Florida Loses $603 Million of Federal Funds from Failure to Fund Housing

Faces Loss of Additional $191.1 Million in 2009

By Mark Hendrickson

Florida has already squandered massive amounts of federal resources by not adequately funding housing programs over the past three years. At the end of 2006, 2007, and 2008 bond allocation was not utilized, and lost forever to Florida. This is a limited federal resource, and without SAIL and downpayment assistance, the bonds generally do not work. However with the limited State funding needed, massive amounts of federal subsidy come to Florida--or in this case have been lost to Florida.

Over that three year period, $215.8 million of single family homeownership bond allocation has been forfeited, and another $242.5 million of rental bond allocation, for total lost of $458.3 million. With the loss of rental bond allocation is also the loss of the automatic federal tax credits that come with the bond allocation. On average, each $1 million of rental bonds also generates $600,000 of equity through the tax credits. Therefore, the loss of $242.5 million of rental bonds also caused the loss of another $145.5 million of equity from federal tax credits.

In all, Florida has lost $603.8 million of federal funds/resources in just the last three years because of our failure to adequately fund our successful housing programs.

This extraordinary loss of federal resources will continue unabated unless Florida begins to use its Housing Trust Fund monies to adequately fund housing programs. Unless bonds are sold this year, another $93.67 million of multi-family bonding authority (and accompanying $56.2 million of equity from automatic federal tax credits), and $41.279 million of homeownership bonding authority will be lost December 31, 2009—a total loss of federal resources for 2009 of $191.149 million. This represents 359 homes that could be sold to first-time homebuyers and construction or rehabilitation of 1,120 units of rental housing with a total development cost of $187.3 million.

Additionally, as part of the Housing and Economic Recovery Act (HERA) passed in mid-2008, Florida received "bonus" federal bonding authority of $571,487,942. None of these bonds have been sold, and will be lost at the end of 2010. This bonding authority is divided $169.4 million for homeownership and $402.1 million for rental. Much of this bonding authority was committed to developments that had preliminary SAIL commitments which were "cancelled" after the legislature directed FHFC to return $190 million of "unexpended" funds. The $169.4 million of homeownership bonds represents 1,474 homes that could be sold to first-time homebuyers. The $402.1 million of rental bonds represents 4,808 units of rental housing with a total

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development cost $804.2 million, and equity from federal housing credits of $241.3 million. Total HERA federal resources at risk without adequate state funding totals $812.8 million.

BOND AUTHORITY

Each year, Florida receives a limited amount of bonding authority from the federal government—setting the amount of bonds that can be sold with tax exempt status. The tax exempt status allows the bonds to be sold at below market interest rates, providing loans at rates below what is offered by conventional lenders.

Even though the bonds produce lower mortgage rates for first-time homebuyers, those buyers still need downpayment assistance. By appropriating as little as 4% for downpayment assistance from state resources ($4,000 per $100,000), Florida can make the bond program work. Without that limited state appropriation, the bond issue does not work and the bond authority is lost.

When bonds are sold for rental housing, the income and rent of residents is restricted—thus reducing the amount of the development that can be financed through debt. Even with the lower interest rate and the equity generated from Housing Credits, a financing gap remains. The State Apartment Incentive Loan Program (SAIL) was created to fill this gap, and has worked with remarkable efficiency and success for 20 years. On average, SAIL provides only 22.7% of the financing for each development, leveraging federal resources and private investment by 4.41-100. Without that efficient state appropriation, the development economics do not work and the bond authority and Housing Credits are lost.

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Housing Finance Authority of Hillsborough County Florida

Grande Oaks Apartments- Developed by the Richman Group of Florida

- Construction of 168 new apartments using "green" design, preservation of grand oaks trees, and historic preservation
- Rehabilitated dilapidated 1880's farmhouse that resulted in the structure being added to the National Register of Historic Places
- Grande Oaks was the first development of three by the HFA which aided the redevelopment of East Tampa, with total financing over 3 years of $70.9 million
- All apartments affordable to families with incomes less than 60% of median, with 7% affordable to 50% income level
- Serves large families, with 40% three-bedroom, 17% four-bedroom units, and children composing 59% of the residents
- Long-term affordability achieved, with 50 year land use restriction
- Financing from the HFA, City of Tampa, Hillsborough County, State of Florida and private sector