



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

Affordable Housing Study Commission
Meeting Summary
June 20 & 21, 2005
Orlando

Commissioners Attending:

Helen Feinberg (Chair), Gus Dominguez, Howie Carroll, Jill Collins, Paul E. Curtis, Michael Davis, Dorothy Ellington, Robert Gregg, Priscilla Howard, Ann Kashmer, Darlene Pifalo, George Romagnoli, Santos De La Rosa, Sharon Jenkins-Owens, Jane Johnson, Barb Lindstrom

Staff:

Odetta MacLeish-White, Nancy Muller

Public Attending:

William O'Dell, Ryan Haynes, C. Knox Lasister

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June 20, 2005

Meeting commenced at 1:00 p.m.

Chair Feinberg welcomed the Commission's new director, Odetta MacLeish-White, who shared some introductory comments and outlined the day's agenda.

Draft 2005 Final Report

Nancy Muller, Policy Director for Florida Housing, presented the draft 2005 Final Report to the Commission, after encouraging them to review their copies of "Stemming the Tide" for a good overview of federal preservation programs. The Commission provided comments, corrections and suggestions for each chapter of the report which were:

Chapter 1: briefly described the Commission's process in providing hurricane recovery recommendations to the Governor's Office; and

Chapter 2: provided an analysis of Florida's existing affordable multifamily housing stock including descriptions of Federal, State, Public Housing and Rural Development programs which have funded construction and rental assistance for low income families. Data was provided on the aging and expiration trends for housing within each program portfolio. This chapter also included a review of the barriers to preservation and closed by briefly outlining the Commission's goals for the 2005-2006 study year.

Federal Preservation Tools Presentation

Presentation by Doug McCree, CEO of First Housing. First Housing is Florida's only Participating Administrative Entity for HUD and is also an FHA Multifamily Accelerated

Process mortgagee. Mr. McCree reviewed the basic financial structures of the following federal preservation programs:

- Mark to Market
 - Standard Transactions
 - Mark up to Market
 - Mark up to Budget
- Section 236 Decoupling
- Section 202

Mr. McCree's presentation is attached to this summary as Attachment A.

Legislative Update

Nancy Muller reported on recent legislation of interest to the Commission:

- State and Local Housing Trust Funds received \$193 million
- \$250 million appropriated for hurricane recovery; the emergency rule takes effect July 1, 2005.
- HB 1889 has capped Trust Fund appropriations at the lesser of \$243 million or the current percentage of taxes collected. Without a grassroots effort to prevent it, \$40 million will be swept from the trust fund next year.
- SB 334 passed which codifies the ability for a PHA to joint venture with nonprofits in limited liability partnerships
- SB 1486 passed which provides property insurance and catastrophic hurricane insurance funds to DCA for a pilot program to give low interest loans to homeowners for hurricane repairs.

Meeting adjourned at 5:30 pm.

June 21, 2005

Meeting Commenced at 8:30 am.

Public Comment

There was no public comment.

Work Groups Breakout Session

The Commission spent the day meeting as the Finance Workgroup and Capacity Workgroup to identify issues and develop action items for future meetings. Notes from each Work Group session are attached to this summary as Attachment B.

The Commission's Next Meetings

The Commission discussed the following dates for its next two meetings:

August 31st and September 1st
October 24th and 25th.

Meeting adjourned at 12:30 p.m.

ATTACHMENT A

(Doug McCree's presentation starts on the following page)

Affordable Housing Study Commission

HUD Preservation Tools

First Housing

- Established Under Section 420 FAC
- Incorporated in 1979
- Primary focus of mobilizing capital for creation and preservation of affordable housing
- Work with FHFC, HUD, FHLB, USDA, Freddie Mac and Fannie Mae

Involvement with HUD

- FHA MAP approved mortgagee
- PAE for the Mark to Market Program
- Collaborative partner on Section 202 refinance program
- Compliance monitor for Section 236 Decoupling

Mark to Market

- “Standard” Transaction
- Mark up to Market
- Mark up to Budget

Standard Transaction

- **Tenant meeting and sight inspection to determine tenant and property needs**
- **Property Improvement Plan is created**
- **Rents are lowered to market with new 20 year contract**
- **New debt (223(a)7) is sized based on new cash flow**
- **HUD provides 90%, owner 10% of funds to close**
- **Excess debt structured in 2nd & 3rd mortgage**

Mark up to Market

- Borrower provides rent comp study indicating rents are below market
- HUD enters into new 5 year HAP contract
- No improvements required
- No debt restructure
- HUD reviews rents after 5 years to re-determine market rent
 - Over 1400 properties that chose this vehicle are “at risk” with rents above 90% of FMR

Mark up to Budget

- Only to available to non-profit owners
- Sparsely utilized
- Wasn't particularly practical

Section 236 Decoupling

- Old loan program where HUD would enter into an agreement tied to the mortgage to buy down the rate paid by the Borrower
- HUD has agreed that the IRP can be decoupled from the mortgage to allow refinance
- Maintains the subsidy in return for on-going compliance with affordable restrictions

Section 236 Decoupling

- IRP income stream is monetized via loan collateralized by the IRP. Loan dollars can help with light rehab.
- Works for well maintained properties in good markets.
- Properties still can be at risk when the IRP agreement runs out

Section 202

- Direct HUD loans to non-profits for elder housing
- Exempted from mark to market program
- HUD specifically adjusted MAP underwriting guidelines to assist in the refinance
- Additional subsidy is still needed
- Jury is still out as to effectiveness

Conclusions

- HUD has worked to create options for preservation and continuation.
- Additional subsidy/equity generally needed to complete the transaction
- Money and desire to solve the problem is critical

ATTACHMENT B

Affordable Housing Study Commission Preservation of Affordable Multifamily Housing Finance Workgroup June 21st Notes

END PRODUCT

- Programs – 100% financing, efficient, timely, supportive over the life of a property (taking into account the maintenance needs of each type of property)
 - Debt & equity
 - New or enhancing current programs
 - Funding sources
 - Capital vs. operating: defined as whatever is needed to do the redevelopment, incl. rehab, to place the units in service again
- Customers
 - Who are they – what are the demographics of the residents
 - What products (financing) will be needed to provide rental assistance
- Affordability period
 - Rational, feasible way to achieve perpetuity

TAX RELIEF

- Federal
- Ad valorem

Delivery system for financing – how funding sources are available to a project

How local program dollars are used - homeownership vs. rental, PR needed; also look at barriers – HOME (waivers), SHIP monitoring, etc.

Property Owners

- Consider financial strategies that respond to different motivation of ownership. Does a mom/pop owner have different considerations from a large owner?

Who Else Should Be Invited to Join this Workgroup?

- Finance
 - Policy folks who can effect decisions (hear from these by Oct. mtg)
 - Equity – syndicators, investors, those w/ Yr 15 experience, those with experience in both staying in the deal and getting out
- Program experts as needed
 - RD
 - HUD
 - FHFC
- Private financing
 - Products in other parts of the country
 - Oct. AHSC mtg – consider bringing speakers who have products elsewhere

SCENARIOS using BASIC DEAL STRUCTURES

- Assumptions about:
 - FHFC programs – 100 units, 15% ELI, 85% @ 60% AMI

- Buildings to be preserved – 30 yrs old, in seller’s hands for 15 yrs or 5 yrs, 100 units, all very low income, financed with Section 202 and Section 8
- Income levels – use state median income
- Include cost burden

Create template for August 2005 meeting that looks at the different scenarios:

- Credit enhancement
- Equity
- Subsidy
- Debt:
 - Private activity bonds with 4% Housing Credits
 - 501(c)(3) bonds
 - Governmental bonds – public housing
 - Conventional loans, including mezzanine debt

Affordable Housing Study Commission
Preservation of Affordable Multifamily Housing
Capacity Workgroup June 21st Notes

FRAMEWORK ISSUES

Inventory – how can we track what is available, in both subsidized and unsubsidized markets?

- Identify tools for finding these units – GoSection8.com (for finding privately owned Section 8 units)
- Of particular concern is finding unsubsidized units – Property Management Association could be approached
- Notice
 - Is there a way to estimate when properties are opting out or converting?
 - What kinds of tools for notice should be developed?
- Educating stakeholders
 - Housing issues affect all constituents
 - Development of tools
 - Putting a face on the issue
 - Highlight the importance of trust fund money
- Federal devolution and state's responses to these changes
 - Maintain the importance of trust fund money
- How do you prioritize new construction and preservation?

WHOSE CAPACITY ARE WE TRYING TO BUILD?

- Local Communities
 - SHIP, PHAs, non-profits, for profits, faith based organizations
- Remember Rural and Urban differences
 - Comp plans should be examined specifically
 - Is preservation a stated goal?

WHAT IS CAPACITY?

- Knowledge/Education
 - Of financial resources and local market by housing providers
 - Understanding the inventory – Clearinghouse database, risk analysis tools
 - Local government – awareness by elected officials and their staff (more a strategy than an educational goal)
- Technical Assistance (Ability) – providers can conduct a deal with little or no outside help.
- Understanding the inventory – familiarity with the Clearinghouse database (AHI), risk analysis tools

Who Else Should Be Invited to Join this Workgroup?

- What expertise do we need?
- How do we reach these stakeholders?
- If we don't want to invite expertise to the workgroup, what testimony do we want for the Commission and at what meetings?

Design cost, code issues – education at the local level, focus on process implementation at the local level? Did FL building code ever adopt a rehab code?

Best practices – expedite permitting, self certification