New Construction Strategies and Partnerships

Sponsored by the Florida Housing Finance Corporation’s Affordable Housing Catalyst Program

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Our Thanks to the Florida Housing Catalyst Program

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

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August 2019

‘Past Catalyst Trainings’
Webinar Logistics

• Participants are muted

• Enter your questions in the box in your webinar panel

• Forgot to ask a question or want to ask privately?
  Email me at andujar@flhousing.org

• This webinar is being recorded and will be available at www.flhousing.org

• A survey will immediately follow the webinar; please complete it! Thanks!
How to Structure a New Construction Strategy
New Construction Strategy

Summary of Strategy

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

Property Size/ amenities

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

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

• Fiscal Years Covered
• Income categories to be served
  ▪ Consider the market
  ▪ Subsidy needed
  ▪ Meeting set-asides
Terms for Developer and Buyer

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

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

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Developer Repayment

Is SHIP Repayment Required?

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

• Recipient selection criteria
  ▪ Who identifies buyer
  ▪ First come, first qualified
    ▪ Ranking Priority

• Sponsor/Developer Selection Criteria
  ▪ Experience
  ▪ Capacity (staff, financial)
  ▪ Firm Commitment
  ▪ Leverage

• Additional information
Welfare Transition Program

A description of the qualification system and selection criteria for applications for awards to eligible sponsors, which includes a description that demonstrates how eligible sponsors that employed personnel from the Welfare Transition Program will be given preference in the selection process.
How is assistance reported on the annual report?

- Funds to developer
- Repayment from developer
- Funds left in the deal (assistance to buyer)
Local Government Strategies
Collier County

• Cormac Giblin
• 239-252-2399
• Community and Human Services
• 3339 Tamiami Trail E Suite 211
• Naples, Fl 34112
• Cormac.Giblin@colliercountyfl.gov
Orange County

• Shawn Tan
• Program Manager
• Orange County Housing and Community Development Division
• 525 E South St, Orlando, FL 32801
• Phone: 407-836-5192
CLT of Palm Beach County

• Cindee LaCourse-Blum
• 4938 Davis Road
• Lake Worth, Florida 33461
• Office: 561.318.8430
• Cell: 720.530.4494
• Fax: (888)738-7974
• E-mail: clacourse-blum@cltofpbc.org
• Web: http://cltofpbc.org
CLT of PBC New Housing Construction Strategies

- Utilize SHIP and/or HOME to fill gap in affordability
  - As development subsidy
  - As purchase assistance

- SHIP dollars used to acquire units and resell under CLT model
  - As development subsidy
CLT Model of Homeownership

DUAL OWNERSHIP

HOME

CLT separates ownership of land from home
Homebuyer buys - and owns - her home
CLT leases land to homeowner
The CLT of PBC ground lease stipulates that a CLT home may only be sold to an income eligible buyer for the lesser of the appraised value at time of sale or the “Formula Price.”

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

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

If the property is sold within the 1st or 2nd year, they are entitled to 5%.
If the property is sold within the 3rd to 5th year, they are entitled to 10%.
If the property is sold within the 6th to 10th year, they are entitled to 15%.
If the property is sold any time after the 11th year, they are entitled to 25%.
Resale Formula in Action

➢ In 2014 a CL T of PBC homeowner purchased a home for $110,500. The home's market value was $136,000 at the time of purchase.
➢ By 2019 that home was worth $177,508 ($41,508 in appreciation).
➢ Having been in the home just under 5 years, 10% of the appreciation, or $4,150, would be reserved for the homeowner.
➢ Although the market value increased over 30% the home remains affordable for the next homeowner with a $114,650 sales price.

Original Purchase Price + Owner’s Share of Appreciation = Resale Price

$110,500 + $4,150 = $114,650
The Numbers

- Average Sales Price - $213,379 for new construction ($163,826.50 when including rehab units)

- Sales prices ranging from $72,000 – $256,000

- 80% AMI typically needs $80k in subsidy to fill gap – Ideally development subsidy for a CLT (HOME or SHIP) or SHIP purchase assistance

- 0 Resales and 0 foreclosures
Kirk Rd CLT Homes Project

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

4 single family units and a two unit duplex were built.

Two additional single family units in process.
Davis Landings West

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

Developer Capacity
  • Experience and staffing
    ▪ Funding source
    ▪ Similar project
  • Financial review
  • Reputation
  • Current Pipeline

Commitment/award of other funding sources
More Criteria

Budget
• Construction
• Cost reasonableness
• Commitment/award of other funding sources

Realistic timeline - ability to proceed
• SHIP expenditure deadline - 24 months from close of State Fiscal year
• Certificate of Occupancy

Buyers are pre-approved and ready to move in at completion
What the Developer wants from SHIP

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

• Selection of Developer

• Details of Contract

• Provide SHIP subsidy at right time in development process

• Pay SHIP dollars in last payment

• Provide update of income limits

• Monitoring and Provide training
Developer Duties

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

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

• A written agreement serves as a legally binding contract between the local government and any other party

• Serves as a management, accountability and enforcement tool for the local government

• Is serves as the basis for compliance monitoring
General Provisions of the Agreement

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

- Affordability
- Duration of agreement
- Timeline
- Disbursement of funds/payment
- Record retention and reports
- Reversion of assets
- Default
- Monitoring
- Close out requirements
Program requirements – Comply with LHAP

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

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

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

• To compare reality with requirements
• To measure an activity against a quality standard
• To identify problem areas which may hinder the completion of the contract activities.

• Monitoring is a key component of providing technical assistance to your developers
Recommended Practice:

• SHIP Administrators *should* monitor *ALL* Sponsors

• When: during construction and after homes are purchased

• SHIP Administrators must develop a written plan which describes all monitoring activities for each Sponsor.
Sponsor/Developer file includes but is not limited to:

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

- Advertising
- Waiting list
- Application
- Income verification
- 120-day clock
- Income
- Certification
- Agreements
- Award letter
- SHIP Mortgage and note
- Property value
- Property Inspection
- First mortgage documents
Please complete the evaluation!

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