

## Clinch-Powell RC&D Rental properties- Tenant Selection Criteria, Preferences, & Procedures:

This tenant selection plan and procedures will be used by Clinch-Powell property management staff in order to determine applicants' eligibility for tenancy. The original Grantors of a particular property may have specific requirements regarding property management and tenancy eligibility. The following Clinch-Powell policies will be used consistently and uniformly, but will not supersede Grantor or Program Requirements or Federal/state/local codes or laws.

### ❖ **APPLICABLE LAWS/ACTS:**

- ◆ The Fair Housing Act
- ◆ Title VI of the Civil Rights Act of 1964
- ◆ Section 504 of the Rehabilitation Act of 1973

### ❖ **GENERAL TENANT SELECTION REQUIREMENTS:**

- ◆ **APPLICATION COMPLETION & DOCUMENT VERIFICATION:** Potential tenants must completely fill out a Clinch-Powell rental application (to the best of their abilities) and provide the supporting documentation listed with the application.

▢ **At minimum, the following documents will be required for all rental applications:**

- ◆ **Proof of Identification/Citizenship.**
  - ◇ We will require copies of two of the following: A) Drivers License or State ID, B) Social Security Card, C) Birth Certificate, D) Passport
- ◆ **Proof of income.** We will need enough information in order to determine averages and predict annual earnings.
  - ◇ Examples of acceptable documentation include the following: A) Benefit award letters, B) Paystubs (multiple, at least 4 consecutive), C) tax returns & W2s (full document/all pages), D) credit report, E) Zero-Income Form, F) verification of employment/income form, G) receipts from payment, H) bank statements, I) letters of contribution from family members, J) child-support receipts, K) authenticated third-party letters.
  - ◆ A determination of reliability is at the discretion of Clinch-Powell Property Management staff.

### ◆ **BACKGROUND INFORMATION & VERIFICATION OF**

- ◆ **RENTAL HISTORY:** Potential tenants must provide contact information for all landlords for properties rented over the last 5 years. Clinch-Powell will verify with the landlords that the tenant paid rent in a timely manner, took care of the property, and that they did not violate their lease agreements.
- ◆ **CRIMINAL ACTIVITIES:** A background check will be run on all potential tenants. Any tenant convicted of a violent or drug crime in the last 10 years will not be eligible to rent from Clinch-Powell RC&D. Other convictions will be evaluated on a case-by-case basis. The RC&D reserves the right to deny tenancy based on this evaluation.
  - ◇ **SEXUAL OFFENDER:** Clinch-Powell RC&D will not rent to any potential tenant that is listed on a state or federal Sex Offender list.
  - ◇ **METHAMPHETAMINE OFFENDER:** Clinch-Powell RC&D will not rent to any potential tenant that is listed on a state or federal Methamphetamine Offender list.
- ◆ **CREDIT REVIEW:** Clinch-Powell will pull a credit report on each applicant to determine credit worthiness. Significant negative credit history will be grounds for denial of tenancy.
  - ◇ Specifically, certain debtors (utility companies, landlords, etc.), the amount of current outstanding balances, and the frequency of debts incurred will be taken into consideration.
- ◆ **INCOME & RENT AFFORDABILITY:** While income and rent limits are specific to the program funding governing a rental property (if applicable), in general, potential tenant households will be below the Area's Median Income, but have enough income to be able to pay the rent and still meet their other basic needs.

### ❖ **Program-Specific Requirements for tenancy screening:**

#### ◆ **HOME (properties in Sneedville & Tazewell)**

- ◆ At least 20% of the units must be rented at the current Low HOME rent amount to households that are under 50% AMI.
- ◆ The remaining units may be rented at the current High HOME rent amount to households that are under 80% AMI.
- ◆ ▢ additional verification forms are required at move-in.

- ◆ **Gilley's Annex apartments:** because KHRA provides placed-based rental assistance, tenants will also need to meet KHRA's Section 8 program requirements as well.
  - ◇ Household income must be below 50% AMI
  - ◇ **Special Need:** All potential tenants of Gilley's Annex Apartments must have a qualifying special need, defined as: A) a physical disability, B) a mental disability, or C) a terminal illness.
    - ▣ Disabilities must be verified through third-party documentation completed/from a qualified healthcare, social service, or government agency.
  - ◇ Special Need exception: 1 unit may be rented to a non-disabled household that is under 80% AMI.
    - Only units on the 2<sup>nd</sup> floor are applicable, and household would pay full rent.
  - ◇ Periodic recertifications of income and household composition will be required for compliance.
- ◆ **Neighborhood Stabilization Program [NSP] (*properties in Morristown & Tazewell*)**
  - ◆ Potential Tenants must meet income guidelines as defined by the NSP program Continuum of Care set aside. Eligible families must have a household income under 50% Area Median Income, as defined by HUD and updated periodically;
  - ◆ Must have a gross monthly income of at least three times the lowest acceptable rent established by Clinch-Powell RC & D.
- ◆ **Housing Trust Fund [HTF] & Affordable Housing Program [AHP] (*duplexes in Grainger County*)**
  - ◆ Potential Tenants must have a total household income that is under 50% AMI.
  - ◆ **Special Need:** Potential tenants must also have at least one member of their household with a verifiable disability that meets AHP guidelines.
    - ▣ Disabilities must be verified through third-party documentation completed/from a qualified healthcare, social service, or government agency.
  - ◆ Annual recertifications are required for program compliance.
- ❖ **Clinch-Powell Tenant Selection Preferences:** Preferences will only be considered when selecting eligible applications from the program's waiting list. Preferences will NOT be used to disqualify eligible applications/potential tenants at any time.
  - ◆ Any/All tenants or properties: those who promptly and clearly provided all requested information.
  - ◆ Grainger County Duplexes & Gilley's Annex, Apartment #2: As there is a limited amount of affordable rental units that are handicap-accessible in general, and within Clinch-Powell RC&D Council's Rental Property Portfolio, Clinch-Powell will give preference to applicants that have a physical disability or limitation, or can demonstrate a need for the amenities of the handicap-accessible unit.
    - ▣ *Need* can be demonstrated through qualified third-party documentation.
  - ◆ Students as (co-) head of household: preference will be given to students who work to earn income in addition to funds received from student loans, grants, scholarships, etc. – especially if the student is part-time and/or is of a two parent/adult household.
- ❖ **CLINCH-POWELL'S STUDENT POLICY:** as per HUD's recommendations (4350.3: 4-4), the following is the agency's policy regarding adult students. This policy will be used consistently in the event that the particular funding program governing the particular property does not already have a student policy in place.
  - ◆ **If the student is NOT the head of the household:**
    - ◇ If the student will be living in a dormitory during school semester → no student loan, grant, or scholarship will be counted as part of the household's gross or usable income.
      - The student will not be counted as a member of the household, but must be noted on the lease.
      - ▣ Documentation will need to be provided regarding enrolment status and dorm residence.
    - ◇ If the student is living at home → any student loan, grant, scholarship funds designated for housing/living expenses, or is in excess of tuition + books + fees, will be counted as income.
      - ▣ Receipts for school expenses will need to be shown.
  - ◆ **If the student is the head or co-head of the household:** will only be eligible if she/he/they are legal adults, have dependent children, and cannot be counted claimed as dependants by their own parents.
    - Any funds from student loans, grants, scholarships, etc. in excess of the cost of tuition will be counted as gross and usable income.

## ❖ **HOW GROSS INCOME IS DETERMINED & CALCULATED**

Unless specifically required otherwise, Clinch-Powell calculates *gross income* based around the procedures outlined in HUD manual 4350.3.

- ◇ Household Gross Income: is the total amount of income (before taxes) received by all adults, or provided to them on behalf of a dependent. Is also the applicable standard that federal/state housing programs use to determine eligibility.
- ◆ The desired outcome of calculation methodologies is to gage an educated estimate as to what the household's income will look like over the next twelve months. Most common/basic calculations utilized:
  - ◇ Pay checks from employment: From at least four consecutive pay stubs, determine the mathematical average, then multiply that average paycheck amount by the number of pay periods in a year
  - ◇ Award/Benefit amounts: multiply the award amount by the number of pay periods
  - ◇ Tips/bonuses/commissions: can be estimated by one of the following: 1) having an employer fill out a Verification of Employment & Income Form; 2) analyzing the most recent year's tax returns, and comparing with their current work amounts
  - ◇ Sporadic cash contributions: from documentation of all of the contributions received over 2 months, determine an average contribution amount and frequency of receipt; then multiple accordingly.
- ◆ The product numbers are then added together in order to get the household's total annual income. That final amount is then compared to the annual income limits (based on location and family size) published by HUD annually in order to determine program eligibility.
- ◆ After the annual gross income is determined, that amount is divided by twelve to establish the average monthly income for rent affordability purposes. As a general guideline, the RC&D will strive to rent to tenants when the total rent on the property is less than 31% of the clients' income.
- ◆ Usable Income & Rent Affordability exceptions: whereas non-monetary income like Food Stamps, WIC, TennCare are not considered in gross income calculations, Clinch-Powell may elect to take such things into account if the prospective tenant has good credit and are able to show that they can afford to pay the rent and still cover their other expenses, or when the tenant can show that he/she has been able to pay a higher rent for 12 months without difficulty at, or nearly at their current income.
  - ◇ An exception will also be granted to those who are currently covered by a Section-8 or Housing Choice Voucher.

Regardless of the specific grantor program requires it or not, Clinch-Powell Home Team will conduct annual income recertifications as part of its lease renewal process on all of its rental properties.

- ❖ **HOW RENT IS CALCULATED**: annually, HUD publishes a listing of Fair Market, High and Low HOME rent limits based on location and unit size (number of bedrooms). HUD also publishes average costs for utilities relative to location, property type and size-referred to as a Utility Allowance. Using those numbers, Clinch-Powell will take the High and Low rent limits and then subtract the appropriate Utility Allowance from each number. The resulting differences will then establish the rent range utilized by Clinch-Powell. The specific amount of rent paid within that range will be determined based on the individual household income/rent affordability.
  - ◆ If after the first year of residency, the tenants' household income rises above the program income limits, the monthly rent charged will be increase to 30% of the new household gross income.
  - ◆ HTF & AHP Duplexes in Grainger County: Unlike other units, the electric costs are built into the set rent payment. (This is so long as it is not determined that an excessive amount of electricity is being consumed by the household, in which case, an overage fee may be charged to the tenant every other month)
    - As a result of this, only the local utility allowance amount for water is deducted from the HOME rent limits in order to determine rent range.
    - In determining affordability, a 40% of gross income standard is used for rent AND utilities.
- ❖ **OCCUPANCY STANDARDS**: When not otherwise established by local fire codes, Public Housing Authority regulations, or other program guidelines, Clinch-Powell will use the following standards:

As Clinch-Powell views sound, affordable housing as a resource, as an agency, Clinch-Powell will strive to ensure that this resource goes to benefit the most eligible people as is reasonably possible when taking into consideration the welfare, health, and safety of those who may occupy the premises.

- ◆ In determination of occupancy standards, Clinch-Powell will take into consideration: number of people in the household, the age and gender of those persons, as well as, the square footage of the entire unit and specifically, its bedrooms.
  - ◇ In general, there will be a two-person limit per average-sized bedroom.
  - ◇ All children under the age of 18 must be able to have (or share) a bedroom (i.e. not a living or dining room). Furthermore, unfinished basements will not constitute as bedrooms.
  - ◇ Single persons or couples will not be permitted to rent three-bedroom houses. An exception may be made if the prospective tenants can provide documentation of a custody arrangement which would require rooms held open for frequently visiting children.
- ◆ Other exceptions may be made on a case-by-case basis depending upon the household's pending housing need and/or Clinch-Powell's availability of suitable housing units of appropriate size and location.
- ◆ In instances where an applicant or tenant has a Section 8/Housing Choice Voucher that is limited to a unit size smaller than the property being applied for, unless there are mitigating factors, Clinch-Powell will not alter the unit in order to meet the Public Housing's unit/payment standard.

#### ❖ **APPLICATION PROCEDURES:**

All rental applications are processed in the order in which they are received, based on how (in)complete the application is. A majority of the information and documentation requested is needed before any processing can occur. This also means that an application that is complete will move ahead of an incomplete application on the waiting list, regardless as to when the incomplete application was originally turned in.

- ◆ Assuming an application has been turned in completed, the following then occurs:
  - ↪ The documentation of income will be analyzed to determine program eligibility and rent affordability,
  - ↪ Current/previous landlords and references are contacted,
  - ↪ Criminal background check is conducted,
  - ↪ Credit history is reviewed,
  - ↪ Prospective tenants are then contacted to verify that they are in fact still interested in the property and that they have the security deposit.
- ◆ **Application fees:**
  - ◆ As the criminal background of every adult member of an applicant household must be checked, a background fee is charged to the tenant to cover the costs of the third-party source.
    - Currently, Clinch-Powell RC & D utilizes LexisNexis instant statewide criminal background checks at a cost of \$4 per adult.
      - The fee increases if a more expansive background check is needed.
  - ◆ With the exception of Gilley's Annex Apartments, all prospective tenants will have to pay Clinch-Powell for the cost of pulling their credit report. Currently, Clinch-Powell utilizes Credco to pull a tri-merge credit report, which costs the agency \$13 per single adult and/or \$20 per legally married couple.
    - ◇ It is because of this fee that the review of credit history is the last task of the rental application process; in the event that an applicant is found to be ineligible because of some criterion, there is no need to run the credit check, the credit fee will returned to the applicant via mail.

❖ **WAITING LIST:** Clinch-Powell will always accept applications for all of its properties, regardless of current availability.

- ◆ When a property comes available, persons on the waiting list for that (type of) property will be contacted in order of receipt, based on completion status. → at this point, Clinch-Powell tenant selection preferences may be taken into consideration.
  - Persons on the list will be contacted in order to verify continued interest and ability in obtaining the amount of the security deposit and prorated first month's rent.
  - Information on the original rental application will be rechecked for accuracy depending on how old the application is.

- ◆ **Unit transfer policies:** Current tenants who wish to transfer to a newly available, completely separate/detached property, may have the option to rent the unit depending on: A) the rental history with Clinch-Powell RC & D Council, and the length there of (at least four months), B) need of the current tenant, and/or C) the number of people on the waiting list and their degree of need.
  - ◇ In that situation, the current tenants would be required to pay a completely separate security deposit prior to move-in, a separate lease must be signed, and the previous unit must be left “broom-swept.”
  - ◇ Clinch-Powell reserves the right to refuse to allow a current to move to another unit.
  
- ❖ **POST-APPLICATION PROCEDURES:**
  - ◆ After an applicant has been selected from either active applications or the Waiting List and they have confirmed that they have the security deposit amount, a move-in date will be scheduled.
  - ◆ **Move-in inspection:** an inspection of the unit will be conducted on the move-in date by Home Team staff, recorded on paper, and the findings confirmed by applicant/tenant. This is done to protect both the tenant and Clinch-Powell from potential mistakes in billing for repairs and/or deductions taken from security deposits.
  - ↪ After the move-in inspection has been completed, the tenant will then need to pay the prorated amount of the first month’s rent and the security deposit if it has not already been collected.
  - ↪ After the full amount of the money owed is paid, the tenant will then receive a receipt and keys to the unit.
  - ↪ Tenants will then have all utilities put in their name within 24 hours of move in.
  
- ◆ **Security Deposits:** are required in full before any unit/property can be secured or moved into.
  - ◆ An applicant may choose to pay the security deposit in advance in order to secure a property. Clinch-Powell will only accept a security deposit in advance if their rental application has already been fully completed and approved.
    - ◇ Thereafter, applicant/tenants would be expected to be ready to move in with 15 days. Exceptions will be made when the 15-day period is not feasible because the unit itself is undergoing some sort of rehabilitation, and thereby would not be move-in-ready within the 15-day period.
  - ◆ Unless otherwise specified by governing programs, the amount of the security deposit for each housing unit/property is determined at the determination of Clinch-Powell RC & D. As a general rule, security deposits will be no less than one month’s rent.
  - ◆ Unless otherwise specified by governing program, security deposits are required in full prior to move in.
    - ◇ In only very rare instances where the tenant has very good credit and rental history, will security deposits be permitted to be paid in installments. In those instances, special provisions will be put into the rental lease as to how installment payments of the security deposit will be expected to be handled, and the consequences of violating those terms.
  - ◆ All governing laws relating to the handling, holding, and return of security deposits will be followed.
  - ◆ **Utility Deposits/Accounts:** tenants are expected to have the utility accounts (water/sewer, electric, and/or gas (if applicable)) paid and transferred into their names within 48 hours of the move-in inspection/lease signing.
  - ◆ **Pet Deposit:** As per Clinch-Powell’s Pet Policy, a non refundable pet deposit per dog must be paid in full prior to allowing the dog into the dwelling.
    - ◇ Pet deposits will be of the same amount as the specific unit’s security deposit.