

Department of Health and Social Services

DHSS Policy Memorandum 62

February 20, 2015

Subject: Housing DHSS Rent Calculation Formula for Residential Sites

This policy applies to all Residential Sites. All contracts in place on the effective date of this policy will remain in effect regardless of compliance with this policy. Contracts will only be renewed if the terms of the contract are in compliance with this Policy Memorandum at the time of the contract renewal. However, if a contract expires within 6 months of this policy taking effect, it can be renewed for 6 months with the non-compliant terms if agreement cannot be reached on terms that are in compliance with this policy and no alternative appropriate housing is available to the residents supported by DHSS. The six month extension is intended to allow for additional time to locate new housing, which is in compliance with this policy, for residents supported by DHSS.

Step 1: Rent Factors Generally

A. The following is true for all housing program budgets regardless of funding source:

1. Monthly rent includes mortgage principal and interest (as applicable), property and school tax (as applicable), property insurance, maintenance, replacement reserve funds, and administration/management fees.

The actual cost of the rent shall be screened against the HUD (Housing & Urban Development) Fair Market rent and the allowable amount of rent shall be the lower of the two amounts with the following caveat:

If the actual cost of rent is higher than the HUD Fair Market Rent then the provider may be able to apply for an adjustment that will allow the final rental cost to be up to 30% above the HUD Fair Market Rent.

Notes: The maximum additional add-on percentage (up to 30%, unless otherwise permitted under the requirements of this policy) will be determined based on certain factors: accessibility improvements to the property, programmatic or geographical. The link to the HUD Fair Market Rents for Delaware can be accessed through the Delaware State Housing Authority's link below:

- http://www.destatehousing.com/Renters/rentersmedia/payment_standards.pdf See Addendum A for Accessibility Guidelines
 - See Addendum B for Programmatic Guidelines
 - See Addendum C for Geographical Guidelines
2. Any expenses directly related to a given house are charged directly to that house. Remaining expenses associated with a housing program are totaled and distributed evenly among all operating homes.

3. Direct maintenance salaries that are unable to be assigned directly to a particular home are spread through all homes via the Maintenance Salaries line item.

B. The following are the factors included in the preparing the rental budgets:

Definitions:

Maintenance: Includes lawn care, snow removal, pest control, fire/sprinkler contract and maintenance, appliances, maintenance salaries, and general maintenance.

Major Repairs Reserve: Funds set aside to replace major systems as required due to age.

Administrative Costs: Salaries of administrative staff – housing coordinators/managers, Executive Director (partial), Controller (partial), and Construction & Maintenance Manager (partial). Partial amounts are based on the percentage of each house’s budget relative to the total housing budget.

Step 2: Rent Factors by Specific Funding Sources

A. HUD (U.S. Department of Housing and Urban Development) Financed Homes:

- Property Insurance
- Utilities
- Maintenance
- Major Repairs Reserve
- Administrative Costs

Notes:

- HUD dictates the total allowable rental rate.
- The Housing Owner is required to pay utilities (electric, gas, water, etc.). No mortgage principal, interest or property taxes are paid for HUD homes.
- HUD dictates the amount of Reserve funds to be set aside monthly. They also must approve the release of funds for expenditures from reserves.
- Providers pay rent less a subsidy based on 30% of the adjusted gross income of the tenants (recertified annually).

B. DSHA (Delaware State Housing Authority) Financed Homes:

- Mortgage Principal and Interest
- Property & School Tax
- Property Insurance

- Maintenance
- Major Repairs Reserve
- Administrative Costs

Notes:

- DSHA dictates the amount of Reserve funds to be set aside
- DSHA holds the reserve funds in their account. They also must approve the release of funds for expenditures from reserves.

C. DCIC (Delaware Community Investment Corporation) Financed Homes:

- Mortgage Principal and Interest
- Property & School Tax
- Property Insurance
- Maintenance
- Major Repairs Reserve
- Administrative Costs

Notes:

- DCIC dictates the amount of Reserve funds to be set aside (fixed percentage of lease amount). They also must approve the release of funds for expenditures from reserves.

D. ARC (The ARC of Delaware) Financed Homes

- Mortgage Principal and Interest
- Property & School Tax
- Property Insurance
- Maintenance
- Major Repairs Reserve
- Administrative Costs

Notes:

- Rent for ARC properties may go above the 30% of the HUD Fair Market Rent allowed by this policy if necessary to fund the costs associated with homes built with special design features and facility maintenance to accommodate the needs of the individuals living there.

E. Homes Financed with a Short Term Line of Credit:

- Interest on loan only
- Property & School Tax
- Property Insurance
- Maintenance
- Major Repairs Reserve
- Administrative Costs

F. Homes with a Traditional Mortgage:

- Mortgage Principal and Interest
- Property & School Tax
- Property Insurance
- Maintenance
- Major Repairs Reserve
- Administrative Costs

G. Non-Financed Homes:

- Property & School Tax
- Property Insurance
- Maintenance
- Major Repairs Reserve
- Administrative Costs

Compensation for Discontinued Use of Properties

Delaware Health and Social Services will pay the rent adjusted for actual costs for the period for a vacant property for up to a maximum of 3 months. The property owner must demonstrate s/he has made a full faith effort to rent/sell the property during the first three month period after the DHSS vacates the property prior to DHSS issuing a rental payment. An example of the full faith effort would be listing the property with a real-estate agent, listing the property availability on the Delaware housing search website, listing it for internal DHSS divisions

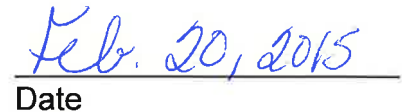
Occupancy Levels

Delaware Health and Social Services will pay for vacant beds in the following scenarios:

- When a client is hospitalized and will be returning to the unit;
- When a client leaves the residents and does not intend to return-the service provider must demonstrate they have made every attempt to fill the bed within 60 days
- Nothing beyond 60 days once a client has vacated. An exception may be approved by the Director based on the best interest of the agency's clients.

Exceptions Exceptions to this policy will be considered by the Secretary or Secretary's designee. See Addendum D for Exceptions Guidelines.


Rita M. Landgraf, Secretary


Date

Addendum A: Accessibility Guidelines

Following the attached Universal Design Score Sheet:

1-14 points will allow 10% above the HUD Fair Market Rent

15-29 points will allow 20% above the HUD Fair Market Rent

30+ points will allow 30% above the HUD Fair Market Rent



Universal Design
Scoresheet.xls

Addendum B: Programmatic Guidelines

Examples:

Programmatic necessity would be based on a client's level of vulnerability in a particular neighborhood or necessity of being closer to particular services such as transportation, shopping or doctor's offices as directed by the client's recovery plan or treatment team or medical professional.

Need to utilize special building materials such as safety Plexiglas, hardwood floors or kick guards

Addendum C: Geographical Guidelines

Documentation that must be provided to substantiate the rent is impacted by the property's location is as follows:

- Neighborhood has a home ownership rate above 50%
- Neighborhood income is above 80% of median
- Neighborhood subsidized housing is no more than 25%

Each factor that can be documented will allow 10% above the HUD Fair Market Rent.

Addendum D: Exceptions Guidelines

If a provider requests additional rental expense above the calculation of this PM, the provider must submit documentation that supports and justifies the request of increased rent to the Secretary or the Secretary's designee. Exceptions will only be granted where there is good cause. This includes paying the additional rent if it is in the best interests of DHSS clients and no other viable alternatives exist. This policy is intended to standardize rent payments by DHSS and the exceptions are only included in case justifications for higher rent exist that were not anticipated by this policy. Costs for services to DHSS clients should not be used to justify higher rent payments.