



# Affordable Housing Development Using The State Apartment Incentive Loan (SAIL) Program: An Overview

PART 2 April 14, 2022

Banyan Court

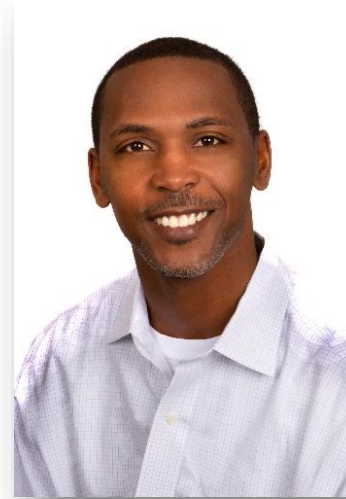


# Presenters



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# Catalyst Training Schedule



[www.flhousing.org](http://www.flhousing.org)

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# Logistics for Today's Webinar

- All attendees are muted
- Please type in your questions. We will answer questions throughout the webinar.
- Webinar is being recorded and will be posted to our website
- Handouts
  - PowerPoint for today's webinar
  - SAIL Rule
  - RFA 2021-205
  - Hypothetical Scenario detail

# Poll #1

- Who's attending today?
  - Local government staff
  - Elected official or advisory board member
  - Nonprofit developer – staff or board member
  - For profit developer
  - Other

# Poll #2

- Did you attend Part 1?
  - Yes, I attended Part 1
  - No, I did not attend Part 1

# THREE PART SAIL WORKSHOP SERIES

PART 1 APRIL 7, 2022

AFFORDABLE HOUSING DEVELOPMENT USING SAIL FUNDS

VIEW THE RECORDING: <https://vimeo.com/697337356>

PART 2 APRIL 14, 2022 2:00 PM

FINANCING WITH SAIL – LEVERGING AND BLENDING FUNDS, THE  
PRO FORMA

PART 3 APRIL 21, 2022 2:00 PM

SHOWCASE OF SUCCESSFUL SAIL PROJECTS

THE FLORIDA HOUSING COALITION





# Today's Agenda

- Brief Review of Part 1
- Overview of Major Rental Sources that are paired with SAIL
  - Multifamily Mortgage Revenue Bonds
  - Housing Credits
  - National Housing Trust Fund
- Development Scenario
- How SAIL fills the gap
- Q&A

# Please comment in the Questions box

- How do you currently evaluate funding requests?
  - In-house with staff only
  - Utilize third-party
  - Rely upon credit underwriting reports from State or others
  - Other system

# Review of Part 1: About the Program

Sierra Pointe

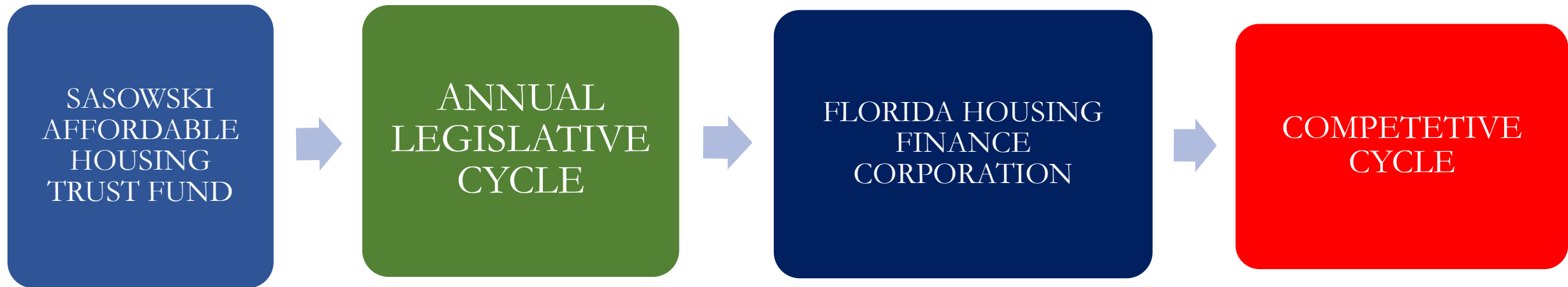
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# Source of SAIL: Sadowski Trust Funds



- 22-23 BUDGET = \$28,250,000
- 21-22 BUDGET = 62,500,000

# Main Purpose SAIL: Fill Funding Gaps

ORIGINAL PURPOSE FOR SAIL- TO FILL GAP IN 4% HOUSING CREDIT/BOND DEALS

WORKFORCE HOUSING

LARGE PERMANENT SUPPORTIVE HOUSING

SMALL PERMANENT SUPPORTIVE HOUSING

FARMWORKER-FISHERWORKER



# The Basics

- Administered by Florida Housing Finance Corporation
- Accessed through Request for Applications (RFA) process
- Can be used for
  - New Construction
  - Acquisition/Rehab
- Available in 2022/2023
  - \$28,250,000 PLUS
  - \$25,000,000 of non-recurring general revenue
- <https://sadowskicoalition.org/wp-content/uploads/2022/03/Budget-Chart-3-11-22-FINAL.pdf>

# Terms

- Part of gap financing, not to exceed 25 % of development costs (with some exceptions)
- Usually paired with:
  - Multifamily Mortgage Revenue Bonds
  - Housing Credits 4% OR 9%
  - HOME

# Terms

- Exceptions to 25% cap include:
  - Nonprofit/public sponsors with at least 10% from other sources
  - Developments with at least 80% set aside for defined demographics
  - Committing units for Extremely Low-Income households
    - 10% if using Competitive Housing Credits
    - 5% if not using Competitive Housing Credits

# Other General Terms of SAIL Loans

- Non-amortizing
- May be in first or subordinate position
- Interest rate: 0-1%
- Annual interest payment based on development cash flow and lien position of SAIL loan
- Not more than 15 years, unless
  - Longer term required for housing credit investor
  - Loan is in subordinate position – then may be coterminous with longest term of a superior loan
- Full balance due at maturity

# Set-asides

- Income Set-asides
  - Minimum 40% at 60% AMI or 20% at 50% AMI (unless otherwise stated in RFA)
  - Extremely low-income households
- Other Demographic Set-asides
  - Family
  - Elderly
  - Homeless
  - Commercial Fishing Workers and Farmworkers
  - Persons with Special Needs
  - Youths Aging out of Foster Care



# Restrictions on Eligibility

- Construction financing has closed or will close prior to preliminary commitment of SAIL
- Project has already received an award of housing credits not involving tax-exempt bonds
- Project already has a preliminary commitment of SAIL or state HOME
- Development site is already subject to an FHFC LURA or EUA, with these exceptions:
  - LURA for PLP or Elderly Housing Community Loan programs
  - Existing building(s) constructed at least 25 years prior, applicant qualifies for Homeless demographic, and is for acquisition/rehab

# Multifamily Mortgage Revenue Bonds (MMRB)

- A private activity bond
- Used to provide below market rate construction loans to nonprofit and for-profit developers of affordable housing.
- Portion of state annual volume cap – varies annually (\$574,606,020 for FHFC in 2022)
- Available through FHFC as well as local HFAs
- MMRB typically used with
  - 4% Housing Credits (non-competitive application) and/or
  - SAIL (competitive application)

\*Source: <https://www.sbafla.com/bondfinance/Other-Functions/Private-Activity-Bond-Allocation-Programs>

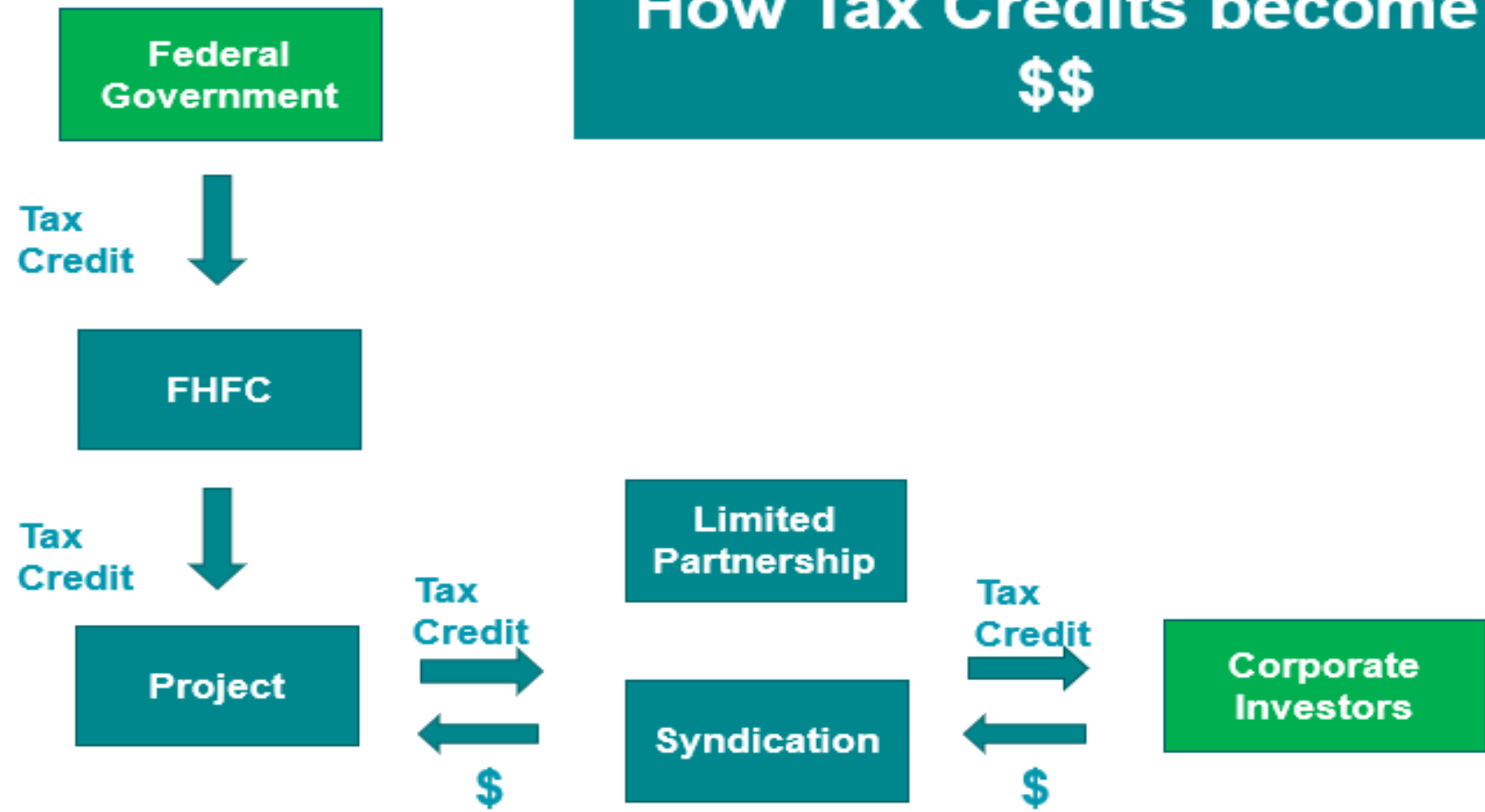
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# Low Income Housing Tax Credits (LIHTC)

- Allocating agency – Florida Housing Finance Corporation
- Awarded to developers of affordable Multifamily rental
- New construction & acquisition/rehab
- Usually 60+ units
- Usually ALL units serve <60% AMI
- Additional set aside for Extremely Low Income (ELI)
  - AMI definition dependent on county and RFA

# How Tax Credits become \$\$



# Calculation of Tax Credit Equity

$$\begin{array}{l} \text{Eligible Basis} \\ \times \text{Qualified Percentage} \\ \hline = \text{Qualified Basis} \end{array}$$

$$\begin{array}{l} \text{Qualified Basis} \\ \times \text{Tax Credit Percentage} \\ \times \text{Ten Years} \\ \times \text{Ownership percentage} \\ \times \text{Tax Credit Purchase Price} \\ \hline = \text{\textcolor{green}{\$ \$ \$ Total Equity}} \end{array}$$





# Calculation of Tax Credit Equity

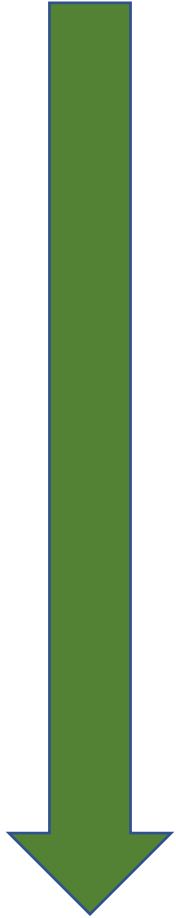
Eligible Basis	\$10,000,000
<u>x Qualified Percentage</u>	x 100% (all units low-income)
= Qualified Basis	= \$10,000,000

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

# National Housing Trust Fund

- Exclusively to build and preserve housing for people at the lowest incomes
- Funded by small fee on GSEs
- Administered by HUD as block grant to states, administered by a state-designated agency (FHFC) in accordance with Allocation Plan
- 90% must be used for rental housing
- 75% must be used for households at or below 30% AMI
  - 22% AMI for Florida
- May not serve households above 50% AMI

# The Development Process



- Conceptual Vision
- Site Selection
- Programming/Preliminary Design
- Funding Application
- Credit Underwriting
- Funding Award and Initial Closing
- Construction and Lease-Up
- Project Stabilization and Final Closing
- Project Operation and Program Compliance

# Comparing Rental Development Scenarios Using Housing Tax Credits

Steven Beal, Consultant



# Scenario Information

- New construction, mid-rise, Elderly
- Located in Pinellas County
- Zoning and land use allow 84 units
- Located in qualified census tract (QCT)





# Development Budget Comparison Process

- Determine the total cost of development
- Build the Operating Pro Forma
  - Determine anticipated rental revenue using rent matrix
  - Determine anticipated operating expenses
  - Size the Debt
- Determine Sources
  - Bond 50% Test
  - Housing Credit Analysis
- Total Sources Comparisons



# Budget Uses Comparison

Budget Category	9% Housing Credits	MMRB and 4% Housing Credits
Total Construction Costs	\$14,845,000	\$14,845,000
Total General Development Costs	\$2,033,119	\$2,033,119
Total Financial Costs	\$317,030	\$706,665
Developer Fee	\$2,808,400	\$2,808,400
Land Acquisition Costs	\$1,250,000	\$1,250,000
Reserves	\$203,187	\$203,187
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$21,456,736</b>	<b>\$21,846,371</b>



# Rent Matrix

BR	BA	Units	Size in Square Feet	AMI %	Type	Gross HC Rent	Utility Allowance	Net Restricted Rent	Monthly Rental Income	Annual Rental Income
1	1.0	5	679	60%	LI	831	87	744	3,720	44,640
1	1.0	37	679	60%	LI	831	87	744	27,528	330,336
2	2.0	4	942	60%	LI	997	131	866	3,464	41,568
2	2.0	38	942	60%	LI	997	131	866	32,908	394,896
TOTALS		84	68,082						\$67,020	\$811,440



# Operating Pro Forma Comparison

Item	9% Housing Credits	MMRB and 4% Housing Credits
Total Effective Gross Revenue (Potential Gross Rent – Vacancy Loss + other income)	\$791,171	\$791,171
MINUS Total Operating Expenses	\$521,971	\$521,971
EQUALS Net Operating Income	\$269,200	\$269,200
Annual Debt Service	\$224,334	\$219,043
Debt Service Coverage Ratio	1.20	1.23



# Debt Sizing Comparison

Item	9% Housing Credits	MMRB and 4% Housing Credits
Interest Rate	5.65%	4.65%
Amortization	360 months	360 months
Target Debt Service Coverage Ratio	1.20	1.20
Total Effective Gross Revenue	\$791,191	\$791,192
Total Operating Expenses	\$521,971	\$521,971
Net Operating Income	\$269,200	\$269,200
Mortgage Proceeds	\$3,240,000	\$3,540,000
Annual Debt Service	\$224,334	\$219,043



# Sample Bond 50 Percent Test

Item	Amount
Total Depreciable Cost	\$18,205,019
PLUS Land Costs	\$1,250,000
EQUALS Aggregate Basis	\$19,455,019
Minimum Bond Issue (Construction Loan)	\$9,730,000

# Calculation of Tax Credit Equity

	9% Housing Credits	4% Housing Credits
Eligible Basis	\$18,178,736	\$18,205,019
Qualified Percentage	100%	100%
Basis Boost	130%	130%
Qualified Basis	\$23,631,578	\$23,666,525
x Tax Credit Percentage	x 0.09	x 0.04
x Ten Years	x 10	x 10
x Ownership Percentage	x 0.9999	x 0.9999
x Tax Credit Purchase Price	x 0.95	x 0.95
<b>= TOTAL EQUITY</b>	<b>\$17,744,225*</b>	<b>\$8,992,380</b>

\*Total equity reduced to comply with maximum annual tax credit amount per FHFC



# Permanent Sources Comparison

Item	9% Housing Credits	MMRB and 4% Housing Credits
Senior Mortgage	\$3,240,000	\$3,540,000
Tax Credit Equity	\$17,744,225	\$8,992,380
<b>FUNDING GAP</b>	<b>\$472,511</b>	<b>\$9,313,991</b>





# Filling the Gap with SAIL

Using RFA 2021-205 as an example: SAIL in Conjunction with Multifamily Mortgage Revenue Bonds and Non-competitive Housing Credits



# Total Available and Demographic Categories

- Total Funding Available: \$65,758,500
- Elderly: \$22,693,500
- Family: \$43,065,000
  - 50% reserved for Self-Sourced applicants

# County Geographic Categories

- Small Counties: \$6,575,850
- Medium Counties:  
\$23,804,577
- Large Counties:  
\$35,378,073

Large, Medium and Small County Geographic Categories

Large	Medium		Small	
Broward	Alachua	Manatee	Baker	Jefferson
Duval	Bay	Marion	Bradford	Lafayette
Hillsborough	Brevard	Martin	Calhoun	Levy
Miami-Dade	Charlotte	Okaloosa	Columbia	Liberty
Orange	Citrus	Osceola	De Soto	Madison
Palm Beach	Clay	Pasco	Dixie	Monroe
Pinellas	Collier	Polk	Franklin	Nassau
	Escambia	St. Johns	Gadsden	Okeechobee
	Flagler	St. Lucie	Gilchrist	Putnam
	Hernando	Santa Rosa	Glades	Suwannee
	Highlands	Sarasota	Gulf	Taylor
	Indian River	Seminole	Hamilton	Union
	Lake	Sumter	Hardee	Wakulla
	Lee	Volusia	Hendry	Walton
	Leon		Holmes	Washington
			Jackson	

# Maximum SAIL Requests

- Per unit maximums (SAIL):
  - Self-Sourced: \$30,000
  - All others: \$70,000
- New Construction or Redevelopment
  - Large - \$7,000,000
  - Medium/Small - \$6,000,000
- Rehabilitation - \$5,000,000
- Max as percentage of TDC
  - 25% if less than 5% of units are ELI set-aside units
  - 35% if at least 5% are ELI set-aside units
- Minimum request of \$3,000,000 required for Miami-Dade
- ELI Loan Max: \$600,000
  - Per unit max based on County of location

Large, Medium and Small County Geographic Categories

Large	Medium		Small	
Broward	Alachua	Manatee	Baker	Jefferson
Duval	Bay	Marion	Bradford	Lafayette
Hillsborough	Brevard	Martin	Calhoun	Levy
Miami-Dade	Charlotte	Okaloosa	Columbia	Liberty
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Palm Beach	Clay	Pasco	Dixie	Monroe
Pinellas	Collier	Polk	Franklin	Nassau
	Escambia	St. Johns	Gadsden	Okeechobee
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	Indian River	Seminole	Hamilton	Union
	Lake	Sumter	Hardee	Wakulla
	Lee	Volusia	Hendry	Walton
	Leon		Holmes	Washington
			Jackson	

# Total Available v Maximum Requests

## Total Available

- Small Counties: \$6,575,850
- Medium Counties: \$23,804,577
- Large Counties: \$35,378,073

## Maximum Request Amounts

- New Construction or Redevelopment
  - Large - \$7,000,000
  - Medium/Small - \$6,000,000
- Rehabilitation - \$5,000,000
- Minimum request of \$3,000,000 required for Miami-Dade

# Development Categories

- New Construction
- Rehabilitation
- Acquisition and Rehabilitation
- Redevelopment
- Acquisition and Redevelopment
- Preservation
- Acquisition and Preservation

# Set-Aside Requirements

- Minimum requirements for tax credit financing
- Additional FHFC set-asides
  - For non-self-sourced applicants
    - 10% for extremely low income (ELI) of which 50% must meet Link Unit requirements
    - Raised to 15% if using income averaging, and AMI is set to 30% regardless of county
  - For self-sourced applicants
    - 5% below 50% AMI of which 50% must meet Link Unit requirements
    - If 5% are ELI units, then can qualify for the ELI loan
- National Housing Trust Fund (New Construction or Redevelopment only)
  - Must serve 22% AMI, set aside as Link Units
  - Will be in addition to ELI unit requirements
  - Number of required units based on county size

# Unit Mix Requirements

- For Elderly (not assisted living)
  - Rehabilitation - at least 40% of total units must be studios or 1-Bedroom units; no more than 20% can be larger than 2-bedroom units
  - Redevelopment and New Construction – at least 50% of total units must be studios or 1-Bedroom units; no more than 15% can be larger than 2-bedroom units
- If assisted living for elderly – must be at 90% studio or 1-bedroom units
- If Family demographic and New Construction or Redevelopment, can have no more than 25% as studios



# Proximity Points

- PHA or RD 515 Proximity Point Boost – 3 Points
- Transit Services – 6 points maximum
- Community Services – 4 points maximum for each service (up to 3)
  - Grocery Store
  - Medical Facility
  - Pharmacy
  - Public School

# Proximity Points

Application Qualifications	If Eligible for PHA or RD Proximity Point Boost, Required Minimum Transit Service Points that Must be Achieved to be Eligible for Funding	If NOT Eligible for PHA or RD Proximity Point Boost, Required Minimum Transit Service Points that Must be Achieved to be Eligible for Funding	Required Minimum Total Proximity Points that Must be Achieved to be Eligible for Funding	Minimum Total Proximity Points that Must be Achieved to Receive the Proximity Funding Preference
Large County Application	1.5	2.0	10.5	12.5 or more
Medium County Application	N/A	N/A	7.0	9.0 or more
Small County Application	N/A	N/A	4.0	6.0 or more

# Local Government Contributions

- 5 points maximum
- Preservation and Rehabilitation receive 5 points automatically without any additional local government contribution
- Miami-Dade - \$250,000 required to receive maximum points
- All others – see requirement in RFA

# Calculating SAIL

- 25% of TDC
  - $24,846,271 \times 0.25 = \$6,211,567.75$
- 35% of TDC
  - $\$24,846,271 \times 0.35 = \$8,696,194.85$
- Per Unit Max
  - $\$70,000 \times 84 = \$5,880,000$
- County Max: \$7,000,000 for Pinellas County

# Calculating SAIL

- Adjustments to Set-Asides for ELI
  - 10% of 84 = 9 units at 33% AMI, of which 5 must be Link
  - Max ELI Loan Test, lesser of
    - $\$71,500 \times 9 = \$643,500$ , or
    - \$600,000
- Max SAIL Request - \$5,880,000
  - SAIL - \$5,280,000
  - ELI - \$600,000



# Permanent Sources Comparison

Item	9% Housing Credits	MMRB and 4% Housing Credits
Senior Mortgage	\$3,240,000	\$3,540,000
Tax Credit Equity	\$17,744,225	\$8,992,380
SAIL	N/A	\$5,880,000
<b>FUNDING GAP</b>	<b>\$472,511</b>	<b>\$3,433,991</b>

# Filling the Remaining Gap

- SHIP
- HOME
- CDBG
- SLFRF (APRA)
- Local Housing Trust Fund
- Deferred Developer Fee
- Other sources



# Compliance

- Set-asides and other key terms also included in LURA and monitored by FHFC
- Reporting requirements may include
  - Annual reporting forms
  - Rent rolls
  - Financial statements
  - Insurance certificates
- Compliance period – 50 years unless otherwise stated in RFA
  - ELI units may convert to 60% AMI units after 15 years if not using income averaging
  - NHTF units may convert to 60% AMI after 30 years under certain conditions
  - All Special-Needs and Link Persons set-aside commitments must remain for entire compliance period



# End of Loan Term

- Full balance due at end of loan term
- Other options, such as sale, transfer or refinancing of the SAIL development, or extension of SAIL loan, are
  - Subject to Board approval
  - Based on documentable facts and circumstances
  - Requirements set forth in Rule
- SAIL loan assumable if requirements of original loan met, otherwise must be repaid from proceeds of sale
- Important to plan for end of term at the beginning

ANY  
QUESTIONS  
?

# FLORIDA HOUSING COALITION PUBLICATIONS

Access these valuable resources and more under the Publications tab at [Flhousing.org](http://Flhousing.org)

Housing News Network Journal

Florida Home Matters Report

Accessory Dwelling Unit (ADU) Guidebook

Adaptive Reuse of Vacant Rentals

**Affordable Housing Resource Guide**

Affordable Housing Incentive Strategies

CLT (Community Land Trust) Primer

CLT Homebuyer Education – Teacher’s Guide

CLT Homebuyer Education – Buyer’s Guide

Community Allies Guide to Opportunity Zones

Community-Based Planning Guide

Creating a Local Housing Disaster Recovery

Creating Inclusive Communities in Florida

**Credit Underwriting Guide for Multi-Family  
Affordable Housing in Florida**

**Developing & Operating Small Scale Rental  
Properties**

Disaster Management Guide for Housing  
Landlord Collaboration Guidebook

**PSH Property Management Guidebook**

Residential Rehabilitation Guide

SHIP Administrators Guidebook

Surplus Lands Guidebook

Supporting Households Moving Out of  
Homelessness

Using SHIP For Rental Housing



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# Upcoming Trainings

- April 20: The Pre-Development Process – Part 1
- April 21: Affordable Housing Development Using SAIL – Part 3
- April 27: The Pre-Development Process – Part 2
- To Register, visit <https://flhousing.org/events/>





# Conference Registration Now Open

<https://conference.flhousing.org/>

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# More questions? Need help with a project? Just ask!

- Technical Assistance Hotline  
800-677-4548

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