

The State of Florida Consortium Summary of Neighborhood Stabilization Program 2 (NSP2) Proposal

Florida Housing Finance Corporation (FHFC), as the state's housing finance agency, and the Florida Department of Community Affairs (DCA), together representing the State of Florida, are applying for federal funding under the Neighborhood Stabilization Program 2 (NSP2). Our intent is to assist local governments, community organizations, housing providers and other stakeholders to address the stabilization and revitalization of neighborhoods and communities across the state that have been significantly affected by the economic downturn and foreclosure crisis.

FHFC and DCA request comments from the general public, local governments and housing stakeholders on the proposed plan that will be submitted to the U.S. Department of Housing and Urban Development (HUD) no later than July 17, 2009. Comments must be submitted to FHFC and DCA at NSP@floridahousing.org no later than 5:00 p.m. Eastern Time on Friday July 10, 2009. This is a summary of the proposal that the State of Florida expects to submit to HUD.

The State proposes to apply for \$300,000,000 in funding to provide for stabilization and revitalization opportunities for housing in any NSP2 census tract throughout the state that has received a HUD risk score of 18 or higher. This includes a majority of census tracts in Florida, and it is where over 87 percent of Florida's population resides. Of the 3,154 total census tracts in Florida, 2,636 (83 percent) census tracts have a risk score of 18 or greater for foreclosure and/or vacancy problems (2,439 have a foreclosure score of 18 or greater and 1,143 have a vacancy score of 18 or greater). In some census tracts, these problems overlap.

The State's proposed strategies are summarized below.

PROPOSED HOMEOWNERSHIP STRATEGIES

Provide access to first mortgage financing and down payment assistance to assist homebuyers in the purchase of foreclosed homes that require minor or no rehabilitation
Proposed funding: \$25,000,000

Working with FHFC's statewide group of participating private lenders and real estate professionals, FHFC will provide access to financing and NSP2 funding of up to \$14,999 in down payment assistance for low cost financing to purchase homes. First mortgages will be provided through program approved loan products from FHA, including FHA's 203k loan which will allow an escrow account for some rehabilitation to the home being purchased; as well as VA, USDA RD, Fannie Mae and Freddie Mac products. The down payment assistance will be in the form of "soft second" mortgages – that is, at 0 percent interest with no monthly payments, due only upon sale, refinancing or if the borrower ceases to occupy the home as their principal residence.

Targeted homes under this strategy will be foreclosed homes, including single family attached and detached homes, townhomes, condominiums, duplexes and manufactured homes with land that meet FHA guidelines. These properties must be ready to purchase or need very minor rehabilitation before purchase. First mortgages will be made available through the state's "First Time Homebuyer Program." Although this first mortgage program is designed to primarily assist first time homebuyers, almost 75 percent of Florida's counties enjoy federally mandated exemptions to this requirement. This means that lenders and homebuyers in many counties, such as Lee, Broward, and Miami-Dade, which have been hardest hit by the wave of foreclosures can utilize this exemption, along with higher program income and purchase price limits, to purchase foreclosed properties.

A number of lenders and other entities have imposed highly restrictive FICO score limits in Florida, coupled with additional fees, restricting access to credit for many homebuyers. However, the State's use of FHA financing, which does not impose a minimum FICO score, provides greater access to borrowers who might not otherwise be able to obtain mortgage financing today.

This opportunity will be marketed to interested homebuyers through the lending and real estate community throughout the state.

Provide funding to non-profit and for-profit developers to acquire, rehabilitate and sell foreclosed homes to eligible homebuyers

Proposed funding: \$20,000,000

FHFC will provide NSP2 financing for qualified developers to acquire, rehabilitate and sell homes to eligible homebuyers with incomes at or below 120 percent of area median income. Upon sale to these homebuyers, up to \$25,000 in down payment assistance will be provided as a soft second mortgage (due upon sale, refinancing or if the borrower ceases to occupy the home as their principal residence. This strategy will also allow non-profit organizations to use funding to create lease-purchase options as long as the organization shows capacity to provide the infrastructure needed to carry out long term property management activities and support for tenants moving to homeownership.

Both non-profit and for-profit developers will be encouraged to participate in the overall strategy. FHFC will issue a Request for Qualifications to develop a pool of participating developers who may access financing as they find housing that meets criteria, such as affordability to targeted homebuyers. Funding will be provided to developers as acquisition/construction financing, to be repaid as the homebuyer closes on his or her financing to buy the rehabilitated property. Funding in an amount up to \$25,000 may be left in the property to provide down payment assistance, as needed, for eligible homebuyers. This assistance will be in the form of a "soft second" mortgage – that is, at 0 percent interest with no monthly payments, due only upon sale, refinancing or if the borrower ceases to occupy the home as their principal residence.

Participating developers will be expected to work with local governments, homebuyer counseling agencies, real estate professionals and others to ensure that interested, eligible homebuyers with incomes at or below 120 percent of the area median income are identified and qualified in a timely fashion to buy these homes.

FHFC will incorporate green building requirements into this strategy, with requirements based on the level of rehab needed on a home. Housing that requires substantial rehabilitation will be expected to meet green certification standards when the rehab is completed. Housing needing more moderate rehab will be required to have energy star appliances and lighting included, as well as other green features, to the extent that replacement of any of the existing items is needed.

As a special feature of this strategy, FHFC will work with our local and state partner service entities that provide services to persons with special needs to provide those who are ready for homeownership with access to rehabilitated homes for sale. FHFC's overall supportive housing strategy features housing and services partnership building at the state, regional and local level. These partnerships will be critical to the implementation of this concept. FHFC will look for opportunities to include financing for universal and visitability features in rehabilitated homes, particularly those which require substantial rehab.

Provide financing to non-profit and for-profit developers to build new residences for homebuyers on parcels that are vacant or have had blighted structures removed

Proposed funding: \$22,500,000

Like the previous strategy, FHFC will issue a Request for Qualifications to develop a pool of participating developers who can access financing as they find parcels that are either vacant or have blighted structures that will be demolished and redeveloped.¹ Funding for both demolition and new construction will be provided to developers as acquisition/construction financing, to be repaid as the homebuyer closes on his or her financing to buy the rehabilitated property. Funding in an amount up to \$25,000 may be left in the property to provide down payment assistance, as needed, for eligible homebuyers. This assistance will be in the form of a "soft second" mortgage – that is, at 0 percent interest with no monthly payments, due only upon sale, refinancing or if the borrower ceases to occupy the home as their principal residence.

Housing constructed with financing from this strategy will be required to meet green certification requirements, visitability standards and include storm resistant and universal design features.

This strategy will be implemented similarly to the previous strategy. However, due to the increase in time required for possible demolition and full redevelopment, FHFC will prioritize funding for projects that are ready to proceed and set a date past which no funding for this strategy will be awarded or loans closed. This should ensure that these projects are completed before NSP deadlines for expending funds.

¹ Note that all strategies proposed by the State of Florida that include demolition will, together, allow for only up to 10 percent of total funding awarded to be used for demolition.

PROPOSED RENTAL STRATEGIES

Provide funds to non-profit and for-profit developers to acquire, rehabilitate and rent foreclosed housing to eligible tenants

Proposed funding: \$100,000,000

This strategy will allow both non-profit and for-profit developers to acquire and carry out moderate or substantial rehabilitation on properties of varying sizes, from single family homes and very small multifamily properties, to larger apartment communities and properties designed to be sold as condominiums before being foreclosed. First priority for funding will be existing foreclosed, affordable rental housing under an existing land use restriction agreement.

FHFC will require all units rehabilitated through this strategy to be restricted to tenants with incomes not to exceed 50 percent of area median income.² Funding priority will be given to development proposals in which a portion of units are set aside for extremely low income households. FHFC will offer financing support to set aside up to 30 percent of units in a property for these lowest income residents.

FHFC expects to provide 100 percent of the initial loan financing for these properties and their rehabilitation with NSP2 funds at 0-1 percent, non-amortizing for 5-7 years. At the end of this period, all loans will be refinanced. For larger multifamily properties, 50 percent of each loan will be taken out with mortgage revenue or 501(c)3 bonds and, to the extent possible, 4 percent Low Income Housing Tax Credits. For smaller properties and those serving special needs households or providing other specialized tenant situations, FHFC proposes that 50 percent of the initial loan will convert to an amortizing, low interest loan. All properties financed through this strategy will be required to have a minimum 30 year affordability period.

FHFC will incorporate green building requirements into this strategy that are tailored to respond to varying levels of rehab that will be needed on each property. Housing that requires substantial rehabilitation will be expected to meet green certification standards when the rehab is completed. Housing needing more moderate rehab will be required to have energy star appliances and lighting included, as well as other green features, to the extent that replacement of any of the existing items is needed.

FHFC will reach out to organizations providing services to persons with special needs to develop partnerships to provide these populations with access to extremely low income units provided for rent. FHFC's existing housing and services partnership building at the state, regional and local level will be critical in implementing this concept. FHFC will also look for opportunities to include financing for universal and visitability features in rehabilitated homes, particularly those which require substantial rehab.

² Per HOME rules, residents that are already living in properties at acquisition will be able to remain in the units, and after these units are vacated, income restrictions would apply to these units. In situations where rehabilitation needs impact the residency of these tenants, the developer will be required to provide and implement a relocation plan.

Provide financing to non-profit and for-profit developers to build new residences for rental on parcels that are vacant or have had blighted structures removed

Proposed funding: \$57,500,000

Like the strategy above, FHFC will provide financing to non-profit and for-profit developers to acquire parcels that are either vacant or have blighted structures that will be demolished and redeveloped. Financing for both demolition and new construction will be provided to developers as acquisition/construction financing, as outlined in the strategy above with 100 percent financing using NSP2 funds for 5-7 years, with take out financing using bonds or other sources for larger properties and refinancing of 50 percent of the loan to be a low-interest, amortizing loan for smaller and more specialized properties, leaving the other half of the loan in place. This strategy will be targeted to properties of varying sizes, from single family homes and very small multifamily properties, to larger apartment communities and properties designed to be sold as condominiums before being foreclosed.

Housing constructed with financing from this strategy will be required to meet green certification requirements and include storm resistant and universal design features.

This strategy will be implemented similarly to the strategy above. However, due to the likely increase in time required for possible demolition and full redevelopment, FHFC will prioritize funding for projects that are ready to proceed and set a date past which no funding for this strategy will be awarded or loans closed. This should ensure that these projects are completed before NSP deadlines for expending funds.

Proposed Combined Homeownership and Rental Strategies

Allow local governments, in partnership with non-profit organizations as needed, to establish land banks for the purchase of foreclosed properties for future use.

Proposed funding: \$25,000,000

Local governments in some areas of the state may find that local market conditions would be best addressed by acquiring blighted or foreclosed homes and properties to bank for future use or redevelopment. Through a Request for Proposals, FHFC will provide financing for local governments, working with non-profit organizations as needed, to acquire and, where necessary, demolish blighted structures, manage and redevelop/rehab these properties within ten years. As part of their proposals, local governments will be required to provide a description of how their proposed land banks will operate, how the properties will be chosen, the intended uses of banked land and a plan for rehab or redevelopment as needed. Proposals will be required to show the local market conditions that indicate the need for such land banking, as well as a plan for property management over the holding period. Funding will be provided for improved properties with residential structures that will remain on the parcels, properties upon which improvements will be demolished, and vacant properties.

Provide NSP2 supplemental funding to local governments receiving NSP1 funding through the Florida Department of Community Affairs that have a demonstrated capacity to spend NSP1 funds quickly and effectively

Proposed funding: \$50,000,000

DCA will provide supplemental funding to current NSP1 local governments receiving funding through the Department. DCA will implement the strategy by reviewing the performance and effective use of funds and prioritizing projects accordingly. Participating local governments include: Alachua County, Bay County, Bradenton, Charlotte County, Citrus County, Clay County, Davie, Daytona Beach, Delray Beach, Ft. Pierce, Hernando County, Indian River County, Martin County, Melbourne, Miami Beach, Ocala, Okaloosa County, Osceola County, Palm Coast, Santa Rosa County, St. Johns County, St. Lucie County, Tallahassee, and Titusville.

The communities that demonstrate the capacity to spend funds quickly and effectively will be eligible on a priority basis to receive funds under NSP2. DCA expects to allocate this funding to eligible local governments in this group to be used across the following strategies:

- Strategy 1 – Acquisition, rehabilitation and sale of homes to households with incomes at or below 120 percent of area median income (DCA proposes to allocate 32 percent of funding for this strategy across all eligible local governments);
- Strategy 2 – Housing finance to individuals and families with incomes at or below 120 percent of area median income (25 percent of funding proposed to be allocated for this strategy);
- Strategy 3 – Land banking (1 percent of funding proposed to be allocated for this strategy);
- Strategy 4 – Demolition and redevelopment (12 percent of funding proposed to be allocated for this strategy); and
- Strategy 5 – Acquisition, rehabilitation and rental to households with incomes at or below 50 percent of area median income (30 percent of funding proposed to be allocated for this strategy).

These NSP2 eligible activities will mirror those used by DCA in its NSP1 funding from HUD. DCA will use the following types of factors to determine priority of funding:

- Service to low- and moderate income beneficiaries;
- Rental housing to very low income beneficiaries;
- Expanded service area beyond jurisdictional boundaries;
- Timeliness of activity completion;
- Good standing with DCA on program compliance; and
- Activities/strategies that have generated jobs.