

FALL QUARTERLY MEETING

October 28 – 29, 2020



Statewide Association of Community and Economic Development Organizations

AGENDA

- Welcome
- Innovative Tax Credit Projects
- Break
- Housing Counseling
- Break
- Residential – PACE in Ohio
- Business Meeting



INNOVATIVE TAX CREDIT PROJECTS

FALL QUARTERLY MEETING



SESSION PANELISTS



Hal Keller

Interim President and CEO

*Ohio Capital Corporation for
Housing*



Chad Ketler

President and CEO

Community Properties of Ohio



Jennifer Walters

President

Fairfield Homes, Inc.



Tim Bete

President

*St. Mary Development
Corporation*






LIHTC REFRESHER

HAL KELLER



OHIO CAPITAL CORPORATION FOR HOUSING



- Nonprofit financial intermediary created in 1989
 - Provides an array of financial products, services and technical assistance to affordable housing developers and property managers
 - Have raised and invested over \$5B in 900 developments with 50,000 units of affordable housing
 - OCCH Asset Management Department monitors compliance and property performance on each investment for minimum 15 years
 - OCCH has never lost a project through foreclosure
 - Geographic focus is Ohio and Kentucky but have also invested in projects located in:
 - West Virginia
 - Western Pennsylvania
 - Indiana
 - Tennessee
 - OCCH affiliates:
 - CPO Management Services (management and supportive services)
 - Ohio Capital Finance Corporation (CDFI lender)
 - Ohio Capital Impact Corporation (philanthropy)
 - OCCH has worked closely with OHFA over the years:
 - Ohio Housing Conference
 - HUD Mark-to-Market Demonstration Program
 - US Treasury Hardest Hit Fund
- 



LIHTC REFRESHER




- Low Income Housing Tax Credit (LIHTC) Program was created as part of Tax Reform Act of 1986
- Administered by the IRS (not HUD!), it is the major federal affordable housing production and preservation program
- IRS delegates program administration to states: Ohio Housing Finance Agency administrator in Ohio
- Two types of credits:
 - 9% competitive credits awarded to projects according to state designed Qualified Allocation Plan
 - “4%” credits awarded on a non-competitive basis to eligible housing projects using tax exempt private activity bonds



LIHTC REFRESHER



- Tax credits are awarded to affordable housing projects:
 - Project developers monetize the credits by selling credits to investors
 - Investors become a limited partner (LP) or investor member (LLC) in the project ownership
 - Cash becomes a source of funds significant reducing project debt and debt service to provide lower rents for residents
 - 30-year affordability requirement but investors usually exit in 15 years: OHFA monitors compliance
 - Though every deal is different, and pricing fluctuates:
 - Investor equity on a 9% deal can finance 75%-90% of total projects costs
 - Investor equity on a “4%” deals can finance 25%-35% of total project costs
- 



BIG PICTURE



- LIHTC is an indirect vs. direct capital subsidy program
- Shifts risk for noncompliance and performance from public sector to private developers and investors
- Usually additional gap (HOME, FHLB AHP, etc.) financing is needed in addition to credits
- Section 8 Vouchers or PBA often used with tax credits
- Tax credits are often only significance federal resource for:
 - New family housing
 - New senior housing
 - Permanent housing for the homeless
 - Other special needs housing
 - Preservation of Section 8 and RD projects
 - Recapitalization of public housing portfolio (RAD, Choice, etc.)
- It is **extremely flexible** in terms of target population, construction type and location

This will be demonstrated by next three panelists!!!



COLUMBUS SCHOLAR HOUSE

COMMUNITY PROPERTIES OF OHIO
OCTOBER 2020

CHAD KETLER

CPO Management and CPO Impact are affiliates of
Ohio Capital Corporation for Housing.

www.cpoms.org | www.cpoimpact.org


cpo management
community properties of ohio

cpo impact



COMMUNITY PROPERTIES OF OHIO OVERVIEW




- Community Properties of Ohio is a management company that is dedicated to meeting the needs of residents and the community.
 - Created by Ohio Capital Corporation for Housing in April 2003
 - 2004-2009, rolling rehab of 1,033 units, 133+ million investment.
 - Established our 501(c)(3) non-profit foundation, Community Properties Impact Corporation (CPO Impact)
 - CPO Impact was established in 2007 to strengthen families and communities through supportive service coordination.
 - CPO currently manages 2,900+ homes
 - Property owners include Columbus Metropolitan Housing Authority, Homeport, VOA, and other valued partners
 - Focus on Trauma-Informed Education and Diversity and Inclusion
 - Through a Resilience Initiative with an intentional emphasis on three pillars of Safety, Support, and Empowerment for all staff and residents.
- 

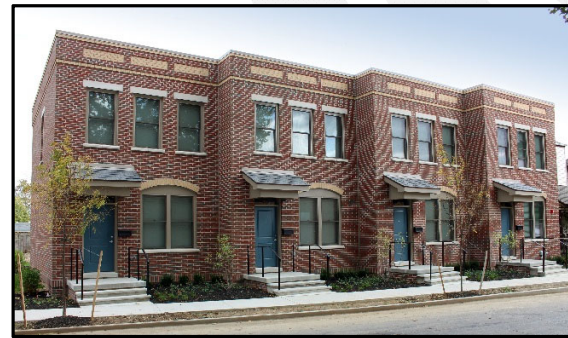


HISTORY OF COLUMBUS SCHOLAR HOUSE



- “Scholar House” concept originated in Kentucky
 - Columbus Scholar House is the first of its kind in Ohio
 - Codeveloped with CMHA who also provides Section 8 PBA: CPO provides property management and supportive services
 - Educational & family support designed to:
 - Help parents succeed in school and obtain employment: pathway put of poverty
 - Help children prepare for and succeed in school
 - Services focused on:
 - Academic performance
 - Financial management
 - Navigating the higher education system
 - Goal-setting and problem-solving
 - Accessing reliable and affordable on-site childcare, parenting skills, and transitioning from school to work.
 - MOU’s with OSU, CSCC and others essential to success
- 

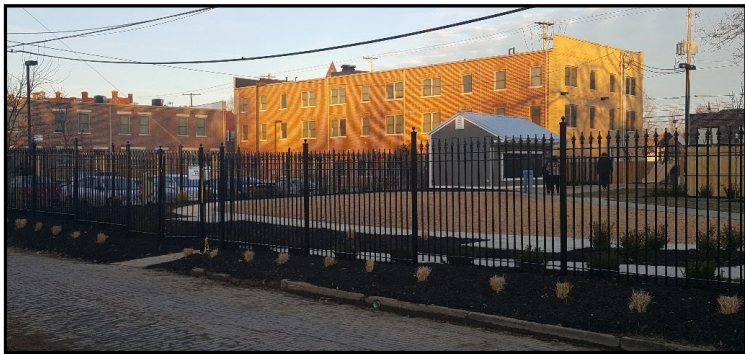
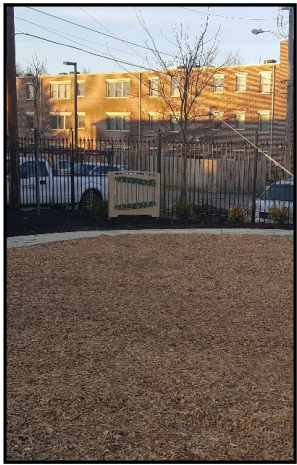
COLUMBUS SCHOLAR HOUSE FOR STUDENT PARENTS



ON-SITE CHILDCARE | FUTURE SCHOLARS EARLY LEARNING CENTER




SECURED PLAYGROUND






COLUMBUS SCHOLAR HOUSE:

SOURCES OF FUNDS



LIHTC Equity from OCCH	\$5,362,585
OCFC Perm Loan	1,000,000
OCCH Land Donation	366,658
City of Columbus Gap (HOME/Bond)	600,000
CMHA Gap Financing	500,000
CMHA Deferred Developer Fee / GP Equity	<u>749,830</u>
	\$ 8,579,073



COLUMBUS SCHOLAR HOUSE PARTNERS



Contact Information:

Chad Ketler, President & CEO

Community Properties of Ohio (CPO)

Phone: 614.545.3011

Email: cketler@cpoms.org

Website: www.cpoms.org | www.cpoimpact.org

  @cpoimpact



PEARL HOUSE

JENNIFER WALTERS

OUR MISSION

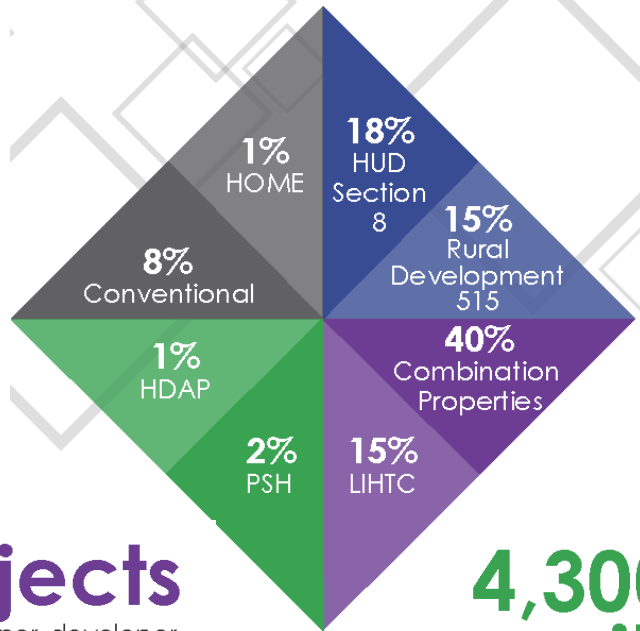
Dynamic relationships fueled by trust
and goodwill, are the foundation of
our success.

Together,
we change lives.

WE BUILD
Community
 **fairfield homes, inc.**



Types of Properties



616 projects

projects as general partner, developer and contractor, including:

- **19** FHA/HUD Section 8 projects (**785 units**);
- **12** FHA/Rural Development (RD) 515 projects (**371 units**); and
- **48** tax credit (LIHTC) projects (**2,239 units**).

4,300+ units

in **113** affordable housing communities.



WE BUILD

diverse communities that provide innovative and progressive housing options for customers across the income spectrum.



WE MANAGE

a wide-range of communities throughout Ohio and into the Midwest.



WE DEVELOP

communities that fit the unique needs of each market we serve.

A photograph of a man in a red hoodie and a woman holding a young child. The man is in the background, slightly out of focus. The woman is in the foreground, holding the child. The child is looking towards the camera. The background is a blurred indoor setting.

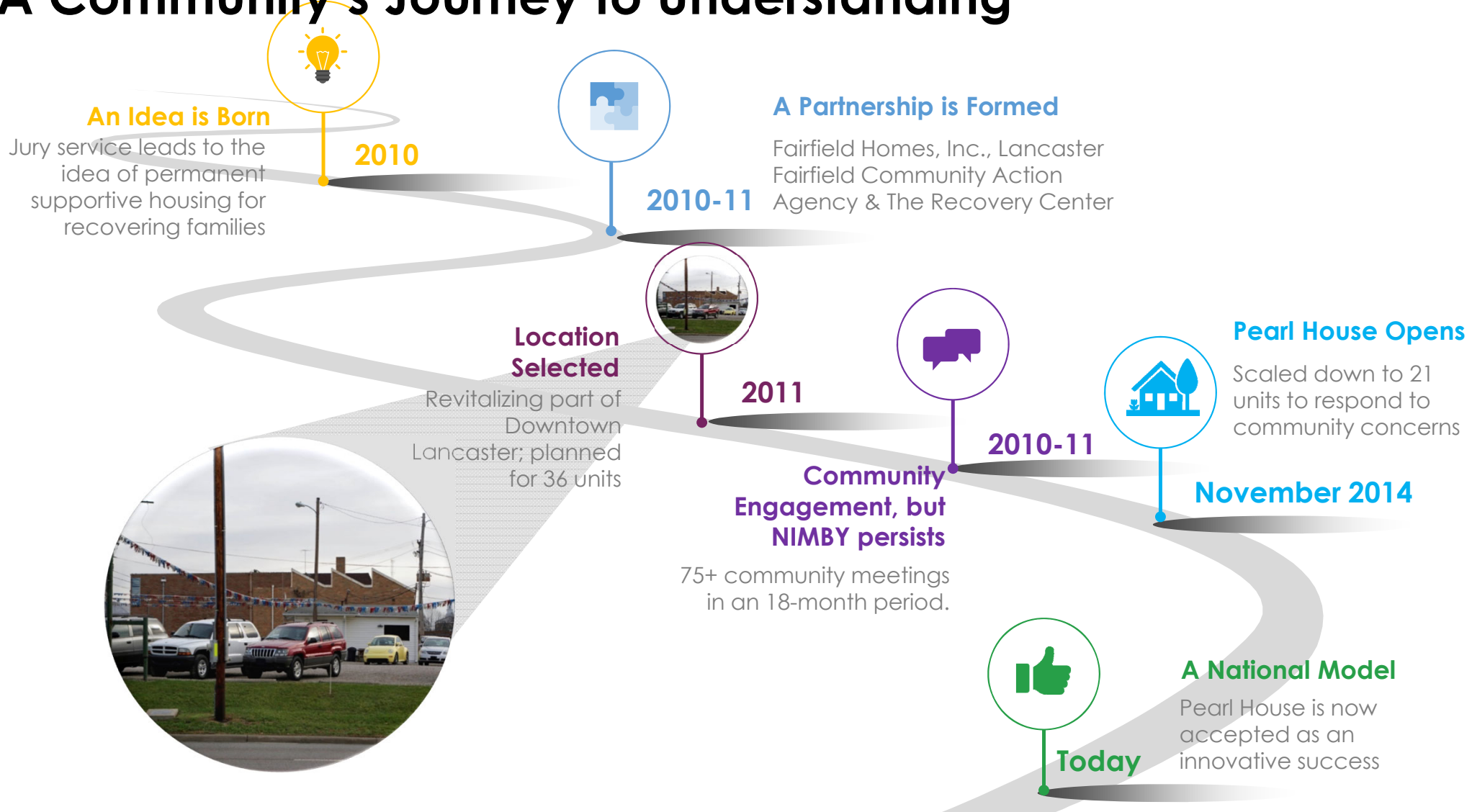
Pearl House

Supporting the Health of Our Community

- Pearl House is an affordable housing community serving the needs of homeless families recovering from drug and/or alcohol addictions. Residents experience apartment life and supportive services through the Recovery Center.
- Fairfield Homes, Inc. and the Lancaster-Fairfield Community Action Agency own the \$5 million Pearl House and rent only to recovering people with children. Residents sign a lease and can stay as long as they meet certain criteria regarding their recovery.
- Pearl House is the first permanent, supportive housing project in the state to become a certified Head Start location.

Because we are more than just another statistic on drug addiction... we are a community that takes care of our own.

A Community's Journey to Understanding



Building the Model:

Pearl House was the first in the State of Ohio to receive the Charles L. Edson Tax Credit Excellence Award. This award is presented to the most outstanding Low Income Housing Tax Credit properties in the nation:

- Private-public partnership
- Fairfield Homes
- Recovery Center
- Lancaster Fairfield Community Action Agency
- Ohio Housing Finance Agency
- Ohio Capital Corporation for Housing
- Ohio Capital Impact Corporation
- Federal Home Loan Bank of Cincinnati
- Fairfield Metropolitan Housing Authority
- Bed, Bath & Beyond
- St. Vincent de Paul Society
- Fairfield County Job & Family Services

Sources of funding include:

- OHFA HDAP Grant
- FHLB (Federal Home Loan Bank) Grant
- Low Income House Tax Credits
- Project-Based Section 8 Voucher Contract
- Ohio Capital Impact Corporation





FOR THE **FIRST TIME** IN THE HISTORY OF OUR STATE,
*a permanent, supportive
housing project*
is a **certified** Head Start location.

Building Community

Residents have daily routines including treatment, counseling and going to work.

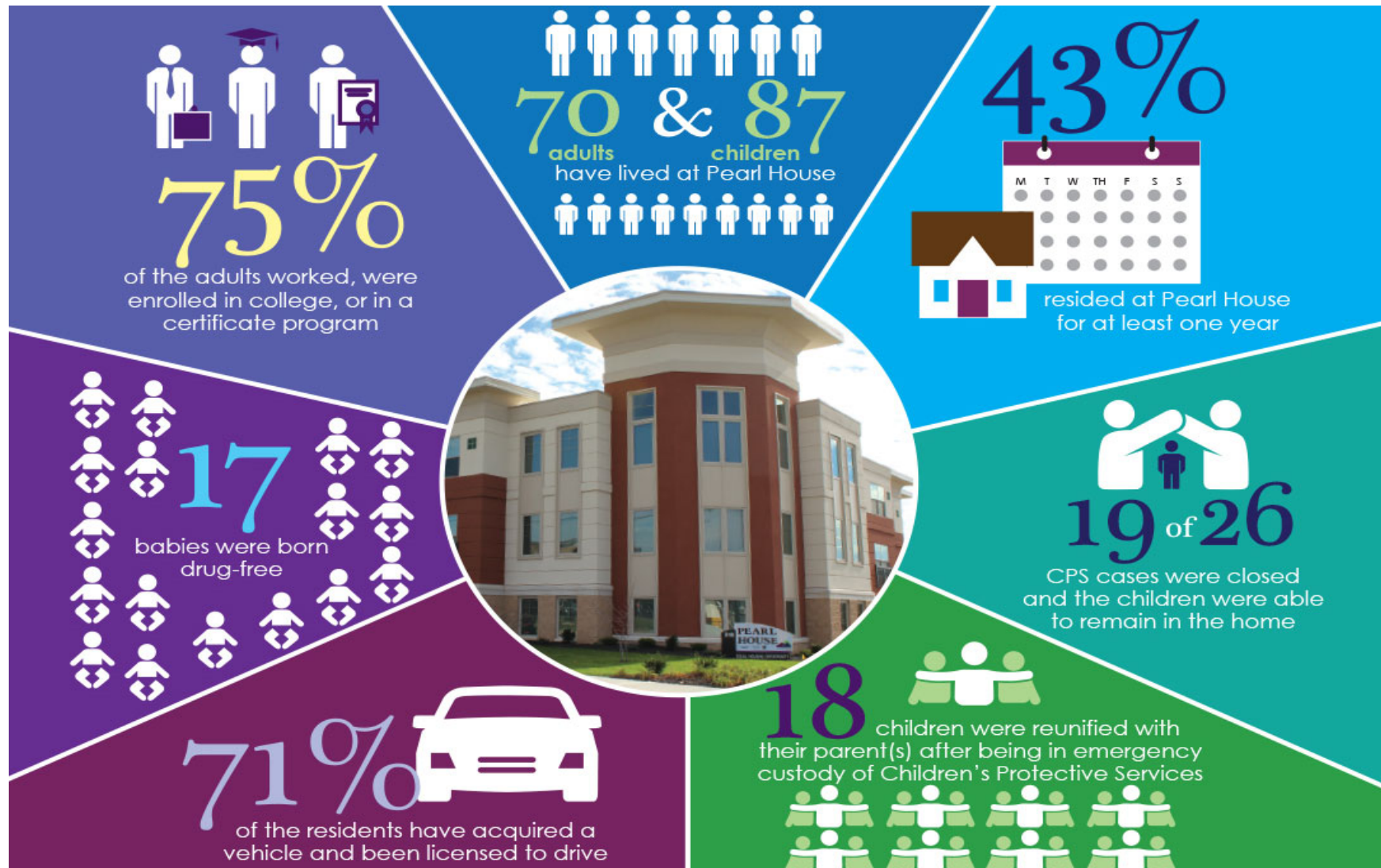
The Pearl House is a neighborhood. Kids play together, neighbors grill out together and participate in fun family activities.

With “pearl bucks” residents are rewarded by demonstrating a sense of community and helping their neighbors. They are given “bucks” to spend on items donated to the House.

Residents sign a lease and can stay as long as they meet certain criteria regarding their recovery.



Permanent Supportive Housing Equips Families to be Healthy & Productive



BATTLING THE WAR ON DRUGS... by investing in proven strategies in partnership with the Fairfield County Criminal Justice System and The Recovery Center.



Every **\$1** invested in treatment yields between **\$4 and \$7** in reduced drug-related crime, criminal justice costs and theft.

The cost of treatment is approximately

\$4,700

per year **vs.**

\$24,000

annually for imprisonment costs.

BREAKING THE CYCLE... by reuniting families and curbing the costs of Child Protective Services.



SAVE

\$32,400

per year in placement costs for every child Pearl House has reunited with their family per year.

BEING READY FOR SCHOOL...

by providing Early Head Start so that the children at Pearl House are more prepared for school.



100%

will engage with stories and books (a **27% increase** from previous year).



83%

will identify number concepts (nearly **50% increase** over previous year).

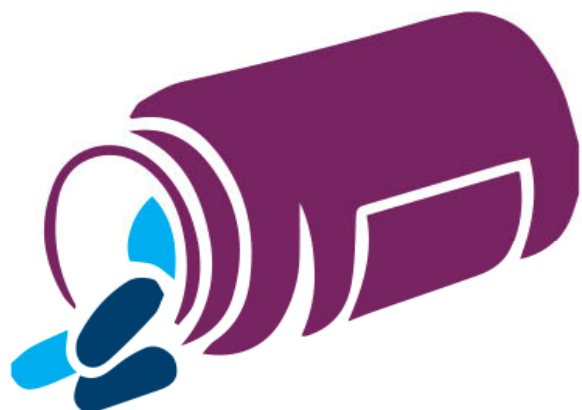


100%

will express and/or recognize a variety of emotions.

BECOMING HAPPY & HEALTHY...

by securing private financing for safe housing
where families can begin recovery.



Preventing unintentional
overdoses and death
through a strong partnership
with the Recovery Center.



Allowing

17



babies to be born drug-free,
saving approximately

\$233,000

in associated hospital costs.

"FOR THE **FIRST TIME**, OUR FAMILY HAS
established a life with goals
and we are now looking forward to
HOME OWNERSHIP.

We never even thought about this
before living at Pearl House."

Pearl House Resident



LYONS PLACE/MCBRIDE PLACE

Tim Bete





TIM BETE, PRESIDENT





WHO WE ARE

- 31-year-old faith-based non-profit located in Dayton, Ohio
- Developed 65 affordable communities with 4,500 units
- Nearly \$500 million in development in 10 states (primary focus is southwest Ohio)
- Focus on housing for older people and combating negative social determinants of health
- Have our own service coordination staff to connect residents to the services they need to remain independent





LYONS PLACE II APARTMENT COMMUNITY

- Opened 2015 (took 8 years to complete)
- 55 units for veterans age 62+
- Primarily funded with 4% tax credits and HUD 202
- Many residents were previously homeless
- McBride Place, a second apartment community, is physically connected to Lyons Place II



LYONS PLACE II SOURCES OF FUNDS

Tax Credits (4%)	\$ 3,347,211
HUD 202 Capital Advance	4,693,600
HDAP (Housing Development Assistance Programs)	500,000
City of Dayton HOME	400,000
NeighborWorks (St. Mary)	240,000
GP Capital Contribution	490,000
	\$ 9,673,811



LYONS PLACE II



LYONS PLACE II



LYONS PLACE II



LYONS PLACE II



McBride Place



LYONS PLACE II





15-Minute Break
Next Session begins at
10:30 a.m.

October 28, 2020

Statewide Association of Community and Economic Development Organizations



OFFICE OF
HOUSING COUNSELING

Ohio Conference For Community Development HUD Housing Counselor Certification

Robin Penick

U.S. Department of Housing and Urban Development
Office of Housing Counseling

Shawna LaRue Moraille

ICF

October 28, 2020

Why Are We Here?



- If your grantees and/or their sub-recipients provide **housing counseling services** or your program requires housing counseling, your grantees may be covered under HUD's **Final Rule on Housing Counselor Certification**.
- We need your help to ensure all covered stakeholders are aware of this requirement and planning steps for compliance.

Agenda



- Housing Counseling Office and Program
- Housing Counselor Certification Final Rule
- Next Steps to Consider
- Resources and Q&A

Housing Counseling Office and Program

Who are HUD-Approved Housing Counseling Agencies?

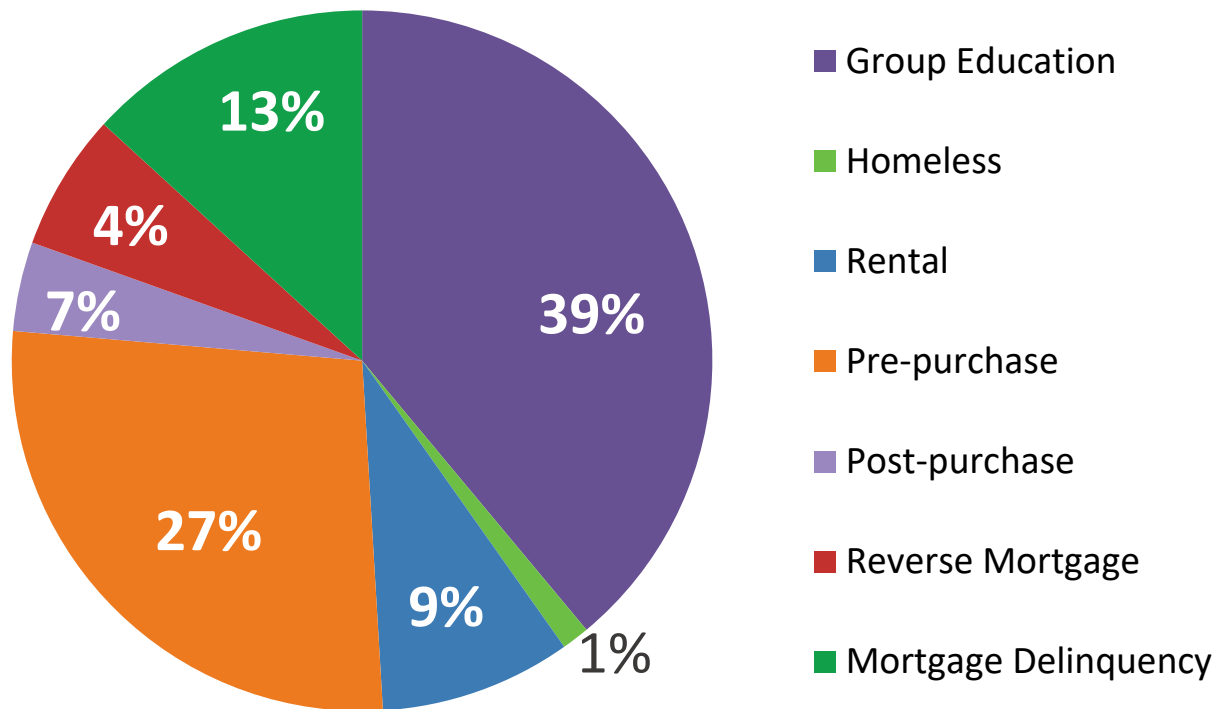
Public or nonprofit organizations

- Approximately 1,700 agencies participate in HUD's program
- Some apply for funding via Housing Counseling NOFA
 - Not all are funded

Types:

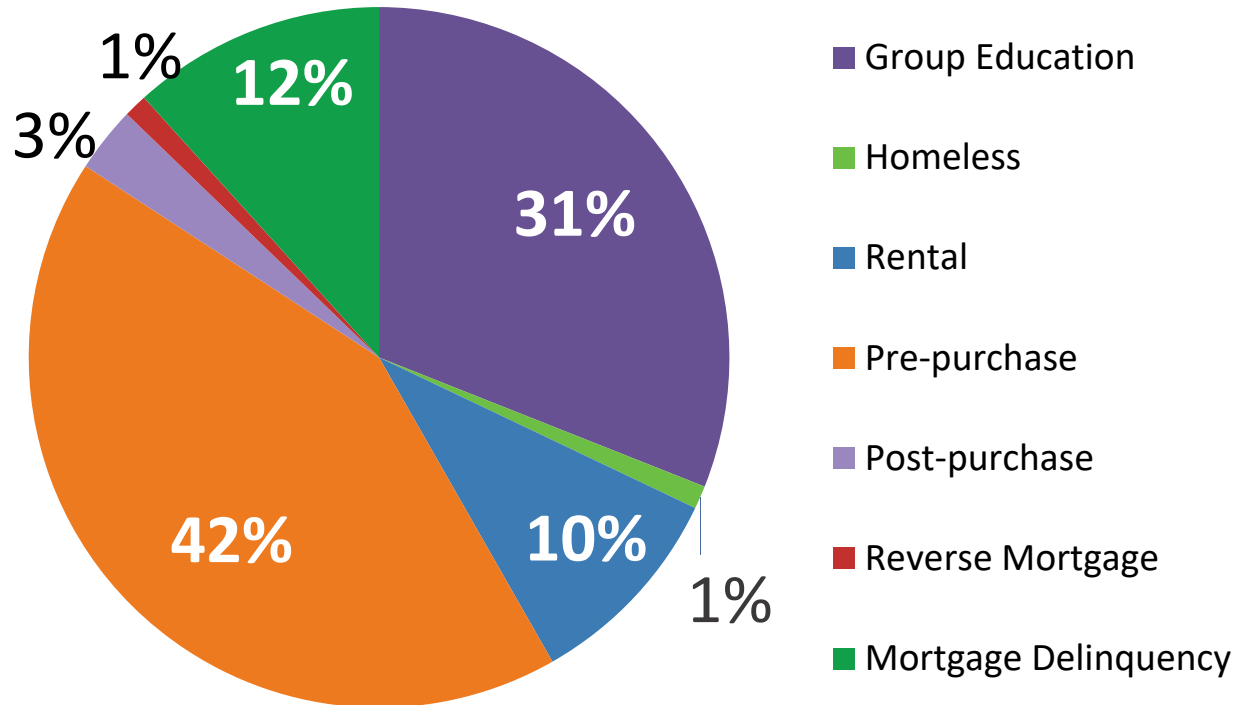
- Network agencies (with Affiliates/Subgrantees)
 - National or regional intermediary organizations
 - State Housing Finance Agencies (e.g., MSHDA)
 - Multi-State Organizations
- Local Housing Counseling Agencies (HCAs) (e.g., community action agencies)

National Housing Counseling Activity FY 19



Total Counseling Activity – 1,015,911 Clients

Ohio Counseling Activity FY19



Total Counseling Activity – 21,957 Clients

Final Rule - Definition of Housing Counseling



- **What is housing counseling (CFR § 5.100)?** Housing Counseling is independent, expert advice customized to the needs of the consumer to address the consumer's housing barriers and to help achieve their housing goals.
 - It must include the following elements:
 - Intake,
 - Client budget,
 - Financial and housing affordability analysis,
 - A client action plan, and
 - A reasonable effort to follow-up with client.

Group Education ≠ Housing Counseling



- Housing counseling is individualized assistance that is customized to the consumer.
- Group education, including Homebuyer Education, is not housing counseling.
- On-line education classes by themselves do not meet HUD programmatic requirements for housing counseling.

Housing Counselor Certification Final Rule

Housing Counselor Certification

KEY PROVISIONS



Housing counseling required under or provided in connection with **any** program administered by HUD shall be provided **only** by organizations and counselors certified by the Secretary.

Effective date: August 1, 2021

Interim Rule Certification Deadline Amended



- Ensures vital counseling services remain available during COVID-19 national emergency
- The new final compliance date is **August 01, 2021**.

What is a HUD Certified Housing Counselor?



Benefits of Certification



Broader knowledge = Better counseling	Create professional recognition for housing counselors	Elevate the value of the program for consumers
Consumers avoid scammers and con artists	A credential for counselors	Consumers benefit from HUD approved agencies
Housing counseling offered in connection with HUD programs meets OHC standards	Programs and counselors eligible for grants and scholarships	Increased visibility and awareness of housing counseling

Covered Programs



Required under or provided in connection with any program administered by HUD means:

- Housing Counseling is required by HUD
- Housing Counseling that is funded under a HUD program
- Housing Counseling that is required by a grantee or sub-grantee of a HUD program as a condition of receiving assistance
- Client served by a HUD program is referred to housing counseling

Community Planning and Development (CPD) Covered Programs



CPD Programs covered include:

- HOME
- Community Development Block Grant Program - including Disaster Recovery
- Housing Trust Fund
- Housing Opportunities for Persons With AIDS*
- Emergency Solutions Grant*
- Continuum of Care program*

**If clients are referred for housing counseling the agency referred to must be a HUD approved housing counseling agency and employ HUD-certified housing counselors*

CARES Act Relief Funds and Supplemental Funding



- Supplemental funding available September 11, 2020 = Nearly \$2 Billion
- Funds focused towards places with households facing higher risk of eviction
- Housing Counseling to respond to COVID-19 is an eligible expense

Slide 59

BY2

New

Ben Yanetta, 9/21/2020

SM17

Robin Penick to check on which programs covered. CDBG-CV and ESG-CV can be covered at a minimum in terms of flexibilities.

Shawna Moraille, 10/20/2020

Group Education, 1 of 2



- Provided for one or more people (classroom, online, conference call or other delivery method)
- Other stakeholders that only provide homebuyer education are not covered by the final rule.
- HUD participating Housing Counseling Agencies must offer counseling on the same topics as group education
- **Major differences from Housing Counseling are:**
 - Not customized for individual needs
 - Does not offer individual financial analysis or a client action plan

Group Education, 2 of 2



- CPD stakeholders plan to refer clients to on-line sources such as eHome America or Framework to satisfy housing counseling requirements.
- These are on-line education providers only and **not** housing counseling.

What Other Services are Not Housing Counseling?



- Services that provide only housing information, or placement or referral services
- Routine administrative activities (e.g., program eligibility determinations, intake, case management)
- Case management that provides housing services as incidental to a larger case management (HOPWA, ESG, COC) and does not fund housing counseling
- Fair housing advice and advocacy (e.g. processing complaints and filing claims)
- Group education without individualized services

Housing Services ≠ Housing Counseling



- The housing services that do not meet the definition of housing counseling per CFR part 5.100, such as:
 - Housing information, or placement or referral services
 - Routine administrative activities (such as program eligibility determinations and intake)
 - Case management that is incidental to a larger case management and does not fund housing counseling
 - Fair housing advice and advocacy, such as processing complaints and filing claims
 - Group education without individualized housing counseling services

Impact on Pass-Through Organizations and Management



- Staff who fund, oversee or administer a housing counseling program **and** do not directly provide housing counseling are not required to become HUD-certified
- Only use designation “**HUD Certified Housing Counselor**” if you have passed the exam and are activated by your agency in FHA Connection

Next Steps to Consider

Is My Program Covered?



1. Determine if your organization is providing housing counseling.



2. Read about your program and how it may or may not be covered by the final rule.



3. Review your options if your program is covered by the final rule.



4. Access more information and Resources.

If Yes, Identify Your Options



- Become a HUD-Approved Housing Counseling agency
 - Public agencies or nonprofits are eligible
- Partner
 - Identify housing counseling agencies working in your state or look for a national, regional HUD intermediary or state housing finance agency
 - Conduct an RFQ to gather partners, or search for qualified partners
 - Issue procurement or enter into a subrecipient agreement
- Modify your program by August 1, 2021

How to Become a HUD Approved Housing Counseling Agency

Organizations interested in becoming HUD-approved to provide counseling services must be either: 1) a private or public nonprofit organization or 2) a state or local government. For-profit entities are not eligible to become HUD-approved Housing Counseling Agencies.

The [HUD Approval Process Overview](#) shows the steps in becoming a HUD-approved Housing Counseling Agency.

There are two ways to participate in HUD's Housing Counseling Program:

1. Organizations may apply directly to HUD as one of the following: a Local Housing Counseling Agency (LHCA), an Intermediary (regional or national), a multi-state organization (MSO), or as a state housing finance agency (SHFA).
2. LHCAs can also apply through a [HUD-approved Intermediary or SHFA](#). Intermediaries and SHFAs provide LHCAs with critical supportive services, including training, tools and templates, pass-through funding, and technical assistance. They also monitor their networks to ensure services meet program standards and effectively meet the needs of their clients.

Are You Ready to Apply?

Housing Counseling Agency Eligibility Tool

Access the Tool

[Download Tool Questions as a PDF](#)

<https://www.hudexchange.info/programs/housing-counseling/agency-application/>

Housing Counseling Agency Eligibility Tool (HCAET)



- Anyone with a HUD Exchange account can use the tool
- Provides in-depth explanation of eligibility criteria
- Evaluates agency readiness to apply based on information provided to the tool
- Provides an agency with a user report to follow up on next steps
- **Does not replace a formal application review by HUD**

Housing Counseling Agency Eligibility Tool (HCAET), continued



- <https://www.hudexchange.info/programs/housing-counseling/housing-counseling-agency-eligibility-tool/>

Housing Counseling Agency Eligibility Tool

What is a HUD-Approved Housing Counseling Agency?

HUD-approved Housing Counseling Agencies (HCA) are organizations supported or sponsored by HUD and administer housing counseling services across the country. A HUD-approved Housing Counseling Agency is eligible to apply to HUD for grant funding under its Notice of Funding Availability (NOFA).

HCAs represent a diverse set of organizations who work among HUD programs including public housing authorities, community housing development organizations (CHDOs), tribally designated housing entities, community development corporations, etc.

HCAs provide a valuable service within a community and serve consumers with counseling across housing needs from homeless and rental housing to pre-purchase homebuyer education.

For more information on the overall process and the requirements for becoming a HUD-approved Housing Counseling Agency, please visit this page within the HUD Exchange: [How to Become a HUD-Approved Housing Counseling Agency](#).

What is the Housing Counseling Agency Eligibility Tool?

Get Started

Sign in and complete the tool.

[Sign In](#)

Need a HUD Exchange Account?

[Register Now](#)

Questions

For technical issues with the tool, contact the HUD Exchange team.

Requires a hudexchange account to use. Sign up is easy and free

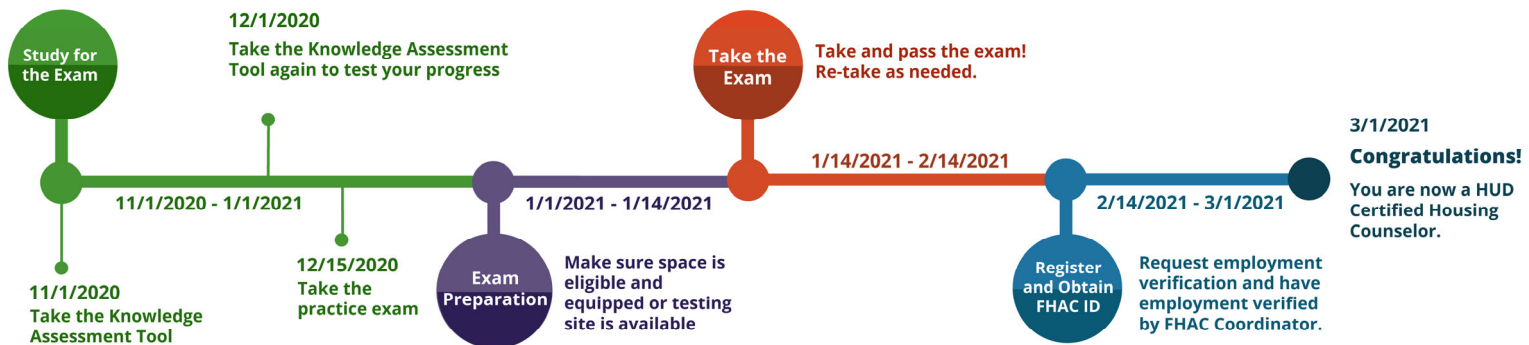
Tools to Prepare for Counselor Certification



- www.hudhousingcounselors.com
 - Free on-line training modules
 - Downloadable study guide in Spanish and English
- Examination preparation courses from HUD training grantees and training partners – see Training Partners on HUD Exchange
- Practice Exam
- Knowledge Assessment

Sample Timeline for Certification

Become Certified in Less than 4 months!





Resources & Questions

Finding a HUD Participating Counseling Agency



By Phone

Contact HCA's with HUD's
interactive voice system by calling:
(800) 569-4287

Search Online

www.hud.gov/makehomehappen

Search for Housing Counseling Help on: HUD.GOV

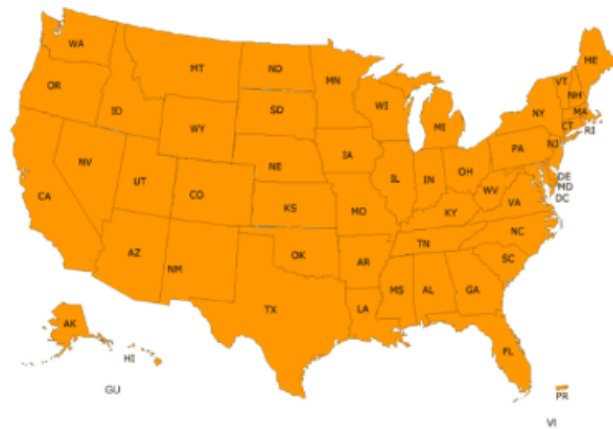
HUD Office of Housing Counseling HUD Approved Housing Counseling Agencies

HUD sponsors housing counseling agencies throughout the country that can provide advice on buying a home, renting, defaults, foreclosures, credit issues. This page allows you to select a list of agencies for each state below. You may search more specifically for a **reverse mortgage counselor** or if you are facing foreclosure, search for a **foreclosure avoidance counselor**.

Please select a state from the list below and click the "Go to this page" link, or select a state from the map below.

[Go to this page](#)

Agency Contact Information by State (Map)



The website provides a drop-down list of states or you can click on states on the map to see all the HCA's in each State

Search for a Certified Counselor



Search for HUD Approved Agency with a Certified Counselor

- https://entp.hud.gov/idapp/html/hecm_agency_look.cfm

Counseling Agencies

Welcome to FHA's search for Counseling Agencies by location or name. You can search to find Counseling Agencies in various parts of the country. For example, if your search is for a list of all active Counseling Agencies in Washington, D.C., the important fields to fill would be the state and city fields. To search a smaller area, the zip code could be used. If you need help, take a look at our [help](#) screen or contact the [Single Family Administrator](#).

Sorted By:

Agency Name:

City:

State:

Zip Code:

Counseling Type:

Certification Landing Page

<https://www.hudexchange.info/programs/housing-counseling/certification/>

Housing Counseling Certification



HUD Publishes Interim Final Rule to Amend Housing Counselor Certification Deadline to Ensure Vital Counseling Services Remain Available During COVID-19 National Emergency

HUD posted an [Interim Final Rule on the Federal Register website](#) to announce an amendment to the deadline for housing counselors to become HUD certified. The new final compliance date is August 1, 2021. The amendment is meant to ensure that vital housing counseling services remain available to the nation's homebuyers and renters, particularly those who need mortgage assistance to recover financially from the effects of the national emergency. [Read the Interim Final Rule in its entirety.](#)

The [Housing Counseling Certification Requirements Final Rule](#) implements the standards that housing counseling required under or provided in connection with all HUD programs. The standards will apply to programs required by HUD or provided in connection with any program of HUD.

Interim Final Rule

- [Interim Final Rule: Housing Counseling Program: Revision of the Certification Timeline](#) (August 5, 2020)



Final Rule and Exam



Apply for Certification



HUD Programs Covered



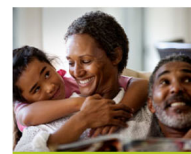
Tracking Progress



Exam Preparation



Certification Study Groups



Certification Success Stories



FAQs

HUD Programs Covered by the Final Rule



<https://www.hudexchange.info/programs/housing-counseling/certification/covered-programs/>

Is my program covered?

Read the following sections in order to find out:



1. Determine if your organization is providing housing counseling.



2. Read about your program and how it may or may not be covered by the final rule.



3. Review your options if your program is covered by the final rule.



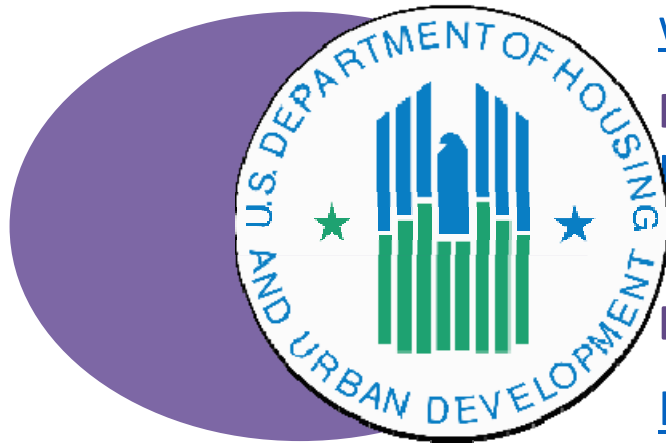
4. Access more information and Resources.

Frequently Asked Questions



- Answers to most of your questions about the Housing Counselor Certification and the certification process available as searchable database or PDF
- www.hudexchange.info/housing-counseling/faqs/

Office of Housing Counseling Resources



Find us at:

www.hudexchange.info/counseling

Housing Counseling Certification:

<https://www.hudexchange.info/programs/housing-counseling/certification/>

Email us for questions on certification:

Housing.counseling@hud.gov or

Robin.Penick@hud.gov



15-Minute Break
Next Session begins at
11:45 a.m.

October 28, 2020

Statewide Association of Community and Economic Development Organizations

RESIDENTIAL – PACE IN OHIO

- Frank Ford, Senior Policy Advisor, Western Reserve Land Conservancy
- Steve Sharpe, Staff Attorney, National Consumer Law Center

Residential Pace – What You Need to Know



Steve Sharpe
National Consumer Law Center
October 28, 2020

PACE

- **P**roperty **A**ssessed **C**lean **E**nergy
- Home improvement loans offered through contractors
- Energy Efficient and Renewable Energy Improvements. Examples:
 - Windows/doors
 - HVAC systems/water heaters
 - Insulation
 - Solar
 - Geothermal

PACE

- PACE was first authorized by Ohio Legislature in 2010
- Commercial PACE – where the borrower is usually a sophisticated real estate professional – has been regarded as successful in Ohio
- Recently there's been a push for PACE on residential property, known as "R-PACE"
- The Toledo Lucas County Port Authority at the center for the recent push

PACE

- Key Feature – The loan is attached to the homeowner's tax bill and becomes a priority lien against the home
- Home improvements can be financed over a long period of time
- But: failure to pay on taxes or increased mortgage payments puts home at risk of foreclosure
- Stories in NCLC Material

Problems We've Seen

- Contractor misrepresentation
- Poor and unnecessary work
- High cost, high balance loans
- Homeowners without the ability to repay

Ohio's Proposed Consumer Protection

- To make the program safe, we need:
 - Third party verification/documentation of consumer's income and debt
 - Reasonable debt to income ratio/ability to repay standards
 - A right to rescind/cooling off period

Ohio's Proposed Consumer Protection

- To make the program safe, we need:
 - Specified contractor requirements and ways to monitor compliance
 - Clear and explicit consumer remedies

NCLC PACE Material

- Residential Property Assessed Clean Energy (PACE) Loans: The Perils of Easy Money for Clean Energy Improvements
 - https://www.nclc.org/images/pdf/energy_utility_telecom/pace/ib-pace-stories.pdf
- Comments – ANPR to the CFPB PACE
 - https://www.nclc.org/images/pdf/energy_utility_telecom/pace/nclc-nhlp-pace-comments-%20may2019.pdf

NCLC Issue Brief

- Issue Brief: Ohio's New Residential PACE Programs Need Strong Consumer Protections to Prevent Homeowner Abuses
- <https://www.nclc.org/issues/ib-oh-pace-oct2019.html>

NCLC Best Practices

- Property Assessed Clean Energy (PACE) Loans: State and Local Consumer Protection Recommendations
- https://www.nclc.org/images/pdf/energy_utility_telecom/pace/ib-pace-nov2019.pdf

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Since 1969, the nonprofit **National Consumer Law Center® (NCLC®)** has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. **www.nclc.org**

Residential PACE Home Improvement Financing

A Closer Look

Based on analysis and recommendations prepared
by the Vacant and Abandoned Property Action Council (VAPAC)
https://www.dropbox.com/s/hwr9csfns9jh00r/Residential%20PACE%20Analysis%2010.22.19_wrk%20drft.pdf?dl=0

- **Frank Ford**
- **Senior Policy Advisor, Western Reserve Land Conservancy**
- fford@wrlandconservancy.org

How PACE will work....

A closer look.

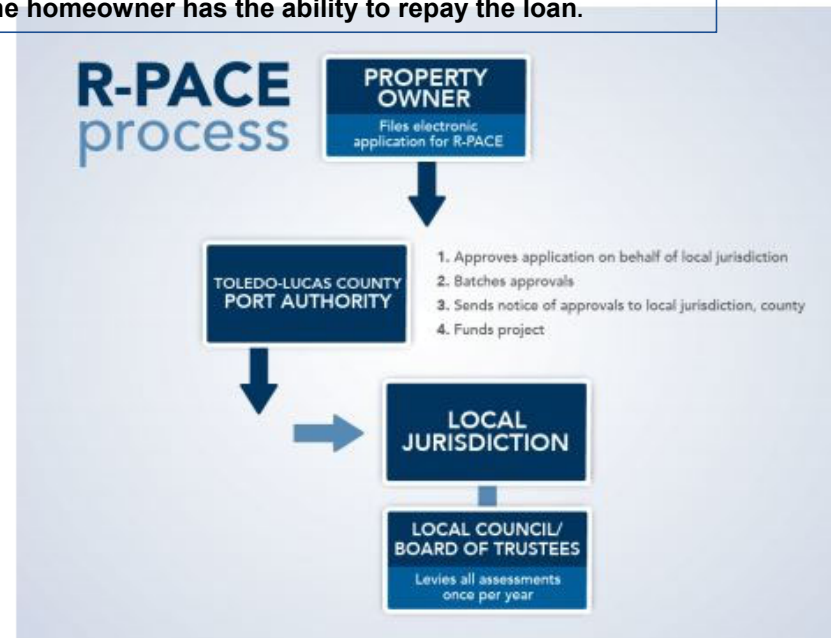
Misleading....homeowners don't drive this program; this is a contractor-driven program, contractors can initiate contact and solicit door-to-door in neighborhoods.

Review is minimal – the Lucas Port Authority staff will not be reviewing an energy audit or an inspection report on the house.

How R-PACE Will Work in Ohio: ESID Already In Place

- Homeowners engage Renovate America's registered contractors.
- Residential projects are reviewed by TLCPA staff on behalf of local governments and their regional port authorities, under established cooperative agreements.
- TLCPA staff approves projects and notifies local government of approval.
- Local government levies special assessment.
- Local governments retain the authority to join and leave the TLCPA program, or join any other program that may be developed.
- NOTE: Where an ESID does not exist, an initial project in that area will have to serve as the application both for the project and for ESID formation.

The project will be approved, and the assessment will be levied onto the homeowners tax bill, without anyone verifying whether the homeowner has the ability to repay the loan.



Who is likely to get a PACE loan?

Renovate America, a company seeking to enter the PACE market in Ohio, estimates that 24% of borrowers will be low income and 41% will be moderate income, thus 65% will be low-mod.

Only 36% will be high income.

The majority of PACE borrowers will be in communities that already have high tax delinquency burdens – low income in the East Side of Cleveland, and moderate income in the East Inner Suburbs.

A Cuyahoga HELP home repair loan is available at just above 2% for applicants with good credit.

The PACE loan will be up to 8%.

The PACE loan will be most attractive in communities that are still struggling to recover from the foreclosure crisis: the East Side of Cleveland and the East Inner Suburbs.

**Two major concerns with a program
that will involve:**

- door-to-door solicitation**
- a sales pitch in a living room**
- resulting in a super-priority lien on the
home.**

**1. There is no independent assessment of the
home – are these the right repairs?**

**2. There is no third party verification of the
homeowners ability to repay the loan.**

Are these the right repairs/improvements?

A contractor may persuade a homeowner that they need \$5,000 - \$10,000 in new doors and windows, or solar panels.

But are those the best improvements to maximize energy savings?
No energy audit is done as part of the PACE program.

What if there are serious health/safety/electrical/plumbing issues that should be addressed instead?

There is no independent inspection to help guide the homeowner.

VAPAC Recommendations:

- Follow best practices established by the Lucas County Land Bank.**
- Independent assessment of the home to prioritize repairs and determine whether proposed PACE repairs are the best option.**
- Independent energy audit to determine best approach to energy savings.**

Can the homeowner repay the loan?

In the master agreement between the Toledo Port, Renovate America and the Energy Districts, the Port stipulated that:

Consumer Protection Policies shall be adopted, and
They shall be substantively similar to consumer protections in California.

California requires “third party verification” of the homeowners ability to repay a loan.

But, the Consumer Protection Policies adopted by the Port say the homeowner may simply “**attest**” to their income, with **no verification of income**.

When confronted with this contradiction, these answers were given:

- The program won’t work if we have to require 3rd party verification.
- A FICO score of 620 is sufficient to insure ability to repay.
- Applications for PACE loans fell off after California adopted stronger consumer protections.

VAPAC Recommendation:

- Require 3rd party verification of ability to repay the loan.
- Enforce the master agreement as written.

Other Concerns

Renovate America and the Energy District claim a homeowner's contract will contain a 3-day right to cancel – as required by Ohio Law.

But they aren't requiring the contractor to leave a copy of the contract with the homeowner. "It can be emailed later". How many days later? More than 3? What if the homeowner doesn't check email regularly?

The LA Times reported that in California PACE contractors would flash "snippets" of the contract on their phone or laptop to show the homeowner select provisions of the contract. They would sign electronically, but be left with no hard copy.

VAPAC Recommendation:

- **3-day right to cancel should be boldly stated in the contract.**
- **A copy of the proposed contract should be left with the homeowner to review - even if they are not ready to sign.**
- **A copy should be left if they do sign (in writing or electronically).**
- **Work should not begin until the 3 day period has elapsed (exception – emergency repairs).**

Other Concerns, continued

The Northeast Ohio Energy District and its legal counsel, Bricker and Eckler, have drafted model legislation to make it easy for a municipality to enact an ordinance authorizing Residential PACE in their community.

The model ordinance contains no additional protections for consumers.

Update

The Northeast Ohio Advanced Energy District (AED) responded to the VAPAC recommendations.

1. The AED notes that they will use “back-end Debt to Income Ratio (DTI)” to qualify PACE loan borrowers, as VAPAC suggested. **However, DTI is meaningless if the “income” portion of the DTI ratio is not verified.**

2. The PACE program will flag any improvement the contractor is trying to sell for a price that is inappropriate – “homeowners cannot be oversold on the basis of price”. **But nothing will prevent a contractor from selling a solar system, when an energy audit might say that the homeowner would be better off insulating their home; or when the homeowner should be putting money into fixing unsafe electrical or plumbing equipment.**

The Northeast Ohio Advanced Energy District (AED) responses, continued.....

3. VAPAC suggested there needed to be a more thoughtful approach. The AED replies “ A trial program was developed in Lucas County....National stakeholders beyond the Renovate America group have advised the Ohio program.....AED believes that its participation in Residential PACE has been extremely thoughtful and careful. But the proposed program incorporates none of the lessons learned in the Lucas County trial program; it ignores the lessons learned in California, and ignores the mandate of the master PACE agreement that says consumer protections shall be substantively the same as California, e.g. 3rd party verification of ability to repay the loan.

The Northeast Ohio Advanced Energy District (AED) responses, continued.....

4. The AED argues that the California consumer protections are not appropriate because “California enables a lender-administered program and ...Ohio enables a government-administered program”. Yes, the Toledo Lucas County Port will do overall administration, each municipality will have to enact an ordinance to authorize PACE, and Cuyahoga County will agree to put the loan on a taxpayer’s tax duplicate. But how does that address the issues VAPAC has raised; specifically 3rd party verification of ability to repay?

5. The AED says that “the homeowner documentation contains a Three Day Right to Cancel....financial disclosures... modeled after the Federal Know Before You Owe documentation...”. But, as noted earlier, the program will not require contractors to leave a hard copy of the contract or other documentation with the homeowner; “it will be emailed to the homeowner”.

Final Thoughts

Contractors in California routinely promoted the PACE program as “no money down”, and “it’s a government-sponsored program”, implying it was safe for residents to engage. There is every reason to assume Ohio contractors will want to use these same selling points.

When Ohio Mayors and City Councils authorize PACE in their community, they will be giving their stamp of approval to a program where.....

Final Thoughts, continued

Contractors will go door to door selling products

Without an energy audit or other assistance

The loan could be as high as 8%

The loan will be super-priority tax lien on their home

No verification of ability to repay the loan

No hard copy documentation left with the homeowner

For further information

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Business Meeting

October 28, 2020



Statewide Association of Community and Economic Development Organizations

OCCD BUSINESS MEETING

- Strategic Plan Subcommittee Reports
 - Secure Financial Sustainability & Breadth
 - Bring Real Value to Changing Membership
 - Create Organizational/Staffing Structure to Meet New Demands
 - Expand & Capitalize on Partnerships
 - Branding & Marketing – Organization/Community Development
 - Development an Advocacy & Policy Platform

OCCD BUSINESS MEETING

- OCCD Financial Report
- OCCD Foundation Report
- OCCD Foundation Board Members Election
 - Hannah Diewald / Lisa Patt-McDaniel

OCCD BUSINESS MEETING

- Opportunity for Engagement
 - Strategic Plan Committee/Subcommittees
 - OCCD Standing Committees
 - Membership
 - Sessions & Training Programs
 - State Programs
 - Legislative
 - Finance



**Thank you for attending the
OCCCD Fall Virtual Meeting.**

*You will receive an email invitation for Day 2
later this afternoon.*