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Work The Problem: *Managing Inclusionary Housing Rental Portfolios*

The Challenge

With approximately 500 inclusionary housing programs across the country, a growing number of practitioners are considering best practices for managing mixed income rental buildings created through their inclusionary housing programs.

These questions range from how to ensure developers, property managers and tenants are in compliance with program rules, to effective strategies to respond to these partners if they refuse or are unable to comply.

Overview

Preserving affordable rental units created through inclusionary housing programs requires ongoing monitoring and administration. Well run programs generally work very closely with project developers, property management companies and sometimes other key partners to ensure that all parties involved understand program requirements and are able to successfully implement them. The degree of ongoing effort required for this work has often been underestimated by newly minted inclusionary housing programs, but it is essential for maintaining community assets for the life of their affordability control period.

Key tasks related to managing affordable rental units created through inclusionary housing programs include:

- Setting Affordable Rents
- Marketing Units
- Designing an Application Process
- Selecting Tenants
- Certifying and Recertifying Tenant Incomes
- Monitoring for Compliance
- Enforcing Requirements, and
- Working with Property Managers.

Programs approach these tasks in a variety of ways – some complete the majority of the work in-house, maintaining lists of vacancies, processing applications, certifying incomes, and much more. Others communicate the requirements to property managers and set up systems to train and monitor the property managers when they carry out these activities. Some programs also partner with nonprofits or other experienced housing organizations to do some or all of this work.

Most programs blend these approaches, completing some work in-house or via a nonprofit partner, as well as requiring property managers to complete some tasks on their own. Either approach requires staff time and resources, clear policies and procedures and regular communication with partners and stakeholders in order to ensure success.



Intersections 2016:

In 2016, inclusionary housing practitioners, advocates and allies came together to tackle some of our communities' most pressing challenges. This resource is shared not as a "best practice" but as a summary of our conversation.

Discussion Summary

The following reflects the observations and examples various practitioners offered during a discussion at Intersections 2016.

Question:

How do you communicate program requirements and monitor property managers to ensure compliance?

- **Some programs maintain a full rental management compliance manual for property managers; however, staff noted that a manual alone is not sufficient.** While helpful, property managers often find the long manual overwhelming and tend to call staff with questions, who then cite or use the manual as a resource to answer their inquiries.
- **Many programs provide training for property managers on program requirements.** Larger programs may hold regular group trainings on a monthly or quarterly basis, while smaller programs provide training on an as-needed basis. Some programs provide required training for any new property manager.
- **Some programs have their mayor or another high profile public figure sign a letter to property managers to communicate the importance of complying with program requirements.** These letters ranged from an introduction to the program as an important community resource to a compliance-focused message when a property manager was slow to respond to monitoring requests.
- **Some programs found success in conducting joint site visits** with other programs or agencies with a stake in a property. Staff observed that it was helpful for them to have a partner reviewing files and property managers' procedures, and they also found that property managers appreciated a streamlined process rather than multiple on-site visits.

Question:

What enforcement mechanisms are available to your inclusionary housing program when noncompliance is discovered?

- **Some programs provide multiple warnings and offer a "grace period" for property managers to come into compliance after a lapse is discovered.** This may include offering copies of program agreements, manuals and guidance to property managers with "no questions asked."
- **Some programs mirror the federal grant monitoring process.** They conduct a site visit; review selected files, policies and procedures; document compliance findings or areas of concerns, as well as specific steps to remedy them; and then review and accept any required corrective actions.
- **Some programs have enforced or charged fees.** Many programs' ordinances or regulatory rules allow them to charge a fine or collect a fee from developers or property managers for noncompliance. Only some municipalities have actually collected them, and among them, several also notify their planning and zoning offices of developers' unpaid fines or fees so that no new permits are issued until they are paid.
- **Many programs bring certain activities in-house after a compliance lapse is identified;** however, one program actually charges the property managers for this work – for example, if a property manager failed to conduct accurate and complete income qualifications, the program staff would conduct all income qualifications for that property for the next year, charging the property manager for each completed package.

Question:

How do you ensure compliance with limited staff time and resources?

- **Some programs conduct a "lottery you don't want to win"** in order to randomly select a sample of potential compliance lapses for further investigation. The lottery offers a clear, defensible way to select which property managers or tenants to investigate, and can also serve as a visible deterrent for others to return to compliance.
- **Some programs develop a risk rating process in order to select which properties require on site monitoring visits on a given year.** This process allows staff to visit low-risk properties once every three years instead of annually, conserving resources when possible.
- **Some programs allow two-year leases,** easing the administrative burden associated with annual tenant income verification.
- **Some programs establish agreements with other monitoring agencies in order to share reports,** allowing staff to leverage monitoring work completed by trusted colleagues.
- **Some programs directly contract with a nonprofit intermediary or require developers to hire an independent agent to manage compliance.** The nonprofit under contract or the developer's independent administering agent then oversees income verification and other program requirements.

While this document offers insights from practitioners, additional information on managing inclusionary housing rental programs is available at:

www.inclusionaryhousing.org