



THE AFFORDABLE HOUSING STUDY COMMISSION

SHIP Administrative Issues Workgroup Conference Call Summary March 12th, 2007

Workgroup Members: George Romagnoli, Ann Kashmer, Helen Feinberg, Michael Hervey, Mandy Hines, Randy Wilkerson, Don Hadsell

Staff: Odetta MacLeish-White, Rob Dearduff, Stephanie Sgouros, Darlene Raker, Terry Auringer

Workgroup Chair George Romagnoli called the meeting to order at 2:00pm. The Jan.17th conference call summary was reviewed with the following changes:

- Rob Dearduff noted that the sources of income allowed under 24 CFR does trigger some changes in the language of the SHIP statute to clarify the accepted sources of income for SHIP.
- Ann Kashmer noted on p.2 the section on credit underwriting challenges should more clearly state that the move from manual to automated underwriting in the secondary mortgage market has been the crux of the problem. SHIP administrators continue to manually underwrite their loans which lead to different approval rates than the automated system. Staff will amend the minutes to reflect this clarification.

The scope of work for the call was accepted:

- 1) Review SHIP rule and compliance rule, section by section
- 2) Examine minimum allocations:
 - a) What are the pressures on the current minimum allocation?
 - b) What is the per capita allocation for each county?
 - c) How are local governments affected if we change the minimum allocation?
- 3) Develop a recommendation for the Study Commission on manufactured housing
- 4) Any other recommendations from the workgroup?
 - a) Incentives and Affordable Housing Advisory Committees?

Review of the SHIP Rule (Chapter 67-37 Florida Administrative Code): The workgroup reviewed the SHIP rule, section by section.

- Definitions: no substantive changes or comments. It was clarified that the definition of “Debt Service” did not prohibit a SHIP program from buying out the first mortgage on a property so it can be re-sold to an eligible end user. The definition of debt service was created to avoid bonding SHIP dollars.
- Local Housing Assistance Plans (LHAP): no changes or comments
- LHAP Review and Amendments: no changes or comments
- Local Housing Trust Fund: no changes or comments
- Incentive Strategies: no changes or comments
- Interlocal Entities: no changes or comments

Review of Compliance Rule (Chapter 67-53.005 Florida Administrative Code)

Rob Dearduff noted that there is an inconsistency between the Compliance rule and the SHIP statute in the definition of Adjusted Gross Income (AGI). The statutory definition can be interpreted as providing three options for determining AGI:

- 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.

Most SHIP programs use the first version, and this is the version enforced by SHIP staff at Florida Housing. Randy Wilkerson pointed out that Catalyst workshops train on the Section 8 definition which explains why so many SHIP programs use it. Under the Compliance Rule, however, AGI is not defined with the same language and does not refer back to the statutory definitions.

Rob Dearduff explained that SHIP staff is looking at cleaning up the compliance rule to make it more clear which methods of determining AGI are acceptable.

The workgroup spent some time discussing the challenge of including child support in AGI. This source of income is not required under Section 8 definition of AGI, but SHIP programs which use other forms of determining AGI have been cited when they use other methods. Further, the inclusion of child support orders can put a household over eligibility limits whether or not that amount has actually been paid. Chair Romagnoli suggested the compliance rule could also be amended to clarify how to address child support payments.

Minimum Allocations

Odetta MacLeish-White first explained the spreadsheet sent the workgroup. The worksheet is attached to this summary as Attachment A. The data show that there are 26 counties receiving either the minimum allocation of \$350,000 or slightly more. It is estimated that a population of between 36,000-38,000 thousand represents the point at which a county receives more than the minimum allocation.

Ms. White also discussed recent changes in the Florida Single Audit Act which requires counties receiving state programming dollars to include these programs in their annual independent audits. The audit threshold was recently raised from \$350,000 to \$500,000 which means the 26 SHIP counties receiving minimum allocation or slightly less are no longer required to include SHIP in their annual audits. The task of auditing these SHIP jurisdictions would fall to Florida Housing compliance staff.

Some of the pressures on the counties receiving minimum allocation include:

- 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
- 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.

The workgroup noted the significant difference in the per capita SHIP allocation for smaller SHIP jurisdictions. Larger counties tend to receive around \$9 per person, while smaller counties receive anywhere from \$10 to a high of \$46 per person. The workgroup recognized that the way to truly address the challenge of fair distribution of SHIP funds would be to create an allocation formula based on need, rather than population. Don Hadsell mentioned the CDBG formula which uses a ratio of income to percentage of poverty and existing infrastructure to create a dollar allocation.

However, the group recognized that no one will be satisfied with any funding formula and the best solution is full funding. Mandy Hines pointed out that small counties receiving minimum allocation have no incentive to support lifting the cap because their minimum allocation will not be automatically increased. Large counties may also be more amenable to increases in minimum allocation if full funding is provided. However, in an atmosphere of limited funding, the workgroup felt that any increase in the minimum allocation should be tied to lifting the cap on the state housing trust fund dollars.

Recommendation: If the current cap on Sadowski Funds allocated for affordable housing is maintained, the minimum allocation should remain \$350,000. If the cap is lifted, the minimum allocation should be raised a minimum of \$50,000.

Manufactured Housing

Study Commission chair, Helen Feinberg requested the workgroup to develop a recommendation on manufactured housing for the Commission to take up at its April meeting. The workgroup briefly reviewed the Study Commission's recommendations on manufactured housing contained in its 2003 Final Report and noted that mobile homes are becoming a more important affordable housing option. The workgroup also noted that it has never been tracked how much documentary stamp tax certain manufactured housing (that which is taxed as real property) contributes.

While any level of change would require a statutory amendment, the workgroup found that, right now, the problems experienced by mobile home owners are true quality of life and safety issues:

- Handicap accessibility
- Utility hook-ups
- Emergency repairs which are too costly for owners to pay for themselves.

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 low-income, elderly and disabled.

The workgroup completed the call by briefly considering affordable housing advisory committees (AHACs) and current incentive strategies (other than the regulatory reform incentives of expedited permitting and review of cost). The group had no comments or changes to the list of suggested incentive strategies but did note that they should not be made into requirements since once size does not fit all counties.

For AHACs, staff has been directed to prepare a statement on the pros and cons of these committees for review by George Romagnoli and Ann Kashmer. This list can be presented to the Study Commission at its April meeting.

There being no public comment, the call was adjourned at 3:45pm.