



## THE AFFORDABLE HOUSING STUDY COMMISSION

### **Conference Call Summary May 14<sup>th</sup>, 2007**

Participating Commissioners: George Romagnoli, Ann Kashmer, Helen Feinberg, Joe Campus, Paul Curtis, Darlene Pifalo, Michael Davis, Santos De La Rosa, Dorothy Ellington, Robert Gregg, Priscilla Howard, Sharon Jenkins-Owen, Jane Johnson, Kristin Larsen, Robin Lunn, Ellen Ramsey

Study Commission Staff: Odetta MacLeish-White

Florida Housing Finance Corporation Staff: Nancy Muller, Rob Dearduff, Darlene Raker

Participating Public: Jeff Bagwell, Keystone Properties; Michael Hervey, City of Tallahassee; Son Rohani, Indian River County Planning Department; Mike Switzer; Rosa Sabater, HSBC Bank; Mandy Hines, DeSoto County; Nery Torrent, Commerce Bank; Terry Malcolm-Smith, City of Clearwater; Mary Ellen Early, Florida Association of Homes and Services for the Aging; Mike Johnson, City of Panama City; Marci Kurcine, Collier County; Barbara Taylor, Clay County; Brenda Cornelius, Boynton Beach

Study Commission chair, Helen Feinberg, called the meeting to order at 2:05pm following roll call of the participating Commissioners and tally of participating members of the public.

### **Discussion Items**

#### Using SHIP to Serve Extremely Low Income (ELI) Households

At its January 2007 meeting, the Commission noted some of the challenges in serving ELI families:

- ELI households are most likely to be renting, unless they already own the house in which case SHIP can be used for owner-occupied rehabilitation;
- the pressure to serve this population has increased as federal dollars have diminished;
- when serving ELI, more dollars are needed to cover operating expenses to close the gap each unit carries between rent paid by the resident and the actual cost of the unit to the owner; and
- using SHIP dollars for rental assistance puts the local government in the position of having to provide the subsidy into the foreseeable future with all the accompanying monitoring responsibilities.

The Commission's discussion of this issue during the conference call was balanced between a belief that the challenges of serving ELI make it necessary to establish some benchmarks or goals for local governments and a belief that the program is already reaching ELI households through the statutory requirement to use 30 percent of annual income for households earning 50 percent or less of area median income. In September 2007, the first SHIP annual reports in which ELI households are tracked will be available providing more precise data on the number of ELI households served. Commissioner George Romagnoli noted that ELI households may be under-reported in these annual reports due to a tracking system that may count ELI households as Low Income based on the rents the families are actually paying.

Commissioner Priscilla Howard also pointed out that SHIP program are assisting ELI households by directing SHIP funds to competitive 9% housing credit developments which are now required by Florida Housing to serve more ELI families. ELI households which already own their homes can also be assisted by SHIP through owner-occupied rehabilitation which helps to keep elders and the disabled in their homes.

**Recommendation: The Commission voted unanimously to make no recommendation on how SHIP should be used to support ELI households until more definitive data is available. The final report should note both on-going data collection efforts and the fact that the 50 percent income targeting in the statute is likely reaching ELI households as well.**

#### Statutory Percentages

The Commission affirmed all existing statutory requirements for SHIP but spent some time debating whether or not additional flexibility was needed to support the use of SHIP for rental developments. The Commission's discussion of this item is set in a politically sensitive context. The state housing trust fund is up for reauthorization in 2008 and the Sadowski Coalition will be active in the reauthorization effort. While some commissioners felt it was important to provide greater flexibility for rental, when need can be shown, others felt that SHIP administrators have not been demanding assistance in doing more rental developments and the Commission would be making a recommendation on a non-issue.

Nancy Muller, Policy Director for Florida Housing, reminded the Commission that the Hurricane Housing Recovery Program's waiver process did not require a statutory change because the program's legislative authorization gave Florida Housing the power to structure the process, which required only documentation to Florida Housing's SHIP staff indicating a need for more rental. No board approval was required and the documentation went on file. To create a waiver process for the SHIP program would require a statutory amendment. Commissioner Priscilla Howard noted that while HHRP was a response to a multi-state hurricane disaster, a waiver option within SHIP would allow a local government to respond to a more location specific occurrence. Commissioner Romagnoli noted that, from preliminary data provided by Study Commission staff, those local governments with larger program income have been assisting rental units.

Comments from participating public were:

- Mandy Hines – while there may be little call for rental now from SHIP administrators, there is no assurance that, in case of future disasters, funds for rental will be available. Therefore, a waiver option would be a good tool for local governments.
- Jeff Bagwell – there are other programs, such as CDBG and HOME, to serve ELI and very low income households. SHIP is the only program serving the 80-120 percent AMI households and any modifications to the statute threatens to pull funds away from these moderate income families.

**Recommendation: Dorothy Ellington moved that the Commission recommend amending the SHIP statute to create a process, adopted by the local government following a public process, which would allow a waiver of the 65% home ownership requirement. Seconded by Priscilla Howard. The motion carried with 12 ayes, 3 nays and 1 no response.**

#### Using SHIP to Serve Smaller Properties

The Commission re-affirmed its findings that there are a number of smaller properties throughout the state, consisting of 5 units or less, which provide families with reasonable rents and which would benefit from some upgrading. Many of these “mom and pop” properties are conventionally financed and have

no affordability restrictions. The SHIP program could address the need to maintain these units, being careful to ensure that such properties will remain affordable over time. At the same time it should be recognized that monitoring such properties represents additional work for local SHIP administrators.

**Recommendation: The SHIP statute should be amended to:**

- **Raise the per unit grant or loan limit to \$15,000 before annual monitoring is required;**
- **Encourage local governments to consider how unrestricted program income can support smaller affordable and conventionally financed housing properties; and**
- **Increase the administrative fee on program income from 5 percent to 10 percent.**

Using SHIP for Manufactured Housing

The SHIP Administrative Workgroup presented a recommendation on manufactured housing to the Commission at its April 2007 meeting. The Workgroup noted that mobile homes are becoming a more important affordable housing option and Commission staff reminded the Commission of data which show that manufactured housing licensed as real property contributed just over \$22 million to documentary stamp taxes.

The Commission confirmed that the Workgroup's recommendation was restricted to real property manufactured housing, and clarified that the income eligibility definition would be 80 percent or less of area median income and that purchase assistance would not be contemplated.

**Recommendation: The SHIP statute should be amended to allow use of SHIP dollars to address handicap accessibility, utility and sewer hook-ups and emergency repairs for existing owners of mobile homes. Local housing assistance plans should restrict this use to elderly and disabled households and households earning 80 percent or less of area median income.**

Regulatory Reform

At the April 2007 meeting, Florida Housing's intern Jon Frederick presented the preliminary findings of his updated survey of expedited permitting. Jon surveyed planners, SHIP administrators and developers and came to the following key conclusions:

- There continues to be a disconnect between planners' and developers' perception of expedited permitting processes.
- There is also a lack of coordination between planners and SHIP administrators.
- Many of the existing expedited permitting policies do not provide a meaningful incentive to develop affordable housing, but there is evidence that many believe expedited permitting can have at least some effect on affordable housing.
- Pre-development meetings, concurrent reviews and flagging affordable housing developments for priority processing are some of the successful strategies for expediting permitting.
- Further delays are created at state level agencies such as DEP and Water Management Districts and the lack of housing policies incorporated into comprehensive plans.

The Commission felt that existing incentives can be effective in promoting affordable housing, but the real problem lies in the lack of coordination between SHIP departments and other local government departments.

**Recommendation: The 2007 Final Report should -**

- **highlight best practices such as creating ombudsman positions to shepherd affordable housing developments or putting the planning, building and housing departments in a single location to make communication easier;**
- **identify ways in which the state may speed up its process; and**
- **note the Commission’s recommendations regarding affordable housing advisory committees which were incorporated into H.B. 1375.**

#### Income Verification Methods

The SHIP Administrative Workgroup discussed this issue in both of its conference calls and reported back to the Commission that SHIP programs are concerned with staying on the right side of the statutory requirements (if they are found out of compliance it can eventually result in loss of SHIP funding) while private lenders are looking for efficiency and feel that, as the first lien position holder, if they are willing to trust their processes SHIP administrators should do the same.

The SHIP Statute provides three methods for determining income for purposes of SHIP eligibility:

- annual income as defined under the Section 8 housing assistance payments programs in 24 C.F.R. part 5;
- annual income as reported under the census long form for the recent available decennial census or;
- adjusted gross income as defined for reporting under Internal Revenue Service Form 1040 for individual federal annual income tax purposes.

**Recommendation: the Florida Housing Coalition should offer training workshops that share information on all three methods of verifying income (Section 8, using census information or using information from IRS Form 1040. These workshops could also help SHIP administrators identify which income method works best for different housing strategies.**

#### Minimum Allocations

The SHIP Administrative Workgroup presented a number of pressures facing counties which receive minimum allocation:

- The small administrative fee which no longer covers the cost of hiring a staff person;
- These counties do not receive CDBG or HOME dollars to supplement their affordable housing programs;
- But for the presence of the Hurricane Housing Recovery Program, there is very little money to do rental developments which are often needed to serve lower income populations; and
- The costs for down payment assistance and rehabilitation have sky-rocketed. In the time immediately following the hurricanes, bids for home replacement work went up from \$65-70,000 to the mid-\$90,000. With less construction projects, this figure has recently dropped about \$10,000 but it is not likely the costs will return to pre-hurricane levels.

**Recommendation: based on the Workgroup’s recommendation, if the current cap on Sadowski Funds allocated for affordable housing is maintained, the minimum allocation should remain at \$350,000. If the cap is lifted, the minimum allocation should be raised by \$100,000.**

#### Repeal of the Cap

At the April 2007 meeting, the Commissioners voted unanimously to recommend repeal of the cap placed on the state housing trust fund.

**Recommendation: The Commission voted unanimously on the conference call to include support of reauthorizing the state housing trust fund in 2008 in its recommendation to repeal the cap placed on the state housing trust fund.**

There being no public comment, the call was adjourned at 4:05pm.