LHAP Strategy Design and Amendments

sponsored by
Florida Housing Finance Corporation's Catalyst Program
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‘Past Catalyst Trainings’

The LHAP Governs Specific SHIP Allocations

EXAMPLE

- Community completed LHAP for 16/17 through 18/19 funds
- New LHAP includes a new strategy
- Still working to expend 14/15 funds.
- **Question:** Spend 14/15 on new strategy?
- **Answer:** NO, 14/15 funds are governed by old LHAP.
- **Solution:** amend old LHAP
Amend the LHAP Anytime

- **Plan amendment**: add or delete a strategy, requiring review committee approval:
  - Approved (with no comments)
  - Approved with Comments
  - Tabled or Approval is Withheld

- **Technical Revision**: updating an existing strategy

Technical Changes to Existing Strategies

**EXAMPLES**

- Changing SHIP deferred loan from 10 years to 15 years
- Adding a priority to applicant selection
- Increasing Maximum Award amount
- TIP: Include updated Housing Delivery Goals Chart
Procedures for Amending the LHAP

- Initially submit documents electronically in their current file format (word, excel)
- Use underline/strikethrough for LHAP changes (different than when submitting whole LHAP)
- Send main LHAP document & exhibits affected
- Email robert.dearduff@floridahousing.org
  Subject: LHAP Amendment & local gov’t name
- In email, state if this as a plan amendment or technical revision.

New Template
“LHAPs submitted on out-of-date forms or in incorrect format will be rejected”

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Guidance on Specific Strategies

Purchase Assistance

• Assistance = difference between what target market can afford and housing cost
• No statutory or regulatory cap on maximum assistance amount
• Do not include underwriting terms if first mortgage lender determines loan eligibility
• Rehab or Not Rehab?
• Define First Time Homebuyer

Owner-Occupied Rehabilitation

• Goals: work to fully repair home. May also be neighborhood improvement
• Challenges with Rehab often are in the implementation
  – Inspections
  – Managing Expectations of the Homeowner
  – Work Write Ups
  – Approaches to change orders
  – Evaluating Contractors
Strategy Recommendations: Developers of Homeownership

- How will funds be awarded to developer?
  - Terms of developer award
- What will be passed along to the buyer?
  - Terms of Buyer Assistance
- Recipient selection section describes buyer
- What is the sponsor selection criteria?
- Procurement policy – attach or describe

SHIP Rental Development

- New construction or repair of rentals
- Limited by statute to 25% of allocation
- Minimum Affordability Period: 15 years
- Monitoring: required annually if more than $10,000 project and no one else is doing it
SHIP Rental Assistance

Rental Assistance = Helping individual renter

- No Monitoring required
- Rent Deposit
- Eviction Prevention
- Rent Subsidy
  - Subsidy recipient must be Very Low Income and be homeless or special needs

Section II. Housing Strategies

Confirm Strategy Title corresponds with Code
Section II. Housing Strategies

Summary of Strategy
• Concise and clear description
• Describe type of activity
• Do not include loan terms, selection, income categories, etc. required in other sections
• Strategies must be self contained (do not reference other strategies)

Fiscal Years Covered
• List all years covered. Do not use “all years”

Income categories to be served
• List one or all the defined income categories “very low, low and moderate”
• Do not use “all income groups”
• If not funding a specific group leave it off
• Consistent with Housing Delivery Goals Chart
Income Categories to be served:

- Very-Low Income - No contribution
- Low Income - $100.00 contribution
- Moderate Income - $250.00 contribution

Income Categories to be served:

Very-Low, Low, Moderate

Housing Strategies:

Maximum Award

- List by income category, consistent with HDGC
- Rehab and Purchase Assistance: list maximum amount households may receive.
- Rental Development: include ‘maximum per rental unit’ as well as ‘maximum for entire development’
Maximum Award Considerations

• Rehabilitation: Typical repairs and average costs
• Rental Housing: What is typical rent and availability?
• Purchase Assistance: Award driven by housing cost and what target market can afford

Terms of the Award

1. Repayment loan/deferred loan/grant
2. Interest Rate:
3. Years:
4. Forgiveness:
5. Repayment:
6. Default:
Terms 1. Loan or Grant

Loan, deferred loan or grant
- Loans: state “secured by a recorded mortgage & note”
- State ‘subordinate mortgage’, not 2nd mortgage

Grants must be approved by FHFC
- Usually limited to disaster/emergency repair, rental assistance, foreclosure prevention, barrier removal

Variations Available
- Deferred Payment Loans of Various Terms
- Direct Payment Loans at Various Terms
- Direct/Deferred Payment Loans at Various Terms
- Grants

Terms 2. Interest Rate

- Include interest rate for SHIP assistance if any
- If none state 0%. For grants, state N/A

Terms 3. Years

- State number of years loan is secured
- For grants, state N/A
- Put maturity date on the RECORDED LOAN.
- What is default # of years of vague mortgage, according to Statute 95.281 (1) (b)?
Sample Years Text Needs Improvement

BEFORE
Term: 10 years. The SHIP mortgage and loan agreement is forgiven after ten (10) years IF the owner maintains the home:

a. As principal residence
b. Property taxes paid in full every year
c. Insurance kept on the unit paid and up to date during the life of the loan.

AFTER Term: 10 years.

Terms 4. Forgiveness
State if any portion of the loan will be forgiven
– Some never forgive: repaid upon property transfer
– Some forgive at end of term
– Some prorate forgiveness over the term

Do not refer to default situations in this section
– This section describes what happens when everything goes according to plan
Terms  5. Repayment

• State if payments are required during the term
• Another option: balloon payment at the end of the term
• Some forgive assistance, so no SHIP repayment is ever required.

Terms  6. Default

List situations where the loan does not remain in good standing through the term:
• Sale, transfer,
• Conversion to rental,
• Death of homeowner(s).

Use “outstanding balance” rather than “full loan amount” when addressing repayments.

Review of Policies when SHIP recipient dies
Housing Strategies:
Recipient Selection Criteria

• Only for applicants, not developers
• At a minimum state “first-qualified, first-served”.
• Add any special conditions, priorities for selection specific to the strategy.
• Do not include priorities already stated in Section I, waiting list/priority section.
  Reference to this section.

Housing Strategies:
Sponsor/Developer Selection

• A sponsor is an entity to which an award of funds has been made.
• If this is done by an RFP process, please provide a general overview of that process and give a summarized list of requirements
• Selection criteria may include:
   Experience   Leveraged funds for project
   Financial capacity   Availability of land
Housing Strategies: Additional information

• Use this section to detail anything that is not covered in a section above.
• This includes restrictions against assisting mobile homes or households receiving SHIP funds more than one time, for example.
• If you are referencing a separate policy document in the LHAP, either summarize the policy in the affected strategies or attach the document as an exhibit.

Formally Update LHAP every 3 years

Two Entities must approve it
• City or County Commission
• Florida Housing Finance Corporation
  – LHAP Review Committee Members
  – FHFC Review may take 30 Days
    • Proposed Rule revision increases to 45 days
Section I. General Information

• A. Interlocal Agreement
• B. Purpose of Program
• C. Fiscal Year Covered by the Plan
• D. Governance
• E. Local Housing Partnership
• F. Leveraging
• G. Public Input
• H. Advertising and Outreach
• I. Waiting List/Priorities

1st Qualified 1st Served  OR  Priority

• Use strategy language or insert new language. Does Priority apply to all or some strategies?
• Common: first priority for households qualifying as Special Needs
• Also: Essential Service Personnel
Section I. General Information

- J. Discrimination
- K. Support Services and Counseling
- L. Purchase Price Limits
- M. Income Limits, Rent Limits and Affordability
- N. Welfare Transition Program
- O. Monitoring and First Right of Refusal
- P. Administrative Budget: 5 or 10%?
- Q. Program Administration
- R. Project Delivery Costs
- S. Essential Service Personnel

New: Project Delivery Costs

Detail any Project Delivery Costs (PDC)
- “Cannot be any that would normally be included as administrative expenses”
- **Reasonable** Costs related to
  - Cost of the project, and
  - Type of strategy
Section I. Efforts

Get an “A” For Effort

• T. Efforts to incorporate Green Building
• U. Efforts to meet the 20% Special Needs set-aside
• V. Efforts to reduce homelessness