\_ Record of Follow‑Up Visits

\_\_\_\_\_ Written Complaints and Resolution, Correspondence

**11. RENTAL HOUSING FILE**

\_\_\_\_\_ Owner’s Rental Housing Policies and Procedures and Evidence of Adoption

\_\_\_\_\_ Waiting Lists

\_\_\_\_\_ Rent and Utility Allowance Guidelines

\_\_\_\_\_ Initial Occupancy Profile

\_\_\_\_\_ Individual Tenant Records, at Initial Occupancy (Coversheet 13.1 on each tenant file)

**12. TENANT FILE**

\_\_\_\_ Application

\_\_\_\_ Initial Income Verification

\_\_\_\_ Eligibility Determination

\_\_\_\_ Disclosure of Information on Lead-Based Paint

\_\_\_\_ Initial Lease Agreement

\_\_\_\_ Utility Allowance Sheet

\_\_\_\_ Rent Limit Calculation

\_\_\_\_ Security Deposit Installment Agreement (if applicable)

\_\_\_\_ Signed Copies of the Fair Housing