

Financing and Monitoring Rental Housing with SHIP

January 5, 2023



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Catalyst Training Schedule

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

SHIP
housing a stronger Florida

Register Now for SHIP Catalyst Training!

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

Hotline: 1-800-677-4548

www.flhousing.org

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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 chaney@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!

Presenters from the Florida Housing Coalition



Ashon Nesbitt
Chief Programs Officer
nesbitt@flhousing.org



Michael Chaney
Technical Advisor
chaney@flhousing.org

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Overview of Topics

- Ways SHIP Assists Rental Housing
- SHIP as Rental Development Subsidy
 - ❖ SHIP and Housing Credits
- The Missing Middle in Multifamily Development
- 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



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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

Some Housing Credit Requirements



Demographic requirements

- ❖ Elderly or family
- ❖ Homeless
- ❖ Persons with disabling conditions
- ❖ Fishing/farmworker

Income Set-aside Requirements

- ❖ Federal requirements: 20% at 50% AMI or 40% at 60% AMI
- ❖ Most developments 100% affordable
- ❖ New income averaging rules allows range of incomes up to 80% AMI
- ❖ 10% ELI requirement
 - 50% of the ELI units set-aside for special needs
 - Definition of ELI varies by County

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

FHFC Receives HC allocation from US Treasury



FHFC allocates the credits to housing developers

TAX CREDIT



For Qualified Residents
Incomes are 60% of AMI or lower



How HCs Become \$



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

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>	<u>x 100% (all units low-income)</u>
= 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

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

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)
-

RFA: Local Government Contribution

- Check each RFA- understand developer's requirement
- Amount varies by size of community
- Decide on NOFA or open applications per project
- Need not disburse until closing on award
- How much is too much?

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 😞



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Local Government Areas of Opportunity: FHFC

- Funding goals in certain RFA's
- Higher minimum contribution required
- Same jurisdiction cannot be awarded funding under the funding goal in consecutive cycles
- Local Government may only contribute to one development per RFA
- Contributions **MUST** be in the form of a loan or grant as a permanent source of financing
- Be aware of what is **NOT** considered a LGAO Contribution (fee waivers, contributions from developer, from PHA, or donation of land)

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

RFA Funding Process and Local Government Role

- Track RFA funding timeline and prepare competitive cycle to coincide with due dates
- Understand each RFA and requirement for Local Government Contribution or Area of Opportunity
- Prepare other forms as needed:
 - ❖ Verification of Zoning and Land Use regulations
 - ❖ Verification of Infrastructure- sewer and water
 - ❖ Within 21 days of invitation to credit underwriting:
 - Verification of environmental safety Phase 1 ESA
 - Phase II ESA if required
 - Verification of infrastructure- electricity, roads

Housing Developer Presentation



Jack D. Humburg
Chief Operating Officer
Boley Centers, Inc.

jack.humburg@boleycenters.org

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Pinellas Affordable Living, Inc.



Butterfly Grove
20 Units for Individuals with a disability
who have been homeless

- Provider of Services and Supports to Individuals with Mental Illness and Others Since 1970 – 53 years
- 1,300 Units of Affordable Housing in Pinellas County
- Currently Administer 434 Tenant Based Vouchers
- Pinellas Affordable Living, Inc. (PAL) is a Community Housing Development Organization

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The Sally Poynter Preserves

24 Units for Individuals who were Homeless

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445 31st STREET NORTH • SAINT PETERSBURG • FLORIDA • 33713
727-821-4819

ANNUAL CERTIFICATE OF COMPLIANCE

(NOTE: Each HOME/SHIP/LHTF-assisted development owner/property manager must complete and submit this certification by December 31st of each year.)

The undersigned, as duly authorized representative of the residential property, Preserves at Clam Bayou Phase I (Poynter Preserves) Apartments, located at 4110 34th Ave. S. St. Petersburg, FL 33711, hereby certifies to the City of St. Petersburg Department of Housing and Community Development that to the best of my knowledge, understanding, and belief, the aforementioned property complies with the tenant income restrictions required by the regulatory documents and the applicable program regulations and that the tenant income information attached to this Certificate is true and correct.

Current records supporting this certification are maintained by the development's owner/property manager and will be available for inspection by Department personnel.

SIGNATURE:

Kevin Marrone
(Owner's Name, printed)

12/11/2022
(Date)

Kevin Marrone
(Signature of Owner or Authorized)

President/CEO
(Title)

This certificate should be submitted to:

Tony Fernandez
City of St. Petersburg
Department of Housing and Community Development
P. O. Box 2842
St. Petersburg, FL 33731

City of St Petersburg, Florida
Department of Housing and Community Development

HOME/SHIP/LHTF BENEFIT DATA REPORT
To be Submitted Annually (By December 31st)

Project Name: Preserves at Clam Bayou Phase II
Reporting Period: January 1, 2022 To: December 31, 2022

Client Service Level (check one) Household Person

Number of households/persons served this reporting period 6

Total number of households/persons served to date: 6

Race and Sex of Head of Household*	Male	Female	Total
White	<u>4</u>	<u>1</u>	<u>5</u>
Black	<u>1</u>		<u>1</u>
American Indian/Alaskan Native			<u>0</u>
Hispanics			<u>0</u>
Asian/Pacific Islander			<u>0</u>
TOTALS			<u>6</u>

Number of Elderly Served (62 or over) 0

Number of Disabled Served 5 1 6

Number of Female Headed Households 1

Tony Fernandez
Signature

Homeless Housing Specialist
Title

12/19/2022
Date

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HOME / NSP / SHIP / LHTF RENTAL PROJECT COMPLIANCE REPORT

Project Preserves at Clam Bayou II

Date 12/19/2022

Address 4130 34th Ave S

Reporting Period January 1, 2022-December

Total No of Units 8

No of HOME/SHIP/LHTF Units 8

Do tenants pay any utilities (circle one) YES NO

Low HOME/SHIP/LHTF Rent Units 6

High HOME/SHIP/LHTF Rent Units 2

Indicate which utilities tenant is responsible for _____

A	B	C	D	E	F	G	H	I	J	K	L	M
Unit #	No of Bedrooms	Low or High Rent Unit Designation	Tenant Name	Household Size	Annual (Gross) Income	Income at or Below 30%, 50% or 60%*	Date at Last Income Re-Examination	Low or High Rent	Tenant Paid Utilities	Maximum Allowable Rent (I-J)	Rent Charged/ Unit in Compliance (Y or N)	Comments
17	1											
18	1	Low		1	0	50	8/1/2022	Low	0	770	Y	
19	1	Low		1	0	50	8/1/2022	Low	0	770	Y	
20	1	Low		1	0	50	11/18/2022	Low	0	770	Y	
21	1	Low		1	0	50	10/1/2022	Low	0	770	Y	
22	1	Low		1	10092	50	8/1/2022	Low	0	770	Y	
23	1											
24	1	Low		1	10092	50	2/1/2022	Low	0	770	Y	

* Indicate what percentage the tenant falls under (at or below 30%, 50% or 60% median income)



Benefits of Small-Scale Development

- Attainable for many nonprofits
- Can have high impact on neighborhood development
- Rental revenue can help nonprofits build financial capacity
- Experience can qualify nonprofits for larger developments and financing with FHFC

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Structuring Subsidies for Small Scale

Low-cost
construction financing

Gap financing
(soft debt or grant)

Rental Housing Presentation



Shawn Tan

Program Development Supervisor

Orange County Housing and
Community Development Division

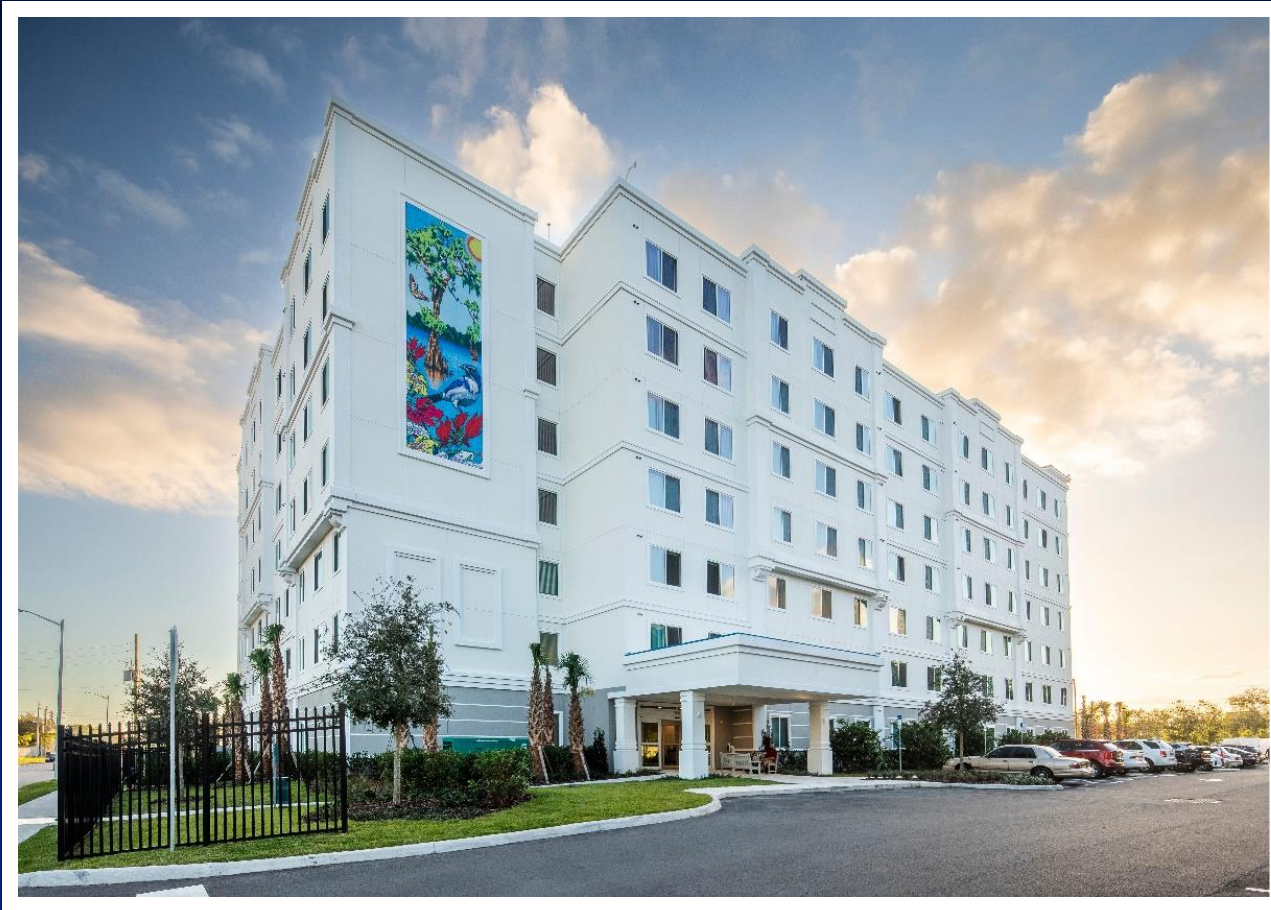
Shawn.Tan@ocfl.net

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Madison Landing



Project Summary

- Orange County, Orlando
- Senior Development
- 7 Story High-Rise
- 110 Units
- 1 and 2 Bedroom Units
- Mural / Public Art
- Completed August 2021
- 50 Year Affordability Period



Madison Landing

Development Costs

- Total Development Costs \$26.7 million
 - \$2 million ineligible for housing credit
 - \$24.7 million eligible for housing credit

Sources of Funds

- First Mortgage = \$2.5 million
- 9% Housing Tax Credit = \$23 million
- Deferred Developers Fee = \$470,000
- Second Mortgage Funded with Orange County SHIP = \$747,000



Madison Landing

SHIP Assistance

- Developer received \$747,000 in local contribution from the Orange County SHIP program.
 - Interest rate of 4%
 - 18 year term, amortized for 30 years
 - Payments are managed through a CDFI, paid monthly
 - CDFI charges 1% to close and 50 points to service the loan
- Funds were awarded through the Local Government Areas of Opportunity (LGAO) method.
- Orange County issued an RFP to select the developer



Madison Landing

Set Aside Units

- 10% of the units are reserved for Extremely Low Income (ELI), half reserved for persons with special needs.
- 90% of the units are set aside for 60% AMI or below

Reduced Rent

Bedrooms	Average Rent in Orange County	Madison Landing Rent
1	\$1,800/mo	\$950/mo
2	\$2,100/mo	\$1,200/mo



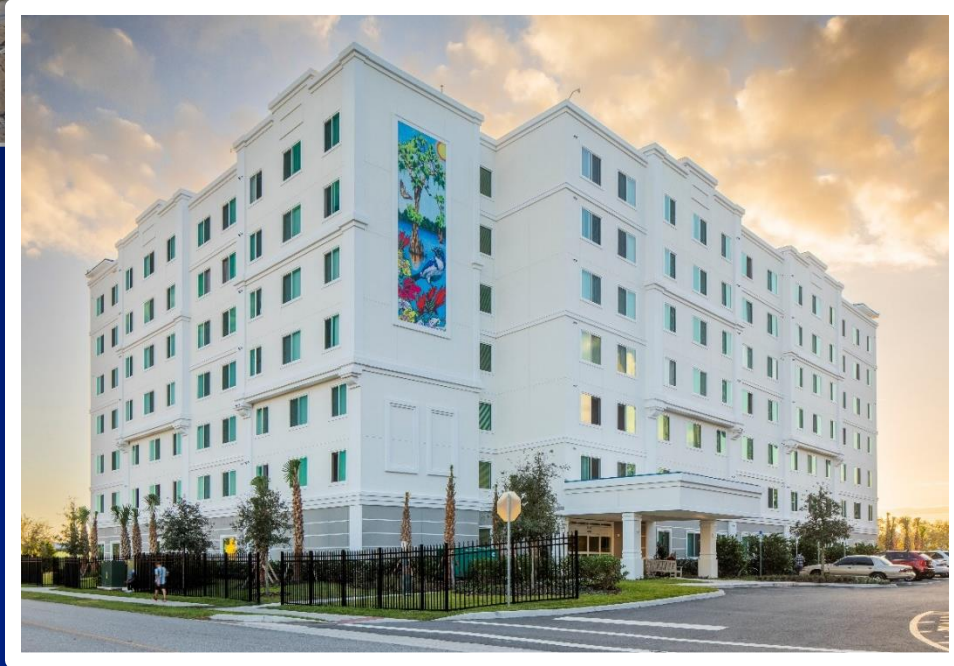
Madison Landing

Gap Financing

- Issued RFP and awarded the funds before SAIL deadline
- Sources of funds
 - Local Housing Trust Fund
 - SHIP
- Types of Projects
 - Projects receiving 4%, Bonds, SAIL are eligible
 - Projects receiving 9% Tax Credit are not eligible
 - During 2021 cycle, received 7 applications, funded 5 developers
 - Awards range from \$1.7 million to \$5 million



Madison Landing





Madison Landing - Amenities





Madison Landing

Contact information

Shawn.Tan@ocfl.net

407-836-5192

Questions?

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



Suggested Text for SHIP Agreements with Developers of Tax Credit Properties



The developer agrees that, in consideration of the SHIP funds provided for this development, it will engage the compliance monitoring firm assigned to this project by FHFC to also monitor for compliance with the set-aside requirements for the SHIP funded units. The term for compliance monitoring will be concurrent with the term required under the extended use agreement that is recorded in the public records.

Income Compliance on Small Rental Properties

Technical Bulletin Handout Highlights:

- Monitoring 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

SHIP

Technical Bulletin

2017-02

Income Compliance on Small Rental Properties

Prepare for Monitoring: Review SHIP Agreement with Owner of Rental

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



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

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:

$\$55,000 = 80\% \text{ AMI}$

$\$77,000 = 140\% \text{ of } 80\% \text{ AMI } (55,000 \times 1.4)$

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.

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

Monitoring Physical Condition

- SHIP BEST PRACTICE, but not actually addressed in SHIP monitoring by the State
- HOME property standards apply to the common areas and the building's exterior, not only the HOME units. Any deficiencies seen in these areas must be addressed.
- Use 'HUD Uniform Physical Condition Standards Checklist' (handout)

HUD Uniform Physical Condition Standards Checklist

✓ - No Observed Deficiency D - Observed Deficiency P - Potential Noncompliance N/A

Unit #					
OCCUPIED/VACANT					
Bathroom #1					
Bathroom #2					
Call for aid					
Ceilings					
Doors					
Electrical					
Floors					
Hot Water Heater					
HVAC System					
Kitchen					
Lighting					
Outlets/Switches					
Patio/Porch/Balcony					
Smoke Detector #1					
Smoke Detector #2					
Stairs					
Walls					
Windows					

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Use the Handout: 'Dictionary of Deficiency Definitions'

Developed by
HUD for its
Section 8 and
public housing
portfolios

Market Appeal (Site)

Evaluate only those areas or structures that are under the control of the housing provider.

This inspectable item can have the following deficiencies:

- Graffiti
- Litter

Graffiti (Market Appeal – Site)

Deficiency: You see crude inscriptions or drawings scratched, painted, or sprayed on a building surface, retaining wall, or fence that the public can see from 30 feet away.

Note: There is a difference between art forms and graffiti. Do not consider full wall murals and other art forms as graffiti.

Level of Deficiency:

Level 1: You see graffiti in 1 place.

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HUD Uniform Physical Condition: Standards Checklist

Building # (BIN)
Building Exterior
Doors
Fire Escapes
Foundations
Lighting
Roofs
Walls
Windows
Building System
Domestic Water
Electrical System
Elevators
Emergency Power
Exhaust System
Fire Protection
HVAC
Sanitary System

Common Areas	
Basement/Garage/Carport	
Closet/Utility/Mechanical	
Community Room	
Day Care	
Halls/Corridors/Stairs	
Kitchen	
Laundry Room	
Lobby	
Office	
Other Community Space	
Patio/Porch/Balcony	
Pools & Related Structures	
Restrooms	
Storage	
Trash Collection Areas	

Site	
Fencing & Retaining Walls	
Grounds	
Lighting	
Mail Boxes/Project Signs	
Market Appeal	
Parking Lot / Driveways / Roads	
Play Areas & Equipment	
Refuse Disposal	
Storm Drainage	
Walkways & Steps	
Health & Safety	
Air Quality	
Electrical Hazards	
Elevator	
Emergency/Fire Exits	
Flammable Materials	
Garbage & Debris	
Hazards	
Infestation	

Common Findings



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

Questions?



Please Complete the Evaluation!



Ashon Nesbitt
Chief Programs Officer
nesbitt@flhousing.org



Michael Chaney
Technical Advisor
chaney@flhousing.org

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Looking for Trainings?

Visit Our Calendar of Trainings

Technical Assistance is Available

Available Daily: **1 (800) 677-4548**

Options for Further Assistance Include:

- ❖ Phone and Email consultation
- ❖ Site Visits

Register at www.flhousing.org for:

- ❖ Workshops
- ❖ Webinars

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