

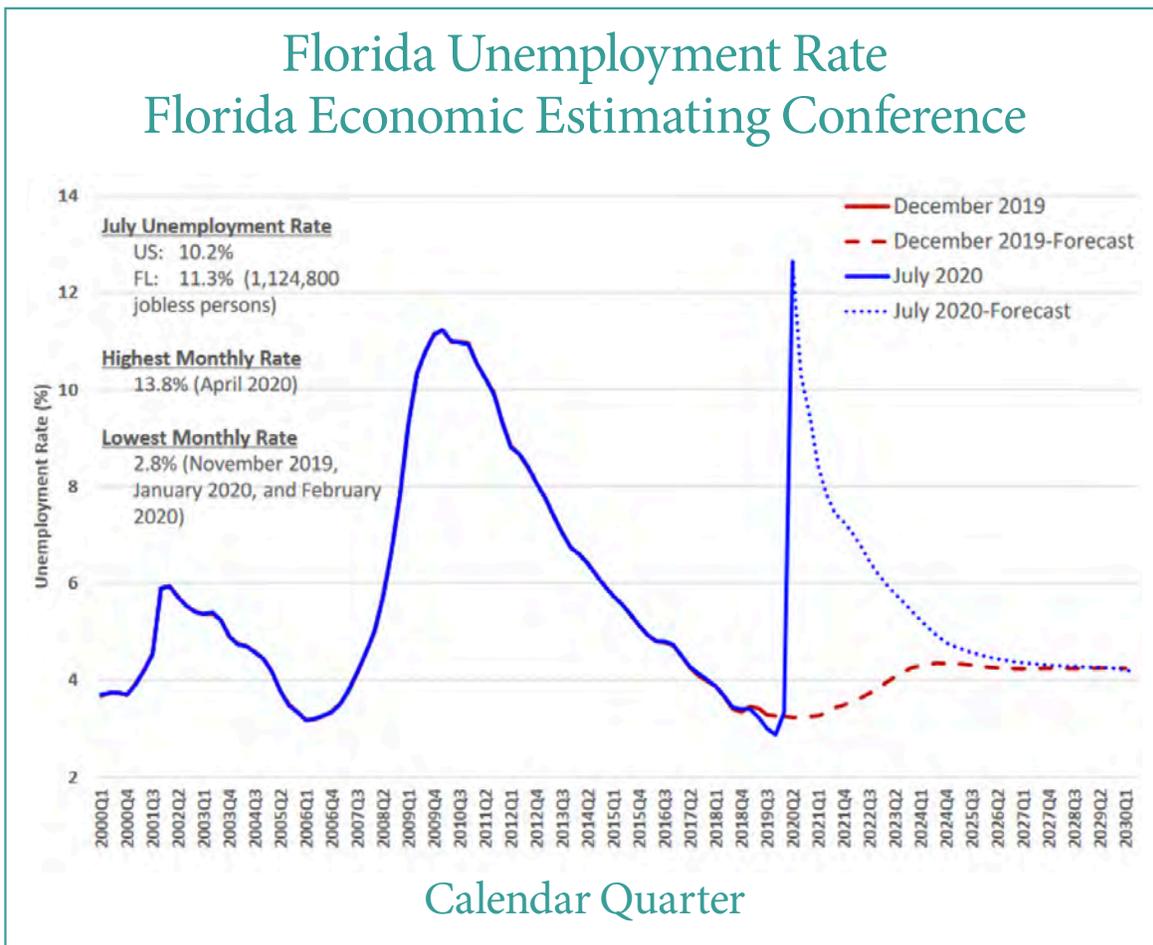
Coronavirus Relief Funds Cannot Replace SHIP



BY KODY GLAZER AND AIDA ANDUJAR

In June, Governor Ron DeSantis made two executive actions that affected housing assistance programs in the State of Florida. First, the Governor announced that \$250 million from the state’s Coronavirus Relief Fund (CRF) allocation under the CARES Act would go to the Florida Housing Finance Corporation (FHFC) for emergency housing assistance. Of the \$250 million, \$120 million was set aside for rental assistance for properties in FHFC’s portfolio and \$120 million was set aside to be deployed through SHIP offices to provide housing assistance for income eligible households who were financially impacted by COVID-19.

Shortly after taking this housing-positive action with CRF funds, the Governor took a second action impacting housing: a veto of the Legislature’s appropriation of \$225 million for the State Housing Initiatives Partnership (SHIP) program from the state budget. This decision reversed the 2020 Florida Legislature’s full funding of the SHIP Program. The Governor’s decision was based on the premise that the vetoed housing funds would be needed to shore up state budget shortfalls resulting from COVID-19. The idea at the time was to use the federal funds through the CRF program to provide emergency housing assistance rather than state funds; CRF funds were intended to replace SHIP funds.



Source: The Florida Legislature’s Office of Economic and Demographic Research, “Florida: Long-Range Financial Outlook.” Published: September 10, 2020. Accessed: http://edr.state.fl.us/Content/presentations/long-range-financial-outlook/3YearPlanLBCPresentationFall2020_9-10-20.pdf.

Setting aside \$250 million in CRF funds for emergency housing assistance was a well-thought through and admirable action by the Governor. Using CRF funds for rent and mortgage assistance has helped thousands of households stave off housing insecurity. And, as evidenced by the Governor's press release at the time, the intent was to have CRF funds used similarly to SHIP funds. All good intent.

1. The CRF Program is only in effect through December 30, 2020.

As established in the CARES Act, CRF dollars must be spent by December 30, 2020. Any funds not spent by that date must be returned to the U.S Treasury Department. Therefore, although the state has devoted \$250 million to emergency housing assistance, all those dollars must be spent by the end of 2020. You use it, or you lose it.

The economic impacts of COVID-19, from decreased state revenues to household evictions and foreclosures, will not align with the timetable set by Congress in the CRF program. According to the State Office of Economic and Demographic Research, state economists predict that Florida's economy will not return to the rate of unemployment we experienced before the COVID-19 pandemic until 2029. The Office predicts that the state will still experience a nearly 8% rate of unemployment at the start

Unfortunately, federal regulatory constraints on the CRF funds have thwarted that good intent and made clear that **CORONAVIRUS RELIEF FUND DOLLARS CANNOT REPLACE THE SHIP PROGRAM**. There are four primary differences between CRF and SHIP that help demonstrate why the Legislature must fully appropriate the \$225 million in vetoed SHIP funds which remain in the Local Government Housing Trust Fund when it reconvenes.

of 2021 – over twice the rate in 2018. Over the space of months, the unemployment rate in Florida shifted from a nearly 50-year low to a near 50-year high.

On January 1, 2021, families and households throughout the state will still need housing assistance to jumpstart their lives, their communities, and our state's economy. Many local governments have a waiting list of persons or projects that were expecting to be assisted when SHIP funds were vetoed due to COVID-19. The SHIP program must be fully funded to help Florida families after the conclusion of the CRF program. The federal CRF funds have been a temporary emergency solution and the state will need to return to the SHIP program at the start of 2021 to prevent housing insecurity and positively impact Florida's economy.

2. CRF Funds can rarely be used for housing construction – SHIP must be fully funded to boost our shrinking housing supply.

Florida was suffering through an affordable housing shortage before the pandemic hit and COVID-19 has only exacerbated the issue. According to the Florida Realtors, as of August 2020, the active inventory of single-family homes is down a staggering 35.5% since August 2019. Due to work stoppages, labor shortages, and the rising prices of various construction materials, new housing construction in Florida has not kept up with demand, further increasing housing prices. CRF funds can only be used for new housing construction in extremely rare circumstances as the funded projects must be fully completed by December 30, 2020.

The SHIP program, with its statutory requirement to spend at least 75% of funds on construction-related activities, is needed to boost our state's shrinking housing supply to keep up with demand. Since the veto of the SHIP appropriation in June affordable major housing developments have stalled due to lack of funding. SHIP was needed to fill the financing gaps for developments that were stopped when SHIP was vetoed. A fully funded SHIP program is necessary to increase housing supply and generate the massive economic ripple effects from new construction – an area CRF funds cannot address.

\$225 million of SHIP generates a massive positive economic benefit for the state sorely needed to help recover from the economic crisis caused by COVID 19.

• 10,165 Homes: Sold, Built or Repaired • 36,297 Jobs Created • \$5.396 Billion in Total Economic Impact

3. CRF Funds cannot be used for purchase assistance.

The brunt of the economic crisis from COVID-19 has impacted lower income and minority households at a disproportionate rate. Lower income workers, who are more likely to work in highly affected industries like retail, leisure, and hospitality, are six times less likely to be able to work from home. Meanwhile, middle to higher income households have enjoyed relative job security and are more likely to benefit from skyrocketing home purchase rates. According to the Census, the homeownership rate in the United States is up 3.8 percent since 2019 and is the highest since 2008. The Florida Realtors reported that August 2020

home sales were up 8.8 percent from August 2019 numbers. As the demand for new homes increase and supply continues to decrease, purchase assistance is fundamental for lower income households to have the possibility of homeownership. However, CRF funds cannot be used for purchase assistance. The purchase assistance offered by the SHIP program is essential to helping lower income households purchase homes in our high-demand, low-interest rate environment and prevent vast household wealth inequalities that may increase post-pandemic.

4. CRF Funds cannot be used after December 30, 2020.

Because CRF funds cannot be expended after December 30, 2020, the 119 local government offices that administer the SHIP program may experience serious budgetary shortfalls if SHIP is not fully and quickly funded. This is especially acute for the smaller counties that receive a \$350,000 SHIP appropriation annually, and with the veto, will have zero housing funds for FY 2020-21. Local SHIP offices will continue to have operational duties without funds to carry out those duties, including the

responsibility to meet statutory obligations for expenditures, reports, and monitoring of prior SHIP allocations. Operational SHIP offices are key to Florida's ability to recovery from disasters, such as Hurricanes. A lapse in funding may set the program back for years to the detriment of Floridians that will need continued rental, mortgage, natural disaster relief, and other fundamental housing assistance.

Conclusion

SHIP funds are crucial for Florida's economic recovery. Deploying the \$225 million in SHIP funds that were vetoed from the 2020 appropriation is the best way to recover from the economic trouble caused by COVID-19. Using SHIP for housing will provide the best return on investment for the state. SHIP can be used for economic recovery in the construction industry and all the businesses that construction supports, as well as continued rental and mortgage assistance, new housing

construction, purchase assistance, and retaining the ability to deploy housing funds wherever and whenever needed, which is the hallmark of Florida's network of SHIP offices.

The Florida Housing Coalition looks forward to working with the Governor and the Florida Legislature to ensure the funds in the Local Government Housing Trust Fund are fully appropriated for the SHIP program.



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