

Exhibit 12-2

Sponsor Based Rental Assistance - Karluk Manor

Authority for this activity is contained in AHFC's Moving to Work Agreement with the U.S. Department of Housing and Urban Development through Attachment D, which provides for "broader uses of funds." Establishment of a sponsor-based rental assistance program was proposed through Moving to Work Activity 2012-4 and approved by the AHFC Board of Directors on October 26, 2011 with Resolution 2011-31.

Karluk Manor serves homeless individuals with substance use disorders in Anchorage. The owner is RurAL CAP, Inc. The owner provides meals and supportive services at the property. This property also receives HOME funding. AHFC Public Housing Department is only responsible for the Sponsor-Based Assistance.

The Initial Sponsor Based Rental Assistance contract began on December 8, 2011. A subsequent contract was effective January 1, 2018 for three years. AHFC may agree to enter into successive three-year extensions of the contract prior to the expiration date of any contract period. Any extension may not exceed the AHFC Moving To Work Agreement with HUD, whose end date is June 30, 2028.

1. Owner-Managed Functions

The owner and operator is RurAL CAP, Inc. There are two buildings with a total of 46 units at Karluk Manor receiving sponsor-based rental assistance. The owner accepts referrals from Anchorage Coordinated Entry maintains the Coordinated Entry correspondence, determines eligibility, and calculates subsidy for an applicant. AFHC provides the owner with a Calculation Sheet to ensure proper income calculation, and the owner determines annual income using HUD regulations at 24 CFR 5.603.

- The minimum rent is set at \$50
- Total assets less than \$10,000 may be self-certified by the applicant
- Rent will be calculated at 30% of adjusted monthly or 10% of gross monthly income; due to the HOME funding, the streamlined income calculation is not allowed
- The Student Rule applies to this development
- At time of admission, a family must have gross income at or below 50 percent of area median income

1.A Annual Examinations

At the request of the owner, all annual certifications are effective January 1. This was agreed on at the time of the initial contract execution. Income examinations are conducted annually for every subsidized tenant.

1.B Interim Examinations

The owner will conduct an interim examination for an increase in income according to the owner's policies and procedures. An interim for a decrease will be completed when reported.

1.C Minimum Rent Exemption

The 1998 Quality Housing and Work Responsibility Act (QHWRA, in regulation at 24 CFR 5.630) required PHAs to establish:

- Minimum rents in an amount not more than \$50, and
- Procedures to exempt families from paying minimum rents in cases of financial hardship.

Karluk Manor tenants are eligible to participate in this process (see Minimum Rent Exemption exhibit for process).

2. Eligibility

As a sponsor-based rental assistance program, individuals eligible to live at Karluk Manor are not subject to standard AHFC screening criteria. Eligible applicants must:

1. Definition of Eligible Special Needs Housing Households
Be comprised of one or more members who meet the definition of a Mental Health Trust Beneficiary. A Mental Health Beneficiary is defined as a person experiencing one or more of the following:
 - a) Mental Illness, where "Severely mentally ill adult" is defined as an adult (18 years of age or older) with any mental disorder that is generally recognized to be persistent and to be disabling, with or without psychotic features. This population includes all of the persons who were previously defined as "Chronically Mentally Ill (CMI) Adults" and those who were previously defined as "Severely Emotionally Disturbed (SED) Adults."
 - b) Chronic alcoholism with psychosis;
 - c) Alzheimer's disease or related dementia;
 - d) Developmental disabilities.
2. Target Households
The target population is a person simultaneously experiencing homelessness with a physical or mental disability, substance abuse, or chronic health condition such as HIV-related disease. RurAL CAP's targeted population comprises that segment of the Anchorage homeless population that currently accounts for the highest per capita expenditure rate for police call-outs, hospitalization, and detox center usage.
3. Have gross annual income at or below 50 percent of area median income;

4. Document citizenship status in accordance with Meet Citizenship Requirements in this policy
5. Not be subject to a lifetime sex offender registration requirement, and
6. Not have a conviction for the production or manufacture of methamphetamine on the premises of federally assisted housing.

Third-party verifications are the preferred method of verification; however, this cannot always be obtained. The applicant may self-certify at the lowest level.

3. Inspections

The owner conducts each move-in inspection and an annual building inspection using the AHFC-supplied forms. The inspector must be certified as an HQS inspector.

Annual quality assurance (QA) inspections are conducted in accordance with Housing Quality Standards (HQS) by AHFC in December. The month may be changed as long as the required units are completed annually by AHFC's fiscal year. The sampling of inspections is selected in accordance with procedures set forth in the Quality Assurance & File Maintenance chapter. Additional inspections may be completed at the discretion of AHFC.

4. Monthly Payments

A monthly invoice is submitted to AHFC for rental assistance payments by the 20th of the month using the AHFC-supplied form for the coming month.

- The PHD Central Office reviews each invoice for accuracy.
- The Public Housing Director or designee approves the reviewed invoice for payment.
- Payments are made to the owner on or about the second business day of each month.

5. Contract Rent Increases

Requests for an increase in the contract rent are submitted to the PHD Central Office for processing. The owner may request a rent increase annually. The increase request must be in writing at least 60 days prior to the annual anniversary (January 1). Rent reasonableness is completed by AHFC using three comparable units and a signed Rent Reasonableness Certification.

6. QA Reviews

AHFC conducts an Annual Quality Assurance (QA) Review. The following processes are reviewed.

- Wait List Management
- Denied Applicants
- Tenant Files to include tenant ledgers
- Owner's Policies and Procedures
- Invoice submissions

Findings from the review process are discussed with the owner and any necessary corrections must be made.

7. Karluk Manor Documentation

The AHAP, sponsor-based contract, rent increase requests, initial HQS building inspection, annual HQS inspections, rent reasonableness certifications, and comparables are kept in the office of the Program Development Coordinator.

The contracts and rent increases are posted on the AHFC Intranet under Public Housing Contracts. The Administrative Coordinator has a contract file which includes the original contract information leading up to (and including) the signing of the sponsor-based contract.

Numbered Memo

20-15 Sponsor-Based Rental Assistance Exhibits