

Florida Housing Finance Corporation

# Strategic Plan

**Proposed for Adoption by the Board of Directors**

January 23, 2020

# Florida Housing Finance Corporation Strategic Plan

## INTRODUCTION

The purpose of this strategic plan is to provide a three to five year framework for policy and operational decisions at Florida Housing Finance Corporation. While Chapter 420, Florida Statutes, outlines Florida Housing's powers and responsibilities, and explains generally how programs will be implemented, there is an array of choices to be made within that statutory authority.

This plan is Florida Housing's roadmap of how programs will be targeted in the coming years. It is not meant to be a comprehensive plan that includes every facet of what Florida Housing does, but provides a big picture view of the Corporation's most important priorities. The strategic plan responds to current housing conditions and opportunities, emerging issues and concerns and provides a framework to guide operations.

The plan is divided into the following components:

- **Mission and Vision** - Statements outlining the purpose, primary objectives and aspirations of Florida Housing.
- **Guiding Principles** - The values the Board and Staff use to do business.
- **Priorities** - The goals that Florida Housing will focus on in the coming three to five years. The priorities are grouped by external issues (how Florida Housing wants to impact housing opportunities for Floridians) and internal, or operational, issues.
- **Strategies** - A list of actions that describe the key steps that Florida Housing will take to implement each priority.
- **Performance Measures and Targets** - Metrics to evaluate the execution of Florida Housing's goals and actions.
- **Current Trends and Conditions** - An overview of how demographic, economic and real estate conditions in Florida impact the need for affordable housing in 2019 and beyond and a picture of the current supply of and access to affordable housing in the state.

## MISSION

Provide a range of affordable housing opportunities for residents that help make Florida communities great places to live, work and do business.

## VISION

Florida Housing will be recognized as an outstanding provider of innovative, measurable, data-driven and fiscally sustainable solutions to the affordable housing challenges of our state.

## GUIDING PRINCIPLES

As Florida Housing carries out its mission and vision, we will:

- Conduct business in an honest, ethical, transparent and respectful manner
- Be mindful and accountable stewards of resources entrusted to us
- Allocate resources fairly and consistently
- Remain innovative, flexible and responsive in our programs and funding strategies
- Base decisions on objective data and collaboration with public and private sector stakeholders
- Promote housing stability, sustainability and options for Floridians
- Foster awareness of affordable housing's role in building stronger communities

## PRIORITIES

### **I. PRIORITY: Promote and support sustainable homeownership**

- **Homeownership Lending Strategies**
  - A. Maintain a continuous lending model, including the availability of down payment assistance, particularly through the state Homeownership Assistance Program, for credit worthy homebuyers
  - B. Continue to provide an array of conservative, affordable first mortgage and down payment assistance products
  - C. Continue the use of mortgage backed securities as a means of limiting financial risk
  - D. Evaluate the array of mortgage loan servicing options
  - E. Explore new/emerging financing opportunities to diversify mortgage lending options
  - F. Recruit and retain reputable lending partners, and ensure that lenders and real estate agents know about and are trained on Florida Housing's programs
  - G. Enhance financing opportunities for active duty military and veterans
  - H. Encourage homebuyer education training
- **Homeownership Development Strategies**
  - I. Encourage construction of new affordable homes, including partnering with self-help builders

- J. Work with state, regional and local disability organizations to tie the homeownership needs of their consumers into local SHIP and Florida Housing programs
- K. Incorporate design techniques into housing that will make units functional for different family types, including the aging population and multi-generational families
- L. Incentivize the inclusion of green building features in homeownership development programs
- M. Ensure that local governments receive training and technical assistance to implement SHIP development strategies, including rehabilitation, accessibility and green building techniques

**II. PRIORITY: Ensure that rental programs are flexible enough to respond to housing needs in Florida's diverse communities and can respond to changing market conditions**

- A. Use market, investment and housing need data to assist in targeting resources to match needs throughout the state
- B. Enhance the capacity to use property construction cost and operating expense data to assist in allocating resources and in credit underwriting
- C. Continue work on a comprehensive preservation strategy to save critical, aging affordable properties that are worthy of preservation, including those in Florida Housing's portfolio
- D. Continue to implement strategies to target development that will support local revitalization and economic development efforts
- E. Continue to foster a more integrated approach between Florida Housing's asset management and development teams to keep development costs down while incentivizing sustainable development that lowers operating costs over the long term
- F. Continue to integrate green building design features into Florida Housing's rental programs and explore best practices and innovative trends in the green building industry that lower operating costs and conserve energy resources.
- G. Continue to integrate accessibility and visibility design features that accommodate aging in place and physical disabilities for household members and their visitors
- H. Prioritize high quality management of properties in Florida Housing's portfolio
- I. Further refine efficient underwriting approaches tailored to specific types and amounts of funding while balancing risk and implementing the approach

**III. PRIORITY: Enhance opportunities for special needs and homeless households to access rental housing paired with supportive services**

- A. Continue the Link strategy as a way to integrate units for extremely low income households with special needs into general occupancy units throughout Florida Housing's portfolio
- B. Develop a supportive housing model that supports elders aging in place by facilitating and supporting partnerships between developers and health care and other supportive service providers
- C. Continue work to support development of a range of supportive housing options to assist veterans with special needs to live independently in their communities
- D. Strengthen partnerships with state agencies responsible for Medicaid and supportive services

- E. Continue outreach and partnerships with stakeholders in the supportive housing community
- F. Work with state agencies, supportive service providers and developers to continue compiling data and best practices for policy makers that evaluates resident outcomes and public cost savings of permanent supportive housing and housing stability linked with community-based services
- G. Work with partners to bring federal rental assistance funding into Florida to help extremely low income elders, homeless families and youth, as well as persons with disabilities
- H. Continue efforts, such as the Homeless Schoolchildren Pilot in Rural and Small Communities, to evaluate and address the housing-related needs of homeless households with school-age children that facilitate housing stability, continuity in the children's educations and greater self-sufficiency for the family.

**IV. PRIORITY: Ensure that information about Florida Housing's programs and the role that affordable housing plays in our state's economy is accessible and understandable to government officials, stakeholders and the public**

- A. Inform federal, state and local officials about affordable housing programs, issues and solutions
- B. Provide easy access to information about Florida Housing programs through various communication media, including internet (i.e. – website and social media platforms), print and broadcast
- C. Ensure information about Florida Housing's program on the Corporation's website is ADA compliant and available in multiple languages
- D. Create a customer focused approach to help interested homebuyers and renters find housing resources, and different types of developers access Florida Housing's programs, from application for financing, to credit underwriting, to property and asset management
- E. Provide program marketing materials in both English and Spanish
- F. Develop and maintain relationships with affordable housing providers and stakeholders to deliver programs
- G. Respond in a timely manner to requests and public inquiries

**V. PRIORITY: Strengthen Florida Housing's operational capacity**

- A. Attract, support and engage a skilled and productive workforce with a focus on continued employee training and development
- B. Preserve the corporation's financial strength in order to serve the needs of Floridians well into the future
- C. Automate, enhance and streamline work processes that are supported by technology
- D. Increase standardization, internal controls and information security
- E. Continue to enhance data and records management through a systematic, planned approach to ensure information is accurate, complete and accessible throughout the retention period
- F. Maintain the current level of commitment to risk identification and mitigation; enhance the process as needed to further the mission; and strive to incorporate the enterprise risk assessment model into all aspects of the corporation

**Performance Measures and Targets**

Metric	Section 420.511 (1), F.S., specifies that as part of its strategic plan FHFC must provide performance measures and specific targets for the following:	Alignment with FL Strategic Plan for Economic Development	Explanation of Metric
Number of local governments participating in the State Housing Initiatives Partnership (SHIP) Program with approved Local Housing Assistance Plans	(a) The ability of low-income and moderate-income Floridians to access housing that is decent and affordable.	Goals 1, 3 Objs 3, 4 Strategies 1, 4, 13, 24, 25, 26, 27	<p>All 67 counties and 53 of Florida’s largest cities are eligible for SHIP funds. These 120 local governments must have an approved Local Housing Assistance Plan (LHAP) by both the local elected body for the government and FHFC’s staff review committee, specifying how their SHIP funding will be used.</p> <p><u>Quarterly Target:</u> This measure shows how many local governments have approved plans. Maintain at least 110 local governments with approved and active LHAPs corresponding with funding disbursed at all times.</p>
Amount of state appropriated rental funding awarded over time to target populations	(b) The continued availability and affordability of housing financed by the corporation to target populations.	Goals 1, 2, 3 Objs 1, 2, 5 Strategies 1, 4, 13, 24, 25, 27	<p>Provides markers along the state fiscal year (July 1 through June 30) to show that Corporation is making progress towards awarding state appropriated rental funding to target populations. To match up with the quarterly reporting system in this contract, each quarter’s targets will always relate to the most recent prior legislative appropriation received. For example, Quarters 1 and 2 of 2019 report on targets related to getting state fiscal year 2018/2019 funding awarded, and Quarters 3 and 4 of 2019 report on targets related to getting state fiscal year 2019/2020 funding awarded.</p> <p>The target populations change over time, based on statutory, legislative and policy priorities. In 2018-2019, the target populations are families; elders; persons with special needs, including persons with developmental disabilities; farmworkers and fishing workers; and homeless persons.</p> <p><u>Q1 Target:</u> Open at least one funding opportunity to receive applications/proposals for the current Fiscal Year funding  <u>Q2 Target:</u> 80% of the current Fiscal Year appropriated rental program funds awarded  <u>Q3 Target:</u> Corporation’s Board approves plan for allocation of the current Fiscal Year funding  <u>Q4 Target:</u> Hold at least one public meeting on one or more draft competitive funding proposals for the current Fiscal Year funding</p>

**Performance Measures and Targets (Continued)**

Metric	Section 420.511 (1), F.S., specifies that as part of its strategic plan FHFC must provide performance measures and specific targets for the following:	Alignment with FL Strategic Plan for Economic Development	Explanation of Metric
Number of participating lenders trained and approved to offer first mortgage financing throughout the state	(c) The availability of affordable financing programs, including equity and debt products, and programs that reduce gaps in conventional financing in order to increase individual access to housing and stimulate private production of affordable housing.	Goal 3 Objs 1,2, 5 Strategies 13, 24, 27	Corporation must partner with private sector lenders such as banks, credit unions, and mortgage companies to offer affordable housing programs to qualified first time homebuyers. This lender base forms partnerships with local realtors, title companies, home appraisers, and all other third party service providers involved in successful origination of Corporation’s Program Loans and Mortgage Credit Certificates. Without an adequate number of trained and approved lenders, Corporation’s programs and resources would not reach Florida residents.  <u>Quarterly Target:</u> Maintain at least 50 active participating lenders at all times
FHFC budgeted total operating expenses to actual total operating expenses	(d) The establishment and maintenance of efficiencies in the delivery of affordable housing.	Goal 3 Strategies 13, 25, 27	Based on the annual operating budget approved by Corporation’s Board. Year to date through the most recent month reported to the Board.  <u>Quarterly Target:</u> Actual total operating expenses do not exceed budgeted total operating expenses by more than 10%
Board engagement: attendance and attainment of quorum	(e) Such other measures as directed by the corporation’s board of directors.	Goal 3 Strategies 13, 25, 27	Shows the involvement of Corporation’s Board members via their attendance at scheduled Board meetings and whether a quorum was achieved at these meetings for decision making purposes over the quarter.  <u>Quarterly Target:</u> Presence of five Board members required to achieve quorum at each Corporation Board meeting during the quarter

## Trends and Conditions Impacting Affordable Housing in 2019 and Beyond

### Statewide Demographic and Economic Conditions

Each year, the Legislative Budget Commission is required to issue a *Long-Range Financial Outlook* for the state which covers the upcoming three fiscal years.<sup>1</sup> While the *Outlook* is primarily a tool to assist the Legislature in setting fiscal and budgetary strategies, its economic and demographic analysis sections provide a summary of current and projected conditions in these areas. The fall 2019 report concludes that most economic indicators have returned to pre-recession performance levels and progress is expected to continue, however a few recession indicators are being closely monitored. Some of the findings relevant to Florida Housing from the most recent report include:<sup>2</sup>

- **Economic growth is expected to continue.** The state's growth was strong during 2018 and remains above the national average, however, forecasts predict a decline in the rate of growth over the next three years. Florida's strong reliance on tourism-related revenues presents some risk to the long-term forecast. Any events resulting in a decrease of travel and tourism activities can have a widespread and negative impact on the state's economic health.
- **The impact of the National Economic forecast.** Rooted in the basis of Florida's economic forecast is the National Forecast. National forecasts carry a greater than normal risk in projections of economic growth over the next two years due to trade tensions and tariffs and the potential of a global trade war.
- **Job growth remains steady, however participation rate remains low.** Florida's annual job growth rate has been positive for many months, but the labor force participation rate remains subdued. While the share of long-term unemployed remains elevated, Florida has been experiencing a steady decline. Noteworthy as well is the change in composition of the labor market as Florida's population ages.
- **State wages remain below the national average.** Florida's average annual wage has typically been below the national average and recently further declined to 87.5 percent of the average for the United States as a whole (a drop of 0.2 percent). This lower than average gain is primarily

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<sup>1</sup> See Article III, Section 19(c)(1) of the Florida Constitution. The Legislative Office of Economic and Demographic Research takes a lead role in preparing the *Outlook*.

<sup>2</sup> Legislative Budget Commission, *State of Florida Long-Range Financial Outlook Fiscal Year 2020-21 through 2022-23* (Fall 2019), available at <http://edr.state.fl.us/Content/long-range-financial-outlook/index.cfm>.



a result of the increase in jobs in lower wage industries, such as Accommodation & Food Services.

- **Moderate population growth over the next few years.** Florida's population grew moderately last year with the strongest annual increase since 2006. This growth was bolstered by in-migration resulting from the 2017 hurricane season. Forecasts predict that by 2026, Florida's population growth will be attributed almost entirely to net migration.<sup>3</sup>
- **The share of residents over 65 years of age will continue to grow.** Since 2011, nine cohorts representing almost half of the total baby boomer population have entered retirement. Additionally, 61.2 percent of the growth in population between 2010 and 2030 is projected to be in the 60 and older age group. As a result, Florida's prime working age population represents 37.2 percent of total population and is expected to decline to 35.8 percent by 2030.<sup>4</sup>

### Homeownership Landscape

The state's *Long-Range Financial Outlook* indicates that although homeownership rates remain below normal levels, the housing market continues to improve. Home sales and prices have fully recovered but demographic changes and financing challenges will continue to impact homeownership rates across the state. Below are current homeownership trends to consider.

- **Florida's homeownership rate is decreasing, especially among younger households.** According to the Shimberg Center's *2019 Rental Market Study*, the state's overall homeownership rate is down to 65 percent.<sup>5</sup> The drop has been particularly acute for under-55 households, for whom homeownership rates fell from 62 percent in 2000 to 51 percent in 2017.
- **State home sales and prices have fully recovered.** The sales volume of existing homes has fully rebounded after the financial crisis, exceeding 2005 peak levels annually since 2014 with trends continuing in this direction. Sales prices have also remained consistent with national averages the last 3 years, although prices are beginning to trend to the higher side of the national median of \$280,200. The Florida Realtors are reporting a statewide median sales price of \$270,000, an increase of 3.8 percent over the prior year, which exceeds the state's prior peak from June 2006

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<sup>3</sup> Growth is expected to average 1.6 percent between 2018 and 2022.

<sup>4</sup> Florida's older population will account for most of the state's population growth through 2030, representing 61.2 percent of the gains.

<sup>5</sup> See The Shimberg Center for Housing Studies at the University of Florida, *2019 Rental Market Study* (May 2019), available at <https://www.floridahousing.org/press/publications/2019-rental-market-study>.

- **Despite low foreclosure rates, financing remains a challenge.** Florida’s foreclosure rate continues to decline, down almost 2 percent in the last year, to 9.7 percent. Construction of new homes is also in positive territory, although still below historic standards pre-recession. Despite that, data shows that residential credit for home purchases still remains difficult for customers with lower credit scores. The average credit score for all loans closed in July 2019 was 731 and 89 percent of all conventional home purchase lending had credit scores 700 or above. Some of the largest factors affecting the ability to obtain residential credit are student loans and auto debt.
- **Housing inventory is still tight.** Available inventory for sale (both existing and new construction) has remained stable nationally but remains near the lowest levels in over three decades. Florida Realtors data shows only 3.9 months of existing for-sale single family inventory available. As the state’s aging population increases, trends are showing a greater desire to age in place, putting additional strain on the housing stock available. Additionally, national trends indicate a significant increase in activity for higher priced homes (\$500,000-\$750,000) and a very constrained inventory of starter homes priced at \$200,000 and below, placing further pressure on the housing market for affordable single family homes.

### Rental Housing Landscape

Various housing policy groups envision a growing need for all types of rental units in the future.

Demographic trends and the after-effects of hurricanes impacting Florida and our Caribbean neighbors are just a few of the pressures that will impact rental stock going forward. These overall forces will affect the affordable rental market served by Florida Housing. Already worsening state statistics related to cost burdened renters and the actual availability of affordable units could cause a greater squeeze than already exists. Additionally, the unique challenges related to providing affordable housing for persons who are homeless or who have special needs bears close monitoring.

- **The number of Florida renters is increasing.** The increase in housing costs, particularly in the “entry-level” and modest price categories, and the shifting preferences among millennials to rent, has led more Floridians to turn to rental housing. According to the Shimberg Center, the number of renters in the state increased by 9 percent between 2012 and 2017.
- **Florida’s “housing wage” – the amount needed to afford a market rate apartment – is 15<sup>th</sup> highest in the nation at almost \$23/hour.** Figures from the *Out of Reach: Florida* show that the

median rent in Florida is \$957 per month for a one-bedroom and \$1,189 per month for a two-bedroom. Based on the estimated average renter wage of \$16.67 per hour, an affordable monthly rent would be \$867, almost \$100 per month below the state average for just a one-bedroom apartment.<sup>6</sup>

- **Growing pressure for all rental housing may push rents even higher for low-income households.** There are just under 2.5 million rental units on the market in Florida. However, since 2000, there has been a staggering increase in units priced over \$1,000 and an overall decline in units priced under \$1,000. This trend will undoubtedly have a negative impact on an already significant portion of the population that is cost burdened and struggle to find adequate and affordable housing. Exacerbating this is the population migration that occurred as a result of Hurricane Maria in 2017. Noteworthy as well is the unknown impact Florida may feel as a result of the destruction in the Bahamas from Hurricane Dorian. The combined impact of echo boomers forming their own households and baby boomers downsizing from their current homes may push rents further out of reach for low-income households least able to afford them.
- **Labor and materials shortages lead to increased construction delays.** Nationally, labor shortages and local permitting delays have resulted in a slowing pace of the development of new rental units to a projected 2 percent growth per year. These delays are compounded by increasingly growing challenges related to higher materials cost and labor shortages. In July 2018, the 3-month average on delays was 4.7 months. The outlook is better for Florida than other states with Miami, Jacksonville and Fort Lauderdale being in the top 15 cities nationwide for new apartment construction as a percentage of the current stock.
- **Physical occupancy rates in Florida Housing's portfolio are on the rise.** The statewide occupancy rate has remained strong at 96-97 percent since the end of 2016. Some counties have overall lower occupancy rates than the state, and other counties make up for that with higher rates.

### **Cost Burdened Renters Continue to Grow**

Cost burdened households pay more than 40 percent of income for rent and utilities.<sup>7</sup> Florida is home to nearly 800,000 low-income, cost burdened renter households. Those with incomes at or below 60

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<sup>6</sup> National Low Income Housing Coalition, *2019 Out of Reach*, available at [https://reports.nlihc.org/sites/default/files/oor/OOR\\_2019.pdf](https://reports.nlihc.org/sites/default/files/oor/OOR_2019.pdf).

<sup>7</sup> Sixty-three percent of cost burdened households are 1-2 person households.

percent of area median income (AMI) represent 69 percent of the cost burdened population. As part of the mission of providing affordable housing, most of the units in Florida Housing's rental properties are set aside for these lower income households. The following conditions from the *2019 Rental Market Study* highlight specifics surrounding the growing ranks of these households.

- **More Florida renter households are facing a housing cost burden.** In 2019, almost 1 million renter households are struggling to pay rising housing costs, double the number since 2000. The number of renter households who are both cost burdened *and* low-income rose by over 350,000. In 2019, an estimated 795,605, or 28 percent, of renter households in the state are cost burdened. While there is an increase in the total number of cost burdened households at all levels, 80 percent of renter households who could be served by Florida Housing's programs are cost burdened.
- **Extremely low-income renter households have the most severe needs.** Renter households are considered to be "extremely low-income" (ELI) if their incomes are at or below 30 percent of the area median. More than two-thirds of these ELI renter households pay more than 60 percent of their incomes for rent and utilities. In 2019, 70 percent of ELI renter households were cost burdened.

### **The Affordable and Available Housing Gap Exacerbates Difficulties**

An important metric in affordable housing analysis is the correlation between affordability and availability.<sup>8</sup> Many affordable units are unavailable to low-income households because they are already occupied by higher income households. When higher income renters occupy lower rent units, lower income renters are essentially crowded out of units they *could* afford. An affordable *and available* unit at a particular income threshold is: 1) affordable at that income threshold and 2) either vacant or occupied by a household with an income at or below the threshold.

- **Florida is among the states with the most severe affordable and available gap.** Considering families with incomes at or below 50 percent of median income, there is a deficit of over 570,000 affordable and available rental units in Florida:<sup>9</sup>
  - **Only 35 affordable, available units per 100 very low-income households.**<sup>10</sup>

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<sup>8</sup> In this type of analysis, an affordable unit is any market rate, subsidized or public housing unit for which a household at a given income limit would pay no more than 30 percent of income for gross rent. These include apartments, condominiums for rent or single family homes for rent.

<sup>9</sup> *Id.* at 5.

<sup>10</sup> \$26,050 for a 2-person very low-income (VLI) family.

- **Only 23 affordable, available units per 100 extremely low-income households.**<sup>11</sup>
- **The consequences of this gap are borne by the most vulnerable.** When ELI renter households spend the majority of their income on rent and utilities, this leaves them with little money for other necessities such as food, medicine, transportation, and childcare. These are the households that are most vulnerable to becoming homeless if their incomes decrease or they have unexpected expenses.
- **Cost burdened households continue to be challenged in high-cost counties.** A total of 44 percent, or 181,463, renters with household incomes above 60 percent of AMI are also cost burdened. Most of these renters are geographically concentrated in high-cost counties, primarily in southeast Florida. Miami-Dade, Monroe, St. Lucie, Broward, Seminole and Martin counties each have at least 40 percent of renters cost burdened at income levels 60-80 percent AMI. Cost burdened renters at income levels 80-120 percent of AMI are mostly concentrated in Miami-Dade and Monroe counties. Each have at least 30 percent of renters at this income level living cost burdened, whereas no other county in the state has a percentage higher than 15 percent.

#### **Households with Special Needs and Others Facing Additional Housing Challenges**

Persons with special needs, including older more frail elders who need services, and homeless people often encounter additional challenges in accessing affordable housing. While these individuals encounter obstacles unique to their circumstances, they share a tendency to greatly benefit from various forms of supportive housing. Pairing supportive services with affordable housing in a supportive housing framework is a proven successful delivery model for helping persons with special needs, people who become homeless and elders who wish to “age in place.”

- **Affordable housing is a real issue for special needs households.** The *2019 Special Needs Households Study* estimates nearly 105,000 low-income, cost burdened renter households in Florida include a person with a disability and receive Social Security Disability Insurance, Supplemental Security Income, or veterans’ disability benefits. In addition, nearly 8,000 households used domestic violence emergency shelters in state fiscal year 2016-2017 and roughly 2,500 young people aged out of foster care but were still attending school or vocational training; these households also are likely to need safe, affordable housing.<sup>12</sup>

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<sup>11</sup> \$15,600 for a 2-person extremely low-income (ELI) family.

<sup>12</sup> *Id.* at 5.

- **The special needs household count likely understates the prevalence.** In the *Study*, the Shimberg Center acknowledges their household counts likely do not encompass the full spectrum of persons receiving disability-related benefits or requiring independent living services in order to maintain housing.
- **More than one-fourth of low-income, cost burdened renters are elderly.** Of all cost burdened renter households, 34 percent are headed by someone age 55 and older, and nine percent are headed by someone age 75 or older. Over half of the projected growth in population over the next ten years will be age 60 and older. The growth in this demographic will bring with it the challenges of many Floridians wishing to age in place. For many frail elders needing supports, nursing homes are simply the only option to get these supports, because there are extremely limited options for independent, supportive housing or affordable assisted living units. With the expectation of almost one-quarter of the projected population growth being 75 and older, not only do these limited options impact elders' lives, but nursing homes are the most costly way for the state to provide housing/services to frail residents.
- **Homelessness continues to be a serious problem.** The Shimberg Center study finds 28,376 homeless individuals in Florida, including single adults, married adults without children, and unaccompanied youth. There are also 43,592 homeless families made up of adults and their children. This includes families in shelters, unsheltered locations, hotels and motels, and those who are doubled up with other family members or friends. The total number of homeless students, as estimated by the Department of Education, grew to 95,873 in the 2017-2018 school year. Much of this growth was driven by the displacement of families due to hurricanes, including Hurricane Maria. There is likely to be continued impacts resulting from Hurricane Dorian which are just beginning to materialize.

### **Affordable Housing Supply and Preservation**

Summary information on Florida Housing-assisted home ownership and rental unit supply and location, as well as supply figures on rental units financed through other subsidy programs is provided below. In addition, preservation data and trends are also highlighted. Florida Housing's preservation funding programs currently prioritize developments with U.S. Department of Housing and Urban Development (HUD) or U.S. Department of Agriculture (USDA) Rural Development rental assistance which largely

serve extremely low-income households. These households are the ones most negatively impacted by losses of assisted housing developments both now and into the future.

▪ **Supply Data**

- **Homeownership impact.** Since 1980, Florida Housing has provided funding for mortgage loans to over 102,000 units of ownership housing. Once these homes are sold to eligible buyers, and assuming all loan criteria are met, these units do not come back to Florida Housing for use by another income-eligible homebuyer. For the first three quarters of 2019, through the Homeownership Loan Programs:
  - The average loan amount was \$155,618.
  - The average acquisition price was \$163,200.
  - The average household income was \$51,536, or 79.2 percent of AMI.
- **State Housing Initiatives Partnership Program impact.** Since 1992, the State Housing Initiatives Program (SHIP) has facilitated the creation, rehabilitation or homebuyer purchase of more than 207,000 homeownership and rental units, with almost 85 percent of SHIP funding going for homeownership.
- **Rental impact.** Combined with affordable rental units financed through HUD, USDA Rural Development and Local Bond programs, the state of Florida currently has approximately 259,000 privately owned affordable rental units and another approximately 34,000 public housing units. Of this total, Florida Housing has participated in financing 207,876 currently active or pipeline units. A map displaying by-county depictions of Florida Housing's currently active and pipeline rental units are provided in the attachments section of this document.
- For perspective, Florida household incomes and rents paid in rental housing:<sup>13</sup>
  - **Incomes:**
    - Average household income in all rental units (including market rate): \$47,096.
    - Average household income across all Florida Housing units: \$24,971.
    - Average household income in all assisted and public housing units with rental assistance: \$11,000-17,000.

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<sup>13</sup> These data are all reported in the Florida Housing Quarterly Performance Dashboard and can be found at [https://www.floridahousing.org/docs/default-source/aboutflorida/transparency/strategic-dashboard.pdf?sfvrsn=2b85117b\\_2](https://www.floridahousing.org/docs/default-source/aboutflorida/transparency/strategic-dashboard.pdf?sfvrsn=2b85117b_2).

- **Rents:**
  - Average rent paid by ALL Florida renters: \$1,208/month.
  - Average rent across all Florida Housing units: \$744/month.
  - Average rent portion paid by tenants in rental assistance units: \$307/month.
  
- **Aging Development, Expiring Affordability Periods and Subsidies**
  - **Aging affordable housing properties.** Statewide, there are nearly 68,000 units that are at least 30 years old and an additional 83,000 that are 15-29 years old. The vast majority of the units 30 years and older are not part of Florida Housing’s portfolio. Conversely, 84 percent of the units 15-29 years old are part of Florida Housing’s portfolio. Preservation and rehabilitation of aging units will be of increasing importance over the coming years.
  - **Affordable developments are being lost.** According to the Shimberg Center, Florida has over 27,000 units that have subsidies scheduled to expire by the end of 2030. Nearly 33 percent of these units are concentrated mostly in large counties with significant housing needs.
  - **Losses of assisted housing have come in waves.** The expiration of a great number of Florida Housing’s developments funded with Low Income Housing Tax Credits is only a few short years away. Developments funded in the early 1990’s using 9 percent competitive credits reach the end of the 30-year affordability period beginning in 2022, peaking in 2025. A second spike is expected to begin in 2027 as affordability periods for units funded in the late 1990’s using 4 percent non-competitive credits begin to expire. Roughly 14 percent of these units are in Central Florida alone, an area of currently high occupancy rates in our rental housing stock.
  - **Loss of affordable rental housing stock when affordability periods end.** Required affordability periods on properties financed through Florida Housing help ensure the long-term availability of affordable rental units statewide across all income levels. The Shimberg Center completed a 2018 review of properties exiting out of Florida Housing’s portfolio to provide insight into whether these properties were still providing affordable rents after exiting their affordability periods. They found that current rents at 80 percent of these properties were not affordable to residents at 60 percent of AMI, and none were affordable at lower rents for extremely low-income residents. This means



that when properties' affordability periods end, most often they do not remain affordable to the residents targeted by Florida Housing programs. This is particularly true during periods when the rental market is strong.

### **Affordable Housing Trust Funds**

At this time, Florida Housing's state funds are generally appropriated through the trust funds created by the Sadowski Act. No appropriations are made to Florida Housing from general revenue. From the inception of the trust funds in 1992 through Fiscal Year 2000-01, the Legislature appropriated all documentary stamp tax distributed to the trust funds for affordable housing programs greatly enhancing the impact and reach of Florida Housing. The Legislature has chosen to sweep at least some of the trust fund distributions in the years since for the purpose of meeting state budget deficits or for other purposes. Future trust fund sweeps would continue to impact Florida Housing's ability to carry out its statutorily defined mission and purpose.

- **Total documentary stamp collections are increasing.** According to the state *Long-Range Financial Outlook*, while documentary stamps are nowhere near their prior peak, they have continued to increase at a very modest rate over the last several years. Estimates project a continued but slowing trend of growth at a rate of roughly 3-4 percent annually. The prior peak level of revenues is not expected to be exceeded until Fiscal Year 2031-32.
- **Full appropriations of Housing Trust Fund dollars would make a difference.** Florida Housing estimates that every \$1 million appropriated to SAIL would create approximately 25 units, leverage \$4.64 million in private and other public investments and generate approximately 103 jobs and \$15.24 million in economic benefit. Every \$1 million appropriated to SHIP would create approximately 48 units, leverage \$4.47 million in private and other public investments and generate approximately 174 jobs and \$25.81 million in economic benefit. The moderately higher economic benefit provided by the SHIP program is a result of a higher percentage of funding being dedicated to the rehabilitation of existing homes (compared to new construction, more of the funding in a rehab job goes to labor than materials) versus the construction of new homes.

## Markets and Methods related to Housing Related Investments

Recent Moody's and Standard and Poor's nationwide analyses of state Housing Finance Agencies (HFAs) maintain a stable outlook for 2019 given the strong demand for affordable housing among the low-to-moderate income population and the limited supply and high demand which are expected to keep vacancy levels low.<sup>14</sup> HFAs are choosing to use new bond issuances to finance mortgage-backed securities rather than whole loans, which are held in HFAs' portfolios. A 2018 study of more than one million low-and moderate-income mortgages found that single family loans originated through state HFA programs perform better than similar non-HFA loans to low-and moderate-income borrowers. Overall, HFA loans are 20 percent less likely to experience a long-term default. They were also 20-30 percent less likely to be foreclosed.<sup>15</sup> Below are some relevant investment market conditions and approaches specifically related to Florida Housing.

- **Issues impacting national origination volume of homeownership loan programs.** Current pressures affecting origination volume include continuing high credit standards and a shrinking supply of affordable homes. These pressures seem to be partially offset by lower mortgage interest rates, which have fallen by more than a point since November 2018.<sup>16</sup> The Mortgage Bankers Association expects a slight decrease in year-over-year originations in 2020, while forecasted refinance originations are projected to increase due to lower interest rates
- **Movement back toward the use of traditional mortgage revenue bonds (MRB).** Annual issues of single family mortgage bonds had declined significantly as a result of the financial crisis, but have been on the increase recently. From early 2018 through August 2019, Florida Housing has issued \$475 million of traditional Homeowner MRBs, compared to just over \$458 million issued from 2014-2017. Based on discussions with various Investment Bankers and Florida Housing's Financial Advisor, it is expected that bonds will be a good option for HFA's in the coming years.

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<sup>14</sup> See Moody's Investor Service, *Research Announcement: Moody's: Sector outlook for US state housing finance agencies remains stable for 2019* (Nov. 28, 2018), available at [https://www.moodys.com/research/Moodys-Sector-outlook-for-US-state-housing-finance-agencies-remains--PBM\\_1151768](https://www.moodys.com/research/Moodys-Sector-outlook-for-US-state-housing-finance-agencies-remains--PBM_1151768) and Standard & Poor's Ratings Services Ratings Direct, *U.S. Municipal Housing 2019 Sector Outlook: Stable for Now* (Jan. 23, 2019), available at <https://www.spglobal.com/ratings/en/research/articles/190123-u-s-municipal-housing-2019-sector-outlook-stable-for-now-10843752#>.

<sup>15</sup> National Council for State Housing Agencies, *State Housing Finance Agencies: At the Center of the Affordable Housing System* (September 7, 2018), available at <https://www.ncsha.org/wp-content/uploads/2018/09/State-HFAs-at-the-Center-Current.pdf>

<sup>16</sup> Mortgage Bankers Association, *MBA Mortgage Finance Forecast*, August 19, 2019, available at <https://www.mba.org/assets/Documents/Research/Mortgage%20Finance%20Forecast%20Aug%202019.pdf>.

Coupled with an increasing demand for MRBs for rental development, our annual allocation of MRBs is not enough to meet all of the projected need. As a result, we will be discontinuing our Mortgage Credit Certificate (MCC) program in 2020.

- **Financing flexibility for single family purposes remains critical going forward.** Diversified loan financing strategies including tax exempt and taxable mortgage revenue bonds, the To Be Announced (TBA) market, and MBS sales in the secondary market provide much needed flexibility to react in future markets. Florida Housing’s successful use of the TBA market supports the continuous lending model during times when use of traditional mortgage revenue bond strategies are not as feasible or bond allocation is needed for rental development.
- **Pricing on Housing Credits has strengthened.** After dropping precipitously in 2016 in anticipation of a lower corporate tax rate, average Housing Credit pricing has remained fairly constant since 2018 with a slight upward trend lately, making development financing more predictable. According to investors, the current Florida locations that will demand higher pricing are Miami-Dade and Broward counties; following those areas, urban locations within Tampa, Orlando, and Jacksonville MSAs along with Palm Beach County. Good developments in other areas of the state will be able to find investors, but pricing will be slightly less. The highest pricing is usually offered by direct investors (i.e., banks) for specific locations to meet Community Reinvestment Act (CRA) needs, with the lowest pricing typically offered by national investors in a pooled-asset investment strategy (i.e., they aren’t buying particular properties to meet location needs, but are choosing to invest in a broader Housing Credit investment that includes multiple properties).

### **Federal and State Legislative Issues/Trends related to Housing**

Florida Housing’s administration of resources to finance affordable housing requires adherence to numerous laws, rules and regulations. Federal and state legislative mandates impact, and often dictate, Florida Housing’s programs and priorities. Below are some current legislative issues and trends that may be relevant to the future of affordable housing in the state. As with any proposed or potential legislation, the specifics are fluid and unpredictable.

- **The roles of Fannie Mae and Freddie Mac are being re-envisioned.** Efforts to reform the housing finance system continue with recent Congressional hearings on administration proposals regarding Fannie Mae and Freddie Mac. The current plan is to remove both from

conservatorship and make them mortgage guarantors along with other companies in the private sector. High loan-to-value (LTV) and high debt-to-income (DTI) ratio loans, including many first time homebuyer loans, would then become almost the sole purview of the Federal Housing Administration (FHA).<sup>17</sup>

- **Possible changes in state appropriations to fund more “workforce” housing.** In recent years, the Legislature has chosen to direct SAIL funding to “workforce” housing that is, housing to serve residents with incomes over 60 percent of AMI. While the data show that renters with incomes over 60 percent of AMI are in fact more cost burdened than even five years ago, the fact remains that the lower a resident’s income, the more likely they are to be cost burdened. In addition, the use of the term “workforce” is confusing and in some cases suggests that residents at or below 60 percent of AMI living in Florida Housing’s units are not working. In fact, unless a resident is retired on a fixed income or has rental assistance (~10 percent of residents at Florida Housing properties do have this assistance, many whom are elderly), residents must work to afford even the restricted incomes – there is no safety net for residents who cannot pay their rent. Included as an attachment is the resident work profile at a property in downtown Tampa called Metro510. Most of the Metro510 residents are working, and most of the residents at properties throughout our portfolio are members of the “workforce.”

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<sup>17</sup> National Council of State Housing Finance Agencies (2019, Sept. 6) Memo re: Treasury, HUD Housing Finance Reform Proposals.





**WHO LIVES HERE  
RESIDENT PROFILE**

**HEALTH CARE**

Bay Area Neuropsychology – Receptionist  
Bay Care Health Systems – Patient care services  
Brandon Hospital – Nurses Aide  
First Care Medical – Receptionist  
Florida Department of Health – Records Technician  
Florida Health Science Center – Administrative  
Florida Hospital – Nursing Assistant  
Humana – Insurance Representative  
Laser Spine Institute – Health tech  
Moffitt Cancer Center – Medical Assistant  
Quest Diagnostic – Lab tech  
Tampa General Hospital – Nursing Assistant  
Tampa Women’s Health Center – Nursing Assistant

**CORPORATE**

Bay Area Legal Service – Paralegal  
Choice Legal – Paralegal  
Directions of Living – Family Specialist  
Diversified Management Construction – Conservation Specialist  
Ernst Construction – Assistant Construction Supervisor  
Freedom Insurance – Receptionist  
K Force – Account Manager  
Lifestyle Realty – Real Estate Agent Support  
Maids, Inc. – Cleaner  
Oakwood Church – Administrative Assistant  
Progressive Insurance – Claims Admin Support  
Support.com – Computer Specialist  
Wells Fargo – Teller

**EDUCATION**

Hillsborough County Schools – Cafeteria worker  
University of South Florida – Instructor  
University of Tampa – Admissions

**PUBLIC SERVICE**

Tampa Police Department – Police Officer

**HOSPITALITY AND RETAIL**

Claire’s – Store Manager  
Finish Line Shoes – Sales Associate  
Hotel Bar - Server  
Long Ash Cigars – Sales Associate  
Macy’s – Sales Representative  
Marriott Waterside – Assistant Manager  
Nordstrom’s –Sales Associate  
Nutrition Solutions – Sales Associate  
Old Navy – Sales Associate  
Pizza Hut – Floor Manager  
Plato’s Closet – Sales Associate  
Posh Salon and Spa – Hair Stylist  
Publix – Cashier  
Winn Dixie – Cashier  
Red Lobster – Cook  
Seminole Hard Rock – Food Prep Service  
Stadium Toyota – Sales  
The Portico – Floor Manager

**OTHER**

Property Manager  
Retired Banker  
Retired from School System  
Artist  
Author  
Tampa Bay Symphony (cellist and violinist)  
Youth Aging Out of Foster Care

AVERAGE AGE – 27 years old