

WORKING WITH BLENDED FINANCING/ SUBSIDY LAYERING

April 6, 2023

Presented by: Florida Housing Coalition





AFFORDABLE HOUSING CATALYST PROGRAM

**Sponsored by the
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Catalyst Training Schedule



Hotline: 1-800-677-4548

www.flhousing.org

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

Florida Housing Coalition (FHC) Technical Assistance is Available

- FHC Staff is 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
 - ✓ Previous trainings
 - ✓ Publications



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Webinar Logistics

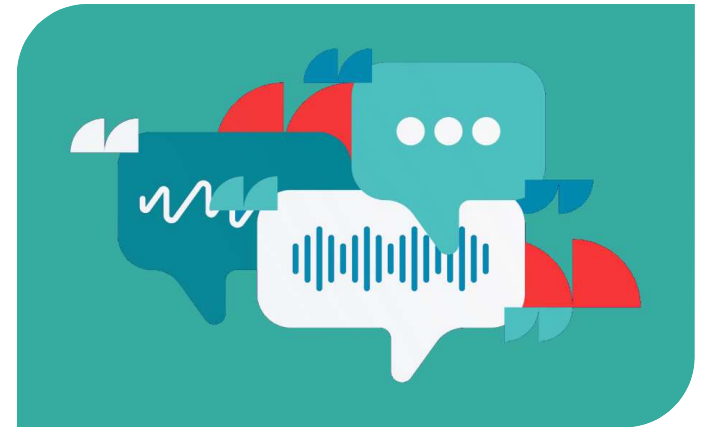
- Participants are muted but we encourage you to post questions and comments
- There are handouts attached to this webinar, which you can download
- PowerPoint and recording will be available on our website
- Additional questions? Just email or call!

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Agenda

- Overview of Affordable Rental Housing Funding Sources
- Review of Compliance Factors for Funding Sources
- Best Practices for Blended Funding
- Common Findings and Monitoring Issues



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Overview of Affordable Rental Housing Funding Sources



Financing for Rental Development

SAIL	HOME	SHIP	CDBG
Local Trust Fund	Surplus Land	SLFRF	National Housing Trust Fund
MMRB	Tax Credits	FHLB AHP	CDFI

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Don't Loan too Much: Use the Loan to Value Ratio Tool

Loan to Value Ratio

The relationship between the appraised value of the total project and the loan.

Generally, lenders will not exceed 100% of appraised value.

LTV

First Position Loans:

$$\text{LTV} = \frac{\text{Loan Amount}}{\text{Fair Market Value}}$$

Example:

$$\text{LTV} = \frac{\$100,000}{\$140,000} = 71\%$$

Also:

$$80\% = \frac{\text{Loan Amount}}{\$140,000} = \$112,000$$

Debt Service Coverage Ratio

<p>Debt Service Coverage Ratio (DSCR) or (DCR)</p>	<p>The relationship between Net Operating Income (NOI) and Annual Debt Service.</p> <p>Generally, the acceptable DCR for affordable housing projects is no less than 1.15 and no more than 1.3.</p> <p>Example: SAIL</p> <ul style="list-style-type: none">• Minimum 1.10 (including 1st and 2nd mortgages for HC)• Maximum 1.50 (including all superior mortgages)	<p>NOI/DS=DSCR</p> <p>$\\$100,000/90,000 = 1.11$</p> <p>$\\$100,000/85,000 = 1.25$</p> <p>$\\$100,000/75,000 = 1.33$</p>
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Loan Sizing by LTV and DCR

Loan Sizing:
two methods

Based on Loan to Value
Ratio (LTV)

Based on Debt
Coverage Ratio (DCR)

The lender uses the
lesser result of LTV or
DCR methods

Lenders use LTV based on
real estate appraised value

Lenders use DCR to
determine amount
available for debt
services

Standards Example

LTV < 80%

DCR < 1.25

Example using LTV

Appraised Value=

\$5,000,000

LTV= 80%

Maximum loan amount =

\$4,000,000

$\$5,000,000 \times .80\% =$

Example Using DCR:

NOI = \$400,000

Maximum loan amount=

$\$400,000 / 1.25 \times 12 =$

\$3,722,000

Things to Know for Each Source

- ✓ Program Rules-set aside requirements, income & rent limits
- ✓ The content of the RFA or RFP
- ✓ The funding agreements-for each source of funding
- ✓ The Credit Underwriting Report (CUR)
- ✓ The Recorded documents
- ✓ Monitoring reports
- ✓ Know the team:
 - The project underwriter
 - The property manager
 - Monitoring entities

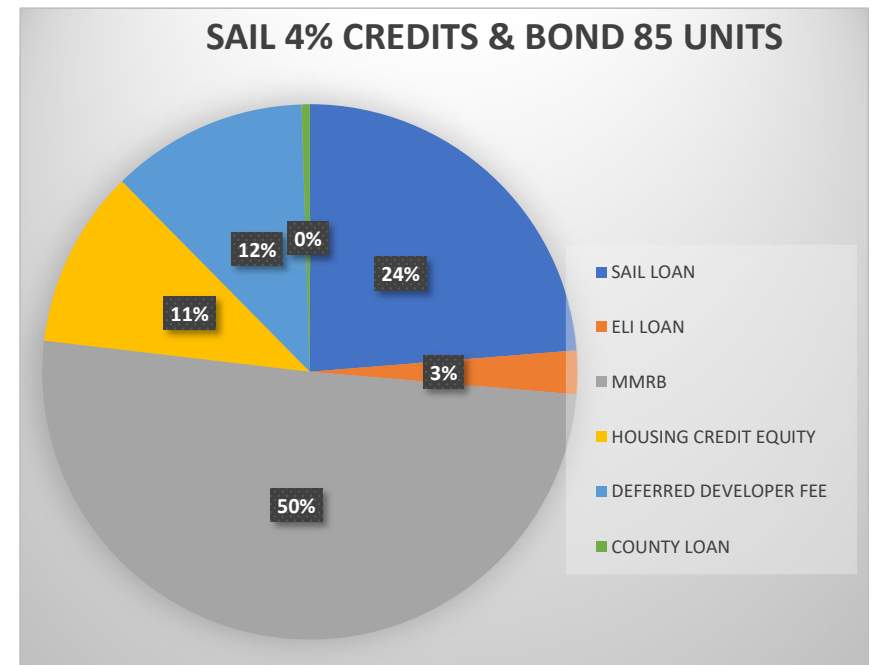


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Affordable Housing Financing Examples

SAIL, 4% Credits, Bonds, & Local Financing – 85 Units

Source	Amount
SAIL LOAN	\$5,400,000
ELI LOAN	\$600,000
MMRB	\$11,500,000
HOUSING CREDIT EQUITY	\$2,449,162
DEFERRED DEVELOPER FEE	\$2,706,367
COUNTY LOAN	\$115,000
TOTAL DEVELOPMENT COST	\$20,667,211



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Small Rental Development for Persons with Special Needs – 6 Units

Source	Amount
Equity	-
Conventional Loan	\$5,000
HOME	\$0
SHIP	\$42,000
Federal Home Loan Bank GRANT	-
SAIL	-
Florida Community Loan Fund	-
USDA	-
Grant	\$36,000
Housing Credit Equity	-
Deferred Developer Fee	-
FHFC RFA Financing	\$350,000
Other	-
Total	\$433,000

Source	Amount
Equity	-
Conventional Loan	-
HOME	\$1,000,000
SHIP	\$500,000
Federal Home Loan Bank GRANT	\$500,000
SAIL	\$2,098,760
Florida Community Loan Fund	\$500,000
USDA	-
Grant	-
Housing Credit Equity	-
Deferred Developer Fee	-
FHFC RFA Financing	-
Other	-
Total Development Cost	\$4,598,760

Medium Multifamily Rental Development – 23 units

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SAIL & Housing Credits, Homeless & Disabling Conditions – 72 Units

Source	Amount
SAIL LOAN	\$5,040,000
ELI LOAN	\$370,800
FIRST MORTGAGE	\$15,500,000
HOUSING CREDIT EQUITY	\$4,008,599
DEFERRED DEVELOPER FEE	\$3,437,000
TOTAL DEVELOPMENT COST	\$27,115,554.34

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Low Income Housing Tax Credits (LIHTC)



LIHTC Overview

- Tax Reform Act of 1986
- From Treasury Department
- Allocating Agency, Florida Housing Finance Corporation
- Qualified Allocation Plan (QAP)-Priorities/Selection Criteria
- Largest source of funding for rental development in the state
 - 2023 Total Competitive HC Allocation \$57.5M
- Competitive solicitation



SabalPlace

POPULATION	<input type="radio"/> Family <input type="radio"/> Homeless
ADDRESS	NE Corner of Williams Rd. & E Broadway Ave Seffner, FL
UNITS	112
COMPLETION	2021
WEBSITE	https://www.sabalplace.com/
FINANCIAL PARTNERS	Florida Housing Finance Corporation, Raymond James Tax Credit Funds, Hillsborough County, Chase Bank
DEVELOPMENT PARTNERS	Metropolitan Ministries – https://www.metromin.org

Source: Blue Sky Communities, Sabal Place. <https://blueskycommunities.com/our-communities/sabalplace/>

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Purpose of LIHTC

- Awarded to developers of affordable multifamily rental projects
- Dollar for dollar reduction in federal tax liability
- Credits are “sold” to corporations to reduce their tax liability through syndication to become developer equity investments used to finance affordable rental units
- Results in less hard debt needed, reduces the TDC



Source: Broward Partnership for the Homeless & Green Mills Group, Seven on Seventh. <https://bphi.org/seven-on-seventh/>

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LIHTC Uses

- New construction & acquisition/rehab
- Usually 60+ units
- Usually ALL units serve <60% AMI, recent updates to income averaging
- Additional set aside for ELI (30-35% AMI)
- Two types of LIHTC
 - 9% (Competitive)

<https://www.floridahousing.org/programs/developers-multifamily-programs/low-income-housing-tax-credits>

- 4% (Non-Competitive) combined with MMRB

<https://www.floridahousing.org/programs/developers-multifamily-programs/non-competitive>

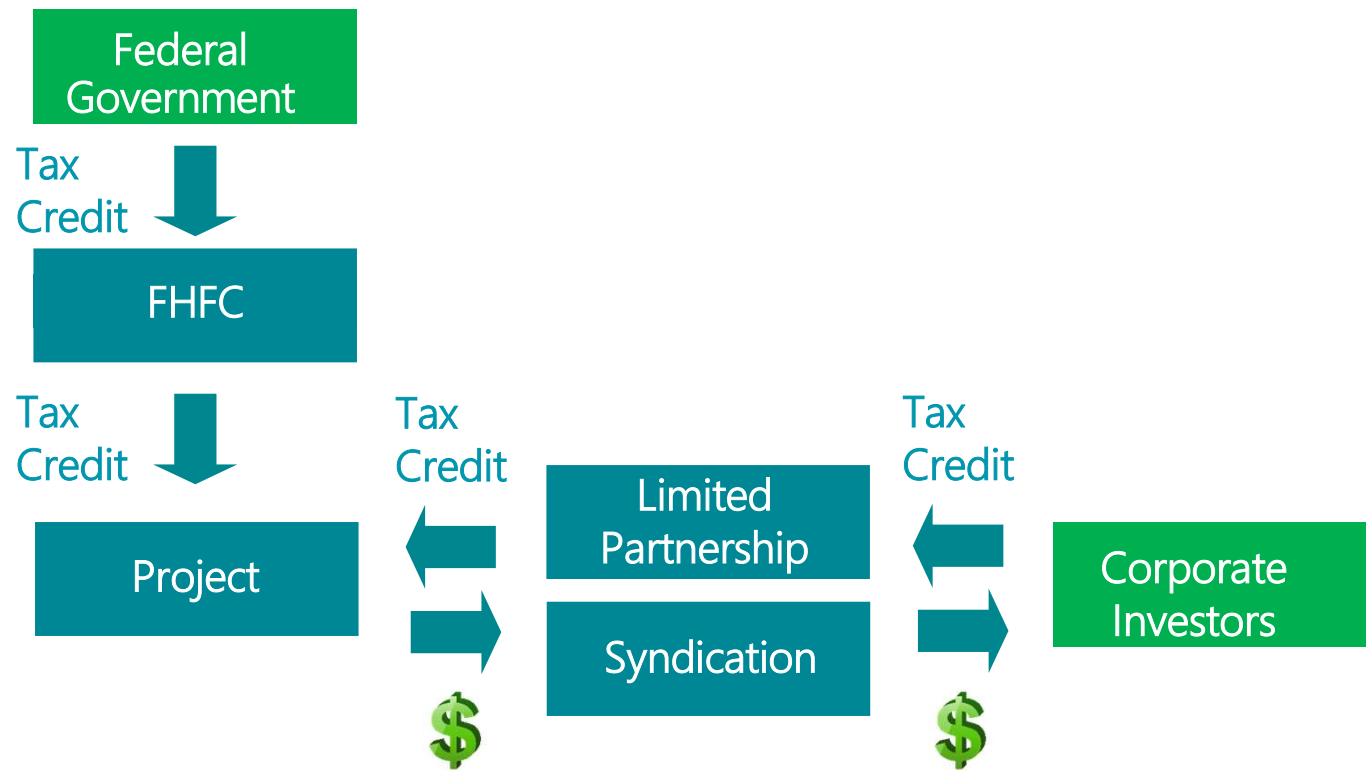
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Overview of How LIHTC Works

- Developer receives federal income tax credits over a 10-year period in exchange for:
 1. Acquiring, rehabbing or building rental housing for low-income households, and
 2. Operating the project under LIHTC guidelines
- Developers sell the right to use these credits to investors who want to reduce their federal taxes.
- The investor's payment is a "capital contribution" to the project as it reduces development cost, increasing cash flow.

How Tax Credits become \$\$



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9% Credit Example

- ✓ \$11,000,000 total development cost (TDC)
- ✓ \$1,000,000 land and other ineligible costs
- ✓ 100% of units are low income

$$\begin{aligned} & [\text{\$10,000,000 eligible basis}] \times [.09 \text{ tax credit}] \times [100\% \text{ low income}] = \\ & \text{\$900,000 credit request} \times [10 \text{ years}] \times [\$.95 \text{ syndication rate}] \\ & = \text{\$ 8,550,000 or 78\% of TDC} \end{aligned}$$

- Gap of (\$2,450,000)

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Set Asides for LIHTC

- Minimum Set-Aside per IRS is 20% at 50% of AMI or 40% at 60% AMI
- Average Income Test-Average AMI of the Qualifying HC Units* cannot exceed 60% AMI
- Specialized populations (non-ALF)
- Competitive HC are 100% of tenants at 60% and with at least 10% of tenants at 30% of AMI. (referred to as "Extremely Low Income")
- Mixed Income Units-must have other source of funding

Biden-Harris Administration Housing Supply Action Plan

Goal is to increase housing affordability and supply by implementing five main action steps.



<https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>

Compliance Monitoring

§ 1.42-5 Monitoring compliance with low-income housing credit requirements.

(a) Compliance monitoring requirement

(1) *In general.* Under section 42(m)(1)(B)(iii), an allocation plan is not qualified unless it contains a procedure that the State or local housing credit agency ("Agency") (or an agent of, or other private contractor hired by, the Agency) will follow in monitoring for noncompliance with the provisions of section 42 and in notifying the Internal Revenue Service of any noncompliance monitoring procedures required by the owner. These regulations do only address forms and other records that may be required by the Service on examination or audit. For example, if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor information related to the first year of the credit period so that the transferee can substantiate credits claimed.

(2) Requirements for a monitoring procedure

(i) *In general.* A procedure for monitoring for noncompliance under section 42(m)(1)(B)(iii) must include—

- (A) The recordkeeping and record retention provisions of paragraph (b) of this section;
- (B) The certification and review provisions of paragraph (c) of this section;
- (C) The inspection provision of paragraph (d) of this section; and
- (D) The notification-of-noncompliance provisions of paragraph (e) of this section.

(ii) *Order and form.* A monitoring procedure will meet the requirements of section 42 (m)(1)(B)(iii) if it contains the substance of these provisions. The particular order and form of the provisions in the allocation plan is not material. A monitoring procedure may contain additional provisions or requirements.

(b) Recordkeeping and record retention provisions

(1) *Recordkeeping provision.* Under the recordkeeping provision, the owner of a low-income housing project must be required to keep records for each qualified low-income building in the project that show for each year in the compliance period—

- (i) The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
- (ii) The percentage of residential rental units in the building that are low-income units;
- (iii) The rent charged on each residential rental unit in the building (including any utility allowances);

Monitoring is done to assess:

- ✓ Program Performance
- ✓ Financial Performance
- ✓ Regulatory Performance

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Housing Credits Compliance Period

- Compliance period is 15 years with an extended use period of an additional 15 years per IRS, creating an extended use period of 30 years, AND...
- Florida Housing requires 50 years compliance.
- Development owners may agree to a longer extended use period in order to qualify for preference in the award of credits.

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State Apartment Incentive Loan Program (SAIL)



SAIL Basics

- Sadowski Affordable Housing Trust Funds
 - State Housing Trust Fund: SAIL (30% of the HTF)
- Administered by Florida Housing Finance Corporation (FHFC)
 - SAIL Rule: Florida Administrative Code Chapter 67-48
- Accessed through Request for Applications (RFA) competitive solicitation process
 - <https://www.floridahousing.org/programs/developers-multifamily-programs/state-apartment-incentive-loan>
 - <https://www.floridahousing.org/programs/developers-multifamily-programs/competitive>
- FHFC 2022-2023 Tentative Funding Amounts & Timeline
 - https://www.floridahousing.org/docs/default-source/programs/developers-multifamily-programs/competitive/2022-2023-tentative-funding-amounts-and-timeline---4-6-23.pdf?sfvrsn=5d0f57b_26

SAIL RFAs

- Eligible Activities
 - Acquisition
 - Construction
 - Rehab
- RFAs
 - Part of gap (HC/HOME deals)
 - Stand alone (special needs, special programs, workforce housing)
 - 0-1% cash flow loan



Source: Banyan Court. Banyan Development Group.

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Anticipated SAIL Financing

- Live Local Act (SB 102)
 - Redirects up to \$150 million annually of the General Revenue service charge on doc stamp revenues to the State Housing Trust Fund over 10 years (up to \$1.5 billion new funding for SAIL over 10 years).
- SAIL Program Income
 - \$120 million as of November 2022
 - 2023/2024 RFA Cycle Information
 - <https://www.floridahousing.org/programs/developers-multifamily-competitive/2023-2024-rfa-cycle-information>

11/22/2022	
State Housing Trust Fund	\$ 52,904,000.00
	\$ -
Total for Appropriation	
Total Program Income Added	\$ 120,000,000.00
Total Appropriation and Program Income	\$ 172,904,000.00
CHIRP* as of 11/18/2022	\$ (85,574,641.00)
Total Available for Splits for SAIL Program	\$ 87,329,359.00

https://www.floridahousing.org/docs/default-source/programs/developers-multifamily-competitive/estimated-2022-2023-sail-funding-amounts---as-of-11-22-22.pdf?sfvrsn=997cf47b_2

SAIL Loan Terms

- Non-amortizing
- First or subordinate position
- Interest rate: 0-3%
 - 0% interest for developments that maintain 80% of their occupancy for farmworkers, commercial fishing workers, or homeless people.
- 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

SAIL

- Part of gap financing that is based on cash flow of project
- Not to exceed 25% of development costs/cap, exceptions 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
- Usually paired with:
 - Multifamily Mortgage Revenue Bonds (MMRB)
 - Housing Credits 4% OR 9%
 - HOME
 - National Housing Trust Fund (NHTF)

Tenant Groups & Set Asides

- Commercial fishing workers and farmworkers
- Families
- Persons who are homeless
- Persons with special needs
- Elderly persons
 - 10% made available for loans to sponsors of housing for the elderly for the purpose of making building preservation, health, or sanitation repairs or improvements.
 - Such a loan may not exceed \$750,000 per housing community for the elderly.
- Income Set Asides
 - Minimum 40% at 60% AMI with HC *or*
 - 20% at 50% AMI (unless otherwise stated in RFA)
 - Developments in the Florida Keys Area may use a minimum set-aside of 100% of the units at or below 120% AMI of the state or local median income, which ever is higher.

The Importance of SAIL on Financial Feasibility

- Low interest rate supports development of ELI units without additional debt carry
- Improves cash flow to development projects that serve lower income households that otherwise would be financially infeasible due to low return, unable to meet total development cost
- Additional “subsidy” layering to increase financial stability for operations and reserves

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SAIL Compliance Procedures

- Compliance Procedures Rule Chapter 67-53
 - https://www.floridahousing.org/docs/default-source/programs/competitive/common-content/rfa-rules/rule-67-53-f-a-c---compliance-procedures-effective-8-20-2009.pdf?sfvrsn=bd62e97b_0
 - 67-53.008 Compliance and Reporting Requirements for State Apartment Incentive Loan (SAIL) Program, HOME Investment Partnerships (HOME) Rental Program, Multifamily Mortgage Revenue Bond (MMRB) Program, Housing Credit (HC) Program, Rental Recovery Loan Program (RRLP), and Elderly Housing Community Loan (EHCL) Program.
- Compliance period – 50 years unless otherwise stated in RFA

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SAIL Compliance Procedures

- Audited financial statements
 - Comparative balance sheet with prior/current year balances
 - Statement of revenue and expenses, charges in fund balances or equity, & cash flows
- Financial Reporting Form
 - Exceptions for first year of operations
- Set-asides and other key terms also included in LURA and monitored by FHFC
 - Household Income Certification
- Any other financial reporting detailed in the RFA
- Reporting requirements may include:
 - Financial statements, insurance certificates, location of tenant files, occupancy reports

Occupancy Reports Compliance

Required monthly reporting on a calendar-month basis for all SAIL, Home Investment Partnerships (HOME) Rental Program, Multifamily Mortgage Revenue Bond (MMRB) Program, Housing Credit (HC) Program and Rental Recovery Loan Program (RRLP) participants.

<https://www.floridahousing.org/data-docs-reports/occupancy-reports>



The screenshot shows the Florida Housing Finance Corporation website. At the top, there is a logo with the tagline "we make housing affordable™" and the text "Florida Housing Finance Corporation". To the right of the logo, there is a "Select Language" dropdown menu and a search bar with the text "Search for the site". Below the logo, there is a navigation bar with the following links: "ABOUT FLORIDA HOUSING", "LEGAL", "PROGRAMS", "DATA, DOCS & REPORTS", "MEDIA", and "CONTACT US". The "DATA, DOCS & REPORTS" link is highlighted. Below the navigation bar, there is a breadcrumb trail: "Home / DATA, DOCS & REPORTS / Occupancy Reports". The main heading is "Occupancy Reports". Below the heading, there is a paragraph of text: "Adopted on August 20, 2009, the amended Compliance Procedures Rule Chapter 67-53 requires monthly reporting on a calendar-month basis for all SAIL, Home Investment Partnerships (HOME) Rental Program, Multifamily Mortgage Revenue Bond (MMRB) Program, Housing Credit (HC) Program and Rental Recovery Loan Program (RRLP) participants." Below this paragraph, there is a disclaimer: "Florida Housing makes no representation that the information provided is complete, accurate, reliable, timely, or error-free. This information is provided 'AS IS' and without warranty of any kind, whether express or implied, including but not limited to warranties of merchantability or fitness for any particular use." At the bottom of the page, there is a section titled "PORTFOLIO OCCUPANCY REPORT" and a row of four colored squares (teal, dark teal, light green, and light blue) followed by the "FLORIDA HOUSING COALITION" logo.

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Occupancy Reports

Adopted on August 20, 2009, the amended Compliance Procedures Rule Chapter 67-53 requires monthly reporting on a calendar-month basis for all SAIL, Home Investment Partnerships (HOME) Rental Program, Multifamily Mortgage Revenue Bond (MMRB) Program, Housing Credit (HC) Program and Rental Recovery Loan Program (RRLP) participants.

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PORTFOLIO OCCUPANCY REPORT

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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

HOME Investment Partnership (HOME)



HOME Investment Partnerships Program

- Governed by 24 CFR Part 92
 - HUD CPD, Consolidated Planning
- Funding exclusively to create affordable housing
- Participating Jurisdictions (PJ)
 - States
 - Local governments, and
 - Consortia
- Emphasizes partnership with local nonprofit and for-profit organizations, developers, lenders
 - Community Housing Development Organization (CHDO) Set-aside is 15% of allocation

HOME Investment Partnerships Program Objectives

- Provide decent, affordable housing for low-income persons (<80% AMI)
- Expand the capacity of nonprofit housing providers
- Strengthen the ability of state and local governments to provide housing
- Leverage private-sector participation



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HOME Specific Rules

- HOME assisted units may be floating or fixed units in a project
 - Fixed units must be comparable to others.
- High HOME rent versus Low HOME rent
- Subsidy Layering-prior to award
- Cross Cutting Regs apply:
 - Davis Bacon, Section 3
 - Uniform Relocation Act (URA)

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State HOME Allocation – FHFC

- Eligible Applicants: for-profit and non-profit developers; CHDOs; local governments (Non-entitlement communities)
- Eligible uses: Acquisition and/or new construction or rehabilitation of affordable rental housing to low-income families in **RURAL areas**
- Non-amortized, low interest loans
- Financing for first or subordinate mortgages with a simple interest rate of zero percent to nonprofit applicants and 1.5% per annum interest rate to for-profit applicants
- Loan terms are generally for 15 years for rehabilitation and 20 years for new construction.
- CHDO set-aside

HOME Eligible Activities

- Homeowner rehabilitation
- Homebuyer activities
 - Acquisition and/or rehabilitation
 - New construction
- Rental housing
 - Rehabilitation and New Construction
- Tenant-based rental assistance (TBRA)



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HOME Program Compliance

- Income Targeting
 - 100% of HOME funds for households <80% AMI
 - Rental properties
 - Initially 90% of units for $\leq 60\%$ AMI
 - 5+ units: 20% of units $\leq 50\%$ AMI
 - Income Limits
 - <https://www.hudexchange.info/programs/home/home-income-limits>
- At Initial lease up 90% of all PJ's rental households must be @ or below 60% AMI & balance may be up to 80% AMI
- If project has more than 5 HOME assisted units 20% must be rented to households @ or below 50% AMI (throughout affordability period).

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Affordability: HOME Program Compliance

- Affordability
 - Homebuyer assistance and rental projects
 - Depends on activity type and funding amount
 - Period of affordability = Period of compliance

HOME Assistance Per Unit or Buyer	Length of Affordability Period
Less than \$15,000	5 Years
\$15,000-\$40,000	10 Years
More than \$40,000	20 Years
New Construction of Rental Housing	20 Years
Refinancing of Rental Housing	15 Years

HOME Compliance Factors

- Unit Quality- physical inspections, based on # of units
- Minimum Investment Per Unit-\$1,000
- Maximum Subsidy Limit
- Maximum Property Value
- Ongoing Monitoring per schedule
- No Double-dipping (no additional HOME during compliance period for rental properties)

HOME Timelines and Match

Timelines

- 2-year commitment deadline
- 9-month homebuyer sales deadline
- 18-month lease up for rental housing
- 4-year project completion deadline
- 5-year expenditure deadline
(eliminated for FY 2015 and later appropriations)

Match

- 25% match of HOME funds expended during the fiscal year
- Non-federal sources

HOME Rents

- LOW HOME units use LOW HOME rents- 30% of household income)
- HIGH HOME rents are lesser of Section 8 FMR or equal to 30% of household income for family 65% AMI

U.S. DEPARTMENT OF HUD
STATE: FLORIDA

PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Cape Coral-Fort Myers, FL MSA								
30% LIMITS								
VERY LOW INCOME	16900	19300	21700	24100	26050	28000	29900	31850
60% LIMITS	28150	32200	36200	40200	43450	46650	49850	53100
LOW INCOME	33780	38640	43440	48240	52140	55980	59820	63720
Crestview-Fort Walton Beach-Destin, FL HUD Metro FMR Area	45050	51450	57900	64300	69450	74600	79750	84900
30% LIMITS	18450	21100	23750	26350	28500	30600	32700	34800
VERY LOW INCOME	30800	35200	39600	43950	47500	51000	54500	58050
60% LIMITS	36960	42240	47520	52740	57000	61200	65400	69660
LOW INCOME	49250	56250	63300	70300	75950	81550	87200	92800
Walton County, FL HUD Metro FMR Area								
30% LIMITS	16350	18700	21050	23350	25250	27100	29000	30850
VERY LOW INCOME	27250	31150	35050	38900	42050	45150	48250	51350
60% LIMITS	32700	37380	42060	46680	50460	54180	57900	61620
LOW INCOME	43600	49800	56050	62250	67250	72250	77200	82200
Deltona-Daytona Beach-Ormond Beach, FL HUD Metro FMR Area								
30% LIMITS	15400	17600	19800	21950	23750	25500	27250	29000
VERY LOW INCOME	25600	29250	32900	36550	39500	42400	45350	48250
60% LIMITS	30720	35100	39480	43860	47400	50880	54420	57900
LOW INCOME	40950	46800	52650	58500	63200	67900	72550	77250
Palm Coast, FL HUD Metro FMR Area								
30% LIMITS	15700	17950	20200	22400	24200	26000	27800	29600
VERY LOW INCOME	26150	29850	33600	37300	40300	43300	46300	49250
60% LIMITS	31380	35820	40320	44760	48360	51960	55560	59100
LOW INCOME	41800	47800	53750	59700	64500	69300	74050	78850
Levy County, FL HUD Metro FMR Area								
30% LIMITS	12750	14600	16400	18200	19700	21150	22600	24050
VERY LOW INCOME	21250	24300	27350	30350	32800	35250	37650	40100
60% LIMITS	25500	29160	32820	36420	39360	42300	45180	48120
LOW INCOME	34000	38850	43700	48550	52450	56350	60250	64100
Gainesville, FL HUD Metro FMR Area								
30% LIMITS	17200	19650	22100	24550	26550	28500	30450	32450
VERY LOW INCOME	28700	32800	36900	40950	44250	47550	50800	54100
60% LIMITS	34440	39360	44280	49140	53100	57060	60960	64920
LOW INCOME	45850	52400	58950	65500	70750	76000	81250	86500

Effective Date: June 15, 2022

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FLORIDA HOUSING FINANCE CORPORATION

Source: [https://www.floridahousing.org/docs/default-source/developers-and-property-managers/compliance/limits/income-limits/2022/home-program--2022-income-limits-\(eff-6-15-2022\).pdf?sfvrsn=f690f57b_2](https://www.floridahousing.org/docs/default-source/developers-and-property-managers/compliance/limits/income-limits/2022/home-program--2022-income-limits-(eff-6-15-2022).pdf?sfvrsn=f690f57b_2)

Key Principles

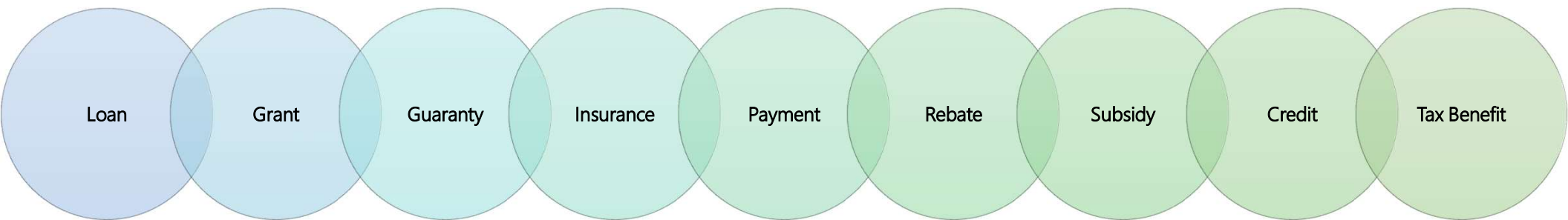
- Don't invest more than necessary; but make sure project can operate for compliance period
- Each project must be evaluated to ensure that public investment fills a gap and is least amount needed
- Two sides of the same coin
 - Underwriting v. Subsidy Layering
 - CPD Notice 98-1
 - CPD Notice 15-11

Subsidy Layering with HOME

- Projects financed with HOME funds must be evaluated in part by a subsidy layering test.
 - 24 CFR Part 92 assures no duplication in federal assistance
 - Using least amount required to achieve feasibility
- HUD establishes the amount of HOME funds that can be invested on a per unit basis.
- HOME funds are used only to fill a financing gap between committed sources.

Applying Subsidy Layering

- Required for all projects using HOME funds with other public assistance
- All projects:
 - Includes multifamily and single-family projects
- Other public/government assistance defined broadly:
 - Any direct or indirect assistance
 - Federal, state, or local



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Other Financing Sources



Multifamily Mortgage Revenue Bonds (MMRB) Overview

- Non-competitive
- MMRB with or without 4% credits
- Uses both taxable and tax-exempt bonds to provide below market rate construction loans to nonprofit and for-profit developers of affordable housing
- Can apply for SAIL for gap financing
- <https://www.floridahousing.org/programs/developers-multifamily-programs/multifamily-mortgage-revenue-bonds>

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Federal Home Loan Bank (FHLB)

- Affordable Housing Program (AHP) - Competitive
 - Rental: Acquisition/Construction/Rehab
 - Homeownership: Down Payment/closing, Construction
- Scoring: Homeless, readiness, amount of AHP subsidy, veterans, leveraging, donated property, heirs' property
- Up to \$750,000 per project
 - Intended to reduce loan risk by decreasing the debt service on the project, improves financial feasibility

Community Development Financial Institutions (CDFI)

- CDFIs can be banks, credit unions, loan funds, microloan funds, venture capital providers.
- Expand economic opportunity in low-income communities
- Provides access to financial products and services for local residents and businesses
- 2005 - 2012, CRA reported lending decreased while CDFI lending more than tripled

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Foundations and Fundraising



COMMUNITY FOUNDATION
Ocala Marion County



**KNIGHT
FOUNDATION**



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National Housing Trust Fund (NHTF)

Federal program administered by FHFC

100% for ELI (<30-35%AMI) rental

FL preference for special needs/homeless persons receiving SSI (\$10,092 annually for HH of 1 in 2022)

Units will be integrated in family/elderly projects serving <60% AMI

Uses: New construction, including redevelopment

No refinancing or renovation

30-year LURA

Preference for tenant credit and income plans and project based rental assistance

Summary: Rental Housing Funding Opportunities

SHIP-acquisition, construction, rehab

HOME-acquisition, construction (state or local)

Mitigation & Disaster programs-repair for rental property owners

Florida Community Loan Fund and Neighborhood Lending Partners-construction \$ for builder

Federal Home Loan Bank- construction

USDA 514 and 515-rehab and new construction, farmworkers and seniors

Low Income Housing Tax Credits

Multifamily Mortgage Revenue Bonds

SAIL-FHFC

National Housing Trust Funds –for ELI

Private Equity

ESG

SLFRF

Rental Assistance-various

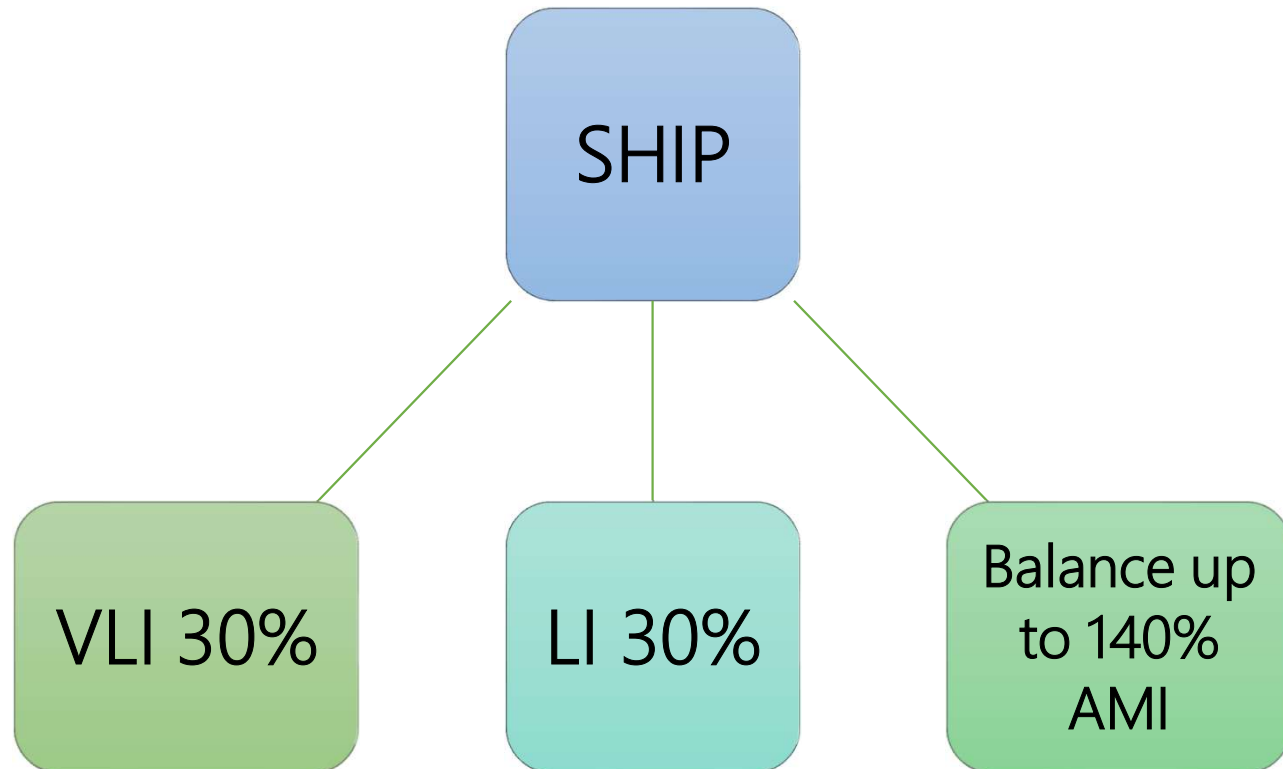
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STATE HOUSING INITIATIVES PARTNERSHIP (SHIP)



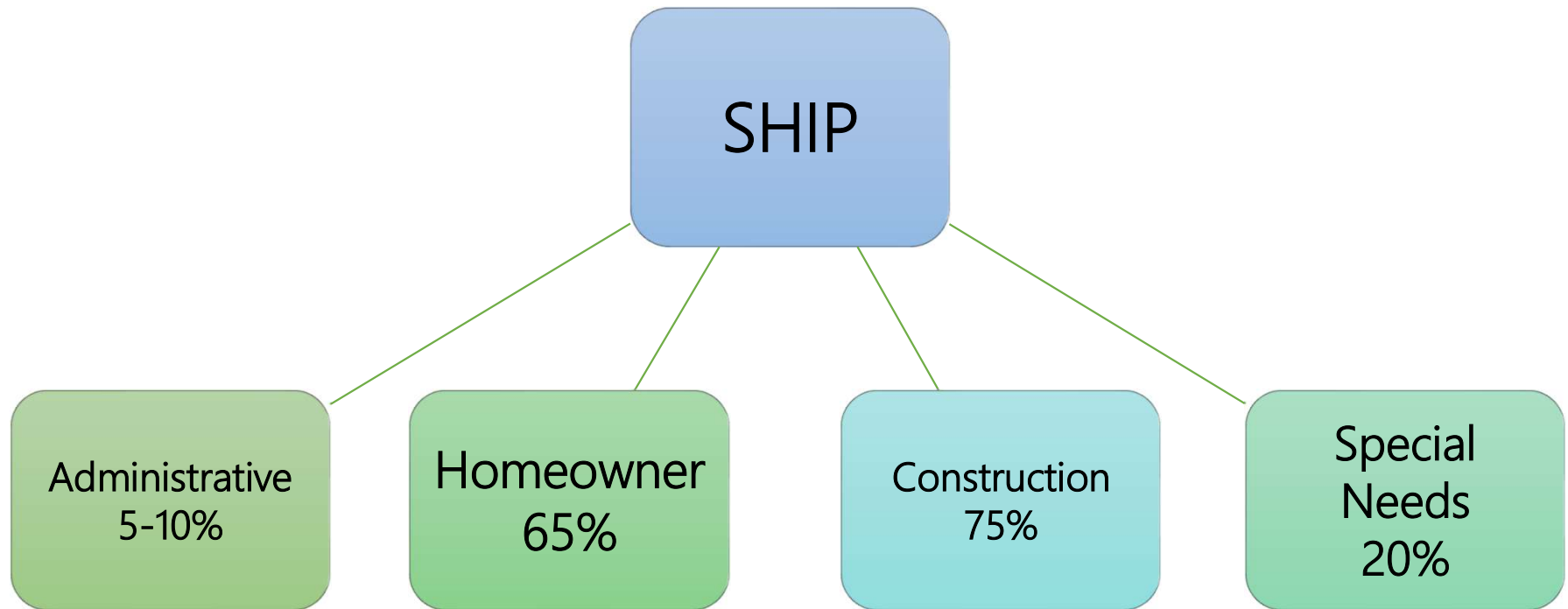
SHIP Income Set Asides



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SHIP Program Set Asides



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SHIP: Eligible Uses



Homeownership Related Activities

- Purchase Assistance
- Acquisition/construction or renovation of for-sale housing
- Owner-occupied Rehab



Construction

- Construction/rehab of rental housing
- Construction/rehab of ownership housing
- Local contribution for LIHTC



Special Needs

- Home modifications
- Technological enhancements and devices
- Independent living

SHIP Specific Rules

- Tenant income of projects that receive more than \$10,000 must be monitored annually.
 - Used to be \$3,000
- **Recently** - Can rely on the monitoring report of another entity that is governmental or corporation even if periodic.
- Annual property inspection not required but considered a best practice.
- Does not require utility allowances



SHIP and Housing Credits

If both an award under the local housing assistance plan and federal low-income housing tax credits are used to assist a project and there is a conflict between the criteria prescribed in the SHIP Statute and the requirements of s.42 of the Internal Revenue Code of 1986, precedence is given to the requirements in the IRC.

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SHIP Program Income

All moneys of a county or an eligible municipality received from its share of the local housing distribution, program income, recaptured funds, and other funds received or budgeted to implement the local housing assistance plan shall be deposited into the trust fund; however, local housing distribution moneys used to match federal HOME program moneys may be repaid to the HOME program fund if required by federal law or regulations.

SHIP Statute 420.9075

Questions?



Monitoring Topics and Common Findings



Review Webinar on Rental Monitoring

Financing and Monitoring
Rental Housing with SHIP

January 2023 recording:
<https://vimeo.com/786654932>



Income Set Asides and Rent Levels

Rent and Income limits are on the same chart


Compare different charts for Housing Credits, HOME, and SHIP that are posted on FHFC website: <https://www.floridahousing.org/owners-and-managers/compliance/income-limits>

2022 Income Limits	2021 Income Limits	2020 Income Limits	2019 Income Limits	2018 Income Limits	2017 Income Limits
2016 Income Limits	2015 Income Limits	2014 Income Limits	2013 Income Limits	2012 Income Limits	2011 Income Limits
2010 Income Limits	2009 Income Limits	2008 Income Limits	2007 Income Limits	2006 Income Limits	2005 Income Limits
2004 Income Limits	2003 Income Limits	2002 Income Limits	2001 Income Limits	2000 Income Limits	1999 Income Limits
1998 Income Limits	1997 Income Limits	1996 Income Limits	1995 Income Limits	1994 Income Limits	1993 Income Limits

 [Florida Housing Rental Programs - 2022 MTSP Income and Rent Limits \(Eff. 4-18-2022\)](#)

 [CDBG-DR – Florida Housing 2022 Income and Rent Limits \(Eff. 6-15-2022\)](#)

 [FDIC Affordable Housing Program - 2022 Income Limits \(Eff. 4-18-2022\)](#)

 [HOME Program - 2022 Income Limits \(Eff. 6-15-2022\)](#)

 [NHTF – Florida Housing 2022 Income and Rent Limits \(Eff. 6-15-2022\)](#)

 [SHIP and HHRP - 2022 Combined Income and Rent Limits \(Eff. 4-18-2022\)](#)



FHFC Compliance Documents

Available at:

<http://www.floridahousing.org/owners-and-managers/compliance>

→ ↻ <https://www.floridahousing.org/>

Property Owners and Managers

Housing Locator System Available for Florida Housing

Florida Housing Finance Corporation requires all Florida Housing funded developments to provide a housing locator service for developments to post their vacancies and for consumers to search for vacancies.

Asset Management & Compliance Information

The Asset Management & Compliance (AM&C) Department is responsible for monitoring the performance of Florida Housing. Monitoring includes onsite management review of developments under contract with Florida Housing. Federal and state noncompliance reports are posted on the AM&C website. In addition to management reviews, AM&C also works with owners on management company selection, utility allowances and the Annual Operating Budget. AM&C also oversees compliance reviews of local city and county governments.

AM&C also oversees compliance reviews of local city and county governments.

Guidance for Compliance Issues

To help the affordable housing community, Florida Housing has compiled the following guidance for compliance issues:

- ▶ [Application Fees](#)
- ▶ [Redecorating Fees](#)

Record Retention

Housing Credits

Files to be kept for at least 6 years after move-out.

MMRB

Files to be kept for at least 6 years after move-out.

HOME

Files to be kept for at least 5 years after move-out.

SHIP

Files to be kept for at least 5 years after move-out/audits have been released/annual report submitted (whichever is later).

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Snapshot: General Tenant File Review



1. Tenant Income Certification
2. Application
3. Verification of Income
4. Tenant Rent Ledgers
5. Lease

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Physical Inspection

- Handout: Uniform Physical Condition Standards (UPCS) 24 CFR 5.703
- Handout 'Dictionary of Deficiency Definitions'
- Decent, safe, sanitary
- For example, smoke detectors, broken appliances, bed bugs, uninhabitable.
- SHIP doesn't require annual inspection but it's a best practice



Certification Requirement

Housing Credits

Every resident must be certified annually. Annual Owner Certification

MMRB

Every resident must be certified annually Certificate of Continuing Program Compliance (CCPC)

HOME

Every 6 years all units

SHIP

Certify income annually, Don't use all SHIP for entire building/project

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Annual Recertification: Who?



All programs
require that tenants
be recertified.

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Ways to Recertify Household Income

what?

SHIP

- Full income recertification or
- Certification from another govt. program
- Projects receiving over \$10K monitored for at least 15 years

HOME Only – 92.203

- Full income certification or
- Written Statement from tenant or
- Statement from another govt. program
- Full recertification every 6th year

HC and other FHFC programs

- Requires full income certification every year for the term of the affordability period

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Developer Agreement

- Amount of the award
- Number of SHIP assisted units
- Number of HOME assisted units
- Fixed or floating units?
- Monitoring Plan
- Required SHIP/other set aside
 - ELI, VLI, LI, MI
 - Special needs



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What Gets Monitored?

- Annual recertification
 - Monitor for unit affordability (use rent limit chart)
 - Monitor for tenant eligibility (income)
 - Monitor for setasides (special needs, other demo)
- Maximum rents and adjusted household incomes published annually by FHFC

Annual Recertification: When?

when?



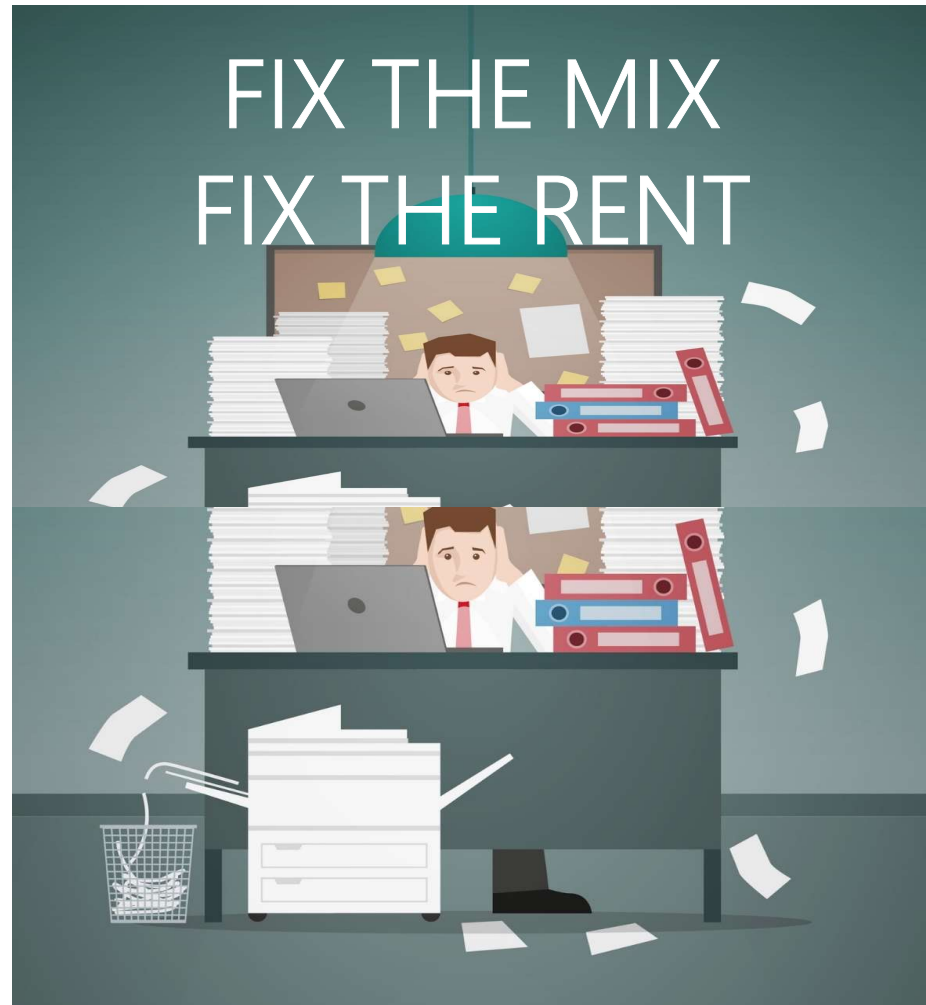
When required, it is suggested that the recertification be completed by the 1st day of the anniversary month of initial occupancy.

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Next Available Unit Rule and Documentation



Next Available Unit Rule: Who?

who?



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All programs require that the next available unit go to an income eligible person.

Handout: "Building HOME" 2017 Training

Next Available Unit Rule: When?

when?

- If a certified household vacates a unit
- If, at recertification, a household's aggregate income exceeds 140% of the low-income limit (SHIP, MMRB, SAIL, HC) or exceeds the applicable 80% HOME income limit (HOME).

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Next Available Unit Rule: How to comply?



An over-income household shall continue to qualify if:

- All comparable units that become available are rented to a low or very low-income household (HOME and SHIP), *or*
- All units of same or smaller size in the building that become available are rented to a low-income household (MMRB, HC,), *or*
- All comparable units that become available are rented to a very-low income household (SAIL) or a low-income household (MMRB).
- Rent remains restricted (HC, HOME, and only) according to program rules.

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Contracts and Agreements

- Formal agreement of schedule and work plan, performance measures, payment terms, and non-performance sanctions
- Use standard legal language adopted by awarding entity (legal department)
- Usually includes Scope of Services
- Becomes basis for monitoring!!

Agreement with Developer & Property Management Staff

67-37.019 Compliance Monitoring for Housing Developed With SHIP Local Housing Distribution Funds.

Set one annual deadline for ALL SHIP compliance reports.
For example, all reports due March 31st.

Agreement Best Practices

1. Strong enforcement language in regulatory agreement.
2. Create and maintain database of loans including income and special needs set-asides.
3. In cases of non-compliance, recognize that private owners are less savvy on compliance issues.
4. Best course of action is compliance and not foreclosure!

Best Practices: Addressing Affordability

Example of language in Regulatory Agreement:

AFFORDABILITY

"Each RESIDENCE that is for rent must meet the affordability requirements of the SHIP program. Rents, including utilities may not exceed the rent allowed for 80% of the area median income based on the unit size as determined by the Florida Housing Finance Corporation. The RECIPIENT must ensure that each BENEFICIARY annually will provide evidence that they are eligible for the SHIP program."

-City of Sarasota Office of Housing and Community Development

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HANDOUT: FHFC Management Review Summary

- | Management Review and Physical Inspection | | | | | | |
|---|--|--|--|--|-----------|-------------------|
| Property Name and Address | | | | Key # | P | |
| Management Agent Name and Address | | | | Type of Review | | |
| | | | | <input type="checkbox"/> Initial | | |
| | | | | <input type="checkbox"/> Follow-Up | | |
| | | | | <input type="checkbox"/> Original Review | | |
| Owner Contact Name and Address | | | | Unit Quantity | Unit | |
| | | | | Total: | Total: | |
| | | | | Occupied: | Occupied: | |
| | | | | Vacant: | Vacant: | |
| | | | | Set-Aside Requirement(s) | | |
| A. Examination of Records | | | | S | U | Refer to Comments |
| 1. Tenant Files and Records | | | | | | |
| 2. Applications and Processing | | | | | | |
| 3. Rent Limits and Utility Allowance | | | | | | |
| 4. Verifications of Income | | | | | | |
| 5. Income Certification/Recertification | | | | | | |
| 6. Leases | | | | | | |
| 7. Next Available Unit Documentation | | | | | | |
| 8. Tenant File Discrepancies | | | | | | |
| 9. Link Referral Requirements | | | | | | |
| 10. Program Report/Rent Roll Comparison | | | | | | |
| 11. Regulatory Agreements (LURA / ELJHA) | | | | | | |
| Required Features / Amenities / Programs | | | | S | U | Refer to Comments |
| 1. | | | | | | |
| B. Administrative Procedures | | | | | | |
| 1. Tenant Selection and | | | | | | |
| 2. Maintenance Program | | | | | | |
| 3. Security Program | | | | | | |
| 4. Occupancy and Vacancy | | | | | | |
| 5. Organization and Supervision | | | | | | |
| 6. Staffing | | | | | | |
| 7. Office Hours | | | | | | |
| 8. Operating Procedures | | | | | | |
| 9. Training | | | | | | |
| 10. Advertising | | | | | | |
| 11. Affirmative Fair Housing | | | | | | |
| C. Physical Inspection | | | | | | |
| Visual Inspection | | | | | | |

Other Monitoring Issues

- Does Owner have amenities and tenant programs as committed?
- Are there special needs units?
- Verify Regulatory Agreement make sure these are detailed on monitoring checklist to make sure these are checked



Problem Resolution and Corrective Action

- In accordance with the written agreement
- Clearly communicated and agreed upon
- Documented in writing
- Time frames for correction/resolution
- Follow-up as necessary

Questions?



Please Complete the Evaluation!



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