



THE AFFORDABLE HOUSING STUDY COMMISSION
Dedicated to Promoting Affordable Housing in Florida Since 1986

**Affordable Housing Study Commission
Meeting Summary
April 6 & 7, 2005
Tallahassee**

Commissioners Attending:

Helen Feinberg (Chair), Lloyd Boggio (Wednesday only), Howie Carroll, Jill Collins (Thursday only), Paul E. Curtis, Michael Davis, Dorothy Ellington, Robert Gregg, Priscilla Howard (Wednesday only), Ann Kashmer, Barbara Lindstrom, Darlene Pifalo, Ellen Ramsey, George Romagnoli

Staff:

Rhanda Mckown, Nancy Muller

Public Attending:

Odetta MacLeish-White

* * * * *

April 6, 2005

Meeting commenced at 12:34 p.m.

Where We Currently Stand

The February 2005 meeting was for the purpose of educating the Commission about the programs that are being studied this year. The Commission's yearly report is due to the Governor by July 15th, but the statute does not specify its format. There is one meeting left between now and that deadline which is scheduled for June 20-21 in Orlando. The Commission staff plans to have a draft report ready for review by that meeting.

Review and Discussion of Data

Nancy Muller, Policy Director at Florida Housing Finance Corporation, made a presentation about the preservation data. Notes for follow-up:

- Public Housing – The Capital Fund is for the purpose of rehabilitation but it is still insufficient. This stock is old and continuing to age with very few replacement units, and no new construction units being built. Staff will determine whether these data include HOPE VI units.
- Section 202 – Staff will determine if the expirations reported in the data are for contract terms (which is typically 20 years) or mortgage terms (which is typically 40 years).
- Florida Housing Finance data – There is still a need to gather local bond data in order to provide perspective on available affordable housing.

- The Commission discussed just how detailed and precise the data must be to adequately tell the story, with the concern that staff could spend all of its time working to get perfect accuracy on the data. The group also talked about presenting state level data in this year's report and local data in next year's report.

Year 15 Housing Credits Panel

Presentations by Mark Kaplan and Laura Cox, Director of Asset Management, Florida Housing Finance Corporation

- Year 14 option to request qualified contract from Florida Housing Finance Corporation (Florida Housing has 1 year from notice to present a contract to buy the property -- Non-affordable units at fair market value; Affordable units by formula)
 - Qualified contract price =
 - Outstanding debt on the property
 - + Adjusted investor equity
 - + Other capital contributions
 - Cash distributions from the development
- To date Florida Housing has not had anyone complete the qualified contract option. Some reasons that may interfere with FHFC getting applicants:
 - Market rates have increased beyond the calculated qualified contract price
 - Because of this formula, we will probably see some properties add more debt to the property to increase the minimum price to increase the qualified contract price
- Florida Housing sent out a Request for Qualifications and gathered a pool of 11 for-profit and non-profit qualified potential purchasers of these properties (commissioners commented that it might be time to issue another request for this pool, as many did not know about the RFQ in the first place).

Mr. Kaplan noted that it is important to think about the goals of the various participants in these transactions when considering solutions: what do they want and need? He targeted three particular points of analysis for any preservation deal: condition of the property, condition of the market and available subsidy. He commented that the most likely properties to come back to Florida Housing for subsidy in order to remain affordable would probably be the least likely to change their income focus for market reasons. Commissioners discussed the need for a process for nonprofits and public housing authorities to explore potentially expiring properties on which they might be in an advantageous position to make an offer. Commissioner Lloyd Boggio proposed that the state should count on local governments to help prioritize which properties get preserved.

The Commission's 2005-2006 Study Year

- The Commission came to consensus about continuing to work on the topic of Preservation in a comprehensive fashion, requiring work into the 2005-2006 study year.
- This year's report should include the hurricane recommendations (including what items at the federal level are left to be done) and what the Commission has learned about the preservation problem. This year, focus on state data, and next year, consider taking that information down to the local level. The report should clearly state how much rebuilding is still to be done; consider using examples from Hurricane Andrew.

Discussion about Barriers to Preservation

For the rest of the meeting, the Commission brainstormed barriers to preservation. Ms. Muller agreed to take the raw list and reorganize it for the Commission to review and discuss the next day. See Attachment A for the Commission's initial list of barriers.

Meeting adjourned at 5:10 pm.

April 7, 2005

Meeting Commenced at 8:40 am.

Public Comment

There was no public comment provided.

Legislative Update

- The following bills were briefed that are currently a bill being considered in the legislature:
 - A bill that would update the current Public Housing Authority statute (ch. 421,F.S.) and provide more flexibility for construction and building of units.
 - A bill that would increase the maximum loan amount of the Elderly Housing Community Loan program from \$200,000 to \$750,000 per transaction.
 - A bill to implement the recommendations of the Hurricane Housing Work Group. The implementation language has been written for this and budget negotiations are currently in process.
 - A bill that would cap the Housing Trust Fund for \$193 million, but advocates of the fund are working to increase it to \$375.5 million for this year.
 - A bill that would change the structure for late fees and penalties associated with them for condominium associations. It would increase the amount of late fee accrual from \$25 to \$2,500 and increase the timeframe from 30 days to 120 before foreclosure can occur. This may delay the turn over rate for apartments that are needed by low income populations.

The Commission's Next Steps on Preservation

Commissioners reviewed a revised list of preservation barriers, pressures and goals, as attached. The group agreed to form two work groups to delve into financing and capacity issues, as follows:

1. **Financing issues**
 - a. Barbara Lindstrom
 - b. Ellen Ramsey
 - c. Ann Kashmer
 - d. Helen Feinberg
 - e. Michael Davis
 - f. George Romagnoli
 - g. Scott Culp
 - h. Gus Dominguez
 - i. Lloyd Boggio
 - j. Paul Curtis
2. **Building Capacity across the affordable housing delivery system to do preservation**
 - a. Sharon Jenkins-Owen
 - b. Dorothy Ellington
 - c. Robert Gregg
 - d. Jill Collins

- e. Howie Carroll
- f. Darlene Pifalo
- g. Priscilla Howard
- h. Santos De La Rosa
- i. Jane Johnson

Meeting adjourned at 11:10 a.m.

ATTACHMENT A
List of Barriers per Commission's April 6th, 2005 meeting

- The problem of production versus expiration may be geographic within the state and needs to be addressed as such
- It is difficult to build capacity for various reasons which include but are not limited to:
 - Lack of capacity in non-profit developers and public housing authority that may be more likely to do preservation deals, especially those saving extremely low income (ELI) units
 - Lack of knowledge about the problem among state and local government officials and community leaders
 - Not easily knowing when a property owner will opt out/prepay its mortgage to leave the affordable housing arena
 - Sellers and buyers are often unaware of each other for preservation transactions
 - Lack of data to provide easy access to information and the status of housing
 - Lack of tools to analyze areas of greatest risk (i.e., loss of units)
 - Working relationship with HUD on properties where HUD is involved can be problematic, mainly due to bureaucracy
- Lack of financing tools to preserve, acquire and rehabilitate affordable units for the following reasons:
 - Not enough financing incentives to promote the amount of preservation needed (private sector and government, predevelopment and bridge, equity, mezzanine, etc.)
 - The private sector and even the public sector are not willing to take the last strip of risk – the top layer
 - Many ELI units are in the older HUD-assisted stock – which must be preserved in order to keep housing for this group stabilized at current levels – but which is also the most expensive to operate over the long term
 - Size of some preservation properties built early on is often smaller, making these deals harder to work financially; rate of return to developer is also smaller
 - If a development uses SAIL funds for rehabilitation, the statute requires that 40% of the property value must be spent on rehabilitation
 - Timing of when financing is available
 - SHIP program requires that 65% of new and recaptured funds be used for homeownership, limited local financing of rental rehabilitation
 - SHIP requirements for long-term monitoring on rental properties deters funds going to rental rehabilitation
 - Functional obsolescence of public housing stock (cost to rehab or replace)
- Exit taxes – these are taxes owed on a negative depreciation of a property over time, to bring it to zero. These taxes are owed when they sell the property because they got tax breaks for the value of the depreciation while they owned it. These taxes can make the property prohibitively costly to the potential buyer.
- 10-Year Rule – This is the single biggest problem in getting rehabilitation deals accomplished, however if it were not in place properties would change hands frequently in order for new owners to get the benefits of tax credits.