GUIDE TO Using SHIP for Rental Housing

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Cover Photo: Burlington Post is an 86-unit development in St. Petersburg with $17,754,470 of financing from sources including SHIP.

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PREAMBLE

The Home Matters Report published annually by the Florida Housing Coalition details the challenges faced by Floridians in securing safe and affordable housing. Hundreds of thousands of households in Florida struggle with high housing costs. At this time of publication, over 1.3 million low-income households—which include hardworking families, seniors, and people with disabilities—pay more than 50% of their income for housing. There are over 25,000 individuals and families experiencing literal homelessness on any given night throughout the state and over 78,277 students without a permanent place to live. The situation has worsened as thousands of households have been displaced, many permanently, from homes that were significantly damaged or destroyed as the result of Hurricane Michael (2018), Hurricanes Ian and Nicole (2022), and Hurricane Idalia (2023).

Florida's Sadowski Housing Trust Fund programs, including the State Housing Initiatives Partnership Program (SHIP), support not only homeownership but also rental housing development. While 65% of SHIP funds must be dedicated to homeownership programs, up to 25% can be used for rental assistance, rehabilitation and construction. SHIP funds can prevent homelessness, make housing accessible for people with disabilities, or be leveraged with other sources of financing such as the State Apartment Incentive Loan program, Housing Tax Credits, or federal HOME dollars to develop multifamily housing for low income workforce households.

There are 124 communities in Florida that actively participate in the SHIP program, each responsible for preparing and implementing their Local Housing Assistance Plan that guides the deployment of SHIP funds according to Florida Statute 420.907 and Chapter 67-37 of Florida's Administrative Code. The use of SHIP funds for rental housing and assistance is addressed in the rule and statute, but additional guidance can help SHIP administrators to determine the best way to use SHIP to address rental housing needs in their community strategically and in compliance with program rules.

SHIP can fill the gap in funding that can make a rental development move forward. SHIP can be used as a local government contribution for Low Income Housing Tax Credit applications to Florida Housing Finance Corporation. SHIP can help a family avoid eviction or a homeless household to move into a home and off the streets. SHIP can help in the aftermath of disaster, providing temporary housing and home repairs.

How to Use the Guidebook

This guidebook provides a detailed set of instructions for the use of SHIP funds for rental housing. There are three main sections in the guidebook and an appendix which provides sample strategies and agreements that may serve as a template. The guidebook can be used by entry level staff as well as experienced practitioners.

Part 1 covers the overall role of SHIP in rental housing.

This section outlines and explains the basic rules with specific implementation of rental strategies for targeting the funding, rent limits, rental development, timeliness, and setasides. A sample rental strategy is included along with the components of the developer agreement. Rental assistance is explored with guidance on using funds for rapid rehousing, eviction prevention, rent subsidies and disaster assistance.

Part 2 describes the Rental Development Process from vision to occupancy and ongoing compliance.

The calculation of affordability is reviewed with sample development projects that illustrate income and rent limitations and the framework for determining the feasibility of a rental development project.

Part 3 addresses the monitoring and compliance requirements for participation in the SHIP program.

This includes reporting, the monitoring plan, common monitoring findings, and fair housing considerations.

The results of a survey of SHIP administrators is presented along with comments from respondents on how SHIP is used for rental housing in their jurisdictions.

The Appendix includes sample rental strategies and agreements. The strategies may be adapted for inclusion in the Local Housing Assistance Plan. All of these templates are available in Word format from the Coalition.

Technical Assistance

Technical assistance is available to local SHIP staff and their partners through the Affordable Housing Catalyst Program, funded by the Florida Housing Finance Corporation. Our assistance helps those involved in the administration of the program be successful in the implementation of your SHIP program strategies. We offer guidance on effective program design and help staff and partners comply with program rules and statutes. We help your organization identify partners and resources, provide training and technical assistance on how to implement your program and show you how to properly track program encumbrances and expenditures. Call the Florida Housing Coalition's SHIP hotline at 1-800-677-4548 for more information on free training opportunities that are available.

This guidebook can be used alongside other publications from the Florida Housing Coalition. Other titles that may be complementary include these selections that can be downloaded from the Coalition's website here.

- Residential Rehabilitation Guide
- Making Your SHIP Program Market Responsive
- Affordable Housing Resource Guide
- Developing & Operating Small Scale Rental Properties
- Permanent Supportive Housing Property Management Guidebook
- Guidebook for SHIP Administrators
- Surplus Land Guidebook
- Disaster Management Guide for Housing

PART 1 | SHIP's Role in Rental Housing

The primary objective of the State Housing Initiatives Partnership (SHIP) program is to help address the housing needs of low- and moderate-income persons (up to 140% AMI) by providing housing assistance through various strategies including purchase assistance, rehabilitation, new construction, and rental housing.

The program gives local governments flexibility on program design, and many decide to dedicate SHIP funds to rental housing. This guidebook is prepared for SHIP administrators and providers of rental housing that seek to utilize SHIP to develop or improve rental housing and those providing rental assistance to qualified residents.

Tampa-based Sage Partners, LLC purchased the St. Paul AME Church in downtown Tampa along with some related property and converted it into Metro 510, an affordable workforce housing in 2011. The development features two floors of parking below four floors of residential units, which totals 120 units. Metro 510's amenities include an outdoor spray park, community garden, movie theatre area, and an outdoor museum devoted to the history of the church. The 15,000 sq. ft. church was converted into a community center that houses a fitness area, computer lab, library, and a learning and play area for children. The development is located near the Marion Transit Center facility and a block from a planned high-speed rail terminal.

1 SHIP Rules
for Rental Housing

Section 420.907 of the Florida Statutes addresses the uses of SHIP funds and the program's requirements. Additional SHIP rules are included in Chapter 67-37 of the Florida Administrative Code. Both the SHIP Statute and SHIP Rule address eligible activities and limitations when using SHIP dollars for rental housing.

Set-Aside Limitations

The SHIP statute details requirements for several set-aside categories, identifies SHIP-ineligible activities, and dictates how SHIP funds must be spent. Section 420.9075(5) of the SHIP statute includes the following set-asides that impact how SHIP funds can be used for rental housing:

Homeownership Set-Aside

The homeownership set-aside is the most significant limitation on SHIP rental housing initiatives. The SHIP statute requires that at least 65 percent of the SHIP allocation must be reserved for activities that support homeownership for eligible persons. Common homeownership activities include purchase assistance, home repair, and foreclosure prevention. In each case, the assistance either produces new homeowners or helps an existing homeowner. By contrast, eviction prevention, repairs to a group home, rental development, and rent deposit assistance are not homeownership-related and therefore do not comply with the homeownership set-aside.

Rental development is limited by this set-aside since most funds must be reserved for activities that are homeownership set-aside compliant. To be specific, with 65 percent of the SHIP allocation reserved for homeownership activities, and another 10 percent commonly reserved for administration, only 25 percent remains for rental development. Up to 25 percent of the allocation, plus all program income, may pay for rental development.

100 % Allocation
- 65% Homeownership Set-Aside
- 10% Administration

25% of Allocation Available for
Rental new construction or rehabilitation
PLUS all Program Income

Rental Development OR Rental Assistance?

SHIP may offer both rental development and rental assistance, which are two different types of SHIP financial support. Rental development involves using SHIP funds for new construction, rehabilitation, and infrastructure in support of rental units. It can involve development of many rental units in a large project or a small scale development, such as a group home. By contrast, rental assistance involves direct assistance to benefit an eligible tenant household. Rental assistance includes rent deposits, eviction prevention, and rent subsidies. SHIP may be used for these rental purposes if a SHIP community has adopted the proper rental strategy in its Local Housing Assistance Plan (LHAP).

IN PRACTICE, THE INCOME SET-ASIDE PLACES RELATIVELY LITTLE LIMITATION ON SHIP RENTAL HOUSING INITIATIVES.

Although rental development does not comply with the homeownership set-aside, it does comply with the construction/rehabilitation set-aside. As a result, funding for rental development is not as limited as it is for rental assistance.

Construction/Rehabilitation Set-Aside

At least 75 percent of the SHIP allocation must be reserved for activities that either newly construct or repair housing. These activities include strategies like rehabilitation, emergency repair, and purchase assistance for newly constructed homes. Here are examples of activities that comply with this set-aside and involve rental housing:

- SHIP fundsv that partially finance the new construction of rental housing;
- SHIP funds that help pay for construction of a small group home for youth aging out of foster care; and
- SHIP funds that pay the property insurance deductible for a nonprofit that owns a rental property with disaster-related damage

Rental assistance does not comply with the construction/rehabilitation set-aside. It is therefore limited by this set-aside since most funds must be reserved for activities that are construction/rehabilitation set-aside compliant. To be specific, 75 percent of the SHIP allocation is reserved for construction or repair activities, and another 10 percent is commonly reserved for administration, leaving 15 percent remaining for rental assistance.[2]

100 % Allocation

- 75% Construction/Rehabilitation Set-Aside

- 10% Administration

15% of Allocation Available for Rental Assistance PLUS all Program Income

Income Set-Aside

In practice, the income set-aside places relatively little limitation on SHIP rental housing initiatives. The income set-aside requires that a minimum of 30 percent of all SHIP funds must assist very low-income households. Additionally, 60 percent of all funds must assist very low and low-income persons. The goal of this set-aside is to reserve a majority of the SHIP funds for those with lower incomes and most in need. This aligns with rental activities since rental development often focuses funds on building or repairing low- or very-low income rental units. Similarly, rent assistance most commonly helps very-low income tenants. Note that unlike the homeownership and construction/rehabilitation set-asides, compliance with the income set-aside is based on the total of all sources of SHIP revenue, including carry forward funds and program income.

Special Needs Set-Aside

Just like the prior requirement, the special needs set-aside places relatively little limitation on SHIP rental housing initiatives. It requires that a minimum of 20 percent of the SHIP allocation serve persons with special needs as defined in F.S. § 420.0004. It is not uncommon for a SHIP funded rental housing initiative to have a requirement for some units to be occupied by special needs tenants. Working to achieve this set-aside and focusing on rental housing for special needs populations can easily go hand-in-hand.

Deadline Limitations

SHIP funds must be expended three years from the time when they were first received. Rental development generally requires more attention to SHIP deadlines than other SHIP activities. Rental construction or repair may last for months, and timing is an important factor. SHIP funds for rental development should not be encumbered without reviewing a detailed project schedule that indicates the project will be completed and occupied within three years of the commitment. For rental construction projects, SHIP funds cannot be considered expended until at least some SHIP funded rental units have been fully constructed and occupied by eligible tenants.

2 Note: Program income may be spent on activities that do not comply with the homeownership and construction/rehabilitation set-asides. Compliance with these set-asides is calculated as a percentage of the allocation plus recaptured funds. Recaptured funds are not a common source of SHIP revenue. These funds are defined as repayments that a SHIP jurisdiction receives if it provides SHIP funding for housing projects that ultimately do not produce eligible housing and must be repaid. Several communities receive a significant amount of program income that may be expended on rental activities and other assistance that does not comply with the homeownership or the construction/rehabilitation set-asides.

2 Rent Limits

SHIP helps ensure that eligible households can afford their housing. The regulations for rental affordability are in section 67-37.007(11) of the SHIP Rule:

> 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.

Each year, Florida Housing Finance Corporation (FHFC) publishes the SHIP Rent Limits Chart. The Income Limits Chart is updated annually (generally in March or April). It is based on HUD data and contains the Rent Limits Chart. The chart lists the maximum rent by number of bedrooms and by income category. A rent amount that exceeds the maximum rent is considered unaffordable. These maximum rents increase and decrease year to year, alongside the changes to the income limits. The Rent Limits Chart is available here.

The rent limits on this chart do not reflect amounts that are exactly 30 percent of a specific tenant household's income. Instead, they are the maximum rent per income category and represent 30 percent of the household's income with the absolute highest income in that income category. For example, the maximum rent for the low-income category is calculated according to the income of a household at 80% of the area median income (AMI). Yet the households in this income category have incomes between 50 and 80 percent of the AMI. For a tenant with income at 55% AMI, the rent limit is more than 30% of household income.

Cameron Preserve, a 100-unit property in Kissimmee, was constructed with funding from SAIL, HOME and other sources. Additionally, $150,000 in SHIP funds was provided to families transitioning from homelessness to Cameron Preserve.

APPLYING THE SHIP RENT LIMITS

The SHIP rent limits are not applied in the same way for all SHIP rental activities. The table below shows when the rent limits must be adhered to and when there are exceptions to the requirement.

DO RENT LIMITS APPLY?

☑ YES

RENTAL DEVELOPMENT: NEW CONSTRUCTION OR REPAIR

Units funded with SHIP may not charge rents that exceed the maximum for each income category. See the paragraph below the table, which notes the exception to this rule: only in the case of low-income housing tax credits may the rents exceed the SHIP rent limits.

☑ YES

EVICTION PREVENTION

A household may only receive this assistance if the household's rent does not exceed the maximum for the household's income category.

☑ NO

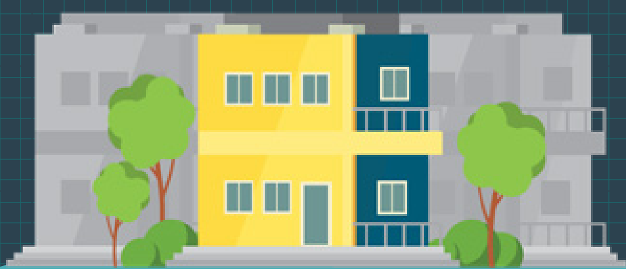
DISASTER ASSISTANCE

Compliance with the rent limits is suspended during periods of disaster recovery, when the only temporary housing available may come at a cost that exceeds these limits.

☑ NO

RENT DEPOSIT

This type of upfront rental assistance is exempted from the regular rent limits requirements. SHIP staff are encouraged to consider establishing another maximum rent to limit assistance to generally affordable levels. As an alternative to the rent limits, staff could use the Fair Market rents (available here) or could limit rents to 40 percent—instead of 30 percent—of each income category.



☑ YES WITH A CAVEAT

RENTAL SUBSIDY

When spending SHIP on rent subsidies, compliance is achieved if the rent does not surpass the 120% AMI amount on the rent limits chart, irrespective of the household income. Communities may be hesitant to help place a very low-income household in a unit with rent at the 120% rent limit amount. However, SHIP may pay for housing stability counseling, so households have support through the months of assistance. The experience with other rent assistance programs similar to this (e.g., the federal Emergency Solutions Grant program (ESG) for homeless households) is that once a family or individual is moved into a rental unit with short term assistance, they will do what is necessary to sustain it.

Challenges with the Rent Limits

There is a significant lack of affordable rental housing in parts of the state, making it challenging to carryout rental activities that must comply with the rent limits. For some SHIP communities, the maximum rent limits on the chart are significantly lower than almost any rental unit available. In these areas, many households are not eligible to receive eviction prevention. Similarly, rental rehabilitation is limited to only repairing subsidized rentals that must charge lower, affordable rents. Even rental new construction initiatives are limited unless a developer can secure enough subsidy from other sources, e.g. the HOME Investment Partnerships (HOME) Program, Low Income Housing Tax Credits (LIHTC), or State Apartment Incentive Loan (SAIL) Program, so that affordable rents may be charged. The SHIP Statute provides guidance on the process of affordable rental development. Only in the case of low-income housing tax credits can the rents exceed the SHIP rent limits. The specific statutory language says:

> 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 this subsection and the requirements of s. 42 of the Internal Revenue Code of 1986, as amended, the county or eligible municipality may resolve the conflict by giving precedence to the requirements of s. 42 of the Internal Revenue Code of 1986, as amended, in lieu of following the criteria prescribed in this subsection with the exception of paragraphs (a) and (g) of this subsection.

— Section 420.9075 (5)(n)3 of SHIP Statute

> **FOR SOME SHIP COMMUNITIES, THE MAXIMUM RENT LIMITS ON THE CHART ARE SIGNIFICANTLY LOWER THAN ALMOST ANY RENTAL UNIT AVAILABLE. IN THESE AREAS, MANY HOUSEHOLDS ARE NOT ELIGIBLE TO RECEIVE EVICTION PREVENTION. SIMILARLY, RENTAL REHABILITATION IS LIMITED TO ONLY REPAIRING SUBSIDIZED RENTALS THAT MUST CHARGE LOWER, AFFORDABLE RENTS.**

3 Rental Development
Requirements

The amount of SHIP funding that may be provided for rental development is limited to 25% of the SHIP allocation, plus all program income. Many SHIP communities receive an annual SHIP allocation of $350,000 or less. These communities may have a disincentive to focus on rental housing, since relatively little of these funds may pay for rental development. Still, a significant number of SHIP communities, including many with allocations of $750,000 to $1 million or more, use SHIP funds on rental rehabilitation or new construction.

Types of Rental Development

Rental New Construction:

Development projects may involve the construction of 50 to 100 rental units or more. Construction of rental housing often comes with a large price tag and as a result, SHIP funds are rarely the sole source of financing. In many cases, SHIP finances a portion of the construction costs, while other sources of subsidy including HOME, SAIL, and Housing Credits are the primary sources. When SHIP pays for only a portion of construction costs, SHIP staff may create a SHIP rental agreement that indicates that only a portion of the total units constructed are SHIP-assisted.

Rental Rehabilitation:

SHIP may be used to repair rental housing if a SHIP community has adopted a rental rehabilitation strategy in its Local Housing Assistance Plan (LHAP). As it is rare for SHIP to finance repairs on only one rental unit, SHIP staff commonly enact an agreement with a rental property owner to repair all or several rental units in an apartment complex. Common repairs include roof replacement, plumbing, air conditioning maintenance or replacement, electrical repairs, and measures to make units more accessible to residents with disabilities. A project may involve both the acquisition of a property and repair before renting the units. Some types of repairs—including repairs to the roof or common areas—will benefit all residents. If SHIP pays the entire costs of these repairs, then all residents must be determined to be SHIP income eligible. Alternatively, if SHIP pays for only a portion of the costs, then a proportionate number of residents are required to be certified as income eligible.

CONSTRUCTION OF RENTAL HOUSING OFTEN COMES WITH A LARGE PRICE TAG AND AS A RESULT, SHIP FUNDS ARE RARELY THE SOLE SOURCE OF FINANCING. IN MANY CASES, SHIP FINANCES A PORTION OF THE CONSTRUCTION COSTS, WHILE OTHER SOURCES OF SUBSIDY INCLUDING HOME, SAIL, AND HOUSING CREDITS ARE THE PRIMARY SOURCES.

ELEMENTS OF A RENTAL DEVELOPMENT STRATEGY

Below is a sample of a complete rental development strategy that may be adopted in a SHIP LHAP.

RENTAL DEVELOPMENT - CODE 14, 21

a. Summary of Strategy: Funds will be awarded to developers of affordable rental units that are awarded construction financing through other state or federal housing programs to construct or rehabilitate affordable rental units. This funding is intended to be used as gap financing required for the project. In cases where a smaller development (less than 50 units) is being proposed that includes Special Needs units, the county may choose to provide a larger amount of the overall construction financing.

b. Fiscal Years Covered: 2024-2025, 2025-2026 and 2026-2027

c. Income Categories to be served: Very Low, Low, and Moderate

d. Maximum award: $5,000 maximum per rental unit
Project maximum: $75,000 for developments over 50 units
$150,000 for special needs developments with 50 units or less

e. Terms: Repayment loan/deferred loan/grant: For for-profit developers, funds will be awarded as a loan secured by a recorded subordinate mortgage and note. For non-profit developers, funds will be awarded as a forgivable loan secured by a recorded subordinate mortgage and note.

Interest Rate: 0%.

Years in loan term: 40 years

Forgiveness: A non-profit's loan is forgiven on a prorated basis starting in year 30 so that 10% of the loan is forgiven annually from years 30 to 40.

Repayment: For for-profits, the loan is due and payable at the end of the term unless the county negotiates an extended loan term to secure affordable rental units in the best interest of the county's residents.

Default: For all awards, a default will be determined as: sale, transfer, or conveyance of property; conversion to another use; failure to maintain standards for compliance as required by any of the funding sources. If any of these occur, the outstanding balance will be due and payable.

f. Recipient Selection Criteria: Each tenant household in a SHIP-assisted unit must meet income qualifications of the program as determined and reported by the developer's management company for the development.

g. Sponsor/Developer Selection Criteria: Developers will apply to the county through an RFQ process that is open year-round. The RFQ will require proof of developer experience in providing affordable rental housing, proof of financial capacity, evidence of site control (or contract for sale), proof of ability to proceed once all funding is closed, and a housing unit design plan that meets with the county's housing element in the Comprehensive Plan. All funding awards will be subject to closing on other funding sources.

h. Additional Information: Developers will be required to meet compliance reporting requirements on the development necessary to meet the statutory requirements for monitoring of SHIP rental units.

SHIP Rental Development LHAP Strategy Considerations

Maximum award

The award text for this sample strategy is uncommon among SHIP strategies because two types of maximums are provided. The strategy includes the regular per unit maximum, and also includes a project maximum to indicate the maximum amount of SHIP's involvement in a new construction or repair initiative. If a rental development strategy has a relatively low per unit rental maximum award, then many units will be assisted if any significant amount of SHIP money is invested in the strategy.

Loan Terms

SHIP funds spent on rental development cannot be provided as a grant. Instead, section 420.9075 (5)(i) of the SHIP statute requires a recorded SHIP lien on a rental property to ensure that SHIP income eligible households occupy units that charge an affordable rent for a period of at least 15 years.

Affordability Period

The SHIP statute requires a 15-year minimum affordability period. However, it is a best practice to extend affordability for an even longer period, particularly for projects with significant SHIP investment ($10,000 or more). For example, FHFC requires a 50-year affordability period for tax credit projects and the HOME program requires a 20-year affordability period for new construction of rental housing. The term of affordability for the SHIP funds may be extended to match these other funding sources in a project.

Selecting a Sponsor

Section 420.9075 of the SHIP statute defines a Sponsor as:

> "a person or a private or public for-profit or not-for-profit entity that applies for an award under the local housing assistance plan for the purpose of providing eligible housing for eligible persons to partially assist in the acquisition, construction, rehabilitation, or financing of eligible housing or to provide the cost of tenant or ownership qualifications."

It is recommended that sponsors be selected through a competitive bidding and solicitation process. Selection criteria should include developer experience in providing affordable rental housing, financial capacity, evidence of site control or contract for sale, proof of ability to proceed once all funding is closed, and a housing unit design plan. It is possible to fund more than one sponsor at a time with a rental development strategy.

> **IT IS RECOMMENDED THAT SPONSORS BE SELECTED THROUGH A COMPETITIVE BIDDING AND SOLICITATION PROCESS. SELECTION CRITERIA SHOULD INCLUDE DEVELOPER EXPERIENCE IN PROVIDING AFFORDABLE RENTAL HOUSING, FINANCIAL CAPACITY, EVIDENCE OF SITE CONTROL OR CONTRACT FOR SALE, PROOF OF ABILITY TO PROCEED ONCE ALL FUNDING IS CLOSED, AND A HOUSING UNIT DESIGN PLAN.**

Additional Information

SHIP-funded rental properties are required to submit periodic compliance reports. Therefore, it is helpful to include this property management responsibility in the strategy. More details about the monitoring of SHIP rental units are included in Part 3.

SHIP Agreement with Developer

SHIP funds for rental housing are provided as a loan, secured by a recorded subordinate mortgage and note. At the time when the loan is recorded, the SHIP city or county should sign a SHIP rental agreement with the developer. Review the sample SHIP rental developer agreement in the appendix. Consider the following highlights listed below from the agreement:

Report Construction Completion

The timing of results is important because of the SHIP expenditure deadline. To count funds as expended, units must be complete and occupied by SHIP-eligible tenants.

Once the construction of SHIP-assisted rental units is complete and the units are leased up with income eligible households, SHIP staff must report these expenditures to FHFC, along with the amount of rent for each bedroom size per unit by rental strategy. This data is included on the first two forms of the SHIP annual report.

Right of First Refusal is Required

The 'right of first refusal' is a statutory requirement that must be included in all developer agreements. This provision is included to ensure that the rental units that receive SHIP assistance remain affordable for at least the term of the agreement, which will be at least 15 years. The SHIP program states in Section 420.9075(5)(i):

(i)…Eligible sponsors that offer rental housing for sale before 15 years or that have remaining mortgages funded under this program must give a first right of refusal to eligible nonprofit organizations for purchase at the current market value for continued occupancy by eligible persons.

It is historically uncommon for SHIP-assisted rental units to be sold before the end of the affordability period. However, in such a case, the right of first refusal requirement alerts local government SHIP staff who can plan to preserve the affordability of the rental units. Staff may identify nonprofit partners with the capacity to own and manage the property. The Florida Housing Coalition is available to provide guidance about funding needed for the purchase and more.

Monitoring and Compliance

It is of most importance that the agreement require that property management staff remain in contact with the SHIP office during the SHIP affordability period. The agreement should state the specific date each year when SHIP staff will conduct a monitoring visit. It is recommended that the agreement also state that annual compliance includes "an inspection of the physical condition of the SHIP assisted units and the overall property." This is a best practice but is not explicitly required by SHIP.

Forms

It is a best practice to require the use of standardized SHIP forms whenever possible. Relevant documents should be attached to the agreement. Property management staff will be required to use the SHIP office's applicant intake forms, which include a release of information and an acknowledgment by the tenant of the SHIP terms related to the rental housing. Staff also need to use the standard SHIP Resident Income Certification and should also include the income verification forms that the SHIP office uses. The developer and property management staff will benefit from reviewing the SHIP Manual here.

4 Rental Assistance with SHIP

Rental assistance involves providing direct help to eligible tenant households. The amount of SHIP funding that may be provided for rental assistance is limited to 15 percent of the SHIP allocation, plus all program income. Types of SHIP rental assistance include:

Rent Deposit

SHIP funds may be used to provide deposit assistance for a rental unit, including first and last month's rent, a security deposit, and utility deposits. SHIP funds are often provided as a grant, dispersed by check directly to a landlord on behalf of the eligible household. It is a best practice to partner with a qualified sponsor organization to manage the intake, disbursement of funds and reporting.

As noted in the previous section, "Applying the SHIP Rent Limits," rent limits do not apply to a security deposit or utility deposit assistance. However, these rent limits serve as a policy to ensure that eligible households can afford the SHIP-subsidized rental housing, and SHIP staff are encouraged to consider establishing another maximum rent limiting assistance to improve affordability for the eligible household. As an alternative to the rent limits, consider using the Fair Market rents here or limit rents to 40 percent of each income category. For example, each year FHFC staff create the SHIP rent limits chart on which affordability is set at 30 percent of monthly income for each income category. Staff posts these limits here and can assist in properly calculating a rent affordability chart set at a higher percentage. The lesser of maximum rent levels should be utilized.

Eviction Prevention

Eviction prevention assistance is available to households who are already residing in rental housing and require SHIP funds for past due rent payments to avoid eviction. Communities often limit this assistance to those who have experienced a hardship but have recovered. Eligible households may be required to document their ability to continue rent payments after assistance is provided. Eviction prevention assistance is often limited to one time only, or once every five years.

Another limitation is that, according to the rent limits policy, the contract rent of an eligible household's rental unit cannot exceed the maximum rent amounts listed on the SHIP rent limits chart. For some SHIP communities, the amounts on the SHIP rent limits chart are significantly lower than almost any rental unit available. This can prevent eligible households in need of assistance from receiving eviction prevention in these communities.

RENT SUBSIDIES

Rent subsidy assistance may include security and/or utility deposits and payment of rent for up to 12 consecutive months. SHIP rental assistance (subsidy) can only be provided to very low-income households, defined 50% of AMI or less, who are experiencing homelessness, or in which at least one household member meets the definition of special needs. Below are the statutory definitions of homeless and special needs:

Definition of Homeless

"Homeless," applied to an individual, or "individual experiencing homelessness" means an individual who lacks a fixed, regular, and adequate nighttime residence and includes an individual who:

- Is sharing the housing of other persons due to loss of housing, economic hardship, or a similar reason;
- Is living in a motel, hotel, travel trailer park, or camping ground due to a lack of alternative adequate accommodations;
- Is living in an emergency or transitional shelter;
- Has a primary nighttime residence that is a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings;
- Is living in a car, park, public space, abandoned building, bus or train station, or similar setting; or
- Is a migratory individual who qualifies as homeless because he or she is living in circumstances described above.

— Section 420.621, Florida Statutes

Definition of Special Needs

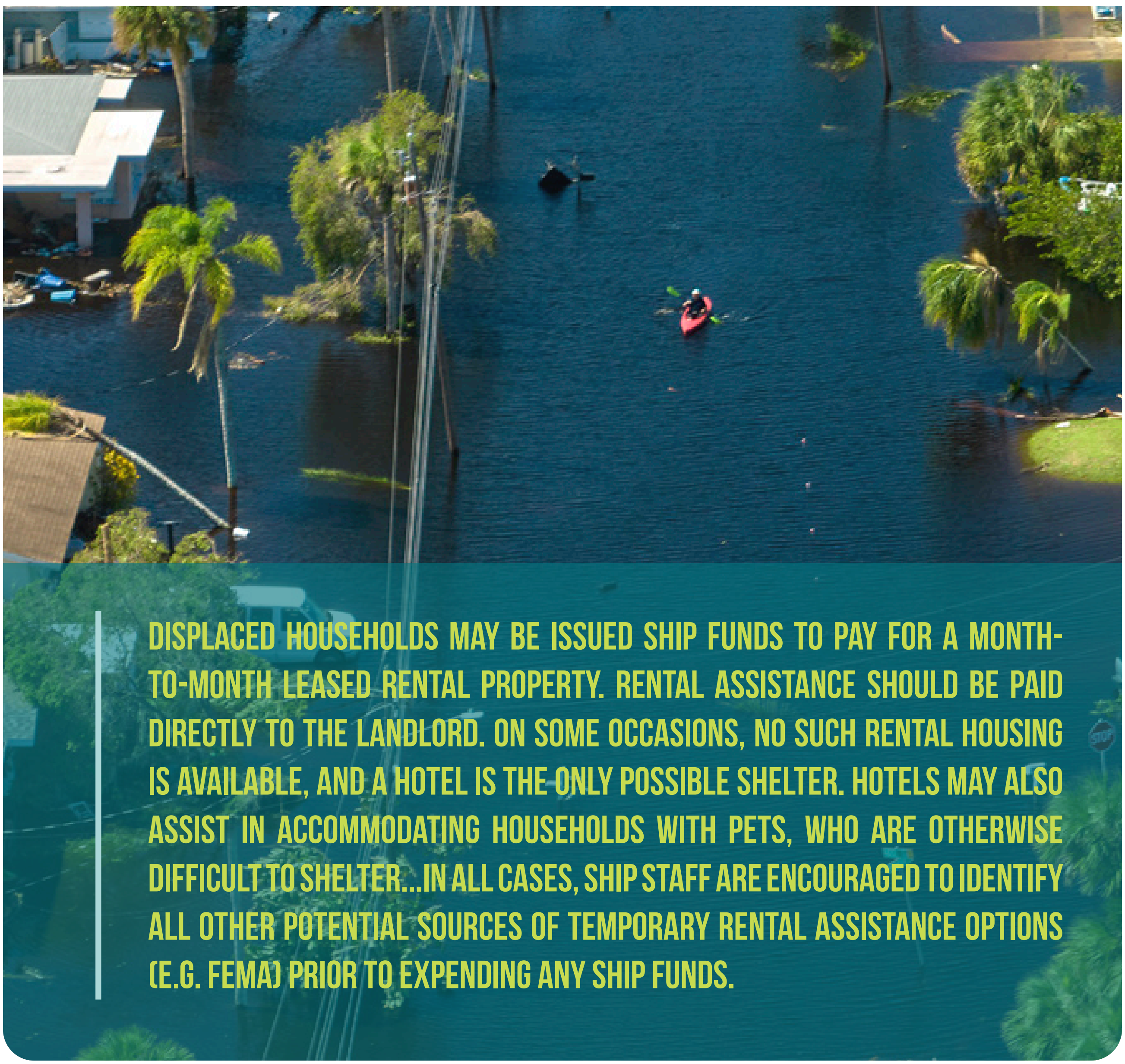
- An adult person requiring independent living services in order to maintain housing or develop independent living skills and who has a disabling condition 420.0004(7) FL Statutes;
- A young adult formerly in foster care who is eligible for services under s. 409.1451(5);
- A survivor of domestic violence as defined in s. 741.28; or
- A person receiving benefits under the Social Security Disability Insurance (SSDI) program or the Supplemental Security Income (SSI) program or from veterans' disability benefits.

— Section 420.0004, Florida Statutes

When provided to households experiencing homelessness, this type of assistance is sometimes referred to as Rapid Re-Housing; a permanent housing intervention administered within the homeless system. SHIP rent subsidy assistance may only be spent on rental units with a monthly contract rent that does not exceed the amount on the rent limits chart. To ensure compliance when calculating SHIP rent subsidies, rent cannot surpass the 120% AMI amount on the rent limits chart, irrespective of household income. Participating households must complete a redetermination of income eligibility on a monthly basis, requalifying their eligibility to receive SHIP rental assistance prior to that upcoming month of assistance. According to the SHIP statute, the rental unit must be decent and safe. The local government has the flexibility to set these standards and may consider using HUD guidance (e.g. Minimum Habitability Standards or Housing Quality Standards).

Disaster Assistance

A SHIP disaster strategy may provide temporary rental assistance. This temporary relocation is only for applicants who cannot stay in their housing because it is disaster-damaged and uninhabitable. In this case, local government staff must determine household eligibility by inspecting the housing unit and evaluating the applicant's SHIP income eligibility. Displaced households may be issued SHIP funds to pay for a month-to-month leased rental property. Rental assistance should be paid directly to the landlord. On some occasions, no such rental housing is available, and a hotel is the only possible shelter. Hotels may also assist in accommodating households with pets, who are otherwise difficult to shelter in a disaster situation. Although SHIP funds may be spent on hotels, it is not ideal because it is a more costly intervention than a regular rental. Additionally, households may be eligible for FEMA transitional shelter assistance which would pay for the hotel stay. In this case, SHIP could assist the household in transitioning from the hotel to permanent rental housing. In all cases, SHIP staff are encouraged to identify all other potential sources of temporary rental assistance options (e.g. FEMA) prior to expending any SHIP funds.



> DISPLACED HOUSEHOLDS MAY BE ISSUED SHIP FUNDS TO PAY FOR A MONTH-TO-MONTH LEASED RENTAL PROPERTY. RENTAL ASSISTANCE SHOULD BE PAID DIRECTLY TO THE LANDLORD. ON SOME OCCASIONS, NO SUCH RENTAL HOUSING IS AVAILABLE, AND A HOTEL IS THE ONLY POSSIBLE SHELTER. HOTELS MAY ALSO ASSIST IN ACCOMMODATING HOUSEHOLDS WITH PETS, WHO ARE OTHERWISE DIFFICULT TO SHELTER...IN ALL CASES, SHIP STAFF ARE ENCOURAGED TO IDENTIFY ALL OTHER POTENTIAL SOURCES OF TEMPORARY RENTAL ASSISTANCE OPTIONS (E.G. FEMA) PRIOR TO EXPENDING ANY SHIP FUNDS.

REVIEW OF RENTAL ASSISTANCE STRATEGIES

Sample rental assistance strategies are included in the Appendix.

Highlights from the three rental assistance strategies are:

Terms

Rental assistance is typically provided as a grant. There is no SHIP requirement to record a recapture agreement for rental assistance.

Selecting a Sponsor

The eviction prevention and rent deposit strategies are typically implemented by the agency that operates the local Continuum of Care coordinated entry system. However, in some cases, the strategy may be implemented by city or county staff. Even if local government staff implement the program, it is likely that applicants could be referred by local service providers, including the regional 2-1-1 Hotline, homeless assistance providers, social service agencies, and Veterans Affairs offices.

Income Level Assisted

For the Rent Subsidies strategy, it is a statutory requirement that this assistance may only be provided to very low-income households. Other strategies may serve higher incomes.

Additional Requirement

Although it is not required by SHIP statute or Rule, it may be good to set a standard for the physical condition of rental units.

PART 2 | THE RENTAL HOUSING DEVELOPMENT PROCESS

The development of affordable rental housing follows a similar process as market rate rental housing. The primary difference is how it is financed. Affordable rental housing developers have access to sources of financing, such as SHIP, that serve to fill gaps and to reduce the level of debt. The savings from these financing tools are then passed on to income eligible residents in the form of affordable rents. Some affordable rental housing may also target specific populations such as homeless, elderly, farmworker/fisherfolk, or persons with disabling conditions.

In exchange for the public investment, affordable rental housing must comply with tenant income eligibility and rent restrictions required by the source of financing. Further, the length of time a property must remain affordable is also a factor of the funding source. For example, many sources require long term or permanent affordability. These terms serve to retain financial subsidies in the developments and help a community meet its need for affordable housing, minimizing the risk of losing the units to the market over time. Affordable rental housing is subject to other compliance requirements based on the funding source such as the provision of services, maintaining the units in a safe and sanitary fashion, and proper financial management. It should be noted that physical condition is not a SHIP requirement.

Janie's Garden Phase I is an 86-unit complex in Sarasota developed by the Michaels Development Company and the Sarasota Housing Authority.

5 The Development Process

The list below describes the general development process in the order of action.

1. **Vision and Concept**
The formation of the project concept is the process that results in the decisions that will shape the eventual development and operation of housing for the long term.

2. **Site Selection**
The site for the development must meet many criteria to be considered suitable. Foremost, the cost of the land must be within the project's financial resources.

3. **Program and Design**
Once the site is selected and under contract, a site plan should be prepared that indicates the general location of buildings, access points, traffic circulation, recreation areas, and open space which may include water retention areas.

4. **Applications for Funding**
The preparation of the financing applications should be thorough and follow the instructions to the letter. The timing of the applications is important as some sources may require that all other commitments be in place.

5. **Credit Underwriting**
Credit underwriting is the process of evaluating or analyzing the risk of financing a specific borrower for a specific project.

6. **Funding Award and Initial Closing**
Projects with multiple sources of financing have multiple agreements and mortgages. An initial closing takes place where all sources are confirmed, and agreements are coordinated for amount and timing for release of funds.

7. **Construction and Lease Up**
Large projects that are financed with FHFC funding will be subject to a Project Cost Review (PCR). This is performed on a third-party basis by a construction professional prior to commencement of construction.

8. **Occupancy Stabilization**
Stabilization is a defined term in funding agreements that usually means that 95% or more of the units have been leased and occupied for at least three consecutive months, and the property is performing to meet financial obligations. Full occupancy should take place within one year or less.

9. **Long Term Compliance and Monitoring**
Rental housing that is fully or partially funded by SHIP funds must be occupied by eligible households for at least 15 years according to section 420.9075(5)(i) of the SHIP statute.

Step 1: Vision + Concept

The formation of the project concept is the process that results in the decisions that will shape the eventual development and operation of housing for the long term. During the concept phase the organization/developer must explore the vision for the project and ensure that the project and responsibilities fit within its mission and goals. The process includes:

- Considering the impact of the project on the community and whether it addresses the need for rental housing, the need for a particular neighborhood, or the needs of a targeted population such as seniors or persons with special needs;
- Evaluating the concept for feasibility in obtaining land and financing;
- Ensuring that the organization has the capacity to dedicate staff time and resources to project management; and,
- Obtaining consensus among the Board of Directors (without consensus, there could be fractions later when further project planning and financing take place).

SHIP CONSIDERATIONS

Both rehabilitation and new construction projects may use SHIP for financing. The 36-month expenditure deadline stated in section 67-37.007 (1)(b) of the SHIP Rule is a limitation at the early stages of project design since it often takes longer than three years for a project to be fully realized.

NOTES:

Step 2: Site Selection

The site for the development must meet many criteria to be considered suitable. Foremost, the cost of the land must be within the project's financial resources. A site characteristic must be suitable for a project to proceed and reach completion within the SHIP deadlines. The SHIP encumbrance and expenditure requirements do not allow for lengthy installation of infrastructure, applications for approvals, or environmental mitigation. Sites that do not have infrastructure or proper zoning, or where site control is not secured, will take much longer to develop.

As a guide, a project that is ready to proceed has the following in place:

Site Control

The applicant should have a purchase contract, deed, or long term lease in place

Infrastructure

Infrastructure includes water, sewer, electricity, roads, and drainage.

Land use and Zoning

The zoning must allow for the proposed development and be consistent with the jurisdiction's comprehensive plan. This may include consistency with overlay districts such as community redevelopment areas or historic districts.

Other financing commitments

Since SHIP is typically the last funding to go into a project, the other sources of financing should be identified. This would include letters of commitment from financial institutions, grants, or other approved financing.

Environmental Readiness

The site should not have environmental features that will delay or prohibit site work and construction. Some of the elements that must be considered include the following:

- Soil (type, stability, previous uses)
- Slope- runoff
- Flood plain- zone classification, elevation
- Conservation areas
- Historic district or designation
- Hazardous uses in vicinity
- Lead based paint (for rehab projects)
- Asbestos (for rehab projects)

Proximity

For larger projects seeking funding through FHFC's Request for Applications (RFA) process or other competitive funding, the site selected must meet the locational criteria for the funding cycles anticipated, in particular Low-Income Housing Tax Credits. Proximity requirements are specified for each FHFC RFA; therefore, it is important to evaluate each RFA individually to ensure that the planned project will be on a site that meets the proximity requirements for services. Importantly, the chosen site must have access to reliable public transportation. Residents unable to walk to bus or transit stops should be able to enroll in paratransit services. Each RFA that includes proximity criteria states the maximum distance for a service to qualify as meeting locational requirements.

Proximity to services includes the following:

- Bus/Rail stop
- Grocery store
- Medical clinic
- Pharmacy, for elderly and certain other projects
- Public/charter school, for family projects

FHFC provides an online Beta Mapping Tool for Multi-family applications. The tool is a valuable aid in evaluating a particular site for its potential to be awarded financing from FHFC. The instructions for using the tool can be downloaded here.

In addition to Proximity Factors, there are other predevelopment locational considerations that must be addressed during the predevelopment phase for any projects considered for participation in the RFA process administered by FHFC. These are described below with links to additional information.

Geographic Areas of Opportunity

Census tracts may be designated as two or three factors that are high indicators or community wellbeing. The factors include:

1) Tract median income is greater than the 40th percentile of all tracts in the county, and

2) Educational attainment above the median of all tracts for adults over age 25 have completed some college, and

3) Tract employment rate is greater than the statewide employment rate.

Information on Geographic Areas of Opportunity can be found here.

Difficult to Develop Areas (DDA's)

DDA's are areas that have high construction, land, and utility costs relative to area median gross income. DDA's may qualify for a 30 percent basis boost for housing tax credit projects. DDA's apply to an entire county. Information on DDA's can be viewed here.

Racial and Ethnically Concentrated Areas of Poverty (R/ECAP)

In an effort to create more income diverse communities, some programs are not eligible within R/ECAP areas. FHFC discourages new affordable housing development in R/ECAP areas but will consider applications to preserve or redevelop housing in R/ECAPs. These can be viewed here.

Qualified Census Tracts (QCT's)

QCT's are tracts in which at least half of the households in the tract have an income less than 60 percent of the area median income (AMI) or there is a poverty rate of at least 25 percent. QCT's are eligible for a "basis boost" for tax credit projects. Projects that are located in a QCT that is also in a R/ ECAP area (see above) will not qualify for new construction. This information is available here.

Limited Development Areas (LDA's)

LDA's are defined by FHFC as having low occupancy conditions (less than 90 percent occupancy) in its rental property portfolio, where development is limited to allow existing properties to stabilize income and occupancy before new developments of similar scope are approved. Information on LDA's can be viewed here.

Mandatory Distance Requirement Areas

FHFC publishes mandatory distance requirements for certain types of housing in certain areas to prevent the overconcentration of subsidized housing which could affect the occupancy of existing assisted projects.

Local Government Preference Program

FHFC issues some RFA's with funding goals for applications submitted with a Local Government Preference. Some cities and counties choose to offer a competitive proposal to rental projects that are considering applying for financing from FHFC. This program has been successful by enabling the local government to choose the projects they prioritize so that their success in receiving financing has a much greater chance.

SHIP CONSIDERATIONS FOR SITE SELECTION

SHIP Administrators may find it beneficial to maintain a working knowledge of the proximity and other requirements in RFAs, and address proximity through such things as funding preferences for projects in areas with services, transit, and employment opportunities. Note that SHIP may not be used for off-site improvements. If infrastructure is near the site but not fully upon it, other funding must be identified for this purpose.

NOTES:

Step 3: Program + Design

Once the site is selected and under contract, a site plan should be prepared that indicates the general location of buildings, access points, traffic circulation, recreation areas, and open space which may include water retention areas. This is the time to begin any rezoning or land use changes as well as site plan approval.[2]

At this time the project concept is also woven into the overall design and plans are made in anticipation of the criteria for competitive financing awards. This may include the provision of outdoor amenities, space for community meeting and support services, accessible parking, and community inclusion features. This is the time to make sure the proposed project will meet the eligibility requirements of the funding sources anticipated. This includes the size, location, unit mix, income targeting, and demographic targeting.

The full architectural design is not completed until the financing awards have been made and the project is in the credit underwriting phase. During the design phase, architectural rendering and schematic drawings are begun although full drawings should not be completed until the financing has been awarded or committed. Once financing is approved, the formal design goes forward and includes full architectural renderings, development orders and building permits.

SHIP CONSIDERATIONS FOR TIMELINESS

Predevelopment expenses such as application fees, rezoning costs, site planning, and architectural design are eligible expenses for SHIP. However, this may present a compliance risk. Remember that these activities occur at the very onset of project planning. If SHIP is invested at this time the eventual certificate of occupancy may not be obtained within the SHIP expenditure deadlines, putting the project out of compliance.

2 At this time, it is also appropriate to prepare a survey and appraisal. The survey should define the boundaries, elevations, buildings, features and easements. The appraisal should value the site both as is and as proposed.

NOTES:

Step 4: Applications for Funding

During the program and design phase, all potential funding sources must be identified and evaluated for time of offering, completion, award and project completion deadlines. The preparation of the financing applications should be thorough and follow the instructions to the letter. The timing of the applications is important as some sources may require that all other commitments be in place. It is possible that if numerous sources of funding are contemplated, the timing will not line up or the pre-requisites of one application may not be available without approval from another.

FHFC Request for Application (RFA) Cycle for Rental Housing

The application cycle at FHFC follows this general timeframe:

January to May

- Qualified Allocation Plan (QAP) The QAP is specific to low income housing tax credits and is a statement of the funding goals and objectives for the upcoming year. Keep in mind that FHFC also administers other rental housing funding sources, such as SAIL and HOME.
- Rule development workshops
- RFA cycle workshops
- Funding Sources and RFA Timeline published.
- FHFC Board makes preliminary awards for selected developments

June to July

- FHFC Board approves Rules and RFA cycle timeline

September-March

- RFA issuances are announced with deadlines for submittal

Q&A Process

FHFC allows for questions to be submitted on a specific RFA for a limited period of time. It is a best practice to submit questions for clarification on the requirements of an RFA.

SHIP CONSIDERATIONS FOR RFA PROCESS

It is appropriate for the SHIP commitment to be contingent upon the successful award of funding from other sources. The SHIP commitment can be flexible and need not identify the SHIP fiscal year the funding will come from to ensure the encumbrance and expenditure deadlines are not over extended. The local SHIP proposal cycle should be coordinated with the RFA process as much as possible.

Step 5: Credit Underwriting

Credit underwriting is the process of evaluating or analyzing the risk of financing a specific borrower for a specific project. Credit underwriters are specialized firms whose financial analysts evaluate borrowers and projects prior to the award of a loan or grant. Once an application is selected for funding, the credit underwriting process begins. This can take up to nine months as the developer works closely with an assigned credit underwriter. The process is meant to verify the feasibility of the project to reach construction completion and operate in compliance with the funding sources for a long period of affordability, often 50 years or more. There are three major components in the underwriting process. These are the evaluation of:

Developer Capacity

The experience and qualifications of the developer and property manager.

Financial Capacity

The assurance that there are adequate sources of financing in place to accomplish the completion of the project from land acquisition to completion of construction.

Readiness to Proceed

All studies and inspections are complete. The site has been surveyed, appraised, and permitting is in place. The project is shovel ready.

SHIP CONSIDERATIONS

The credit underwriting period is a good opportunity for the SHIP Administrator to be aware of the status of a commitment that was made previously. The Credit Underwriter may request certain information on the SHIP commitment, permits needed, or recapture requirements. This may include the timeframe for the funding award and the long term affordability conditions.

Step 6: Funding Award + Initial Closing

Projects with multiple sources of financing have multiple agreements and mortgages. An initial closing takes place where all sources are confirmed, and agreements are coordinated for amount and timing for release of funds.

SHIP CONSIDERATIONS

SHIP funds may have been encumbered but should not be awarded until this time. This will allow for the expenditure deadlines for the SHIP award to be met.

Step 7: Construction + Lease Up

Large projects that are financed with FHFC funding will be subject to a Project Cost Review (PCR). This is performed on a third-party basis by a construction professional prior to commencement of construction. The PCR examines all construction documents including drawings, specifications, project budget, scope of work, contracts, environmental reports, and permits. Construction monitoring by FHFC takes place during the entire construction process and final funding cannot be awarded until a report is issued by the construction monitor confirming the project is complete.

Towards the end of construction, the property management company also will market the residences and take applications. Applicants will be screened for eligibility and prepared for leasing. Applicants with requests for accessibility accommodations will be paired with ADA or sensory accessible units.

SHIP CONSIDERATIONS FOR TIMELY EXPENDITURES

SHIP funds are typically expended on a reimbursement basis either when the project is complete or during construction when benchmarks have been achieved that give confidence that the project will be completed and leased up within the expenditure timeframe for the award. Leasing often begins two to four months prior to construction completion or as soon as units are available for viewing by prospective tenants.

Step 8: Occupancy Stabilization

Stabilization is a defined term in funding agreements that usually means that 95% or more of the units have been leased and occupied for at least three consecutive months, and the property is performing to meet financial obligations. Full occupancy should take place within one year or less.

SHIP CONSIDERATIONS FOR TIMELINESS AT OCCUPANCY

The SHIP Administrator should be aware of the leasing process for meeting expenditure deadlines and in anticipation of completing the SHIP Annual Report. The project can be closed out once the SHIP assisted units have been occupied by eligible residents.

Step 9: Long Term Compliance + Monitoring

Rental housing that is fully or partially funded by SHIP funds must be occupied by eligible households for at least 15 years according to section 420.9075 (5)(i) of the SHIP Statute. Most projects have multiple sources of funding however and the most stringent income eligibility requirements will apply. Projects that are funded with low income housing tax credits are monitored for compliance throughout the affordability period which is at least 50 years. The SHIP Administrator need not conduct annual verifications and may rely on the annual monitoring conducted by the assigned compliance monitor.

SHIP CONSIDERATIONS FOR MONITORING FOR LIHTC DEVELOPMENTS

Note that for LIHTC projects the compliance and monitoring will be the responsibility of the property manager and the SHIP Administrator should expect to receive these reports. The SHIP file for the project should include the location of other publicly recorded documents such as the Extended Use Agreement (for LIHTC projects) and the Land Use Restriction Agreements. The SHIP Administrator should have contact information for the property manager should problems arise or to make referrals to the property for potential residents.

Timeliness of SHIP Encumbrances and Expenditures

As previously stated, when considering the use of SHIP funds, it is important to make sure the SHIP encumbrance and expenditure requirements will occur in the proper sequence with acquisition, predevelopment, construction, lease up and occupancy. The development of multifamily housing can take several years from concept formation to project completion. According to section 67-37.007 (1)(b) of the SHIP Rule, SHIP funds must be encumbered within the first 24 months of a SHIP Plan. Projects funded with SHIP must be occupied within 36 months of the SHIP Plan.

If SHIP funds are used early in the process to acquire the site, there is a chance that the financing and construction process may exceed the expenditure deadline for SHIP. It is best to invest SHIP funding in construction if an extended period between acquisition and occupancy is anticipated. Projects that involved mixed income, including units available at market rates may require that funding sources be prorated to account for the portion of the project that will serve residents whose income exceeds the eligibility limitations.

One of the most important, yet complicated activities when building the sources of financing is to understand the timing for the application of funds, the components that must be in place at the time of application, and the expenditure and occupancy deadlines. Often, when there are several sources of financing, the completion deadlines may conflict with funding availability. SHIP Administrators must take into account which fiscal year the SHIP funds will be encumbered. If the funding is from the current cycle, the project must be completed and leased within 24 months. If other sources of financing will not be available until the end of that period, the SHIP funding could be out of compliance with expenditure deadline.

Example of SHIP Timing Sequence: The Notice of Funding Availability is advertised in a newspaper of general circulation. The SHIP Administrator must encumber the funds within two years of the beginning of the state fiscal year in which they were allocated. For example, a project using SHIP funds from FY 2023-2024 must be encumbered by June 30, 2025, and must be completed by June 30, 2026. Completion of a rental project is defined as finishing construction, obtaining a certificate of occupancy, and leasing each SHIP-funded rental unit to an income-eligible tenant.

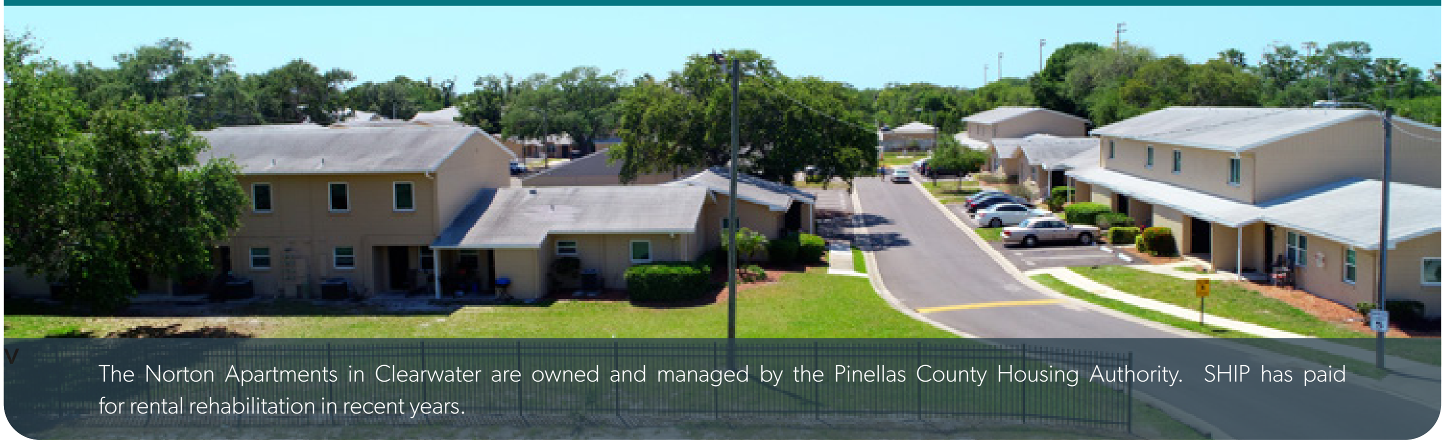
6 Calculating Affordability
for Rental Housing USING SHIP

Generally, housing is considered "affordable" if housing costs are at or below 30% of a household's annual gross income. Strictly speaking, this definition only applies to certain programs. For example, rental assistance amounts are designed to ensure that rent plus utilities do not exceed 30% of a particular household's income. Rental housing that is developed with certain subsidies use calculations that are defined by their respective rules. Projects that blend SHIP funding with other sources must comply with the most stringent restrictions of the various funding sources. SHIP funds are often blended with other programs such as HOME. When these two funding sources are blended, the requirements of the strictest program will apply. The SHIP statute allows a local government that uses SHIP as a match for the HOME program, to count the program income as HOME program income.

> Section 420.9073 (n) (4) (6) states that "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."

In the case where LIHTC are combined with SHIP funds, Section 420.9075 (5)(n)3 of the SHIP Statute states the following:

> "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 this subsection and the requirements of s. 42 of the Internal Revenue Code of 1986, as amended, the county or eligible municipality may resolve the conflict by giving precedence to the requirements of s. 42 of the Internal Revenue Code of 1986, as amended, in lieu of following the criteria prescribed in this subsection with the exception of paragraphs (a) and (g) of this subsection."



The Norton Apartments in Clearwater are owned and managed by the Pinellas County Housing Authority. SHIP has paid for rental rehabilitation in recent years.

There are several concepts that must be understood in calculating affordability in the context of affordable housing subsidies. These are:

Eligible households

Assisted housing must be affordable to lower income households. Each program includes requirements for the eligible beneficiaries of the housing assistance. Eligibility may be restricted based on income level, such as extremely low income (<30% AMI), low income (<50% AMI) or a proportion, such as 60% of units serving below 40% AMI with all income level capped at 60% AMI. There are also program targets such as homeless, special needs, or a specific demographic such as veterans.

Income restrictions

All programs limit assistance to certain income levels. Projects may include mixed incomes or incomes over the maximum allowed, but the level of public assistance is based only on the assisted units. The important consideration for any given funding source then is the income level of future residents and the rent levels applied to each income category. Each income category is also defined by household size. These allowable incomes and rent levels are published annually for each program. Again, when using blended funding including SHIP, it is important to use the income and rent limits chart for the funding source that is the most restrictive. The income and rent levels are critical in program compliance requirements to serve a certain population with restricted rents.

Positive cash flow

Another critical analysis is whether the anticipated rents will be sufficient to cover projected operating expenses and debt service. Both of these factors must be analyzed together during the design stage of a project. This calculation will be required as part of the funding applications and will be scrutinized during the Credit Underwriting phase. There are several principles to understand in designing the unit mix, target population, and rent restrictions.

- When blending two or more sources of funding, the strictest set-asides and requirements will apply.
- Income set-asides and caps vary among programs. The examples below illustrate the differences between SHIP, HOME, and Low Income Housing Tax Credits.
- Unit sizes, defined by number of bedrooms, have different maximum rents. Including more units with two or more bedrooms can generate more rental income but may not serve the intended population.

To illustrate the affordability requirements of SHIP and other sources, three sample developments are provided below. The examples show how the Sources and Uses for the project development can impact the operating expenses if, for example, there are mortgages that must be serviced with the revenue generated by the development. The examples provide a simplified operating budget to illustrate the types of costs that must be considered when determining if the allowable rents will cover anticipated expenses.

The three examples include:

EXAMPLE #1:

Oak Tree Villas

A 10 unit project funded exclusively by SHIP and Philanthropic funds with a special needs setaside requirement.

EXAMPLE #2:

Laguna Vista

A 12 unit project funded by SHIP and HOME funds along with a first mortgage loan from a lender and additional grants.

EXAMPLE #3:

Forest Glen

An 80 unit project, funded by Low Income Housing Tax Credits (LIHTC), SHIP, and a first mortgage loan from a lender. The sources and uses are balanced by a deferred developer fee.

EXAMPLE #1:

Oak Tree Villas

[SHIP and private donations]

Oak Tree Villas is a ten-unit project financed entirely by SHIP and philanthropy. The project is located in Alachua County. Alachua County has required that all units serve households with incomes of 50% AMI or less and that 20% of the units serve households with Special Needs with incomes at or below 30% AMI. This may be considered permanent supportive housing if voluntary services are provided by third parties to the residents.

The Total Development Cost is $1,000,000

The Sources and Uses are illustrated in the table below. Note that there are no mortgage loans that would require the servicing of debt during the operation of the property.

OAK TREE VILLAS (SHIP) PROJECT DEVELOPMENT BUDGET	
SOURCE	**AMOUNT**
SHIP	$750,000
Private Grants	$250,000
TOTAL	**$1,000,000**
USES	**AMOUNT**
Site Acquisition	$250,000
Site Preparation	$100,000
Soft Costs	$100,000
Construction	$550,000
TOTAL DEVELOPEMENT COST	**$1,000,000**

The sources of $1,000,000 are sufficient to cover the uses required to develop the project with a cost of $1,000,000.

The next step is to determine the unit mix and maximum rents in order to calculate annual revenue from the project and comply with Alachua County set-aside requirements for special needs and maximum incomes.

The SHIP Income Rent Limits and Maximum Rents are published annually by Florida Housing Finance Corporation and can be found here. For convenience, the Florida Housing Finance Corporation Income Limits and Rent Limits for the SHIP Program for Aachua County is pictured below:

County (Metro)	%	INCOME LIMIT BY NUMBER OF PERSONS IN HOUSEHOLD									
		1	2	3	4	5	6	7	8	9	10
Alachua County (Gainesville MSA) **Median: 71,300**	30%	15,000	17,150	20,780	25,100	29,420	33,740	38,060	42,380	Refer to HUD	
	50%	25,000	28,550	32,100	35,650	38,550	41,400	44,250	47,100	49,910	52,762
	80%	39,950	45,650	51,350	57,050	61,650	66,200	70,750	75,350	79,856	84,419
	120%	60,000	68,520	77,040	85,560	92,520	99,360	106,200	113,040	119,784	126,629
	140%	70,000	79,940	89,880	99,820	107,940	115,920	123,900	131,880	139,748	147,734

County (Metro)	%	RENT LIMIT BY NUMBER OF BEDROOMS IN UNIT					
		0	1	2	3	4	5
Alachua County (Gainesville MSA) **Median:** 71,300	30%	375	401	519	681	843	1,005
	50%	625	669	802	927	1,035	1,141
	80%	998	1,070	1,283	1,483	1,655	1,826
	120%	1,500	1,606	1,926	2,226	2,484	2,740
	140%	1,750	1,874	2,247	2,597	2,898	3,197

The Unit Mix and Maximum Rents table below is a useful tool to view the unit sizes with income targets along with the maximum rents that can be charged. The Annual Rents column shows the maximum rents that can be estimated based on the number of units and unit size, income targets and maximum rents.

OAK TREE VILLAS (SHIP) UNIT MIX AND MAXIMUM RENTS						
Beds/Baths	**No. Units**	**Median Income**	**Max Rents**	**Utility Allowance***	**Max Net Rents**	**Annual Rents**
1/1 special needs	2	30%	$401	0	$401	$9,624
1/1	3	50%	$669	0	$669	$24,084
2/1	5	50%	$802	0	$802	$48,120
	10	**ANNUAL REVENUE = $81,828**				

*Note that utility allowances are not required for projects funded solely by SHIP. Utility allowances are required for projects financed by HOME and the utility allowance must be calculated in compliance with 92.252(d). For Low Income Housing Tax Credits, the calculation may be obtained from the local public housing authority and represents the amount the tenant would pay for monthly utilities such as electric, water and gas. Under these programs, rent is defined as the maximum rent allowable based on the maximum household income allowed, less monthly utility costs.

Below there are several examples of household type, unit size, maximum income and the maximum rent that can be charged based on Alachua County requirements.

OAK TREE VILLAS AFFORDABILITY CALCULATION: SHIP AND FUNDRAISING *UTILITY ALLOWANCE NOT REQUIRED				
Applicant	**Household Size**	**Unit Size #BR**	**Max Income**	**Max Rent**
#1	1 special needs	1	$8,820	$401
#2	1 special needs	1	$8,820	$401
#3	2	1	$28,550	$669
#4	3	2	$32,100	$802
#5	4	2	$35,650	$802

Note that under the SHIP program, maximum rents allowed are not 30% of the individual applicants' income but based on 30% of the relevant percentage of the Area Median Income. In the case of Oak Tree Villas, the project may not rent to any applicants whose household income exceeds 50% of the Area Median Income. The project, per the County, must rent to at least two households with incomes at or below 30% AMI. The FHFC Income Limits and Rent Limits chart provided, annually shows the maximum rent that can be charged based on the maximum income and household size of the applicant and the rent limit based on the number of bedrooms.

The allowable rents under the SHIP program for Oak Tree Villas can generate a maximum annual revenue of $81,828. Additional income can be generated from laundry and similar sources but for this example, only rental income is shown as revenue. Also, in this example the project has no debt service. All sources are either deferred with no interest or grants with no repayment requirements.

The Annual Operating Pro Forma below shows how the project revenue must be sufficient to cover operating expenses. Note that the Annual Revenue estimate is $81,828. The Annual Operating Expenses budget is $81,191. The ratio of revenue to expense is about 1. This indicates that there is very little cash flow generated by the rents received.

If operating expenses can be lowered or if rental assistance or other funds can be leveraged, the rent may be reduced for the special needs resident whose allowable rent of $402 is closer to 30% of annual income. This example shows that in most cases, permanent supportive housing must rely on rental assistance, fundraising, or other support to be financially feasible for the long term.

OAK TREE VILLAS (SHIP) ANNUAL OPERATING PRO FORMA	
REVENUE	
Gross Rent	$81,828
Vacancy and Collection Loss	(1,637)
Net Operating Income	$80,191
EXPENSES	
Management Fee	$3,273
Payroll	$28,000
Administrative	$7,500
Grounds Maintenance	$10,000
Common Utilities	$5,000
Building Maintenance Payroll	$12,500
Maintenance Supplies	$4,000
Security	$4,000
Trash Pickup	$2,500
Replacement Reserves	$3,418
TOTAL EXPENSES	**$80,641**
DEBT SERVICE	**$0**

EXAMPLE #2:

Laguna Vista

[SHIP & HOME]

Laguna Vista is a 12-unit rental property financed entirely by SHIP, HOME, a first mortgage loan, and unrestricted funds from either equity (provided by owner) or philanthropy. Laguna Vista is located in Cape Coral. HOME requirements will prevail for maximum incomes and rents. These are explained in more detail below.

The Total Development Cost is $1,500,000

The City of Cape Coral sought to increase the supply of small rental projects (12 units or less) serving all tenants at 50% AMI. Under HOME regulations, 20% of units must be Low HOME rents and 80% may be High HOME rents. Six units are 2 bedroom/1 bath and six units are 3 bedroom/2 bath. Projects may be funded with a blend of HOME, SHIP, or other sources of financing.

The HUD HOME rent limits can be found here. Maximum HOME rents are the lesser of:

1. The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111, or
2. A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

Further, in all HOME rental projects, tenant income at initial occupancy must meet the program rule that 90% of households must have income at 60% during initial occupancy. In addition, for projects with five or more HOME-assisted rental units, twenty (20) percent of the HOME assisted units must be occupied by very low-income families (50% or below AMI) and meet one of the following rent requirements:

- The rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. However, if the rent determined under this paragraph is higher than the applicable rent under 24 CFR 92.252(a), then the maximum rent for units under this paragraph is that calculated under 24 CFR 92.252(a).
- The rent does not exceed 30 percent of the family's adjusted income. If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

The Sources and Uses are indicated in the table below. Note that along with HOME and SHIP, there is a first mortgage loan that will require debt servicing during the operation of the property.

LAGUNA VISTA (SHIP AND HOME) PROJECT DEVELOPMENT BUDGET	
SOURCE	**AMOUNT**
SHIP	$500,000
HOME	$600,000
First Mortgage Loan – 4% interest	$250,000
Private Grant or Equity	$150,000
TOTAL	**$1,500,000**
USES	**AMOUNT**
Site Acquisition	$450,000
Site Preparation	$200,000
Soft Costs	$150,000
Construction	$700,000
TOTAL DEVELOPMENT COST	**$1,500,000**

The HOME Program Rents for Cape Coral can be found below:

PROGRAM Cape Coral – Fort Myers, FL MSA	**HOME PROGRAM RENTS**						
	EFFICIENCY	**1 BR**	**2 BR**	**3 BR**	**4 BR**	**5 BR**	**6 BR**
Low Home Rent Limit	557	597	717	828	923	1,019	1,114
High Home Rent Limit	701	757	911	1,043	1,144	1,243	1,343
FOR INFORMATION ONLY:							
Fair Market Rent	701	773	956	1,240	1,415	1,627	1,840
50% Rent Limit	557	597	717	828	923	1,019	1,114
65% Rent Limit	705	757	911	1,043	1,144	1,243	1,343

The Unit Mix and Maximum Rents table below is a useful tool to view the array of unit sizes with income targets. The Annual Rents column shows the maximum rents that can be estimated based on the number of units and on unit size, income targets and maximum rents. Note that Fair Market Rents are established by HUD each year for the HOME program. The lower of the fair market rent and high HOME rent for 80% must be used.

The Fair Market Rents for Lee County are:

FAIR MARKET RENTS: LEE COUNTY				
Studio/Efficiency	**1 Bedroom**	**2 Bedroom**	**3 Bedroom**	**4 Bedroom**
$701	$773	$956	$1,240	$1,415

The Income Limits for Lee County may be viewed here. In the affordability calculation example below, note that Low Home rents apply to households at 50% of AMI or less and are based on unit size and number of bedrooms.

LAGUNA VISTA AFFORDABILITY CALCULATION: INCOME AND MAXIMUM RENT HOME & SHIP *UTILITY ALLOWANCES REQUIRED						
Applicant	**Household Size**	**Unit Size #BR**	**Max Income**	**HUD Rent**	**Utility Allowance***	**Max Rent**
#1 Low HOME (50% AMI)	2	2	$25,550	$717	($100)	$617
#2 High HOME (80% AMI)	3	2	$45,900	$911	($100)	$811
#3 Low HOME (50% AMI)	4	3	$31,850	$828	($125)	$703
#4 High HOME (80% AMI)	4	3	$50,950	$1,043	($125)	$918

* Utility allowances are required for projects financed by HOME and Low Income Housing Tax Credits. For the HOME program, this is a calculation must be done in accordance with 92.252(d) of the HOME Rule. For LIHTC funded projects the utility allowance can be obtained from the local public housing authority and represents the amount the tenant would pay for monthly utility expenses such as electric, water and gas. Under these programs, rent is defined as the maximum rent allowable for each household based on the income category, less the monthly utility allowance.

Per HUD regulations, for projects with five or more units, 20% of the units must be reserved for Low HOME rents. For a 12-unit project, round up to 3. In this example, there will be 4 units serving households with Low HOME rents. The annual rent revenue can be calculated using the unit mix and maximum rents, less utility allowance as shown below:

LAGUNA VISTA (SHIP AND HOME) UNIT MIX AND MAXIMUM RENTS						
Beds/Baths	**No. Units**	**Median Income**	**Max Rents**	**Utility Allowance***	**Net Rents**	**Total Annual Rent**
2/1 Low HOME	2	50%	$717	($100)	$617	$14,808
2/1 High HOME	3	80%	$911	($100)	$811	$29,196
3/2 Low HOME	2	50%	$828	($125)	$703	$16,872
3/2 High HOME	5	80%	$1,043	($125)	918	$55,080
	12	**GROSS ESTIMATED REVENUE = $115,956**				

LAGUNA VISTA (SHIP AND HOME) ANNUAL OPERATING PRO FORMA	
REVENUE	
RENTAL INCOME	**$115,956**
Vacancy and Collection Loss (3%)	$3,479
Effective Rental Income	$112,477
EXPENSES	
Management Fee (5%)	$5,798
Payroll	$30,000
Administrative	$7,500
Grounds Maintenance	$14,000
Common Utilities	$5,000
Building Maintenance Payroll	$16,000
Maintenance Supplies	$4,000
Security	$5,000
Trash Pickup	$3,000
Replacement Reserves	$2,000
TOTAL EXPENSES	**$92,298**
NET OPERATING INCOME	**$20,180**
Debt Service (4% 360 mo. $250,000)	(14,275)
CASH FLOW	**$5,905**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.41**

The allowable rents under the HOME program for Laguna Vista can generate a maximum annual revenue of $115,956. The calculation uses a vacancy and collection loss of 3%, or $3,479. Additional income can be generated from laundry and similar sources but for this example, only rents are shown as revenue. Net Operating Expenses total $92,298. The balance, Net Operating Income (NOI), is $20,180. Annual debt service is $14,275, based on a 30 year mortgage at 4% interest. NOI less debt service is $2,776. The DSCR is 1.41. The minimum debt service coverage ratio for most lenders is 1.15 or 1.2 so this project shows that it will meet the lower standard. Any additional sources of income that could reduce debt service would help to bring the DSCR up and provide greater confidence to lenders.

EXAMPLE #3:

Forest Glen

[9% LIHTC & SHIP]

Forest Glen is an 80-unit rental property that will be financed by Low Income Housing Tax Credits, SHIP, a first mortgage loan, and deferred developer fee. Forest Glen is located in Baker County.

The Total Development Cost is $13,000,000

Request for Proposals Requirements

Small/Medium County Request for Applications (RFA) from Florida Housing Finance Corporation for 9% Low Income Housing Tax Credits. The LIHTC program was created as part of the Tax Reform Act of 1986 and found in Internal Revenue Code 42.

Income Requirements

At least 20 percent of the housing units must be set aside for households earning 50 percent or less of the area median income (AMI), or 40 percent of the units must be set aside for households earning 60 percent or less of the AMI. Forest Glen will have 80 units with 72 set-aside for tenants at or below 60% AMI and 8 at or below 33% AMI. This will satisfy the income requirement by having 100% of units serving tenants below 60% AMI. The RFA requirement to set aside 10% of the units for Very Low Income, defined as 33% of AMI, is satisfied with the 8-unit set-aside.

The Project Development Budget below shows a total project cost of $12,821,660.

FOREST GLEN (LIHTC AND SHIP) PROJECT DEVELOPMENT BUDGET	
SOURCE	**AMOUNT**
LIHTC Equity	$10,311,779
First Mortgage Loan	2,000,000
SHIP	75,000
Deferred Developer Fee	434,881
TOTAL	**$12,821,660**

USES	AMOUNT
Site Acquisition	$750,000
Site Preparation	500,000
Soft Costs	650,000
Construction	10,921,660
TOTAL DEVELOPMENT COSTS	**$12,821,660**

The income and rent requirements of the Low-Income Housing Tax Credit Program supersedes the SHIP program requirements. Therefore, the Income Limits and Rent Limits for Florida Housing Finance Corporation Multifamily Rental Programs table should be used, and it can be found here.

For convenience, the Income and Rent Limits for Multifamily Rental programs for Baker County is pictured below:

County (Metro)	%	INCOME LIMIT BY NUMBER OF PERSONS IN HOUSEHOLD									
		1	2	3	4	5	6	7	8	9	10
Baker County (Baker County HMFA; Jacksonville MSA) **Median: 62,200**	25%	10,900	12,450	14,000	15,550	16,800	18,050	20,550	21,770	23,014	23,014
	28%	12,208	13,944	15,680	17,416	18,816	20,216	21,616	23,016	24,382	25,776
	30%	13,080	14,940	16,800	18,660	20,160	21,660	23,160	24,660	26,124	27,617
	33%	14,388	16,434	18,480	20,526	22,176	23,826	25,476	27,126	28,736	30,378
	35%	15,260	17,430	19,600	21,770	23,520	25,270	27,020	28,770	30,478	32,220
	40%	17,440	19,920	22,400	24,880	26,880	28,880	30,880	32,880	34,832	36,822
	45%	19,620	22,410	25,200	27,990	30,240	32,490	34,740	36,990	39,186	41,425
	50%	21,800	24,900	28,000	31,100	33,600	36,100	38,600	41,100	43,540	46,028
	60%	26,160	29,880	33,600	37,320	40,320	43,320	46,340	49,340	52,248	55,234
	80%	34,880	39,840	44,800	49,760	53,760	57,760	61,760	65,760	69,664	73,645
	120%	52,320	59,760	67,200	74,640	80,640	86,640	92,640	98,640	104,496	110,467
	140%	61,040	69,720	78,400	87,080	94,080	101,080	108,080	115,080	121,912	128,878

County (Metro)	%	RENT LIMIT BY NUMBER OF BEDROOMS IN UNIT					
		0	1	2	3	4	5
Baker County (Baker County HMFA; Jacksonville MSA) **Median: 62,200**	25%	272	291	350	404	451	498
	28%	305	326	392	452	505	557
	30%	327	350	420	485	541	597
	33%	359	385	462	533	595	657
	35%	381	408	490	566	631	697
	40%	436	467	560	647	722	797
	45%	490	525	630	727	812	896
	50%	545	583	700	808	902	996
	60%	654	700	840	970	1,083	1,195
	80%	872	934	1,120	1,294	1,444	1,594
	120%	1,308	1,401	1,680	1,941	2,166	2,391
	140%	1,526	1,634	1,960	2,264	2,527	2,789

The examples below illustrate the income set asides by household size and number of bedrooms. The maximum allowable rent is shown as adjusted by the deduction of the utility allowance form the maximum rent.

FOREST GLEN AFFORDABILITY CALCULATION: INCOME LIMIT AND MAXIMUM RENT LOW INCOME HOUSING TAX CREDITS *UTILITY ALLOWANCES REQUIRED						
Applicant	**Household Size**	**Unit Size #BR**	**Max Income**	**Max Rent**	**Utility Allowance***	**Net Rent**
#1 33% AMI	1	1	$14,388	$385	($80)	$305
#2 33% AMI	2	2	$16,434	$462	($100)	$362
#3 40% AMI	3	2	$22,400	$560	($100)	$460
#4 40% AMI	4	2	$24,880	$560	($100)	$460
#5 60% AMI	3	2	$33,600	$840	($100)	$740
#6 50% AMI	4	3	$31,100	$808	($120)	$688
#7 60% AMI	5	3	$40,320	$970	($120)	$850

*Utility allowances are required for projects funded by LIHTC. This is a calculation that can be obtained from the local public housing authority and represents the amount the tenant would pay for monthly utilities such as electric, water and gas. Under these programs rent is defined as the maximum rent allowable based on the household income chart, less monthly utility costs.

The annual rental revenue can be calculated using the unit mix and maximum rents, less utility allowance as shown below:

FOREST GLEN (LIHTC AND SHIP) UNIT MIX AND MAXIMUM RENTS						
Beds/Baths	**No. Units**	**Median Income**	**Max Rents**	**Utility Allowance***	**Net Rents**	**Total Annual Rent**
1/1	4	33%	$385	($80)	$305	$14,640
2/1	4	33%	$462	($100)	$362	$17,376
2/1	10	40%	$560	($100)	$460	$55,200
2/1	10	50%	$700	($100)	$600	$72,000
2/1	20	60%	$840	($100)	$740	$177,600
3/2	16	50%	$808	($120)	$688	$132,096
3/2	16	60%	$970	($120)	$850	$163,200
	80	**GROSS ESTIMATED REVENUE = $632,112**				

FOREST GLEN (LIHTC AND SHIP) ANNUAL OPERATING PRO FORMA	
REVENUE	**$632,112**
Vacancy and Collection Loss (5%)	(31,606)
Effective Rental Income	$600,506
EXPENSES	
Management Fee (7%)	$44,248
Payroll	86,000
Administrative	26,000
Grounds Maintenance	36,000
Common Utilities	12,000
Building Maintenance Payroll	36,000
Maintenance Supplies	8,000
Security	7,500
Trash Pickup	6,000
Replacement Reserves ($300 per unit per year)	24,000
Taxes	36,000
Insurance	25,000
Accounting	30,000
TOTAL EXPENSES	**$376,748**
NET OPERATING INCOME	**$223,758**
Debt Service (5% 360 mo. $2M)	(128,303)
CASH FLOW	**$95,455**
DEBT SERVICE COVERAGE RATIO	**1.74**

The allowable rents under the LIHTC program for Forest Glen can generate a maximum annual revenue of $632,112, based on assumptions made on the income levels in the unit mix. This calculation uses a vacancy and collection loss of 5%. Additional income can be generated from laundry and similar sources but for this example only rents are shown as revenue. The Net Operating Expenses total $376,748. The balance, Net Operating Income (NOI), is $223,758. Annual debt service is $128,303 based on a 30 year mortgage of $2 million at 5% interest. The Debt Service Coverage Ratio is 1.74. This indicates that the deferred developer fee of $434,881, can be paid off. This shows a positive cash flow with a cushion for unexpected expenses.

PART 3 Monitoring SHIP-funded Rental Housing & the SHIP Survey

Monitoring is required for all rental developments funded by SHIP with the exception stated in section 420.9075(4)(e) of the SHIP Statue, which indicates that no monitoring is needed when rental developments receive small amounts of SHIP assistance:

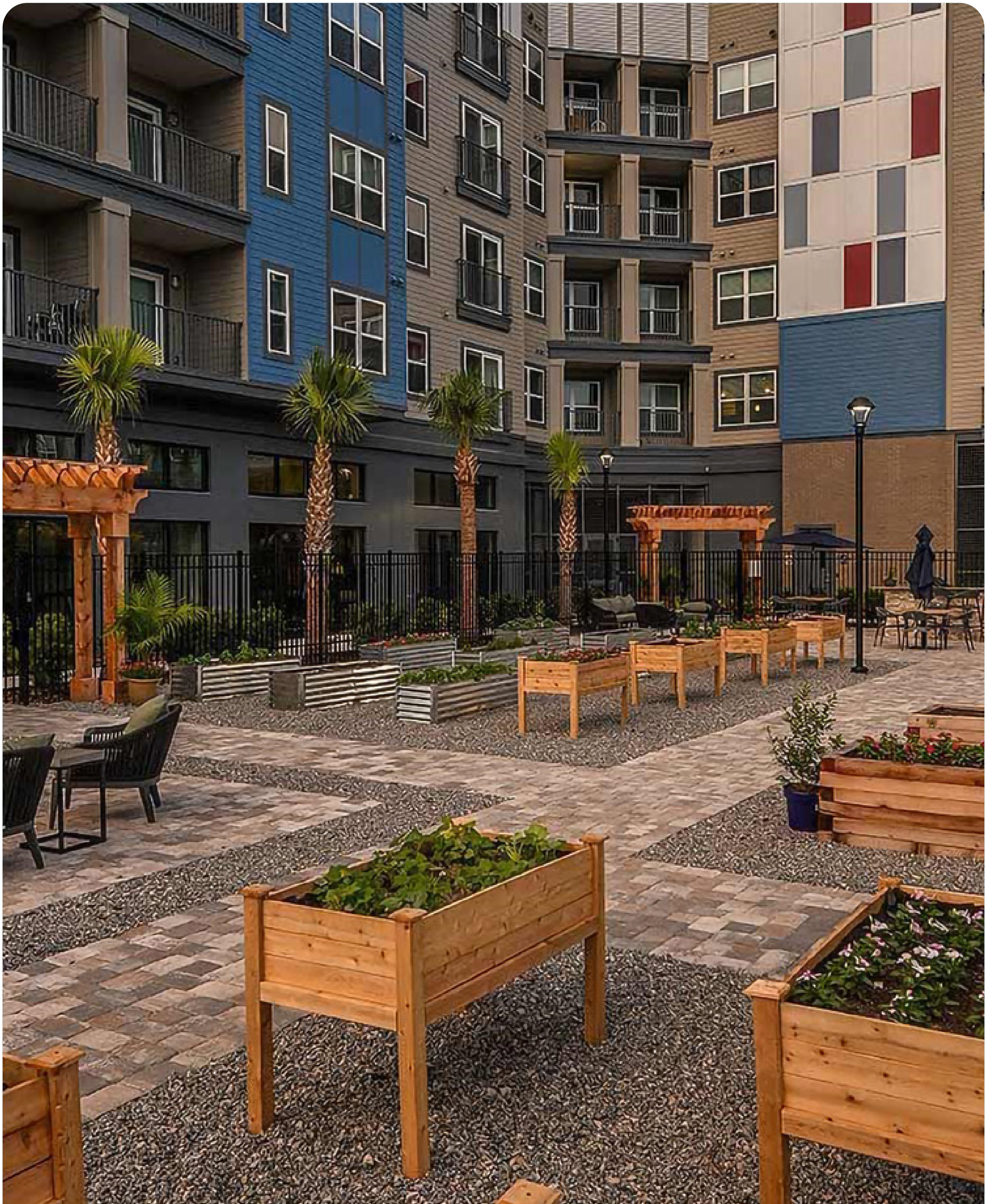
> **"Any loan or grant in the original amount of $10,000 or less shall not be subject to these annual monitoring and determination of tenant eligibility requirements."**

This $10,000 counts the total SHIP funds awarded for multiple units in one development.

Monitoring is not required when providing rental assistance to an individual tenant household. The SHIP monitoring requirements for rental development are included in the SHIP Rule:

> Rental units constructed, rehabilitated or otherwise assisted from the local housing assistance trust fund must be monitored annually by the local government, or to the extent another government entity or Corporation program provides periodic monitoring. The local government may rely on that entity's monitoring for 15 years or the term of assistance, whichever is longer, for compliance with tenant income and affordability requirements, except as referenced in Section 420.9075(4)(e), F.S. 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. 67-37.007(11), F.A.C.

The passage above from the SHIP Rule includes a time saving measure that might pertain to some SHIP-assisted properties. If the rental development project also includes SAIL, Housing Credits or FHFC bonds, SHIP staff may rely on the periodic monitoring information collected by the FHFC's contracted monitors for those programs. In cases where the data collected by the FHFC's contracted monitors does not cover all the elements of compliance with the SHIP rental agreement, SHIP staff must collect the additional data.



Burlington Post is an 86-unit development in St. Petersburg with $17,754,470 of financing from sources including SHIP.

7 Reporting & Monitoring

Reporting Post Construction

Once the construction of SHIP-assisted rental properties is complete, it is the responsibility of the SHIP staff to report the amount of rent for each bedroom size per unit by rental strategy to FHFC. This data is included on the second page of the SHIP annual report. During annual monitoring visits, SHIP staff will evaluate the project's compliance by collecting information about rent amounts along with monitoring other SHIP requirements. All monitoring records should be completed and filed for future reference. Staff may be asked to provide them during a future visit from the SHIP monitor.

Rental Monitoring Plan

The local government SHIP office and the rental developer must sign an agreement to ensure that all parties are aware of their responsibilities. This SHIP agreement with the developer is detailed in the chapter "SHIP's Role with Rental Housing". In addition, SHIP staff must supply the developer and all property management staff with a SHIP rental monitoring plan. This plan addresses all details of the annual requirement to monitor SHIP-funded rental units. The rental monitoring plan should address the following components:

Who: The monitoring will be conducted by local government SHIP staff or a third-party entity contracted to complete the review. This entity is not the developer, since property management staff cannot complete a compliance review of their own work. Instead, SHIP staff may use their local procurement process to contract out monitoring responsibilities to an organization or professional with compliance review experience. Most commonly, however, monitoring is completed by local government SHIP staff.

Why: Monitoring provides quality control to ensure SHIP program compliance. The monitoring plan should reference the monitoring requirements for rental development included in the SHIP Rule, section 67-37.007(11), F.A.C.

When: The SHIP statute requires monitoring annually. The monitoring plan should include the annual date for the monitoring visit. Each year, the monitor should contact property management staff well in advance of the monitoring visit date to request that files from the previous 12 months be prepared for review.

Where: A monitoring review is often completed in the management office of a rental property. Sometimes property management staff may scan the contents of client files so that the monitoring staff are able to conduct most monitoring as a desk audit without traveling to the rental property.

Who & How Many: The SHIP agreement with the developer specifies how much SHIP funding is involved and how many rental units are being assisted. It also addresses who will be assisted. It may require some portion of SHIP units to be reserved for tenants at specific income levels. For example, the SHIP agreement and monitoring plan for one property with 100 total units identifies 20 units to be funded by SHIP. Of these 20 units, 12 must be occupied by very low-income households while the remainder are dedicated for low income households.

What: The plan must detail the monitoring activities required for SHIP funded rental properties. First, determine that the tenants living in SHIP-assisted rental units are income eligible. Next, review whether the monthly rent for each SHIP funded unit is set at an affordable level. The monitoring plan may also include monitoring activities that assess a property's physical condition and property performance.

What to Include in Monitoring Plan

Project Forms

From the onset, property management staff need to lease up SHIP rental units properly using the correct forms. Include as an appendix to the monitoring plan copies of the SHIP application, income verification forms, and the residential income certification.

Notification

Monitoring staff will contact property management staff well in advance of the monitoring visit date.

Confirmation

Property management staff must confirm their availability for the monitoring visit.

Onsite vs. Desk Review

Monitors perform the monitoring review in the property management office or by reviewing scanned files in their own office.

Exit Conference

After completing the review, the monitors meet briefly with property management staff to outline findings and observations.

Monitoring Report

The results of the review are written in a report that is provided to the property owner and property manage-ment staff.

Client Response

Property management staff must provide a written response to the monitoring report. If deficiencies are identified, this response may include an explanation of corrective actions that have been taken or a summary of a plan to comply in the future.

Monitoring Activities

Income Eligibility

This part of the publication contains a chapter on Income Rule Changes. Each time SHIP staff monitor a rental property they must confirm that the tenants living in SHIP-assisted rental units are income eligible. The SHIP agreement between the property owner and the SHIP community and the monitoring plan will indicate if all or a portion of the rental units in a multifamily property must be occupied by SHIP-eligible tenants. The agreement also requires property managers to complete annual recertifications of income eligibility. Once a year staff must review and confirm if the number and income level of SHIP tenants comply with the requirements of the agreement. To help ensure compliance, SHIP staff must keep property management staff updated on new income limits, rent limits and periodic SHIP announcements that affect compliance.

The SHIP statute addresses the possible situation when a household's income increases during the affordability period. While occupying the rental unit, a very low, low, or moderate-income household's annual income may increase to an amount not to exceed 140 percent of 50, 80 or 120 percent of the area's median income adjusted for family size. In such a case, the household will still be considered part of the same income category. This policy is included as the last sentence of each of the definitions for very-low, low, and moderate-income household in the SHIP statute.

As an example, consider a unit designated for a low-income household where the maximum allowable income is $55,000. The household income could increase to $77,000 and the family would remain income eligible as a low-income household under the SHIP program rules. The calculations in this example are:

$55,000 = 80% AMI
$77,000 = 140% of 80% AMI (55,000 x 1.4)

Rent Affordability

After confirming that a tenant is income eligible, staff must review whether the tenant's monthly rent is set at an affordable level. The FHFC annually posts a rent limits chart to its website here. Using the area median rent for a county or metropolitan statistical area, the chart lists rent information that staff may use to confirm affordable rents for SHIP households at 50, 80 or 120 percent of the area median income. Document each tenant's monthly rent and confirm that it complies with the rent limits chart.

Additional Assessment of SHIP Tenants

Requirements related to 'Special Needs' tenants may be included in the SHIP agreement with the property owner and the monitoring plan. In such cases, monitors must assess compliance by reviewing the documentation that shows that a tenant is a 'special needs household'. It is very common to document the special needs designation with a copy of a benefits check. Many other special needs households are documented with a letter from a local service agency that provides supports. The full range of special needs documentation is detailed in the appendix.

Although there is no fundamental requirement to specifically assist special needs households with every SHIP rental project, it is not uncommon to see rental initiatives focused on special needs tenants. This is primarily because of the special needs set-aside, a requirement included in the SHIP statute to spend 20 percent of each SHIP allocation on households that include one or more household members with special needs, defined in S.420.0004. The special needs designation applies to a variety of households in which one or more household member may be documented in one or more of the following categories:

- **Developmental Disabilities (DD)**
  This is defined in s.393.063 of Florida Statutes as a disorder or syndrome that is attributable to retardation, cerebral palsy, autism, spina bifida, or Prader-Willi syndrome; that manifests before the age of 18; and that constitutes a substantial handicap that can reasonably be expected to continue indefinitely. The DD category is included first and is the top priority. Housing administrators must prioritize their efforts to assist households in which a homeowner or any household member has a developmental disability.
- **Receives SSDI, SSI, Veterans or other Disability Benefits**
  Document if one or more household member receives monthly or periodic financial assistance due to a disability. Some communities find that a majority of special needs households they assist are in this category.
- **Youth Aging Out of Foster Care**
  Typically, youth will stop living with foster care families from the ages of 18 to 23. This population of young adults may benefit from housing assistance and support.
- **Survivor of Domestic Violence**
  Households with one or more survivor may have experienced homelessness or have lost a home they owned. They may benefit from SHIP funded rental housing.
- **A Person With a Disabling Condition**
  Requiring Independent Living Services
  The definition of Disabling Condition includes a wide variety of disabilities. It is defined in section 420.0004(7) of the Florida Statutes as:

  A diagnosable substance abuse disorder, serious mental illness, developmental disability, or chronic physical illness or disability, or the co-occurrence of two or more of these conditions, and a determination that the condition is:

  a. Expected to be of long-continued and indefinite duration; and
  b. Not expected to impair the ability of the person with special needs to live independently with appropriate supports.

Physical Condition

While it is not required by the SHIP statute, conducting an annual inspection of a property's physical condition is a recommended best practice. Check the exterior of all properties and the interior of sample units to assess each building's physical condition and ensure that property standards are maintained. Issues of disrepair or deferred maintenance should be addressed with the property owner and a plan of action should be developed. If the agreement with the property owner requires ongoing property and liability insurance coverage, ask to see current policies.

Utilize an inspection checklist that assesses the following elements of a rental property:

- Dwelling Units: bathroom, ceiling, doors, floors, kitchen, lighting, outlets, smoke detectors, stairs, walls, and windows. Must have hot and cold running water. Free of health/safety hazards: air quality, electrical hazards, unblocked emergency exits, handrail hazards, infestation
- Systems: water heater, electrical system, HVAC, sanitary system, elevators, emergency power, fire protection
- Building Exterior: structurally sound, secure, habitable, and in good repair

- Common Areas: restrooms, closets, halls, stairs, laundry rooms, ceilings, doors, floors
- Site: fencing, grounds, lighting, mailboxes, parking lots, play areas, equipment, refuse disposal, roads, drainage, walkways

Consider using the "Physical Condition Standards and Inspection Requirements" included in Florida Housing's rental housing compliance guidebook available here.

Property Performance

Similar to the physical inspection, it is a recommended best practice to assess the general performance of the rental property, but it is not required by the SHIP statute. Monitors may identify possible performance problems by determining if any units are vacant for more than 30 days. In such cases, determine if management has a feasible plan to quickly occupy units.

Fair Housing Considerations

SHIP housing administrators are expected to join HUD staff and fair housing advocates in identifying and reporting violations of fair housing law. The federal and state fair housing acts provide legal protection against discrimination to the following 'Protected Classes':

- Race, examples - African American; Caucasian; Hispanic/Latino/Latina; Asian, etc.
- Color, examples - Black, White (self-identification)
- National Origin
- Religion
- Sex - Gender (male or female) Also, sexual orientation is addressed for HUD funded properties.
- Disability
- Familial Status

More detail about the protected class of 'Sex': In 2016 HUD published a final rule for any HUD funded projects on equal access based on sexual orientation and identity. See here. If SHIP is involved in any housing projects that also received HUD funding, this rule applies. Note that local governments may adopt fair housing ordinances that protect additional groups beyond those protect-ed by the federal law.

Also note that the categories of individuals protected by the federal fair housing law are limited. It does not include protections based on credit history, military status, marital status, or income/economic status. It also does not offer discrimination protections related to personal animosity.

Report Prohibited Housing-Related Practices:

- Refusing to rent or sell housing
- Refusing to negotiate for housing
- Making housing unavailable
- Denying a dwelling
- Setting different terms, conditions or privileges for sale or rental
- Providing different housing services or facilities
- Falsely denying that housing is available
- For profit, persuading owners to sell or rent (blockbusting)
- Refusing to let a tenant make reasonable modifications to a dwelling or common use areas, at the tenant's expense based on a disability-related need.
- Refusing to make reasonable accommodations in rules, policies, practices or services if necessary, for a disabled person to use the housing. Example: A building with a no pets policy must allow a visually impaired tenant to keep a service animal.
- Denying anyone access to, or membership in, a facility or service (such as a multiple listing service) related to sale or rental.

Restriction of housing availability advertisements to a specific population, in any medium including social media, that results in exclusion of protected classes from viewing the advertisement.

While SHIP staff may help identify violations, they are not law enforcers. One easy way to report possible housing discrimination is by calling HUD's Housing Discrimination Hotline: 1-800-440-8091 extension 2493 (Spanish version at extension 2047).

Using Criminal Records for Housing Decisions

Special attention should be placed on how property management staff use information about criminal records in the tenant selection process. In 2016, HUD issued guidance on the Fair Housing Act standards on the use of criminal records by housing providers, available here. This guidance did not make those with a criminal record a new "protected class". Also, it does not prohibit housing providers, landlords, etc., from considering criminal records when making housing decisions.

However, the Fair Housing Act does prohibit housing providers from using universal criminal record policies, with minor exceptions based on time (a recent conviction can serve as reasonable cause for denying housing) or type of crime (illegal manufacture or distribution of a controlled substance, for instance). The HUD guidance requires housing providers conduct a criminal record review on a case-by-case basis to avoid liability under the Fair Housing Act. This applies to virtually all housing including private market rentals.

Common Rental Monitoring Findings

Noncompliance with Income Limits

SHIP staff must provide all property managers and relevant staff with updated income charts. Mistakes can occur if the most current income limits chart are not used. Income charts are often updated in March or April each year.

Monitors may discover that a household is not reported in the proper income category. For example, the maximum income of a low-income household of 4 is $38,500. If estimated annual income is even one dollar more than the figure in the income limits chart, this means the household belongs to the next highest income category. In this example, a 4-person household income with $38,501 of annual income is moderate-income.

Noncompliance with Rent Limits

Mistakes can occur if staff are not using the most current rent limits chart. All SHIP rental developments must comply with the rent limits chart. A monitor may find that a property owner has been charging a rent that exceeds the maximum rent on the chart by $50. The finding must be addressed by the property owner reducing the rate, correcting it in the lease, and agreeing to give the SHIP office 60 days of notice before any future rent increases.

Noncompliance with Special Needs Set Asides

Several SHIP communities that spend funds on rental housing are expecting that some of this will comply with the special needs set-aside requirement. In fact, some rental agreements specifically require assisting households with special needs. A common rental monitoring finding related to this is improper documentation of special needs. It is very common to document the special needs designation with a copy of a benefits check, while additional special needs households are documented with a letter from a local service agency that provides supports.

LHAP, Agreement, Lura, and Mortgage Terms Conflict

Sometimes conflicting requirements, funding levels or repayment agreements are present. Check the LHAP strategy that is funding a rental property to confirm that it fully agrees with the rental agreement with the developer. SHIP assistance will be recorded as a mortgage, and some communities also record a land use restriction agreement (LURA). Avoid a finding by ensuring that these documents contain uniform policies and requirements.

Income Certification Completed Incorrectly

On occasion, a monitor will identify a file that contains no income certification form, although this is required for every file. Other findings include a certification form containing math errors or missing required signatures. This type of finding and similar income-related observations can be avoided by encouraging property managers to regularly attend income qualification trainings.

Asset Calculation, Income Calculation & Documentation

One of the most common SHIP findings involves eligibility calculation errors, so review this publication's chapter on Income Rule Changes. Sometimes income is counted when it should be excluded. Other times an applicant's annual employment pay may be over-estimated if there is an error regarding the frequency of pay. Documentation findings may involve verification forms missing signatures or key information.

Forms that are not Signed, Contain White Out, or Have No Date Stamp

This finding is generally related to file documentation. Make it a daily practice to date stamp documents collected in a SHIP file. Avoid white out and ensure forms are signed by all required.

Compliance for Small Rental Properties

SHIP sometimes pays for the new construction or repair of small group homes or other rental initiatives comprised of fewer than 10 units. SHIP Technical Bulletin 2017-02 addresses this topic. Titled "Income Compliance on Small Rental Properties,", this bulletin confirms that such rental development is subject to rental monitoring. It must be monitored for at least 15 years unless monitoring is conducted by other funding sources and data from the report may be used in place of SHIP staff conducting a monitoring visit. Monitoring is required even if the property is owned by a sponsor or subrecipient partner. The technical bulletin emphasizes that in such a case a SHIP rental agreement must be executed that details all the responsibilities of the sponsor or subrecipient. Local government SHIP staff cannot delegate the responsibility of performing a monitoring visit on the sponsors or subrecipients themselves.

Problem Resolution and Corrective Actions

Monitors should communicate with property managers about areas of noncompliance or concern. During an exit interview, work to get agreement from staff being monitored about the nature of the problem. Identify "next steps" to correct deficiencies—these are the beginnings of a Corrective Action Plan. The plan will include estimated dates of when milestone tasks will be completed and a possible date when the monitor can again review areas of deficiencies once corrective action steps have been completed. As rental property staff are correcting deficiencies, monitors should consider resources available for addressing the technical assistance needs of those being monitored. Among technical assistance providers is the Florida Housing Coalition, which provides a broad range of trainings and may be able to provide customized training for staff.

Tanager Square Apartments opened in 2024 in Pasco County, with 88 units which includes15 SHIP units financed through SHIP funding. All units are fully leased. Tanager Square amenities nclude a cyber lounge, swimming pool, clubhouse, dog park, community room, and fitness center.

8 Income Rule Changes

Income Qualification is Required for SHIP Recipients

This chapter offers guidance on eligibility determination and the documentation of income, assets and other household details. The guidance pertains to the Section 8 income definition that is commonly used by SHIP administrators. "Annual gross income" means annual income as defined under the Section 8 housing assistance payments programs in 24 C.F.R. part 5. Administrators using an alternative income definition for SHIP may need to contact the Florida Housing Coalition for specific guidance.

The first section provides an update on HOTMA changes to income and asset rules, offering a quick reference for experienced housing administrators on how these changes impact rental housing recertification. The second section offers more in-depth instructions on income and asset calculations provided by the HUD Handbook 4350.3, Chapter 5.

Section 1: Comply with HOTMA Rule Changes by 2025

The Housing Opportunity Through Modernization Act of 2016 (HOTMA) has changed some of the income and asset rules involved with income qualification for rental housing involving SHIP funds. Owners of multifamily housing must comply no later than January 1, 2025.

In addition to SHIP, the Florida Housing Finance Corporation has identified the following programs that will be impacted by HOTMA:

- Community Development Block Grant-Disaster Recovery (CDBG-DR)
- HOME Investments Partnerships (HOME)
- HOME – American Rescue Plan (HOME-ARP)
- Housing Trust Fund (HTF)
- Low-Income Housing Tax Credit (LIHTC)
- Multifamily Mortgage Revenue Bonds (MMRB)
- State Apartment Incentive Loan Program (SAIL)

The following is a summary of the details included in the HOTMA implementation guide found here:

Income Change

HOTMA has altered the employment income verification rules, permitting individuals to submit a minimum of two current and consecutive pay stubs. This change allows administrators to calculate the average pay per pay period and annualize the income. Verification of Employment (VOE) forms retain some advantages, however, so housing administrators may choose to keep using them. These forms inquire about commissions, end-of-year bonuses, and other supplementary income sources. Additionally, they serve as valuable resources for tracking pay raises, overtime compensation, and occasionally, information regarding the termination of employment.

SHIP staff may choose to utilize either method (pay stubs or employer-completed VOEs) for income verification. However, it is advisable to select one method for consistency. In cases where a local government opts to use both sources, staff must annualize income using both methods and select the highest income for accuracy.

Asset Exclusions

HOTMA has introduced changes to asset counting rules, delineating which assets are included and excluded. Under these revisions, retirement accounts and educational savings accounts are no longer considered part of family assets. Specifically, Individual Retirement Accounts (IRA), Pension Accounts, Roth IRAs, and Annuities are to be excluded. Tax-deferred accounts such as 529, Coverdell, and Florida Prepaid educational savings accounts are also excluded. It is important to note, however, that for applicants at retirement age, periodic income received from a retirement account must still be counted.

Self Certification of Assets

HOTMA allows applicants to self-certify their assets instead of housing administrators collecting third party verifications. A self-certification of assets form must list all assets that the household has, the net value of each, and any income produced by each. Florida Housing's monitors suggest creating a form for the collection of self-certifications rather than accepting hand-written statements. The form must be signed by the applicant and should include language reminding the certifier of the consequences of knowingly providing false informaton. HUD does not require the form to be notarized. Additionally, housing administrators retain the option to collect documentation for asset verification. HOTMA changes allow for the verification of checking and savings accounts by collecting at least one statement reflecting the current balance.

Self-certification is permissible only when net family assets are at or below $50,000. If assets exceed $50,000, third-party verification is mandatory. The $50,000 threshold will be annually adjusted by HUD for inflation.

$50,000 Imputed Income

The Tenant Income Certification (TIC) located at the end of this chapter has been updated with instructions to not calculate imputed income unless total household assets total more than $50,000. Before the rule changed, the threshold was $5,000 of total assets. With the higher limit, housing administrators will complete this imputed income calculation less often. The new approach to impute income calculation involves:

1. Actual Income: First, add up income from any asset for which actual income can be calculated.
2. Imputed Income: Next, calculate the imputed income for assets where actual income cannot be calculated.
3. Combine Calculations: Finally, combine both amounts to account for the total income on assets valued over $50,000.

HUD announced that .4 % is the passbook rate to use for all imputed income calculations on or after January 1, 2024. HUD will publish a new Passbook Rate no later than September 1 each year that will take effect the following January 1. The imputed rate is now one of 8 inflationary adjustment items that will take effect each January 1.

Rental Recertification has Changed

Tenants will no longer be required to sign an authorization to release information form annually. The tenant must only sign the authorization once with the initial application. However, the bigger change is on page 22 of the final rule for HOTMA, which notes that "under HOTMA, PHAs and owners are to use the family's income from the previous year in making an income determination for the upcoming year, with adjustments as the PHA or owner determines necessary to reflect current income." The implementation of HOTMA brings about time-saving benefits compared to the previous approach of collecting verifications annually. Under HOTMA changes, housing staff now request written confirmation from residents regarding any changes in their annual income since the previous examination. Residents are required to sign this document under penalty of perjury. If there have been no changes in income sources or income amount over the past year, two recent consecutive paystubs or verification of employment will suffice for income calculation. However, if there have been changes in income sources or the amount of income, housing administrators must conduct a full third-party verification process to calculate household income.

Question: Is there a range for the "no change in income" for recertifications? For example, last year they were making $2,000 a month and this year they are making $2,200?

Answer: HOTMA does not include a range. When re-certifying the income of rental assistance tenants, complete a full third-party verification of income if income sources or amount of income have changed. It is only in a case where there has been no change in income sources and no change in income that one may use two consecutive recent paystubs to calculate income.

Reminder: While HOTMA has not changed the policy, remember that a new member who joins a household during the course of a certification year must initially be documented with the execution of an updated income certification form at the time they join the household. When the time for recertification arrives, all individuals who are then members of the household are combined on the same income certification form and that aggregate income used for recertification.

Section 2: In-Depth Income and Asset Instructions

This second section of the chapter offers more in-depth instructions on income and asset calculations provided by the HUD Handbook 4350.3, Chapter 5.

Income Qualification Rules

1. Include Income from the following sources:
    a. Annual income (both earned and unearned) of the head of the household, spouse or co-head and other adult members of the household, 18 years or older.
    b. Annual income of individuals under the age of 18, who have entered a lease under state law and are acting as the head, co-head or spouse for the household. Such persons are sometimes referred to as emancipated minors (e.g. a person under the age of 18 who is married).
    c. The first $480 in earnings of a full-time student over the age of 18 who is not the head, co-head, or spouse. Note: All the full-time student's asset income is counted. This $480 amount is subject to annual inflation adjustments.
    d. Other income (any income that is not employment income, such as Social Security, SSI, AFDC benefits) of children under the age of 18 who are members of the household (dependents) as well as all adults.
    e. Also include any income of:
        i. Children who are temporarily absent due to placement in a foster home.
        ii. Children who are Students who are away at school but who live with the family during school recesses.
        iii. Emancipated minor(s), residing with the household as a member (and as a dependent), rather than the head, spouse, or co-head.
        iv. Income of temporarily absent family members who are still considered household members.
        v. Income of persons confined to a hospital or nursing home and considered a household member.
2. Do Not Include the Following:
    a. Any income of a live-in aide or attendant.
    b. Any earned income from employment of minors, age 17 or under. However, remember that unearned income attributable to the minor, such as child support, AFDC payments, and other benefits, are counted.
    c. Any income attributable to the care of a foster child or adult. Foster adults/children are not considered family members and must not be included in calculations of income for eligibility and rent determination purposes. However, foster adults/children are considered household members and must be include when determining unit size or subsidy standards based on established policies. HOTMA provides new definitions of Foster Adult and Foster Child in 24 CFR § 5.603. A foster adult is defined as a member of the household who is 18 years or older and meets the definition

of a foster adult under state law. State-level agencies define who is considered a foster adult/child, so the classification may vary from state to state. In general, a foster adult is unable to live independently due to a debilitating physical or mental condition and is placed with the family by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. A foster child is defined as a member of the household who meets the definition of a foster child under state law. In general, a foster child is placed with the family by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

3. Annual Income Defined
   a. Annual income is a combination of the gross amounts, before any deductions, of earned, unearned and asset income of all household members. Annual income is income anticipated to be received in the 12-month period following initial determination of eligibility (or reexamination of income, for annual re-certification on rental properties). Source: 24 CFR Part 5, Subpart F, Section 5.609.
   b. The SHIP Statute defines "annual gross income" in a fashion that provides local governments with the flexibility of determining annual income using one of three definitions. While each of these definitions shares similarities, there are slight variations in the following three methodologies:
      i. Most common: "Annual income" as defined in Title 24 of the Code of Federal Regulations section 5.609 (commonly referred to as 24 CFR Part 5); or
      ii. Annual income as reported under the Census long-form for the most recent available decennial Census; or
      iii. Adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes.
4. Annual income includes income from members currently in or intending to reside in the household. This document defines income issues according to the most commonly used definition for annual income, defined under HUD 24 CFR Section 5.609:
   a. Annual income includes all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age.
   b. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and
   c. Are derived (during the next 12-month period) from assets to which any member of the family has access; and
   d. Are not specifically excluded (as stated on the income inclusion and exclusion section).
   e. Annual income includes "all amounts received," not the amount that a family may be legally entitled to receive but which they do not receive. For example, a family's child- support or alimony income must be based on payments received, not the amounts to which the family is entitled by court or agency orders. A copy of a court order or other written payment agreement alone may not be sufficient verification of amounts received by a family.
5. To annualize full-time employment, multiply the type of wage by the following periodic amounts:
   a. Hourly wages by 2,080 hours;
   b. Weekly wages by 52;
   c. Bi-weekly (every two weeks) amounts by 26;
   d. Semi-monthly (every half month) amounts by 24; or
   e. Monthly amounts by 12.
6. To annualize income from anything other than full-time employment, multiply:

a. Hourly wages times the number of hours the household expects to work annually; or,

b. Average weekly wages times the number of weeks the household expects to work; or,

c. Other periodic amounts (monthly, bi-weekly, etc.) by the number of periods a household member expects to work.

7. Annual wages should always reflect the entire 12-month period, regardless of the pay schedule. For example: a teacher is paid $25,000 per year. Use the $25,000 figure whether the payment is made in 12 monthly installments, nine installments or some other payment schedule.

8. Always use current circumstances to project income, unless verification forms indicate that an imminent change will occur over the course of the 12-month period.

Consideration of Assets

1. Assets Defined: Assets are items of value, other than necessary personal items, and are considered along with verified income in determining the eligibility of a household. Even if the applicant elects not to access the asset's principal or interest, the potential annual income that can be earned from assets is taken into consideration when calculating annual income. All asset income is considered, including asset income of minors. The income that could potentially be earned–or actually is earned–from assets is annualized based on what is anticipated to be received during the 12 months following eligibility determination.

2. No Asset Limit: The SHIP program does not set a limit on the value of assets that a household can possess. An applicant possessing many assets may still be eligible for SHIP assistance. Such a person could still be assisted, as long as the income from his or her assets – along with other income sources – does not exceed SHIP's income limits. Some local SHIP jurisdictions choose to establish asset limits, a maximum value of assets that an applicant can possess and still be considered eligible for SHIP assistance. This is a local policy decision that must be written in the Local Housing Assistance Plan.

3. Calculating income from assets: First calculate the cash value of the asset. This is what the applicant would receive if the asset were converted to cash. The cash value of an asset is its market value minus reasonable costs to be incurred in converting it to cash. Expenses, which may be deducted, include:

   a. Penalties for withdrawing funds before maturity

   b. Broker/legal fees assessed to sell or convert the asset to cash

   c. Settlement costs for real estate transactions

   d. Loans on the asset. This includes any outstanding mortgage on a rental home.

   e. The next step to determining income from assets is to identify assets that generate an actual, tangible income. Savings accounts and certificates of deposit generate interest, for example. Rental properties generate rent. For any such asset, document the estimated actual income that it will generate during the next 12 months. Deduct any expenses anticipated to be incurred by the owner during the next 12 months such as property taxes and property insurance payments.

   f. Because some assets do not produce an actual income, but appreciate in value, the SHIP program requires that administrators track the increase in asset value by calculating the "imputed income" for assets. This calculation is a "passbook rate" formula created by the Department of Housing and Urban Development. Administrators must calculate imputed income by multiplying the cash value of an asset by .40 percent for Fiscal year 2024. The passbook rate is now subject to annual inflation adjustments.

   g. HOTMA's rule changes establish this policy for determining income from assets. If total household assets are equal to or greater than $50,000, add the income from any assets for which actual income can be calculated, then calculate the imputed income for the assets where actual income cannot be calculated. Calculate imputed income by multiplying the amount of assets where actual income cannot be calculated by the HUD specified rate (.40% in 2024). Combine actual and imputed amounts. This is the estimated income from assets, which must be counted alongside other sources of household income on the income certification form.

4. Assets and Calculation methods: This is a list from HUD Handbook 4350.3 Chapter 5, Exhibit 5:
    a. Cash in checking, savings, etc. For savings and checking accounts, calculate annual income to be earned using the current balance. If the assets are held in foreign countries, they are still counted as an asset. The applicant's lender must complete a verification of assets form that provides the cash value of the account and its rate of return, if there is one. The SHIP administrator multiplies the cash value of each account by its rate of return to calculate its actual income during the next 12 months.
    b. Revocable trusts. Include the cash value of any revocable trust available to the household. In cases where a trust fund has been established and the trust is not under the control of any member of the family, the value of the trust fund will not be considered an asset as long as the fund continues to be held in trust. Any income distributed from the trust fund should be counted when determining annual income. Furthermore, the administrator should contact the company that manages the trust to receive written documentation of the cash value of the trust and its rate of return. Multiply the cash value of each account by its rate of return to calculate its actual income.
    c. Equity (such as property). Take the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as penalties, broker fees, etc.) that would be incurred in selling the asset. In the case of equity, there is no actual rate of return on the property. For homeowner rehabilitation assistance, equity in the family's primary residence is not considered. Further, if the person's main business is real estate, then any income earned should be considered as business income, not asset income.
    d. Stocks, bonds, treasury bills, CD, Money Market and other investment accounts. The administrator should contact the company that manages the investment account to receive written documentation of the cash value of the account. In some cases, the company may also be able to state a rate of return. If a rate of return is available, multiply the cash value of each account by its rate to calculate its actual income. Sometimes a rate of return cannot be predicted for an investment account. In such instances, it is not possible to calculate the actual income from an asset. If the cash value of the investment account plus the value of the applicant's other assets is more than $50,000, multiply the total value of assets by the passbook rate of .40 percent to determine the imputed income from the assets.
    e. Cash value of life insurance: Do not include a value for term insurance, which has no cash value to the individual before death. The value and income from whole life insurance policies is determined with the process outlined above for individual retirement accounts.
    f. Personal property held as investment. This includes gems, jewelry, coin collections, boats, or antique cars held as an investment. Count the value of the asset as determined by an appraisal. Neither an applicant's personal jewelry (such as a wedding band), nor necessary property (such as furniture or a car) are considered assets. Personal property does not generate income at a specific rate of return. Therefore, if the cash value of the account(s) plus the value of the applicant's other assets is more than $50,000, multiply the total value of assets by the passbook rate of .40 percent to determine the imputed income from the assets.
    g. Lump sum/one-time payments. These include inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, workers' compensation,

and personal or property losses), and any other amounts that are not intended as periodic payments. These receipts will either be invested or deposited in savings or checking accounts. Follow the procedures outlined above for determining come from the specific type of asset.

h. Mortgage or deed of trust held. Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset. This combined figure needs to be separated into specific principal and interest portions of the payment. This can be determined by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage. The principal portion of the payment is a cash asset that will either be invested or deposited in savings or checking accounts. Follow the procedures outlined above for determining income from the specific type of asset.

5. Assets Excluded from Calculation

   a. Necessary personal property such as clothing, furniture, cars, wedding ring, and vehicles specially equipped for persons with disabilities;

   b. Interests in Indian trust land;

   c. Term life insurance policies (i.e., where there is no cash value);

   d. Equity in the cooperative unit in which the family lives;

   e. Assets that are part of an active business (does not include rental properties held as investment and not as a main occupation);

   f. Assets that are not effectively owned by the applicant (e.g., when assets are held in an individual's name but income earned accrues to someone else who is not a member of the household and this other person is responsible for income taxes incurred on income generated by the assets); and,

   g. Assets that are not accessible to the applicant nor provide any income to the applicant.

   h. Retirement Account Assets and Savings Accounts specifically for education.

Hampton Village is a 100-unit affordable housing property in Miami developed by Carrfour Supportive Housing with FHFC financing.

Aqua is a 197 unit property in Tampa for low-income seniors. Sage Partners completed a major renovation of Aqua with finance from FHFC. Common area amenities include community, fitness and yoga rooms, an arts and crafts center, computer lab, and library.

9 Survey of SHIP Jurisdictions on Rental Strategy Uses

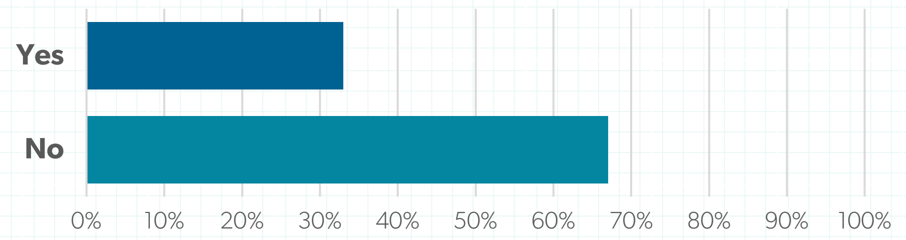
The Florida Legislature enacted the William E. Sadowski Affordable Housing Act in 1992, creating a dedicated revenue source by increasing the documentary stamp tax paid on the purchase price of all residential and commercial deeds. The Sadowski Act created the State Housing Initiatives Partnership Program (SHIP), Section 420.9072, Florida Statutes. Local governments receive annual allocations based on population, distributed periodically throughout the year. These monies are used to implement the housing element of the local comprehensive plan, consistent with the SHIP plan adopted by the local government. Certain legal parameters apply to SHIP plans, including that 65% of the monies are to be used for home ownership related activities; 75% of the monies are to be used for construction related activities. Local government is required to implement regulatory reform in the form of expedited permitting for affordable housing and an ongoing process of review of all land development regulations, comprehensive plan amendments, and ordinances that increase the cost of housing, prior to adoption.

The portion of the Sadowski Act monies that are distributed to the state are used by the Florida Housing Finance Corporation to fund its programs, which are largely low-interest loan programs for the development of rental housing for low and very low-income families. SAIL receives annual funding from the dedicated revenue source created by the Sadowski Act. The Florida Housing Finance Corporation makes loans based on a highly competitive process which generally requires an experienced development team with immediate ability to proceed on a project that uses the least amount of government subsidy and offers maximum resident services and amenities, with units set aside for 50 years of affordability.

In an April 2024 survey of SHIP jurisdictions, thirty-three percent of respondents indicated that their community uses SHIP for rent assistance and almost 62 percent have used SHIP for rental development. The following survey questions are accompanied by survey results.

QUESTION 1

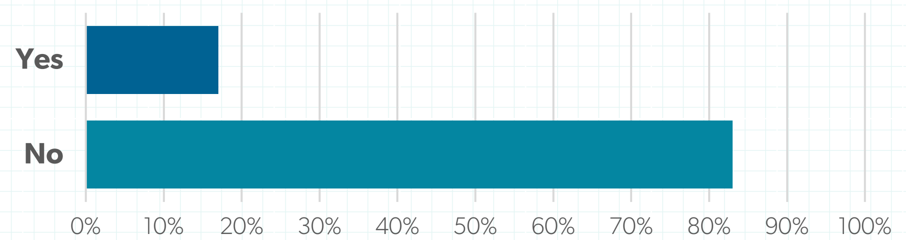
Do you spend SHIP on rent assistance, where you provide a rent deposit or eviction prevention assistance to an eligible household (not rental development, which is asked about below)?



Answer Choices	Responses	
Yes	33%	25
No	67%	50

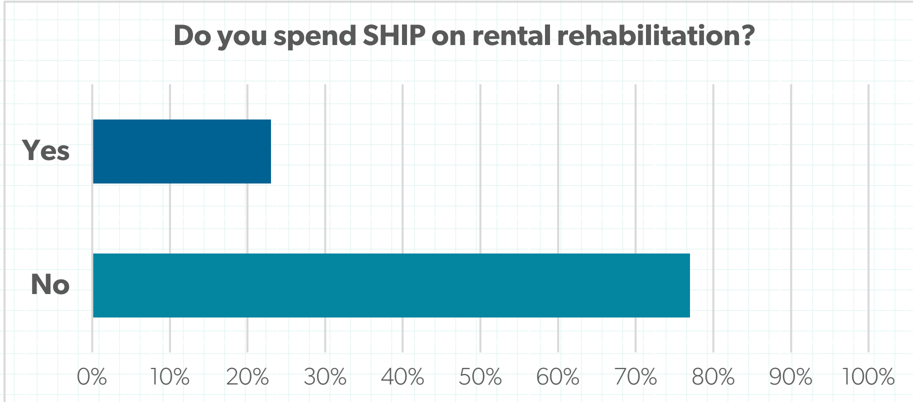
QUESTION 2

Is SHIP used to provide the specific rent assistance called "Rapid Rehousing", where SHIP pays for a deposit and monthly rent of a very low-income household that was homeless until assisted by SHIP?



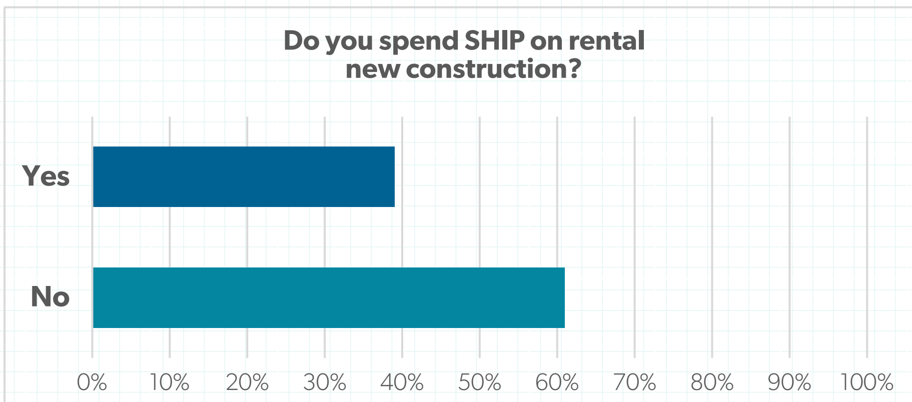
Answer Choices	Responses	
Yes	17%	13
No	83%	62

QUESTION 3



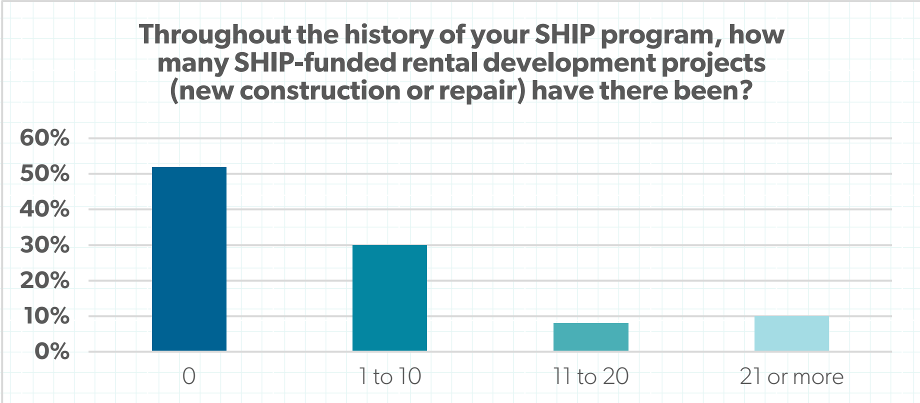
Answer Choices	Responses	
Yes	23%	17
No	77%	57

QUESTION 4



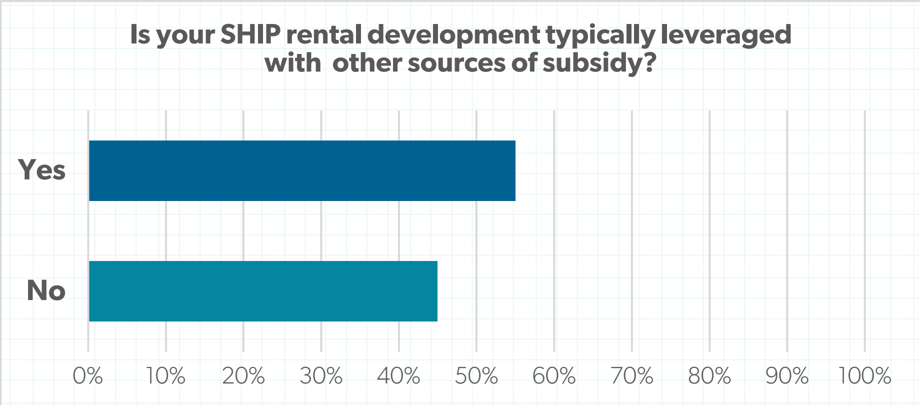
Answer Choices	Responses	
Yes	39%	29
No	61%	46

QUESTION 5



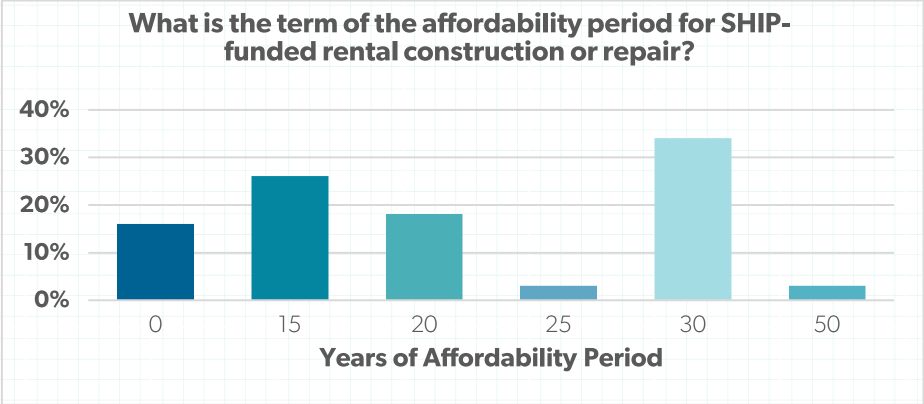
# of Respondents	Responses
0	52%
1-10	30%
11-20	8%
21 or more	10%

QUESTION 6



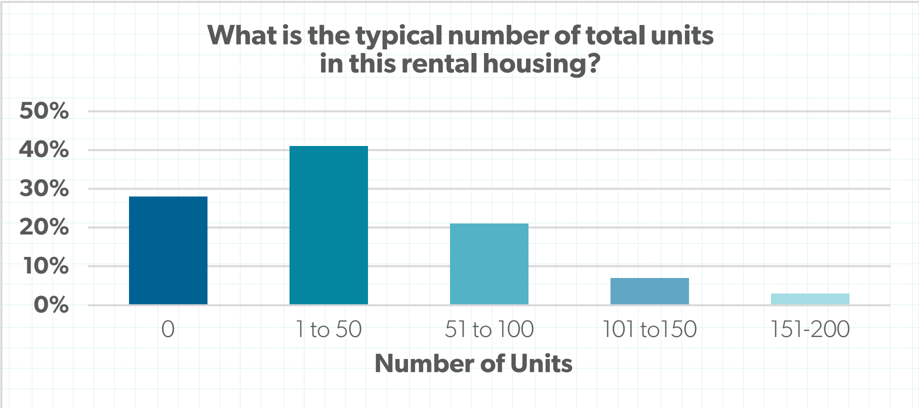
Answer Choices	Responses	
Yes	55%	34
No	45%	28

QUESTION 7



Years of Affordability Period	Percent of Total
0	16%
15	26%
20	18%
25	3%
30	34%
50	3%

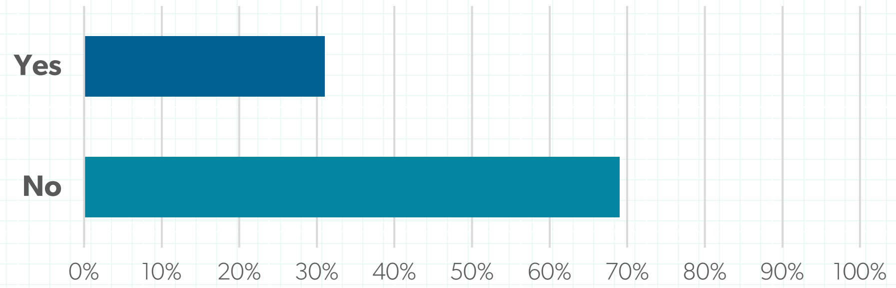
QUESTION 8



Number of Units	Response
0	28%
1-50	41%
51-100	21%
101-150	7%
151-200	3%

QUESTION 9

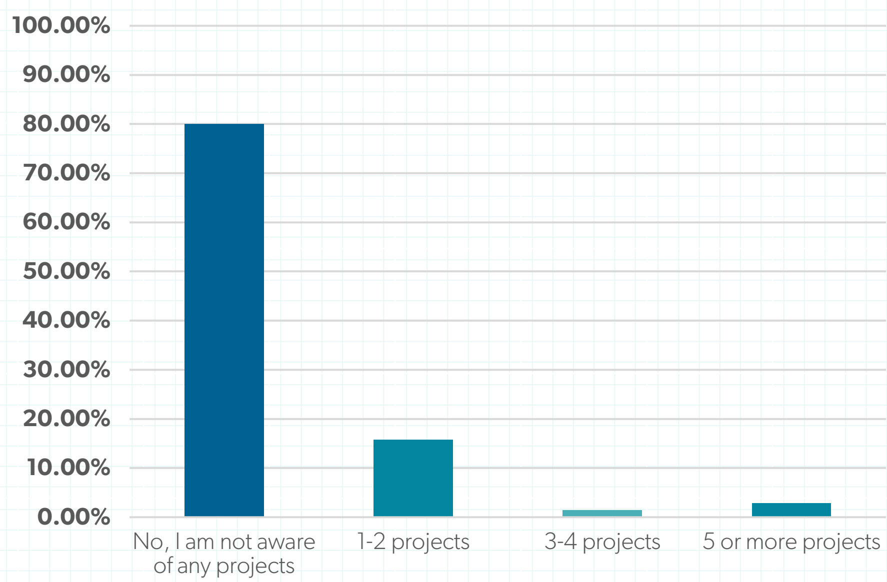
Do you prioritize rental development for any specific type of SHIP eligible tenant?



Answer Choices	Responses	
Yes	31%	21
No	69%	46

QUESTION 10

Do you have developers discussing "preemption property" rental housing which is allowable under the Live Local Act? If yes, how many projects are you aware of?



Answer Choices	Responses	
No, I am not aware of any projects	80.00%	56
1-2 projects	15.71%	11
3-4 projects	1.43%	1
5 or more projects	2.86%	2

Bradford County in the Spotlight

Sherry Ruszkowski, the Executive Director of The Arc in Bradford County, worked closely with the Bradford County Community Development Department. Here is her story:

Just a few years ago, The Arc in Bradford County had approval and funding to build a six-bedroom group home for women with vari- ous levels of disabilities.

"We thought it would be fairly simple because we owned the property." says Sherry Ruszkowski, Arc executive director.

But then the project fell through because the low-lying property would have needed so much alteration that the cost became prohibitive.

"It was very disheartening," says Sherry. But not for long.

Sherry teamed up with Kelly Canady, the SHIP Administrator in Bradford County, and they came up with a plan to renovate Stella's Place, an aging building that was home to disabled women from 49- to 78-years-old.

"The big issue was the house had older ladies in it, and it was not accessible anymore" Sherry recalls.

By the end of 2017, Stella's Place had undergone a major makeover. All interior and exterior doorways were widened according to ADA accessibility requirements. Likewise, all bathrooms were updated to ADA standards, with walk-in showers, ADA compliant sinks, grab bars, accessible toilets and surface- mounted medicine cabinets.

In addition, a new fire control system was installed. Other repairs included features commonly involved in many SHIP rehabs—new metal roof, new windows, new HVAC and septic system and carpet replaced by tile to reduce the risk of residents tripping.

One of the renovations most popular with the residents is a new screened-in porch. "The ladies love it," Sherry says. Another big hit is a covered walkway to the driveway that includes handrails.

"Now when the ladies come out of the house to get on the bus they won't get rained on," Sherry says. "The bus can pull right up to the awning, and they don't have to get wet at all."

Sherry says none of this would have been possible without SHIP. "I'm just very thankful that Kelly was willing to step out and try to develop new strategies to help us because without that we would not have been able to get all of the work done on the house."

Hampton Village is a 100-unit affordable housing property in Miami developed by Carrfour Supportive Housing with FHFC financing.

PART 4 | PROGRAM AND FUNDING UPDATE

While the development of affordable rental housing follows a similar process as market rate rental housing, the primary difference is how it is financed. Part 4 focuses on updated resources available to affordable rental housing developers which serve to fill financing gaps and to reduce the level of debt.

The first resource explored in Part 4 is not a funding source but instead the new ability to build rental housing in locations previously off limits. The Live Local Act allows affordable rental housing developers to build preemption properties on land with commercial or industrial zoning, which was not previously possible.

Part 4 also includes an update on SAIL funding for rental development. SAIL-funded affordable rental housing is subject to statutory compliance requirements such as the provision of services, maintaining the units in a safe and sanitary fashion, and proper financial management. A sample SAIL development illustrates several program requirements and the amount of subsidy invested in rental units for very low income and low-income tenants.

Lofts at Monroe is a 108-unit affordable housing community providing quality housing in Downtown Jacksonville for individuals who make less than 60% of the area median income. Funded by Florida Housing Finance Corporation, Jacksonville Housing Finance Authority, and the Downtown Investment Authority

10 Live Local Act

In 2023, the Florida Legislature passed the Live Local Act (LLA), providing developers with a new land use tool that permits the construction of affordable rental housing in areas zoned as commercial, industrial, or mixed-use. The LLA requires 40 percent of the rental units to be affordable to tenants at 120 percent of the area median income for 30 years.

Preemption Of Local Land Use Codes

The LLA allows developers to construct affordable rental housing in new zoning areas that were not previously allowable. It may be built to the greatest height and density of any building in a one-mile radius. Due to its ability to override local land use codes, rental housing developed under this provision is referred to as a "preemption property."

Preemption Properties and Ship

This chapter provides an important update about a new type of affordable rental housing that is acknowledged alongside Florida's other housing initiatives. Preemption properties provide affordable rental units even though their construction is not required to be financed with subsidy from SHIP nor from any of the other subsidy sources included in this publication It is notable that a developer might seek to invest SHIP, HOME, or another type of subsidy in a preemption property to generate additional affordable units beyond the 40 percent required by LLA Adding this subsidy brings heightened compliance obligations. Whether or not SHIP is invested in preemption properties, the staff responsible for implementing the SHIP program may also be tasked with monitoring preemption properties to ensure affordability and compliance with regulations.

Income Eligibility

Preemption properties are like SHIP in that income eligibility is one of the fundamental compliance requirements. Specifically, in 40 percent of the rental units, the tenant's household income must be 120 percent of the area median income (AMI) or below. This is another similarity with SHIP, which assists households in the same income range. Unlike SHIP, the Live Local Act offers significant flexibility and may allow tenants to self-certify their income and assets, but this is not recommended. Instead, a preemption property monitoring plan should require that property management staff are trained on income eligibility determination, collect income verifications, follow income qualification rules, and complete Tenant Income Certifications (TICs) for the occupants of affordable rental units. When leasing up the affordable rental units, it is a best practice for property management staff to complete the income eligibility determination process as required by the HUD Handbook 4350.3. Compliance monitors will later review the entire file for accuracy and completeness. Tenant income must be at or below 120 percent row of the income limits chart annually generated by the Florida Housing Finance Corporation for its rental programs. The income limits chart can be found here.

Rent Affordability

This is the second fundamental element of preemption property compliance. Reference the rent limits chart annually generated by the Florida Housing Finance Corporation for its rental programs. The rent limits chart is available here. This is the same chart listing income limits. The rent limits are located in the columns to the right.

The assessment of rental affordability is different here than with SHIP. While both programs provide an annual rent limits chart, preemption properties must include utilities in the rent affordability calculation unlike SHIP. “Affordable” is defined in this section of the Live Local Act as monthly rents including utilities that do not exceed the rent limits for the tenant’s income category.

Each community should define the amount of electric, gas, and water utilities per bedroom size in the agreement with the developer. Consider adopting these bill amounts: Efficiency and 1 Bedroom- $90 utility bill, 2 Bedrooms- $110, 3 Bedrooms- $130. If these utilities are not included in the rent, the property manager must collect a recent utility bill. The amount of this bill plus lease rent must be less than the Rent Limits (also count any fees that are not part of rent but are the tenant paying utilities).

During lease renewal, property managers should obtain from the tenant the most recent utility bills that are not included in the rent. They must adjust the lease rent to an amount that is affordable when utilities are factored in.

Monitoring LLA Rental Housing

Monitoring a preemption property is different than a SHIP or HOME-funded property. Unlike SHIP and HOME, there is no administrative budget to fund preemption property monitoring and there is no federal or state-level supervision of a community’s monitoring work. The Live Local Act constitutes an unfunded mandate providing no instructions nor ongoing budget for compliance monitoring.As a best practice, however, each community should periodically check compliance to determine if the developer is supplying the affordable housing agreed upon. Here is guidance on how to efficiently complete monitoring:

Developer Pays for Monitoring: The fee must be commensurate with time involved in monitoring. To best ensure that the developer pays consistently over 30 years, keep the monitoring fee low using the additional guidance provided here.

Contract out monitoring work: Consider two options for contracting out monitoring. First, obtain this service following the local government’s procurement procedures. As an alternative, the local government may let the preemption property owner choose their third-party monitoring agency since they are paying for the service.

Sampling Units: While every SHIP-funded rental unit must be monitored, sampling is acceptable for preemption properties. Consider monitoring only one third of the units as an effort to keep monitoring costs low.

Frequency of Monitoring: While SHIP-funded rental units must be monitored annually, you may choose not to monitor preemption properties every year. Consider monitoring every third year as an effort to keep monitoring costs low.

Desk Audit: An onsite audit takes longer than a desk audit. Instead of physically visiting the property over a series of days, complete the review virtually. Start by requesting a list of all applicants occupying affordable rental units. Notify property management staff of the units that you have selected and request that they provide scans of all documentation collected for these tenants.

Options for Additional Monitoring: A local government should limit its preemption property monitoring to income eligibility and rent affordability. To reduce compliance monitoring costs, avoid other possible aspects of rental housing monitoring like an inspection of the property’s physical condition and an assessment of property performance.

Forest Ridge Senior Residences is a 119 unit development for senior housing in Citrus County. Twenty units were financed with SHIP funding.

Overview of the Agreement with the Property Owner

The document on the following page is a sample agreement between a local government and developer. It must state a term of 30 years and must require that if the property is sold before the end of affordability period, the new owner must honor the remainder of the 30-year affordability period. In the Scope of Services, include the property's anticipated date of completion, the total number of rental units, and the number of affordable rental units reserved for tenants at 120% AMI or below.

The agreement should list the information that property management staff must collect for tenants in affordable residential units, including names, annual income, number of household members, utility bills, and leases. A monitoring plan must also be included in the agreement explaining the monitoring sampling size and frequency, and the steps to address noncompliance. Consider adding attachments to the agreement which are not included here: Applicant Intake Forms, Rental Application with Release of Information form, Income Verification Forms, and Sample Notice of Rental Monitoring

LIVE LOCAL ACT AFFORDABLE RENTAL HOUSING AGREEMENT

Below is a sample of an agreement between a local government and developer

This agreement is between (Local Government Name) referred to here as "LOCAL GOVERNMENT" and (Property owner of preemption project) referred to here as the "Owner". It outlines rules and responsibilities related to the rental housing developed in accordance with the Live Local Act's land use preemption tool found at section 125.01055(7)/ section 166.04151(7) of the Florida Statutes. [GUIDANCE: Choose the citation that governs your jurisdiction. Section 125.01055(7) applies to counties and Section 166.04151(7) applies to municipalities.]

The Live Local Act contained several sections addressing land use planning for affordable housing, including the Act's land use preemption for affordable housing in commercial, industrial, and mixed-use zones at section 125.01055(7)/section 166.04151(7). of the Florida Statutes. This land use preemption prescribes certain development standards for eligible affordable housing developments in eligible zone districts. Eligible projects (referred to here as "preemption projects") are entitled to certain use, density, height, and administrative approval standards. At least 40 percent of the residential units in a preemption project must be affordable as defined in s. 420.0004 for at least 30 years. For mixed-use residential projects, at least 65 percent of the total square footage must be for residential purposes.

SCOPE OF SERVICES

The Owner will construct rental housing units at (Property Name), a preemption project in which at least 40 percent of residential units are affordable.

(Property Name) ________________________

Total Number of Residential Units: ____

Number of Affordable Residential Units: ____

Anticipated Completion Date: (Property Name) is anticipated to be fully constructed and leased up by DATE.

For the first 30 years after this property's initial lease up, the affordable residential units (40% of the units) must be rented to tenants whose income is at or below 120 percent of the area median income (AMI) according to the income limits chart that is current at the time of lease up or annual recertification. This agreement references the income and rent limits chart annually generated by the Florida Housing Finance Corporation for its rental programs. Utility costs are part of the rent affordability determination. The amount of the tenant's utility bills plus lease rent must be less than the rent limits. The LOCAL GOVERNMENT defines utilities to include ___(example: electric, water, and gas)________________________.

The Owner of (Property Name) must remain in contact with the LOCAL GOVERNMENT during the affordability period and must remain in compliance with income eligibility and rent affordability requirements. The Owner must stay updated on income qualification training by completing re-training at least once every three years.

Collect Tenant Information: The Owner must collect the names, annual income, and number of household members of tenants in affordable residential units. **Since utility costs are part of rent affordability, the Owner must collect a bill for each of the defined utilities above not included in the rent.** This information must be provided to the LOCAL GOVERNMENT. **Here is the utility bill amount that the Owner must use in the following scenarios:**

1. **When First Leasing Units:** Use the following amount per unit size for 'total utilities not included in the rent': 1 Bedroom $90, 2 Bedroom $110, 3 Bedroom $130, 4 Bedroom $140.
2. **Upon Annual Renewal of Lease:** The Owner must obtain the most recent utility bills not included in the rent. Do not take an average of many months' bills.
3. **New Tenant after Initial Lease-Up:** In this scenario, the new tenant does not yet have utility bills to provide. Property manager staff must use a utility bill that another tenant has already provided for another unit with a comparable number of bedrooms and family members.

TERMS OF ASSISTANCE

This agreement is for a term of 30 years as required by section 125.01055(7)/section 166.04151(7) of the Florida Statutes,

If the Owner offers this rental housing for sale before the end of this affordability period, the new owner of (Property Name) must continue to honor the remainder of the 30-year affordability period and other details in this agreement.

COMPLIANCE MONITORING

Monitoring Master File: A master file will be maintained on each rental housing preemption project. This includes a copy of the contract between the Owner and the LOCAL GOVERNMENT, all reports provided by the Owner which detail tenant eligibility, and all monitoring reports.

Owner Pays Monitoring Fee THIS IS OPTIONAL): The Owner is required to pay a monitoring fee of $ per monitored affordable residential unit. The fee must be paid 30 days before the scheduled date of the monitoring.

Documentation from Property Owner: The LOCAL GOVERNMENT will notify the Owner about the monitoring visit 60 days in advance. No less than 30 days prior to this monitoring visit, the Owner must provide the following:

- A completed annual re-certification of income eligibility for each tenant in an affordable residential unit using the attached tenant income certification (TIC) form and including required verification of household income and assets.
- The current lease for each tenant in an affordable residential unit.

Income Eligibility Determination: All projects must be in compliance with the income determination rules and regulations of 24 CFR Part 5 and the HUD Handbook 4350.3, Chapters 3 and 5.

> **Income limits:** Staff completing the monitoring must reference the income and rent limits chart annually generated by the Florida Housing Finance Corporations for its rental programs, found here.

Rent Affordability Determination: At least 40 percent of the residential units in a preemption project must be affordable to tenants at or below 120 percent of the area median income.

> **Definition of Affordable:** "Affordable" means that monthly rents including taxes, insurance, and utilities do not exceed 30 percent of that amount which represents the percentage of the annual median Adjusted Gross Income for an Eligible Household.
>
> **Eligible Households:** An "eligible household" is one or more natural persons or a family, the total annual adjusted gross household income of which is less than 120 percent of the median annual Adjusted Gross Income for households within LOCAL GOVERNMENT.
>
> **Maximum Rent:** Staff completing the monitoring must reference the income and rent limits chart annually generated by the Florida Housing Finance Corporations for its rental programs, found here.

Monitoring Sampling Size: Staff must monitor half of the affordable residential units for income eligibility and rent affordability compliance.

Frequency of Monitoring: Staff must complete monitor responsibilities once every three years, starting one year after the property has been fully leased. Every third year on _(date)_ staff from the LOCAL GOVERNMENT will conduct a monitoring visit to review income compliance and affordability of affordable residential units.

STEPS TO ADDRESS NONCOMPLIANCE

LOCAL GOVERNMENT will write a report provided to the Owner documenting the noncompliance and reference what has been violated in this agreement. LOCAL GOVERNMENT will provide written notification of the beginning of a three-year probationary period.

Noncompliance during the Probationary Period: Any further noncompliance identified during a three-year probationary period will result in a $5000 fine to the Owner for each instance of noncompliance.

Addressing Types of Noncompliance:

The income of a household increases. Once a household in a current income-restricted unit experiences an increase in income, the next available unit anywhere in the property must be rented to an income-eligible household. The landlord may raise the rent on the original unit with higher income tenant and this unit will no longer be counted among the affordable residential units.

Income calculations are incorrect, but the household is still income eligible. Correct the income certification form to show accurate information about household income. Train property managers on why this was incorrectly done. Consider scheduling a general income calculation training for the Owner.

Rent is too high. If the rent for an affordable residential unit is discovered to exceed the rent limits, the Owner must refund the amount of the overpayment to the tenant. This may be done with a check written to the tenant for the amount that exceeded all past rent payments or may be addressed by reducing the rents in future months not to exceed 12 months.

SIGNATURES

______________________	______________
Local Government	Owner

11 Live Local Act
Updates to SAIL

Introduction to Sail

The State Apartment Incentive Loan (SAIL) program is administered by Florida Housing Finance Corporation (Florida Housing). It provides low-interest loans on a competitive basis to affordable housing developers each year. This money often serves to bridge the gap between the development's primary financing and the total cost of the development. SAIL dollars are available for developers proposing to construct or substantially rehabilitate affordable multifamily rental housing.

Completed in 2015, the Reed is part of the Tampa Housing Authority's master planned development at Encore, a mixed-income village center with apartments, shops, a grocery store, bank, offices, and a black history museum.

Since 1992, SAIL has provided first, second, or other mortgage loans or loan guarantees to developers of multifamily rental units that are affordable to very low-income households (up to 50% of AMI). At a minimum, developments financed by SAIL must set aside 20 percent of units for households at or below 50 percent of AMI or, if the development also receives Housing Credits, 40 percent of units for households up to 60 percent of AMI. In general, SAIL loans cover 25 to 35 percent of development costs. Individual Requests for Applications (RFAs) for SAIL funds often require applicants to apply for tax-exempt bond financing and non-competitive Housing Credits.

Program Contact:

Melissa Levy,
Managing Director of Multifamily Programs
Florida Housing Finance Corporation,
Phone: (850) 488-4197
Email: Melissa.Levy@floridahousing.org
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Tallahassee, FL 32301-1329
Website: www.floridahousing.org

LIVE LOCAL

Live Local Act Created Live Local Program Tax Credit

In 2023, SAIL received a boost from the Live Local Act. The Live Local Program Tax Credit, established under s. 420.5087, F.S offers a unique opportunity for businesses to contribute to the State Apartment Incentive Loan (SAIL) Program. Under this initiative, taxpayers may make private monetary contributions to Florida Housing and receive a dollar-for-dollar credit against their corporate income tax or insurance premium tax. A maximum of $100 million in credits are available each state fiscal year, and contributions received under this program must be used exclusively for the SAIL Program.

Florida Housing may allocate up to $25 million of eligible contributions for housing developments that are part of large-scale projects with significant regional impact. These projects should aim to operate within active public-private partnerships, characterized by formal plans, agreements, and sufficient commitments to ensure successful completion.

Developers apply for this funding through a competitive RFA process and SAIL may not exceed 25% of the total development cost. In evaluating applications, Florida Housing will look for multifaceted developments that will have impacts beyond a neighborhood or municipality to facilitate the transformation of a region towards meeting the intent of the Live Local Act.

Additional SAIL – Innovative Multifamily Development

Section 420.50871 F.S. Section 32 of the Live Local Act of 2023 permits Florida Housing to administer Requests for Applications (RFAs) in line with the Live Local Act. With an annual allocation of $150 million for SAIL over a 10-year period, distributed through a competitive application process, the funds are earmarked for multifamily affordable and attainable rental developments meeting various innovative criteria. These RFAs will adhere to specified allocation splits, ensuring that a significant portion of the funding goes towards priority categories while also addressing other crucial housing needs.

Two distinct categories of funding each target specific aspects of affordable housing provision. Seventy percent of the allocation is for RFAs tailored to projects that address the following:

- Expansion of the affordable housing stock by redeveloping (reconstructing) an existing development and constructing new units in close proximity
- Urban infill, which includes repurposing vacant, dilapidated, or functionally obsolete buildings, as well as underused commercial properties.
- Incorporating mixed-use elements within their location, such as retail, office, or institutional spaces.
- Providing housing near military installations, particularly those offering critical services tailored to servicemembers, veterans, and their families. These services may include mental health treatment, employment assistance, and support during the transition from active-duty service to civilian life.

Complementing this allocation, the remaining 30% of the funds is dedicated to financing projects that address the following objectives:

- Proposing the utilization or leasing of public lands for affordable housing purposes. Such proposals necessitate a resolution or agreement with the relevant governmental entity owning the land, ensuring alignment with the intended affordable housing objectives.
- Addressing the housing needs of young adults who age out of the foster care system.
- Meeting the housing needs of elderly individuals.
- Providing housing in areas designated as rural opportunities under Chapter 288.0656 of the Florida Statutes.

Ship and Sail-Funded Property

This is an example of newly constructed rental units made affordable with financing from SAIL and SHIP.

Example: Butterfly Grove Apartments
[SHIP, SAIL, and ELI]

Butterfly Grove Apartments is a 20-unit project financed entirely by SHIP, SAIL, and SAIL funds reserved to fund housing for Extremely Low Income (ELI) households. The project is located in Pinellas County.

The Total Development Cost is $4,853,615.

Request for Proposals Requirements

SAIL Financing for Smaller Developments for Persons with Special Needs Request for Applications (RFA 2019-104) from Florida Housing Finance Corporation

Income Requirements

The applicant was required to have at least 80 percent of the total units (16 units) consist of Permanent Supportive Housing for Persons with Special Needs, and at least 20 percent of the total units (4 units) consist of Permanent Supportive Housing for individuals and families that meet the definition of Homeless (which may be the same units set aside for Persons with Special Needs).

The developer applicant committed to the income set-aside commitments for a minimum of 30 years. However, after 15 years, all of the ELI set-aside units may convert to serve residents at or below 60% of AMI.

Butterfly Grove has 20 units with 16 set-aside for tenants at or below 60% AMI and 4 at or below 35% AMI. This will satisfy the income requirement by having 100% of units serving tenants below 60% AMI. The RFA requirement to set aside 20% of the units for extremely low-income, defined as 35% of AMI, is satisfied with the 4-unit set-aside.

Project Development Budget

This shows a total project cost of $4,853,615.

The Sources and Uses are illustrated in the table below.

BUTTERFLY GROVE APARTMENTS (SHIP/SAIL/ELI) PROJECT DEVELOPMENT BUDGET	
SOURCE	**AMOUNT**
FHFC - SAIL	$4,079,394.00
FHFC - SAIL ELI	$229,600.00
PINELLAS COUNTY - SHIP	$469,621.00
CITY OF ST. PETERSBURG	$75,000.00
TOTAL	**$4,853,615.00**

USES	AMOUNT
SITE ACQUISITION	$440,000.00
FINANCING COSTS	$130,280.00
SOFT COSTS	$505,657.00
CONSTRUCTION	$3,011,680.00
DEVELOPER FEE	$765,998.00
TOTAL DEVELOPMENT COST	**$4,853,615.00**

The sources of $4,853,615 are sufficient to cover the uses required to develop the project with a cost of $4,853,615.

The SHIP Income Rent Limits and Maximum Rents are published annually by Florida Housing Finance Corporation and can be found here. For convenience, the Florida Housing Finance Corporation Income Limits and Rent Limits for the SHIP Program for Pinellas County is below.

County (Metro)	%	INCOME LIMIT BY NUMBER OF PERSONS IN HOUSEHOLD									
		1	2	3	4	5	6	7	8	9	10
Pinellas County (St Petersburg MSA)	30%	14,050	16,910	21,330	25,750	30,170	34,590	39,010	43,430	Refer to HUD	
	50%	23,450	26,800	30,150	33,450	36,150	38,850	41,500	44,200	46,830	49,506
	80%	37,450	42,800	48,150	53,500	57,800	62,100	66,350	70,650	74,928	79,210
Median: 66,900	120%	56,280	64,320	72,360	80,280	86,760	93,240	99,600	106,080	112,392	118,814
	140%	65,660	75,040	84,420	93,660	101,220	108,780	116,200	123,760	131,124	138,617

County (Metro)	%	RENT LIMIT BY NUMBER OF BEDROOMS IN UNIT					
		0	1	2	3	4	5
Pinellas County (St Petersburg MSA)	30%	351	387	533	699	864	1,030
	50%	586	628	753	870	971	1,071
	80%	936	1,003	1,203	1,391	1,552	1,712
Median: 66,900	120%	1,407	1,507	1,809	2,088	2,331	2,571
	140%	1,641	1,758	2,110	2,436	2,719	2,999

The annual rental revenue can be calculated using the unit mix and maximum rents, less utility allowance as shown below:

BUTTERFLY GROVE APARTMENTS AFFORDABILITY CALCULATION (SAIL & ELI) *UTILITY ALLOWANCE REQUIRED								
Bedrooms	Bathrooms	No. Units	Square Feet	AMI%	Gross HC Rent	Utility Allowance	Net Restricted Rents	Annual Rents
1	1.0	4	453	35%	$439.00	$88.00	$351.00	$16,848.00
1	1.0	16	453	60%	$753.00	$88.00	$665.00	$103,680.00
		20	9,060					$120,528.00

*The Development utilized SAIL and ELI financing which imposes rent restrictions. Underwritten rents in the table above are based on FHFC maximum allowable rents for Pinellas County, and utility allowances are based on amounts from the Pinellas County Housing Authority.

Gross Potential Rental Income is based on the concluded rents in the table above, which are equal to the maximum allowable restricted rents for residents earning no more than 35% or 60% of AMI.

BUTTERFLY GROVE APARTMENTS ANNUAL OPERATING PRO FORMA	
REVENUE	
Gross rent	$121,028.00
Vacancy and Collection Loss (5%)	-$6,051.00
Effective Rental Income	$114,977.00

EXPENSES	
Management Fee (8.5%)	$9,600.00
Insurance	$12,000.00
General & Administrative	$26,000.00
Common Utilities	$17,000.00
Maintenance & Repairs/Pest Control	$24,000.00
Reserve for Replacements	$6,000.00
TOTAL EXPENSES	**$94,600.00**
NET OPERATING INCOME	**$20,377.00**

DEBT SERVICE PAYMENTS	
First Mortgage - SAIL Loan Plus Fees	$13,402.00
Second Mortgage - ELI Loan Plus Fees	$3,581.00
Third Mortgage - SHIP Loan Plus Fees	$0.00
Fourth Mortgage - City of St. Petersburg Plus Fees	$0.00
TOTAL DEBT SERVICE PAYMENTS	**$16,983.00**
CASH FLOW AFTER DEBT SERVICE	**$3,394.00**

DEBT SERVICE COVERAGE RATIO		
DSC	First Mortgage - SAIL Loan Plus Fees	1.52x
DSC	Second Mortgage - ELI Loan Plus Fees	1.20x
DSC	Third Mortgage - SHIP Loan Plus Fees	1.20x
DSC	Fourth Mortgage - City of St. Petersburg Plus Fees	1.20x
DSC	All Mortgages and Fees	1.20x

The Vacancy and Collection loss rate of 5% is higher than the appraiser's 4% estimate.

Ancillary Income at the property is not expected by the Applicant, however the appraiser included a nominal $500 for the year to account for unforeseen income.

Real Estate Tax is not included in the calculation of Net Operating Income ("NOI") since the Development is owned by a non-profit corporation. The management agent will be paid a fee of $40 per unit per month. Due to the small size of the subject property, no payroll expense is included in the calculation of NOI.

The landlord is responsible for water/sewer and trash expense for the units, and the Utilities expense line item in the pro forma above also includes common area utilities paid by the landlord. The resident is responsible for electric and cable utility expenses.

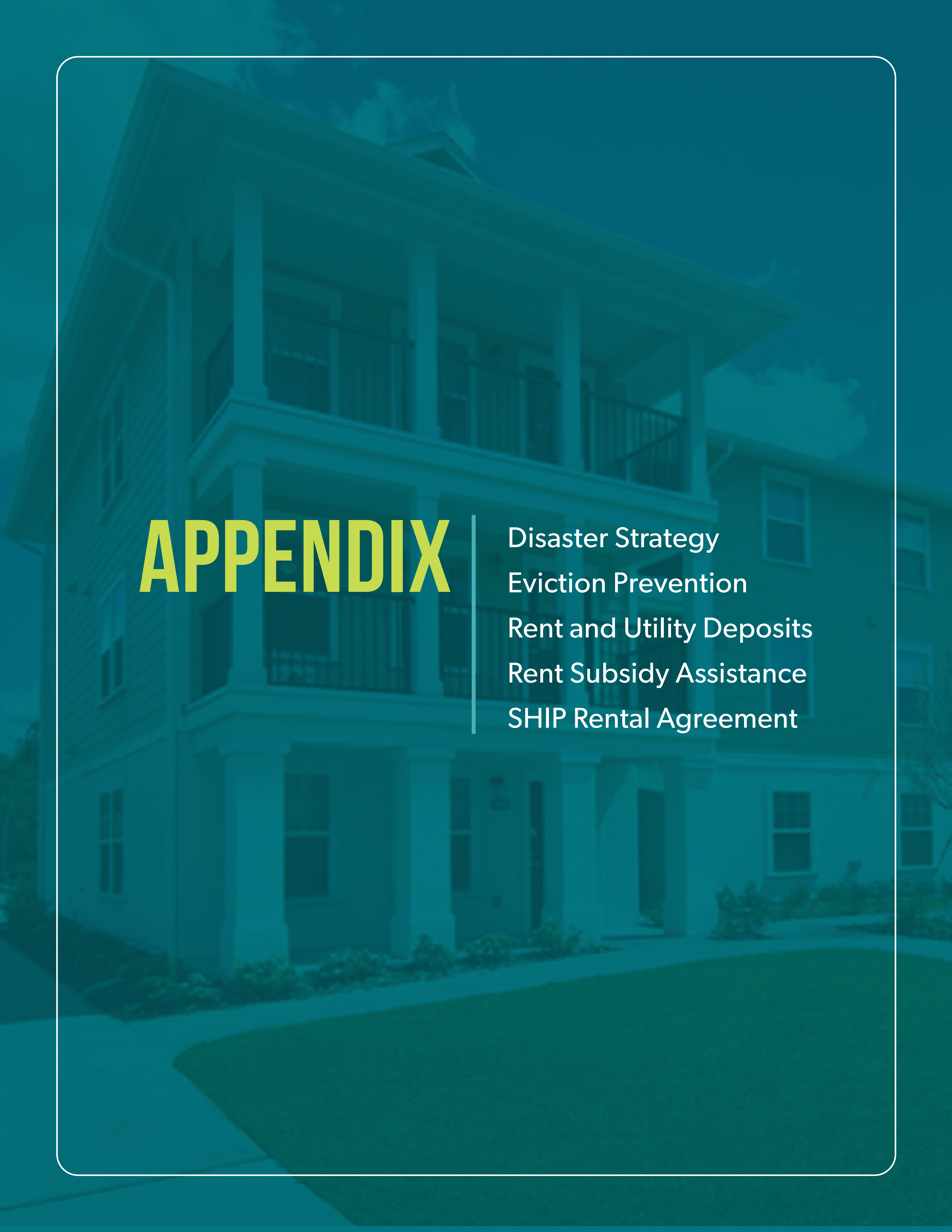
Maintenance and Repairs/Pest Control is estimated by the appraiser at $24,000 annually. Replacement Reserves of $300/unit/year are required per Rule Chapter 67-48.

According to the RFA, the SAIL Loan shall be non-amortizing and shall have an interest rate of 0% since at least 80% of the units will be set aside for Persons with Special Needs. The total SAIL Loan term is 16.5 years, including an 18-month construction/stabilization period.

According to the RFA, the ELI Loan shall be non-amortizing and shall have an interest rate of 0%, plus Permanent Loan Servicing and Compliance Monitoring Fees. Loan principal is forgivable at maturity provided the units for which the ELI Loan amount is awarded are targeted to ELI Households for the first 15 years of the 30-year Compliance Period. The total ELI Loan term is 16.5 years, including an 18-month construction/stabilization period. However, after 15 years, all of the ELI Set-Aside units may convert to serve residents at or below 60% of AMI; however, the Persons with Special Needs set-aside commitment must be maintained throughout the entire Compliance Period.

Based on the operating pro forma analysis contained herein, the Development will support operations of the SAIL with an estimated Debt Service Coverage of 1.52x to 1.00. Florida Housing's SAIL Program per Rule 67-48.0072(11), F.A.C. has a maximum Debt Service Coverage of 1.50x for the SAIL and all superior mortgages. However, the Development has deep subsidy in the form of 4 ELI units which serve tenants whose income is 35% or less of AMI. As such, exceeding the maximum threshold of 1.50x to 1.00 is permitted.

Lofts at Brooklyn is a 133-unit community in the Brooklyn area of Downtown Jacksonville. 80 units are reserved for households making less than 80% of the area median income and 53 units are reserved for households making less than 140% of the area median income. Funded by Florida Housing Finance Corporation and the Downtown Investment Authority



APPENDIX

Disaster Strategy
Eviction Prevention
Rent and Utility Deposits
Rent Subsidy Assistance
SHIP Rental Agreement

DISASTER STRATEGY

a. **Summary of Strategy:** The Disaster Strategy aids households in the aftermath of a disaster as declared by the President of the United States or Governor of the State of Florida. This strategy will only be funded and implemented in the event of a disaster using any funds that have not yet been encumbered or with additional disaster funds allocated by Florida Housing Finance Corporation. SHIP disaster funds may be used for items such as, but not limited to:

(a) purchase of emergency supplies for eligible households to weatherproof damaged homes;

(b) interim repairs to avoid further damage; tree and debris removal required to make the individual housing unit habitable;

(c) construction of wells or repair of existing wells where public water is not available;

(d) payment of insurance deductibles for rehabilitation of homes covered under homeowners' insurance policies;

(e) security deposit for eligible recipients displaced from their homes due to disaster;

(f) rental assistance for eligible recipients displaced from their homes due to disaster.

(g) temporary rent and utility payments for up to 12 months for eligible tenants.

(h) temporary mortgage and utility payments for up to 12 months for eligible homeowners.

(i) strategies included in the approved LHAP that benefit applicants directly affected by the declared disaster.

(j) other activities as proposed by the counties and eligible municipalities and approved by Florida Housing.

b. **Fiscal Years Covered:** 2024-2025, 2025-2026 and 2026-2027

c. **Income Categories to be served:** Very Low, Low, and Moderate

d. **Maximum award:** $25,000

e. **Terms:**

1. **Repayment loan/deferred loan/grant:** Funds will be awarded as a grant.
2. **Interest Rate:** N/A
3. **Years in loan term:** N/A
4. **Forgiveness:** N/A
5. **Repayment:** N/A
6. **Default:** N/A

f. **Recipient Selection Criteria:** Applicants will be ranked for assistance on a first come first eligible basis, with priority for very low and low income households.

g. **Sponsor/Developer Selection Criteria:** N/A

h. **Additional Information:** SHIP funds must be used for eligible applicants and eligible housing.

EVICTION PREVENTION STRATEGY

a. **Summary of Strategy:** Funds will be awarded to renter households in need of assistance for eviction prevention not to exceed 6 months' rent. Funds are available to pay past due rent and late fees.

b. **Fiscal Years Covered:** 2024-2025, 2025-2026, 2026-2027

c. **Income Categories to be served:** Very Low, Low

d. **Maximum award:** $8,000

e. **Terms:**

1. **Repayment loan/deferred loan/grant:** Funds will be awarded as a grant.
2. **Interest Rate:** N/A
3. **Years in loan term:** N/A
4. **Forgiveness:** N/A
5. **Repayment:** N/A
6. **Default:** N/A

f. **Recipient Selection Criteria:** An applicant may apply directly or may be referred by a local service provider. This assistance is for renter households that have recovered from a temporary hardship that resulted in missed rental payments. There must be a reasonable prospect that the applicant will be able to resume full rental payments after receiving SHIP assistance. Eligible applicants can document their ability to continue to maintain monthly rent payments.

g. Sponsor/Developer Selection Criteria: N/A

RENT AND UTILITY DEPOSITS

a. **Summary of Strategy:** Funds will pay first and last month's rent, a security deposit and/or utility deposits for a new rental residence. Utilities for which deposits and arrears may be paid include water, sewer, solid waste, electricity, and gas. The rental unit must meet Housing Quality Standards as defined in 24 CFR 982.401 prior to release of funds to the landlord on behalf of the eligible household.

b. **Fiscal Years Covered:** 2024-2025, 2025-2026 and 2026-2027

c. **Income Categories to be served:** Very Low

d. **Maximum award:** $5,000

e. **Terms:**

   1. **Repayment loan/deferred loan/grant:** Funds will be awarded as a grant.
   2. **Interest Rate:** N/A
   3. **Years in loan term:** N/A
   4. **Forgiveness:** N/A
   5. **Repayment:** N/A
   6. **Default:** N/A

f. **Recipient Selection Criteria:** An applicant may apply directly or may be referred by a local service provider. Applicants who are at risk of becoming homeless may be referred by the local Continuum of Care Coordinated Entry system. Additional access points for persons needing assistance include: the regional 2-1-1 Hotline, homeless assistance providers, social service agencies, Veterans Affairs offices and medical centers, and housing providers.

g. **Sponsor/Developer Selection Criteria:** One (1) eligible sponsor will be selected to implement the strategy. Criteria for eligible sponsors include:

   - Must be a 501(c)(3) not-for profit corporation.
   - Must have experience providing information, referral, or case management services to people experiencing homelessness and housing-insecure individuals and families.
   - Must have experience conducting or overseeing inspections of rental units to ensure housing meets minimum safety and decency standards (e.g. HUD's Minimum Habitability Standards or Housing Quality Standards).

RENT SUBSIDIES STRATEGY

Includes recommendations, not statutorily required. See footnotes for explanations.

a. **Summary of Strategy:**[1] Funds will be awarded to homeless very low-income households for: (1) first and last month's rent, security and utility deposit assistance; and (2) rent subsidies paying the monthly rent for up to 12 months. To be eligible for rent subsidies, the household receiving assistance must include at least one adult who is a person with special needs as defined in S. 420.0004 or homeless as defined in S. 420.621.

b. **Fiscal Years Covered:** 2024-2025, 2025-2026, 2026-2027

c. **Income Categories to be Served:**[2] Very-low

d. **Maximum award:**[3] $6,000

e. **Terms:**

1. Repayment loan/deferred loan/grant: Funds will be awarded as a grant.
2. Interest Rate: N/A
3. Years in loan term: N/A
4. Forgiveness: N/A
5. Repayment: N/A
6. Default: N/A

f. **Recipient Selection Criteria:**[4] Applicants who are homeless or at risk of homelessness (i.e., seeking eviction prevention) will be referred by the local Continuum of Care Coordinated Entry system, and be assisted on a first-qualified, first-served basis. Applicants with one or more special needs household members may apply directly or may be referred by a special needs service provider.

g. **Sub-Recipient Selection Criteria:**[5] Sub-Recipient nonprofit organization(s) may be selected to administer the Rental Assistance program. Criteria for selection of Sub-Recipient organization will include: (1) past experience working with the target population; (2) past experience administering similar rental assistance programs; (3) financial and human resource capacity to administer the program; (4) participation in the Continuum of Care Coordinated Entry system; and (5) such other criteria as may be determined appropriate.

h. **Additional Information:** The lease must be at least twelve months in duration.

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[1] Have a separate strategy for eviction prevention to help a household currently occupying rental housing.

[2] Rent subsidies are only available for very low-income applicants.

[3] The maximum award will vary by jurisdiction, level of SHIP funding, and rental market rates. For other rapid rehousing programs similar to SHIP rental assistance, the average level of financial assistance per household is $4,000-$8,000 over an average of 4-6 months. This cost excludes the cost of housing stability counseling.

[4] While not required by statute, it is recommended that applicants who are homeless be referred through the local homelessness Continuum of Care (CoC) Coordinated Entry system. CoC Coordinated Entry systems should be designed such that applicants for housing assistance are assessed with a common assessment tool, and triaged in terms of need. Utilizing the Coordinated Entry system will provide a single referral source and will help reduce the possibility that households are ineligible and/or are accessing multiple streams of assistance. If the local jurisdiction decides against utilizing the Coordinated Entry system for referrals, they are encouraged strongly to consult with the local Continuum of Care so that the SHIP Rental Assistance program will be coordinated with other forms of rental assistance, such as Emergency Solutions Grant, SSVF, and/or HUD CoC Rapid Rehousing programs. Coordinating such programs will increase the effectiveness and consistency of those programs.

[5] While not required by statute, it is recommended that local governments utilize sub-recipients to administer the rental assistance strategy. Local nonprofit organizations have a wealth of experience managing similar types of programs, possess background information on many applicants (e.g., through the Homeless Management Information System), and have the capacity to provide housing stability counseling, which is a key component for success of rental assistance programs.

SHIP Rental Agreement

The County, by ordinance, has adopted a Local Housing Assistance Plan (the LHAP) in accordance with Rule Chapter 67-37, Florida Administrative Code, as a part of the SHIP Program which contains a Special Needs Housing strategy (the Strategy) to provide funding for the purchase of new construction housing or existing housing and the rehabilitation of or additions to existing housing used for special needs housing groups as referred to in section 420.0004, Florida Statutes, including persons with disabilities.

SCOPE OF SERVICES

The DEVELOPER operates group homes that provide housing to persons with developmental disabilities and will expended SHIP assistance for the ***construction/purchase/rehabilitation*** of group home units in ***(Property Name)*** to be used as special needs housing for persons with developmental disabilities.

The total amount of ***construction/purchase/rehabilitation*** will be
One Hundred Thousand and 00/100 Dollars ($100,000.00), and shall be provided to the DEVELOPER

The SHIP funds that have been committed are for ***(number)*** clients whose income is below __% AMI and accumulate from ___ separate allocation years, which each have a separate expenditure deadline. The dollar figures and expenditure deadlines are as follows:

2024/2025	*$________*	*June 30, 2027*
2025/2026	*$________*	*June 30, 2028*

Funds are considered expended when the assisted rental units have been ***built or repaired*** and are occupied by SHIP eligible tenants. The names and demographics of the SHIP assisted tenant must be provided to the SHIP Office, including annual income, number of household members, and age and race of the head of household.

GOALS AND PERFORMANCE MEASURES

The units that shall be ***built or repaired*** shall be limited to households under ***fifty (50) percent*** of the area median income and will provide affordable housing for SHIP eligible individuals with special needs. Activity shall be completed within ***five (5) months*** of the issuance of the notice to proceed.

TERMS OF ASSISTANCE

This SHIP assistance is provided as a forgivable loan with a term of ***30 years***.

As required by section 420.9075 (5)(g) of the Florida Statutes. A DEVELOPER that offers rental housing for sale before the ***30-year period*** must give a first right of refusal to eligible nonprofit organizations for purchase at the current market value for continued occupancy by eligible persons.

The DEVELOPER will pay when due all taxes assessments, water rates and other governmental charges, fines and impositions, of every kind and nature whatsoever, now and hereafter imposed on the mortgaged property, and will pay when due every amount of indebtedness secured by any lien of which the lien of this Mortgage is expressly subject. The DEVELOPER will keep all buildings now existing or which may hereafter be erected or installed in the land mortgaged hereby, insured against loss by fire and other hazards, casualties and contingencies

COMPLIANCE MONITORING

All projects must be in compliance with the rules and regulations of 24 CFR Part 5 (Income Limits, Annual Income, Rent, and Examinations for the Public Housing and Section 8 Programs) and the State Housing Initiatives Partnership Program as authorized by Florida Statutes, Chapter 420.907 and the Florida Administrative Code 67-37, and in particular related to:

a. Income limits
b. Definition of Affordability
c. Maximum rent
d. Non-discrimination

The manager of _______________ must remain in contact with the SHIP Office during the 30-year SHIP affordability period and must remain in compliance with SHIP requirements. The manager must stay updated on income qualification training by completing re-training at least once every three years.

Once annually on ***(date)*** staff from the SHIP office will conduct a monitoring visit to review income compliance and affordability of rent/housing costs, as well as complete an inspection of the physical condition of the SHIP assisted units and the overall property.

30 Days prior to this monitoring visit, the DEVELOPER will provide the following:

- A completed annual re-certification of income eligibility for each SHIP-assisted rental unit using the attached residential income certification form and including required verification of household income and assets.
- Proof of Affordability of Units
- Certificate of Hazard Insurance naming the SHIP Office as co-insured

ATTACHMENTS

to include with the SHIP Rental Agreement:

- Applicant Intake Forms, including Release of Information/Acknowledgment of SHIP terms signed by beneficiary
- SHIP Resident Income Certification
- Income Verification Forms
- SHIP Manual

SIGNATURES

_____________________________ _____________________________

SHIP Office Developer

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