

Financing and Monitoring Rental Housing with SHIP



Sponsored by the Florida Housing Finance
Corporation's Catalyst Program

Ashon Nesbitt nesbitt@flhousing.org
Michael Chaney chaney@flhousing.org
Florida Housing Coalition

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AFFORDABLE HOUSING CATALYST PROGRAM

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Affordable Housing Contacts

Florida Housing Coalition

- www.flhousing.org
- State-wide nonprofit membership organization
- Training, technical assistance on affordable housing

Florida Housing Finance Corporation

- www.floridahousing.org
- Administers SHIP, State HOME, Low Income Housing Tax Credits, Multifamily Revenue Bonds, Single Family Bond, Predevelopment Loan Program, Foreclosure Prevention, Special Initiatives

Overview of Topics

- Ways SHIP Assists Rental Housing
- SHIP as Rental Development Subsidy
 - SHIP and Housing Credits
- Rules for Using SHIP for Rental
- Monitoring SHIP Rental Housing
- Download HANDOUTS

Monitor for Rental Development, NOT Rental Assistance

Rental Development

- New Construction or Rehabilitation

Rental Assistance for 1 Household

- Rent Deposit
- Eviction Prevention
- Rent Subsidies
- Disaster

More Training:
“SHIP Rent Limits
Policy” recording at
<https://vimeo.com/285493623>

Amount of SHIP Available for Rental **Development**

100 % Allocation

- 65% Homeownership Set aside
- 10% Admin

25% of Allocation Available for
Rental New Construction or Rehabilitation

PLUS all Program Income



Less is Available for Rental Assistance

100 % Allocation

- 75% Construction/ Rehab Set aside
- 10% Admin

**15% of Allocation Available for
Rental Assistance**

PLUS all Program Income

SHIP and Low Income Housing Tax Credits

- Allocating agency – Florida Housing Finance Corporation
- Largest source of funding for rental development in the state
- Awarded to developers of affordable Multifamily rental
- Dollar for dollar reduction in federal tax liability
- Credits are “sold” to corporations to reduce their tax liability through syndication to become equity investments used to finance affordable rental units



FHFC Information

- **Request for Applications (RFA) Process**
 - Rulemaking
 - Anticipated timeline
 - Workshops
 - RFA release
 - Application review and preliminary awards
 - Credit Underwriting and final approval
- **Web Board**
- **Draft RFA, Forms, Rule, Other information**

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Some Housing Credit requirements

- **Demographic requirements**
 - Elderly or family
 - Homeless
 - Persons with disabling conditions
 - Fishing/farmworker
- **Usual set asides in Florida**
 - 100% of units at 60% AMI or lower
 - 10% ELI requirement
 - 50% of the ELI units set side for special needs
 - Definition of ELI varies by County

How HCs become \$

FHFC Receives HC allocation from US Treasury



TAX CREDIT



FHFC allocates the credits to housing developers

TAX CREDIT



For Qualified Residents
Incomes are 60% of AMI or lower

TAX CREDIT



Limited Partnership



Syndication

TAX CREDIT



Corporate Investors



Types of Housing Credits

Competitive

- Referred to as 9% Credits
- Majority of project funding
- Must apply through FHFC's competitive RFA cycle

Non-Competitive

- Referred to as 4% Credits
- Minority of project funding
- Paired with Bonds and/or SAIL
- Can apply at any time

The Tax Credit Investor: Calculation of Tax Credit Equity

Eligible Basis
x Qualified Percentage
= Qualified Basis

Qualified Basis
x Tax Credit Percentage
x Ten Years
x Ownership percentage
x Tax Credit Purchase Price
= **\$\$\$Total Equity**



Competitive Tax Credit Example

- 65-unit development in medium county
- Total development Costs: \$11,000,000
- Cost of Land and other ineligible costs: \$1,000,000



Magnolia Place, Pasco County
(figures to left unrelated)

Calculation of Tax Credit Equity

Eligible Basis	\$10,000,000
<u>x Qualified Percentage</u>	x 100% (all units low-income)
= Qualified Basis	= \$10,000,000

Qualified Basis	\$10,000,000
x Tax Credit Percentage	x 0.09
x Ten Years	x 10
x Ownership percentage	x 0.9999
<u>x Tax Credit Purchase Price</u>	<u>x 0.95</u>
= \$\$\$Total Equity	= \$8,549,145

Funding Gap: \$2,450,855

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Areas that MAY Be Eligible for Basis Boost

- Geographic Areas of Opportunity – designated by FHFC
- Small Area Difficult to Develop Area (SADDA) Zip Code Tabulation Area (ZCTA) – designated by HUD
- Qualified Census Tract (QTC) – designated by HUD
- Housing Authority applicant

Calculation of Tax Credit Equity with Basis Boost

Eligible Basis	\$10,000,000
x Basis Boost (130%)	x 130%
<u>x Qualified Percentage</u>	<u>x 100%</u>
= Qualified Basis	= \$13,000,000

Qualified Basis	\$13,000,000
x Tax Credit Percentage	x 0.09
x Ten Years	x 10
x Ownership percentage	x 0.9999
<u>x Tax Credit Purchase Price</u>	<u>x 0.95</u>
= \$\$\$Max Equity	= \$11,113,888.50

Local Government Contributions

- Local support for project
- Fill financing gap
- 5 Points – based on the VALUE of the contribution
- May have automatic qualifiers (e.g. rehab)
- NOTE: some RFA's do not have a contribution requirement, but still may need gap financing

Local Government Contributions

- **Forms acceptable:**
 - Grant
 - Loan (other than USDA)
 - Waiver or deferral of fees
- **Value required to achieve maximum points listed in RFA (varies by County)**

Local Government Contributions: Calculating Points

- Assume local government provides \$37,500 but FHFC required \$50,000
- 5 points for \$50K
- 3.75 points for \$37,500

$$(37500/50000) \times 5 = 3.75 \text{ points}$$

No perfect score ☹️

Local Government Areas of Opportunity

- Higher level of local government support than local government contribution
- Demonstrates funding preference at the project level
- Only option for medium county competitive housing credit applications in most recent RFA cycle
- Eligible forms of funding and required amounts based on RFA and location
- Provides eligibility for basis boost (increase in tax credit equity)

SHIP's Role in ELI set aside

- **10% of units for ELI (Extremely Low Income)**
 - The ELI % AMI is different for each County
 - 50% of ELI units for special needs
- **Help link developers with community services and meet your SHIP special needs set aside**
 - LINK program
 - www.floridahousing.org
 - Serving Special Needs
 - LINK initiative

Non-Competitive Example: Cathedral Terrace, Jacksonville

Source	Amount
Multifamily Mortgage Revenue Bond Loan	\$7,600,000 (monthly debt service, 5.76%)
SAIL Loan	\$3,200,000 (1% interest, annual interest payment based on cash flow)
ELI Gap (SAIL)	\$734,400 (0%, soft debt)
Housing Credits (4%)	\$8,999,264
SHIP	\$803,005
Additional Sources (HFA loan, Seller Loan, Deferred Developer Fee)	\$4,259,972
Total Development Costs	\$25,569,641



SET ASIDES
 240 units total
 216 for 60% AMI
 24 for 33% AMI - ELI

224 Project-Based Vouchers

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Designing your local process

- **Develop guidelines in advance**
 - **1. Coordinate your entire SHIP RFP process with FHFC timeline OR**
 - **2. Have open timeline for developers to apply for funding OR**
 - **3. Have separate RFP process for competitive HC proposals to align with FHFC's timeline**
- **Consider local needs, preferences, existing plans**
- **Consider preference for permanent affordability**
- **Keep in mind approval processes**

Elements of Monitoring

SHIP Requires Rental Monitoring

Rental units constructed, rehabilitated or otherwise assisted from the local housing assistance trust fund must be monitored at least **annually for 15 years** or the term of assistance, whichever is longer, for compliance with tenant income and affordability requirements

—SHIP Rule: 67-37.007(11), F.A.C.



SHIP Monitoring Rules

- Tenant income of projects that receive more than \$10,000 must be monitored annually.
 - Used to be \$3,000
- May rely on monitoring report of another entity even if periodic.

“...to the extent another governmental entity or corporation program provides periodic monitoring and determination, a municipality, county, or local housing financing authority may rely on such monitoring and determination of tenant eligibility.”
- Does not require utility allowances

Income Compliance on Small Rental Properties

Technical Bulletin Handout

Highlights:

- Monitored for at least 15 years is required even if property is owned by a sponsor or sub-recipient (non-profit partner)
- In this case, a contract must be executed
- Do not delegate the responsibility of performing inspections to the sponsor/sub-recipient

Prepare for Monitoring: Review SHIP Agreement with Owner of Rental

- **How many rental units?**
- **Tenants at what Income Level?**
- **Affordability period?
15 Years? 50 Years?**
- **Other requirements? Special Needs,
for example?**



SHIP Agreement with Developer

- Amount of the award
- Timeframe for project completion
- Fixed or floating units?
- Required SHIP set aside (ELI, VLI, LI, MI)
- Security documents:
 - LURA- Land Use Restriction Agreement
 - Mortgage and Note

Other Helpful Documents

Request for Proposal

- Specific in nature
- Measurable
- Follows LHAP criteria
- Evolves into the Scope of Services

Scope of Services

- From developer's proposal responding to the RFP
- Includes what will be delivered, when, how, and by whom

Components of a Good Rental Monitoring Plan

Who?

- 3rd party or internal staff

When?

- Annually unless FHFC monitors
(Get a copy of their report and review it!)

What?

- Income Eligibility
- Rent Affordability
- Property condition
- Property performance



Rental Monitoring Plan CONTINUED

How many units dedicated to who?

- Refer to agreement

Project Forms

Process

- Notification
- Confirmation
- On site vs Desk Review
- Exit conference
- Monitoring report
- Client response
- Corrective Action /follow up plan

Some Tips

- Keep Sponsor Developers updated on new income limits, rents, etc. that affect compliance
- Offer recommendations for corrective actions, solutions, improvements or technical assistance
- Blended Funded Project: Terms of the most restrictive funding source applies
“Working with Blended Financing/Subsidy Layering” recording: <https://vimeo.com/296726276>

Initial Monitoring Questions

Does the file for each unit contain income documentation, eligibility certification, and compliant lease?



Does the SHIP contract specify how many units are SHIP assisted? *If not, all units must be monitored.*

Is adequate homeowner and windstorm insurance in place with County/City named in mortgagee clause?

Monitoring Income Eligibility

- Is the project owner using the correct income limits to determine eligibility of tenants?
- Are tenants income-eligible at the time of initial occupancy?
- Is the project owner recertifying tenant income annually?
- As tenants vacate, are they replaced by tenants of the same income category?

What if Tenant Income Increases

Low Income Definition in SHIP Statute:
“While occupying the rental unit, a low-income household’s annual income may increase to an amount not to exceed 140 percent of 80 percent of the area’s median income adjusted for family size.”

Example

\$55,000 = 80% AMI

\$77,000 = 140% of 80% AMI (55,000 x 1.4)

Income Eligibility Determination Webinar

**“Income Certification for SHIP Applicants”
Webinar**

**Recording from May 2017:
<https://vimeo.com/216693980>**

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More Questions about Tenants

Does the SHIP Agreement with Developer require Special Needs Tenants?

- **Special Needs Set-Aside Requirement applies to SHIP starting with 13/14**
- **Spend 20 percent of allocation on households that include one or more household members with special needs, defined in S.420.0004**

Types of Special Needs Tenants

Developmental Disabilities (DD)

Receives SSD/SSI or other Disability Benefits

Youth Aging Out of Foster Care

Survivor of Domestic Violence

Person with Disabling Condition requiring independent living services

“Special Needs Assistance with SHIP Funds”

Recording from November 2017:

<https://vimeo.com/242648170>

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Monitoring Rent Affordability

In determining the maximum allowable rents, ***30 percent of the applicable income category*** divided by 12 months shall be used based on the number of bedrooms...

A rental limit chart based on the above calculation adjusted for bedroom size will be provided to the local governments by the Corporation annually.

—SHIP Rule: 67-37.007(11), F.A.C.

SHIP Rent Limits

- Maximum Rent on Rent Limits Chart
- For Extremely Low Income tenants (30% AMI), look at the 50% AMI row of the chart

Marion County (Ocala MSA) Median: 51,500	30%	12,060	16,240	20,420	24,600	27,450	29,500	31,500	33,550	Refer to HUD		301	353	510	650	737	813
	50%	17,800	20,350	22,900	25,400	27,450	29,500	31,500	33,550	35,560	37,592	445	476	572	660	737	813
	80%	28,500	32,550	36,600	40,650	43,950	47,200	50,450	53,700	56,896	60,147	712	763	915	1,057	1,180	1,301
	120%	42,720	48,840	54,960	60,960	65,880	70,800	75,600	80,520	85,344	90,221	1,068	1,144	1,374	1,585	1,770	1,951
	140%	49,840	56,980	64,120	71,120	76,860	82,600	88,200	93,940	99,568	105,258	1,246	1,335	1,603	1,849	2,065	2,276

Rent Limit by Number of Bedrooms in Unit						
0	1	2	3	4	5	
301	353	510	650	737	813	
445	476	572	660	737	813	
712	763	915	1,057	1,180	1,301	
1,068	1,144	1,374	1,585	1,770	1,951	
1,246	1,335	1,603	1,849	2,065	2,276	

Rent Limits Details

- They are included on Income Limits Chart
- Chart lists Maximum Rent by Number of Bedrooms and by Income Category
- Rent Limits increase/decrease alongside the Income Limits



Rent Limit is NOT 30% of Household's Income

**Instead, Chart lists Maximum Rent Per
Income Category**

- **Rent Limit for Low Income is calculated according to 80% AMI.**
- **Low Income Households include those earning 50% - 80% of AMI**
- **For a rental applicant with income at 55% AMI, the Rent Limit is MORE than 30% of household income**

Questions about Monitoring Rent

- Is the rent affordable based on SHIP Rent Limits chart?
- Is the project owner using the correct Rent Limits for funding source?
- Does the owner submit requests for rent increases to the County/City?
- Does the Owner provide 30 days written notice to Tenant prior to implementing rent increase?

Monitoring Physical Condition

- **BEST PRACTICE**, but not actually addressed in **SHIP** monitoring by the State
- **Include standards in your agreement**

Physical Condition Standards

- Site: fencing, grounds, walkways, and more
- Building exterior
- Systems: water heater, electrical system, elevators, emergency power, fire protection, HVAC, sanitary system
- Common Areas

MORE about Physical Condition



- Dwelling Units: bathroom, kitchen, bedrooms and more
- Free of health/safety hazards
- Compliance with local codes: “These standards do not supersede codes”

Monitoring Property Performance

- Are any units vacant for more than 30 days?
- For units vacant over 31 days, does Management should have a plan for occupancy?
- Address health, safety, code issues as priorities with appropriate follow up dates

Common Findings

- Rental units not being monitored annually
- Noncompliant with initial rent limits
- Noncompliance with income limits
- Noncompliance with set asides
- LHAP, Agreement, LURA, mortgage terms conflict
- Income certification completed incorrectly
 - Asset calculation, income calculation & documentation
 - Not signed, white out, no date stamp/inconstant dates

Planning and Incentives

- **Comprehensive Plan**
 - Future Land Use element
 - Housing element
- **Land Development Regulations**
 - Zoning – base and overlay
 - Special concerns- historic or form based
- **Other Considerations**
 - Infrastructure
 - Environmental

Planning as a Function of Local Government: Surplus Land

- **FL Statutes 125.379 & 166.041 passed in 2007, known as the surplus lands bill**
- **Each county and municipality shall prepare an inventory list of property to which the local government holds title that is appropriate for use as affordable housing.**
- **Open availability and/or convey through RFP process**

Planning as a Function of Local Government: Community Redevelopment Areas (CRAs)

- Use CRA boundary to define focus area for funding
- Leverage Tax Increment Financing (TIF) dollars
- Purchase Lots for RFPs

Planning as a Requirement of Funding

- **HUD Entitlement Communities**
 - Consolidated Plan/Action Plan
 - Assessment of Fair Housing
 - Analysis of Impediments
- **SHIP Funding comes with Planning Requirements**
 - Expedited review of all permits
 - Ongoing Process of Review

Affordable Housing Advisory Committee

- AHAC should also consider and make recommendations for implementation of other local actions that would promote affordable housing
- Must have a member of the Local Planning Agency on the AHAC

Incentives: Will They Work for Rental Development and Are They Practical?

- **Density Bonus/Inclusionary**
- **Expedited Permitting**
- **Zoning Relief**
- **Fee waivers or mitigation**
- **Surplus Land**
- **Lien removal**
- **Others?**

Housing Strategy for Rental Development

- Statement of Issues
- Market Analysis
 - UF Shimberg Center for Housing Studies
 - www.shimberg.ufl.edu
- Policy/Program Analysis
- Implementation Plan
 - Continuation of/changes to existing policies and programs
 - New policies and programs
- Monitoring & Evaluation Plan

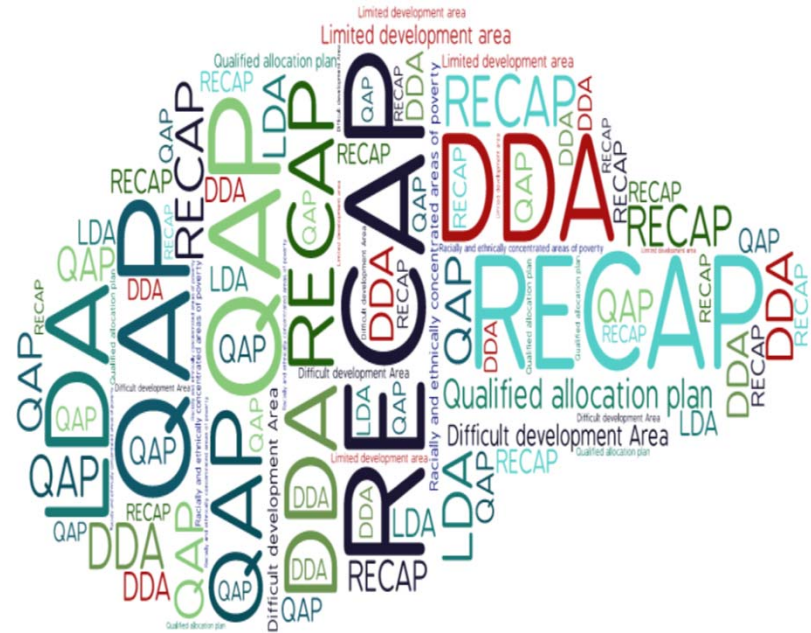
Geographic Considerations for Funding

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Pre-application research

- QAP(Qualified Allocation Plan)
- DDA (Difficult Development Area)
- RECAP (Racially and Ethnically Concentrated Area of Poverty)
- QCT (Qualified Census Tract)
- Areas of Opportunity
- Local Government Preferences



More Geographic Considerations

- Areas of opportunity versus revitalization areas
- Disparate impact analysis
- Fair housing issues

FHFC's RFA Process: Mapping Beta

- [http://www.floridahousing.org/programs/developers-multifamily-programs/multifamily-mapping-application-\(beta\)](http://www.floridahousing.org/programs/developers-multifamily-programs/multifamily-mapping-application-(beta))



Fair Housing

Fighting for Fair Housing

- **Not Only HUD's Responsibility**
- Local Communities
- Housing Advocates
- Housing Managers and Organizations
- Landlords
- Real Estate Agents
- Intake staff
- Everyone's responsibility to promote Fair Housing

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Protected Classes under HUD's Jurisdiction

1. Race - African American; Caucasian; Hispanic/Latino/Latina; Asian, etc.
2. Color - Black, White (self-identification)
3. National Origin
4. Religion
5. Sex - Gender (male or female) does not include sexual orientation
6. Disability
7. Familial Status

Not Protected Classes

1. Criminal History
2. Military Status
3. Credit History
4. Marital Status
5. Income/Economic Status
6. Personal Animosity

Discrimination Hotline

1-800-440-8091 x-2493

Spanish x-2047

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What Is Prohibited?

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Set different terms, conditions
- Provide different housing services
- Falsely deny that housing is available
- For profit, persuade owners to sell or rent (blockbusting)
- Deny anyone access to a facility or service (such as a multiple listing service) related to sale or rental

Disability Rights- Landlord may not:

- Refuse reasonable modifications to dwelling or common areas at your expense
- Refuse reasonable accommodations in rules, policies, practices necessary for disabled person to use the housing

FAIR HOUSING: LIMITATIONS ON THE USE OF CRIMINAL RECORDS IN HOUSING DECISIONS

HANDOUT

- April 4, 2016 – HUD Guidance on Application of Fair Housing Act Standards on the Use of Criminal Records by Housing Providers
- Addresses how discrimination can be shown in Fair Housing Act cases when an adverse housing action is based on a person's criminal history



Questions?



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Technical Assistance is Available

- Call us at 800 677 4548
- Request a site visit or training
- Complete training schedule
 - www.flhousing.org

