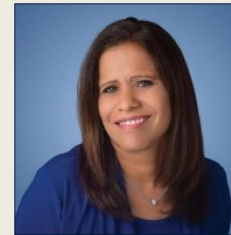


New Construction Strategies and Partnerships

Sponsored by the
Florida Housing Finance Corporation's
Affordable Housing *Catalyst Program*

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Our Thanks to the Florida Housing Catalyst Program



AFFORDABLE HOUSING CATALYST PROGRAM

**Sponsored by the Florida Housing
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we make housing affordable™

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Catalyst Training Schedule

A banner for SHIP Catalyst Training. The background shows a group of people in a meeting. On the left is the SHIP logo with the tagline 'housing a stronger Florida'. On the right, text reads 'Fine Tune Your SHIP Program', 'REGISTER NOW FOR', and 'CATALYST TRAINING' in large bold letters. At the bottom left of the banner, it says 'Register Now for SHIP Catalyst Training!'. Below the banner are four small circular icons.

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

Register Now for SHIP Catalyst Training!

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

www.flhousing.org

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Catalyst Trainings



TRAINING CALENDAR

If you would like to search by Workshops or Webinars, please use the search tool below. Click to view by category. **For questions, please contact the Florida Housing Coalition at 850-878-4219 or [info@fhc.org](#)**

- Calendar
- Conference
- E-Learn
- Past Trainings



Upcoming Events

EVENTS FROM	SEARCH	FIND EVENTS	VIEW AS
<input type="text" value="Date"/>	<input type="text" value="Keyword"/>		 List 

[« Previous Events](#)

August 2019

‘Past Catalyst Trainings’

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Conference Registration Now Open
<https://fhc.wildapricot.org/event-4693298>

ANNUAL STATEWIDE HOME MATTERS CONFERENCE
AUGUST 29-31
IN-PERSON AT THE ROSEN CENTRE, ORLANDO FL

AUG 29-31 ORLANDO, FL **www.flhousing.org**

**HOME
MATTERS**



Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- Download handouts
- A survey will immediately follow the webinar;
please complete it!



How to Structure a New Construction Strategy

New Construction Strategy

Summary of Strategy

- Define new construction use of funds for developer and buyer
- Developer Contributions/Commitments
- Construction types/ construction cost

Property Size/ amenities

- Who pays for land, infrastructure, hard, soft cost
- Site Conditions, title, zoning issues
- What will it sell for? (as built appraisal)
- Location – Will it sell? When?

Options for SHIP Assistance

- Upfront New Construction Subsidy
- Land Acquisition Assistance
- Donated Land from Surplus Land Inventory
(Sections 125.379 and 166.0451, Florida Statutes
(an incentive strategy))
- Infrastructure
- All Hard and Soft cost
- Pay Developer Fee
- Pay Impact Fees
- Down Payment Assistance to the Buyer

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Strategy Considerations

- Fiscal Years Covered
- Income categories to be served
 - Consider the market
 - Subsidy needed
 - Meeting set-asides

Terms for Developer and Buyer

Must show how the assistance to the developer will be passed along to the buyer

- Repayment loan/deferred loan/grant
- Interest rate
- Years in loan term
- Forgiveness
- Repayment
- Default

Developer Repayment

Is SHIP Repayment Required?

- Repaid funds recorded as program income.
- Some portion of SHIP funds are not repaid but remain as subsidy to buyer to make the deal work

Selection Criteria

- Recipient selection criteria
 - Who identifies buyer
 - First come, first qualified
 - Ranking Priority
- Sponsor/Developer Selection Criteria
 - Experience
 - Capacity (staff, financial)
 - Firm Commitment
 - Leverage
- Additional information

Welfare Transition Program

A description of the qualification system and selection criteria for applications for awards to eligible sponsors, which includes a description that demonstrates how eligible sponsors that employed personnel from the Welfare Transition Program will be given **preference** in the selection process

How is assistance reported on the annual report?

- Funds to developer
- Repayment from developer
- Funds left in the deal (assistance to buyer)

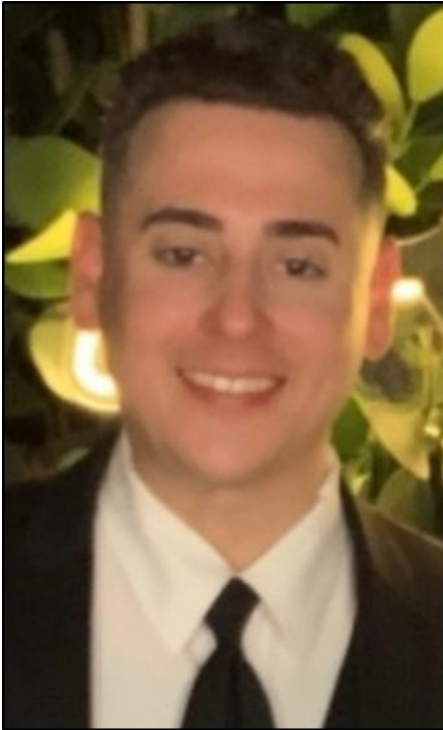
Maximum Value Limits

- Local Governments use Treasury Limits (Best Practice)
- Local Governments may choose to conduct or rely on a local study that determines average area purchase price according to 420.9075 (5) (f)., F.S.
- The study and resulting maximum limits must be submitted to FHFC as part of a new or amended LHAP for approval.
- Maximum limits based on local studies should still meet the test of reasonableness and affordability based on the definition of “Affordable” for households at the maximum income limits for SHIP.



Local Government Strategies

City of Pompano Beach



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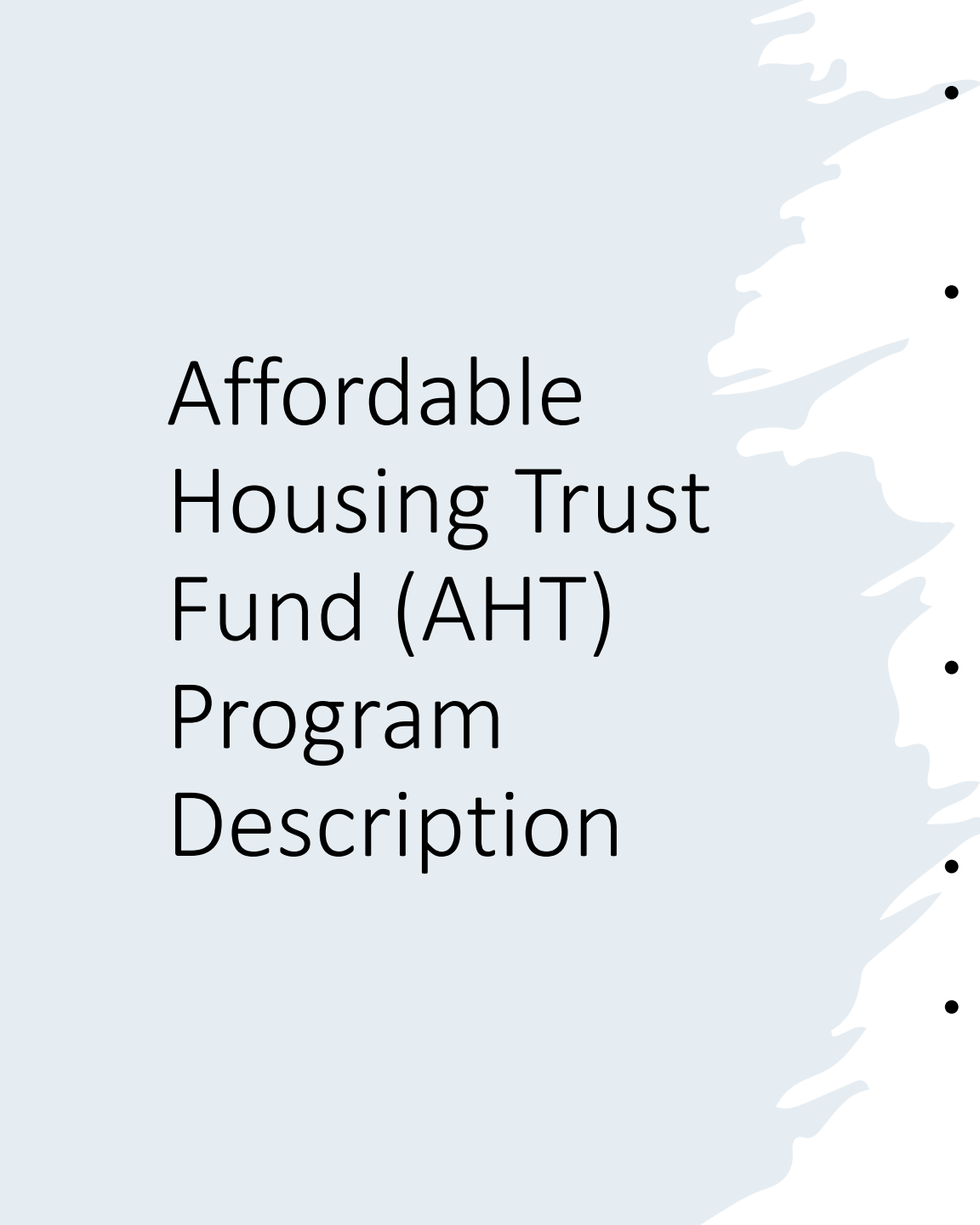
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New Construction Discussion Breakdown

- Affordable Housing Trust Fund (Program and Procedures)
- How to Find a Developer
- Leveraging Funds
- Example Projects
- Units Developed
- Cost of Each Unit
- Sales Price of Unit
- Project Timeline
- SHIP Funding Expended
- Qualifying the Buyers
- Buyer Subsidy Received
- Buyer Terms
- Best Practices
- Future Projects




Affordable Housing Trust Fund (AHT) Program Description

- Fees that are paid pursuant to City Ordinance 2014-19.154.80 must be deposited into the City's Local Affordable Housing Trust fund.
- The ordinance specifies that the fees must be paid at the time of permit. For developments of 100 units or more, 15% of the units must be set aside for affordable housing. If the developer cannot provide the affordable units, it must pay an in lieu of fee.
- The fee is \$2,333 for each market rate unit. The fees shall be deposited to the Affordable Housing Trust account.
- Office of Housing and Urban Improvement administer the Trust Fund.
- The AHT Fund provides a revolving source of capital which is available for the acquisition of properties for affordable housing.

AHT Goals

The goals of the Trust Fund are:

1. Stabilize neighborhoods through the purchase and sale of properties including vacant land to be used for development or redevelopment
2. Acquire and develop single family homes and rental properties
3. Preserve the City of Pompano Beach Housing Stock
4. Provide housing assistance to extremely low, very low, low, moderate and applicant with income up to 140% of the median
5. Prevent the spread of blight and blighting influences in the City of Pompano Beach
6. Return properties with liens or title problems to the tax rolls and productive use
7. Create a permanent stock of affordable housing
8. Reduce the cost of development of affordable housing
9. Create mixed income neighborhoods
10. Improve the quality of life in redevelopment areas through removal of blight
11. Improve the economic health of the community by ensuring that workers can reside near their places of employment



AHT Use of Funds

- Affordable Housing Trust funds can only be used for eligible activities and must be used to move existing or developed properties back into productive use, such as private homes or rentals and for a purpose that enhances the neighborhood and the community.
- All Affordable Housing Trust funds must be used to create homeownership opportunities or affordable rentals for households at or below 140% of Area Median Income (AMI). The program will use the State Housing Initiatives Partnership (SHIP) Program income limits and rents to govern this program.



AHT Eligible Activities

Eligible activities of the Trust Fund include the following:

1. Establish financing mechanisms
2. Acquisition of land or properties to be used for residential purposes
3. Rehabilitation of existing properties
4. New Construction of single family homes
5. New Construction of multifamily homes
6. New construction of rental properties
7. Establish land banks
8. Maintain properties
9. Demolition
10. Redevelopment

AHT Procedures

- STEP 1: Identify surplus lands owned by the City within its jurisdictional boundaries that are appropriate for affordable housing.
- STEP 2: Once the City has ownership of a property the Real Estate Property Specialist shall coordinate with other City departments to ensure the remediation of that property and to issues related to land use and zoning, size and dimensions, access to roadways, utilities, code liens, water liens, environmental issues, and title issues.
- STEP 3: All new construction will be coordinated by the Office of Housing and Urban Improvement and will be built to code with mitigation and energy efficient features. Housing “rehabilitation” involves the rehabilitation of the substandard portions of a home in order to bring the house up from a hazardous situation to a standard or habitable condition. All documents will be maintained in the individual property file.
- STEP 4: The final step of the City of Pompano Beach is disposition of the property. This can be done through the sale of homes to qualified households or the sale or transfer of property to a developer of affordable housing, including single family and multi-family rental property. The property, including vacant land can also be sold for market value to create a funding source for affordable housing.

How to Find a Developer

When awarding funds to sponsor-developer:

- A selection process is established to solicit participation in the local program. Section 420.9075 (4)(a), Florida Statutes and SHIP Rule 67-37.005 (6)(d).
- A Request for Proposals (RFP) details the threshold criteria (minimum requirements for selection) and other desired qualifications.
- The City would create its own unique requirements, which are based on the project activities and other local preferences. These may include project feasibility, ability to proceed, project timetable, leveraging of funds, and past performance on similar projects, etc.
- Funds are awarded using a ranking and scoring system.
- The criteria in the RFP serves as the basis for the scope of work to be included in the contract between the local government and the selected sponsor-developer.

Leveraging Funding

- The City of Pompano Beach has been able to effectively leverage local funding sources (Affordable Housing Trust) with federal and state housing resources.
- We have done this by creating alternative funding mechanisms (AHTF) for affordable housing programs that effectively leverage local financing with federal and state housing grants including CDBG, HOME, SHIP.
- For example, the City will use SHIP funding in conjunction with AHT funding to provide FTHB assistance to qualified buyers.
- Leveraging SHIP funds with other Federal/State/Local funds will help ensure the units remain affordable during this ongoing COVID-19 pandemic.



Example Project

- The City of Pompano Beach acquired 23 lots from Broward County.
- The City used funding from the AHT for new construction costs.
- The City used SHIP & HOME funding to further assist LMI First time Home Buyers with Purchase Assistance.



Units Developed

Development of 23 Single Family Homes

Construction Cost and Sales Price of Each Unit

Construction Cost per Unit

- The average cost to construct each unit was approximately \$248,000

Sales Price per Unit

- The average sales price of each unit was approximately \$290,000

SHIP Funding Expended

- City of Pompano Beach contributed down payment assistance on five (5) properties totaling \$200,000 (\$40,000/household)

Project Timeline

- The transfer of the 23 lots from Broward County to the City was finalized in December 2019.
- To date 12 of the 23 properties have been completed and sold to LMI households (using SHIP & HOME Purchase Assistance DPA funding)
- There are currently 9 lots still under construction.
- The City anticipates all construction will be completed by early 2023.

Qualifying the Buyers

Who qualified the buyers?

- City staff from the Office of Housing and Urban Improvement (OHUI) will qualify homebuyer households for the purchase of homes purchased by the Affordable Housing Trust.
- Applicants who are interested in purchasing a home must submit an application to the City. Applicants will be notified in writing that they have been approved based on the information presented to the City in their application.
- A contract between the City and the applicant will be signed when a home has been selected. Once signed, that property will be removed from the homes available for purchase and the City and the client will move forward with closing on the property. A letter will be sent to all those not qualifying for the program, stating the reason their application was denied.

Buyer Terms

- Unless different terms and conditions are provided by the funding source and provided the borrower meets the provisions of the Note and Mortgage, the Principal balance due on the Note shall be reduced on an annual basis on the anniversary of the date of this Note (“Period of Forgiveness”) at a rate of twenty percent (20%) per year for five (5) years beginning on the sixteenth (16th) anniversary of the date of this Note. The loan shall be totally forgiven after expiration of the affordability period.
- All Affordable Housing Trust Program Income may be used to support other Affordable Housing Trust eligible activities. These recapture provisions shall be included in the mortgage, note and restrictive covenant evidencing and securing the Affordable Housing Trust-funded second mortgage loan.

Buyer Subsidy Received

- How much subsidy did the buyer receive?
- The sales price of the home will be determined by the City of Pompano Beach and will be based on the final appraised value of the home after construction has been completed. If the funding source for the subsidy has property value limits, the value of the property cannot exceed the value limits of the funding source.
- Properties receiving Affordable Housing Trust funding will be secured by a recorded second mortgage and note or in the case of rental property, a restrictive covenant on the property in favor of the City for the affordability period. The City of Pompano Beach period affordability period will depend on the requirements of the funding source.
- When no other terms and conditions are stipulated by the funding source, the assistance will be provided with a 20-year deferred payment loan. On the 16th anniversary of the loan, the balance will be reduced by 20% per year and the loan will be released at the end of the 20-year term if no default has occurred.
- The City will provide eligible buyers with a subsidy amount not to exceed \$50,000 determined by the funding source for the subsidy. Various forms of assistance including but not limited to down payment, gap financing, soft cost, payment of closing costs, construction and development cost, are eligible. The amount and type of actual assistance provided to an eligible buyer or the developer will be determined based on the need of the buyer or the developer to complete the project, as well as available funding source(s).

Best Practices

- Structure your program to get SHIP dollars to the end beneficiary as efficiently as possible.
- Annual review of internal policies and procedures to ensure program efficiency.
- Leverage Funds (Use AHT funds in conjunction with SHIP First Time Home Buyer Program Funds).
- Maintain SHIP files with proper documentation.
- Keep to the timeline to avoid exceeding expenditure deadlines.

Future Projects

- New projects in the pipeline:
Third World Mission Church
Project





Thank you and
Questions

CLT of Palm Beach County

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CLT of PBC New Housing Construction Strategies

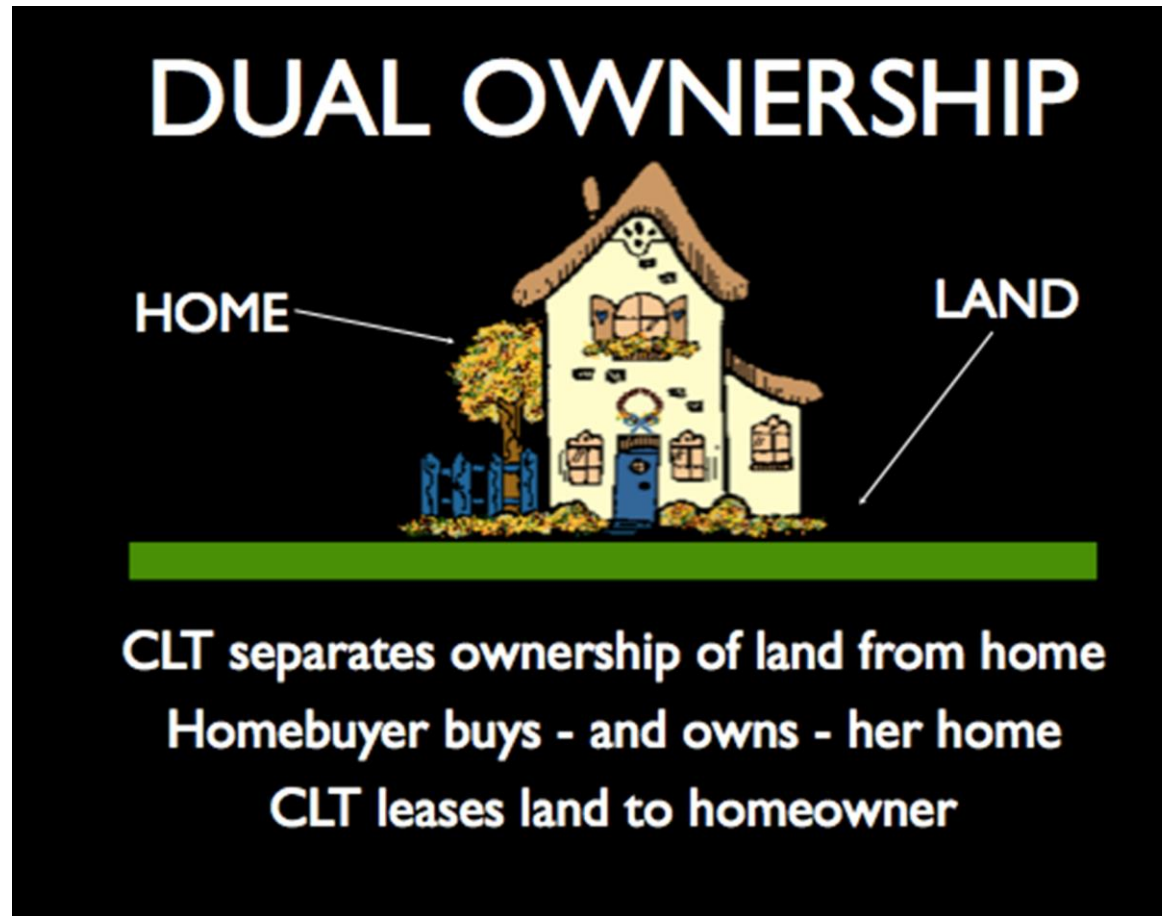
- Utilize SHIP and/or HOME to fill gap in affordability
 - As development subsidy
 - As purchase assistance
- SHIP dollars used to acquire units and resell under CLT model
 - As development subsidy



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CLT Model of Homeownership



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CLT Resale Formula

The CLT of PBC ground lease stipulates that a CLT home may only be sold to an income eligible buyer for the lesser of the appraised value at time of sale or the “Formula Price.”

The formula price = The original purchase price + homeowner’s share of appreciation (see below)

The homeowner’s share in the increase in the market value of the home is tied to their length of ownership as follows:

If the property is sold within the 1st or 2nd year, they are entitled to 5%.

If the property is sold within the 3rd to 5th year, they are entitled to 10%.

If the property is sold within the 6th to 10th year, they are entitled to 15%.

If the property is sold any time after the 11th year, they are entitled to 25%.

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Resale Formula in Action

- In 2014 a CLT of PBCTC homeowner purchased a home for \$110,500. The home's market value was \$136,000 at the time of purchase.
- By 2022 that home was worth \$327,300 (\$191,300 in appreciation) .
- Having been in the home 8 years, 15% of the appreciation, or \$28,695, would be reserved for the homeowner.
- Although the market value increased over 141% the home remains affordable for the next homeowner with a \$139,195 sales price.

$$\begin{array}{rcl} \text{Original Purchase Price} & + & \text{Owner's Share of Appreciation} & = & \text{Resale Price} \\ \$110,500 & & \$28,695 & & \$139,195 \end{array}$$

The Numbers

- Average Sales Price - \$163,827
- Sales prices ranging from \$56,000 – \$256,000
- 80% AMI typically needs \$100k in subsidy to fill gap not including cost of the land— Ideally development subsidy for a CLT (HOME or SHIP) or SHIP purchase assistance
- 1 Resales and 0 foreclosures



Kirk Rd CLT Homes Project

Palm Beach County donated several road right of way parcels and provided HOME CHDO dollars



6 single family homes and one duplex was built



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Davis Landings West



County donated site - CLT of PBC built 16 single family homes and 8 townhomes. HOME funding was provided as a development loan that converted into buyer purchase assistance. Construction financing was provided by the Palm Beach County Housing Finance Authority.

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Responsibilities of the Local Government and Developer

Sample Sponsor/Developer Selection Criteria

Developer Capacity

- Experience and staffing
 - Funding source
 - Similar project
- Financial review
- Reputation
- Current Pipeline

Commitment/award of other funding sources

More Criteria

Budget

- Construction
- Cost reasonableness
- Commitment/award of other funding sources

Realistic timeline- ability to proceed

- SHIP expenditure deadline- 24 months from close of State Fiscal year
- Certificate of Occupancy

Buyers are pre-approved and ready to move in at completion

What the Developer wants from SHIP

- Commitment of funds (firm) contingent upon award of other funds
- Can be multiple-year award of SHIP funds if all years' funds have been advertised
- The multiple-year award must be from an adopted and approved LHAP

Local Government Duties

- Selection of Developer
- Details of Contract
- Provide SHIP subsidy at right time in development process
- ***Pay SHIP dollars in last payment***
- Provide update of income limits
- Monitoring and Provide training

Developer Duties

- New Construction or Rehabilitation
- Selecting eligible households
- Maintain SHIP files with proper documentation
- Keep to the Timeline to avoid exceeding Expenditure Deadline

Homebuyer Duties

- Complete application accurately
- Report all sources of current and anticipated income
- Make monthly mortgage payments
- Make repairs – no landlord to call
- Notify SHIP Office if they intend to sell before the end of the affordability period.



Effective Partnership Agreements

The Importance of Written Agreements

- A written agreement serves as a legally binding contract between the local government and any other party
- Serves as a management, accountability and enforcement tool for the local government
- Is serves as the basis for compliance monitoring

General Provisions of the Agreement

- Funding sources
- Use of funds
- Amount of funds
- Roles and responsibilities
- Performance Standards
- Program requirements
- Project requirements
- Changes to the agreement
- Insurance



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More General Provisions

- Affordability
- Duration of agreement
- Timeline
- Disbursement of funds/payment
- Record retention and reports
- Reversion of assets
- Default
- monitoring
- Close out requirements

Program requirements – Comply with LHAP

- Advertising requirements
 - Non-Discrimination
 - Priorities
- Maximum per unit award
- Income limits
- Mortgage payment should be affordable
- Loan terms
- Number of affordable homes produced

Program Requirements

- FTHB requirements
- Value limits
- Energy improvements/Mitigation
- Special needs
- Program income
- Reporting requirements
- Record keeping
- Audits

Management Tool

- Written agreements are a management and enforcement tool
- It is legally binding
- It minimizes the risk of the local government
- Allows for corrective action
- Identifies specific requirements
- Allows for monitoring and compliance

A close-up photograph of a dark red brick wall. A black, cylindrical outdoor light fixture is mounted on the wall, casting a warm, yellowish glow. The text "Elements of Monitoring" is overlaid on the lower half of the image, enclosed in a black rectangular box.

Elements of Monitoring

Why Monitor?

- To compare reality with requirements
- To measure an activity against a quality standard
- To identify problem areas which may hinder the completion of the contract activities.
- *Monitoring is a key component of providing technical assistance to your developers*

Recommended Practice:

- SHIP Administrators *should* monitor **ALL** Sponsors
- When: during construction and after homes are purchased
- SHIP Administrators must develop a written plan which describes all monitoring activities for each Sponsor.

Sponsor/Developer file includes but is not limited to:

- Name of Sponsor and Project Name
- Organizational documents, licenses, and Key contact information
- Copy of the RFP
- Copy of the Proposal, including Scope of Work
- Copy of the contract between the Sponsor and the local government
- A Work Plan which details when work will be completed
- Payment Schedule, payments, closeout

Monitoring Items to review for Purchase Assistance Files

Advertising
Waiting list
Application
Income
verification
120-day clock
Income
Certification

Counseling Certificate
Agreements
Award letter
SHIP Mortgage and
note
Property value
Property Inspection
First mortgage
documents

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Please complete the evaluation!



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