

BottomLine

WINTER/SPRING 2020
INAUGURAL ISSUE

A MAGAZINE FOR LANDLORDS
AND PROPERTY MANAGERS

LEARN
ABOUT
Section 8:
A Case For
Acceptance
P.14

EXCLUSIVE: AN INTERVIEW WITH:

MIRIAM SOTO

DIRECTOR OF LENDING AT LHOP



Lancaster
Housing
Opportunity
Partnership

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Miriam Soto is the Director of Lending for LHOPE. Learn about her role and the Local Housing Investment Fund & Trust and how it can benefit investors. P.8

Editor's Note

Welcome

BottomLine Magazine is a bi-annual publication developed to provide helpful guidance on landlord-tenant relationships to landlords and property managers. This digital magazine aims to help landlords address their bottom line through articles on retention, compliance, and expanding housing affordability for all. LHOP is proud to provide this vehicle with which to educate, inform and entertain through a variety of articles written by staff and community partners.

We encourage the readers of BottomLine to research and seek professional consultation on areas of interest sparked by the contents of this publication. Our hope is that we inspire you to pursue these issues further as you build your business through effective landlord-tenant relationships and partnerships. If you would like further information or local resources on any of the topics addressed in BottomLine, please reach out to LHOP staff.

Our goal in creating this publication is to provide information that is important for landlords and property managers. By increasing your knowledge, you can strengthen your BottomLine.



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Tenant Stability = Income Stability

By: Adrian Garcia



Image Credit: Getty Images/iStockphoto

Why did you become a landlord? What was it about the business that attracted you? Was it the extra income an investment property would bring, the desire to own something tangible, or the desire to leave financial security to your family in the future?

Whatever the reason, chances are you did your research on the properties, neighborhoods, code and zone regulations, renovation costs, and more. In short, you did your homework and thought you left nothing to chance. It's a familiar story repeated by many investors before you and likely to be repeated in the future. It may surprise you to learn that when we visited with Lancaster landlords during workshops and forums in 2019, we learned 90% of landlords knew little or nothing about the regulations that govern their chosen "side-hustle" when they first became landlords. When asked how many of them learned through trial and error, everyone responded they learned about landlord regulations that way. This is not surprising, but an expensive way to learn. The average "all-in" cost of one eviction is more than \$5000 in PA, (*Lucas Hall,*

Landlordology, 2018). There is a better way for you to continue to do business and make a difference in your community. The following are some best practices from landlords that have realized that ensuring tenant stability has a positive impact on their bottom line.

Maintain a Habitable Rental Unit

If a rental unit is maintained in habitable conditions, tenants will remain healthy. This means that tenants will continue to work, and if they are able to work, they are able to pay rent.

Chances are if a restaurant served you a plated of substandard food, which included some unwanted foreign matter, you would understandably return it or even leave the restaurant. The same rule applies to a rental unit. A landlord should provide a quality rental unit and provide appropriate customer service if an issue arises.

(continue on P. 8)

Be Familiar with Community Resources

An informed landlord knows what programs exist that can assist their tenant during tough times. Imagine having a good tenant that has lived in your unit for 5 years and has always paid rent on time that suddenly develops a health issue and has lost hours at work. A landlord that is knowledgeable about local community resources can increase their opportunity to stabilize the tenant's situation simply by providing a list of community resources to their tenant.

Invest in Knowledge

Seek additional information from experts in the areas of Landlord-Tenant, Fair Housing, Americans with Disabilities Act, and other national, state, and local laws that govern your chosen business. For instance, though you may be aware of the Federal Fair Housing Act, you may not be aware that there are state and local ordinances with expanded protections for other protected categories. Maintaining a knowledge base about these regulations will ensure you will always be in compliance.

Document Everything

The importance of clear communication cannot be over-stated. On most cases, documentation in the landlord-tenant relationship starts with the application, continues through the lease signing, and then stops. In order to have clarity in communication between you and your tenant, it is important to maintain consistent written records. Written notices for changes to terms in the lease, lease violations, payment arrangements, and pre-scheduled maintenance should always be delivered in writing. Letters, emails and texts are all acceptable forms of communication between you and your tenant.

Rapid Customer Service

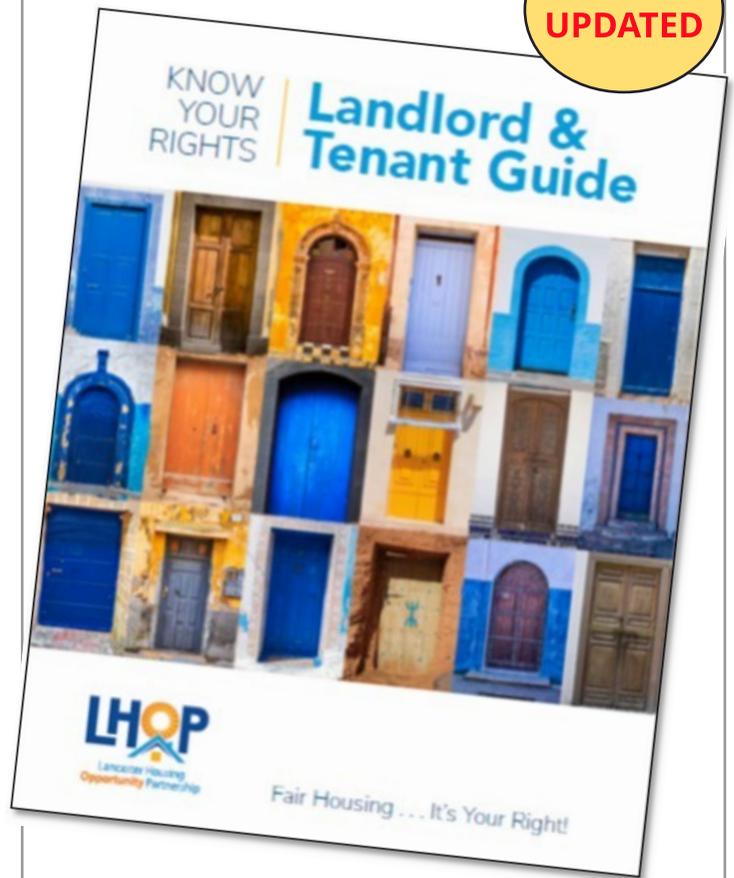
When a repair need is reported to you, it is important for your to react swiftly by returning your tenant's calls promptly and assigning the task to maintenance personnel in a timely manner. Not only will this increase tenant loyalty, but it will protect your investment from increased damage from delayed repairs.



Visit www.lanlorology.com for more information and resources

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Background Screening: What's right and what's fair?

By: Aileen Beaver

Finding the right tenant for your rental property is a key part of running a successful business as a landlord. It can feel overwhelming to find the best match for your property. When searching for tenants there are important guidelines and recommendations that will allow you to follow Fair Housing laws and find an appropriate renter for your property.

Credit Scores

One aspect of the background screening process is credit reporting. We recommend taking steps to ensure that your credit checks are done fairly. You may find a prospective tenant with a low credit score. When that happens, there are certain actions you, as the landlord, can take. The following are examples of what can be done:

- Provide contact information to the tenant for the company who provided the report.
- Let the tenant know that they can dispute the report.
- There can be an adverse action (i.e. require a cosigner, additional security deposit or additional rent).

• If pursuing an adverse action, the landlord must notify the tenant about the reason for the action in writing in advance of the lease signing.

If you find a prospective renter with a low credit score, you could allow them a chance to explain. That way you can have a better understanding about their situation and what may have caused the reduction in credit worthiness.

For example, someone may have a low credit score because of rental arrears, which could indicate financial risk for the landlord. However, another person may have a low credit score because of an unforeseen medical bill that they are having trouble paying. This situation may not present a financial risk to the landlord.



Did You Know?

The use of a blanket policy to deny any applicants with a criminal record could be considered discriminatory.

(See why on page 9)



ATTENTION LANDLORDS!

The Rental Advantage Course is a renter education program that will promote stable tenancy and STABLE TENANCY = INCOME STABILITY! This will be an 8-hour renter education certificate program modeled after our successful First-time Home Buyer course. Instructors will include; Credit Specialists, Property Managers, Insurance Agents and various other experts in their field.

The course will instruct on:

- Renting Fundamentals
- Preparing to Rent
- Understanding your Personal History
- Locating Housing
- Healthy Home Care Hints
- Understanding a Lease
- Household budgeting
- Working with your Landlord
- Credit Basics
and more



Why LHOP? 25 years of

- Curriculum development for First-time Home Buyer Instruction
- Community-wide collaborations with Landlords, Social Service and Municipal Officials
- Certified Fair Housing Specialists.

LHOP will be offering eight-hour classes throughout 2020. The cost for this course will be \$25 per person and includes continental breakfast, lunch and materials provided.

Scholarships are available. For additional Information call 717-291-9945 ext. 110.

Funding made possible by:



Curriculum collaboration:





A Conversation with Miriam Soto, Director of Lending

By: Brittany Mellinger

Miriam Soto is LHOP's Director of Lending. With over 20 years of lending experience, she oversees the services offered in the Home Ownership Center, including the First Time Homebuyer Programs in Lancaster and York, and the Local Housing Investment Fund & Trust (LHIFT) program. Because she has such a wealth of knowledge, I sat down to ask her about investors who work in affordable housing.

Why do you do what you do?

I have a true appreciation and respect for individuals who invest and work in affordable housing. This work can be difficult, taking long hours and requiring commitment to figure out creative solutions to get things done in a cost-effective manner. It is hugely gratifying to see a property go from disrepair to a safe affordable home. The LHIFT loan product assist investors with access to capital to convert properties into homes for low to moderate income families seeking safe and affordable houses.

Do you have advice for new landlords and investors?

Make sure that you are not taking on more than you can handle. It's important to have a solid plan for the timing of your projects, because your

money will be tied up for a period.

Do your homework – sit down with the people who issue your permits and do your due diligence. Know who is in the market, and what resources are available to you. Know how to price your product to get your desired rate of return on investment. Anticipating what the true cost of rehabilitation a property is key to success. While cutting corners never pays, it is also important not to overcapitalize your property.

Why is investing in affordable housing a good idea?

There is a great need for this type of housing program and there are many families seeking housing who qualify for this type of housing program. It can be a win-win scenario for an investor – an investor can make a profit, while assisting individuals find permanent affordable housing. Investors that understand this business well can succeed. Not everyone is cut out for this work, but someone that is both savvy and mission-minded can make a solid market for themselves. For investors that do this work it is hugely satisfying to know that at the end of the day, they have helped someone find their home.

A Conversation with Miriam Soto, Director of Lending (continued)

What lending services does LHOP offer to first time investors?

We offer the Jim Shultz House to Home program, designed to provide synergy to an area of Lancaster City that has been under-served. It helps investors access flexible, low-cost dollars to improve properties sorely in need of upgrades and overhaul, to get them in the hands of low-to-moderate income individuals.

This program helps to meet a need, given that new investors often struggle to get funds from traditional sources, and often exhaust their savings or utilize personal lines of credit. LHOP sees the potential in emerging investors who can grow with

us as they expand their portfolio.

This program offers up to \$100,000 for the purchase and rehab of a property. The area of focus is the SoWe neighborhood, but there is the potential of lending outside of that area. If a potential investor is interested in learning more about the program, they should first focus on putting themselves in a financial position to begin their first project. They should know their credit position and build their personal assets. If you are ready to have a conversation about a project that you think would qualify for the Jim Shultz House to Home program, contact Miriam at msoto@lhop.org.



Did You Know? Continued from page 6. *Individuals with a criminal history are not a protected class under the Fair Housing Act, but HUD notes that the use of a blanket policy to deny any applicants with a criminal record might lead to disparate impact on a protected class due to the disproportionate incarceration rates among certain groups.*
U.S. Department of Housing and Urban Development, *Guidance on Application of Fair Housing Act Standards to the Use of Criminal Records by Providers of Housing and Real Estate-Related Transactions, 2016*

For more information:



LENDING

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WHAT IS AFFORDABLE HOUSING?



By: Jo Raff & Tammy Fitzpatrick

The simple answer is housing that does not cost more than 30% of a household's income. If a household is spending more than 30% of their income on housing, they are considered "overburdened". The reality is that most household's rent burden is 40% or 50% of their monthly income. Landlords often use a benchmark of 50% of monthly income as "affordable" to the applicant; however, there is significantly more risk to the landlord and the household when using this metric.

In the context of planning and real estate development, words like "affordable housing" and "low-income housing" have very specific meanings that come from the federal, state, and local governments. The government definition determines which households are eligible to live in certain housing communities, and what a housing developer must do to utilize government funds and programs. The largest and most successful

government program to create affordable rental housing is the Low-Income Housing Tax Credit Program (LIHTC). The government calculates income limits based on a geographic area and rents are adjusted based on the targeted income categories. The U.S. Department of Housing and Urban Development (HUD) establishes the area and rents based on census tract data. For example, an individual earning between \$1,384-\$2,585/month in Lancaster County could qualify to live in an affordable housing community in a one bedroom apartment with rent at \$692 a month (amount includes utilities). All potential residents are put through a screening process that includes full credit and criminal background checks and other factors as established by the Owner/Agent of the community. Most resident selection plans require that the former and current landlords are contacted, and other references are checked.

Each potential resident is personally interviewed because the LIHTC program requires written verification of the household income and assets. This is used to calculate the annual income. There is also a declaration that the household is not entirely made up of students.

An affordable housing developer utilizes LIHTC as the primary source of equity to fund the development of a project. LIHTC is awarded through an annual competitive application process administered by Pennsylvania Housing Finance Agency (PHFA). Once a project is awarded LIHTC, the developer finds an investor who will make an equity contribution to the project in exchange for the tax credits. These investors are typically financial institutions or investment firms. The projects are attractive to investors who must fulfill a community reinvestment requirement. In return for the equity investment in the project, the investor utilizes the tax credits as a reduction to their federal income taxes over a ten-year period. The LIHTC Program does not provide tax credits to renters.

Since its creation in 1986, the Low-Income Housing Tax Credit Program has led to the development of more than 84,000 affordable, privately owned and managed apartments serving more than 200,000

Pennsylvanians. The creation of these homes has spurred economic growth, generated billions of dollars in local and state revenues, and has reduced blight. Research has shown that it enhances communities by increasing the value of nearby homes and stabilizing neighborhoods.

Jo Raff is the Director of Property Management and Tammy Fitzpatrick is the Director of Development at Community Basics Inc., a nonprofit Community Housing Development Organization whose mission is to develop and manage affordable rental housing in Lancaster County and the surrounding areas.



Want to learn more about affordable housing follow this link:<https://www.thebalancesmb.com/hud-programs-for-property-investors-2124809>



What is the Implied Warranty of Habitability?
Find the answer on page 15

Your next development is within reach.



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Moisture Infiltration

By: Aileen Beaver

Did you know that a 1- inch hole can allow 7.5 gallons of water to seep into your property? Controlling moisture is vital to protecting property owners and landlords' investments. Excessive moisture can lead to structural damage as well as cause undesirable health outcomes for tenants. Due to the local year—round damp climate, moisture and mold problems are quite common. If these issues arise, it is valuable to understand the steps you can take to resolve these issues.

The following is general information about moisture and/or mold, sourced from a webinar titled "Moisture Infiltration - When Ignorance is a Risk, Not Bliss," presented by Housing Alliance of Pennsylvania on October 16, 2019.

Overview

- Moisture can come through the drywall of a building/house.
- Nails in walls create condensation points
- Other defects that can cause mold include dysfunctional attics, plumbing leaks, and poor storm water management
- Flashing is often a more effective barrier than caulking:
 - **Caulking** is a material used to seal joints or seams against leakage in various structures and piping
 - **Flashing** refers to thin pieces of waterproof material installed to prevent the passage of water into the structure from a joint or as part of a weather resistant barrier system.
- Because moisture and mold can go undetected for long periods of time, advocates are looking to establish laws that would warn homebuyers about moisture issues before purchasing a property.



Remediation

Mold remediation can be an expensive and lengthy process. That's why it is best to try to stop the moisture issues as soon as they arise.

- Action includes isolate area, solve moisture problem, remove infested area, and clean
- For more information see NY Health Department for best practices
<https://www.health.ny.gov/publications/7287.pdf>

Problem Solving

If you detect moisture or a tenant makes you aware of moisture infiltration, it may be helpful to follow the following steps.

- Step 1: Hire a qualified inspector to perform accurate water penetration test
- Step 2: Hire a qualified professional capable of evaluating potential building code violations
- Step 3: Understand the role of an independent architect and/or engineer
 - It may be beneficial to contact an attorney at the start of this process
 - Keep in mind statute of limitations and statute of repose
 - Statute of limitations- sets the maximum time after an event within which legal proceedings may be initiated
 - Statute of repose- (similar to a statute of limitations) is a statute that cuts off certain legal rights if they are not acted on by a specified deadline
- Discovery of problem (for homeowners)
 - 2 years for claims against design professional
 - 4 years for breach of contract
 - 6 years claims under PA Unfair Trade Practices

Taking Legal Action

If you are seeking legal action, fixing the problem yourself before it is properly documented could be problematic. Sometimes pictures are not enough to hold up in court and physical evidence of the property is needed. Also, if you are seeking compensation, you must advise the builder and contractor before remedying.

Rental Properties

As a landlord, it is important that your tenants let you know if there is a moisture issue as soon as possible. The only way you can take the proper steps to ensure that your property remains in good condition is if you are aware of the problem. It may be beneficial to offer an incentive for tenants who properly inform you about water leaks or other issues that may cause mold. Communication about the moisture issue and proper remediation helps maintain an effective relationship between the landlord and tenant and prevents other serious issues, such as mold, from developing. Prompt communication and action are key to ensuring your investment property is well-maintained and profitable. 

Want a mold remediation guide? Visit: <https://www.american-apartment-owners-association.org>

Section 8 Vouchers

A Case for Acceptance



By: Aileen Beaver

Have you ever wondered about accepting Section 8 vouchers? There tends to be a negative reputation around the Section 8 program. However, there can be several advantages for you, as a landlord, to accept tenants with Section 8 vouchers.

Overview of Section 8 Vouchers

These vouchers, officially called Housing Choice Vouchers, are most commonly known as Section 8 Vouchers. This is one of the largest and most well-known federal housing assistance programs in the United States. This program subsidizes rental payments for low-income tenants, the elderly, and people with disabilities. Participants are not restricted to any geographical area and are free to choose any housing that meets program requirements. Rent and utility payments

are capped at 30% of the tenant's income, so that they can afford to live in an apartment without having to choose between paying rent and buying medication or food.

Advantages of Accepting Section 8

As a landlord, you want your rental property to be profitable. Forbes Real Estate Council states several advantages of accepting Section 8, which are listed below.

- Receive consistent, monthly payments from the government. Usually the government will cover 40-70% of the rent depending on the circumstance.
- Tenants are pre-screened by the Section 8 office before receiving their vouchers.
- Opens you up to a larger market of potential tenants.

Section 8 Vouchers: A Case for Acceptance

Although it may not be a possibility for every landlord, accepting Section 8 can have many benefits.

If your property is located in Lancaster City and you want to learn more, please visit <https://www.lchapa.com/section8.php>.

If your property is located in Lancaster County, please visit <http://www.lchra.com/housingauthority/> to learn more.

Additionally, if you have any other questions please feel free to reach out to LHOP at 717-291-9945 ext. 111.

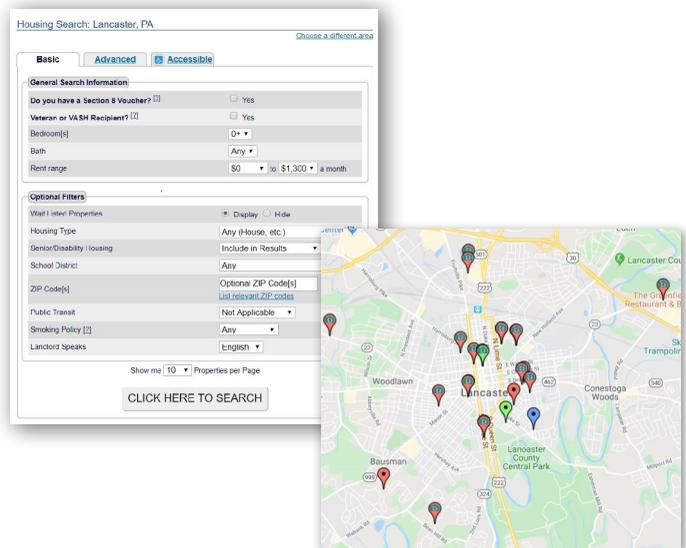


Looking for a FREE place to list your available rental units?

- A Free Resource for Landlords and Property Managers to list available properties intended to connect landlords with eligible tenants.
- Hosted on LHOP’s website, it provides comprehensive tools for landlords to list the features of their units.
- LHOP’s staff refers potential tenants to this resource daily.

What is the Implied Warranty of Habitability?

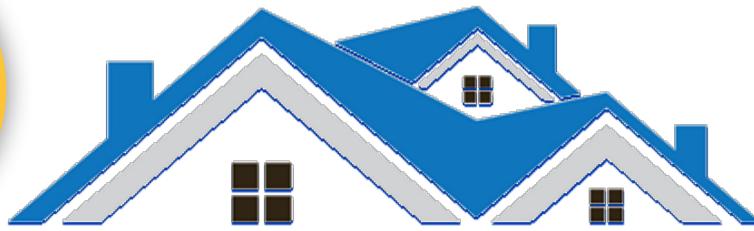
Under the implied warranty of habitability law, the tenant’s obligation to pay rent and the landlord’s obligation to maintain habitable (safe, sanitary and fit) premises depend upon each other. If the landlord breaks his obligation to keep the premises in a reasonable condition, this may relieve the tenant from his obligation to pay part or all of his rent until the landlord makes necessary repairs. See our updated Know Your Rights Landlord and Tenant guide at www.lhop.org.



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