OUTLOOK ON ASSET MANAGEMENT

TIMELY UPDATES AND RESOURCES FROM THE RJTCF ASSET MANAGEMENT TEAM

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Another Moratorium Extension: Keeping the Communication Lines Open

By Nikki Winkler, Asset Manager & Elaisa Trendelman, Director, Stabilized Asset Management

After months of extensions, the initial CDC eviction moratorium that went into effect September 4, 2020 ended on July 31, 2021. On Monday August 2, 2021, court systems across the country experienced an influx in eviction filings for unpaid rent.

On August 3, 2021, the CDC issued a new order temporarily halting evictions in counties with heightened levels of community transmission of COVID-19. This new order is effective through October 3, 2021.

In addition, here is a link to a map that indicates levels of community transmission

RJTCF Asset Management recommends seeking the advice of local counsel to see if your county is considered an area of high transmission, or if your local municipality has enacted additional restrictions outside of what was already in place.

Here is a link to specific state eviction protections, other federal tenant protections, as well as other tenant protections and notes.

It should be noted that on Friday August 13, 2021, a federal judge allowed the newly issued eviction moratorium to remain in place. This ruling is expected to be appealed but the moratorium will likely remain in effect while the legal process plays out.

A substantial amount of rent relief funds remain to be distributed. The Consumer Financial Protection Bureau website, found here, assists renters and property owners in finding assistance programs in their immediate area.

How do you get this information out to residents? Technology and COVID-19 have both changed the way we communicate with each other. While the days are not yet quite gone for reading the actual Sunday paper or getting letters by snail mail, they are dwindling rapidly. In the affordable rental housing industry, communication is especially important. Management agents and owners must communicate with renters regularly in order to collect rents, communicate changes, notify of upcoming important dates as well as social services and resident events. Recertification notices, late notices, renewal notices, lease violations, pest control is coming… how many notices have been printed and delivered by hand over the years? With COVID-19 sweeping the nation, our industry has had to adapt and overcome, altering policies, procedures, and communications.

The monthly or quarterly newsletter has traditionally been a great tool to get all of the general information out to all residents at once but the expense could sometimes be more than an affordable property could bear. In addition, the time it takes to deliver all the notices often took at least one staff member out of the office or off of maintenance duties for a half day or more depending on the size of the property. In addition to the expense, the chance of information overload in a lengthy missive means residents may miss out on the important items that need to be communicated.

In order to fight the overload, owners, and agents can increase resident engagement with paid options such as Modern Message or a communication module of their current management software, which can become less than budget-friendly when residents are currently having difficulty paying rents and potentially avoiding our attempts to connect. Because over 90% of all American households possess a cellular device, text messages with the most important information is a quick and easy way to communicate with residents. Free or low cost options to text exist for those whose residents opt in. A great time to introduce this (if you are not already using this option) is at recertification when updates to household information are mandatory.

Utilizing social media platforms is also a smart use of today's technology to keep residents informed. By posting on your property's Facebook, Twitter, and Instagram, residents can not only receive the information at their fingertips but also easily refer back to it in an organized manner. For example, the link from the Consumer Financial Protection Bureau provided in this newsletter can easily be broadcast on social media pages so that residents with balances can reach assistance sites with just a couple of clicks. Not only is this means of communication extremely budget-friendly (free), it also adheres to social distancing guidelines that may exist in your area and allows safety to remain a priority for both staff and residents.

PROPERTY SPOTLIGHT:
The Villas at Titusville – Birmingham, AL

By Shaila Jimenez, Asset Manager

Located in the neighborhood of North Titusville, Loveman Village, the oldest public housing development in Birmingham, AL, began its demolition in 2017 to pave way for a new self-sufficient rental assisted community. Loveman Village, a 500-unit public housing community built in 1951, had reached its operational life. It was in such poor condition that large portions of the community were vacant.

The Housing Authority of Birmingham District (HABD) partnered with Hollyhand Development, BBVA, the City of Birmingham, and the Alabama Housing Finance Authority to redevelop the property, which was sponsored by Raymond James. This $79.6 million redevelopment was split into three phases due to the scope of work, and provides contemporary housing. The first phase known as the Park at Sydney Drive, which was funded through the rental assistance demonstration program, consisted of 120 units.

The second phase, The Villas at Titusville Phase I opened its doors in 2019. The Villas at Titusville consists of 15 two-story residential buildings for a total of 100 units. All 100 units operate under the HUD Rental Assistance Demonstration (RAD) program, with tenants paying 30% of their income towards rent. Appealing to families of all sizes, this 10-acre community offers a mix of one-, two-, and three bedroom units.

The Villas at Titusville offers its residents a community center, an early childhood development center, a playground, and green space. In addition to the new housing units, the HABD is facilitating programs and services to help residents become more self-sufficient. BBVA's Center for Financial Education provides residents with personal finance and homeownership workshops. Through the Family Self-Sufficiency Program, residents can participate to receive assistance to obtain better jobs, higher education, and become homeowners.

Loveman's final redevelopment Phase, The Villas at Titusville Phase II, is scheduled to complete construction in fall of 2021 and provide an additional 64 units of affordable housing. The site is approximately 20 acres and will consist of 9 two-story residential, garden-style buildings with 32 two-bedroom and 32 three-bedroom units. The Villas at Titusville Phase II amenities will consist of a second community room, a business center, central laundry, an exercise room, and another playground.

The design of the Villas at Titusville aims to improve public safety and reduce the social stigma that can sometimes accompany affordable housing. The community is an important asset for the residents of Birmingham.

COMPLIANCE CORNER:
"Take it to the Limit" - Are You SURE You are Using the Correct LIHTC and Income Limits?

By Scott Michael Dunn, CEO of Costello Compliance and the Director of Policy for the Costello Companies smdunn@costelloco.com

"Take it to the Limit" – Are You SURE You are Using the Correct LIHTC and Income Limits?

"What is the most efficient way to kill your tax credits at a property?" Most LIHTC noncompliance happens one unit at a time – an over-income household here, an ineligible student household there. It adds up and it is a lot of work to accomplish widespread noncompliance. If we wanted to accomplish a lot of noncompliance quickly, there is an easier way! Using the wrong income and rent limit could create noncompliance for many units all at once. It could even likely create a violation of our minimum set-aside and kill all tax credits simply and easily!

The first paragraph is obviously written with tongue in cheek. No sane person tasked with the compliance health of a property wants ANY noncompliance, and a lot of noncompliance is even worse. However, every month our file reviewers see files where owner/agents were SURE that they understood income limits and yet made serious errors in their selection. To help readers avoid big tax credit problems this article will focus on income limits for tax credit properties. This is a crucial topic as household eligibility for units as well as rents are determined based on the income limits and using wrong limits can affect all units at once. Rents, especially, are vulnerable here as simply overcharging rents may create noncompliance that cannot be corrected until the following year.

A Big Change in Tax Credit Limits

Originally, the tax credit program shared HUDs Section 8 income limits. The HUD Section 8 and other program limits can be found HERE. However, the Housing and Economic Recovery Act of 2008 (HERA) created a new process to determine income limits for *tax credit* and *tax-exempt bond* properties. HUD still publishes the limits, so to differentiate them from the HUD limits, HUD dubbed the new limits Multi-family Tax Subsidy Program (MTSP) limits. The MTSP limits can be found HERE. Once the data is secured from HUD, there are a few options for tax credit properties that must be understood to select the correct limits for a specific property. Some commonly asked questions will provide much of the framework for the discussion. Also, THIS infographic with screenshots of HUD and USDA websites may prove useful.

MTSP Program Implementation Dates

The tax credit program has a provision found in Rev. Rul. 94-57 that an owner may rely on last year's income limits published by HUD until 45 days after HUD releases the new limits, or HUD's effective date for those limits, whichever is later. However, because of the tax credit income limit "hold harmless" provision that is discussed below, this 45-day period only matters in actual practice to a limited number of properties that have a first building that is placed in service *during* the 45-day period following the publishing of the new limits. IRS guidance is that the owner may select whichever set of limits provides the best advantage (the highest) if a project places in service during this period, and "hold harmless" to those limits going forward.

Now on to Some Specific Common Questions…

Question: "The income limits went down for my area this year. What happens now?"

Answer: The tax credit law changed with HERA in 2008. One new provision was that starting in 2009 the limits that a specific tax credit property uses do not have to go down from one year to the next. This starts when the first building in a multiple-building project places in service. This principle is referred to as the limits "holding harmless." For example, assume that the first building in a project was placed in service in 2020, and limits went down in 2021 and again in 2022. The 2020 income (and rent) limits should be used for all those years. They will continue to be used until the published limits exceed the 2020 limits. At that time, the owner will use the new limits and will "hold harmless" to the new limits. Note: In the light of COVID-19's effect on the economy and income limits, holding harmless will likely be a major factor in our lives for several years to come.

"Quick test" - A prior year's MTSP limit may be used if:

The published income limits for the project's area has gone below the limit from a prior year, and

The project had at least one building that was in service during the applicable prior year.

COMPLIANCE CORNER:
"Take it to the Limit" - Are You SURE You are Using the Correct LIHTC and Income Limits? (con't)

Question: "Are "HERA Special" or rural limits an option for my property?"

Answer: HERA created the "hold harmless" provision discussed in the last question. It also created a couple of additional special options for some properties that face unusual challenges. These are "HERA Special" for some older properties and the *rural national non-metropolitan* average limits for rural projects with exceptionally low published income limits. Selecting these may seem a bit tricky, but actually, the limit to select is based on a few simple factors. The following will help determine if the special limits apply.

"Quick test" - "HERA Special" limits may be used if:

HUD lists this option for the property's county or Metropolitan statistical area (MSA).

At least one building in the project was in service in 2008 or earlier.

"Quick test" - "National non-metro" limits may be used if:

The project is not funded with tax-exempt bonds.

The project is in an area determined by USDA's Rural Development to be "rural" and the published MTSP limits for the area are lower than the average national non-metro limits.

Note: the USDA website used to determine if a project is rural can be found HERE. The national non-metro limits can be found in the ***HUD FAQ*** HERE. For 2021, it was part of the answer to FAQ # 14. Also, note that HUD only publishes the 50% limits in the FAQ. The 60% limits for 40-60 or Average Income Test minimum set-aside properties need to be calculated from the 50% limits. One way to do this is by multiplying the supplied 50% limits by 1.2.

Income limits and the Income Average Test

The *2018 Omnibus Tax Act* created a new minimum set-aside, the Income Average Test. A full discussion of this new provision is beyond the scope of this article. However, one aspect of the Income Average Test is that new tax credit properties may have up to 7 designations that can be assigned to units (20% - 80% MTSP, in even increments of 10%). People who move into these units must be below the designated income limit. Rents will be calculated based on these income limits as usual for the tax credit program. How are these new designations calculated? Revenue Ruling 89-24 already established how to calculate 60% and 40% designations based on HUD 50% (very low) income limits. Based on this regulated model, Revenue Ruling 2020-4 filled out how to compute the other designations. This chart will provide a basis for income limit calculations.

Bonus Question: "Do MTSP limits apply to the HOME program?"

Answer: No, HOME Income and rent limits are not the same as the MTSP limits, are published later, and are subject to HOME-specific regulations. "Hold harmless" provisions do not apply to HOME units for HOME income limit purposes. This is true even if the property is also tax credit.

The HERA income limits added some complexity to the selection of limits, but each of the new options it created assists tax credit properties with stable income and rent limits. Learning to select the correct limits is a vital skill for tax credit professionals.

Helpful hint: For further discussion of income limits and other important and emerging compliance matters, check out an important event HERE.

Based on Rev. Rul. 89-24 and Rev. Rul.	
Designation	Multiply the 50% (very-low) income limit by:
20	40%
30	60%
40	80%
50	100%
60	120%
70	140%
80	160%

Marketing and Sales: Overcoming Challenges within the Senior Community

By Jackie DeSpirt, Transition Asset Manager

Implementing effective marketing and sales strategies during the pandemic has brought its own challenges such as scaling back in-person networking, adding social distancing and safety precautions, and adjusting online marketing tools. In addition to these hurdles, reaching applicants within the senior community has created yet another challenge. The senior community thrives with hands on involvement; activities that engage and bring people together as seniors typically connect with in person contact and communication. “It is harder to make the same impact on prospects through virtual tours when you are not able to have an in-person human connection within our communities. There is no handshaking or hugs, and prospects cannot see team member interactions with residents as easily. There is something very special in seeing a team member’s genuine happiness and love for our residents.” (Joza, E., 2021). Additionally, “the unfavorable links created between senior living communities and the transmission of COVID-19 have hit the industry hard” (Joza, E. 2021).

Management companies can overcome these difficult and unique challenges by implementing effective marketing and sales tactics. However, in this arena, the first approach has to be redirecting focus on “care and safety, and how we can help people during challenging times” (Joza, E., 2021). Displaying safety precautions such as social distancing signage, partitions, disinfectants, and providing masks in the leasing office can be a first step in creating a safe space for potential applicants, caregivers and residents. If prospects are not able or willing to visit the site in person, adjusting online marketing can still deliver the same message of prioritizing care and safety for residents.

RJTCF Asset Management has made additional recommendations for marketing and advertising within senior communities, during this challenging time. Finding other avenues for traditional marketing and leasing efforts has been the key.

Here are a few tips:

- Reach out to the state housing finance authority for special need agency referrals who serve and assist seniors in finding affordable housing.
- Collaborate with programs that assist caregivers in finding an affordable home for their loved ones.
- Increase online marketing efforts, as traditional methods of marketing such as newspapers and flyers can be less accessible to seniors during this time.
- Utilize free and or reduced cost advertising resources to offset increased online marketing expenses.

Management companies have had to reimagine their digital marketing to become more user friendly for seniors and provide a wealth of information that a prospect would otherwise receive in person, without being overwhelming or cluttered. A recent article from **Plante Moran Living Forward** provided marketing and sales tactics within the senior community, which could prove to be effective during this challenging time.

Some of these tactics included the following:

- **Ensure your website is better than your competitors’**
    - Is your website easy to navigate, even for someone who is not tech savvy? Does your website load quickly? Are you using high-quality videos and images of your available units, landscaping, amenities, and dining spaces? Do you have virtual tours available? Is your website mobile friendly? Your community’s first impression often happens online. You must invest time and energy to make it inviting, with easy navigation, fast and mobile access, and engaging content that is updated regularly.

Marketing and Sales: Overcoming Challenges within the Senior Community (con't)

- **Use your current residents as "brand ambassadors"**
  - Do you have current residents who love living in your community? Those seniors — and their families — may be willing to become "brand ambassadors" to promote your community. Consider starting a "resident referral program" that asks residents to refer their friends. You can use that connection to let potential residents know that because their friend loves living there, so would they. Also consider using their testimonials online through video and social media — their personal feelings highlight the value of your organization in an authentic way.
- **Be open and transparent with community information**
  - Residents moving into a community and away from life-long homes have a lot to think about and many questions to ask. Do not hold information hostage as a quid pro quo for contact information. The most important thing you can do is make seniors feel comfortable with the idea of moving in. They need full disclosure to make the decision. Include online information like monthly fees, care levels costs, and other expenses not included with the rates provided so adult children and their parents have all the information they need to choose your community over the competition.
- **Be aware of what is being said about your community online**
  - While getting negative reviews can be difficult and damaging to your brand, it is important you have a member of your team respond to concerns posted online as soon as possible. You want to show people that management at your community is willing to make things right when they go wrong. Sometimes, a great response to a bad review means more to potential residents and their families than the bad review itself.
- **Listen to what the potential resident really needs**
  - Sales staff are often so hyper-focused on going through the motions of a tour that they forget an important first step. Before the tour, sales staff should get to know perspective residents and learn their needs. A "home body" may be overwhelmed or turned off if the salesperson emphasizes high-activity areas. If the senior is reluctant to move, teach your sales staff how to dig into the root of why so together, with the senior and his or her family; they can work through any insecurities.

For additional detail about these approaches to marketing and advertising, you can access the link HERE.

The pandemic has changed many aspects of property management and has challenged the industry to "think outside of the box". The affordable housing industry is no stranger to obstacles and difficult challenges. This industry is resilient, strong and effective, primarily because of the teams and leaders who have proven the "ability to continually and quickly adapt and pivot based on circumstances." (Joza, E. 2021). By utilizing these and other approaches to create effective marketing and sales strategies, management companies can improve and retain occupancy at senior communities. Thus, making a positive impact to the senior community that is in need of quality affordable housing, especially during this difficult time.

References:

Joza, E. (2021, March 4). A Guide to Marketing Senior Housing Properties Amid COVID-19. Retrieved from Multi-Housing News : https://www.multihousingnews.com/post/a-guide-to-marketing-senior-housing-properties-amid-covid-19/

Boss, J., Stiger, J. (2021, April 28). 10 marketing & sales tactics to improve senior living occupancy.
Retrieved from Plante Moran Living Forward: https://www.plantemoran.com/explore-our-thinking/insight/2017/affiliates/plante-moran-living-forward/10-marketing-and-sales-tactics-to-improve-senior-living-occupancy

NATIVE AMERICAN NEWS:
New Bill Aims at Renewing Affordable Housing Commitment for Native American Communities

By Lucine McCann, Asset Management Analyst

US senators Brian Schatz (D-HI), Lisa Murkowski (R-AK), Jon Tester (D-MT), and John Hoeven (R-ND) introduced the Native American Housing Assistance and Self-Determination Reauthorization Act (NAHSDA) of 2021. NAHASDA, which was first signed into law in 1996, offers various programs including the Indian Housing Block Grant and Native Hawaiian Housing Block Grant. These programs were made available to assist Native Indians, Alaska Native, and Native Hawaiians and ensure these communities can access safe, accessible, and affordable housing.

The proposed legislation builds upon successful programs and is supported by the National American Indian Housing Council and the Department of Hawaiian Home Lands. The Act of 2021 includes several updates aiming at reinforcing the Tribes' independence and flexibility in spending the funds they receive. New provisions are also included to ensure critical housing needs in tribal areas are addressed. For example, the bill proposes to expand eligible activities to allocate funding for student housing assistance. Last, but certainly not least, the bill would also establish a Secretary of Indian Housing within HUD offering tribes an opportunity to increase their involvement around policy and budget discussions in the future.

Since its inception, NAHASDA was subsequently amended and re-authorized; however, authorizations for most programs expired in 2013. Although Congress generally continued to fund these programs, the new bill introduced in June would lock in authorizations for funding through 2032.

The full text of Native American Housing Assistance and Self-Determination Reauthorization Act of 2021 can be found here.

Where Do I Send My Reporting?

rjtcfcompliance@raymondjames.com	• Quarterly reports (balance sheets and YTD P&L statements) • Rent rolls • GP certificates • Monthly financials
rjtcfinsurance@raymondjames.com	• Insurance renewal certificates
rjtaxcreditdocs@raymondjames.com	• Tax returns • Audits – year-end financial statements from CPAs
rjtcfassetmanagementreporting@raymondjames.com	• Annual Business Report • Budgets
rjtcftenantfiles@raymondjames.com	• Initial tenant files & corrections • Annual compliance audit (20% tenant file testing)

Your Input is Valued

If you have an idea for an article or would like your property to be spotlighted in an upcoming issue of "Outlook on Asset Management," please feel free to contact Mindy Waggener at 727.567.6979 or mindy.waggener@raymondjames.com

Any and all comments are welcome!

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