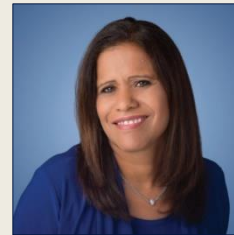


New Construction Strategies and Partnerships

Sponsored by the
Florida Housing Finance Corporation's
Affordable Housing *Catalyst Program*

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Our Thanks to the Florida Housing Catalyst Program



AFFORDABLE HOUSING CATALYST PROGRAM

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we make housing affordable™

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Catalyst Training Schedule

A banner for SHIP Catalyst Training. The background shows a group of people in a classroom setting, with a woman in the foreground smiling. On the left is the SHIP logo, which consists of a green house icon with a blue cube inside, and the text "SHIP" in bold, with "housing a stronger Florida" in smaller text below it. On the right, the text "Fine Tune Your SHIP Program" is followed by "REGISTER NOW FOR" in smaller letters, and then "CATALYST TRAINING" in large, bold, white letters. At the bottom left of the banner, it says "Register Now for SHIP Catalyst Training!". Below the banner are four small, light blue circles.

Fine Tune Your SHIP Program
REGISTER NOW FOR
**CATALYST
TRAINING**

Register Now for SHIP Catalyst Training!

The Coalition is Florida's affordable housing training and technical assistance provider.

www.flhousing.org

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Catalyst Trainings



TRAINING CALENDAR

If you would like to search by Workshops or Webinars, please use the search tool below. Click to view by category. **For questions, please contact the Florida Housing Coalition at 850-878-4219 or [info@fhc.org](#)**

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August 2019

‘Past Catalyst Trainings’

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Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- Forgot to ask a question or want to ask privately?

Email me at andujar@flhousing.org

- This webinar is being recorded and will be available at www.flhousing.org
- A survey will immediately follow the webinar; ***please*** complete it! Thanks!

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How to Structure a New Construction Strategy

New Construction Strategy

Summary of Strategy

- Define new construction use of funds for developer and buyer
- Developer Contributions/Commitments
- Construction types/ construction cost

Property Size/ amenities

- Who pays for land, infrastructure, hard, soft cost
- Site Conditions, title, zoning issues
- What will it sell for? (as built appraisal)
- Location – Will it sell? When?

Options for SHIP Assistance

- Upfront New Construction Subsidy
- Land Acquisition Assistance
- Donated Land from Surplus Land Inventory
(Sections 125.379 and 166.0451, Florida Statutes (an incentive strategy))
- Infrastructure
- All Hard and Soft cost
- Pay Developer Fee
- Pay Impact Fees
- Down Payment Assistance to the Buyer

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Strategy Considerations

- Fiscal Years Covered
- Income categories to be served
 - Consider the market
 - Subsidy needed
 - Meeting set-asides

Terms for Developer and Buyer

Must show how the assistance to the developer will be passed along to the buyer

- Repayment loan/deferred loan/grant
- Interest rate
- Years in loan term
- Forgiveness
- Repayment
- Default

Developer Repayment

Is SHIP Repayment Required?

- Repaid funds recorded as program income.
- Some portion of SHIP funds are not repaid but remain as subsidy to buyer to make the deal work

Selection Criteria

- Recipient selection criteria
 - Who identifies buyer
 - First come, first qualified
 - Ranking Priority
- Sponsor/Developer Selection Criteria
 - Experience
 - Capacity (staff, financial)
 - Firm Commitment
 - Leverage
- Additional information

Welfare Transition Program

A description of the qualification system and selection criteria for applications for awards to eligible sponsors, which includes a description that demonstrates how eligible **sponsors that employed personnel from the Welfare Transition Program will be given preference in the selection process**

How is assistance reported on the annual report?

- Funds to developer
- Repayment from developer
- Funds left in the deal (assistance to buyer)



Local Government Strategies

Collier County

- Cormac Giblin
- 239-252-2399
- Community and Human Services
- 3339 Tamiami Trail E Suite 211
- Naples, FL 34112
- Cormac.Giblin@colliercountyfl.gov

Orange County

- Shawn Tan
- Program Manager
- Orange County Housing and Community Development Division
- 525 E South St, Orlando, FL 32801
- Phone: 407-836-5192

CLT of Palm Beach County

- Cindee LaCourse-Blum
- 4938 Davis Road
- Lake Worth, Florida 33461
- Office: 561.318.8430
- Cell: 720.530.4494
- Fax: (888)738-7974
- E-mail: clacourse-blum@cltofpbc.org
- Web: <http://cltofpbc.org>

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CLT of PBC New Housing Construction Strategies

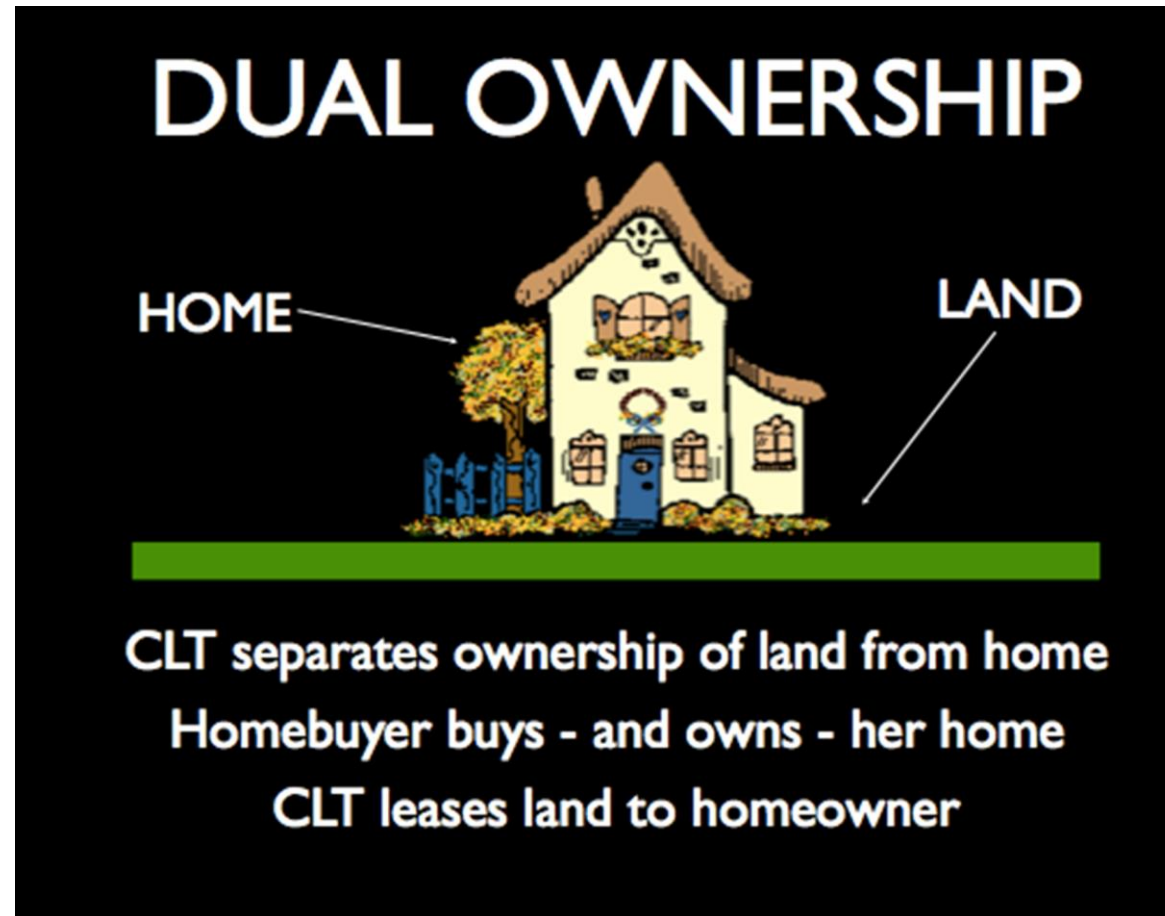
- Utilize SHIP and/or HOME to fill gap in affordability
 - As development subsidy
 - As purchase assistance
- SHIP dollars used to acquire units and resell under CLT model
 - As development subsidy



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CLT Model of Homeownership



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CLT Resale Formula

The CLT of PBC ground lease stipulates that a CLT home may only be sold to an income eligible buyer for the lesser of the appraised value at time of sale or the “Formula Price.”

The formula price = The original purchase price + homeowner’s share of appreciation (see below)

The homeowner’s share in the increase in the market value of the home is tied to their length of ownership as follows:

If the property is sold within the 1st or 2nd year, they are entitled to 5%.

If the property is sold within the 3rd to 5th year, they are entitled to 10%.

If the property is sold within the 6th to 10th year, they are entitled to 15%.

If the property is sold any time after the 11th year, they are entitled to 25%.

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Resale Formula in Action

- In 2014 a CL T of PBC homeowner purchased a home for \$110,500. The home's market value was \$136,000 at the time of purchase.
- By 2019 that home was worth \$177,508 (\$41,508 in appreciation) .
- Having been in the home just under 5 years, 10% of the appreciation, or \$4,150, would be reserved for the homeowner.
- Although the market value increased over 30% the home remains affordable for the next homeowner with a \$114,650 sales price.

$$\begin{array}{rcl} \text{Original Purchase Price} & + & \text{Owner's Share of Appreciation} & = & \text{Resale Price} \\ \$110,500 & & \$4,150 & & \$114,650 \end{array}$$

The Numbers

- Average Sales Price - \$213,379 for new construction (\$163,826.50 when including rehab units)
- Sales prices ranging from \$72,000 – \$256,000
- 80% AMI typically needs \$80k in subsidy to fill gap – Ideally development subsidy for a CLT (HOME or SHIP) or SHIP purchase assistance
- 0 Resales and 0 foreclosures



Kirk Rd CLT Homes Project

Palm Beach County donated several road right of way parcels and provided HOME CHDO dollars



4 single family units and a two unit duplex were built.



Two additional single family units in process.

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Davis Landings West



County donated site - CLT of PBC built 16 single family homes and 8 townhomes. HOME funding was provided as a development loan that converted into buyer purchase assistance. Construction financing was provided by the Palm Beach County Housing Finance Authority.

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Responsibilities of the Local Government and Developer

Sample Sponsor/Developer Selection Criteria

Developer Capacity

- Experience and staffing
 - Funding source
 - Similar project
- Financial review
- Reputation
- Current Pipeline

Commitment/award of other funding sources

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More Criteria

Budget

- Construction
- Cost reasonableness
- Commitment/award of other funding sources

Realistic timeline- ability to proceed

- SHIP expenditure deadline- 24 months from close of State Fiscal year
- Certificate of Occupancy

Buyers are pre-approved and ready to move in at completion

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What the Developer wants from SHIP

- Commitment of funds (firm) contingent upon award of other funds
- Can be multiple-year award of SHIP funds if all years' funds have been advertised
- The multiple-year award must be from an adopted and approved LHAP

Local Government Duties

- Selection of Developer
- Details of Contract
- Provide SHIP subsidy at right time in development process
- ***Pay SHIP dollars in last payment***
- Provide update of income limits
- Monitoring and Provide training

Developer Duties

- New Construction or Rehabilitation
- Selecting eligible households
- Maintain SHIP files with proper documentation
- Keep to the Timeline to avoid exceeding Expenditure Deadline

Homebuyer Duties

- Complete application accurately
- Report all sources of current and anticipated income
- Make monthly mortgage payments
- Make repairs – no landlord to call
- Notify SHIP Office if they intend to sell before the end of the affordability period.



Effective Partnership Agreements

The Importance of Written Agreements

- A written agreement serves as a legally binding contract between the local government and any other party
- Serves as a management, accountability and enforcement tool for the local government
- Is serves as the basis for compliance monitoring

General Provisions of the Agreement

- Funding sources
- Use of funds
- Amount of funds
- Roles and responsibilities
- Performance Standards
- Program requirements
- Project requirements
- Changes to the agreement
- Insurance



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More General Provisions

- Affordability
- Duration of agreement
- Timeline
- Disbursement of funds/payment
- Record retention and reports
- Reversion of assets
- Default
- monitoring
- Close out requirements

Program requirements – Comply with LHAP

- Advertising requirements
 - Non-Discrimination
 - Priorities
- Maximum per unit award
- Income limits
- Mortgage payment should be affordable
- Loan terms
- Number of affordable homes produced

Program Requirements

- FTHB requirements
- Value limits
- Energy improvements/Mitigation
- Special needs
- Program income
- Reporting requirements
- Record keeping
- Audits

Management Tool

- Written agreements are a management and enforcement tool
- It is legally binding
- It minimizes the risk of the local government
- Allows for corrective action
- Identifies specific requirements
- Allows for monitoring and compliance



Elements of Monitoring

Why Monitor?

- To compare reality with requirements
- To measure an activity against a quality standard
- To identify problem areas which may hinder the completion of the contract activities.
- *Monitoring is a key component of providing technical assistance to your developers*

Recommended Practice:

- SHIP Administrators *should* monitor **ALL** Sponsors
- When: during construction and after homes are purchased
- SHIP Administrators must develop a written plan which describes all monitoring activities for each Sponsor.

Sponsor/Developer file includes but is not limited to:

- Name of Sponsor and Project Name
- Organizational documents, licenses, and Key contact information
- Copy of the RFP
- Copy of the Proposal, including Scope of Work
- Copy of the contract between the Sponsor and the local government
- A Work Plan which details when work will be completed
- Payment Schedule, payments, closeout

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Monitoring Items to review for Purchase Assistance Files

Advertising

Waiting list

Application

Income verification

120-day clock

Income

Certification

Agreements

Award letter

SHIP Mortgage and
note

Property value

Property Inspection

First mortgage
documents

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Please complete the evaluation!



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