

# Affordable Housing Funding Sources

## Part 1

June 2, 2020



# The Florida Housing Coalition

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- Statewide nonprofit provider of training, technical assistance, and consulting
- From ending homelessness to first time homeownership
- See [www.flhousing.org](http://www.flhousing.org)



# The Florida Housing Coalition

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Thank you.



## AFFORDABLE HOUSING CATALYST PROGRAM

Sponsored by the Florida Housing  
Finance Corporation



we make housing affordable™



# Webinar Logistics

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



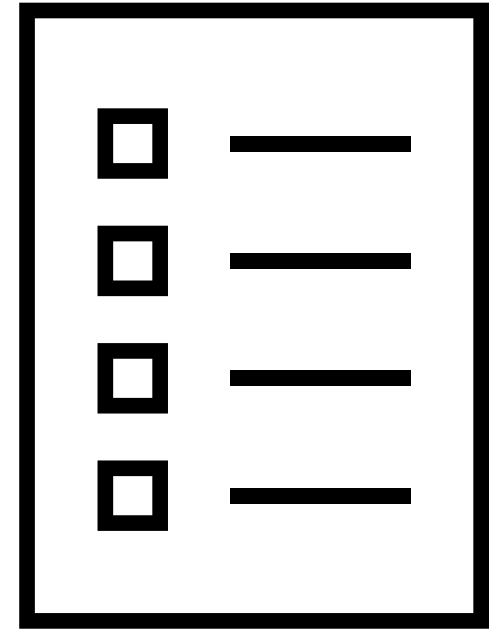


Poll #1

Who is on?

# Poll #2

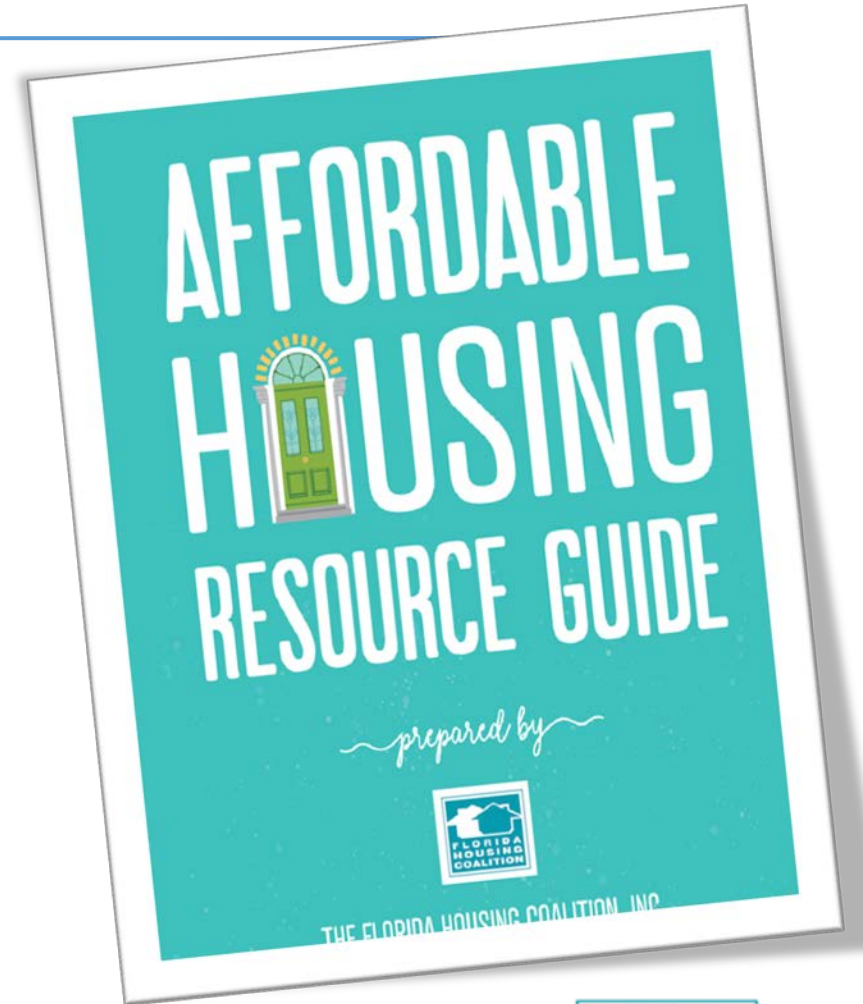
Level of  
familiarity with  
funding sources?



# Agenda

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1. Introduction
2. Funding Sources to End Homelessness
3. Funding Sources for Rental Development
4. Q&A





# How is Affordable/Workforce Housing Produced?

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



Planning + Financing + Long-Term Assurances = Affordability

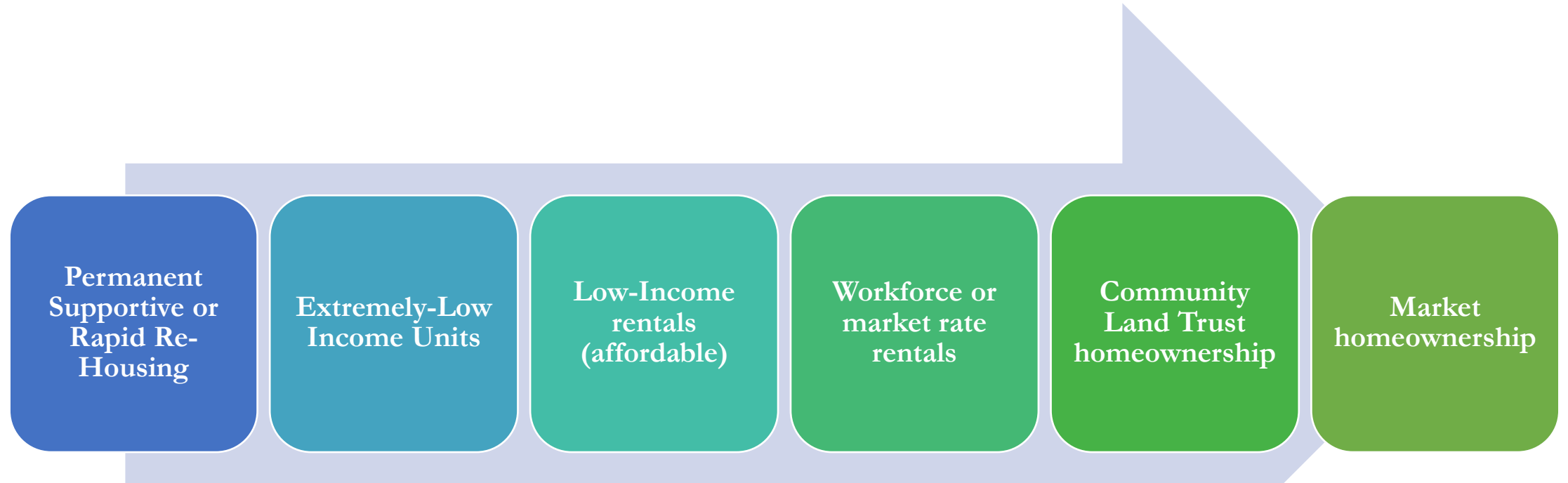


# Will the Market Produce Workforce Housing Without Assistance from Government?

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



# Affordable Housing Resources Cover Homelessness to Homeownership



COMPONENTS OF AN EFFECTIVE  
**HOUSING CRISIS**  
Response System



# HUD McKinney-Vento Homeless Assistance Grants

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CONTINUUM OF CARE  
PROGRAM (COC)



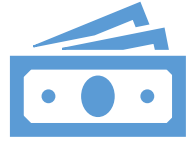
EMERGENCY SOLUTIONS  
GRANT (ESG)

# CoC/ESG Funding

	<u>Continuum of Care</u>	<u>Emergency Solutions Grant</u>
Eligible Applicant	Nonprofits, State and local governments, public housing agencies*	Metropolitan cities, urban counties, territories, and states
Type of Grant	Competitive FY19: <b>\$94,092,155</b> <b>No CARES Act \$</b>	Formula FY20: <b>\$13,160,509</b> CV: <b>\$45,381,064</b>
Eligible Activities	Permanent Housing <ul style="list-style-type: none"> <li>• Permanent Supportive Housing</li> <li>• Rapid Re-Housing</li> </ul> HMIS Planning (Lead Agency) Transitional Housing Support Services	Street Outreach Emergency Shelter Homelessness Prevention Rapid Re-Housing HMIS

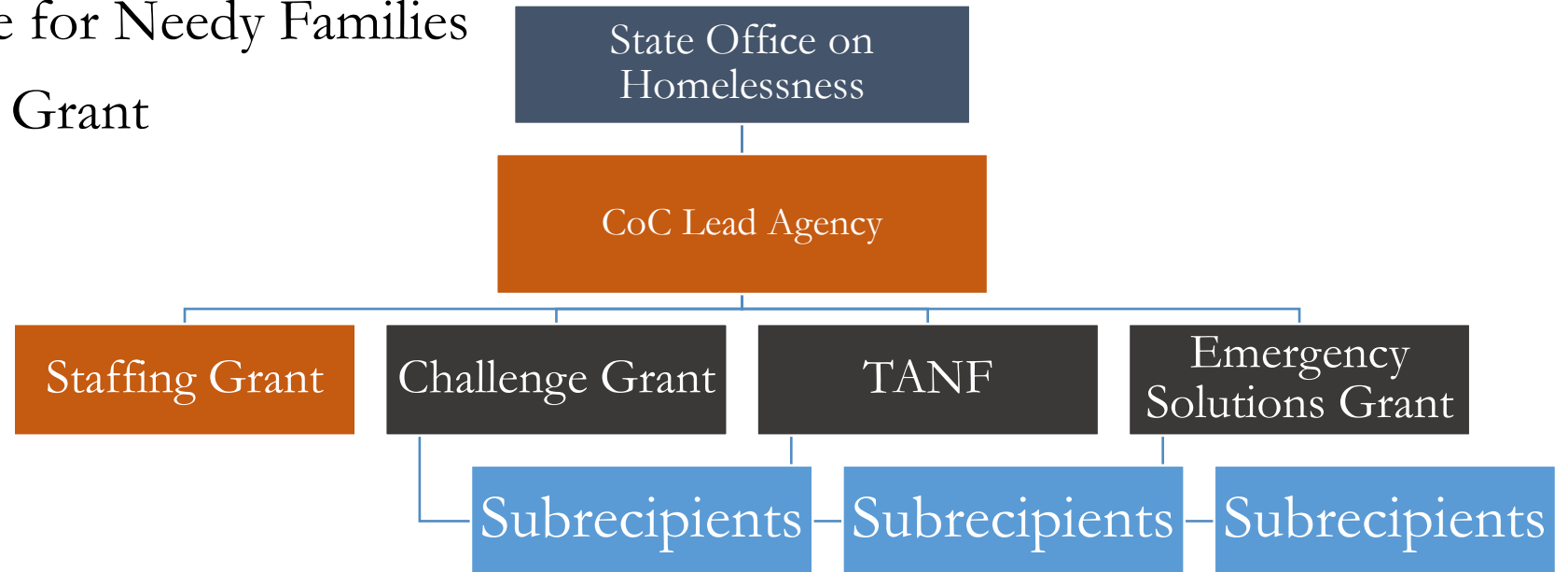
\*CoCs must designate a [collaborative applicant](#)





# State of Florida Funding

- Challenge Grant
- Temporary Assistance for Needy Families
- Emergency Solutions Grant
- Staffing Grant







# Funding for Veterans

- **HUD-VASH**

- HUD housing voucher + VA supportive services
- Permanent supportive housing
- Most in need and chronically homeless

- **Supportive Services for Veterans Families (SSVF)**

- Prevention and Rapid ReHousing
- Literally homeless



# Other Funding Sources

SHIP, SAIL

TBRA,  
PBRA  
(PHAs)

HOPWA

CDBG,  
HOME



## Funding Sources for Rental Development

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

# Low Income Housing Tax Credits (LIHTC)

- US Department of Treasury Program
- Largest source of funding for rental development in the state
- Dollar for dollar reduction in federal tax liability
- Credits are “sold” to corporations to reduce their tax liability through syndication to become equity investments used to finance affordable rental units
- Competitive and non-competitive (9% v. 4%)

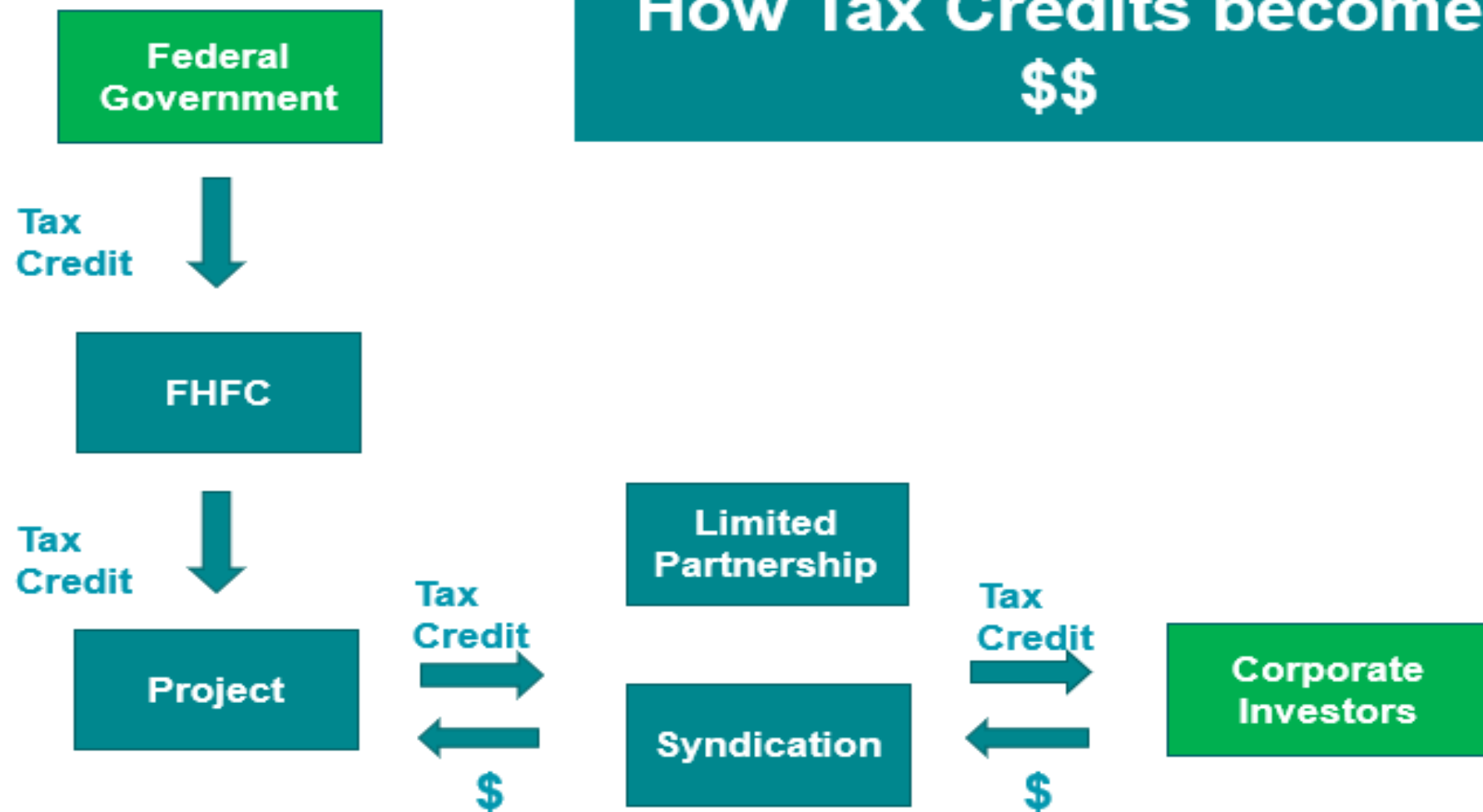


# Low Income Housing Tax Credits (LIHTC)

- Allocating agency – Florida Housing Finance Corporation
- Awarded to developers of affordable Multifamily rental
- New construction & acquisition/rehab
- Usually 60+ units
- Usually ALL units serve <60% AMI
- Additional set aside for ELI (30-35% AMI)



# How Tax Credits become \$\$



# Calculation of Tax Credit Equity

$$\begin{array}{l} \text{Eligible Basis} \\ \times \text{Qualified Percentage} \\ \hline = \text{Qualified Basis} \end{array}$$

$$\begin{array}{l} \text{Qualified Basis} \\ \times \text{Tax Credit Percentage} \\ \times \text{Ten Years} \\ \times \text{Ownership percentage} \\ \times \text{Tax Credit Purchase Price} \\ \hline = \text{\textcolor{green}{\$ \$ \$ Total Equity}} \end{array}$$





# Calculation of Tax Credit Equity

Eligible Basis	\$10,000,000
<u>x Qualified Percentage</u>	x 100% (all units low-income)
= Qualified Basis	= \$10,000,000

Qualified Basis	\$10,000,000
x Tax Credit Percentage	x 0.09
x Ten Years	x 10
x Ownership percentage	x 0.9999
<u>x Tax Credit Purchase Price</u>	<u>x 0.95</u>
= \$\$\$Total Equity	= \$8,549,145

**Funding Gap: \$2,450,855**





# State Apartment Incentive Loan Program(SAIL)

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



# Multifamily Mortgage Revenue Bond Program (MMRB)

- Multifamily Mortgage Revenue Bonds
- MMRB with or without 4% credits
- Uses both taxable and tax-exempt bonds to provide below market rate construction loans to nonprofit and for-profit developers of affordable housing.
- Can apply for SAIL for gaps



# Request for Applications Process

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



# RFA Participation Factors

- \$3,000 application fee (with exceptions)
- \$25,000 Application Withdrawal fee or LOC (with exceptions)
- Scoring Rubric
- Prior Experience of Developer
- Prior Experience of Management
- Project size and construction features

# RFA Participation Factors

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

# Predevelopment Loan Program (PLP)

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



# PLP Eligible Costs

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



# HOME Investment Partnerships Program

- Governed by 24 CFR Part 92
- Funding exclusively to create affordable housing
- Participating jurisdictions (PJ)
  - States
  - Local governments, and
  - Consortia
- Emphasizes partnership with local nonprofit and for-profit organizations, developers, lenders
  - CHDO Set-aside – 15% of allocation





# HOME Eligible Activities

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



# HOME Program Compliance

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

HOME Assistance per Unit or Buyer	Length of Affordability Period
Less than \$15,000	5 Years
\$15,000 - \$40,000	10 Years
More than \$40,000	20 Years
New construction of rental housing	20 Years
Refinancing of rental housing	15 Years

# Allocation of HOME Funds

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

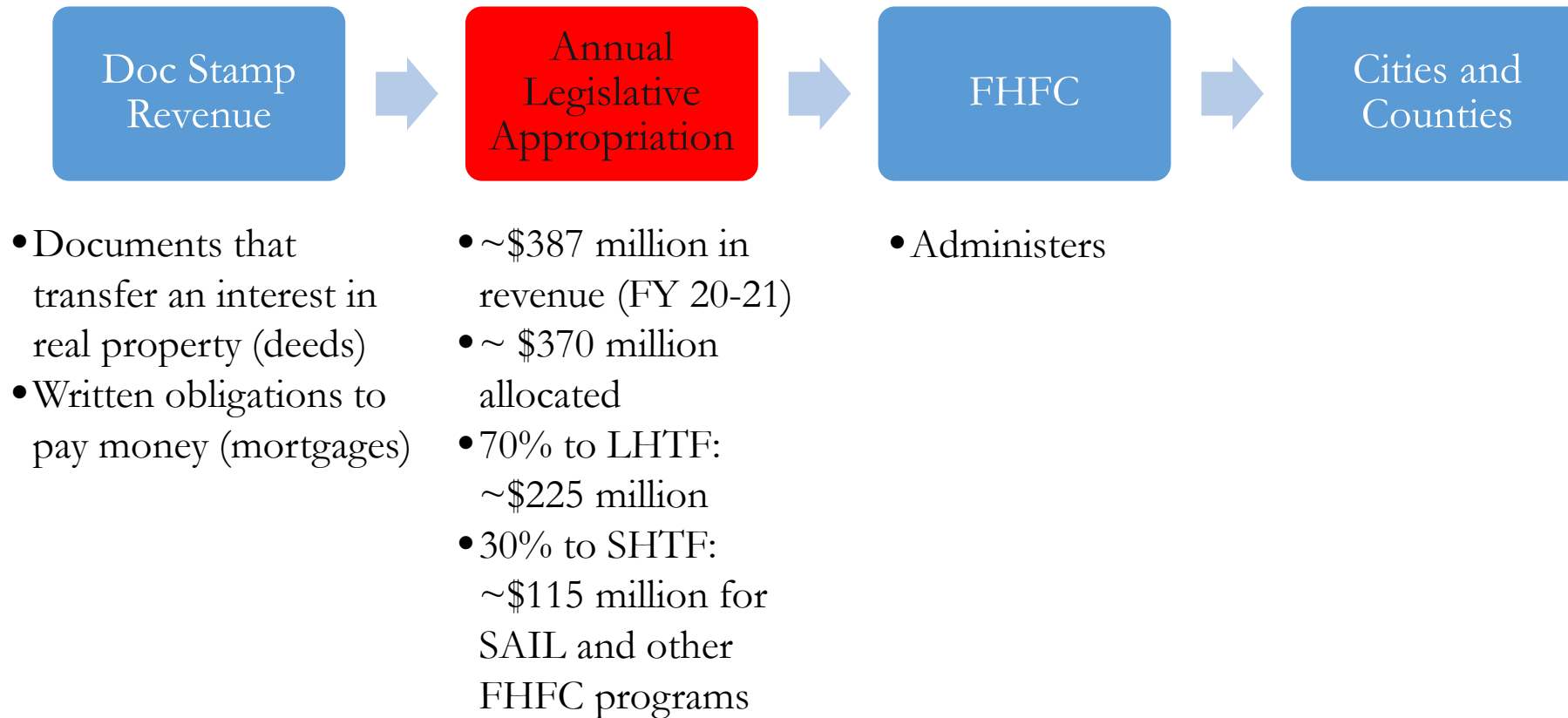


# HOME Investment Partnerships Program at FHFC (State)

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



# State Housing Initiatives Partnership (SHIP)



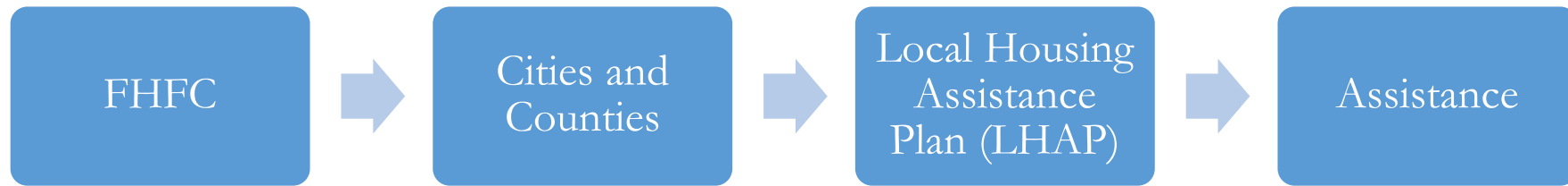
# Proposed Budgets- As of March 15, 2020

Appropriation of Housing Trust Fund Monies: \$387 Million

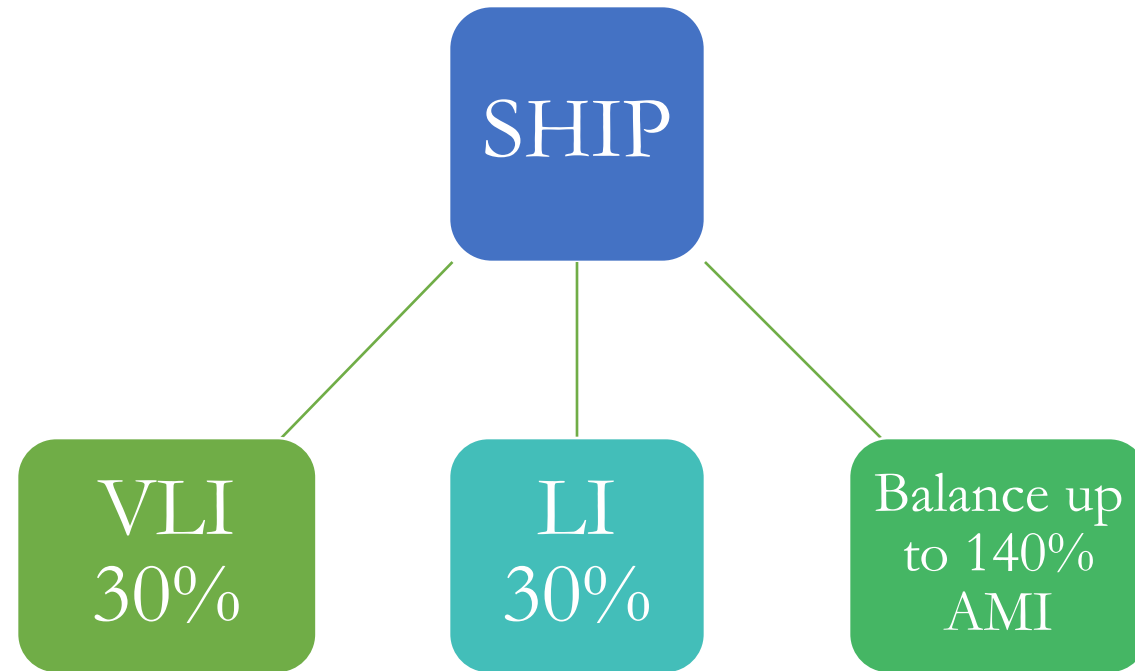
	GOVERNOR	SENATE	HOUSE	FINAL BUDGET FY 20-21	FINAL BUDGET FY 19-20
FHFC: SAIL & other FHFC Line 2281	\$119,800,000	\$119,800,000	\$48,800,000	\$115,000,000	\$39,040,000
SHIP Line 2282	\$267,200,000	\$267,200,000	\$73,200,000	\$225,000,000	\$46,560,000
Hurricane Housing Recovery Program (SHIP-like program for Hurricane Michael disaster counties only)	\$0	\$0	\$25,000,000	\$30,000,000	\$65,000,000
Rental Recovery Loan Program (SAIL-like program (for Hurricane Michael disaster counties only)	\$0	\$0	\$0	\$0	\$50,000,000
TOTAL HOUSING	\$387,000,000	\$387,000,000	\$147,000,000	\$370,000,000	\$200,600,000
SHTF SWEEP	\$0	\$0	\$65,000,000	\$0	\$10,000,000
LGHTF SWEEP	\$0	\$0	\$135,000,000	\$0	\$115,000,000
TOTAL SWEEP	\$0	\$0	\$200,000,000	\$0	\$125,000,000
Unallocated SHTF	\$0			\$4,800,000	\$300,000
Unallocated LGHTF	\$0		\$13,740,000	\$12,200,000	\$7,060,000



# State Housing Initiatives Partnership (SHIP)

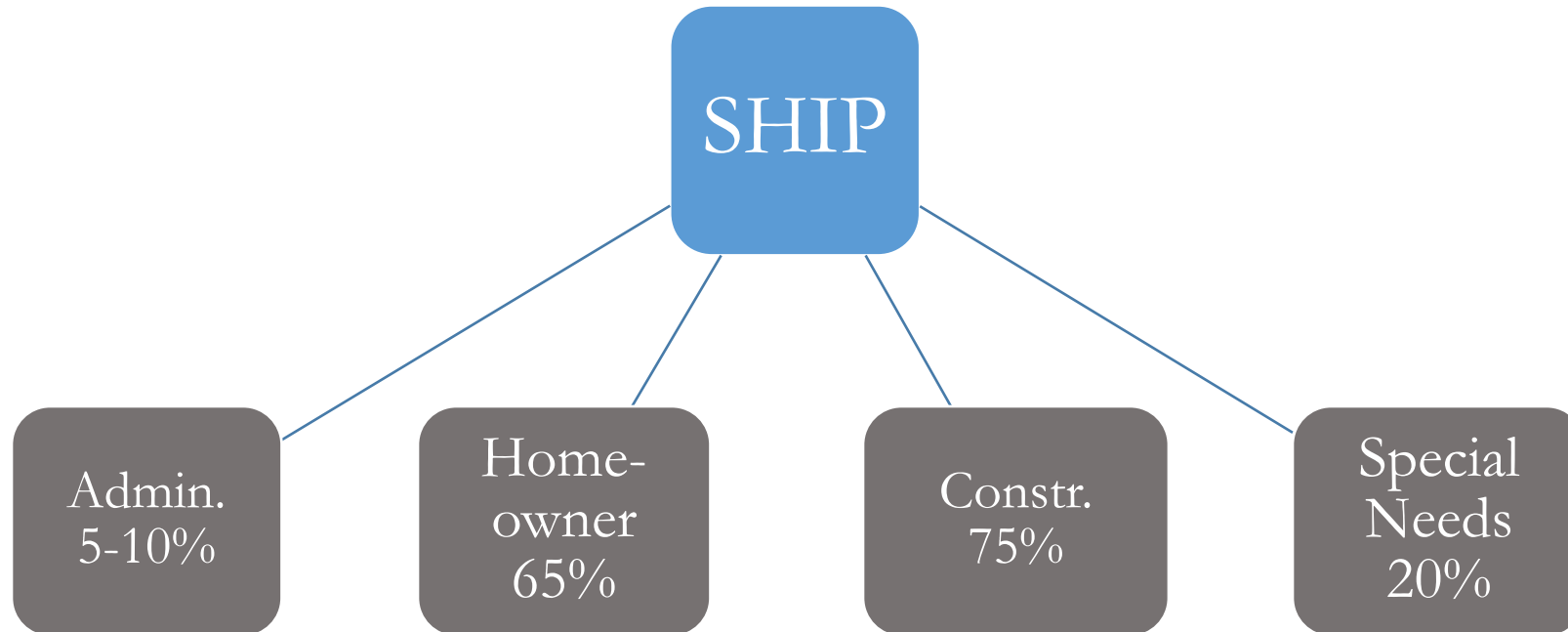


# SHIP: Income Set Asides





# SHIP: Program Set Asides



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

# SHIP: Eligible Uses



## Homeownership

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



## Construction

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



## Special Needs

- Home modifications
- Technological enhancements and devices
- Independent living

# Community Development Block Grant Program

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



# CDBG Entitlement Program: Eligible Activities

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



## Using CDBG for Housing

Housing  
Rehabilitation

Homebuyer  
Assistance

Construction  
of Housing  
(CBDO only)

Activities to  
Support  
Housing

Services in  
connection  
with housing

# Allocation of CDBG Funds

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



# Florida Small Cities CDBG Program

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



# Florida Small Cities CDBG Program

Categories of funding include:

- Commercial Revitalization
  - Economic Development
  - Housing Rehabilitation
  - Neighborhood Revitalization
- 
- FY 2020 allocation - \$28,356,696
  - CDBG-CV1 - \$16,660,264 (non-entitlement communities)
  - CDBG-CV2 - \$63,170,131 (entitlement and non-entitlement communities)





# Florida Small Cities CDBG Program

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



# How to Apply for Small Cities CDBG Program

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



# Opportunity Zones

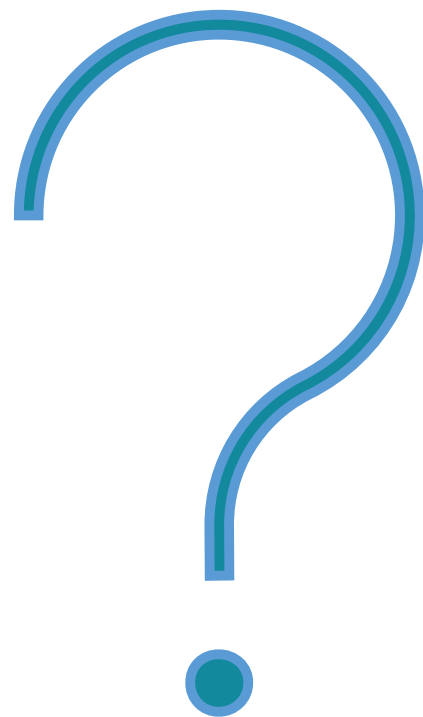
- Created in the 2017 Tax Cuts and Jobs Act.
- Meant to attract private capital to low-income areas through investment of unrealized capital gains
- Terminology
  - Qualified Opportunity Zones (QOZ) are designated census tracts eligible for tax incentives – at least one in every county in Florida
  - Qualified Opportunity Funds (QOF) are investment vehicles for property in an OZ.
- Application to affordable housing limited to date, but holds promise



# Other Rental Funding Sources

- USDA
- Conventional Lending
- Local Housing Finance Authority
- Local Housing Trust Fund funds
- Community Development Finance Institutions
- Federal Home Loan Bank
- National Housing Trust Fund
- Other FHFC Financing (special needs)
- Opportunity Zone Funds
- Philanthropic Investors
- And more!





# Sources Activity: Veterans Villas

Suppose you are a nonprofit serving a small city in a medium-sized county. Your organization recently received a donation of a 3-acre parcel. Based on the zoning, you can build up to 36 units. The site is ready to go with all utilities and no environmental issues. Your organization has a mission to serve disabled veterans, and you would like to build housing to serve this population. You have experience providing supportive services, but no development experience.

**What are some possible sources of funding for your proposal? (Type your answers in the Questions box)**



# Affordable Housing Funding Sources Part 2

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June 15, 2020 at 2:00 pm

Registration Link:

- <https://register.gotowebinar.com/register/4783488409207371522>

Guest Presenter:

Jason Goldfarb, Principal  
JCG Consulting



# Other Upcoming Trainings/Webinars

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1. COVID-19 Response for Housing and Homelessness in Florida
  - **Every Thursday**
  - June 4, 1:30-2:30 (ET)
2. Florida Housing Coalition Hurricane Member Update
  - **Every Friday**
  - June 5, 1:30-2:30 (ET)

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





Thank you.



## AFFORDABLE HOUSING CATALYST PROGRAM

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# Contact Us

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## For Assistance Contact

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