Working with Nonprofits, Sponsors and Subrecipients

sponsored by Florida Housing Finance Corporation’s Catalyst Program
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AFFORDABLE HOUSING CATALYST PROGRAM

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Any local government participating in SHIP that uses a Sub-Recipient to administer all or part of the SHIP program should be aware of the following facts:

1. The SHIP rule defines a Sub-Recipient (see below) broadly as any person or non-state entity. This would include any non-profit, consultant or other entity actively performing any administrative function of the program including application intake, income verification, contract oversight, counseling, etc. The term Sub-Recipient should not be confused with the statutorily defined Eligible sponsor (see below) which refers to an entity that receives a funding award. There may be situations where it is difficult to determine when an entity is “awarded” funds, but in practice carry out the administration function for those funds. In these cases, the entity should be considered as a Sub-Recipient.

2. Regardless of the use of Sub-Recipients, the local government is responsible (67-37.019 (10)) for monitoring the SHIP funds being expended through the Sub-Recipient. The responsibility for compliance with the requirements cannot be
SHIP Statute 420.9072 1(a)

The Legislature further intends that local governments achieve this combination of resources by encouraging active partnerships between government, lenders, builders and developers, real estate professionals, advocates for low-income persons, and community groups to produce affordable housing and provide related services.

Goal: Create Local Partnerships
Sponsor
Means 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.

420.9075 Local housing assistance plans; partnerships.–
As a condition of receipt of an award, the eligible sponsor or eligible person must contractually commit to comply with the affordable housing criteria provided under ss. 420.907-420.9079 applicable to the affordable housing objective of the award. The plan criteria adopted by the county or eligible municipality must prescribe the contractual obligations required to ensure compliance with award conditions.

420.9075 Local housing assistance plans; partnerships.
Developer/Sponsor example

• A SHIP community issues an RFA for a developer to construct 10 rental units for low income tenants. The RFA requires the developer has site control and the project is “shovel ready”.

• A nonprofit sponsor responds to an RFP to use SHIP funding to buy 5 single family homes, rehab them and sell the homes to SHIP eligible buyers. The nonprofit and SHIP office executes an agreement stating the work that is entailed and the responsibility of the Nonprofit Sponsor.
Resale Provisions

• 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.
  • Section 420.9075(4)
Welfare Transition Program

A description of the qualification system and selection criteria for applications for awards to eligible sponsors, which includes a description that demonstrates how eligible sponsors that employed personnel from the Welfare Transition Program will be given preference in the selection process
Contractors are not Sponsors

• Persons /firms entering into a written agreement/contract to perform a specific task.
  • Appraisal firm
  • Lead based paint testing firm
  • Title insurance company
  • Construction work

They generally have no ownership or other ongoing interest in the project/job once their task is completed.
Sub Recipient

means a person or non-state organization contracted by a SHIP eligible local government and compensated with SHIP funds to provide administration of any portion of the SHIP program.

67-37.002 Definitions.
Sub Recipient Example

• A SHIP jurisdiction enters into a contract/agreement with a Sub recipient to implement the SHIP Purchase Assistance Program.

• The responsibilities include advertising, keeping a waiting list, processing applications, tracking, and annual reports.

• The sub recipient will perform applicant intake, counseling, income qualification, issuing award letters, underwriting, agreements and coordinating closing with the first mortgage lender.
Annual Report
Selection
Advertising for Sponsors

• Request for Applications
• Usually separate from ad for program participants for housing services
• Include selection criteria and scoring used to evaluate proposals
• Include funds available for activities that require a sponsor
• Use a fair and equitable selection process
Sponsor Selection

• Selection process is outlined in the LHAP

• They apply for an award through an application process

• Agreement should include a scope of work

• Agreement should have an award amount

• Local governments must include in LHAP the terms to the developer as well as the terms to the beneficiary which are two distinct and separate items

• Explain how benefits flow from sponsor to buyer
Advertising for Subrecipients

• Best Practice - A selection process not required but highly recommended
• Request for Qualifications
• Detail minimum requirements for selection and other required qualifications
• Include specific requirements based on local preferences
• Negotiate the terms of the award
Criteria for Program Sponsor/Subrecipient

- Financially sound
- Experience
- Funding source
- Program
- Staff/Board capacity
- Reputation

- Project team
- Program budget
- Program description
- Outcomes
- Timeline
- Other funding sources
The Importance of Written Agreements

- A written agreement serves as a legally binding contract between the local government and any other party.
- Serves as a management, accountability and enforcement tool for the local government.
- Should be executed whenever funds or services are exchanged.
Sponsor Agreements

• As a condition of receipt of an award, the eligible sponsor must contractually commit to comply with the affordable housing criteria provided under ss. 420.907-420.9079 applicable to the affordable housing objective of the award.

• The plan criteria adopted must prescribe the contractual obligations required to ensure compliance with award conditions.
Sub Recipient Agreement

Any local government receiving SHIP funds which administers any portion of the SHIP program through a Sub Recipient shall bear responsibility for actions of the sub recipient and shall monitor all sub recipients to insure compliance is maintained on all SHIP funded activities. Any contract or agreement between the local government and sub recipient shall detail the policies and procedures that shall be adhered to in the management of the SHIP activities.

67-37.019 Compliance Monitoring for Housing Developed With SHIP Local Housing Distribution Funds.
Sub Recipient

Any **contract** or document establishing the relationship between a SHIP eligible local government and a non-state organization which is a Sub Recipient receiving SHIP funds shall contain the standard audit language on Form DFS-A2-CL (Effective 7/05) of the **Florida Single Audit Act** in the document.

https://apps.fldfs.com/fsaa/statutes.aspx

67-37.019 Compliance Monitoring for Housing Developed With SHIP Local Housing Distribution Funds.
Effective Written Agreements

• Provide a budget
• Use of funds
• Activity and tasks to be performed
• Payment procedures and schedule
• Terms of enforcement
• Compliance, reporting and monitoring requirements

• Specify the activity to be carried out (who, what, where, when)
• What the funding source is
• How they are carried out
• Roles, responsibilities and options of all parties involved
• What changes are allowed and process to incorporate those changes
Based on LHAP
Local government provides

• Rent limits
• Income guidelines
• Maximum value limits
• Maximum subsidy limits
• Tenant/homebuyer selection
• Marketing requirements

Can be exhibits to the agreement and updates if applicable, are provided regularly.
Management Tool

• Written agreements are a management and enforcement tool
• It is legally binding
• It minimizes the risk of the local government
• Allows for corrective action
• Identifies specific requirements
• Allows for monitoring and compliance
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Monitoring
Subrecipient must be Monitored

- The local government is responsible for the actions of the subrecipient
- Subrecipients should be monitored on a regular basis
- Ensure that subrecipients are complying with the program requirements and policies and procedures
- Agreements should state monitoring policies and procedures
Monitoring Rental Projects

- Per rule annual monitoring of rental properties to verify tenant incomes throughout affordability period is required
- For SHIP funding of more than $10,000 per project (minimum 15 years)
  - Unless monitored by another gov’t entity (per statute)
  - Must ensure that monitoring agency is reviewing the required regulatory items and any additional requirements in the written agreement
Annual Monitoring of Tenants

• Annual Recertification
  • Monitor for unit affordability
  • Monitor for tenant eligibility (income)
    • While occupying the unit, household income may increase to 140% of the median area income category as designated during initial certification without changing unit income status
    • Section 420.9071(19)(20)(28), Florida Statutes

• Maximum rents and adjusted household incomes published annually by FHFC
Monitoring Items to Review for Rental

- Agreements
- Current rent limits
- Funding sources in project
- Advertising
- Marketing/lease up plan
- Application
- Lease provisions
- Rules and regulations
- Conflict of interest policy
- Tenant selection policy
- Tenant dispute policy
- Income Verifications
- recertification
- Tracking systems
- Rent Roll
- Financial condition
- Property condition (site, common areas, unit sample)
Monitoring Items to review for Purchase Assistance

Advertising
Waiting list
Application
Income verification
120-day clock
Income Certification
Agreements
Award letter
SHIP Mortgage and note
Property value
Property Inspection
First mortgage documents
Reporting Requirements

420.9075 Local housing assistance plans; partnerships.

- The number of households served by income category, age, family size, and race, and data regarding any special needs populations such as farmworkers, homeless persons, persons with disabilities, and the elderly.

- Counties shall report this information separately for households served in the unincorporated area and each municipality within the county.

- The number of units and the average cost of producing units under each local housing assistance strategy.

- The average area purchase price of single-family units and the amount of rent charged for a rental unit based on unit size.

- By income category, the number of mortgages made, the average mortgage amount, and the rate of default.
Best Practices

• Send letters and notify the third party of new income limits, rents, etc. that affect compliance.

• Have a system to ensure that organization provides annual report data required under the agreement.

• Regularly monitoring to ensure that the organization is complying.

• Provide training to facilitate compliance.

• Communicate with organization on a regular basis.
QUESTIONS?
Thank you for joining us

• Please e-mail your questions or ideas for future webinars, clinics and workshops to:
  • Andujar@flhousing.org

• Please complete the online Survey!