

Affordable Housing Funding Sources

Part 2

March 22, 2022



The Florida Housing Coalition

- Statewide nonprofit provider of training, technical assistance, and consulting
- From ending homelessness to first time homeownership
- See www.flhousing.org



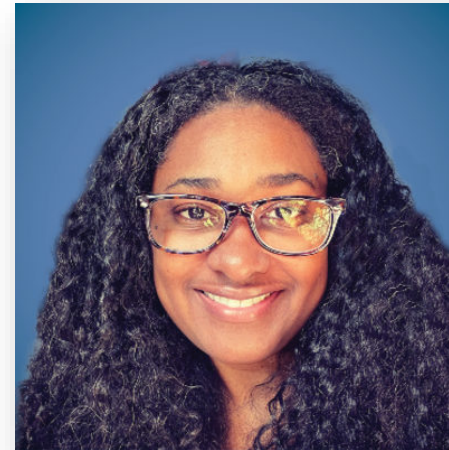
The Florida Housing Coalition



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Thank you.



AFFORDABLE HOUSING CATALYST PROGRAM

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Catalyst Training Schedule



www.flhousing.org



Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- Handouts are available with this webinar
- This PPT is included as a handout
- This webinar is being recorded and will be available on our website along with the attached handouts and all the questions and answers
- A survey will immediately follow the webinar; ***please*** complete it! Thanks!





Poll #1

Who is on?

Poll #2

Did you attend
Part 1?

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Agenda

1. Introduction
2. Federal and State-Administered Funding Sources for Rental Development
3. Housing Credit Comparison
4. Locally-Administered and Other Funding Sources for Rental Development
5. Q&A



How is Affordable/Workforce Housing Produced?

- The public sector is legally required to provide that housing is available for current and anticipated population- Housing Element requirement- section 163.3177, F.S.
- But public sector does not build affordable housing - it uses its land use and financing tools to ensure that the private sector will produce workforce housing.
- Primary tools are **planning laws** and **financial subsidy**, using **incentives** and **requirements**.



Planning + Financing + Long-Term Assurances = Affordability

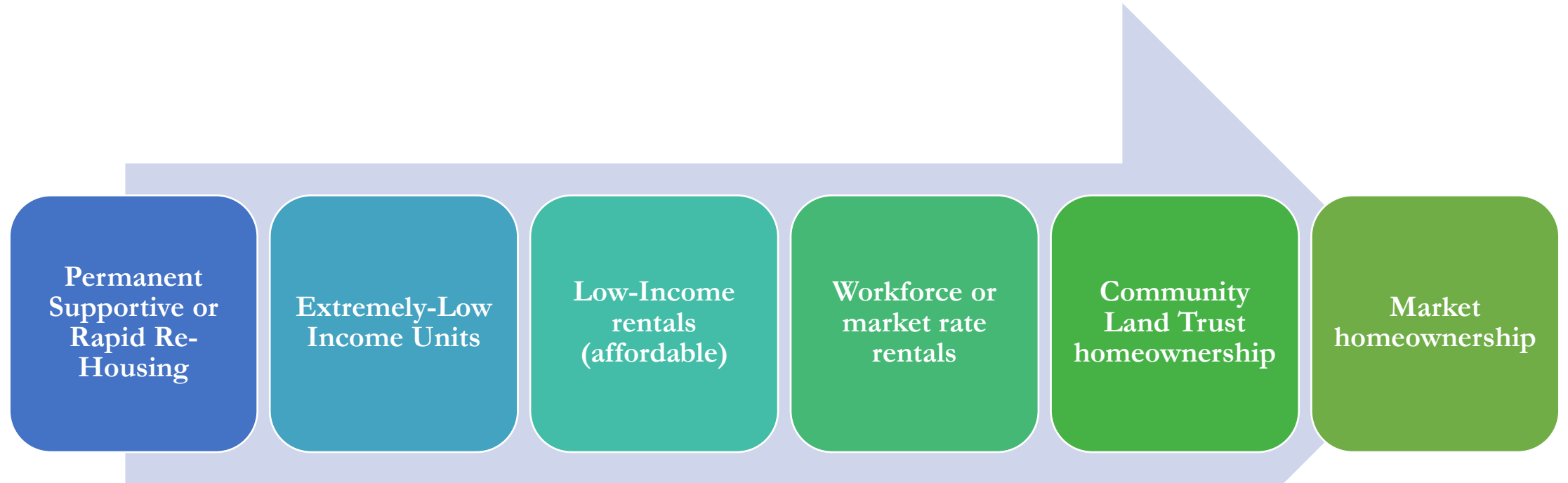


Will the Market Produce Workforce Housing Without Assistance from Government?

- By definition, market rate housing is priced at whatever the market will bear.
- The high cost of land and the costs of development must be recouped, but house prices are not derived from the cost of development, but rather what buyers are willing to pay.
- Growing disparity in wealth leads to housing prices that vastly outpace workforce salaries.
- Understand the value of your incentives and what you should get in return – **some regulatory reform is common sense and some is complex**



Affordable Housing Resources Cover Homelessness to Homeownership





Funding Sources for Rental Development

- LIHTC
- SAIL
- MMRB
- PLP
- HOME
- SHIP
- CDBG
- OZ
- SLFRF

Low Income Housing Tax Credits (LIHTC)

- US Department of Treasury Program
- Largest source of funding for rental development in the state
- 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
- Competitive and non-competitive (9% v. 4%)

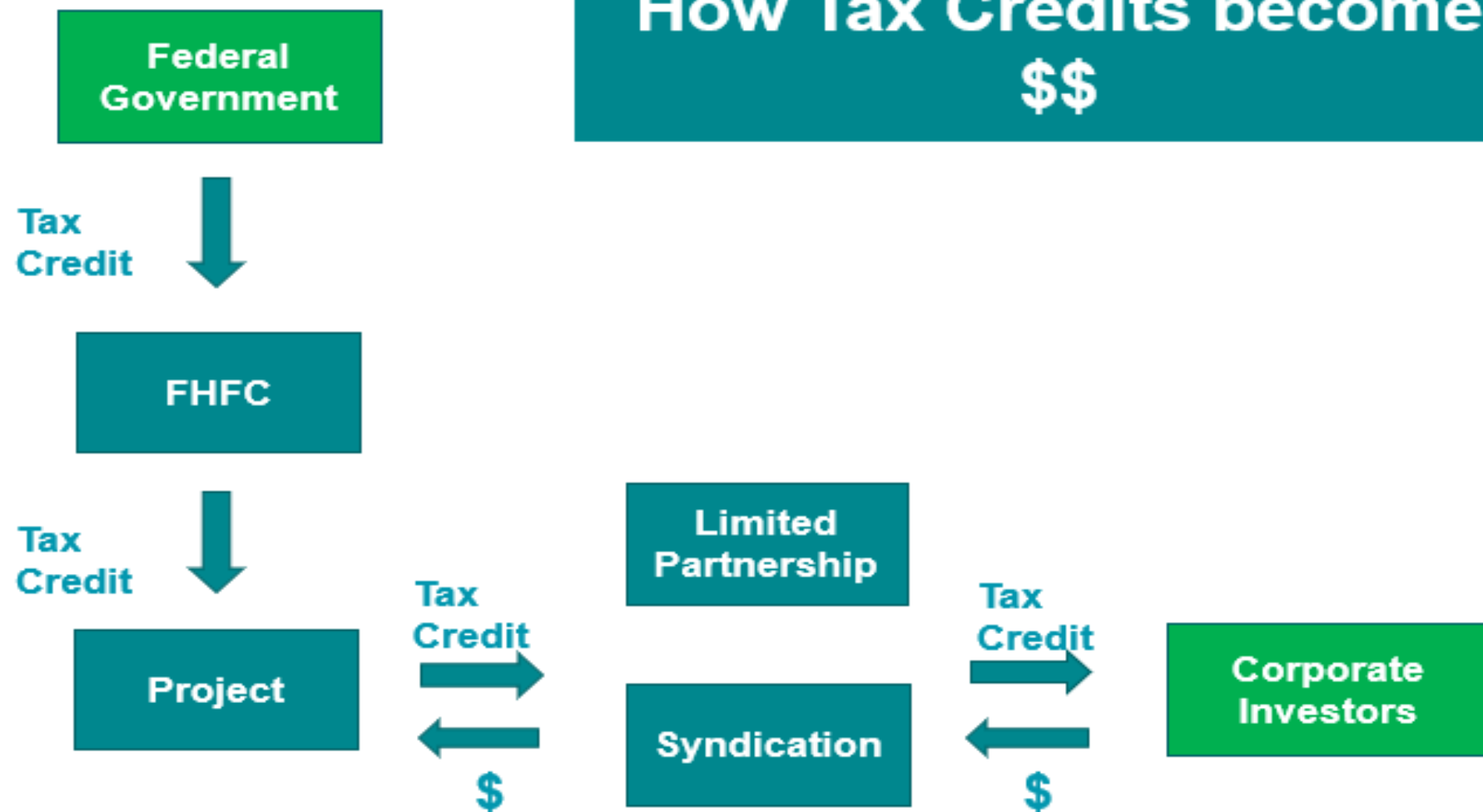


Low Income Housing Tax Credits (LIHTC)

- 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 ELI (30-35% AMI)



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

Funding Gap: \$2,450,855



State Apartment Incentive Loan Program(SAIL)

- Administered by FHFC
- RFAs
 - Construction/acquisition/rehab
 - Part of gap (HC/HOME deals) or Stand alone (special needs, special programs, workforce –new!)
 - 0-1% - cash flow loan



Multifamily Mortgage Revenue Bond Program (MMRB)

- Multifamily Mortgage Revenue Bonds
- 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 gaps



Request for Applications Process

- PROCESS
- PRE-APPLICATION RESEARCH
- RFA PARTICIPATION FACTORS
- LG Role in understanding RFA process



RFA Participation Factors

- Application Fees
- Application Withdrawal fee or LOC (with exceptions)
- Scoring Rubric
- Prior Experience of Developer
- Prior Experience of Management
- Project size and construction features

RFA Participation Factors

- Resident Programs
- Local Government Support- amount in RFA
 - Grants
 - Loans
 - Deferral of fee – 1 year or more
 - Waiver of fees
- Documentation of other funding
- Site control

Predevelopment Loan Program (PLP)

- Administered by FHFC
- Acquisition and soft costs
- Rental- 20% of units at 50% AMI
- Ownership- 50% of units at or below 80% AMI + 50% at 120%
- Rate 1%
- \$500k (\$750k if site acquisition)
- Secured by site or other FHFC board approved collateral- LURA (Land Use Restriction agreement, mortgage, note)
- Due in full at close of construction financing
- 3-year term
- Fees-\$1200 (refunded at payoff)
- Technical Assistance



PLP Eligible Costs

- Architect/Engineering
- GC cost estimation
- Surveys
- Environmental/Soil
- Legal
- Permits
- Impact/planning fees
- Insurance
- Other soft costs as approved by FHFC Board



Comparing Rental Development Scenarios Using Housing Tax Credits

Steven Beal, Consultant



Scenario Information

- New construction, mid-rise
- 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
TOTAL DEVELOPMENT COSTS	\$21,456,736	\$21,846,371



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



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	\$369,200	\$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

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



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
FUNDING GAP	\$472,511	\$9,313,991



Filling the Gap

Local and Other Sources for Rental Housing



HOME Investment Partnerships Program

- Governed by 24 CFR Part 92
- 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
 - CHDO Set-aside – 15% of allocation



HOME Eligible Activities

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



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

Allocation of HOME Funds

- Congress appropriates funding
- HUD Formula determines allocation amount
 - Inadequacy of housing supply
 - Incidence of poverty
 - Fiscal distress
 - Other factors
- Grantee applies to HUD for funding
 - Consolidated Plan/Annual Action Plan
- HOME Entitlement: Apply directly to PJs
 - HUD Exchange
<https://www.hudexchange.info/grantees/#/byState>
 - NOFA/RFP process



HOME Investment Partnerships Program at FHFC (State)

- Eligible Applicants: for-profit and non-profit developers; CHDOs; local governments (Non-entitlement communities)
 - FHFC – Request for Applications (RFA) process
- Eligible uses: Acquisition and/or new construction or rehabilitation of affordable rental housing to low income families
- 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.



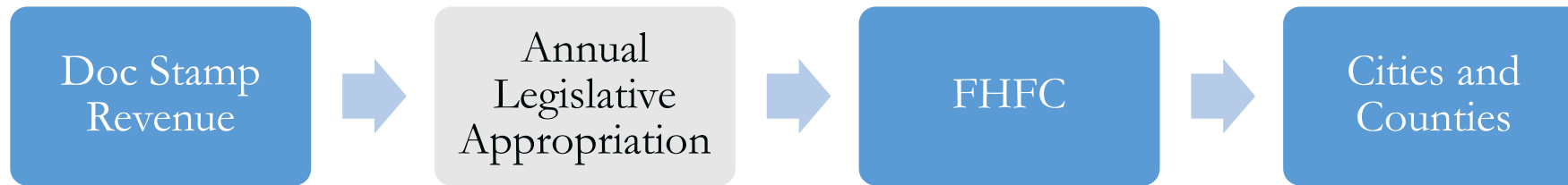
HOME-ARP

Designed to address the need for homelessness assistance and supportive services

Addressing Homelessness

- Non-congregate Shelter
- Nonprofit Operating & Capacity Building
- Rental Housing
- Supportive Services
- Tenant-Based Rental Assistance

State Housing Initiatives Partnership (SHIP)



Legislative Budget 22-23

SHIP & SAIL FUNDS

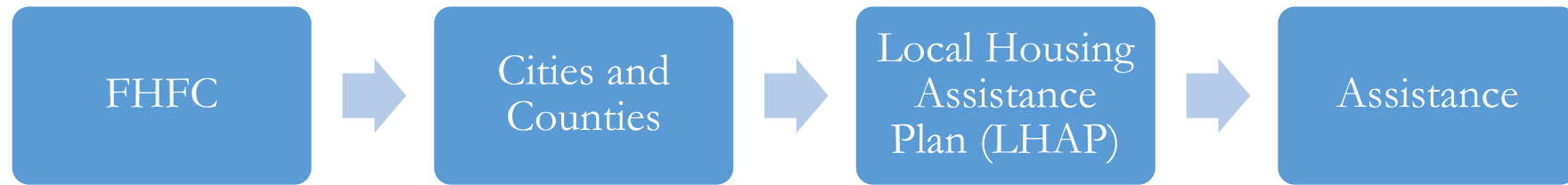
	GOVERNOR FY 22-23	SENATE FY 22-23	HOUSE FY 22-23	FinalBUDGET FY 22-23	FINALBUDGET FY 21-22
FHFC: SAIL & otherFHFC Line 2289	\$94,967,332	\$128,250,000	\$0	\$28,250,000	\$62,500,000
SHIP Line 2290	\$220,526,178	\$209,475,000	\$268,100,000	\$209,475,000	\$146,700,000
Hometown HeroHousing Program Line 2289 Proviso	\$40,000,000	\$0	\$0	\$100,000,000	\$0
TOTAL HOUSING	\$355,493,510	\$337,725,000	\$268,100,000	\$337,725,000	\$209,200,000

Proviso/Back of the Bill:

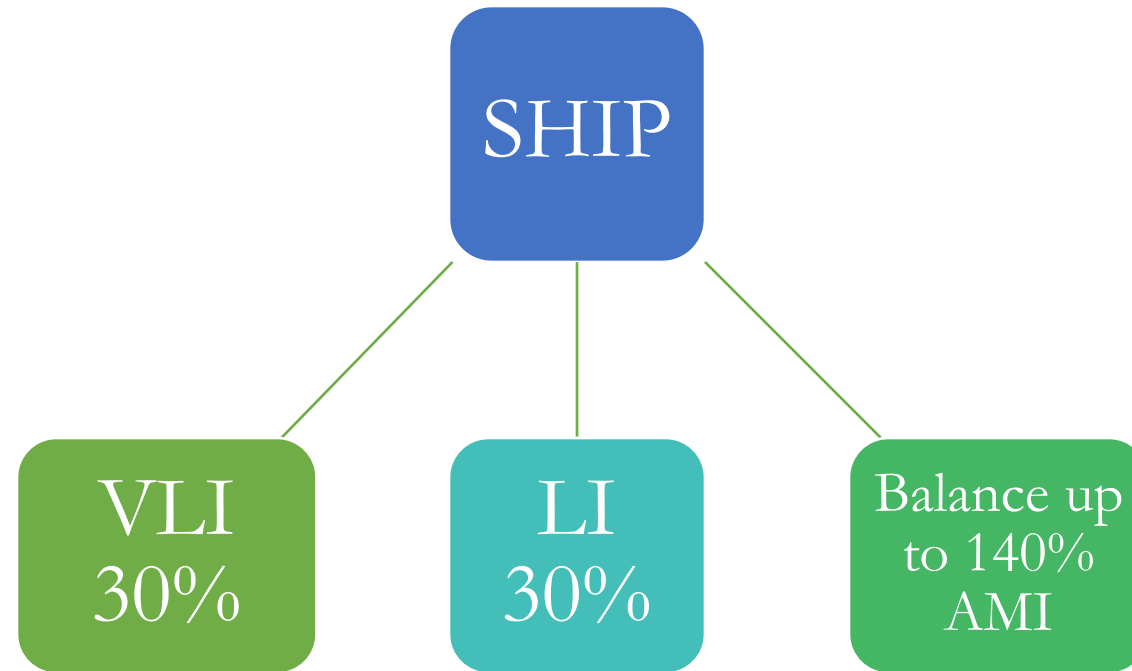
- \$25 million of non-recurring General Revenue for SAIL, bringing total SAIL to \$53,250,000
- Total Sadowski & FHFC programs = \$362,725,000



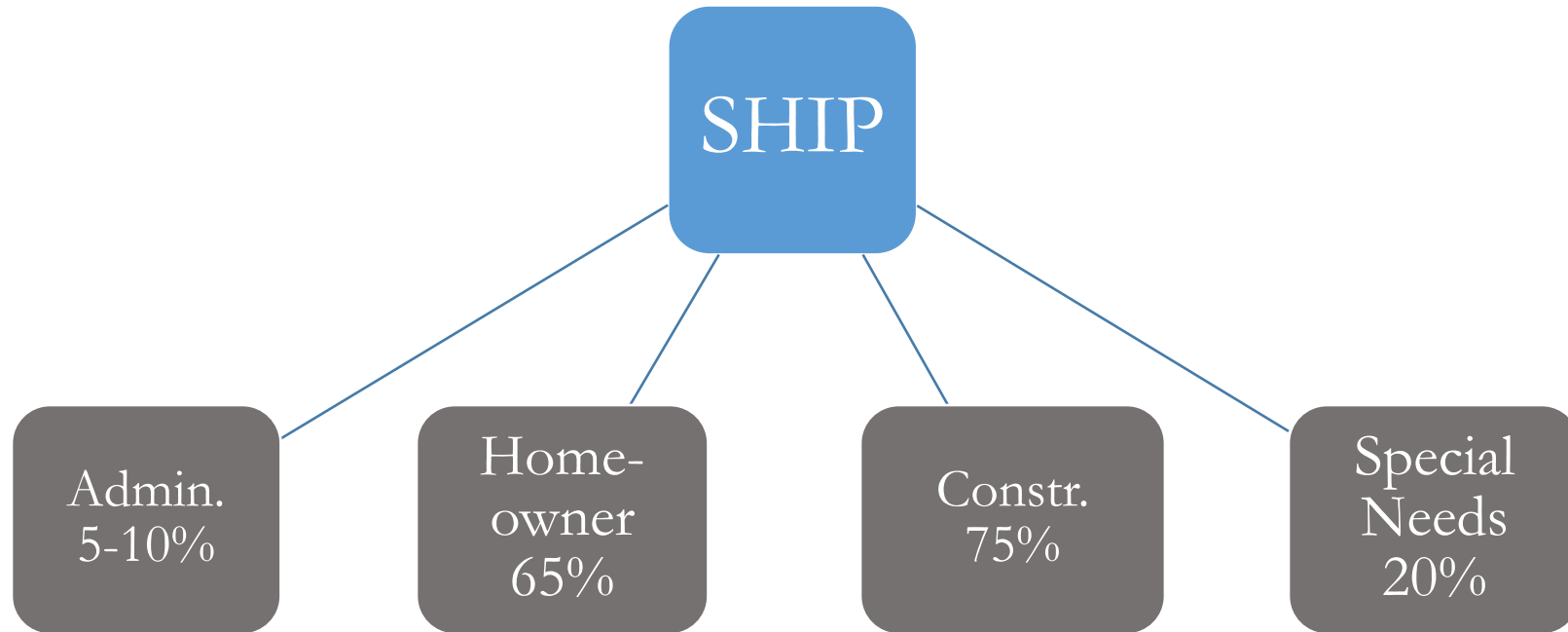
State Housing Initiatives Partnership (SHIP)



SHIP: Income Set Asides



SHIP: Program Set Asides



Local governments must fully expend SHIP within 3 years of allocation.

SHIP: Eligible Uses



Homeownership

- 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

Community Development Block Grant Program

- CDBG program is a federal program administered by HUD that provides funding for community revitalization purposes.
- Program goals include the provision of:
 1. Decent housing
 2. A suitable living environment
 3. Expanded economic opportunity



CDBG Entitlement Program: Eligible Activities

- Eligible Activities include:
 - Acquisition of real property
 - Relocation and demolition
 - Rehabilitation of residential and non-residential structures
 - Construction of public facilities and improvements
 - Public services (up to 15%)
 - Provision of assistance to for-profit businesses for economic development and job creation/retention activities
 - Planning and Administration (up to 20%)



Using CDBG for Housing

Housing
Rehabilitation

Homebuyer
Assistance

Construction
of Housing
(CBDO only)

Activities to
Support
Housing

Services in
connection
with housing

Allocation of CDBG Funds

- Congress appropriates funding
- HUD formula determines allocation amount
 - Poverty, population, housing overcrowding, age of housing
- Eligible grantees include:
 - Urban counties (population over 200,000)
 - Metropolitan cities (population over 50,000)
 - States
- Grantees apply to HUD for funding
 - Consolidated Plan/Annual Action Plan
 - Entitlement communities decide how CDBG funds are spent
- HUD Exchange
 - <https://www.hudexchange.info/grantees/#/byState>



Florida Small Cities CDBG Program

- Administered by the FL Department of Economic Opportunity (DEO)
- Governed by Rule Chapter: 73C-23, Florida Administrative Code
- Competitive grant program awarded to units of local government in small urban and rural areas
 - 249 eligible communities
 - Cities with fewer than 50,000 residents
 - Counties with fewer than 200,000 residents
 - Cities with more than 50,000 residents that have opted out of the urban entitlement program



Florida Small Cities CDBG Program

Categories of funding include:

- Commercial Revitalization
- Economic Development
- Housing Rehabilitation
- Neighborhood Revitalization



Florida Small Cities CDBG Program

- Eligible activities:
 - Water and sewer
 - Rehabilitation of substandard housing
 - Street and sidewalk improvements
 - Economic development activities (jobs)
 - Revitalization (façade improvements, streetscaping, underground utilities)
 - Park facilities and community centers
 - Drainage/stormwater
- Must meet a CDBG program objective



How to Apply for Small Cities CDBG Program

- Apply to DEO
 - www.FloridaJobs.org/SmallCitiesCDBG
- Eligibility
 - Units of local government
 - Non-entitlement community
 - Meet at least one national objective
- Awards between \$600,000 - \$750,000



Opportunity Zones

- Created in the 2017 Tax Cuts and Jobs Act.
- Meant to attract private capital to low-income areas through investment of unrealized capital gains
- Terminology
 - Qualified Opportunity Zones (QOZ) are designated census tracts eligible for tax incentives – at least one in every county in Florida
 - Qualified Opportunity Funds (QOF) are investment vehicles for property in an OZ.
- Some tax benefits ended in 2021, though most continue
- No built-in affordability requirements



Opportunity Zones and Housing Credits


- Could potentially fill funding gaps
- Parramore Oaks example
 - 110 units – mixed-income
 - 96 affordable/24 market-rate
 - Capital Stack
 - First mortgage - \$5.6 million
 - HC and OZ equity - \$20.8 million
 - CRA - \$1.1 million
 - Deferred Developer Fee - \$500,000
 - Tax credit investor also Opportunity Zone investor



Source: Economic Innovation Group 2019 Case Study: <https://eig.org/wp-content/uploads/2019/11/CaseStudy-Parramore.pdf>

State and Local Fiscal Recovery Funds

- From the American Rescue Plan
- \$350 billion to support state, local, and Tribal governments in their response and recovery
- Many Uses
 - Including affordable housing!!!
- Allocation information at the [Treasury's website](#)



Using Coronavirus State & Local Fiscal Recovery Funds (SLFRF) for Affordable Housing

The American Rescue Plan (ARP) created the Coronavirus State and Local Fiscal Recovery Fund (SLFRF), which can be used on a number of activities to address the public health and economic effects of the pandemic. This program provides a once-in-a-generation opportunity for local governments to address the affordable housing crisis. Now is the time for advocates, housing professionals, and local governments to devote a substantial amount of SLFRF dollars to address the housing crisis.

How can this money be spent on affordable housing?

Local governments have the flexibility to spend their SLFRF funds on a broad variety of affordable housing activities. The following list describes the activities that Treasury has confirmed are eligible. Even if a use is not stated here or in the Treasury Final Rule, a use may be eligible if the local government can show that the use is addressing the economic effects of COVID-19.

Construction costs	Rent and mortgage assistance	Demolition or deconstruction of vacant or abandoned buildings
Land acquisition and title clearing	Environmental remediation	Conversion of vacant or abandoned properties into affordable housing
Down payment assistance	Housing vouchers and relocation assistance	Inspection fees
Gap Financing	Supportive housing services	Site prep work and infrastructure
Operating support, housing counseling, and legal aid	Home repair and preservation	Home repair and preservation

This program provides a **once-in-a-generation opportunity for local governments to address the affordable housing crisis.**

Who is eligible?

Any housing activity that would be eligible under the HOME Investment Partnerships Program (HOME) or the National Housing Trust Fund (HTF) is presumed eligible for SLFRF funding. The following households and communities are also presumed to be eligible. Even if a household or population is not presumed eligible, a local government may still serve them if it can show the household or population was impacted economically by the pandemic.

Low- or moderate-income households or communities as defined by Treasury	Households that qualify for LIHEAP	Households and developments in a Qualified Census Tract (QCT)
Households that qualify for Section 8 vouchers	Households that experienced unemployment or housing insecurity	Households that qualify for Medicaid, TANF, SNAP, SSI, and other listed programs.

What are the main messages for advocates?

- Even though local governments are allowed to use these federal funds for a broad range of programs, there are few as pressing as the ones that address the affordable housing crisis.
- This is a once-in-a-generation opportunity to address the affordable housing shortage.
- The amount in ARPA funds that a local government receives drastically exceeds what a local government receives in SHIP funds annually.

For questions on advocacy or implementation of SLFRF-funded affordable housing programs, contact Kody Glazer at glazer@flhousing.org



Other Rental Funding Sources

- USDA
- Conventional Lending
- Local Housing Finance Authority
- Local Housing Trust Fund funds
- Community Development Finance Institutions
- Federal Home Loan Bank
- Philanthropic Investors
- And more!





Upcoming Catalyst Trainings/Webinars

1. Avoiding Conflict of Interest Issues with Staff, Contractors and Local officials
 - March 24, 2:00-3:30 PM (ET)
2. Affordable Housing Funding Sources – Part 3
 - March 29, 10:00-11:30 AM (ET)

Register at our training calendar site: <https://www.flhousing.org/events/>



Thank you.



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