



Seattle
Office of Housing

Rental Housing Program Compliance Manual

**Properties regulated through the City of Seattle's
Levy, HOME, HOME ARP, O&M, OMS, and Jump Start**

Effective September 1, 2023

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Chapter 1. Introduction

The following guidance applies to the City of Seattle Rental Housing Programs (City of Seattle Levy, HOME, HOME ARP, O&M, OMS, and Jump Start programs). This applies to properties that have a loan agreement and/or regulatory agreement.

The basis of many of the compliance requirements for the Office of Housing’s Rental Housing Programs are Housing and Urban Development ([HUD 4350.3](#)), Internal Revenue Service ([IRS Code Section 42](#)), and the [Code of Federal Regulations \(CFR\) Section 8](#).

In this Compliance Manual, capitalized terms have specific meanings as outlined here or in Appendix C. When a term is defined, it encompasses both its singular and plural forms, meaning it can be used in either form.

LEGAL DISCLAIMER: This Compliance Manual is not intended as legal advice nor is it intended to supersede any statute, law, regulation or the specific requirements in any loan agreement, regulatory agreement, HOME agreement, land use covenant or any other agreement specific to a property. Owners are strongly encouraged to hire an attorney to assist with understanding and meeting all their legal, regulatory, and contractual requirements. Owners are responsible for compliance with all legal, regulatory, and contractual requirements, whether or not described in this Manual. This Manual is intended to provide guidance but is not intended to create any express or implied rights for Owners or their tenants.

Compliance Basics

When the Owner of a Property receives a loan from the Office of Housing (“OH”) and/or enters into a Regulatory Agreement, the Owner is obligated to provide a certain number of affordable housing units for a specific period of time. For purposes of this Rental Housing Program Compliance Manual (“Compliance Manual”), affordable housing units are defined as any rental unit subject to maximum limits on household incomes and gross rents. Specific income- and rent-restricted rental housing units within a given Property are termed “Regulated Units.”

OH monitors property owners’ compliance with their affordability obligations throughout the contractual term of affordability. An Owner’s obligation to provide the income- and rent-restricted units (Regulated) generally takes effect as soon as lease-up begins and continues until the affordability obligation under any executed covenant, contract, or agreement is extinguished. OH’s Capital Investments Team underwrites, executes, and documents loans and Regulatory Agreements, and the Asset Management Team provides compliance monitoring on the Regulated Units, working to ensure that the affordability obligations are met throughout the life of any governing documents. In some cases, affordability requirements for a single Regulated Unit may be set under multiple OH funded programs with different terms. In these cases, the Compliance Period continues until the longest-lasting obligation expires, as discussed later in this chapter.

The heart of the compliance monitoring process is the review of the annual report. The annual report submission is two (2) parts: 1) OH, along with other local funders, uses [Web-Based Annual Reporting System](#) (WBARS) submissions; and 2) the Owner or designee provides specific supplemental documents

to OH related to the physical and financial standing of the property. The monitoring process also includes periodic on-site inspections and reviews of household files and other documentation.

The OH website provides links to most of the forms referenced in this Compliance Manual. Unless another website is identified in the text, please use this [link](#) to obtain the latest copies of all forms and any supplementary guidance.

For the purpose of this Compliance Manual, any unit funded by or regulated by OH through Levy funding, Jump Start funding, HOME, or HOME ARP funding will be referred to as a “Regulated” unit.

Rent and Income Restrictions

Rent and income restrictions, set a maximum to the gross rent that may be charged to a unit and the maximum to the gross amount of income that a household may have to qualify for a unit. OH publishes these maximums. This is often referred to as “set-asides.” Each Property’s specific breakdown of set-asides can be found in a Property’s Loan Agreement, Regulatory Agreement, and/or HOME Agreement.

***Example:** A 60% AMI unit, must only be rented to a household whose income is at or below the established 60% of area median income amount for their household size, and must only be rented at or below the 60% AMI rent for their unit size.*

Regulated Units must only be charged gross rents at or below the applicable level. OH does not set rents or instruct an Owner of what to charge. An Owner may charge any amount at or below the restricted amount for the applicable unit.

Regulated Units must be rented to households within certain incomes. If a prospective household’s gross income is even a dollar over the applicable income limit, that household will not qualify for the unit under the original limit.

Common set-asides are 30% Area Median Income (AMI), 50% AMI, and 60% AMI, though other limits may be present in some Agreements. OH annually publishes the rent limits for each AMI set-aside and bedroom size and income limits for each AMI set-aside and household size.

Governing Documents

The fundamental documents establishing affordability and other Owner obligations referred to in this Compliance Manual are a Property’s Loan Agreement, Regulatory Agreement, and HOME Agreement or Land Use Covenant, where applicable. These contracts are executed between the Owner, certain related parties and OH. In addition to this, a Property may be subject to the Housing Funding Policies published by OH. The Regulatory Agreement is recorded by the King County Recorder’s Office and runs with the land. This means that the obligations continue even if the original Owner sells the Property or otherwise transfers ownership.

On occasion, OH’s Director issues rules to interpret ordinances and establish supporting policies. OH also periodically issues guidance to interpret or clarify statutory requirements. Guidance and standard procedures are typically documented in manuals like this Compliance Manual. State and local statutes and ordinances, such as [RCW 84.14](#), may also apply.

Compliance with Rental Housing Program requirements does not relieve any Owner responsibilities under fair housing, landlord-tenant, or other federal, state, and local laws. OH neither monitors

compliance nor enforces these laws and regulations; however, OH may refer questions to other City offices as appropriate. Such referrals could include the Seattle Office for Civil Rights (SOCR) on matters of fair housing and the Seattle Department of Construction and Inspections (SDCI) on matters of landlord-tenant law.

Loan Agreement

The Loan Agreement outlines requirements set forth by OH for Regulated Units. The Loan Agreement includes, among other things, set-aside information, initial and ongoing reserve requirements, and reporting requirements. The Loan Agreement works in conjunction with the Regulatory Agreement.

Regulatory Agreement

The Regulatory Agreement outlines requirements set forth by OH for the Regulated Units. These requirements are most pertinent to the Asset Management Team, and include set-aside requirements, reporting requirements, reserve requirements, and other information, including, what to do with over-income households, etc. Even when a Loan is repaid, the Regulatory Agreement typically stays in effect until the maturity date of the Regulatory Agreement. This ensures that Regulated Units remain affordable long after a loan is paid in full and for the full intended period.

HOME Agreement

Properties which are funded through the HOME Program, a federal program of HUD that is locally administered, are subject to a HOME Agreement. In deals that are subject to a HOME Agreement, OH adds requirements to the OH Loan and Regulatory Agreements. While OH administers these funds, there is little to no flexibility as to eligible expenses and/or compliance requirements that must be monitored by OH because these funds are federally funded.

Transition to Monitoring

The Capital Investments Team handles the underwriting, documentation and execution of the Loan Agreement, Regulatory Agreement, and, if applicable, the HOME Agreement for each Property. The Capital Investments Team works closely with staff from the Asset Management Team to ensure a smooth transition of oversight responsibilities as a property moves from the development phase to ongoing operations.

Each Property will be assigned an Asset Manager and divided into Ownership Groups as the closing process approaches.

The Asset Manager will continue to ensure that the Property is meeting all obligations for the duration of the Compliance Period. The hand off from the front end (Capital Investments Team) to the back end (Asset Management Team) includes many moving parts as a property prepares to lease Regulated Units under the applicable agreements.

- **Passdown:** The Passdown process is where the Asset Managers determine that the Property is ready to open, and the Owner has done their due diligence to create policies and procedures to appropriately manage the Property before it opens to the public. Asset Managers review leases

and many of the policies in the provided Management Plan (provided by the Owner to OH) to determine if there are any conflicts with the parameters of OH's programs.

- *Note: A review by Asset Management does not equal a certification that an Owner is in full compliance with the Loan and Regulatory Agreement. The lack of an observed deficiency or conflict does not guarantee that one does not exist.*
- **Lease-Up:** Asset Management and the PM Staff will work together to ensure that pre-leasing activities and the lease-up process support program-compliant operations for the duration of the Compliance Period. Details appear in Chapter 2.
- **Final Draw:** In many cases, a final draw of committed funds will be requested after a building opens. The Capital Investments Team and Asset Managers will coordinate to ensure that all the outstanding requests have been fulfilled so that the Capital Investments Team can release the last amount of funds to a property.
- **Other Programs:** In some Properties, there are additional Incentive Zoning (IZ), Mandatory Housing Affordability (MHA), or Multi-Family Tax Exemption (MFTE) processes that are also happening at the time of Passdown and Lease-Up. These programs have a similar manual that specifically describes the steps to ensuring compliance through a property's transition into monitoring.

Program Overlap

Units are considered “overlapping” if a unit is regulated by more than one Program. Some Regulated Unit's affordability obligations under Incentive Programs (most commonly MFTE) can also overlap with separate obligations established under various public subsidy programs. In the cases where overlapping units are allowed, the unit must satisfy the most restrictive requirement in effect at the time.

As there are multiple public funders in Washington, a Portfolio Unit may also have funding from sources outside of OH, including the Washington State Housing Finance Commission (WSHFC), the Washington State Department of Commerce, or King County. Amazon, a private corporation, also acts like a public funder restricting units.

***Example:** A Portfolio studio, regulated at 60% AMI, is also a Regulated Unit under IZ, regulated at 80% AMI. This unit must be income- and rent-restricted at 60% AMI for the duration of the OH Regulatory Agreement.*

***Example:** A Low HOME studio unit, with specific regulations around file review and is regulated at 50% AMI, is also a Portfolio unit restricted at 60%. Upon expiration of the HOME agreement, the restriction on the unit escalates to 60% AMI for the rest of the Compliance Period.*

An important part of monitoring properties with program overlap, is ensuring that all program requirements are being met. Properties with both Rental Housing Program restrictions and Incentive Program must adhere to the most restrictive requirements of each as well as complete monitoring activities for both programs.

Chapter 2. Passthrough Process and Preparing to Open

What is the Passthrough Process

The Passthrough process is where the Capital Investments Team passes the project off to the Asset Management Team. During this period, which can often take several months, both teams are simultaneously asking the Owner for various items and documents. In simplified terms, the Capital Investments Team “dates” a deal (short term 12-24-months), and then the Asset Management Team “marries” the deal (50–99-year Compliance Period).

The Loan Agreement outlines hard dates when specific documents are due to OH. Many of these documents are due to the Asset Management Team. During the Passthrough process, the assigned Asset Manager will communicate with the Owner, typically through email, re-outlining due dates to the Owner and Property Manager, if known. This begins with the due date for the draft Management Plan and ends with the Passthrough Inspection, outlined further below. The Asset Manager will create a SharePoint folder for the new Property, where the Owner will submit all requested documentation and information.

The Passthrough process is complete once all the required documentation is received and the Asset Management Team has completed a Passthrough Inspection, roughly when the building is 70% leased. The Passthrough process is the opportunity to begin with the best foot forward for a property and for OH to supply feedback on any concerns prior to the Property’s operations getting significantly under way.

Life Cycle Cost Analysis/Capital Needs Assessment

A Life Cycle Cost Analysis (“LCCA”) is a document that details the capital needs of a property over a 20-year forecast. As of 2023, OH has begun requiring a LCCA to be updated on an annual basis. This Excel formatted document may be completed in house by maintenance/management staff based on the needs of a project and the actual work completed. A template of this document may be found on the OH webpage under Management Resources, or in a Property’s SharePoint folder.

The LCCA looks at the work needed on the Property projected out over a 20-year period, compared to the Replacement Reserve deposits of a property, also over a 20-year period. During the annual review period, the Asset Management Team can plan ahead and figure out when a Property might require additional funds to keep it in good condition, ensuring it remains decent, safe, and sanitary housing.

In addition to the annual updated LCCA, buildings that have been awarded as of 2023 and later require a professional comprehensive Capital Needs Assessment (CNA) every five years. A professional CNA is often done by a third-party at a cost to the owner. The CNA is a full report of the status of all the building components and appliances in the entire Property. In most cases, OH no longer requires this within the first year of a building opening; however, an ongoing analysis every fifth year ensures that both the Owner and the funders have the same understanding of the needs of a Property so that they may plan for future expenses and financial needs.

Management Plan

A Management Plan is a collection of all the written policies that govern the day-to-day operations of any Property. A draft Management Plan is due to OH six (6) months prior to the predicted opening of a property on a new construction deal, or the date of closing on an Acquisition.

OH generally may take up to 30 days to review the draft management plan and provide feedback on specific policies. Feedback may include notification that a policy may not be in compliance and include directive to follow up with an Owners' legal counsel, or a request that a policy be reviewed for thoughtfulness in relation to the population served.

A final Management Plan is due prior to the Certificate of Occupancy/Temporary Certificate of Occupancy ("TCO") of a Property. The goal is to have the final version approved by OH prior to opening so that any leasing activities are in line with OH policies, as well as City of Seattle Code and King County and State Landlord-Tenant Law. Included in the Management Plan is an initial rent schedule. The Asset Manager approves the initial rent schedule prior to TCO.

Management Plans are expected to be reviewed annually by the Owner to ensure that policies and procedures are current.

Lease-Up Report

The Lease-Up Report is due 30 days after the first calendar quarter after a Property receives TCO. Owners may share leasing number with OH prior to the required date, so that OH may aid in notifying community partners of availability at a new Property. The Lease-Up Report may also be used to build the property information in WBARS.

A Lease-Up Report template is found on the OH web site under [Owner and Property Management Compliance](#) as well as in the [Resources For You](#) subfolder in the Property SharePoint folder.

The Role of Rent Subsidies

For the purposes of this Compliance Manual, when we refer to subsidies, we are specifically referring to subsidies through the Seattle Housing Authority (SHA) or HUD. Self-imposed subsidies through an ownership group do not meet the requirements for a subsidy program.

Many policies written in the Loan and Regulatory Agreements outline specific requirements as to optional and mandatory rent increases, as well as how rents are calculated. From time to time, there will be rules and regulations around rents, rent calculation, rent increases, and notice timeline requirements that will not be the same on a unit that has a subsidy.

If you are unsure about the requirements around any of these topics and if a subsidy affects the regulations, please reach out to your Asset Manager directly.

If a Property has a Project-Based Voucher contract with SHA, then the Household Eligibility Certification, income documentation, and Rental Eligibility Application need to be completed in addition to any Project-Based Voucher program forms. While eligibility for the Project-Based Voucher may be conducted by SHA, the Owner/PM staff is still responsible for completing the Initial Certifications and

Recertifications as required by the Property's Loan and Regulatory Agreement and HOME Agreement as applicable.

Reserve Accounts

A reserve account in simple terms is a savings account for the project. OH requires two reserve accounts for every project. During the underwriting of an OH loan, the Capital Investments Team determines the required balance and deposit requirements for the Property. Each account must be held separately in an interest bearing savings account. As each account is held separately, the account balances should always match what is being reported during the Annual Report process. Reserve deposits and/or minimum balances are a loan requirement and any deviation from said requirements will be determined to be a material deficiency under the Loan Agreement.

The Operating Reserve Account is usually capitalized during the funding of a loan. The Loan Agreement will outline the minimum balance held, when it begins, and if there are any reoccurring deposits. Most of these accounts have a top-off requirement where any withdrawals must be replaced within the year.

The purpose of the operating reserve account is to be available when there is a downturn of income/rent collections, or an unexpected increase of expenses specifically related to the operating of the property.

The Replacement Reserve Account can be capitalized upon the loan funding and will require an annual deposit to be made by December 31 of each calendar year. Many of these accounts will include an incremental increase of either 3% or 3.5% year-over-year. The Loan Agreement will outline what year the deposits are required to begin.

The purpose of the Replacement Reserve Account is to have readily available funds in the case of a major capital need, either expected or unexpected, outside of the day-to-day management of the project. An example of this would be the need for a new roof or an upgrade to the boiler system. Most of the "Eligible Costs" are outlined in a project's LCCA.

Another common requirement for the Reserve Accounts is for the Owner to request OH's approval for withdrawals over a certain amount in a calendar year. Most commonly, this limit is \$5,000 or \$10,000. To request to withdraw from a Reserve Account, complete the Reserve Withdrawal Request Form and submit to OH, attaching applicable invoices.

During the annual review period, OH will review the balances of the Reserve Accounts in relation to the needs and standards of each respective account. An Operating Reserve Account is considered healthy if the available balance is enough to cover three to six months of operating expenses. A Replacement Reserve Account is considered healthy if the available balance is projected to cover the estimated capital needs of a property projecting out 10 or more years.

Passdown Inspection

The Passdown Inspection is the first inspection in the life of a Property under a new Regulatory Agreement and the last step of the Passdown process. The Passdown process sets the tone for monitoring and ensures that the Property starts out with the best foot forward.

The timing of the Passdown Inspection will depend on other public funders in the Property. A Property with Tax Credits will happen well into the first year for the purposes of aligning with the WSHFC Placed in Service inspections. A Property with no Tax Credits will receive their Passdown Inspection halfway through lease-up, giving more time for course correction if needed.

The Passdown Inspection itself meets all the same standards as a general monitoring inspection. As of 2024, OH will inspect the current iteration of the [NSPIRE](#) standards. The Passdown Inspection includes an initial file review of move-in income certifications.

Chapter 3. Procedures for Initial Lease-Up and Filling Ongoing Vacancies

The Asset Management Team will start monitoring compliance as soon as a Property starts the lease-up process. Leasing staff must make all efforts to lease Regulated Units to income-qualified households as soon as pre-leasing begins. This ensures that Regulated Units are appropriately leased throughout the entire Compliance Period.

Initiating Lease-Up

Owners/PM Staff must notify their Asset Manager as soon as they start pre-leasing activities. Prior to the opening and leasing of a Property, the Management Plan, including the Affirmative Marketing plan, must be reviewed and approved by the Asset Management Team. During the review of the Management Plan and as a Property prepares their pre-leasing activities, staff from the Asset Management Team will work with the Owner/PM Staff to respond to general questions about the lease-up of Regulated Units, affirmative marketing requirements, and compliance training opportunities.

Affirmative Marketing

Affirmative marketing helps to promote fair housing and to ensure all community members have access to a range of housing choices regardless of their race, color, religion, sex, national origin, familial status, disability, or other protected class status. Affirmative marketing actively reaches out to community members who may not know about vacancies or feel welcome to apply or have traditional paths to access information. Affirmative marketing also helps Owners rapidly lease Regulated Units by directing advertising to community-based organizations and others who can help identify income-qualified households.

Owners/PM Staff should conduct affirmative marketing at least two weeks prior to starting any advertising or marketing efforts that target the general public. The steps are as follows; all referenced affirmative marketing forms or resources are available [here](#).

1. **Complete the Affirmative Marketing form.** This form includes information on the number of Regulated Units at the property and the income- and rent-restrictions on those units, leasing, and household selection criteria, and how the property intends to advertise vacancies. Attach this form to the Affirmative Marketing Plan.
2. **Identify applicable community-based organizations** to encourage applications from households who otherwise might be unlikely to apply for housing at the property. A list of identified Community-Based Organizations for Affirmative Marketing is available on the OH website. Supply each organization with information about vacancies and the leasing process using the Special Outreach for Affirmative Marketing form.
3. **Provide notice of the vacancies to SHA** by e-mailing the Special Outreach for Affirmative Marketing form to: LeasewithHCV@seattlehousing.org. SHA will share rental unit information with prospective households enrolled in SHA's Housing Choice Voucher program and direct eligible voucher holders to the participating properties for application.

4. **Document all efforts** using the Affirmative Marketing Lease-Up Report. Note this report requires records of your email correspondence. The Affirmative Marketing Lease-Up Report will be sent along with the Lease-Up report due 30 days after the first calendar quarter. The information may be requested from time to time by the Asset Management Team during times of low occupancy or extended vacancies.

Owners/PM Staff should record dates and keep documentation showing that special outreach to community-based organizations and SHA occurred at least two weeks prior to general marketing. The documentation should be available for OH review upon request.

Some Properties have separate requirements for filling units that conflict with the above noted Affirmative Marketing expectations. A deviation from standard leasing practices includes when it is required that a project's units be filled through Coordinated Entry referrals. In this case, the Property will not be expected to take the above steps; however, it is suggested to keep this information handy in the case where the Owner/PM Staff's policies leave room for third-party-fills. Another common deviation is for Units that have a layer of Project Based subsidies or Public Housing. In either instance, Affirmative Marketing expectations are waived for those Units.

Lease-Up Report

Owners/PM Staff must submit a lease-up report to each Property's SharePoint folder within 30 days after the first full calendar quarter beginning at the issuance of a TCO, unless otherwise noted in the Loan Agreement.

The Lease-Up Report supplies information allowing the Asset Manager to build a profile in WBARS. The information required must match the naming convention of each unit exactly as it is in the property management software to ensure annual upload success.

Filling Vacancies

Extended vacancies of income- and rent-restricted rental units exacerbate Seattle's existing shortage of affordable housing. To ensure that Regulated Units achieve their intent and vacancies are promptly filled, OH expects owners to conduct *good faith efforts* to quickly fill any vacant Regulated Units throughout the Compliance Period. During the annual review process, the Asset Management Team will review the frequency and duration of vacancies occurring throughout the year to determine if the Property is making a good faith effort to promptly lease vacant Regulated Units. Sample actions that would be evidence of a good faith effort include:

- Lowering the asking rent.
- Offering one-time or ongoing rent concessions.
- Affirmative marketing through direct advertising to community partners appearing in the list of *Community-Based Organizations for Affirmative Marketing*, available [here](#).
- Listing vacancies with the [Housing Connector](#).
- Developing and tapping a waiting list for Regulated Units.

Owners/PM Staff are encouraged to communicate any 30-day vacancies to their Asset Manager. These notifications should come in writing under the subject line "Extended Vacancy." The notification should show the timeline and number of denied/canceled applications and any good faith actions taken to find

income-qualified households. The Asset Manager will use this information to help the Owner/PM Staff develop an action plan and boost communications with agencies seeking vacant units on behalf of their clients.

In the case of multiple vacancies that extend for 60 days or more, Owners/PM Staff will be encouraged to replicate the outreach procedures used at lease-up, including special outreach to community-based organizations and notice to SHA. Multiple extended vacancies and supplementary efforts to fill units should be documented using the Affirmative Marketing Supplemental Report, available [here](#), and submitted to the Asset Manager as soon as a second vacancy lasting more than 60-days occurs; evidence of this work should also be captured in the Property's annual certification report.

Leases

A Property's standard lease to be used will be submitted to OH for review and approval with the Management Plan. Changes to the material terms of the Lease, or the use of a new lease, especially through a change in a third-party management agent, will be communicated to OH through the Annual Report by uploading a new lease copy. All leases should also be reviewed and approved by an Owner's legal counsel and/or SDCI's Renting In Seattle team as OH is unable to provide legal advice and is not responsible for general landlord-tenant law compliance.

Special provisions appropriate for Regulated Units address the following topics:

Housing Costs

All leases should include the following disclosures related to move-in, one-time, and recurring housing costs. All fees and charges must be in writing in the lease rider or, absent a lease rider, the lease itself or a notice on company letterhead.

- All move-in, one-time, and recurring fees and whether they are refundable or non-refundable, required, or optional, consistent with rules described in Chapter 6.
- All utilities paid for by the household and the method through which they are expected to pay (e.g., directly or through a third party).
- Whether renter's insurance is recommended, required, or not required as a condition of occupancy. As noted above, if renter's insurance is required then the rent for a Regulated Unit must be adjusted accordingly regardless of who collects the premium.
- Any other month-to-month lease fees required for occupancy.
- The final monthly rent amount adjusted to reflect any utility allowance and credits to satisfy any recurring fees. In cases where a Housing Choice or Project Based Voucher is used, the lease should include the full rent rather than a household rent payment which can change.

Recertification and Requalification

Depending on funding sources, annual income recertification and/or situational income requalification may be required. The specifics of recertification and requalification are described in Chapter 4.

- Disclosure of annual income recertification requirements.
- Disclosure of income requalification requirements triggered by household actions.

Prohibition on Subleases

- A prohibition on subleasing, including short-term rentals such as Airbnb.

Audit

The full lease and lease rider (and/or alternate program-specific addenda) must be signed by the household and Owner before the household occupies a Regulated Unit. All documentation must be made available to OH upon request and within a reasonable timeframe.

Owners/PM Staff can expect that OH staff will review the form of lease and specific items required for Regulated Units throughout the life of the Compliance Period.

Chapter 4. Eligible Households

Qualifying prospective households for occupancy of Regulated Units is an essential part of the leasing process, both at the point of lease-up and at unit turnover. This chapter addresses special eligibility considerations; income qualification procedures appear in Chapter 5.

Household Composition – Occupancy Guidelines

Because the demand for family-sized income and rent-restricted units far exceeds supply, Owners/PM Staff should apply a minimum occupancy standard to larger units where resident households consist of at least one person per bedroom. A pending birth or adoption may count toward the household size. The occupancy guidelines effective starting in 2023 appear below.

Studio	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
One Person Minimum	One Person Minimum	Two Person Minimum	Three Person Minimum	Four Person Minimum
Two Person Maximum	Three Person Maximum	Five Person Maximum	Seven Person Maximum	Nine Person Maximum

Following the date of move-in, a change to household composition will not necessarily cause the remaining household member(s) to change units or move out, subject to ongoing income eligibility as discussed in Chapter 4. Owner/PM staff will want to work with the household to encourage them to transfer into a unit that meets their needs, based on policies outlined in the Owner’s Management Plan and internal policies.

Employees

While Owners can choose to offer on-site managers reduced rents as part of a compensation package, any unit Regulated for occupancy by an on-site manager cannot count towards the count of Regulated Units; no manager unit can be used to satisfy a property owner’s obligation to provide a minimum number of Regulated Units.

Other staff employed by the Owner or property management firm are eligible to occupy Regulated Units so long as they meet all qualification criteria. However, rent discounts are a common benefit in company compensation packages and must be accounted for purposes of both household income and rent level as follows:

- **Income.** Any compensation in the form of rent discounts or other credits against housing costs must be included as part of the household’s income, with the discount or credit appearing as a separate line item along with wage income during the income certification process.
- **Rent.** The amount of the discount or credit will not be the mechanism for achieving the restricted rent level; any discount or credit availed to staff must drive rents below the affordable rent level required under the Program.

Students

Households with adult full-time students that meet certain eligibility conditions may be considered for occupancy of non-LIHTC Regulated Units, but only if they meet certain conditions and fully document their Financial Aid and income eligibility as outlined below; uncorroborated statements of zero income will not suffice for the qualification process.

For this subpopulation, Student refers to students that are 18-years or older and are attending post-secondary institutions. “Full time” is determined by the educational institution and is usually listed on the registration documents.

To be considered for occupancy of a Regulated Unit, a full-time student must have completed a Free Application for Student Aid (FASFA) or Washington Application for State Financial Aid (WASFA) and be determined to have Expected Family Contribution (EFC) of under \$25,000 as listed on the Student Aid Report (SAR) and receive need-based financial aid.

Qualifying a Student:

Before completing income eligibility screening, students must first be considered a qualified student with the below steps:

(1) Review the SAR produced by the FASFA or WAFSA aid process to confirm EFC is under \$25,000.

- Students can access this information from the FASFA or WAFSA portal and print off.

(2) Verify the student’s full-time status/registration and financial aid income (listed on the financial aid award letter as issued by the educational institution) to verify need based aid and determine what, if any, in their Financial Aid package will be deemed exempt.

- The student should provide a registration print off confirming the credit hours for the term. If not accessible online the student should visit their Registrar Office.
- Financial Aid award letters are issued by the accredited educational institution of enrollment. If the student does not have this award letter, they should visit their school’s Financial Aid Office or online system. Students must have accepted one or more of the need-based financial aid awards.

(3) If both 1 and 2 are true, continue the income eligibility for income/assets that are not need-based Financial Aid (e.g., employment, Social, gift income, funds verified in the I-20 form for International Students).

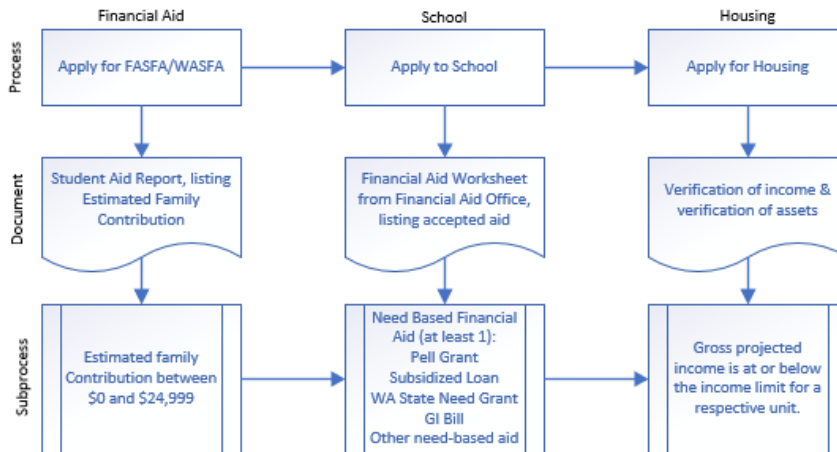
Common need-based aid:

- GI Bill
- Federal Pell Grant
- Washington College Grant (formerly know as the State Need Grant)
- Teacher Education Assistance for College and Higher Education Grant
- Willim D Ford Subsidized Federal Direct Loan
- Other need-based loan or grant

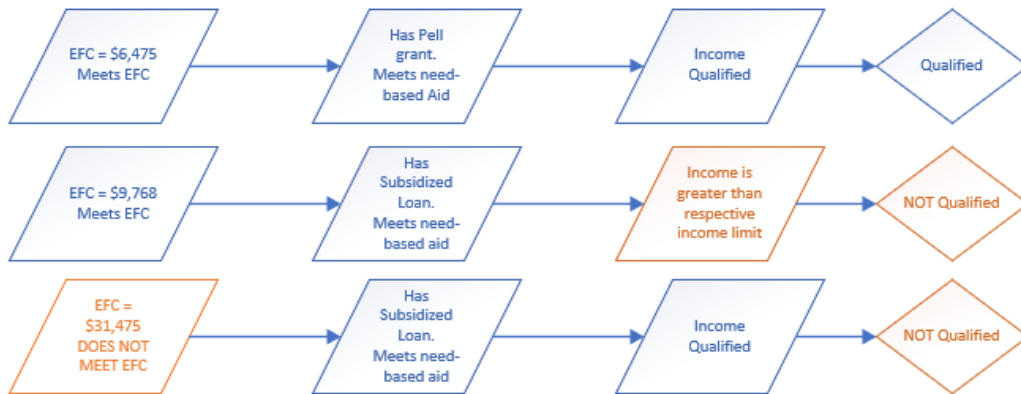
Not considered need-based aid:

- Stipends
- Fellowships
- Residencies
- Graduate Service Appointments
- Employment in exchange for financial award
- Foreign government support for schooling in the United States (International Students)

Determining Eligibility of an Adult Student



Examples of Qualified and Not Qualified



Graduate or PhD Students

Graduate or PhD students can be considered eligible. While it is less likely for them to have completed a FAFSA or WASFA prior to their application for housing, it is possible. They can be considered by completing a FASFA/WASFA resulting SAR and EFC under \$25,000 and have accepted one or more forms of need based financial aid.

Graduate students often come with additional fellowships or stipends, which are not typically need-based in nature. OH considers these forms of income as non-exempt and must be included in the household’s projected income calculation.

International Students

International students can be considered eligible. To be eligible, they must have completed a WASFA with a resulting SAR and EFC under \$25,000 and have accepted one or more forms of need based financial aid.

- I-20 Certificate of Eligibility for Nonimmigrant Student Status, which includes their F-1 or J-1 visa and must list the types of income sources they are arriving to the US with. Any amounts listed as “Personal Funds” or “Family funds” on the I-20 form must be included as income.

Undocumented Immigrant Students

Undocumented Immigrant students can be considered eligible. To be eligible, they must have completed a WASFA with a resulting SAR and EFC under \$25,000 and have accepted one or more forms of need based financial aid. Undocumented students must still meet all eligibility requirements as any other student.

Reviewing Aid

For students that are determined eligible to proceed with the income certification process, the Financial Aid as verified above, must be documented. The steps for documenting are:

1. **Complete and review the forms.** Applicants who indicate full-time student status on the cover page of the Rental Eligibility Application (REA) must complete a Student Status Certification available via the OH website. This form asks several questions around student status and student aid which help substantiate if the student has a financial need. Owners/PM Staff will need to pay attention to the expected graduation date and anticipate wages if graduation is within the following 12 months.
2. **Calculations.** The Student Status Certification should show both need-based aid, which is considered exempt for purposes of the income qualification process, as well as all other sources of income, regardless of whether those sources are exempt. Owner/Property Management Staff should calculate and project any income other than need-based student aid over the following 12-month period and include all sources of income on the REA and Household Eligibility Certification (HEC). Total exempt and non-exempt income should be calculated and entered on the bottom of the Student Status Certification. Non-exempt income listed on the Student Status Certification should also be listed on the REA and HEC, following the annual/quarterly calculations listed on page 2 of the Student Status Certification. All other income identified throughout the certification process will be calculated and projected over the following 12-month period. All non-exempt income must be listed on the HEC.

Exempt vs. Non-Exempt Income

The Student Status Certification form is very helpful in determining which income is considered exempt vs non-exempt. If Owners/PM are unsure how to categorize the different income streams listed on the financial aid award letter, they should clarify with the school’s financial aid office. OH can also offer guidance in the event the school’s financial aid office cannot clarify.

Any monies received not listed on the financial aid award letter will not be considered exempt and must be counted in full towards the total household income. Gifts or monies received from family or any

other community organizations not connected directly to the financial aid office must be counted in full towards the total household income.

Graduate students often receive fellowships for their studies. Fellowship funding is merit based, but generally not need based. Fellowship funding is usually discretionary for student awardees to use as they see fit to support themselves while pursuing graduate study. For these reasons, fellowships are counted in full as income.

Appendix B has several examples of calculation Student incomes.

Income Minimums for Rent Subsidy Recipients

Prospective households who receive any kind of rent subsidy for low-income households are eligible and encouraged to apply for Regulated Units.

Applicants should be screened like any other household regardless of subsidy status; however, the income-to-rent ratio should be decided using the following method and example:

<i>Gross Monthly Rent:</i>	<i>\$1,918 (85% 2bed)</i>
<i>minus Monthly Subsidy:</i>	<i>\$1,586 (confirmed by household provided subsidy award letter)</i>

Household responsibility/portion = \$332

Income/rent ratio of 2.5 = (\$332 x 2.5) \$830 minimum monthly income needed

The most common housing subsidies include federally funded Housing Choice Vouchers, administered by SHA; Shelter-Plus-Care, administered by local nonprofit organizations; and Rapid Rehousing and Housing and Essential Needs (HEN), also administered by local nonprofit organizations.

None of these publicly funded subsidies should be considered income for purposes of income eligibility calculations. However, these amounts should be included in the household file and included on page two of the HEC for informational purposes and reported to OH as part of the annual reporting process.

Household Demographics

OH requires demographic information to be collected and reported through the Annual Reporting process. This information will be used to help ensure our programs are accessible to all members of the community. Each household must complete a Resident Demographic Form prior to move-in. There is no penalty for households who do not wish to provide the requested information; however, all adults (18-years or older) must sign and date at the bottom of the form to confirm that the choice to disclose was made available. Household demographic data will be reported during the Annual Property Certification Report. Signed Resident Demographic Forms must be kept on file for review during on-site audits for all households that moved into a Regulated Unit on or after the start of 2023. Properties that are leased on or after the start of 2023 must have a signed Resident Demographic Form on file for every household living in a Regulated Unit.

Subleases

Regulated Units are intended for residential use by the income-eligible household only. As noted in Chapter 2, Program lease riders for these units must include a prominent prohibition on subleases to a substitute household. Renters appearing on the lease for Regulated Units are expected to maintain permanent occupancy in their leased units with exceptions made only for short-term absences such as vacations. Short-term rentals (e.g., Airbnb) of Regulated Units are also prohibited.

Chapter 5. Income Certification, Annual Recertification, and Household-Driven Requalification

The Owner has ultimate responsibility for renting Regulated Units to income-eligible occupants. Households are considered income-eligible if the household income is equal to or lower than the amounts that OH publishes from time to time on its website. The maximum incomes for prospective households are based upon an Affordability Classification and household size. Note that specific income limits under identical Affordability Classifications can vary by program/funding source, so it is important to select the schedule for the correct Program.

Income eligibility is calculated on a prospective basis, subject to a 12-month income projection period. Initial certification occurs at the point of occupancy, and households must be income-qualified prior to executing a lease. The certification process must account for income from all sources, though the qualification process may exclude some income sources (e.g., a public subsidy such as a Housing Choice Voucher) when determining whether a household's income meets the income-eligibility standard. A household's income must be certified using source documentation to verify all amounts anticipated to be earned over the income projection period.

Households must be income-qualified for residency not only at the point of move-in but also periodically throughout their tenancy. In addition, certain household actions, such as a change to the adult household composition or requested unit transfers, will trigger income requalification. As noted in Chapter 2, lease riders for Regulated Units should clearly disclose requirements for annual income recertification when applicable and the circumstances that would trigger requalification.

This chapter provides step-by-step guidance on how to conduct income certification both at move-in and at any point that triggers recertification or requalification. Forms for income eligibility reviews can be found on the OH website. The Owner/PM Staff should use documents directly from the website to ensure the newest version is being used.

Digital Signatures

Beginning in 2020, OH began allowing digital signatures. For a digital signature to be accepted, the documents must be signed using approved digital signature software such as DocuSign or Acrobat Sign. Typed in signatures and initials using Word/PDF will not be accepted.

Income Projection Period

The income projection period is the 12 months following the initial lease start date. The initial lease start date is also referred to as the original certification effective date. Current income amounts will be projected forward over the 12-month period unless there is verifiable evidence of an anticipated change, such as a raise, change in position, cost of living adjustment, etc. If there is a history of receiving income (bonuses, tips, commissions), this will be projected forward if it could reasonably be expected to continue, even if the employer cannot guarantee it will be received. Lapses in income resulting from voluntary leave, medical leave, or a voluntary reduction in hours will not be taken into consideration in the income calculation; income will be annualized as if it will be received.

All households applying to lease Regulated Units must be certified as income-eligible *prior* to signing a lease. Income certification and qualification must be conducted no more than 120 days prior to the certification effective date (the start date of the initial lease) to be considered valid. Certifications occurring more than 120 days in advance of the lease start date are no longer considered valid projections and will not be accepted. Households may not sign a lease for a Regulated Unit based on a partial or preliminary income certification. Properties that complete income certifications after signing a lease, or that base eligibility on a certification older than 120 days, will receive compliance findings and may be in violation of the terms of the Loan, HOME, and Regulatory Agreements.

Most Restrictive Policies When Properties Have Multiple Funding Layers

Properties that have multiple funding layers have the additional requirement of ensuring that they are always meeting the most restrictive funders policies. There may be situations where this would then require forms and documents from multiple funders to be present.

- **Example:** A property has both LIHTC and SOH layers. An applicant applies that is a student who meets the WSHFC's student exemption policy. The Owner/PM staff will complete both the WSHFC Student Certification **AND** the SOH Student Certification to ensure the applicant meets both policies. Both forms will be required in the file.
- **Example:** A property has both LIHTC and SOH layers. An applicant applies that is self-employed. SOH has a more restrictive Self-Employment policy. The Owner/PM staff will complete both the WSHFC Self-Employment Certification **AND** the SOH Self-Employment Certification, outlining if the applicant has a business license, determining if the applicant must use their gross or net income to qualify.

Initial Occupancy – Income Certification Process

There are four basic steps for the income certification process at the point of move-in. Again, all should be completed *prior* to the household signing the lease.

1. **Income Disclosure.** Adult applicants disclose all income and assets expected to be available to the household for 12 months following the lease start date.
2. **Income and Asset Verification.** Property obtains income and asset documentation to verify all sources disclosed by applicants on the REA.
3. **Income Calculation.** Property calculates total household income based on verified documentation (and not applicant's self-disclosed amounts).
4. **Eligibility Determination.** Property compares total household income to income cap for household/unit and makes eligibility determination.

Each of the above steps is described in detail below.

1. **Income Disclosure.** The Owner/PM staff will obtain a REA for the applicant, to be completed by each adult household member. The REA is the applicant disclosure of all anticipated income sources and assets available to the household over the 12 months following the certification effective date

(initial lease start). The REA must be completed even if no income sources are anticipated to be available to an applicant. To be accepted, the property must ensure the following:

- The REA must be completed in full to be considered a valid disclosure. Each income and asset source must have a “Yes” or “No” response. If a “Yes” response, the associated gross annual income or asset value must be entered.
 - If an applicant has an asset with a current value of \$0, the applicant should answer “Yes” and enter \$0 for the value. It is not acceptable to leave a field blank.
- Gross annual income (before taxes) will be reported in all instances except for self-employment income where the net earned from the business will be used.
 - Applicants may not omit information on bonuses, tips, and commissions on account of them not being “guaranteed” by an employer. If there is a history of receiving income from any of these sources, they must be disclosed.
- The Owner/PM staff is responsible for ensuring the REA provides the requested information. For example, if the applicant enters “\$15.00” as the gross annual income from employment, a clarification should be requested. It should not be assumed that \$15.00 is the hourly wage or that employment is full-time.
- The Owner/PM Staff and the applicant(s) will sign the REA prior to collecting any income or asset documentation. Once complete and signed, move on to Step 2.

2. **Income and Asset Verification.** The Owner/PM Staff must request documentation to support all amounts shown on the applicant’s REA. Each income source disclosed by the applicant must be supported by documentation. The documentation will be the basis for the final household income calculation.

- The property Owner/PM Staff must verify employment income using either three months of consecutive paystubs or OH’s Employment Verification Form, sent directly to the employer, and returned to the Property directly by the employer. OH recommends obtaining at least one current paystub to supplement the information provided by the employer. When returned incomplete, a written clarification must be requested of the employer.
- All forms of unearned income (Social Security, child support, alimony, unemployment benefits, etc.) must be verified. Please note: The City has expanded fair housing protections for renters who use alternative sources of income and subsidies to pay for housing costs. Among other things, this means prospective households who otherwise qualify for the program cannot be denied housing because their income comes from unemployment insurance, even if that is their only source of income.
- All assets must be verified. Only the income earned from assets in the form of interest, dividends, or other recurring distributions will count as income, not the value of the asset (e.g., the interest on a savings account would count as income, not the current account balance or withdrawals). Once all income for all income sources is available, move on to Step 3.
 - OH is no longer accepting the “Under \$5,000 in Household Assets Certification Form” for income qualification.

3. **Income Calculation and Eligibility Determination.** The Owner/PM Staff will calculate the total gross household income based on the verified income documentation and enter information into the HEC.

- Move-in household income is always based upon current income and is annualized and projected forward for the next 12 months after the initial lease start date. Any verifiable predicted changes, such as raises, seasonal employment, cost of living adjustments, bonuses, etc., must be incorporated into the 12-month projection.
 - When calculating the total household gross income, add all income (regardless of earned, unearned, or from assets) in exact amount down to the cent, then round only the final gross amount. If 49 cents and below, round down, if 50 cents and above round up to next dollar.
 - All income calculations will be documented by the Owner/PM Staff and kept on file for review during an audit. Owners/PM Staff may choose whether they use the City-published income calculators or their own (calculator tape, management company calculation sheets, etc.) however, the inputs *must* be shown, and the formulas must be identical to those required by OH. Once the HEC is complete with all documentation and calculations supporting a final household income figure, move on to Step 4.
4. **Income Qualification / Eligibility Determination.** All information will be entered by the property into the HEC. If the total household income calculated in the HEC is at or below the maximum income for the unit, the household is eligible for the program. The applicants and property must sign the HEC for it to be effective. Only once the HEC has been completed in full, demonstrates eligibility, and has been signed by both parties no more than 48 hours prior to lease signing, may the applicant sign a lease for a Regulated Unit. If the HEC shows that the household income is too high to qualify, refer to the following section on ineligibility.

Further details on verifying and accounting for income and asset information appear in Chapter 5 and Appendices A and B.

Ineligibility: Disqualifying Households at Move-In

When an Owner/PM Staff denies an over-income applicant to a Regulated Unit, a notice of the determination should be provided to the applicant and all income certification documentation collected to date should be kept on file. An Owner/PM Staff should:

- Provide written notice of adverse action ([RCW 59.18.257](#)) to the applicant; explain why they were determined ineligible for the unit.
- Provide the final income calculations from the HEC to the applicant and explain the calculations if requested.
 - Do not send the applicant to OH to explain the calculation conducted by the Property. If there is an area of contention, the Owner/PM Staff should contact OH directly with a specific compliance-based question.
- Establish basic grievance procedures allowing applicants to clarify income or otherwise provide context that they believe may affect their ineligibility determination.
 - Grievances must be based on a clarification of an applicant's income that may affect the eligibility determination. Clarifications should never be understood as allowing an exception to established program rules. OH does not allow for exceptions to the income eligibility criteria or methods under any circumstance, including but not limited to financial hardship,

medical expenses, wage garnishments, need for emergency housing, provided notice to current landlord, etc.

- **Example:** *The Owner/PM Staff determines that applicant is income ineligible based on full-time employment income entered on the Employment Verification form by an employer. Upon reviewing HEC, the applicant notes that they only work part-time, not full-time, and the employer made a mistake. To resolve, the Owner/PM Staff requests written clarification from employer as to future amounts predicted and may request further support for part-time hours by obtaining paystubs and/or employment offer letter. Applicant is confirmed to work part-time and is determined income-eligible based on documented clarifications under existing program rules that clearly show the need for a correction to original calculation.*

Income Recertification and Requalification

Some events can trigger a requirement to income-recertify or requalify households occupying Regulated Units.

1. **Scheduled annual recertification.** The Rental Housing Program requires annual income recertification. Recertifications are due either on the anniversary of move in, or due dates may be moved to the first of the anniversary month. For example, a household moves in on May 7. The following year, the recertification may be effective on May 1 for every subsequent year.
2. **Requalification due to the addition of an adult to a Regulated Unit household:** A Requalification will be required when there is an addition to the household. Further details can be found below in the *Household Driven Actions That Trigger Requalification*.
3. **Requalification due to transfer between certain Regulated Units.** Regulated Units within a single Property often have different Affordability Classifications/Set-asides. Households who look to move between Regulated Units of different Affordability Classifications must be income-requalified prior to moving into the desired Regulated Unit. If the household cannot qualify for the requested unit's Affordability Classification, the household must be given the choice to remain in the original unit.
4. **HOME Full Income Certifications:** Home Agreements require full income certifications every sixth year of the Compliance Period. This recertification follows the timelines for scheduled annual recertification and in the format of the Initial Certification. Further details can be found below in the *HOME chapter*.

Scheduled Annual Income Recertification Process

Owners/PM Staff should take the following four steps to income-requalify existing households of Regulated Units.

1. Determine the recertification effective date.
2. Complete income recertification.
3. Determine the Recertification Cap.

4. Eligibility determination.

Each of the above steps is described in detail below.

1. **Determine the recertification effective date.** The recertification effective date is the anniversary of the initial lease start date for as long as the household stays in the unit (or the Compliance Period expires). The Owner/PM Staff may income-recertify households at any point within the 120-day period prior to the recertification effective date for that household.

- The certification can be completed at any point in the 120 days prior to the recertification effective date and is an income projection of the 12 months after the recertification effective date.
- At the Owner's option, the recertification effective date may be moved forward to the first of the month.
- The recertification effective date determines when the recertification must be completed each year. The end of a lease term does not dictate when an annual recertification is required.

Example: If the initial lease began on August 25, 2023, the first recertification effective date is August 25, 2024. The Owner/PM Staff could opt to use August 1, 2024 as the recertification effective date instead, but not September 1, 2024. The income recertification could be completed at any point in the 120-day period prior to either August 25, 2024 or August 1, 2024.

2. **Complete income recertification.** Annual income recertifications should follow steps 1-3 of the move-in income certification described earlier in this chapter. The income recertification is valid only if completed within 120 days prior to the recertification effective date and is intended to capture income anticipated to be earned over the 12 months after the recertification effective date.

- The annual income recertification requires a new and current REA income disclosure, new and current income and asset documentation, and an updated HEC based on the newly obtained information. Prior income verification documentation (employment verifications, bank statements, etc.) cannot be reused, even if the income sources are the same.
- It is recommended that the income recertification process be started at least 120 days before the recertification effective date.
- Households that do not respond to the Owner/PM Staff's requests to provide required recertification documents may be issued a lease violation if the property is unable to complete recertification by the effective date (anniversary of initial lease commencement). This assumes that the Owner/PM Staff has included the right disclosures in the Program lease or lease rider and has provided adequate notice to the household of the requirement to recertify income eligibility. Owners/PM Staff should keep all communications with the household about the annual recertification process.

3. **Determine the Recertification Cap.** Depending on when a Regulatory Agreement went into effect, there are two potential Recertification Caps that could trigger rent increases. For further detail, please see the next section.

- a. **Pre 2023:** The Recertification Cap for Optional Rent Increases is 65% of area median income. The Mandatory Rent Increase level is 140% of the income limit for the class of Unit named in the Regulatory Agreement.
- b. **Post 2023:** The Recertification Cap for Optional Rent Increases is equal to the maximum allowed annual gross income. The Mandatory Rent Increase level is 140% of the income limit for the class of Unit named in the Regulatory Agreement.

When there are multiple funding sources, there may be multiple maximum allowed annual gross income amounts. For the purposes of this Compliance Manual, OH is only giving directives relating to the Rental Housing Portfolio and the Rental Housing Portfolio maximum allowed gross annual income level.

In cases where a household's income may be greater than the maximum allowed annual gross income, the Owner/PM Staff will have to figure out if the household's income triggers a rent increase. In example "a" below, the Owner/PM Staff must figure out the ratio to the applicable limit.

Example:

- a. *If the respective limit of a unit is \$65,750, and a household's income is determined to be \$82,000, the household's percentage of the limit is 125% of the limit.*
**** $82,000(\text{income}) / 65,750(\text{limit}) = 1.25$, or 125%.*
- b. *If the respective limit of a unit is \$65,750, and a household's income is determined to be \$96,000, the household's percentage of the limit is 146% of the limit.*
**** $96,000(\text{income}) / 65,750(\text{limit}) = 1.46$, or 146%.*

4. **Eligibility determination.** The annual recertification will lead to one of two outcomes.

- **Within the Recertification Cap.** If the household's total annual income calculated in the HEC at recertification is at or below the Recertification Cap, the household will remain in compliance with the program and continue to pay the restricted rent.
- **In Excess of the Recertification Cap.** If the household's total annual income calculated in the HEC at recertification exceeds the Recertification Cap, the household is typically entitled to remain in the same unit. The Owner/PM Staff will at once notify their Asset Manager to work together to continue with the next applicable step depending on the Property's Regulatory Agreements requirements.

All information will be entered by the Owner/PM Staff into the HEC. Each of the applicants and the Owner/PM Staff must sign the HEC prior to signing a lease for it to be effective, or to determine if the rent is to be increased above the Maximum Gross Rent.

Notice of Ineligibility Upon Recertification

An income ineligibility determination upon recertification does not automatically provide justification for an eviction and does not automatically necessitate transferring the household to another unit. An ineligibility determination does not confer a right upon the Owner/PM Staff to increase the rent during a fixed term lease and all applicable law related to notification requirements must be followed when the Owner/PM Staff intends to increase the rent.

Optional and Mandatory Increases

Some Regulatory Agreements include optional and mandatory rent increase clauses. It is the responsibility of the Owner/PM Staff to figure out if these clauses apply to the project. These clauses give room for/require an Owner/PM Staff to increase the household paid rent above and beyond the maximum allowed gross rent when and only when a household's gross annual income projection exceeds the gross maximum allowed income.

Optional Rent Increases

During the income recertification process, if a Family's Annual Income in a Regulated Unit exceeds the assigned unit's income limit (and they do not receive subsidies from a Section 8 program or another approved subsidy), then the Owner/PM Staff has the right to provide legal notice to the household and inform the City.

The notice will specify a date, which must be at least 30 days after notification, or 180 days if [SMC § 7.24.030](#) is applicable. In some cases, a longer notice period may be required by law or any recorded covenant with priority over the Regulatory Agreement. Following the specified notice period, the household's Rent plus Utility Allowance may be increased, but the increase will not exceed one-twelfth (1/12) of 30% of the household Family's actual income.

In the circumstance where an optional rent increase is applied, it is the responsibility of the Owner/PM Staff to document the rent amount determination calculations.

Example:

Household A (2 people) lives in a 60% 2-bedroom. The income limit is \$65,750. The rent limit is \$1,541.

Household's income at recertification is determined to be \$82,000; the household's percentage of the limit is 125% of the limit.

**** $\$82,000$ (income) / $\$65,750$ (limit) = 1.25, or 125%.*

To calculate the households new rent, you would take the annual income as determined on the HEC, divide by 12, and multiply by 30% (.30).

**** $\$82,000$ (income) / 12 = $\$6,833$ * .30 = $\$2,050$ (new gross rent)*

Mandatory Rent Increase

If, at any recertification of incomes, the Annual Income of a Family in a Regulated Unit that is not then subsidized under a Section 8 program or another subsidy contract approved by OH exceeds 140% of the income limit for the class of the unit the Owner/PM Staff *must* increase the rent for that unit, to the Maximum Formula Rent.

The Owner/PM Staff will give notice to the household of the new monthly rate within 30 days after the recertification of income. Such increase will take effect on the first day of the first monthly rental period beginning 30 days after notification, or 180 days after notification if [SMC § 7.24.030](#) applies, or after such longer period as may be required by law or by any recorded covenant that has priority over this Regulatory Agreement.

Such household's Rent plus Utility Allowance will increase to but not exceed one-twelfth (1/12) of 30% of the household Family's actual income. The Owner/PM Staff will continue to charge the Maximum Rent for the unit unless and until there is a change in tenancy or the income of the Family in the unit is determined to be less than 140% of the income limit for the class of the unit. In the circumstance where an optional rent increase is applied, it is the responsibility of the Owner/PM Staff to document the rent amount determination calculations.

Example:

Household A (2 people) lives in a 60% 2 bedroom. The income limit is \$65,750. The rent limit is \$1,541.

Household's income at recertification is determined to be \$96,000; the household's percentage of the limit is 146% of the limit.

**** $\$96,000$ (income) / $\$65,750$ (limit) = 1.46, or 146%.*

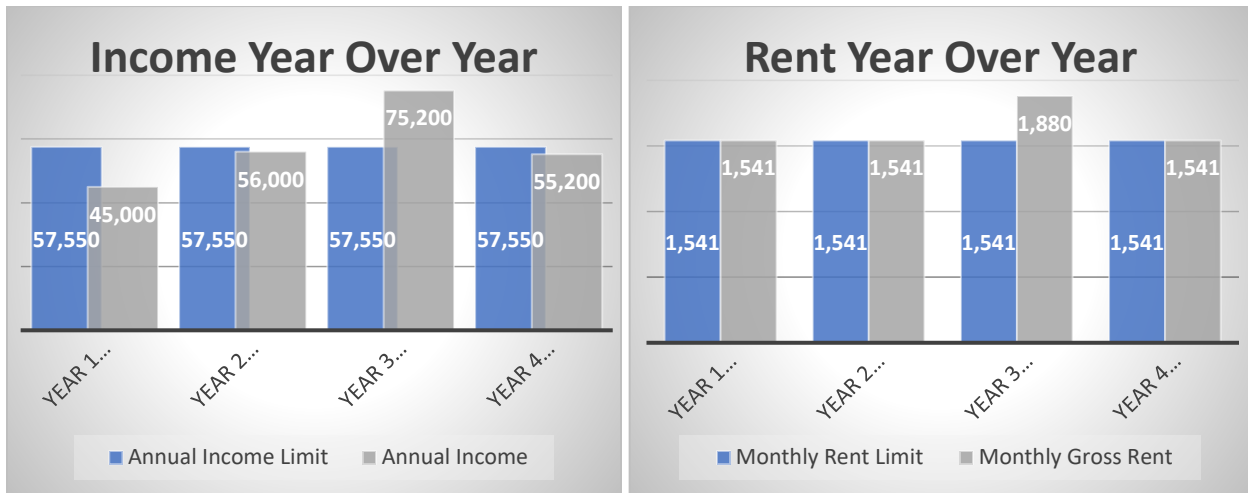
To calculate the households new rent, you would take the annual income as determined on the HEC, divide by 12, and multiply by 30% (.30).

**** $\$96,000$ (income) / 12 = $\$8,000$ * .30 = $\$2,400$ (new gross rent)*

Rent Reduction After Increase

The previously mentioned increases (see year 3 below) may take effect on the date listed in the initial notice, until the household's Annual Income (as determined by the most recent recertification of incomes) is no greater than the income class assigned to their unit. When the income of a household (that is paying a gross rent in excess of the rent limit due to an income in excess of the applicable income limit pursuant to the preceding section), decreases to a level below the maximum allowed Annual Income (see year 4 below) as published by OH, the limit on the household Family's Rent will decrease to the maximum gross Rent limit effective as of the first rental period after the date of certification of the decrease in household income.

Example: *Year one and two, a household's Annual Income is within the Maximum Annual Income limit. In year 3, the household's income exceeds the limit, resulting in a Mandatory Rent Increase. Year 4, the households income decreased, resulting in a Rent Decrease.*



Over-Income Households in HOME-funded Units

Households of HOME-funded Units who no longer qualify as Low-income Families, must pay Rent of the lesser of:

- A. The amount payable by the household under state or local law or
- B. 30% of the household’s monthly Adjusted Income,

There is an exception for households of HOME-funded Units that have a layer of low-income housing tax credits by a housing credit agency per [26 U.S.C. § 42](#), where they must pay Rent as governed by such Section. In addition, if HOME-funded Units are designated as floating under the Regulatory Agreement, households who no longer qualify as Low-income Families do not have to pay a Rent amount that exceeds the market rent for comparable, unassisted units in the neighborhood.

HOME-funded Units may continue to qualify as affordable housing despite a temporary noncompliance caused by increases in the incomes of existing households if actions satisfactory to HUD are being taken to ensure that all vacancies are filled per [24 C.F.R. § 92.252](#) until the noncompliance is corrected.

Over-Income Households in Tax Credit Units

A Property that has an Optional/Mandatory Rent Increase clause that also has Tax Credits will defer to the Tax Credit programs “Once Qualified Always Qualified” rule and not implement the Optional/Mandatory Rent increases. The reason for this is that a rent increase above a maximum gross rent might trigger an IRS Form [8823](#) or equivalent notice to the IRS jeopardizing the tax credits. At the time when the WSHFC Regulatory Agreement expires, a Property will be expected to begin dealing with over-income households as explained above.

Household-Driven Actions that Trigger Income Requalification

Separate from scheduled annual income recertifications discussed in the earlier section, two circumstances can trigger income requalification under all Programs: (1) a change in the adult household composition, or (2) a household’s elective move to a Regulated Unit of a different Affordability Classification. Some limited exceptions apply, discussed below.

Timing the Requalification

Unless an exception applies (see below), Owners/PM Staff must complete income re-qualifications for households in Regulated Units prior to the change in household composition or a unit transfer. The date of the change to the household’s composition or the date of the unit transfer will be the household’s new income certification effective date. The next recertification will be due on the anniversary of this date.

- **Example:** Household AB is determined to be income-eligible and moves in on April 1, 2023. The household intends to add household member C on October 1, 2023. The Owner will complete an income requalification for ABC based on the 3-person income limit effective October 1, 2023, and only makes the change if the household is eligible. The new recertification effective date will be October 1 of each year going forward.

Conditions Triggering Requalification - and Exceptions

Type of Change	Requalification Required	No Requalification Required
Change to Household Composition	<ul style="list-style-type: none"> • Add adult. • Change adult. 	<ul style="list-style-type: none"> • Changes to the number of minors living in the unit. • Changes due to following conditions: <ul style="list-style-type: none"> ○ A restraining order, stalking or domestic violence situation involving household member. ○ Death, illness, or disability of a household member. ○ Call of household member to military service. ○ Divorce or legal separation.
Transfers between Regulated Units	<ul style="list-style-type: none"> • Transfers between Regulated Units of different Affordability Classification. • Transfers between Regulated Units regulated under different Programs. • Transfers between Regulated Units of identical Affordability Classification without a reasonable accommodation. 	<ul style="list-style-type: none"> • Transfers between Regulated Units when triggered by reasonable accommodation under the Americans with Disabilities Act.

Examples

- Addition of an adult household member.
 - Income-eligible household member A requests the addition of new household member B. An income requalification of household AB at the current income maximum for unit is required prior to making the change.

- Change of adult household member.
 - Income-eligible household AB wants to release B from the lease, adding adult household member C. An income requalification of household AC at the current income maximum for unit is required prior to making the change.
- If household requests the removal of an adult household member 12 months after the initial lease commencement, an income requalification is not needed. However, any addition of a new adult household member will require an income requalification.
- Transfer between Regulated Units.
 - Any time a household requests a transfer from one regulated unit to another regulated unit, an income requalification is required and treated as a new move-in.

Determination of Ineligibility

If a household's requested change to household composition or move to another unit would cause the household to become ineligible after the change is made, the household can choose to not make the change and remain in the existing Regulated Unit.

If there are non-Regulated Units in a Property, a household may choose to continue with the change and convert to a market-rate lease. The Owner/PM Staff must designate the next available unit of the same type as a replacement Regulated Unit following the procedures described in the "Next Available Unit" section appearing later in this chapter.

OH does not pre-approve changes of household members or unit transfers; OH only establishes the point at which income requalification is required to determine continued program eligibility. Income-eligible occupants who do not report household changes (including additions, changes, subleases, use of unit or room for Airbnb, etc.) to Owners/PM Staff will lose their eligibility for a Regulated Unit and should be removed from the program at the next available opportunity. References to prior program rules, or unfamiliarity with the current program rules, will not be the basis for an exception.

Designating "Next Available" Replacement Units

If there are non-Regulated Units in a Property, the Next Available Replacement Unit rule is triggered when a household is determined ineligible during a recertification or requalification period. When the annual recertification process or an unscheduled requalification finds an over income household and the household wishes to remain in place as a market-rate household, the Owner/PM Staff must designate the next available market-rate unit of equivalent type as a replacement Regulated Unit.

The replacement unit must be of a comparable size and type as the previous Regulated Unit and be regulated to the same (or lower) income and restrictions as the previous Regulated Unit. The Owner/PM Staff must lease this replacement unit to an income-eligible household as soon as practical. The newly Regulated and previously market-rate unit effectively replaces the now-ineligible household's unit as one of the required Regulated Units.

Right Sizing

In a Property where all units are Regulated Units, the Next Available Unit Rule is not an option. When there is also a range of different unit classifications (40%, 50%, & 60% for example), there may

periodically be a need to complete a right sizing exercise. This is where the Owner/PM Staff try to “right size” a combination of units whose income levels are not in alignment with their respective unit’s restrictions.

Example:

A Property has both 50% AMI units and 60% AMI units. While reviewing the WBARS Table 1 information, it is determined that three households in 50% restricted units have incomes that exceed the 50% AMI restriction.



To right size the project, the Owner/PM Staff finds three households in 60% AMI units whose income levels fall below the 50% AMI limit. Best practice is to select the three households with the lowest income that do not also have a rental subsidy.

The Owner/PM Staff swap restriction levels (by updating the set-asides in both the property management software as well as WBARS, after providing proper notice to the affected households, to apply the new respective rent levels in alignment with the updated set-asides) on these six households to remain in compliance.

Chapter 6. Verifying & Calculating Income and Assets

The process for income and asset verification and projection for eligibility review is the same for all Affordable Rental Housing Program projects/units. A Property may employ different Affordability Classifications and income limits, but the income qualification and eligibility certification procedures still are the same.

Overview – What Is Income?

Income is the sum of all gross amounts (before any taxes or deductions) either through direct income or payments on behalf of all members of the household from a source outside of the household. The total household income used is the projected/anticipated income for the 12 months or 365 days after lease commencement or recertification date. All sources of income must be verified before initial occupancy as well as annually.

Verification Process

For each source of income listed on the REA, a corresponding verification must be in the file. All verifications must be dated within 120 days prior to the certification effective date. If a verification is older than 120 days, new verification must be obtained.

The income and asset hierarchy has been dissolved for wages and checking/savings accounts due to the abundance of incorrect information, administrative burden, and timeline to approve a file. Source documents are the preferred method of verification; however, for wages an Owner/PM may seek either pay stubs or a Verification of Employment.

Third-Party Income /Asset Verification

Forms are available on the OH [Rental Housing Programs Compliance Website](#) for Owner/PM Staff to use to obtain those most used for third-party verification. They include:

- Employment Verification
- Public Assistance Verification
- Child Support Verification
- Unemployment Verification

If a third-party form is used, it must be sent directly from property management and *may not* be “hand-carried” by the applicant or household. Forms need to be reviewed for:

- Full information, including YTD, anticipated raises, etc.
- Completed by a person at the agency/institute that has the authority to release the requested information.
- Any questions not answered should be followed up on by the Owner/PM Staff and appropriately documented.
- The Work Number: Some employers will only provide income verification via The Work Number. It is encouraged but not required for Owner/PM staff to buy a subscription to this service to verify employment. If the Owner/PM Staff chooses not to buy this and the employer only

verifies income through The Work Number, then three months' worth of consecutive paystubs should be obtained from the applicant. If it is new employment, obtain a letter of employment offer to project earnings.

- Self-Employment applicants and households must complete the Self-Employment Verification form and provide either the most current IRS tax return or Profit or Loss statement if the business is new.
 - This includes Uber, Lyft, Post Mates, Wag, etc. People who provide services through these companies are considered independent contractors and therefore should be filing as a business.
 - If a household does not file tax returns for their self-employment earnings, review bank statements where payments are made for the past **6-months** and annualize. In this instance, the household should also complete the Self Employment Affidavit forms.
 - To use the net income, a household/applicant must also have a Business License, otherwise the gross income.

Household-Provided Documents

These documents are provided directly by the applicant or household for documentation. They include:

- Three (3) consecutive months' pay stubs from current employment.
- Three (3) consecutive months' bank statements; savings, checking, online financial accounts such as Cash App, Venmo, PayPal, etc.
- New hire letter if employment is recent or projected and paystubs cannot be obtained.
- Award letters verifying current year award for Social Security, SSI, pensions, life insurance and other monthly recurring benefit income.
- Current statement from investments (401K, bonds, IRA, etc.) that give the YTD earnings from the investment.
- Court ordered child support.
- Tax return/Profit & Loss for self-employment

Self-Certifications in the Rental Housing Program

OH has not previously implemented a formal policy on self-certification. Previously, when most funded properties were also financed BY WSHFC, OH had permitted self-certification for properties that were eligible for Tax Credits.

Due to the long-standing Loan and Regulatory "Optional and Mandatory Rent Increase" requirements on Regulated Units, as of August 1, 2023, OH will no longer allow self-certifications. The purpose of this policy is to ensure that at any time where the Owner/PM Staff increase rents that exceed the Published rent limit, the gross rent amount being charged is in alignment with the household's actual income.

Over-income households occupying, and thus directly affecting the availability pipeline of, much-needed income- and rent-restricted rental units exacerbate Seattle's existing shortage of affordable housing by reducing the availability of units for those who do qualify. An Owner/PM Staff raising rents on

households who have an income level that can support the greater rental costs, will have one of two anticipated outcomes. Either

A) the increase in rental income will increase the Property's ability to cashflow or

B) the increase in rent will incentivize the over-income household to move into a unit with a higher set-aside, creating a vacancy for an income qualified household.

Streamlined Certifications for Households with Fixed Income

Beginning August 1, 2023, OH will begin implementing the use of Streamlined Certifications. This policy applies only to households whose income is 90% fixed income. A Streamlined Certification allows Owners/PM Staff to conduct full income recertifications every six (6) years instead of annually, with a Streamlined Certification each year between.

Any household, regardless of age or disability, whose total household income is no less than 90% Fixed Income, may complete a Streamline Certification. Specifically, for families with an unadjusted income consisting of 90% or more from fixed income sources, owners may:

- Year 1/Move in year and Year 2/Complete a full income certification consistent with all applicable OH regulations and guidance.
- Year 3-5 - Obtain from the family the Streamlined Certification, affirming that their fixed income sources have not changed, and that the family's income is still made of at least 90% from fixed income sources.
 - If the family affirms that the source of income has not changed:
 - Adjust the family's fixed income sources by the Cost-of-Living Adjustment (COLA) that applies to that fixed income source.
 - Adjust any non-fixed sources of income in the second and third years by Consumer Price Index (CPI).
 - If the family affirms that their household income sources have changed:
 - Complete a full income certification and restart the cycle.
- Year 6 – Complete a full income certification.
- Year 7-11 – Complete a Streamlined Certification.
- Unit transfers will restart the cycle.

This rule does not eliminate the requirement to conduct an annual reexamination for every household each year.

For the purpose of streamlined reexaminations, OH defines “fixed income” to mean periodic payments at reasonably predictable levels from one or more of the following sources:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance;
- Federal, state, local, or private pension plans;
- Annuities or other retirement benefit programs, insurance policies, disability, or death benefits, or other similar types of periodic receipts; or
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest.

This definition aligns with the HUD definition currently found in [Housing Notice 2016-09](#) and [PIH Notice 2016-05](#). Owners/PM Staff may rely on either public information related to a specific COLA or they must obtain third-party documentation of the applicable COLA. For example, for Social Security income, an Owner/PM Staff may rely on the publicly available COLA, rather than relying on third-party documentation. Owners/PM Staff must properly document any fixed source of income, and the applicable COLA or interest adjustment for each specific fixed source of income. If no current CPI or COLA information is available for the upcoming Certification period, an Owner/PM Staff may impute using the previous year's COLA.

Verification of Common Types of Income and Assets

Detailed procedures for verifying common types of income and assets appear in Appendix A to this Compliance Manual. Appendix B provides real-world examples.

Chapter 7. Rent Restrictions

All Regulated Units are subject to maximum gross rent limits as published by OH [here](#). OH sets no minimum rents. The maximum monthly rent for a given type of unit (e.g., one-bedroom vs two-bedroom) is set to one-twelfth (1/12) of 30% of the maximum allowable income for a presumptive household living in that unit, which itself depends on an assumed number of household members that would typically occupy a unit of that type.

Rent limits geared to a given percentage of median income may vary by program and/or funder due to differing program requirements and differences in assumed occupancy. For this reason, Owner/PM Staff should be careful to select the correct program when identifying the governing limit on gross monthly rent. In cases where a single unit is governed by multiple programs, the maximum gross rent should be limited to the lowest published number.

The published rent limits apply to gross rent, inclusive of any mandatory recurring fees and utility costs or allowances.

Treatment of Mandatory Recurring Fees

Rent is any amount that a household is required to pay for occupancy of a Regulated Units. For example, if the standard form of lease requires renter's insurance as a condition of occupancy, the insurance premium must not drive monthly housing costs for the household of a Regulated Unit above the maximum gross rent. The same holds true for any other fees or charges required of all households, including utility costs, King County sewer capacity charges, required parking or amenity fees charged to the households of a building, or any other mandatory fee.

Month-to-month leases are allowed for Regulated Units; however, any associated month-to-month fees are considered a mandatory fee. The fee cannot drive monthly housing costs above the Regulated Unit's maximum gross rent.

Failure to incorporate required renter's insurance is the most common error in calculating rents. Should OH staff determine that the property owner has charged a gross rent that exceeds the maximum allowable, reimbursement will be required for the property to reestablish compliance.

Fees for Optional Services

Fees for optional services or amenities are not counted towards the maximum rent for Regulated Units; fees for pets, for example, are acceptable. A fee can be considered optional only to the extent that the household has the right to reject the service or amenity and the service or amenity is not necessary for the household's safety or the unit's basic functionality.

Restrictions on One-Time or Up-Front Charges

OH limits up-front fees charged to Income Eligible Occupants.

- Security deposits and cleaning fees, if any, must be refundable and, collectively, must not exceed the Regulated Unit's monthly restricted rent, net of any fees or recurring charges.
- Fees for applications, transfers, pets, parking, storage, and amenities are allowed so long as a uniform fee schedule applies to all units in the building.
- Fees for credit checks are allowed so long as a uniform fee schedule applies to all units in the building.
- No applicant for a Regulated Unit may be charged fees for income verification or reporting requirements.

Owners/PM Staff should consult the City's requirements, many of which appear on the City's [Renting In Seattle](#) website.

Rent Concessions

Rent or any other type of concession may be available to Regulated Units. There are no restrictions around whether they must be offered as a one-time move-in special or if they may be broken down over an extended period of time.

Utility Allowances

When Owners pay all utility costs on behalf of the households with no subsequent bill-backs, no rent reduction via utility allowance is required.

When households of Regulated Units are expected to pay for any portion of their utilities, the applicable utility allowance must be deducted from the gross rent schedule. Most Rental Housing Program Projects use the SHA's utility allowances when determining maximum rent levels. Utility allowance schedules are prepared by SHA and updated approximately every two years; SHA publishes the schedule [here](#). The deduction is required in all cases in which households of Regulated Units must pay out of pocket for utilities, including arrangements where utility charges are assessed through a third-party billing service. The utility allowance will be received by the household as an adjustment to the maximum rent chargeable in all cases.

Example: *If a household moves into a studio unit on July 1, 2023, and they are expected to pay for all utilities, the maximum rent charged would be \$1,020 (max rent) - \$140 (2023 utility allowance) = \$880 maximum contract rent.*

OH will strive to notify Owner/PM Staff contacts when the SHA utility allowance changes; however, it is the responsibility of Owners/PM Staff to check the SHA website at least once every 90 days to see if limits have been changed. Changes to the allowance must be implemented immediately for new residents after the effective date and within 90 days of the effective date for existing residents. Utility allowance increases will often require an adjustment (decrease) to rents, even if mid-lease. Provided that the household agrees to the rent decrease, the adjustment presents no conflict with landlord-tenant law.

City of Seattle Office of Housing Program Requirements

OH does not require properties receiving only OH Seattle Housing Levy funding to submit annual utility allowance calculations for approval; however, such calculations and supporting documentation must be available for review if requested by the City.

Acceptable Methodologies

For OH Seattle Housing Levy-only financed properties, owners may choose one of the following options for determining annual utility allowance:

1. [Public Housing Authority Utility Allowance*](#)
2. [Multifamily Housing Utility Analysis**](#)
3. HUD regulated properties approved utility allowance
4. [HUD Utility Schedule Model***](#)
5. Utility Company Estimate****
6. Low Income Housing Tax Credit Agency Estimate (incorporated in WSHFC's "Actual Usage Estimate" and "Energy Consumption Model" methods). ****

HOME Unit Utility Allowances

Properties awarded HOME Investment Partnership program funds on or after August 23, 2013, are not allowed to use the utility allowances published by Public Housing Authorities, including the utility allowances available on SHA's website.

OH does require properties receiving City HOME funding to submit annual utility allowance calculations for approval. Utility Allowance submissions, including all back up documentation, must accompany the [HOME Program-Annual Rent Approval Cover Page](#) and, if applicable, the [HOME Program – Annual Rent Approval Form](#).

If the Property's utility allowance has already been approved by the Washington State Department of Commerce and/or the Washington State Housing Finance Commission, please submit their approval documentation to your Office of Housing Asset Manager.

[24 CFR Section 92.252\(d\)\(1\) Initial rent schedule and utility allowances](#) requires the Participating Jurisdictions (PJ) to establish maximum monthly allowances for utilities and services (excluding telephone) and update the allowances annually. The Participating Jurisdiction must use the HUD Utility Schedule Model or otherwise decide the utility allowance for the project based on the type of utilities used at the project.

HUD provided further guidance on when the utility allowance (UA) requirement under 24 CFR Section 92.252(d)(1) established in the 2013 HOME Final Rule (HOME Rule) became effective, and what methods a Participating Jurisdiction (PJ) may use to establish the UA for HOME-assisted rental units. This guidance is contained in [HOMEfires – Vol. 13 No. 2](#), originally published in May 2016 and revised in August 2016.

City HOME funds committed prior to August 23, 2013

Office of Housing may approve one of the following methods when establishing a property specific utility allowance:

1. [Public Housing Authority Utility Allowance*](#)
2. [Multifamily Housing Utility Analysis**](#)
3. [HUD Utility Schedule Model***](#)

4. Utility Company Estimate****
5. Low Income Housing Tax Credit Agency Estimate (incorporated in WSHFC's "Actual Usage Estimate" and "Energy Consumption Model" methods). ****

City HOME funds committed on or after August 23, 2013

Office of Housing may approve one of the following methods when establishing a property specific utility allowance:

1. [Multifamily Housing Utility Analysis](#)**
2. [HUD Utility Schedule Model](#)***
3. Utility Company Estimate****
4. Low Income Housing Tax Credit Agency Estimate (incorporated in WSHFC's "Actual Usage Estimate" and "Energy Consumption Model" methods). ****

Utility Allowance for Special Housing TypesSingle Room Occupancy (SRO)

Per 24 CFR CH. IX 982.605, utility allowances for an assisted person residing in SRO housing is 75% of the zero (0) bedroom utility allowance.

Group Home

Per 24 CFR CH. IX 982.612, utility allowances for each assisted person living in a group home is the prorated portion of the utility allowance for the group home unit size.

HOME & HCV

City HOME Properties with funds committed on or after August 23, 2013, must notify OH when a recipient of a Housing Choice Voucher (HCV) is occupying a HOME unit and the utility allowance differs from OH approved utility allowance. Once the HOME Period of Affordability (POA) ends, the property will follow the OH UA requirements.

Tax Credit Properties

The Internal Revenue Service (IRS) outlines eligible utility allowance models for tax credit programs: 26 CFR 1.420-10 Utility Allowances, which includes the Utility Company Estimate, Actual Usage Estimate incorporated in WSHFC's "Actual Usage Estimate" and "Energy Consumption Model" methods and Energy Consumption Model.

As outlined in the Calculation & Approval of Utility Allowances policy, housing projects with Low Income Housing Tax Credits (LIHTC) administered by the Washington State Housing Finance Commission (WSHFC) may be able to use an alternative method for estimating utility allowances. Details on these alternative utility allowance methods can be found in Appendix O of the [Tax Credit Compliance Procedures Manual](#). Please contact your project's assigned Asset Manager prior to implementing an alternative utility allowance model.

Further information on utility allowances appears on the OH website [here](#).

Special note on Ratio Utility Billing: Ratio Utility Billing is a practice where a building will take the total utility bill and break it down to back bill to households by either the number of occupied units or the number of leaseholders in a unit. If a building chooses to use this method, the denominator must remove any utilities caused by common area and or commercial space usage. Buildings that fail to

remove these utility charges may owe a back payment to households, regardless of the Utility Allowance used.

Required Disclosures

To ensure transparency on rent-setting practices, lease documents for Regulated Units should include a separate section or standalone lease addendum. Required rent-related disclosures appear in the “Leases” section of Chapter 2.

Rent Increases Upon Lease Renewal

The City-published rent limit that is effective at the time of the expected first day of occupancy will establish the gross maximum rent that can be charged for a given Regulated Unit throughout the term of the lease. Upon lease renewal, and subject to any other requirements under state and local landlord-tenant laws, the Owner/PM Staff may adjust the rent to the maximum effective at that time, provided that the limit has increased. In cases where the US Department of Housing and Development (HUD) reports a reduction to the area median income and the OH-published income and rent limits decrease as well, Owner/PM Staff will reduce rents accordingly upon lease renewal.

Month-to-month leases may use the most current effective rents after the first full month following the notice of the increase to the household.

Example: *If the effective date for the new rent limit is April 1, and a month-to-month household is notified on April 15 of a potential rent increase, the new rent can be used starting November 1, six full months after the notice, per SMC 7.24.030.*

Owners/PM Staff should be aware that maximum allowable rents may vary between different programs, so it is important to know what the rules are if there is layered funding. Year-over-year rent increases for properties also taking part in MFTE Program 6 are limited to no more than 4.5%. In cases where the 4.5% increase is less than the published rents for other program iterations, OH will publish a separate income and rent chart for properties taking part in MFTE Program 6. In cases where the published rents reflect an increase of less than 4.5%, the published chart will apply to all properties regardless of program version.

CPI Moderator

Some Properties have a Consumer Price Index (CPI) Moderator. “CPI” in this context refers to the Housing Component of the Consumer Price Index (All Urban Consumers) for Rent of Primary Residences for the Seattle area as published by the U.S. Bureau of Labor Statistics (“BLS”). If the BLS no longer publishes that series, then CPI will defer to any other index OH selects or constructs. OH may, in its sole discretion, use information published or reported by a federal, state, or local agency, as a basis for estimating changes in consumer rental housing costs, based on any data for the Seattle area or an area including Seattle.

CPI Increase Limits

CPI Increase means, as of any date, the annual percentage increase in the CPI as most recently determined and published by OH for Rent increase calculations. If a Property has a CPI moderator in the

Regulatory Agreement, the moderator places a limit on the amount of annual rent increase an Owner can impose on a household in an existing unit. Publication may be made by posting on the OH website or by such other means as the OH Director will determine, or both.

Example: *OH publishes the annual rent and income limit increase in late spring. For the current year, the increase is 9% across the board. OH also publishes the CPI Moderator for the year at 4.5%.*

- *Unit A is a vacant unit, waiting for an applicant to apply. The Property increases the Gross rent on the unit by 8%, prior to a new applicant being approved and signing a lease.*
- *Unit B has lived in their unit for three years. The Property gives proper notice and increases household B's Gross rent by 4.5%.*

Requests to Exceed CPI Limits

For any Property that is restricted by the CPI Moderator, the Owner may request a percentage increase in Rent on one or more Regulated Units greater than the CPI Moderator. The Owner must provide evidence acceptable to the City that the Property has experienced expenses that would justify a higher than CPI increase allowance. OH will not approve a blanket rent increase. If approved, the property may increase certain rents up to a 40% rent-to-income ratio based on the actual gross income of the households as determined through a full income certification. For this reason, OH discourages self-certifications.

To request this allowance, the Owner must complete the request in the format allowable by OH. As of the publishing of this Compliance Manual, OH has developed a standard request form. The Owner must attach and submit an expense report outlining why the operating costs of the building require higher rents to break even, along with a report of all of the households in a project and their current gross annual incomes based on their most recent income certification.

Chapter 8. HOME Program Specifics

Properties with federal HOME Program funding are regulated by Federal Regulations at [CFR 24 Part 92](#). HOME funding is often made in tandem with other Office of Housing funds. The Loan and Regulatory Agreements provide information regarding HOME and beginning in 2022, separate HOME Agreements were executed with further detail.

While many of the regulations align with WSHFC, Office of Housing, and other public funding requirements, there are specific differences Owner/PM Staff need to be aware of, as detailed below.

Income Classification

The HOME Program has two different income classifications: Low HOME & High HOME. 20% of the units allocated from HOME Program funding, are required to meet rent and income levels at or below Low HOME. OH, as the Participating Jurisdiction, may designate more than the minimum required.

It is important to note that the Low & High HOME Rents **do not** match other Rental Housing Program rents and OH publishes a HOME rent chart from time to time, as published by HUD.

High HOME Units:

Income limits for households are set at 65% AMI and rent maximums are set using HUD required calculations and published by Office of Housing as High HOME.

Low HOME Units

Income limits for households are set at Very Low-Income or 50% AMI and rent maximums are set using HUD required calculations and published by Office of Housing.

If, as is common, the unit receives federal or state project-based subsidy and the household pays not more than 30% of their adjusted income, then the rent maximum is that which is set under federal or state project-based rental subsidy program. This does NOT include household-based voucher holders or other local subsidies.

In all cases, when multiple OH programs or other funders regulate rents for a given unit, the most restrictive rent and income limits must apply.

Income Certifications & Recertifications

Income certifications and recertifications processes are the same as other OH Rental Housing Program units with a few exceptions:

- Income is to always be verified using at least two (2) months of **source documentation** (pay stubs, bank statements, etc.). Current guidelines allow all Regulated units to use three (3) months' worth of paystubs. If the Owner/PM Staff uses three (3) months, they are in compliance. If Owner/PM Staff use a Verification of Employment, they must also use two (2) months' worth of paystubs.

- Full income certificates including at least two months of source documentation, are required every sixth year during the property's HOME Affordability Period (e.g. in at least the sixth year, twelfth year, and eighteenth year for a 20-year HOME Affordability Period).

Utility Allowance

For properties funded after July 24, 2013, HOME units can no longer use PHA utility allowance schedule and must select one of the below methods for determining Utility Allowance:

1. [Multifamily Housing Utility Analysis](#)**
2. [HUD Utility Schedule Model](#)***
3. Utility Company Estimate****
4. Low Income Housing Tax Credit Agency Estimate (incorporated in WSHFC's "Actual Usage Estimate" and "Energy Consumption Model" methods). ****

Chapter 6 discusses in detail how to administer changes to Utility Allowance.

HOME Projects with Floating Units

If a Low-HOME household's income increases at recertification to greater than 50% AMI but less than or equal to 80% AMI, then the Owner will first substitute another unit that is comparable or larger by either:

- Designating another unit in the Project occupied by an eligible Low-HOME household, or
- Renting the next available unit as a Low-HOME unit.

After substituting another Low-HOME unit, the Owner may raise the rent for the over-income household to the lesser of:

- 30% of the over-income household's adjusted income, or
- The applicable High-HOME rent for such unit.

If a Low-HOME household's income increases at recertification to greater than 80% AMI, then the Owner will first increase the rent for the over-income household to the lesser of:

- 30% of the household's adjusted income, or
- The "market rent" for the unit (i.e., what the unit would be projected to rent for in the local market absent any income or rent restrictions imposed by HOME, LIHTC, or other such programs).

The Owner must also substitute another unit that is comparable or larger by either:

- Designating another unit in the Project occupied by an eligible Low-HOME household, or
- Renting the next available unit as a Low-HOME unit.

If a High-HOME household's income at recertification increases to greater than 80% AMI, then the Owner will first increase the rent for the over-income household to the lesser of:

- 30% of the household's adjusted income, or
- The "market rent" for the unit (i.e., what the unit would be projected to rent for in the local market absent any income or rent restrictions imposed by HOME, LIHTC, or other such programs).

The Owner must also substitute another unit that is comparable or larger by either:

- Designating another unit in the Project occupied by an eligible High-HOME household, or
- Renting the next available unit as a High-HOME unit.

HOME Projects with Fixed Units

If a Low-HOME household's income increases at recertification to greater than 50% AMI but less than or equal to 80% AMI, then the Owner must first rent the next available High-HOME unit (even if larger) as a Low-HOME unit rented to a household at or below 50% AMI at the Low-HOME rent. Once the Low-HOME unit has been replaced, the owner may, but is not required to, increase the rent of the household whose income has increased to the High-HOME rent applicable to their unit.

If a Low-HOME household's income increases at recertification to greater than 80% AMI, then the Owner will first increase the rent for the over-income household to 30% of the household's adjusted income (without any cap related to the "market rent"). The owner must also "convert" the next available High-HOME unit (even if larger) as a Low-HOME unit rented to a household at or below 50% AMI at the Low-HOME rent.

The unit occupied by the over-income household continues as a High-HOME unit that is temporarily noncompliant. Once the unit is vacated by normal turnover, it must be re-rented to a household meeting the appropriate income restriction at move in.

If a High-HOME household's income at recertification increases to greater than 80% AMI, then the Owner must increase the rent for the over-income household to 30% of the household's adjusted income (without any cap related to the "market rent"). The unit occupied by the over-income household continues as a High-HOME that is temporarily noncompliant. Once the unit is vacated by normal turnover, it must be re-rented to a household meeting the appropriate income restriction at move in.

Lease Requirements

Prohibited Lease Terms

- Agreement to be Sued. Agreement by the household to be sued, to admit guilt, or to a judgment in favor of the Project Owner in a lawsuit brought in connection with the lease.
- Treatment of Property. Agreement by the household that the Project Owner may take, hold, or sell private property of household members without notice to the household and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the household concerning disposition of private property remaining in the Unit after the

household has moved out of the Unit. The owner may dispose of this private property per state law.

- Excusing Project Owner from Responsibility. Agreement by the household not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent.
- Waiver of Notice. Agreement of the household that the owner may institute a lawsuit without notice to the household.
- Waiver of Legal Proceedings. Agreement by the household that the Project Owner may evict the household or household members without instituting a civil court proceeding in which the household has the opportunity to present a defense, or before a court decision on the rights of the parties.
- Waiver of a Jury Trial. Agreement by the household to waive any right to a trial by jury.
- Waiver of Right to Appeal Court Decision. Agreement by the household to waive the household's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease.
- Household Chargeable with Cost of Legal Actions Regardless of Outcome. Agreement by the household to pay reasonable attorneys' fees or other legal costs even if the household wins in a court proceeding by the Project Owner against the household. The household, however, may be bound to pay costs if the household loses.
- Mandatory Supportive Services. Agreement by the household (other than a household in transitional housing) to accept supportive services that are offered.
- Applicable Law. Such other items as are prohibited by applicable federal, state, or local laws.

Required Addenda

Each lease for HOME units should include the following addenda:

- [HOME Addendum](#) as provided by Office of Housing
- Violence Against Women's Act Lease Addendum [form](#)

Chapter 9. Compliance Activities

The Asset Management Team will monitor compliance through the expiration of the income and rent restrictions established under any recorded agreements. This chapter describes the major activities that take place throughout the Compliance Period. While monitoring activities will cease at the end of the Compliance Period, leases that are still in effect at the conclusion of the Compliance Period must be honored until the lease expires.

For units subject to multiple overlapping programs, the Compliance Period will extend to the expiration of the program with the longest term, with income and rent restrictions adjusted as necessary.

Compliance requirements, including without limitation annual reporting, site visits, and file audits, will remain in effect throughout the Compliance Period.

Annual Report

Owners/PM Staff must submit the Annual Report to OH each year by June 30. The report covers all rental activity at the property for the period of the calendar year (January 1 to December 31), and the information presented must be corroborated by the household files.

The Annual Report will be reviewed by OH staff between July 5 through February 28. During this time, staff will make a determination of compliance with program requirements based on a review of the report(s). The review will address, at minimum, the following criteria.

Household and Unit Related Activities

- Actual Regulated Units align with the most recent OH-approved roster of Regulated Units, including specific populations required to be served.
- Household incomes fall under the OH-published limit for the governing Area Median Income percentage as adjusted for household size both at move-in as well as annual recertification.
- Annual recertifications are completed on time.
- Gross rent charged, inclusive of any mandatory fees, is at or below the maximum gross rent.
- Correct utility allowances are used.
- Demographic data for households have been recorded.
- Annual rent requests are submitted and approved if applicable.
- CPI moderator is being followed if applicable.

Property Related Activities

- Property maintenance and capital needs are being reviewed and planned for through a CNA and LCCA.
- Extended vacancies have been reported and addressed, including the completion of the Affirmative Marketing Supplemental Report.
- The Property is being insured properly.
- Neighborhood complaints are being addressed properly.
- The Owner/PM Staff is responding to funder's inspections on time.
- Casualty loss issues are being reported.

- Regulated Units are turned and ready to rent within 14 days of vacancy.

Financial Related Activities

- Replacement Reserve deposits are made in full on time.
- Replacement Reserve withdrawals are being used for approved expenses.
- Replacement Reserve balance is enough to cover projected needs.
- Operating Reserve deposits are made in full on time.
- Operating Reserve withdrawals are being used for approved expenses.
- Operating Reserve balance is enough to cover three (3) to six (6) months' worth of expenses.
- Property audits are being completed on time and financials reported match audit.

Properties that include specific Federal Funds may require compliance checks above and beyond the above list.

The Write Up

After the Asset Manager reviews all the submitted information, the Property will receive a Performance Letter detailing any findings, areas of concern, and any necessary follow-up actions. The Owner/PM Staff will have 30 days to respond to and address anything outlined in the Letter.

What to Expect:

OH will provide performance letters each year to all borrowers specific to their projects that have at least one full year of operation. The performance letter will:

1. Summarize OH's review of compliance and performance in the project monitoring areas described above.
2. Identify any instances of major or chronic Noncompliance with terms of the loan agreement, subsidy contract or other loan documents ("Findings").
3. Specify actions needed to resolve Findings that must be performed and documented by the borrower by a certain deadline, and/or specify a date by which the borrower must submit a plan to resolve Findings for OH review and approval.

OH may accept, accept with conditions, or reject a proposed plan to resolve Findings. If a borrower's plan includes a proposal for City funding, the borrower must make a significant financial contribution and satisfy all other requirements of Section VIII.

A borrower that disputes a Finding may submit a written protest to OH within 30 days of receipt of the performance letter. A protest must give the reasons why OH's determination of Findings was unjustified, provide copies of any supporting documents, and include affidavits or declarations as to any facts rebutting the basis for the OH determination that are not established by other supporting documents. The Director or another OH employee designated by the Director will make a written decision on a protest within 30 days of receipt. That decision will be the final administrative decision of the City for purposes of determining whether a borrower is in "Good Standing" as described below.

If a Performance Letter is responded to in full, and all items requested provided, the Letter will be closed out. If a Performance Letter is not responded to in full or items requested are not provided, the Letter will remain open unsatisfied. Subsequent year Performance Letters will mention the status of the previous year.

Site Visits, Inspections, and File Review

Unless a Property has Tax Credits on the Property, OH will schedule the first on-site visit, including an inspection and household file review, within the first six months of the Compliance Period. This site visit will be the start of the three-year cycle of site visits throughout the regulatory period for the property.

What to Expect:

30 days prior to the scheduled site visit, the Asset Manager assigned to a property will notify the Owner/PM Staff listed in WBARS of the pending review via email. Attached to the email will be an official inspection scheduling letter outlining:

- The appointment time and date,
- The parameters of the visit,
- A sample notice to households, and
- What to upload in SharePoint five business days prior to the schedule site visit:
 - i) A copy of the notice that will be submitted to your residents.
 - ii) Copies of all the applicable system certificates.
 - (1) Boilers
 - (2) Elevators
 - (3) Fire Alarm Systems
 - (4) Fire Sprinkler Systems
 - (5) Lead Based Paint Study (all buildings constructed prior to 1978)
 - (6) Generator Test Records
 - iii) A current rent roll, preferably in Excel format, showing which units have:
 - (1) Potential or known bedbug infestations.
 - (2) Households who have denied access on the day of inspection.
 - (3) Households who have given Affirmative Consent
 - iv) The name and phone number for the property representative we will be meeting with at the time of arrival to the property.
 - v) The files as requested in a notice to be sent at least 72 business hours in advance by the Office of Housing.

A separate calendar invite will be sent to the WBARS contacts. Owners may forward the invite to any applicable staff to ensure the right people have access to the inspection information.

The Inspection

OH conducts inspections of each Property containing Regulated Units on a three-year cycle. OH coordinates inspections with WSHFC, the Department of Commerce, and King County. The combined funders have an agreement to share inspection and file review data in order to limit the disruption of multiple routine site visits. OH will take the lead on inspections for all properties with Regulated Units, unless there are WSHFC funds committed in the Property.

What to Expect:

On the day of the visit, OH staff will arrive at the scheduled time. Unless the Property is less than 11 units, OH will have at least two inspectors present. OH expects the Owner/PM Staff to have at least two escorts where applicable.

The Asset Manager will ask a series of questions upon arrival and provide the Owner/PM Staff with a list of units randomly selected for inspection along with three alternatives. Generally, Asset Managers will begin the inspection on the roof (if it is a flat roof) and work their way down through the building starting at the top floors by inspecting the common areas and then units on each floor. All non-residential doors will be opened, and OH expects the Owner/PM Staff to be prepared with the correct keys.

OH expects the Owner/PM Staff to knock on all doors, announce the staff and OH, and, if necessary, remove household items from the stove, oven, and open all closed doors. If a building has commercial spaces, the Asset Management Team will enter and inspect all commercial spaces, unless such space has been released from the Regulatory Agreement.

As of October 2023, inspections will be based upon the NSPIRE standards. For an all-inclusive list of inspection standards, please visit [HUD](#).

Any Health and Safety deficiencies found on the inspection, will be expected to be corrected within 24 hours. Non-Health and Safety deficiencies will be expected to be corrected within 30 calendar days.

The File Review

The primary purpose of this initial file review is to ensure that new properties are correctly qualifying and documenting income-eligible households. Deficiencies will be corrected earlier on related to:

- Household verification documentation.
- Inconsistencies with annual report.
- Incorrect income or asset verification determinations.






Properties will then be placed on a review cycle dependent on level of compliance and accuracy of annual report and initial on-site file review at OH's discretion. Criteria used to determine the on-site review cycle appropriate for an individual property includes, but is not limited to:

- Failure to submit the Lease-up Report.
- Lease-up Report submitted does not reflect household files (if asked).
- Failure to income-qualify or income-verify households occupying Regulated Units prior to move-in.
- Household files missing required supporting documentation.
- Failure to properly designate and lease the correct number of Regulated Units.
- Actual Regulated Units differ from pre-approved Regulated Units, or evidence. substantial differences in comparability or distribution as confirmed during the prior annual reporting cycle.
- Failure to charge rents that fall within maximum allowable gross rents for Regulated Units.
- Failure to properly calculate household income.
- Failure to lease Regulated Units within a reasonable timeframe without a reasonable cause.
- Failure to pre-request/communicate a change of use for units.







These criteria include abiding by the most restrictive funder in all cases when there is layered funding or subsidies, including multiple funding sources through OH.

What to Expect:

As of 2023, OH no longer reviews physical files on site. Owner/PM Staff must upload files for review through a secure server. Five business days prior to an inspection, the Owner/PM Staff will upload:

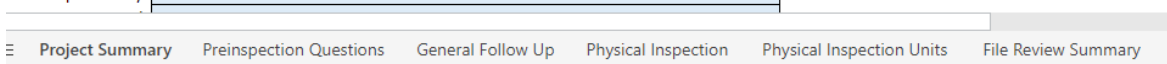
 Name	
 .Required Pasdown and Management Documents	
 Annual Report Submission Folder	
 File Review Submission	
 Inspection Submission Folder	<ol style="list-style-type: none"> 1. A current rent roll. 2. A copy of the notice to be posted. 3. The applicable building certificates.

Based on the information in the rent roll, the Asset Manager will identify a predetermined number of files to review. The Asset Manager will create folders in the File Review SharePoint subfolder for the Owner/PM Staff to upload files into.

 Name	
 004	Three business days prior to an inspection, the household income certification files are due to be uploaded. The list of what units are being requested will be found in the File Review Submission folder. This gives the Asset Manager time to review the household files prior to meeting with the Owner/PM Staff. Files should include everything laid out in the “What is in a File” section outlined below.
 231	
 331	Briefly, OH wants to see the entire income certification package for the two most recent certifications if available, including the REA, supporting documentation, calculations, HEC, and most current lease.
 426	
 523	It is always best practice to self-audit files prior to submitting to OH for completeness.

The Write Up

Once an inspection and file review have been completed, the Asset Manager will complete the write up report, and submit a copy to the Owner via the SharePoint folder subfolder, Inspection Follow Up. The report will be in the format of an excel workbook with several tabs, each with its own “theme.” Each theme has the potential for needing a response to something. Be sure to check each tab as failure to respond to all requested items will result in a Fail.



The Owner/PM Staff will have 30 days from the date of the report to respond. To respond, each yellow box will require a response. For the Inspection tabs, the response will require work order numbers and dates completed.

Some sections will require a **document to be uploaded** into SharePoint:

Fire Extinguisher			
Fire Alarm System	Past Due		Submit ASAP
Fire Sprinkler System	Past Due		Submit ASAP
Lead Based Paint Study			

Some sections will require a **narrative** of either an explanation or a plan moving forward.

Inspection Overall Notes
Significant deficiencies found in most areas
Inspection Overall Follow Up
Complete 100% site inspection and submit results to OH. Provide an explanation of the current preventative maintenance plan as well as the plan to address all identified deficiencies.
Property Response
File Review Overall Notes
All files income calculations use a COLA not understood by SOH.
File Review Overall Follow Up
Provide the reasoning behind why this information is used to impute instead of the previous year's COLA.
Property Response

The actual inspection requires an **order number and date**.

The correct way to respond to inspection deficiencies listed under the actual inspection is to include both the work order number and the date that the work order was completed. In deferred maintenance situations, the Owner/PM Staff would include the invoice number and scheduled completion date.

Area 1 - Site:

Area/Location	Deficiency	Notes/Detail	H&S? Resp time.	Property Response:
Grounds	Garbage and Debris - Outdoors NLT		No - 30 Days	WO# 25394 Completed 7/2
Market Appeal	Graffiti	North side of bldg.	No - 30 Days	WO# 25418 Completed 7/6
Mailboxes/Signage				

If and when accepted, the fields will be locked and turned green.

Area 1 - Site:

Area/Location	Deficiency	Notes/Detail	H&S? Resp time.	Property Response:
Grounds	Garbage and Debris - Outdoors NLT		No - 30 Days	WO# 25394 Completed 7/2
Market Appeal	Graffiti	North side of bldg.	No - 30 Days	WO# 25418 Completed 7/6

At the end of 30 days, the Asset Manager will close out the report and either mark the report as a Pass, a Minor Fail, or a Major Fail. OH defines each of these determinations as the following:

Pass denotes that the property had none, minor and/or very few deficiencies noted during the inspection that are easily corrected within 30 days or less.

Minor Fail denotes that the property had several deficiencies, but deficiencies were generally minor and easily corrected within 30-days or less. Housekeeping issues in a significant sampling of units can cause a Minor Fail.

Major Fail denotes that the property had at least one and/or a combination of the following:

- A large number of both minor and major/critical deficiencies exist.
- Repeated and persistent delays in making critical repairs.
- Life safety of residents is at risk and conditions are not corrected.
- Physical conditions are declining and affecting habitability and repair costs.
- Delays in replacement and/or capital needs are causing deterioration.
- Major concerns of file structure/status/documentation.
- Unsatisfactory response after 90 or more days from inspection.
- Health & Safety 24-hour deficiencies not corrected in the appropriate time.

When a Write-Up has been responded to in full and everything has been reviewed and accepted, the Project Summary tab will be closed out at the bottom of the page:

	Yes/No	Date
Inspection Satisfied & Closed:	Yes	7/15/2023
File Review Satisfied & Closed:	Yes	7/15/2023

Pass: The 2023 Site Visit is now closed and considered satisfied. The monitoring visit status has been marked as passed and the Seattle Office of Housing will be back to monitor approximately in 2026 pending no complaints between now and then. Deficiencies noted in the report, are now considered satisfied in response only. The Office of Housing did not reinspect the work of the Owner/Agent. Areas stating "No Observed Deficiencies" indicates that at the moment of inspection, a deficiency was not actively observed. The Office of Housing does not in fact make a guarantee or certification that a hidden or obstructed deficiency was not present.

Good Standing & Compliance Concerns

A borrower is in Good Standing if:

- (a) the borrower has no Findings identified in its most recent performance letter;
- (b) OH determines that the borrower has remedied all Findings in its most recent performance letter;
- (c) the borrower is diligently pursuing a plan accepted by OH to remedy Findings as promptly as possible;
- (d) the borrower's prompt protest of the Findings is upheld by OH; or,
- (e) the ongoing maintenance of a property is being appropriately addressed and monitored.

The borrower has the responsibility to provide timely documentation to OH to prove that it has remedied any Findings and complied with the terms and conditions of the OH accepted plan.

In January of each year, the Director will notify borrowers who are not meeting the criteria for Good Standing. The notification will identify the Findings that the borrow has failed to remedy, address, or resolve as outlined in an OH accepted plan. Additionally, the notice will indicate that both the borrower and its Affiliated Entities are not eligible to apply for Program funding until the next year when their status of Good Standing is determined.

The determination of Good Standing, or the absence of it, as well as any Findings or decisions related to specific Findings, and the acceptance of plans to address those Findings, will not waive or modify the terms and requirements stated in loan documents or any other legal obligations for borrowers or other individuals, unless OH explicitly agrees in writing. Even if a default is not considered a Finding, **OH retains the authority to take measures to address defaults under loan documents.**

If a Property has a series of concerns that have not resulted in the issuance of a Not In Good Standing letter, the Asset Management Team may work with the Property to get them fully in compliance through a series or combination of increased monitoring activities such as annual inspections, additional information requests, or management coordination meetings and work out plans.

Best Practice For Successful Monitoring

All monitoring activities are on a general schedule, with annual reports completed annually and inspections and file reviews being completed tri-annually. Owners/PM Staff are encouraged to take a proactive stance with their property's performance. This can be achieved through:

- Regular property inspections to address maintenance concerns and household communication.
- Pre-inspections one – two weeks prior to funder inspections.
- Preventative maintenance plans including preventative maintenance to address low level yet reoccurring deficiencies such as caulking, items to close to heaters, smoke detectors, graffiti, wall damage, etc.
- Self-auditing files.
- Self-auditing annual report information including Table 1 & 4.

Interim Site Review

If issues arise during the year, an interim on-site review or request for household file documentation may be required as often as OH staff consider necessary.

What Is in a File

During a file audit, the household income certification files are reviewed by the Asset Management Team, and potentially Federal/State Auditors during an audit of OH. Files will consist of mandatory forms as well as situational forms. The file given to the Asset Management Team should consist of final iterations of documents only. Do not include multiple blank copies of third-party form attempts when a completed version is available.

Mandatory Forms for Every File

1. Household Eligibility Certification

2. Calculation Worksheet
3. Rental Eligibility Application
4. Demographic Form
5. Lease Rider

Situational Corresponding Documentation

1. Income
 - a. Wage information
 - b. Self-Employment information
 - c. Non-employment/Unemployment information
 - d. Gift information
 - e. Fixed Income
 - i. Social Security
 - ii. Public Assistance
 - iii. Child Support
 - f. Student Income Information
2. Assets
 - a. Checking and Savings
 - b. Retirement Accounts
 - c. Stocks/Bonds/Investments
 - d. Real Estate
 - e. Deposit Explanations (as needed)
3. Specific situational forms
 - a. Student Status
 - b. Homeless Verification
 - c. Pregnancy Verification
 - d. Veteran Status
4. Reasonable Accommodation Approvals (only if the reasonable accommodation is in direct relation to a Program policy or regulation) **(Do not include medical documentation)**

File Set Up Best Practices

The goal of an audit is to have the auditor agree with and understand your calculations, agree with who was approved to move in or who was denied, and to exit your building with no follow up questions or concerns.

A file is the “story” of your household, so it should be easily readable, and points should easily connect so that anyone reading it will come to the same conclusion.

- Follow the outline above when setting up a file. This makes it consistent for auditors so that they can easily find information as well as reduce the occurrence of missed information.
- Do not include co-signer information in the household income certification packet. In the case of a co-signer/guarantor, keep their documentation in a separate location, tab, or separated with a colored piece of paper clearly labeled “co-signer/guarantor.”

- You can make things clearer by putting labels or tabs on certain forms, highlighting important numbers, or using a red/colored pen to explain why a particular figure was chosen instead of another. If an auditor has a question, it will lead to further investigation.
- Consider having someone review the packet who did not complete the packet. A second set of eyes helps to ensure that another person who does not know the story can easily read the story in the file.
- Many properties have company policies that every version of every form should be kept. In these cases, we ask that those copies be held either separately or at the end of the packet behind a “Drafts” notification. Unfinalized documents lead to miscalculations and questions resulting in unneeded audit findings.
- It is a good idea to pre-audit your own files. This helps to ensure that you find missing documentation prior to the arrival of an auditor. Make sure that Page two of the HEC matches your lease and ledger.
- After the purchase of a building or change in management company, it is always beneficial to go through and make sure that the files are complete and correct. A pre-audit that finds missing items is easier to complete on a Property’s own timeline than a City audit that has strict timelines for household provided data.

Rounding

When entering financial figures into the HEC, apply standard rounding practices so that whole numbers are used on the final figure.

When calculating income and assets, do not round until final figures are available.

Scope of Review

On-Site Review Scope

- For the first on-site review (occurring in the first six months), 20% of the move-in files at the time of the review will be reviewed.
- For on-cycle on-site reviews, a minimum of 20% or five current household files will be reviewed, whichever is higher. For properties with fewer than 11 total units, all household files will be reviewed. OH may review more files at their discretion.
- Interim on-site file review does not require that a minimum number of current household files be reviewed.
- In cases where a percentage of units are reviewed, a representative sample of units will be chosen by OH staff through a random sample stratified by unit type (studio, 1-bedroom, 2-bedroom, etc.).

On-Site File Compliance Review: Regulated Units

Owners/PM Staff must have the following documents available on site during the on-site review:

- All current resident files, including:
 - Signed REA on file that demonstrates the household has declared all sources of income.
 - Income verification forms that support the income disclosed in the REA.
 - Signed HEC that shows all final figures from the income verification process, including calculations. Properties may use the income calculation available in the HEC workbook or their own tools, however notes should be made for clarity when needed.
- All current resident leases.
- Copy of current lease template used for households and addendums given to residents.
- In the case of multiple extended vacancies, a copy of Special Outreach for Affirmative Marketing form for Programs with Affirmative Marketing requirements.
- All files for applicants who were denied (did not income qualify or were otherwise denied).
- While all properties were encouraged to use WSHFC's compliance forms in the past, OH forms are required as of August 1, 2023 for all non-WSHFC restricted units. As long as adequate income documentation is available for units leased prior to this date, there is no need to request added documentation from current households. Please collect this documentation going forward.

The on-site household file compliance reviews will focus on the following areas:

- Completeness of REA.
- Required household income and asset verifications.
- Completeness and accuracy of HEC, including:
 - Income and rent maximums.
 - Utility Allowance in accordance with SHA's published Utility Allowance Schedule.
 - Calculations of maximum rents, including utility allowance and any mandatory fees deducted.
- Alignment between actual Regulated Units and those listed on the Annual Compliance Report.
- Satisfactory backup for utility allowances.
- Mandatory fees are being accounted for in the rent calculations.
- Most recent report (Lease-up or Annual) information is accurate based on contents of household files.
- Annual reports submitted to OH should reflect documentation available in the HEC.

Non-Compliance

OH will notify the Owners/PM Staff of any instances of Noncompliance identified during an Annual Report review or site visit. The notification will give directions on steps to bring the Property back into compliance, including corrective actions and requirements that the Property demonstrate that deficiencies have been cured by a certain due date.

If the Property fails to respond or make the corrections necessary, OH will issue a Notice of Non-Compliance to the Owner.

In the case of the MFTE program, a failure to cure deficiencies within 30 days of this Notice of Non-Compliance will cause OH to notify the King County Assessor's Office to remove the tax exemption benefit. In the case of cancelation of the exemption, Owners/PM will be required to maintain affordable rents through any household's lease term. If Owners/PM Staff elect to increase rents beyond MFTE

limits at the end of the lease term due to cancellation of the exemption, they must provide MFTE households with sufficient notice that the MFTE agreement is no longer in effect and a resulting rent increase is pending. Obviously, nothing compels an Owner to raise rents following cancellation (or expiration) of an MFTE agreement.

A property that has an MHA or IZ covenant that is not performing per the signed agreements is subject to legal action by the City.

Not in Good Standing Status

OH makes every effort to work with our Owners to bring Regulated Units up to, and/or keep in, full compliance with the standards, expectations, and regulatory requirements of OH's Rental Housing Program. OH requires that an Owner/PM Staff actively take part in working with their Asset Managers to work/search for resolutions to any identified deficiencies.

Each year, the Asset Management Team reviews the prior year's inspection reports and annual reports for significant concerns, major deficiencies, and unsatisfied responses to inspection and annual reports. Compounding unsatisfied annual reports/inspection reports may lead to a Property not being in good standing with OH. When a Property is determined to be "not in good standing," the Owner will receive an official letter from OH's Director. Not in good standing status may have an adverse effect on future funding opportunities and may require higher level work out plans.

Changes in Ownership/Management

Owners must communicate with the Asset Management Team prior to any transfer of ownership or sale. Prior to the sale of a Property, the Owner is required to send an email to their Asset Manager of their intent to sell. For more review information on an [Intent to Sell in Seattle](#).

Owners must also notify the Asset Management Team in the event of a change in property management companies, as a change in management company is subject to OH approval. Property management companies must notify the Asset Management Team of new contact information should a position change.

In the event that a management company is selected that has not managed a property regulated by OH, the Asset Management Team may choose to complete a "Passdown lite". This may consist of training, a file audit roughly six months into the new management agent's contract, as well as review any changes to the management plan, policies, the lease and addenda.

Loan Extensions

In some cases, an Owner/PM Staff may request an extension of a loan. The stipulation for an extension is that a property is in compliance with OH and in Good Standing. It is very important to actively work with the Asset Management Team to address any notices of Noncompliance as it could have a potential effect on a property's ability to repay its loan.

Record Retention

Owners/PM Staff may set up their own protocols for retaining digital or hard copy files so long as all records can be readily produced for OH review upon request. All records must be kept for at least seven years after a household's application denial or move out.

To eliminate confusion, Owners/PM Staff should build permanent files that include only final documents, not earlier drafts. Prior iterations of documents and extra copies of correspondence should be kept separate from the final income certification file.

Property level documents including Loan and Regulator Agreements, approvals for deviations from said documents, capital projects documentation, audits, etc., should be kept throughout the regulatory period.

Chapter 10. Expiration of Unit Affordability Requirements

The terms of affordability and associated Compliance Period vary by Program.

- **Rental Housing Program:** A Rental Housing Program Regulatory Agreement may run for a period of up to 99 years.
- **HOME:** A HOME Agreement term is based on the property type. HOME-funded housing units must remain affordable in the long term (20 years for new construction of rental housing; 5-15 years for construction of homeownership housing and housing rehabilitation, depending on the amount of HOME subsidy), but the Compliance may be longer if such units are also subject to regulation by other Public Funders.

Affordability Terms vs Effective Leases

Owner/PM Staff must plan for the expiration of the Program affordability period. Property Managers must:

- Honor the rent as stated in the signed and effective lease for households of Regulated Units; in no case may the expiration date of an affordability term supersede terms of an effective lease.
- Provide notice of an increase of rent pursuant to the local and state laws or requirements.
- Provide notice to the households regarding the end of the Program.

Change of Use

Converting a Property to nonresidential use or demolition does not absolve the Owner from meeting Program requirements, which typically run with the land. Owners/PM Staff must notify their OH Asset Manager of any planned change of use to determine follow-up actions per governing Code and program agreements. Such follow-up actions may include implementation of [TRAQ](#), which provides certain protections and financial support to all households and further requirements for households who are at or below 50% AMI.

In addition, Owners/PM Staff must contact the [Seattle Department of Construction & Inspection](#) (SDCI) to determine if a Change of Use License is required. As with a Change of Use, expiration of the term of the Incentive Program may also trigger TRAO; SDCI will join with OH in assisting with and enforcing TRAO requirements.

Final Report

Following the expiration of any Regulatory Period, including standalone projects with affordability requirements subject to development agreements or other instruments, the Property must complete a final Annual Property Certification Report. This report is due no later than January 31 of the year following the expiration.

Chapter 11. Operating Contracts

OH administers several contracts that aid and support the operating expenses of properties that have been awarded any one of the current (O&M, OMS, Jumpstart & Local Option) contracts. Each contract has a specific term for these “subsidy” payments, either quarterly or annually.

Who Qualifies

Properties are awarded an operating contract at the time of the original funding. To qualify, a Property must have units set aside for Extremely Low Income (30%AMI) households. A property will receive an annual subsidy amount when the contract is awarded. This then is factored into the overall funding of a property, usually over a 20-year term.

The number of 30%AMI certified households plays into the equation of the annual award amount. When a household in a unit with an O&M Unit is determined to have an adjusted gross income greater than 30% of the area median income, as of the next adjustment date, the unit is no longer a supported unit and is not eligible to receive that term’s subsidy. That unit may not receive the subsidy until the household’s income falls below 30% AMI.

To receive subsidy, the Owner/PM Staff must ensure that each year through the Annual Reporting Process and per the Contract Agreement, the Owner/PM Staff is submitting an annual maintenance plan, a marketing plan, and an updated management plan.

Uses

Each contract has specific “eligible expenses” that they can use the awarded funds for. For a specific list of eligible expenses, the Contract Agreement may be referenced. The funds provided through an Agreement will be used solely to pay reasonable Eligible Costs that are not already covered by Property revenues or any other source. All approved expenditures will be documented on the Approved Invoices, in a form acceptable to the City.

Documentation to Provide

To request the contract subsidy, an Owner/PM Staff must submit OH Voucher form for Reimbursement including:

1. The Cover Letter
2. The Program Invoice
3. The Program Summary Report
4. The Property’s Invoice Detail (operating budget)

Operating Budget

All approved expenditure will be documented per the Operating Budget. The Operating Budget for the first full calendar year, or partial calendar year, or both, should be referenced. Operating Budgets for future years will be attached to annual amendments to the Property’s Agreement.

Adjustments to Operating Budget

Any transfers of costs between line items on any Operating Budget that do not result in a final change of 5% or less do not require approval in writing by the City, as long as such transfers are reasonably necessary. The total amount to which the Owner/PM Staff is entitled for any period will not be adjusted unless expressly agreed in writing by the OH.

Annual Reviews and Subsidy Adjustments

OH will conduct annual financial, management and maintenance reviews of the Property. This review will include a determination of the amount of the subsidy to be received by the Owner/PM Staff for the following calendar year. For this review, the Owner/PM Staff will deliver to OH no later than **October 31** of each year:

- 1) An actual operating statement for the Property for the first 9 months of the current calendar year, together with an updated proforma operating statement for the remaining portion of such year and for the entire year, showing revenues and expenses separately for the O&M Units and for the Property as a whole, and comparing such figures on a line-item basis with the current Operating Budget.
- 2) An actual operating statement for the Property for the last full calendar year, showing revenues and expenses separately for the Units and for the Property as a whole, and comparing such figures on a line-item basis with final Operating Budget for such year and with any updated pro forma operating statement for such year previously submitted.
- 3) The existing Household profile including household incomes as most recently determined, the rental amounts currently charged, the proposed rents to be in effect the next January 1, and a certification that all Units are occupied by Extremely Low-Income Families or are vacant and are being marketed for such occupancy.
- 4) Long term maintenance work planned for the next year, if any.
- 5) A proposed operating budget for the next calendar year with the projected monthly rent-up schedule, if applicable.
- 6) A narrative report explaining how the subsidy received in the current year is allowing the Agency to serve Extremely Low-Income Families and explaining any differences between current revenues and expenses as reported and those shown in the proposed operating budget.

OH will review the materials submitted by the Owner/PM Staff within **30 days** after receiving all required information. OH will notify the Owner/PM Staff of any adjustments required to the budget for the next year. The approved Operating Budget may result in an annual subsidy amount for the next year that is greater or less than that for the current year. If the Owner/PM Staff appears to follow their Agreement and the budget submitted (as adjusted, if applicable) indicates a need for continued subsidy, OH will provide an amendment to the Contract Agreement with the approved Operating Budget for the following year attached. The Owner/PM Staff must sign and return such amendment as a condition to any further receipt of funds.

As part of the annual review, OH also may make a preliminary determination as to whether the Owner/PM Staff will run an excess of income over expenses for the current year, based on a comparison

of the updated full year operating statement and the current Operating Budget. The intent of this Agreement is that the subsidy will be no greater than required to finance the Regulated Units and that the Owner/PM Staff will be required to use any increased revenues or savings from the operations of the Property to subsidize the Regulated Units to the extent possible. Therefore, if OH determines that the Owner/PM Staff will run an excess of income over expenses, then OH may require the Owner/PM Staff to make an additional contribution to its operating or replacement reserves in an amount up to such expected excess, and/or may elect to deduct from future disbursements such amounts as are necessary, together with any such additional contributions to the operating and replacement reserve required by OH, to eliminate the excess.

Upon completion and acceptance of the final actual operating statement for the year in question, OH will determine the final amount of any excess or deficit for such year. Depending on either, OH may either require additional deposits into the Reserve accounts or add the difference to the next disbursement. If OH determines that there remains an excess and there are no further disbursements to be made to the Owner/PM Staff for any reason, then the Owner/PM Staff will repay to OH on demand the amount determined by OH to be required to offset such excess. No repayment or deduction will be applied to any amounts owing to the City on the Loan Documents or otherwise.

Adjustments to subsidy amounts prior to annual review will be made only when it is determined by OH to be reasonable due to unforeseen circumstances. For example, if the Owner/PM Staff has households in the O&M Units with much lower incomes than expected an adjustment to the subsidy amount may be made, in the discretion of OH, based upon a quarterly report.

Under no circumstances will the City be required to make any adjustment that would increase the amount payable to the Owner/PM Staff for any year beyond the amount approved in the Operating Budget for such year.

Disbursements

Subject to all the terms and conditions of this Compliance Manual and all of the loan documents executed in relation to a loan, the City will disburse funds to the Owner/PM Staff per the Approved Invoices. An Owner/PM Staff is not entitled to any disbursement for any period unless (1) there is an Approved Invoice, and (2) the City has received any requested documentation of Eligible Expenses. Payments are generally made to the Owner/PM Staff approximately two weeks after OH has received the Owner/PM Staff's invoice and all necessary supporting documents. The Owner/PM Staff will not be entitled to late fees or interest due to any delay in payment. Until applied to Eligible Costs, funds received by the Owner/PM Staff under this Agreement will be held in trust for the City.

Each request for disbursement will be accompanied by a statement from the Owner/PM Staff certifying that the Owner/PM Staff and the Property are in full compliance with documents executed in relation to a loan, and that all Regulated Units are occupied by (or are vacant and are being marketed for occupancy by) Eligible Households, based upon the latest determination of Gross Income.

The Owner/PM Staff also will state whether any new households have been admitted to contracted Units or any Rents for any contracted Regulated Units have been changed or are scheduled to be changed. If there are any new households or Rent changes, then the Owner/PM Staff will include the new Rent and former Rent levels for each affected Regulated Unit, with effective dates in each case.

Quarterly Reports

The Owner/PM Staff will submit a detailed report of revenues and expenditures for each calendar quarter to OH no later than 30 days after the end of such quarter. Such reports will be in a format approved by OH and will include Quarterly Program Reports. If the Owner/PM Staff is delinquent in supplying such reports, then the subsidy may be denied. If the reports are not satisfactory, OH may withhold disbursements until satisfactory reports are received and reviewed by OH.

Return of Funds

If OH determines that any funds disbursed under this agreement were not applied to Eligible Costs, or that Owner/PM Staff was not entitled to such funds, then Owner/PM Staff will reimburse these funds to OH upon written demand. In the event of a dissolution of the Owner/PM Staff or termination of this Agreement for any reason, any and all funds provided that have not been applied to Eligible Costs will be immediately returned to OH.

Reasonableness of Costs

The Owner/PM Staff agrees to pay no wages more than the usual and accustomed wages for personnel of similar background, qualification, and experience within the community. The Owner/PM Staff will pay no more than the reasonable market value for services, equipment, and supplies, and all purchases must be reasonable and necessary for the operation of the Property.

Appendix A. Quantifying and Verifying Income and Assets

This appendix to the Compliance Manual inventories the common types of income (Section 1) and assets (Section 2) and explains how Owners/PM Staff will verify and otherwise account for each type of income and asset for purposes of determining a prospective household's eligibility to rent a Regulated Unit.

The following appendix provides real-world examples of how the calculations should be performed.

Section 1. Procedures for Common Types of Income

Below are several categories of income that are commonly found on household applications. Sections 1 and 3 of the [HUD occupancy Handbook 4350.3](#) are used as a guide; however, OH determines the final decision on what is considered income for the Programs and what verification is required to determine eligibility.

Generally, Owners/PM Staff must use current circumstances to anticipate projected income. This includes a review of income received over the prior six-month period to confirm/predict if recent income should be anticipated.

The below list is not exhaustive, but a good guide for most income situations.

Wages

Wages are funds received in exchange for working for an employer. A person earning wages would receive a W-2 at the end of the year for tax purposes.

This is the most common form of income. When determining wages, you will include all regular wages, premium pay, tips, shift differential, overtime, training, and bonus pay.

- Verification Option 1: Obtain third-party verification
 - Verification of Employment (must be complete)
 - Employers may also require The Work Number verification
- Verification Option 2: Obtain source documentation
 - May accept most recent three months' worth of consecutive pay stubs
- Note: While it is not required, OH suggest that Owners/PM Staff request a single pay stub in addition to the Verification of Employment to cross reference that all information is correct.

Determining income for regular fulltime employment, the following figures are used:

- Hourly wages by 2080
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly by 24
- Monthly wages by 12

The Household Eligibility Certification Excel (Tab 2-4) workbook offers three different methods of projecting income.

1. Annualized Periodic Income: Complete this table with the information obtained through the Third-Party Employment Verification. There are lines to input any commission, tips, or raises. This can also calculate annual income from monthly sources such as Social Security or gift income.

Annualized Periodic Income by Paystub: Complete this table when an applicant supplies six consecutive paystubs. Pay Period Length will be required to show whether the income is paid weekly, bi-weekly, bi-monthly, etc.

2. Annualized Year to Date (YTD) Income: This table is used when YTD is obtained via Third-Party Employment verification **OR** when paystubs are available, and it is verified the income began on or before January 1 of the given year.

All tables should be as complete as possible given the verification received. For instance, if Third-Party Employment Verification was received, Table 1 and Table 3 should be completed, and the highest calculation used as the annual income.

Annual/Projected Increases (Raises)

A pay raise that the applicant will receive within the certification year must be included when determining income. If an employer says a range (e.g. 2% to 4%) the highest amount (e.g. 4%) would be used in projecting increases.

A Cost-of-Living Adjustment (COLA) is received by many employees who are employed in the public sector such as teachers, police, nurses and medical staff, City and government staff, postal carriers, etc. COLAs often range between 2% and 4% and are effective on the first of the year. If no current CPI or COLA information is available for the upcoming Certification period, an Owner/PM Staff may assign using the previous year's COLA.

For positions earning minimum wage, make sure that the increase in the minimum wage each year is accounted for in the income projections.

Overtime

If an employer indicates on the Third-Party Employment Verification form that an employee works overtime, and a range of hours is given (e.g. 3-5 hours per week), the highest amount (e.g. 5 hours) would have the overtime rate applied and included in the annual income. Overtime is also seen on pay stubs.

- Verification: Overtime should be confirmed via the Third-Party Employment Verification form and/or reviewing paystubs for an overtime line item.

Tips

Income received from employment including but not limited to service or gaming industries. If an applicant works in an industry that usually uses a tip model such as food service, tips must be factored in unless the applicant can supply official documentation from their employer (preferably the HR department or employee handbook) saying explicitly that their position does not receive tips or patron gifts.

- Verification: Employers may report tips on the Third-Party Employment Verification form or on the provided paystubs OR use projected tips available on the annualized income calculation tool of the HEC.

Year-to-Date

The YTD should be included on the Third-Party Employment Verification form. If it is not, first try to clarify with the employers. Then review the paystub for YTD if a start date is verified or it is demonstrated that the applicant has been employed since the beginning of the YTD period.

Self-Employment

Self-employed individuals file a tax return to report their income. This includes freelancing contractors, taxi and ride share drivers, etc.

Net income from a business that is owned/ran by the applicant, is what is used for the final income projection when the business has an accompanying business license.

Gross income from a business that is owned/ran by the applicant, is what is used for the final income projection when the business does **not** have an accompanying business license.

- Verification: The applicant must complete the Self Employment Form.
- If the business is established, the applicant must provide the previous year's tax return, including Schedule C (Profit and Loss) of the tax return.
- If the business is new, a Profit and Loss should be obtained. These are downloadable accounting forms that can be completed by an applicant or their CPA.
- When determining **net** income, use best judgement on deductions. It would be *reasonable* for a taxi driver to deduct vehicle depreciation. It would not be *reasonable* for a credit repair specialist who works from home to deduct vehicle depreciation as their business does not require the use of a vehicle.
- Note: You do not have to review business account bank statements, unless there is a concern for fraud/accuracy, or there are significant transactions between business and personal accounts.
- Note: A Business License is required in order to count Net income in coordination with the City of Seattle's requirement for all business being done in Seattle to have a corresponding business license. Seattle uses physical connection to determine whether or not a given business is required to hold a Seattle business license. If representatives of the business are "engaging in business" within Seattle city limits, a Seattle business license will be required, even if they are doing work for another company that also holds a license here.
 - Please find the definition of "engaging in business" in Seattle via Seattle Tax Rule 5-043 [here](#).
 - Application information can be found on our website [here](#).

Contract Work

Contractors pay is a sum of income paid for completing a specific job or series of jobs. A person who is a contractor will receive a 1099 Form at the end of the year for tax purposes. Income reported on a 1099 is gross income. It is up to the person to take care of all of their own expenses and taxes.

- Verification: An individual who is a contractor will complete the same process as a person who is self-employed including providing a profit and loss statement.

Seasonal Employment

Applicants employed in seasonal work such as construction, tax preparation, etc. may collect unemployment benefits during their off months.

- Verification: If the applicant is currently not employed at their seasonal employment the Non-Employment form should be completed. Income should be projected by the applicant using data from their past seasonal employment or market averages. If the household is receiving unemployment obtain a pay statement or award from Washington Employment Security Department.

Unemployment

Weekly income from the state Employment Security Department (ESD) after the loss of employment. As individuals may apply for appeals and extensions, the weekly benefit amount will be multiplied by 52.

- Verification: Complete the *Verification for Unemployment*. If ESD does not respond, you may accept a print off from the applicant's Secure Access Washington (SAW) account.

Gift Income

Gift income is considered countable income and is applied to the annual gross income for the household. Any gifts received by an applicant over the last six (6) months will be annualized and included in their income calculation. If a one-time gift is in the amount of \$1,000 or greater, it will be annualized and included as income.

Gift income is either discovered through the REA completion or found in reviewing asset statements. Each separate gift source must complete their own Gift Affidavit.

- Verification: The gift giver will complete the *Gift Affidavit*. The person(s) giving the gift must complete the form outlining how often gifts are given and sign the affidavit.
 - If the person(s) giving the gift lives in the United States, the form must be notarized. The Gift Affidavit should be notarized, regardless of whether the gift giver is foreign or local.
 - If the person(s) giving the gift lives outside of the United States and no other notary is possible, the gift giver must supply a copy of their identification along with the signed gift affidavit.

No Longer Receiving a Gift

If an applicant has historically/recently received gift income, that income will be counted going forward unless a full six (6) month period has passed without receiving that gift. If an applicant's gift income puts them over the income threshold for a particular unit, the applicant must discontinue the gift and wait six (6) months if they wish to reapply. If an applicant states they will cease receiving a gift solely to qualify for a Regulated Unit, they must wait six (6) months before reapplying without the gift income.

Loans

Loans are generally not considered income, so long as the applicant/resident can provide legal and verifiable documentation of the terms of the loan. Loans from family members that are not documented will be considered income.

Student Income

Students often have a variety of income sources paying for their education and living expenses. These income sources are sorted into two categories: exempt and non-exempt. Exempt income is not considered income and is therefore not included in the income certification calculation. Conversely, non-exempt income is included in the income certification calculation. The following are examples of each type of income:

<p><i>Exempt Student Income (document in file but do not include in income projection)</i></p> <ul style="list-style-type: none"> • Pell Grant, State Need Grant • Earnings from Work Study • GI Bill funding • Student loans (it is understood that loans are not income, but included here for clarity) <p>This income will not be listed on the HEC but <u>must</u> be documented to the file.</p>	<p><i>Non-exempt Income (include in income projection)</i></p> <ul style="list-style-type: none"> • Support from family members, including paying rent • Government support received by International Students • Regular earnings from employment that is not work study • Stipends are not a part of the financial aid award package • Fellowships • Earnings not through Work Study
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The above non-exempt income should be annualized to follow the school's terms, whether that be quarters or semesters. The Financial Aid award letter should be carefully reviewed to determine if the amounts are per term or annual.

- Verification: Applicant completes the *Student Status Certification* and provides the following:
 - FASFA or WASFA worksheet (Student Aid Report) for the current school year (during the summer months the coming school year),
 - Registration/Class Schedule detailing tuition and fees charged,
 - Financial Aid award letter from school of attendance,
 - I-20 in cases where student is international student on an F1 Visa.

TANF & ABD

Monthly income to support low-income families administered by Washington State Department of Social and Health Services (DSHS).

- Verification:
 - Send *Public Assistance Verification* to DSHS; or
 - Include BVS print off; or
 - Tenant provided DSHS award letter.

Food Assistance is exempt and not counted towards income nor documented.

Social Security

Monthly income from the Social Security Administration (“SSA”), including pension, disability, SSI, survivor benefits. This includes benefits for minors.

- Verification: Current year’s award letter issued from Social Security Administration stating gross monthly benefit.

Pensions

Monthly income from employment related retirement pensions, disability or death benefits, or other similar periodic income, including Veterans Admin benefits (disability or retirement).

- Verification: Current monthly benefit statement or current year award letter stating gross monthly benefit.

Alimony and Child Support

Monthly or other recurring income for the care of a child or continued support from a former spouse.

- Verification: One of the following:
 - Alimony: Separation Agreement/Divorce Decree with amount of Alimony OR notarized letter from former spouse paying support
 - Child Support: [Child Support Certification](#)
 - AND print out from DSHS/Office of Support Enforcement OR notarized letter from parent paying support where no court order is present.

Military Pay

Income received from service in US Military (Active Duty and Reserves).

Non-Exempt Income (Count on Page 1 of HEC)	Exempt Income (Record on Optional Page 3 of HEC)
<ul style="list-style-type: none"> • Basic Pay. • Basic Allowance for Housing (BAH). • Family Separation Allowance. 	<ul style="list-style-type: none"> • Basic Allowance for Subsistence (BAS). • Clothing Allowance. • Dislocation Allowance (DLA). • Family Subsistence Supplemental Allowance. • Combat Pay.

- Verification: Two consecutive LES statements stating gross pay. If receiving other income, two consecutive statements to verify gross income.

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																
ID	NAME (Last, First, MI)	SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED							
			E5	040211	04	100210	AF		1-31 JUL 08							
ENTITLEMENTS		DEDUCTIONS			ALLOTMENTS			SUMMARY								
Type	Amount	Type	Amount	Type	Amount			+Amt Fwd		.00						
A	BASE PAY	FEDERAL TAXES	88.46	DISCRETIONARY ALT	1521.00			+Tot Ent		4266.73						
B	BAS	FICA-SOC SECURITY	139.33	TRICARE DENTAL	11.58			-Tot Ded		1570.22						
C	BAH	FICA-MEDICARE	32.59					-Tot Allt		1532.58						
D		SGLI	27.00					=Net Amt		1163.93						
E		AFRH	.50					-Cr Fwd		.00						
F		FAMILY SGLI	5.50					=EOM Pay		1163.93						
G		TSP	112.37													
H		MID-MONTH-PAY	1154.47													
I																
J																
K																
L																
M																
N																
O																
TOTAL		4266.73		1570.22		1532.58										
LEAVE		BF Bal	Emd	Used	Cr Bal	ETS Bal	Lv Lost	Lv Paid	Use/Lose	FED TAXES	Wage Period	Wage YTD	M/S	Ex	Add'l Tax	Tax YTD
		25.5	25.0	11	39.5	85.5	.0	.0	.0		2134.93	13682.36	M	02	.00	493.01
FICA TAXES		Wage Period	Soc Wage YTD	Soc Tax YTD	Med Wage YTD	Med Tax YTD	STATE TAXES	St	Wage Period	Wage YTD	M/S	Ex	Tax YTD			
		2247.30	14402.50	892.94	14402.50	208.83	AK		.00	.00	N	00	.00			
PAY DATA		BAQ Type	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2D JFTR	BAS Type	Charity YTD	TPC	PACIDN		
		WDEP	SPOUSE	08641	.00	1	R		0			.00				

- Recording: Non-Exempt (yellow above) income should be recorded on page 1 of the HEC. Exempt income should be recorded on the Optional Page 3 Exempt Income form for the HEC.

Selling of Goods

Income received by selling goods and not being considered self-employed. If the applicant does report the selling of goods to the IRS as a business, they would not be considered self-employed. In this case, the gross income is counted.

- Verification: Deposits made into the applicants checking, savings or other digital forms (Venmo/PayPal/Cash App). All deposits received across all accounts would be annualized.

Venmo/PayPal/Cash App

Regarding deposits into online cash apps such as Venmo, PayPal, or similar. Often these deposits are due to the repayment of a loan or the splitting of a bill; however, it is also very common that these payment channels are used to pay for goods or services.

If an applicant has deposits that are easily explained as repayments, notate the file through the Deposit Explanation form. If deposits in whole are less than \$300 per month, document through the Deposit Explanation Form and do not annualize. If deposits are greater than \$300 per month with no one time or specific explanation, document and annualize. The account statements often show what the payment is for. Applicants may also include receipts connecting payments to repayments.

If an applicant has deposits that are not easily explained as repayments, they will be counted and projected forward unless the applicant can provide supporting documentation to show that this is not the case. If the applicant does report the income to the IRS as a business, they would not be considered self-employed. In this case, the gross income is counted, and the income would be listed under “other.”

- Verification: Three consecutive months statements from each source reviewed for recurring deposits that should be included as income. Applicants should make statements for each payment and substantiating documentation if deposits are larger than \$300 total per month and claimed to be repayment (such as rent splitting, vacation splitting, etc.).

Rental Income

Monies received for rent of a property owned or co-owned by applicant. This includes money given directly to the applicant or directly to the mortgage holder of the residence.

- Verification: Applicant completed *Real Estate Evaluation* form and IRS Form 1040 with Schedule E (Rental Income) and a statement from lessee or a copy of the Lease Agreement.

Employee Rent Concessions

Monthly discounted rent for employees of the owner or property management company. As rent discounts are a common add on in company compensation packages, employees who lease a Regulated Unit must include any rent reduction, discount, or credits towards their overall income calculation. This monthly discount will be a separate line item listed with wage income. See Chapter 3 regarding the administration of these units.

- Verification: Rent ledger for applicant-employee that demonstrates the monthly discount in rent. This is included as income.

Income Changes – Recent Changes to Income

Applicants may not lower their hours and/or quit their jobs to income qualify for a Regulated Unit. If an applicant is found to have affected their income solely for the purpose of income qualifying for a Regulated Unit, they may not reapply to the program for a minimum period of six months.

Changes in income are seen by looking at income retroactively for the prior three months. If there is a question or concern about hours worked and/or additional employment contracts, Owners/PM Staff may request a statement from the Employment Security Office which notates hours claimed to the State of Washington for employment/wage/tax purposes.

Additional Income Information

Live In Aid

If a building approves Reasonable Accommodation for a Live-in Aid, or if the Housing Authority approves a Live In Aid for a voucher holder, the Property will not review or include the income for a live in aid. It is the building’s responsibility to screen potential live in aids.

Income From Minors

Wages from minors will be exempt and not counted toward household income. However, TANF, Social Security, Trust disbursements, etc. will be counted toward household income.

- Verification: See each individual example above.
- Recording: Non-Exempt income should be recorded on Page 1 of the HEC. Exempt income should be recorded on the Optional Page 3 Exempt Income form for the HEC.

Foster Care Income

Foster care income is public assistance in return for the care of a child in the foster system.

- Verification: Complete a *Public Assistance Verification* and submit to DSHS or the private agency providing services.
- Recording: Non-Exempt income should be recorded on Page 1 of the HEC. Exempt income should be recorded on the Optional Page 3 Exempt Income form for the HEC.

Income From Temporarily Absent Family Members

Owners/PM Staff must count all income of family members approved to live in the unit, even if some members are temporarily absent. If the Owner/PM Staff determines that an absent person is no longer a family member, the individual must be removed from the lease and household composition.

If the spouse or dependent of a person on active military duty lives in the unit, that person's income must be counted in full, even if the military member is not the head or spouse of the head of the family. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

Lump Sum Receipts

Lump sum amounts are not included as income but treated as an asset. This includes, but is not limited to, inheritances, one-time lottery winnings, insurance settlements, or lump sums due to a delay in certain benefits, e.g., Unemployment or Social Security. However, if the income is expected to continue for any reason besides the one-time pay out, it should be considered income.

- Obtain six months of bank statements if the lump sum has been deposited and consider it an asset.

Zero Income

Any adult that claims to have zero/no income, even if another household member does have income, must complete an *Affidavit of Non-Employment*. The household member must indicate their current situation, how they are planning on covering living costs, and their plan for income within the compliance period. This form must be completed when an applicant indicates they are living on savings.

If there is a concern that the plan is not *reasonable*, Owners/PM Staff may not approve a file until the applicant can provide an adequate and reasonable scenario on how they will cover living arrangements.

If an applicant indicates they are currently not working but plan on obtaining a job, current wage statistics for the area must be imputed and counted towards household income. Current occupation projections for the prior year may be found at [The Employment Security Department](#). Owners/PM Staff

will obtain a print off to be used for verification and calculation purposes. The Seattle-Bellevue-Tacoma median income projection will be the figure used in income calculations. If the ESD Wage Estimates do not offer a comparable occupation, [Glassdoor](#) figures may also be used. It is a best practice to review both and take the highest estimates of the two.

If an applicant completes an *Affidavit of Non-Employment* stating that they have no intent on obtaining employment within the next 12-month period, and later it is found that the applicant did obtain a job within 90 days, Owners/PM Staff may determine that the applicant manipulated their paperwork in order to qualify for the program. In this case, Owners/PM Staff may take action to remove the restriction status of the unit or follow other procedures used for dealing with fraudulent files.

Income Earned from Assets

Income derived from assets to which family members have access must be included in the total household income calculation. The range of assets for consideration appears in the following section of this appendix.

Types of income include:

- Interest: Money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
- Capital Gain: A profit from the sale of property or an investment.
- Dividend: A dividend is the distribution of profits by a corporation to its shareholders. When a corporation earns a profit or surplus, it is able to pay a proportion of the profit as a dividend to shareholders.
- Equity of real estate: The difference between the fair market value of the property and the amount of money you owe on the mortgage.
- Disbursements: The payment of money from a fund.

Current vs. Imputed:

- Current income earned from assets reflects the actual realized gain from an asset. This is most easily calculated on bank or credit union accounts such as checking and savings or money market accounts that explicitly state the rate of return on the monthly statement.
- Imputed amounts are calculated based on the HUD passbook rate of .06%. Owners/PM Staff must look at both the current and actual gains as well as the imputed gains.
- The Owner/PM Staff should use the higher of the current or imputed income to calculate income from assets.

Section 2. Procedures for Common Types of Assets

Assets are items of value that may be turned into cash. While OH does not count the value of the asset when determining a prospective renter's eligibility for a Regulated Unit, nor are there limits on asset values, gains from assets will be counted towards the overall household income.

When recording assets on the HEC, the Building will record the cash value (total current value *less* penalties and costs to liquidate) in Part IV. If the applicant cannot/does not provide documentation as to the liquidation penalties, the total value will be used.

Below is a list of common types of assets and the types of verification required for each asset. This is not an exhaustive list:

Checking Accounts

Asset held with a financial institution that can receive deposits and withdrawals. Generally has low or no interest earnings.

- Verification: Three consecutive statements prior to move-in or income certification. Owners/PM Staff should review for any deposits and obtain further verification as needed.

Savings Accounts

Asset held with a financial institution that can receive deposits and account owners can withdraw from the account.

- Verification: Three consecutive statements prior to move-in or income certification. Owners/PM Staff should review for any deposits and obtain further verification as needed.

Stocks/Bonds/Treasury Bills/Certificates of Deposit/Money Market Accounts

The primary income from these types of assets is interest and dividends. Income can also be gained from the sale of either stocks or bonds for profit.

- Verification: Three months' worth (generally quarterly) of statements that show the value of the asset or a statement from a stockbroker as to the new amount a family or household would receive if they liquidated the asset, less any penalties/fees for early withdrawal.

Online Financial Accounts

Including but not limited to: Peer lending, real estate investing, robo-investing, crypto currency (Venmo, PayPal, Fundrise, Lending Club, Robinhood, Acorn, Stash Cash, Apple Pay, Etc.)

- Verification: Each of these accounts provides a monthly or quarterly statement. The account holder must provide the three (3) most recent consecutive statements prior to move-in. Owners/PM Staff should review for any deposits and obtain further verification as needed.

Retirement Accounts

Generally, retirement accounts are not accessible until you are 59 ½ years old; however, you may withdraw from most of these accounts early with a 10% penalty. Early withdrawal may also require a hardship claim. If an account is accessible with or without a fee, even if it requires a hardship claim, it must be counted as an accessible asset.

- Types of accounts:
 - 401K: For for-profit company employees. Money can be borrowed against, taken out, or reinvested.
 - 403B: For public employees and tax-exempt organizations. Money can be taken out for certain reasons, and usually with a penalty. If accessible, even with a hardship claim, it must be counted towards the total assets.
 - IRA: An account that allows a person to direct their own retirement funds.

- KEOGH: A retirement plan for self-employed individuals.
- Pension: A retirement plan that provides a monthly income after retirement.
- Verification: Obtain the most recent consecutive statements covering a 3-month period. Review to ensure that no disbursements have been withdrawn. Keep the most recent in the file. Statements should reflect gains from the previous statement period to the next. If the applicant does not provide documentation of penalties, withdrawal fees, or restrictions, count the full value.

Trusts

A trust is a legal arrangement regulated by state law for which one party holds property for the benefit of another. A trust can be cash or other liquid asset, or real or private property that could be turned into cash. There are two types of trusts: Revocable and Irrevocable.

- Revocable Trusts: The grantor of a revocable trust can change this type of trust as often as they wish and therefore has access to this asset at any time. This type of trust is an asset and should be used to project household income.
- Irrevocable Trusts: This trust agreement allows an individual to permanently transfer the asset during their lifetime to someone else. Trusts which are irrevocable by or under the control of any member of the household are not considered assets.

As long as the trust exists, the actual income distributed to the household from said trust must be included as income when determining eligibility.

- Verification: Obtain a copy of the trust document. Depending on what is disclosed in the Trust, a letter from a trustee may be required to identify payouts.

Life Insurance

There are multiple types of life insurance policies. For Term or Whole Life in most cases, the applicant does not have access to the money in the policy as it will pay out to their beneficiary after their death. Universal Life insurance, however, builds a “cash value” that may be withdrawn. Policies must be reviewed to see if they are Term or Whole Life, or Universal Life.

- Verification: Insurance policy. Review Cash Value and penalties. Count cash value minus penalties as the asset. Any cash withdrawals must be included as income.

Real Estate Owned

The value of the real estate is included as an asset, minus any unpaid balance on loans and reasonable costs incurred to sell the asset (broker fees, penalties, etc.)

- Verification: Household must complete the [Real Estate Evaluation Form](#) and supply any additional information as directed by the form.

Personal Property/Collectibles Held as Investment

This is for actual goods that are obtained and retained as an investment, such as gems, jewelry, coin collections, antique cars, etc. Personal items, such as a household's wedding ring, would be considered personal jewelry and are not included as assets.

- Verification: Insurance valuation of the private property/collectible held as an investment OR current market-rate for given item. Impute increase in value.

Annuity

A fixed sum of money paid to someone on a yearly basis.

As an investment, the regular annual payment will be counted towards the annual income, as well as the interest earned on the total amount.

- Verification: Obtain the annuity contract.

Cash on Hand/Funds Not Held in a Financial Institution

Monies not kept in a financial institution but are available to the applicant.

- Verification: Applicant completed [Cash on Hand Affidavit](#).

Assets Disposed of for Less than Fair Market Value

Applicants who dispose of assets for less than fair value have, in essence, voluntarily reduced their ability to pay for housing. This is looked at similarly as someone who changes their income in order to qualify for the program. Any assets found to have been sold for less than fair market value over the preceding two-year period, should be included in the annual income projections for the next two income certifications after discovery. To determine the amount used, the Owner/PM Staff will determine the market value of the asset and reduce it by the actual sales price. The difference will be listed on the HEC as "other" income.

Transactions Found in Statements

All applicants are required to submit three consecutive months of statements for each and all of their asset accounts for verification and documentation purposes. While reviewing statements, any and all deposits coming in must be noted and identified (see exemptions below), as well as coincide with the information listed on the Rental Eligibility Application (REA).

If while reviewing these statements an applicant is found to have deposits that do not match what is disclosed in the REA, they must be counted as income unless:

- The deposit is from the US Treasury in the form of a tax return; or
- The applicant can match transactions to receipts for dinners/purchases made as a group and the incoming transactions are from group purchase members; or
- The applicant is self-employed. Review the profit and loss statement. Some deposits may be business related and thus business-related expenses are applicable. If deposits project out to be higher than receipts disclosed during the Self-Employment income verification process, re-review the information disclosed with the applicant; or
- The total sum of all deposits resulting from Cash App/Venmo/PayPal/Zelle/etc. are less than \$300 total in a single month. To document amount, Owner/PM Staff will complete a Deposit

Explanation form for each month.

Withdrawal of Cash or Assets from an Investment

Any asset disbursement payments will be totaled over a three-month period and projected forward (quadrupled). The entire amount of asset disbursements will be counted as income.

If the withdrawals are received annually or on any other schedule, annualize what is actually withdrawn.

Joint Assets

If an applicant is named on an asset account, and they have access to the resources in the account, the account in its entirety will be counted.

Appendix B. Income and Asset Calculation Examples

Income

Wages

Example: An Employment Verification form **has been** received for an applicant with the following information:

- First Date of Employment: November 1, 2019
- Current Gross Wages/Salary: \$20/hr.
- Average Hours Worked per Week: 30-35
- Frequency: Per Hour
- Year to Date Earnings: \$10,045, From January 1, 2023 to March 15, 2023
- # of Pay Periods included in YTD: 5
- Overtime: \$0
- Shift Differential: \$0
- Commissions, Bonus, Tips: \$1200 per month
- Included in YTD above: Yes
- Raises anticipated in the next 12 months: 3%, effective November 1, 2023
- Participates in 401(k): No
- Can Access 401(k): No

Given this information the Annualized Income calculation and the YTD calculations should both be used and the higher. The below calculations show the YTD as the highest and this is what would be entered into the HEC.

	Hourly Rate	Gross weekly rate	Gross bi-weekly rate	Gross bi-monthly rate	Gross monthly rate	Gross quarterly rate	Gross yearly rate	# of hours per week	# of weeks per year	# of months per year	Annual Total
1.) Annualized Periodic Income											
Base Pay	\$20.00							35	52		\$36,400.00
Overtime	\$30.00							0	52		\$0.00
Annual											\$0.00
Monthly rate										12	\$0.00
Bi-monthly rate									24		\$0.00
Bi-weekly gross									26		\$0.00
Weekly gross									52		\$0.00
SSI/Pension Cola Increase											\$0.00
Raise								35	21.43		\$450.03
Raise on OT (hrly raise x 1.5)	11/01/20 03/31/21	\$0.60						0	21.43		\$0.00
Shift Differential	\$1,200.00								52		\$0.00
Bonus, commissions, tips per month										12	\$0.00
Bonus, commissions, tips bi-monthly									24		\$0.00
Bonus, commissions, tips bi-weekly									26		\$0.00
Bonus, commissions, tips per week									52		\$0.00
Bonus, commissions, tips quarterly										4	\$0.00
If in industry that tips, but tip amounts were not disclosed or verified by employer: ---->	Industry										Subtotal \$36,850.03
											Imputed Tips (if applicable) 0
											Annual Total \$36,850.03

Wood, Jamie:
Highest Amount in range used.

3.) Annualized Year To Date (YTD) Income

YTD From:	1/1/2020
YTD Thru:	3/15/2020
# of weeks worked	10.71
YTD Earnings	\$10,045.00
Average Weekly Wage	\$937.91
# of weeks per year	52
Annualized YTD	\$48,771.24
Annual Raise	450.03
Annual Raise on OT	
Annual Bonus, Comm, Tips	
Annual Total	\$49,221.27

Wood, Jamie:
This is use from the information above as the YTD would not have raise information facotred in.

Wood, Jamie:
This is left blank in this example as employer stated it was in the YTD calculation.

The employer does not receive an Employment Verification; after two attempts, six (6) consecutive paystubs can be used as detailed below:

2.) Annualized Periodic Income by Paystub

Pay Period Length (required field) ----> Bi-monthly

	Pay Period Start	Pay Period End	Gross Period Pay
Paystub #1	3/1/2020	3/15/2020	\$1,750.00
Paystub #2	2/15/2020	2/29/2020	\$1,890.00
Paystub #3	2/1/2020	2/14/2020	\$2,003.00
Paystub #4	1/15/2020	1/31/2015	\$2,100.00
Paystub #5	1/1/2020	1/14/2020	\$1,898.00
Paystub #6	12/15/2019	12/31/2019	\$2,300.00

# of paystubs entered	6
Average per pay period	\$1,990.17
Annual Subtotal	\$47,764.00
Annual Raise	
Annual Raise on OT	
Annual Total	\$47,764.00

Wood, Jamie:
CAUTION: Bi-monthly is paid 2x per month. Bi-weekly is paid every other week.

Wood, Jamie:
Enter this information as known.

These templates can be found as additional tabs to the HEC Excel Workbook. You should complete as many calculations as the information you have been provided will allow, and no less than two. Always use the highest calculation on the HEC to determine income eligibility.

Self-Employment

A self-employed individual will provide a Profit and Loss statement if the business is considered a new business, or a tax return if the business has been open long enough to file one. Also, a self-employment verification form should be filled out with all self-employed income to determine if the previous year from the tax return or anticipated year income is higher.

Profit and Loss Statement		Period	12/31/2019
Company Name	Email		
Great Taste Company	theorg@thecompany.com		
Address			
1745 My Drive New York, New York, 10013			
Income			
Sales		\$200,000	
Services		\$90,334	
Other Income		\$10,000	
Non Recurring Expenses			
Furniture		\$1,000	
Gifts		\$2,000	
Others		\$100	
Expenses			
Salaries and Benefits		\$20,000	
Rent Expenses		\$1,000	
Operational Expenses		\$14,000	
Depreciation Cost		\$10,000	
Subscriptions		\$900	
Administrative Expense		\$13,000	
Others		\$10,000	
	Gross Income	\$300,334	
	Total Expenses	\$72,000	
	Tax Rate	10.00%	
	Tax Amount	\$22,833.40	
	Earnings before Taxes	\$228,334	
	Net Earnings	\$205,500.60	

Profit and Loss Example: Household member is an Uber driver who makes \$5,000 in gross monthly income, the business has monthly expenses of \$1,000 (gas, car washes, oil changes), the expenses are deducted from the monthly gross amount and the net income of \$4,000 is used as the actual monthly income.

Some forms of self-employment such as DoorDash, Uber, and Instawork, provide weekly/monthly statements. In the case where this type of gig work is utilized, the household member must provide three months' worth of statements that can be annualized.

Public Assistance

The gross amount of public assistance received (TANF or ABD).

Household members receive TANF maximum amount of \$363 per month for a family size of 2 people, \$363 x 12 = \$4,356 annually.

Household members receive ABD in the amount of \$197 per month, \$197 x 12 = \$2,364 annually.

Student Income

Include the following gross income from family support, government support, wages (not from work study), and stipends (not financial aid award package).

The above non-exempt income will need to be reviewed and calculated on a quarterly basis.

Example: Graduate Student

The student household member is a graduate student and receives a \$75,937 annual fellowship.

FINANCIALS

ESTIMATED AVERAGE COSTS FOR: 12 MONTHS		STUDENT'S FUNDING FOR: 12 MONTHS	
Tuition and Fees	\$ 45,361	Personal Funds	\$ 0
Living Expenses	\$ 30,576	UW funding	\$ 75,937
Expenses of Dependents (0)	\$	Funds From Another Source	\$
Other	\$	On-Campus Employment	\$
TOTAL	\$ 75,937	TOTAL	\$ 75,937

FINANCIAL AID DISBURSEMENTS

Program	Amount Awarded	Disbursement Date	Disb.To Check	Disb.To Account	Direct Deposit	Comments
ASE TA/RA U-PASS WAIVER	92.00	12/29/22		92.00		
GRAD SERV APPOINT EXEMPTION	Yes					Not disbursed yet
GRAD SERV APPTMNT NONRES EXMPT	5082.00	1/02/23		5082.00		
GRAD SVC BUILDING FEE WAIVER	195.00	1/02/23		195.00		
MS CIVIL & ENVIR ENGR	6299.00	2/06/23		6299.00		
TOTAL:	11668.00		0.00	11668.00	0.00	Undisbursed Aid: \$ 0.00

There is no need-based aid listed with the school. The household did not supply a Student Aid Report. The household does not meet the threshold. **This household does not qualify to apply.**

Example: Undergraduate Student

TRANSACTION 01

Processing Results

Application Receipt Date: 02/05/2023	Processed Date: 02/06/2023	Data Release Number (DRN) 9038
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[Learn about federal tax benefits for education, including the American Opportunity tax credit.](#)

Expected Family Contribution: 1535

Based on the information we have on record for you, your Expected Family Contribution (EFC) is 1535. You may be eligible to receive a Federal Pell Grant and other federal student aid. Your school will use your EFC to determine your financial aid eligibility for federal grants, loans, and work-study funds, and possible funding from your state and school.

There is a limit to the total amount of Federal Pell Grants that a student may receive, which is the equivalent of six school years. Based on information reported to the *National Student Loan Data System (NSLDS®)* database by the schools you have attended, you have received Federal Pell Grants for the equivalent of between four and five school years.

Based on your EFC of 1535, you may be eligible to receive a Federal Pell Grant of up to \$5,345 for the 2023-24 school year provided you have not met or exceeded the lifetime limit established for the Federal Pell Grant program.

A Student has submitted their SAR. According to their FASFA processing, this household member does qualify for need based aid and has an EFC under \$25,000. **They are eligible to apply.**

The Financial Aid Award letter confirms that they received \$5,345 in a Pell grant, and \$7,482 in a State Need Grant. \$5345 + \$7482 = \$12,827. The household qualifies and their student income is exempt.

The household also has a part time salaried job making \$35,000 per year. The total income counted is \$35,000.

This household is eligible to apply as a student, but if they are eligible for a Regulated Unit will depend on the AMI limit and total household income.

Example: International Student

The student household member is an international student and can provide an I-20 form under a F-1 or J-1 Visa. Under Students Funding “Personal Funds” and “Family Funds” total \$58,682. These sources will be counted in full towards the household’s income.

Department of Homeland Security U.S. Immigration and Customs Enforcement		I-20, Certificate of Eligibility for Nonimmigrant Student Status OMB NO. 1653-0038	
SEVIS ID: N00 00000000			
SURNAME/PRIMARY NAME Jefferson		GIVEN NAME Thomas	
PREFERRED NAME Thomas Jefferson		PASSPORT NAME	
COUNTRY OF BIRTH CHINA		COUNTRY OF CITIZENSHIP CHINA	
DATE OF BIRTH 24 JANUARY 1995		ADMISSION NUMBER	
FORM ISSUE REASON INITIAL ATTENDANCE		LEGACY NAME	
CLASS			
F-1			
ACADEMIC AND LANGUAGE			
SCHOOL INFORMATION			
SCHOOL NAME The College of William and Mary The College of William and Mary		SCHOOL ADDRESS P.O. Box 8795, Williamsburg, VA 23187	
SCHOOL OFFICIAL TO CONTACT UPON ARRIVAL Emily Bailey International Advisor		SCHOOL CODE AND APPROVAL DATE WAS214F106B4800 24 JANUARY 2003	
PROGRAM OF STUDY			
EDUCATION LEVEL BACHELOR'S	MAJOR 1 General Studies 24.0102	MAJOR 2 None 00.0000	
NORMAL PROGRAM LENGTH 45 Months	PROGRAM ENGLISH PROFICIENCY Required	ENGLISH PROFICIENCY NOTES Student is proficient	
PROGRAM START DATE 16 AUGUST 2016	PROGRAM END DATE 17 MAY 2020		
FINANCIALS			
ESTIMATED AVERAGE COSTS FOR: 9 MONTHS		STUDENT'S FUNDING FOR: 9 MONTHS	
Tuition and Fees	\$ 43,192	Personal Funds	\$ 0
Living Expenses	\$ 15,490	Funds From This School	\$
Expenses of Dependents (0)	\$	Family Funds	\$ 58,682
Other	\$	On-Campus Employment	\$
TOTAL	\$ 58,682	TOTAL	\$ 58,682
REMARKS			
Students are direct enrolled in the College health insurance plan.			
SCHOOL ATTESTATION			

This document alone is not enough to qualify the international student household. A WASFA SAR report is required with an EFC under \$25,000. **With the above information alone, this household does not qualify.**

Social Security

Include gross amount of SSI or SSA (before medical or any other deductions)

Example:

Household members receive \$783 per month in SSI.

Move-in date is October 1, 2023

Calculate income from Move in Date to end of year (3 months) $\$783 \times 3 = \$2,349$

Apply Cost of Living Adjustment (COLA) of 3% to determine payment as of January 1, 2023: $\$783 \times 1.03 = \806.49 , rounded to \$806.00 for all months in 2023.

There will be 9-months of receiving \$806 (January 1, 2023 – September 30, 2023), therefore $\$806 \times 9 =$ **\$7,254**

Add the 2019 projected amount and the 2023 projected amount during the certification year, $\$2,349 + \$7,254 =$ **\$9,603**. This is the amount to be listed on the HEC.

Example:

Household member receives \$806 per month in Social Security Disability

Move-in date is January 1, 2023

$\$806 \times 12 =$ \$9,672 annually

Military

Military income is paid on a semi-monthly basis. The LES statement verifies Base Pay, BAS and BAH. Base Pay and BAH are included as income. BAS is considered exempt income but should be entered on the third page of the HEC.

The below LES provides the Base Pay of \$2,247.30, BAS of \$294.43, and BAH of \$1725.00, each paid semi-monthly.

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																													
ID	NAME (Last, First, MI)		SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED																			
	[REDACTED]		[REDACTED]	E5	040211	04	100210	AF	[REDACTED]	1-31 JUL 08																			
ENTITLEMENTS			DEDUCTIONS			ALLOTMENTS			SUMMARY																				
Type	Amount		Type	Amount		Type	Amount		+Amt Fwd																				
A	BASE PAY	2247.30	FEDERAL TAXES	88.46		DISCRETIONARY ALT	1521.00		+Tot Ent 4288.73																				
B	BAS	204.43	FICA-SOC SECURITY	136.33		TRICARE DENTAL	11.58		-Tot Ded 1570.22																				
C	BAH	1725.00	FICA-MEDICARE	32.59					-Tot Allt 1532.58																				
D			SGLI	27.00					+Net Amt 1163.93																				
E			AFRH	.50					-Cr Fwd .00																				
F			FAMILY SGLI	5.50					+EOM Pay 1163.93																				
G			TSP	112.37																									
H			MID-MONTH-PAY	1164.47																									
I																													
J																													
K																													
L																													
M																													
N																													
O																													
TOTAL		4286.73	1570.22		1532.58																								
LEAVE	BF Bal	25.5	Emrd	25.0	Used	11	Cr Bal	39.5	ETS Bal	85.5	Lv Lost	.0	Lv Paid	.0	Use/Lose	.0	FED TAXES	2134.93	Wage Period	13682.36	M/S	02	Ex		Add'l Tax	.00	Tax YTD	493.01	
FICA TAXES	Wage Period	2247.30	Soc Wage YTD	14402.50	Soc Tax YTD	892.94	Med Wage YTD	14402.50	Med Tax YTD	208.83	STATE TAXES	AK	Wage Period	.00	Wage YTD	.00	M/S	N	Ex		Tax YTD	.00							
PAY DATA	BAQ Type	WIDEP	BAQ Depn	09641	VHA Zip		Rent Amt	.00	Share	1	Stat	R	JFTR	0	Depns	0	2D JFTR	0	BAS Type		Charity YTD	.00	TPC		PACIDN				
THRIFT SAVINGS PLAN (TSP)	Base Pay Rate	5	Base Pay Current	.00	Spec Pay Rate	.00	Spec Pay Current	.00	Inc Pay Current	.00	Inc Pay Current	.00	Bonus Pay Rate	0	Bonus Pay Current	.00	TSP YTD Deductions		720.14	Deferred	720.14	Exempt	.00						
REMARKS:															YTD ENTITLE	27768.11		YTD DEDUCT	2557.92										
IF TSP ELECTION AMT EXCEEDS NET AMT DUE, TSP WILL NOT BE DEDUCTED. -LEAVE CARRYOVER INCREASED TO 75 DAYS FOR FY08. NO ACTION REQUIRED BY MEMBERS. DFAS WILL BEGIN RESTORING AFTER 1 OCT 08. -MYPAY HAS ALLOWED MBR'S TO ELECT A HARD-COPY LES VIA US MAIL. AF POLICY IS TO PROVIDE AN ELECTRONIC LES. EFF 1 OCT (SEP LES). AF WILL NO LONGER PRINT LES STATEMENTS IF AVAILABLE ON MYPAY. THANK YOU FOR YOUR SUPPORT. -IF YOUR SPOUSE WANTS INFO ABOUT THE MILITARY LIFESTYLE WE INVITE HIM/HER TO JOIN US FOR THE NEXT HEART LINK SPOUSES ORIENTATION. LUNCH AND CHILD CARE ARE PROVIDED. CALL YOUR															BASE AIRMAN & FAMILY READINESS CTR FOR DETAILS. -IF YOU GAMBLE WITH SAFETY...YOU BET YOUR LIFE. -ELECTIONS ARE COMING! UPDATE YOUR ADDRESS TO GET AN ABSENTEE BALLOT. REQUEST YOUR BALLOT FOR THE PRESIDENTIAL AND STATE ELECTIONS. SEE YOUR VOTING ASST. OFFICER OR WWW.FVAP.GOV. TSP 080701(183) RATE CHG SGLI 080701(183) CHANGE GRADE 080701(184) BAH BASED ON WIDEP, ZIP 08641 BANK [REDACTED] ACCT # [REDACTED]														

Base Pay \$2,247.30 x 24 = \$53,935.20.

BAS \$294.43 x 24 = \$7066.32. This income is exempt and will not be recorded on the HEC or used for eligibility determination.

BAH \$1750 x 24 = \$42,000.

Annual Base Pay + Annual BAH = \$95,935.

Child Support

An applicant reports receiving child support directly from the non-custodial parent. The non-custodial parent provides a notarized statement that they provide monthly support in the amount of \$400.

\$400 x 12 = \$4800 annually.

Gifts

An applicant receives gifts to aid in starting a business and living expenses. A six-month lookback demonstrates that the applicant has received \$10,000 in this gift income. The \$10,000 would be annualized (\$10,000 x 2 = \$20,000) and included as income under "Other Source" on the HEC.

Assets

Checking/Savings

Review the documents provided by the household. Apply the interest as detailed in the statement. This may be in the form of a percentage or a monthly a monthly dividend.

A savings account has a balance of \$5,600 with an interest rate of 5%.

$\$5,600 \times .05 = \280 as income. Note in some cases checking accounts do not bear any interest.

Stocks/Bonds

Obtain at least one statement which includes the cash value of the asset and the dividends or interest paid in for that statement period.

Stock of \$20,000, quarterly statement confirms interest earned during that period was \$120. Since \$120 only represents one quarter, this will need to be multiplied by four (4) for the annual projected income.

$\$120 \times 4 = \480 income.

Real Estate Evaluation

The applicant must complete the Real Estate Evaluation Worksheet found on the website, example of the information as below:

- Current Value: \$300,000
- Less Mortgage Owing: \$225,000
- Less 2nd Mortgage (if any): \$0
- Less 10% of value for selling fee: \$30,000.
- Equals amount to be valued as an asset: \$45,000 – Include as Asset, using imputed interest of .06% to determine income from asset.
 - $\$45,000 \times .0006 = \270 of income

Owner of Revocable Trust

A single person applicant (Sally) has set aside \$20,000 for her niece to be available to the niece upon the applicant's death. The trust is revocable, that is, the applicant has control of the principal and interest in the account and can amend the trust or remove the funds at any time. In calculating the applicant's income, the \$20,000 will be included as the household asset because Sally has control of the trust. The \$20,000 would be an Asset, using imputed interest of .06%.

- $\$20,000 \times .0006 = \120 of income

Assets Sold for Less Than Fair Market Value

Example:

During a divorce, applicant sold one of the coffee stands they own to reduce their net assets.

Fair Market Value of business \$150,000

Sold for \$125,000

Difference \$ 25,000

\$25,000 is listed as “other” income on HEC for the initial income certification.

Entering Assets Into the HEC

Below shows how assets should be entered into the HEC. Note that the light blue cells are self-completing.

PART IV. INCOME FROM ASSETS						
Mbr #	(F) Asset	Type of	(G) Current or Imputed	(H) Cash Value of Asset	(I) Income from Asset	Annual
1	Checking		Current	\$ 2,300.00	\$	-
1	Saving		Current	\$ 5,600.00	\$	280.00
1	Stocks/Bonds		Current	\$ 20,000.00	\$	480.00
1	Real Estate		Imputed	\$ 45,000.00	\$	270.00
1	Trusts		Imputed	\$ 20,000.00	\$	120.00
			TOTALS:	\$ 92,900.00	\$	1,150.00
	<i>Column (H) Total if over \$5,000</i>		<i>Passbook Rate</i>			
	\$92,900	X	0.06%	=	Imputed Income (J) :	\$55.74
					TOTAL INCOME FROM ASSETS (K) :	\$1,150.00
					<i>Enter the greater of the total of column I or J:</i>	

Order of Preferred Interest Calculation

If a monthly/quarterly statement states the annual percentage yield (APY), use the value listed.

Example:

- Most recent statement is May 31, 2023
- Balance is \$243.55.
- APY Listed is 1.62%
- Use calculator on HEC or via search to calculate projected yield.
 - Make sure you use compounding daily with \$0 deposits for 365 days.
- Annual Income from Asset (Field I on HEC) = **\$2.58**.
 - Include calculation as attachment to HEC.

If no APY is listed, annualize the Year-to-date interest/dividends paid in the most recent monthly/quarterly statement.

Example:

- Most recent statement is May 31, 2023
- Balance is \$243.55.

- \$1.07 interest earned YTD.
- Number of days elapsed in statement = 150 + 1 end date is 151 total elapsed days.
- Annualizing interest earned: ($\$1.07 \text{ Interest YTD} / 151 \text{ Days}$) * 365 days in year = \$2.58 annualized interest.
- Annual Income from Asset (Field I on HEC) = **\$2.58**.

Appendix C. Abbreviations and Defined Terms

Common terms used throughout this Compliance Manual are defined below. Please note that these definitions are *specific to usage in this Compliance Manual* and do not necessarily align with the terms' usage in other contexts or documents.

Affirmative Marketing: A plan for marketing available affordable housing units in a project to ensure compliance with the programs and federal, state, and local fair housing laws governing the prohibition of discriminatory housing practices.

Affordability Classification: The maximum income and associated rent threshold assigned to any household occupying a given Regulated Unit, expressed as a maximum percentage of AMI.

Annual Income Certification: Income and asset certification for the entire household that must be completed annually and effective on the date of the household's anniversary date.

Annual Report Certification: Information required to be submitted to OH annually, including information regarding units, rents, incomes for affordable housing residents, and other as determined by OH. Reports are due June 30 for the period of January 1 – December 31 of the previous calendar year.

Area Median Income / AMI: The median income for the metropolitan statistical area in which an affordable housing unit is located, as determined by HUD. This is published by HUD from time to time aligns with the Affordability Classifications for specific Regulated Units.

Capital Needs Assessment / CNA: A systematic assessment to determine a Property's physical capital needs over the next 20 years based upon the observed current physical conditions of a Property.

Certification Period: The 12 month, or 365-day period, beginning on the day of the initial lease start date. This is the period looked at for projecting income on an initial income certification.

City: The City of Seattle.

Compliance Period: The period that a building must follow all applicable criteria outlined in the executed Loan and Regulatory Agreements.

Eligible Household: A household that has completed an initial income certification and has been determined to have an income no greater than the applicable income limit. The household will remain eligible until determined otherwise.

Gross Income: The gross amount (before taxes or deductions) or wages, salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation of all of the adults of the household.

Household Eligibility Certification / HEC: Form completed by PM Staff and signed by the household which details the household's total income, determination of eligibility, and gross rent.

Household: The combined total of one or more applicants/household members who occupy residential unit.

HUD: The U.S. Department of Housing and Urban Development.

Imputed/Impute: To calculate something when you do not have exact information, by comparing it to something similar: imputed costs/data/income.

Incentive Programs: City programs that provide a property tax exemption, opportunities to build more intensively, or other distinct opportunity to real estate developers in conjunction with an obligation for developers to support the production of affordable housing within the City.

Incentive Zoning / IZ: Land use programs under which developers of commercial or residential properties could tap extra (or “bonus”) height and/or floor area when contributing to affordable housing production either through payment to OH or an on-site or off-site performance option. As of 2020, Incentive Zoning for affordable rental housing production has been replaced with Mandatory Housing Affordability.

Initial Income Certification: Income and asset certification for the entire household that must be completed before a lease for a Regulated Unit can be signed.

Lease Rider: Disclosures and other information that differentiate a Regulated Unit lease from the form of lease for market-rate units. As established in this Compliance Manual, Owners will attach to each resident lease and rental agreement for all Regulated Units.

Loan Agreement: A written agreement between OH to lend money to a borrower in exchange for repayment plus interest.

Management Plan: Specifies the Owner's/PM Staff's plan for operating the property. It must address all aspects of the property operations including marketing and leasing, is subject to OH review and approval.

Management Agreement: Commits the manager to operating the property per the management plan and other requirements. The agreement provides the legal authorization for the property manager to act as the owner's agent in carrying out authorized activities such as tenant selection and screening, rent collection, eviction of tenants and other management responsibilities as the owner and manager may agree upon.

Mandatory Housing Affordability / MHA: Land use programs, codified at SMC 23.58B, SMC 23.58C and potentially elsewhere, that provided contributions to affordable housing production in locations zoned for additional height and/or floor area through triggering land use actions. MHA offers developers both payment and performance options.

MFTE: Multi-Family Tax Exemption, codified at SMC 5.73, and potentially elsewhere.

Noncompliance: A failure to observe or perform any covenant, condition, or term of any agreement between the Owner and The Office, or failure to meet the requirements of SMC that governs the program.

O&M: Operating and Maintenance is an operating subsidy contract awarded during the funding of a property.

OMS: Operating Maintenance and Services is an operating subsidy contract awarded during the funding of a property.

Operating Reserve: A fund balance set aside to stabilize a nonprofit's finances by providing a cushion against unexpected events, losses of income, and large unbudgeted expenses.

Owner: The legal owner of record for a Property Regulated by OH. The Owner holds sole responsibility for upholding the agreements that establish the Owner's and the City's mutual rights and responsibilities.

PM Staff: Property management staff. As used in this Compliance Manual, can include leasing agents or any other personnel employed or contracted by the Owner for the purposes of day-to-day administration of a Property.

Property: The entire real estate asset, inclusive of building and land, which is regulated under a Loan, HOME, or Regulatory Agreement.

Rental Eligibility Application/REA: Application completed by the applicant for consideration of eligibility of an income and rent restricted affordable housing unit. This form is completed by the applicant household and reviewed with Property Management.

Regulated Unit: A residential unit that is subject to income- and rent-restrictions under the Regulatory Agreement.

Regulatory Agreement: The Regulatory Agreement signed between the Owner of record and OH, among others.

Replacement Reserve: Funds set aside that provide for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be replaced during the building's economic life (short-lived items).

SDCI: The Seattle Department of Construction and Inspections.

SHA: Seattle Housing Authority.

SMC: Seattle Municipal Code.

SOCR: Seattle Office for Civil Rights.

Subsidy: Ongoing or time limited financial support from a federally or locally funded agency.

Third Party-Fills: A process in which a unit is allowed to be filled by an applicant outside of the target population's standard referral process.

TRAO: The City's Household Relocation Assistance Ordinance.

WBARS: Web Based Annual Reporting System. Used for annual reporting. www.wbars.com.

WSHFC: Washington State Housing Finance Commission.

Appendix D. Self-Auditing Best Practices

Common file related issues are defined below. Please note, these are examples of, or issues found in files, and this **IS NOT** an all-inclusive list.

HEC

- Dates are missing.

Property Name:	<u>Estates Crossing</u>	Unit #:	_____				
Household Name:	<u>Smith</u>	Initial move in []	_____				
Household Size:	<u>1 person</u>	Effective Date:	_____				
Number of Bedrooms:	<u>1 Bedroom</u>	Completion Date:	_____				
		If Transfer, from Unit #:	_____				
PART II. HOUSEHOLD COMPOSITION							
Mbr #	FIRST NAME	LAST NAME	MI	REL to HOH*	DOB (mm-dd-yyyy)	FULLTIME STUDENT (Circle One)	SSN (last 4 digits)
1	John	Smith	A	HOH	1/1/2020	Y / N	11

- Incorrect unit size is selected.
 - Example: Writing in SEDU, when the unit is determined by OH to be a studio or stating the unit is a 1-bedroom when the unit is an open 1-bedroom but considered a studio per OH guidelines.
- HEC is signed weeks prior to move-in.
- HEC is missing.
- HEC does not list a subsidy when a subsidy is present.
- Combining income on the HEC Part 3.
 - Example: Household member A has two jobs. Owner/PM Staff combined them to list a total wage amount instead of keeping them separate and matching calculations.
- New move in HEC dates do not match the lease.
 - Example: Lease start date is July 1, 2023, but HEC Effective Certification Date is August 12, 2023.
- Not identifying all Program Types in HEC Section Seven.
 - Example: Selecting OH, but omitting Commerce, HOME, or MFTE layer.

PART VII. PROGRAM TYPE			
Mark the program(s) listed below for which this households			
County/State	Yes	Rental Housing Port.	Yes
Commerce	50% AMI	RHP Refulated	60% AMI
Commerce HOME		City HOME	Low Home
King County		City HOME ARP	
Other: _____		Jump Start	



PART VII. PROGRAM TYPE			
Mark the program(s) listed below for which this househol			
County/State		Rental Housing Port.	Yes
Commerce		RHP Refulated	60% AMI
Commerce HOME		City HOME	
King County		City HOME ARP	
Other: _____		Jump Start	

REA

Yes	No	Asset Source	Balance or Value	Interest Earned
<input checked="" type="checkbox"/>	<input type="checkbox"/>	I have a checking account(s). If yes, list bank(s) a.) <u>Seattle Credit Union</u>	\$ <u>1300</u>	\$ _____
		b.) _____	\$ _____	\$ _____

• Boxes are checked yes, with no annual amount declared.

• Boxes are checked yes, but the second line of information left blank.



Yes	No	Asset Source	Balance or Value	Interest Ear
<input checked="" type="checkbox"/>	<input type="checkbox"/>	I have a checking account(s). If yes, list bank(s) a.) <u>BECU</u>	\$ \$ 500.00	\$ <u>2%</u>
		b.) <u>NA</u>	\$ <u>NA</u>	\$ <u>NA</u>

• No interest rate listed on an asset.

- Incorrectly listing household size

of Persons in Household: 0

Calculations

- Final calculations do not match what is on the HEC.
- No calculations present in file.
- Exempting certain income in alignment with the Voucher Program that is against OH/Other Funders calculation expectations.
 - Example: Exempting medical costs from gross income.
 - Example: Exempting income from a training program.
- Calculation page is present in file but is blank.
- Not entering the expected Certification Effective Date to calculate correct Projection Periods, especially when COLAs and raises are involved.

City of Seattle AHP Calculation Sheet

Household Member 1
 Certification Effective Date: 8/1/2023
 Projection Period: 8/1/2023 to 7/30/2024

- Not selecting "Tips" in industries that use a tipping model such as serving.

Industry	Subtotal
Food industry/personal services	\$31,200.00
	Imputed Tips (if applicable) \$6,240.00
	Annual Total \$37,440.00

- Using the incorrect YTD figure based on an inaccurate Verification of Employment

3.) Annualized Year To Date (YTD) Income

YTD From:	1/1/2023
YTD Thru:	3/16/2023
# of weeks worked	10.57
YTD Earnings	\$9,600.00
Average Weekly Wage	\$908.11
# of weeks per year	52
Annualized YTD	\$47,221.62
Annual Raise	
Annual Raise on OT	
Annual Bonus, Comm, Tips	
Annual Total	\$47,221.62



3.) Annualized Year To Date (YTD) Income

YTD From:	12/14/2022
YTD Thru:	3/16/2023
# of weeks worked	13.14
YTD Earnings	\$9,600.00
Average Weekly Wage	\$730.43
# of weeks per year	52
Annualized YTD	\$37,982.61
Annual Raise	
Annual Raise on OT	
Annual Bonus, Comm, Tips	
Annual Total	\$37,982.61

- Not anticipating a COLA for income sources that have annual COLAs such as government workers, teachers, social security, etc.

Supporting Documents

- Forms used without the supporting documents required per the directions on the form.
 - Example: Using a Non- Income Affidavit without attaching an ESD print off
- Forms requiring a notary seal not being signed in the presence of a notary.
- Pay stubs listing direct deposit into an account, yet no assets disclosed.
- Pay stubs list household member's tax filing status as married, yet file does not disclose a spouse or an estrangement.

Documentation that is not required

- Added forms outside of the scope are present.
 - Example: Personal medical information including diagnosis of medical conditions
 - Example: ID, birth certificates, and social security cards
- Added forms used for programs that are not involved in a property.
 - Example: Using HOME forms on a property that does not have HOME
 - Example: Using student status forms for non-students
 - Example: Using subsidy program documents for documentation of income

General File Review

- Files are not in a consistent order file to file, or in an order that makes sense.
- Strictly using certification from subsidy provider and not completing an Owner/PM Staff driven income certification.
- Handwriting is difficult to read or understand.
- Not supplying a narration when a more complex situation is present in the file, or when a calculation that deviates from the norm is being used.

Annual Report Table 1

Below are a series of common findings/concerns when reviewing Table 1 data. Review to ensure you are not making the same mistakes.

Concerns

How to Correct

Using the date the certification was completed as the Previous Certification Date, which is prior to move in date.	On a new move in, the Certification Effective Date should always match the Lease Start Date.
Incorrectly listing certification dates when reporting units that have transferred.	Unless there is a rapid unit swap for a specific reason, OH expects that a household will be certified prior to moving into any regulated unit, including moving from one regulated unit into another.
Putting staff in <i>restricted</i> units, then saying they are a “CAU unit” in the comments with zero income/rent.	Either they are in a CAU or not. A <i>restricted</i> unit that is not regulated as a CAU must still meet all regulatory requirements.
Listing a subsidy amount, without a subsidy source.	Always double check your subsidies. A record should have both a source and an amount. If the subsidy is not already listed, select “other” and enter a note as to the source.
Not listing subsidy but saying “HEN” in comments.	Select “other” as subsidy source. Enter the amount. State “HEN” in the comments section.
Moving people out on first of the year to manipulate performance metrics.	When a household moves out, their lease, be it with a fixed term or a month to month, run through the end of any given month. Move out dates in Table 1 must match the end of their housing term, actual move out date, abandonment date, or eviction date.
Changing Restricted Units to Market Rate to avoid validation issues.	A unit is only considered “market rate” if there are absolutely no regulatory restrictions. Never change the designation without a change in the Regulatory Agreement.
Validation issues being missed due to multiple issues present.	Address validation issues in the comments.
“Notes” state that “SHA certifies income.”	An Owner/PM Staff must income certify every household who lives in their property. This is regardless of whether there is a subsidy or not.
Entering cert dates on Current Certification Date but notating on comments that a cert was actually never completed.	Providing false dates in an official report to the Funders is a violation of the Loan and Regulatory Agreement. The Current Certification Date will always be the last certification that was completed for a household.
Not entering a current certification date if a current year’s certification was missed or late.	The Current Certification Date will always be the last certification that was completed for a household.
Notes dating back to 2018 that are not being updated or corrected.	Add a year next to each note as they are entered. This tells both the Owner/PM Staff, and the Funders is the note is current or outdated.
Notes saying “30/60/90-day notices unresponsive, updated student cert per WSHFC”, and then entering a cert date that is incorrect as it was never completed.	The Current Certification Date will always be the last certification that was completed for a household. OH does NOT accept a Student Certification in place of an income certification.

Notes say, "Late Cert + reason," but cert dates are where they should be. Concern staff are entering bad dates.	The Current Certification Date will always be the last certification that was completed for a household. If a certification was completed late, enter the date that it was completed.
Zero income or low income reported for current cert, note state household has employment that is exempt.	OH does not "exempt" income in the way some subsidy providers do. OH requires that the GROSS amount of income is reported.
Submitting Table 1 to Funders after the deadline.	Submit to the Funder level on time. Self-auditing household data ensures a quick reporting turn around.

Annual Report Table 4


Below are commonly found issues with Table 4 data. Review to ensure you are not making the same mistakes.

<u>Concerns</u>	<u>How to Correct</u>
Listing utility reimbursements/bill backs and other funds as Actual Rental Income.	Separate out the sources of income. List utilities as utilities, laundry as laundry, late fees as late fees, etc.
Not correctly listing subsidy income.	Separate out each different pot of subsidy sources. List "Other" and then enter a comment for HEN, Housing Connector, etc.
Drastic change in Expense amounts without explanation.	Enter a comment for each line item that has a 10% or more variance between the previous year's amount and the current year.
Listing expenses for running the building under Services Expense.	Expenses related to the day-to-day operations of a building should always be listed under Operating Expense.
Not entering Replacement Reserve and Operating Reserve deposits as expenses.	Always enter your Reserve deposits as expenses.
Table 4 shows Negative Cash Flow.	You cannot pay out an expense if you do not have the money to pay for it. Most often, a property must have organizational cash influx's or fundraising to break even. List those sources in the Income section, enter a comment that it was needed to break even due to negative cash flow. If a negative cash flow was covered by reserve savings not monitored by any Funder, make sure that is noted in the Comments.
Average Unit Turn Around is 60+ days.	Enter comments as to why, even if there is no supporting Extended Vacancy Report.
Replacement/Operating Reserve Last Year's Ending Balance does not match This Years Beginning Balance. (These amounts should always match)	Always enter this information directly from the account STATEMENT, so that it matches the supporting documentation.
Listing withdrawals from Reserve accounts.	Enter a comment including the date it was approved by OH.

Reserve account balances not matching submitted statements.	Always enter this information directly from the account statement, so that it matches the supporting documentation.
Listing monthly Debt Service Payments as an annual amount.	Be sure the math is being done correctly. The Total Debt Service Payment should always match the entirety of what was paid for that report year.
Submitting Table 1 to Funders after the deadline.	Submit to the Funder level on time. Self-auditing financial reports ensures reports will be ready to submit on time with accurate data.

Supplemental Materials

Below is a list of common Annual Report findings/concerns that are found with the Supplemental Material submissions. Review to ensure you are not making the same mistakes.

- Submitting Annual Report documents into subfolders that are not intended for annual report information or creating new subfolders. 
- Uploading Certificates of Insurance listing other funders/entities as Loss Payee's. OH is only interested in seeing the COI's that meet OH reporting requirements.
- Uploading other Funder's Annual Report materials.
- Submitting Financial Statements that are not third-party audited or reports out of property management software.
- Amounts listed in Table 4 not matching the Audit.
- Submitting an audit that does not cover the entire reporting year.
- Submitting Reserve Statements that are not for 12/31.
- Reserve accounts have been merged, instead of being kept in separate interest bearing accounts per the Loan/Regulatory Agreement.
- Not submitting neighborhood or fair housing complaints.
- Not completing Annual Report Questionnaire.
- Not updating the Management Plan or submitting a Management Agreement instead of a Management Plan.
- Not updating the LCCA annually to reflect actual projects completed over the reporting year or withdrawals from the Replacement Reserve Account.
- Emailing Annual Report materials instead of uploading them to SharePoint.

