

# Tenant Selection Plans: An Overview of Basic Elements

*By: AJ Johnson*

Many agencies that oversee housing programs require formal Tenant Selection Plans (TSPs). This includes the Department of Housing & Urban Development (HUD), the Department of Agriculture's Rural Development (RD) and some state Housing Finance Agencies (HFAs). There are also circumstances where local housing agencies — such as those in New York, Chicago and San Francisco — may require formal TSPs.

The basic elements of TSPs are generally the same, regardless of the specific program requiring the plan. This is the first of three articles on TSPs, in which we will discuss the general elements that should be included in any TSP. In future articles, we will cover specific components for properties with Low-Income Housing Tax Credits (LIHTC) and properties with layered programs.

The first component of any TSP should be a general overview of the plan's purpose, including:

- Basic description of the property (e.g., family or senior)
- Unit distribution (number of bedrooms/layouts)
- Rent structure
- Clear statement of fair housing compliance

Following this introduction, the following elements should be included and described.

## **Income Limits**

The TSP should specify the income limits that apply to the site. The actual dollar amounts should not be used because these may change from year to year, but the plan should outline eligibility restrictions related to income (e.g., if the income is restricted to 80% of the area median income). Any special income targeting requirements, such as those required by Section 8 properties, should also be outlined.

## **Site-Specific Requirements**

The TSP must specify whether the site is designated for a special population, such as the elderly or disabled. Any preferences should be identified, including a description of how the preferences will be verified. Any exceptions to preference rules should be delineated, and every TSP should include a requirement that the apartment be the sole residence of the tenant.

## **Citizenship/Immigration Status**

Some programs (e.g., HUD and RD) have requirements relative to residents' immigration status. Any requirements that apply should be outlined in the TSP. This section is not required if the programs do not have restrictions relative to immigration status.

We will provide greater detail on this element in the third article in the series.

## **Social Security Number Requirements**

As with immigration status, some programs require applicants to provide Social Security numbers. In other cases, it is a requirement of a property owner. In either case, such a requirement should be detailed in the TSP.

## **Application and Selection Procedures**

The TSP should clearly outline the procedure for receiving applications. Will pre-applications be required? Is there a waiting list, and if so, what is the procedure for being selected from the list? How will preferences figure into selection of applicants? Is there a lottery process?

It should be noted that many affordable-housing programs use a lottery for selecting applicants. Details regarding lottery procedures will be included in upcoming articles.

## Applicant Screening Criteria

All criteria used to screen applicants for project eligibility should be fully explained in the TSP. This includes policies relating to credit checks, landlord references, criminal screening, home visits and any other type of screening.

Specifics regarding each element should be explained. For example, in landlord reference outreach, how many instances of non-payment or other lease violations will be grounds for rejection? How far back in time will you look? The same is true for criminal and credit screening: How far back will you go? What are the specific elements that will result in rejection?

If home visits will be conducted, the TSP should provide a very detailed description of how the process will work. For example:

- What is the distance limitation for conducting home visits (e.g., 50 road miles)?
- When will the visit take place (e.g., when the applicant reaches the top of the waiting list or has passed all other screening criteria)
- What elements are under observation during the visit (e.g., other occupants, pets, housekeeping, criminal activity)?

## Reasons for Rejection

The plan should describe the circumstances under which the owner will reject an applicant. If extenuating circumstances will be considered prior to formal rejection, the procedures for such consideration should also be described.

Examples of rejection criteria could include:

- Insufficient or inaccurate information on an application
- Credit/financial standing
- Criminal convictions/current drug use

- Household characteristics (e.g., too many people for the unit size)
- Unsanitary housekeeping

Exceptions to rejection criteria and rejection procedures should also be included in this section of the TSP.

## **Occupancy Standards**

A critical component of any TSP is a clear description of occupancy requirements. How many people may occupy a unit? What is the basis for the standard — i.e., is it a local ordinance requirement or an owner standard?

## **Unit Transfer Policies**

When will existing residents be permitted to transfer between units? Will requests for resident-desired transfers be accepted, or will there have to be a specific need for the transfer, such as a change in household size or as a reasonable accommodation?

## **Non-Discrimination Policies**

Every TSP must fully describe the reasonable accommodation procedures that the property will follow and clearly state that all applicable fair housing laws will be followed.

## **Policies on Opening and Closing Waiting Lists**

If a waiting list will be maintained, a clear explanation of how the list will be managed should be included in the TSP. How will applicants be selected from the list? When will a waiting list be closed (and re-opened)? When can an applicant's position on the waitlist be changed, and when will they be removed? How will applicants be contacted? How often is the list purged and/or updated?

## Special Eligibility Requirements

Any unique eligibility requirements for the property should be outlined in the TSP. For example, some programs have specific student rules (which will be explored in upcoming articles), some properties are specifically for seniors or the disabled, and others may be for the homeless or domestic violence victims.

The elements noted in this article should be part of any TSP, regardless of the underlying program governing the property (or even if the property is strictly conventional and the owner simply chooses to have a written TSP). However, properties that are subject to federal or state requirements will often have distinct requirements relative to TSPs; the next two articles in this series will explore requirements and recommendations specific to the LIHTC program and HUD/RD properties.

*AJ Johnson is the president of AJ Johnson Consulting Services, Inc, and has more than 40 years' experience in the affordable housing industry. Johnson has developed more than 70 multifamily housing complexes using federal, state and conventional financing, of which more than 40 used the LIHTC. AJ Johnson Consulting Services has performed asset management reviews on more than 6,000 properties containing approximately 660,000 units since January 1995. Johnson is also the author of "A Property Manager's Guide to the Low-Income Housing Tax Credit," which was written to assist site and property managers in maintaining tax credit compliance.*