



THE AFFORDABLE HOUSING STUDY COMMISSION

**Meeting Summary
January 31st and February 1st, 2007
Ft. Lauderdale, FL**

Commissioners Attending:

Helen Feinberg (Chair), Michael Davis, Robert Gregg, Ann Kashmer, George Romagnoli, Jane Johnson, Sharon Jenkins-Owen, Ellen Ramsey, Kristin Larsen, Priscilla Howard, Lloyd Boggio, Gus Dominguez, Paul Curtis, Robin Lunn, Dorothy Ellington, Darlene Pifalo

Commission Staff:

Odetta MacLeish-White

Guests:

Florida Housing Finance Corporation (Florida Housing) - Nancy Muller, Policy Director; Rob Dearduff, SHIP Program Administrator; Darlene Raker, SHIP Program Manager

Presenters and Panelists:

Stan Fitterman, Florida Housing Coalition; Wight Greger, City of Jacksonville Housing & Neighborhoods Department; Dorci Gruel, St. John's County SHIP; Evelyn Rusciollelli, Marion County SHIP.

Public Attending:

Bill O'Dell, Shimberg Center for Affordable Housing; Myrna Gallow, Coral Springs; Alistair Bishop, Excel Charities; Stacey Dahlstrom, Broward County Housing & Community Development; George Mensah, City of Miami; Janet Gilliard, Hardee County; Shelly Massey, Hardee County; Mandy Hines, DeSoto County SHIP; Robin Buller, City of Sunrise; Manny Pumarejga, Florida Regional Planning Council Association; Margarette Hayes, City of Ft. Lauderdale; Fay Dressler, Enterprise Community Services; Renato Alessandro Iregui, Travsom Development; Ray Popkin, RBC Dain; Anthony Britto, HUD; Armando Fana, HUD; Suzanne Fejes, Broward County Housing and Community Development; Fabio Naranjo, FAU Center for Urban and Environmental Studies.

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January 31st, 2007

The Commission meeting was called to order at 1:10pm with an introduction of the commissioners and members of the public and guests in attendance.

Odetta MacLeish-White, Study Commission staff director, presented data from the 2006 Demographic Profile of Extremely Low Income Renters Households in Florida. The power point of this presentation is attached to this summary in Attachment A.

Following this presentation, Nancy Muller shared some of the initial findings of the workforce housing demographic profile being prepared by Florida Housing staff with assistance from the Shimberg Center:

- 2007 legislation has been filed which would allow SHIP to serve up to 140% AMI
- It should be recognized that when we get to 140% AMI, we generally mean home ownership
- This profile compared three AMI categories: up to 120% AMI, 120.01 – 140% (the workforce housing segment) and above 140% AMI
- The preliminary data confirm some things we already knew:
 - As age of household goes up, income tends to increase
 - As income goes up, home ownership rates go up
 - As income goes down, cost burden on the household increases
- This profile looked at occupational codes to identify essential services personnel
- Those earning up to 120% AMI tend to be served by affordable housing already, since this very broad category contains lower income brackets:
 - Up to 120% AMI – approximately 2 million households
 - 120.01 – 140% AMI – approximately 500,000 households
 - Above 140% AMI – approximately 2.2 million households
- Preliminary review of the data shows that home ownership increases along with the presence of a married couple in the household
- Home ownership rates in the state break down as follows:
 - Up to 120% AMI – 60%
 - 120.01 – 140.0% AMI – 74%
 - Above 140% AMI – 86%
- Looking at cost burden issues, information was provided for both renters and home owners:
 - Renters
 - One-third of the households comprising the up to 120% AMI category experience severe cost burden (a household is cost burdened if it spends more than 30% of its gross income on housing costs; severe cost burden is defined as spending more than 50% of gross income on housing costs) Only 1.5% of renters in the 120.01 – 140% AMI category are cost burdened, however, and less than one percent of the renters in the above 140% AMI category are cost burdened.
 - Home Owners
 - Up to 120% AMI – 46% of households are cost burdened
 - 120.01 – 140% AMI – 22% are cost burdened
 - Above 140% AMI – 10% of households are cost burdened
- The employment information shows that of all households, 33% are essential services personnel (ESP), but few of these ESP households are found in the above 140% AMI category. ESP households make up 20% of all households in Florida, and the income categories include the following percentages of ESP households:
 - Up to 120% AMI – 17%
 - 120.01 – 140% AMI – 26% (this percentage owes much to the occupational codes selected to represent ESP workers. Changing this definition would change this percentage)
 - Above 140% AMI – 3%
- Perhaps the more relevant question is examining the gap in housing prices and what families can afford to pay based on the type of housing those families want.

Employer Assisted Housing

Stan Fitterman presented information on employer assisted housing (EAH). He outlined a number of examples from University of Pennsylvania, Case Western University and University of Miami. These large universities use EAH programs to support community revitalization and to both recruit and retain professors.

EAH Lessons

- Most EAH programs are developed by a third party organization which can do education and outreach to spark employer interest. EAH is often used by larger employers; nationally, this recruitment and retention technique has been used more in areas where there is a concentration of Fortune 500 companies.
- Areas in which there is high turnover and competition for workers combined with lower paid professional are more likely to be interested in EAH for its recruitment and retention potential.
- Employees need to know about these programs but not enough outreach is being done.
- Some employees are concerned that their employers will gain confidential financial information about them if they participate in an EAH program – this is why a third party administrator is important.
- The smaller down payment assistance amounts offered in many existing programs will not make a dent in the larger gaps being seen across Florida.
- Housing advocates have not been actively promoting EAH as an affordable housing issue. Rather, EAH has been cast as a transportation issue.
- To date, no or very few SHIP programs have matched employer funding, although this is an allowed use of the dollars.

Following the presentation, the Commission spent some time discussing what recommendation, if any, to make regarding employer assisted housing. Ultimately, while the concept of leveraging is important in a world of flat funding, the commission was not convinced that it should recommend EAH as a use for SHIP funds. Every dollar of SHIP used in one way takes away from other uses and the Commission felt that EAH is a tool to help employers which are finding it difficult to recruit their specific and targeted employee base.

In its 2001 Final Report, the Commission briefly reviewed employer assisted housing and made a recommendation to the local SHIP administrators encouraging them to consider promoting EAH and noting that SHIP funds could be used to match employer contributions. The Commission felt that recommendation is still useful in the context of the current SHIP review.

Panel: Allowable Strategies and Innovative Uses of SHIP

- Wight Greger, City of Jacksonville Housing & Neighborhoods Department
- Dorci Gruel, St. John's County SHIP Home Buyer Coordinator
- Evelyn Rusciollelli, Marion County SHIP Administrator
- George Romagnoli, Pasco County Community Development Manager

Each of the panelists gave a brief description of their communities and the trends they are experiencing:

Marion County

Marion County experienced a 44% increase in home sales prices in 2005, but a recent employer survey showed that wages were not supporting the median home sales price if \$160,000. Marion

used to be a rural county but has become a retirement location with the development of The Villages, a large active retirement community. On the other end of the spectrum are the farm workers who are hired by the horse farm industry in the county. These workers make less than \$20,000 annually and most often live in mobile homes. The annual income needed to purchase a home in Marion is \$52-53,000. Marion's SHIP program has seen a recent injection of funds through the sale of homes and the shared equity generated by these sales.

Pasco County

Described as a county in transition, the population of Pasco has doubled since 1991/1992. It is very much a bedroom community, with half the population going to other counties every day to work. The median age also dropped 10 years between 1990 and 2000. There are three areas of the community:

- West – experiencing suburban sprawl as former elder housing is converted to family units
- East – small town, rural feel remains with the loss of 2 citrus processing plants
- Center – most recent development has happened here with a number of developments of regional impact (DRIs) taking place at the same time. Higher end homes for middle and upper middle class households have been going up in this area of the county. The new growth is bringing increased pressure for more infrastructure as well as services such as parks and recreation centers.

St. John's County (St. Augustine)

St. Augustine is a bedroom community for Jacksonville but its location near the ocean means there are a number of higher end houses. At the other end of the spectrum, the service employees at the hotels and other tourist attractions are earning lower incomes and cannot afford housing.

City of Jacksonville

The City of Jacksonville is a consolidated government, meaning the city and county budgets are combined. While consolidation increases efficiency and combines resources, the budget also has to serve both older homes in the county and the more gentrified urban core. The gentrification of the urban core is pushing lower income workers away from services and transportation. Home sales prices range from \$180,000 – 300,000 but essential services personnel are not earning enough to afford these prices. In the rental market, moderate income households can afford to rent, but low income and very low income households are not able to do so. Finally, Jacksonville is fortunate in its active and experienced service providers who can effectively partner.

Describe your program and how SHIP funds were used and explain what strategy allowed SHIP's involvement. What were the challenges, if any, of using SHIP dollars?

- Pasco County – this SHIP program has changed focus from home ownership to preservation of affordable housing stock and keeping people in their homes. Insurance costs hit Pasco Co. residents hard, with insurance premiums going from \$1200 to \$3-4000 on modest homes. SHIP administrators tried to focus on who most needs help to stay in their home, and decided on those with a fixed income. The Tax & Insurance Program was created to serve very low income families, whose home value is no more than \$120,000 and who have 50% equity in their home. The tax bill goes to the county and SHIP pays and takes a lien on the house as security. The loan is a 0% interest loan payable when the property is sold, transferred to another owner, vacated or leased (if the property is vacated or leased, the interest rate becomes 6% or 3% below the prime rate, whichever is higher), or the death of all of the borrowers. The loan is for a term of ten

years, at the end of which the loan can be extended. So far, this program has approved 30 families, providing up to \$5000 per family. \$450,000 has been set aside to be distributed in three cycles. This program represents just over 5% of the total SHIP dollars available to the program.

- St. John's County – SHIP program committed \$100,000 under the Special Needs strategy to support a program for the Betty Griffin House which shelters domestic violence victims and their families. The SHIP dollars spurred support from other partners from private sources and HUD's emergency shelter grants and homeless assistance grants. All the women who stay at the home are very low income or extremely low income. Average stay is 18-34 months. 11 women and 125 children have lived in the facility since it was completed.
- Jacksonville – Liberty Center IV provides homeless permanent housing serving extremely low income in 19% of its units and the remaining units serving 60% AMI and above. SHIP dollars were infused into the construction budget using the rental strategy, along with SAIL, HOME and tax credits. The unique element of this budget is the presence of a \$1.5 million operating reserve to support on-going operations of the property. The challenge in using SHIP for this development was one of timing – SHIP funds must be expended within 3 years of allocation and it often takes a number of years to pull together all other funding. While it is possible to shift SHIP dollars from one year to another, it is not an easy process.
- Marion County – this SHIP program used special needs and rental/rehabilitation strategies to infuse SHIP dollars into Genesis House to provide emergency transitional housing to teens aging out of the foster care system. These teens often have no funds saved to ease their transition and may need additional skills to make them employable. Under this program, the teens can be in the housing from ages 18 to 21 years old. They pay \$150 a month in rent, but \$50 of this is placed in a savings account when the teen's room passes inspection each month. The SHIP dollars are provided in the form of zero interest loans, secured by a recorded deferred note and mortgage and full repayment is required if the unit is sold, transferred or not used as intended. This program also faced a timing challenge in using SHIP – the time frames for pulling together other funding sources can stretch the 3 year expenditure requirement.

The Commission then engaged in an extended conversation with the panel members, focusing on two issues:

- 1) How are they accomplishing rental units given the limited dollars allowed for this activity? Would they want more flexibility to change the percentage that can be allocated to rental?

Marion County uses unrestricted program income and their rental strategy to reach very low income families. Pasco County uses its abundant program income to address rental need and Commissioner Romagnoli noted that this is the result of setting up a SHIP program from the beginning based on loans rather than grants. While the panelists felt it would be helpful to have more flexibility, Commissioner Romagnoli pointed out that the other side of doing rental is the challenge of implementation and monitoring which makes it harder to give money to smaller properties, which often serve lower income brackets.

The panelists also suggested that some flexibility in expenditure timelines would be helpful in using SHIP along with other funding programs.

2) What about the statute's income targets?

The panelists opposed a mandate to serve ELI with SHIP dollars. Commissioner Romagnoli noted that SHIP funds are already serving ELI and what we don't know is the exact number or proportion of ELI served. The panel also pointed out that serving ELI creates major challenges to a development's cash flow and some kind of operating subsidy would have to be created. An operating reserve is essentially a form of rental assistance which serves to fill the gap between what the resident can pay and the actual cost of housing and serving that household.

Commissioner Boggio also pointed out that any funds directed to serve ELI or any other targeted group will leave less money available for other uses.

Meeting recessed at 5:15pm.

February 1st, 2007

The meeting was reconvened at 8:40 am with the Commission receiving public comment.

Public Comment

Manny Pumareiga informed the Study Commission that the Tampa Bay Regional Council presented a proposal to the House Interim Workgroup on Affordable Housing to create and promote employer assisted housing programs throughout the state. SHIP funds were requested in support of this proposal.

Fay Dressler of Enterprise Community Services shared the difficulty faced in using SHIP because the program allows very little funding for acquisition/rehabilitation work.

Myrna Gallow, citizen of the state and Rancho Margate Mobile Park resident, shared her struggles to find a new home since the purchase of Rancho Margate for redevelopment. Her annual income is too high for mobile home relocation assistance, she doesn't want to leave her pets to move into an apartment complex and the Section 8 assistance rolls are closed. She asked the Study Commission to speak with legislators about land use changes that leave mobile park residents vulnerable.

Shelley Massey, SHIP administrator for Hardee County shared that the hurricane recovery funds have been very helpful in meeting her county's housing needs, especially since they are a minimum allocation county. With only SHIP funds, her county would have been able to serve only three families. She asked the Study Commission to consider basing SHIP allocations on community need and resources rather than by population.

Legislative Update

Nancy Muller delivered the legislative report.

- Gov. Crist has named Tom Pelham as secretary of Dept. of Community Affairs.
- Florida Housing received 33 proposals for the \$50 million CWHIP program, and has selected 11 for funding.
- A number of bills are coming to light as session is 5 weeks away. Four to five of these focus on repealing the cap; House Bill 259 looks to use SHIP to serve K-12 teachers

through a \$50 million appropriation and also addresses mobile home parks by requiring local governments to provide additional monetary assistance to those being displaced from mobile homes by redevelopment. SHIP funds could be used to pay this relocation cost.

- The House Interim Workgroup on Affordable Housing completed its deliberations in January and provided a list of the ideas proposed at the various meetings to the Speaker.
- Florida Housing is not initiating any substantive legislation at this time – rather its legislative efforts focuses on glitch issues needing correction.

Report from Administrative Issues Workgroup

Committee chair George Romagnoli reported the workgroup's discussion to date. He noted that SHIP jurisdictions often have concerns or difficulties which are unique to that location and political situation. A summary of the first conference call of the workgroup can be found in this summary at Attachment B.

The Commission briefly discussed the challenges of combining SHIP with local bonds – SHIP jurisdictions often use more stringent underwriting criteria than the first mortgage lender resulting in denial of applications that have already been approved by the first mortgage lender. Commissioner Ann Kashmer shared that Fannie Mae has done some outreach and education on their automated system to increase the SHIP administrators' comfort level with using the desktop system instead of manual underwriting.

Study Commission staff will work with Florida Housing staff to determine if method of confirming income is located in statute or rule and to develop an alternative definition of expended that will clarify some of the confusion in using SHIP with local bonds.

Discussion of SHIP Topics

The Commission discussed whether the SHIP program should be required to serve workforce or extremely low income households.

Workforce Households: The Commission stated that SHIP should not serve above 120% AMI. The CWHIP program exists to address the above 120% AMI population, and certain stakeholders (i.e. employers) have not yet brought their resources to bear on the housing needs of this population. Households in these higher income ranges have options for housing which lower AMI households do not and diverting SHIP dollars to above 120% AMI means those with far more demanding needs will not be served. Several commissioners also felt that higher AMI households have powerful advocates working on their behalf – while lower AMI households remain vulnerable.

Extremely Low Income: these 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 Commission noted that the pressure to serve this population has increased as federal dollars have diminished.

SHIP is reaching ELI to some extent, although data is not readily available to quantify exactly how many ELI households are served by SHIP strategies at this time. 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. The Commission also noted that 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. It would be better to put enough SHIP dollars into the development budget to create an operating reserve, as was done in Liberty Center IV.

The Commission discussed possible programs to serve ELI:

- Create a program funded with dollars from the Sadowski Fund above the cap to funnel to SHIP administrators. The program would be administered by Florida Housing and awarded on a competitive basis. Commissioner Larsen pointed to the Hurricane Housing Recovery Program as a precedent and guide for providing flexibility when providing more dollars.

The Commission also briefly discussed allocating SHIP based on need rather than per capita, but no consensus was achieved on this idea. Concerns about how to define and calculate “need” and the constant political fighting created by a need-driven formula were most prevalent.

Manufactured Housing: The Commission continues to be reluctant to endorse using SHIP dollars for manufactured housing particularly older mobile homes. These units are not safe and the families do not reap the appreciation in value that comes from owning the underlying land. Commissioner Romagnoli pointed out that HOME dollars can be used to purchase up-to-code manufactured housing, and suggested a carve-out in the SHIP program for repairs, disability upgrades and water/sewer hook ups. Chair Feinberg asked the SHIP Administrative Workgroup to bring a recommendation to the full commission at the April meeting.

Program Income and Recaptured Funds: Eliminate the distinction between these sources of income and allow them to be used without restrictions.

The meeting adjourned at noon.

ATTACHMENT A



THE AFFORDABLE HOUSING STUDY COMMISSION

ELI Demographic Profile

Odetta MacLeish-White, Director

January 31, 2007
Ft. Lauderdale, FL



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Introduction

- At our meeting in November, the Study Commission started considering the question: Who do we believe SHIP should serve?
- With both extremely low income and workforce housing populations experiencing housing affordability problems, the search for state dollars to address affordability is “on”.
- In January 2006, Florida Housing prepared a demographic profile of ELI renters, in an effort to gain a better understanding of these households.



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Data Collection Method and Foci

- A special cross tabulation of the 2004 American Communities Survey was prepared by the Shimberg Center examining the:
 - Age
 - Size of household
 - Prevalence of self reported disabilities
 - Types of income
 - Housing cost burden



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Overview

- As of 2004 – Of total HHs in the state, 10% (745,312) are ELI, and of that number 52% (393,472) are renters.
- As income increases, proportion of renters decreases.
- Finally, the report removes 34,390 HHs which include students and young HHs w/o disabilities and a college degree. This leaves 358,542 ELI HHs to examine.



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Conclusions

- Age:
 - 28% are headed by a person aged 62 or older (elder HHs make up just 16% of all renter households in Florida)
 - 46% are between the ages of 31 and 61
 - 24% are under the age of 30

HH Size:

- 65% are small, 1-2 member HHs
- Of HHs under age 62, 53% comprise 1-2 members, 35% are 3-4 members and 12% have 5 or more mbrs.
- Most of the elder ELI HHs (95%) are 1-2 person HHs



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Conclusions

- ELI and Self Reported Disabilities
 - HHs with a disability are more likely to be ELI
 - 38% of ELI HHs report a member with disabilities, while HHs with a disability make up 22% of all renter HHs.



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Conclusions

- Income

- 47% of 358,542 ELI renter HHs have annual incomes of \$7000 or less while 6% receive more than \$13,000 annually
- 47% of ELI HHs were employed and earn wages, salary or self employment income. Of these 168,242 HHs, 36% earn \$7,000 or less annually.
- Elder ELI HHs:
 - 83% report receiving Social Security Income (72% of this grp report SSI as their only income)
 - 44% receive \$7,000 or less annually and 54% receive income between \$7,001-13,000.



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Conclusions

- Income – HHs under Age 62
 - With disabilities (77,522)
 - 49% earn \$7000 or less annually
 - 46% earn between \$7001-13,000 annually
 - 40% are employed reporting income from wage, salary or self employment, with 12% receiving public assistance income
 - With no disabilities (177,312)
 - 73% are employed, with the clear majority (77%) relying solely on their income from wages, salary or self employment
 - Only 11% of ELI HHs under age 62 with no disabilities reported no source of income.



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Conclusions

- **Housing Cost Burden:**
 - Overall, 63% of ELI renter households spend more than half of their income on rent and utilities, the definition of severe cost burden
 - Elder ELI HHs: 49% face severe cost burden
 - Of non elder ELI HHs, 78% of ELI renter HHs reporting wages, salary or self-employment (meaning they are employed) struggle with severe housing cost burden.



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Final Words

- ELI renter HHs are employed but do not earn enough income to spare most of them from severe housing cost burdens.
- Over half (52%) of ELI HHs rent their homes:
 - Less than 40% of HHs earning between 50-80% AMI are renters
 - Less than 20% of HHs earning over 80% AMI are renters

ATTACHMENT B



THE AFFORDABLE HOUSING STUDY COMMISSION

**SHIP Administrative Issues Workgroup
Conference Call Summary
January 16, 2007**

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

Participating Public: Greg Rice, Florida Department of Elder Affairs; Glen Morris, Palm Beach County; Sadie Cooper, City of Ft. Pierce; Janet Gilliard and Commissioner Gordon Norris, Hardee County; Angela Bauldree, City of Tamarac; Nyla Campbell, City of Lakeland.

Staff: Odetta MacLeish-White, Darlene Raker, Terry Auringer

Workgroup Chair George Romagnoli called the meeting to order at 2:05pm. The scope of work outlined in the agenda was accepted, and the agenda amended to allow discussion of the challenges to combining SHIP with single family tax exempt bonds before review of the SHIP statute and rule. The approved scope of work is as follows:

- 1) Review SHIP statute and rule, section by section
- 2) Administrative challenges to combining SHIP with other funding sources
 - a) Income eligibility verifications/verifications of deposit
 - b) Burdensome file sharing requirements
 - c) Expenditure definitions
- 3) Discuss HB 1363 for any pertinent issues
- 4) 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 other SHIP programs affected if we change the minimum allocation?

Challenges of combining SHIP with Single Family Tax Exempt Bonds: Helen Feinberg set out some context for the use of SHIP and single family tax exempt bonds:

- 1) A major use of SHIP funds is down payment assistance;
- 2) Tax exempt bonds can be issued to purchase mortgages with some of the lowest interest rates in the country;
- 3) Moreover, bond programs offer uniform terms and a master servicer to provide uniform underwriting and compliance monitoring.
- 4) It makes sense to combine a subsidy like SHIP that is most often used for down payment assistance with the most affordable mortgage product. However, there are a number of challenges to combining SHIP with single family bonds.

The workgroup focused its discussion on the following challenges to combining SHIP with tax exempt bonds:

- 1) Verification of Deposit forms and other forms that may not otherwise be required for a Fannie Mae/FHA loan.
- 2) Different credit underwriting guidelines than those under Fannie Mae or FHA – specifically the different debt to income ratios enforced by SHIP as opposed to Fannie Mae/FHA underwriting.
- 3) Definition of expenditure of SHIP funds within 24 months.

Verification of Income/Deposit Forms

Bond programs and Florida Housing, when combining its own bonds with HOME or HAP, rely on lender verification of income. However, SHIP local governments often require a separate verification of income after the lender's process. George Romagnoli noted that there are a number of methods for verifying income and employment – the real issue is why SHIP programs require something other than the forms which are acceptable to banks, namely pay-stubs. SHIP counts sources of income from all members of the applicant household, unlike banks and other lenders who consider specific sources of income from only the applicant. Ann Kashmer also noted that banks are prohibited by fair housing laws from asking certain questions about income, a restriction not faced by SHIP administrators. A number of SHIP administrators on the call identified the following as reasons why they prefer to do separate income verification:

- Separate verification and the use of verification of income forms from payroll departments protect the SHIP program in audit;
- Verification of income forms allow more specific descriptions of income sources, such as part time income, commissions or bonuses;
- Verification of income also prevents fraud by applicants who may bring in old paystubs.

Randy Wilkerson pointed out that pay-stubs could be acceptable if they are recent and cover a certain period of time to show consistent income; they would also have to show the types of income received. George Romagnoli also noted that verifications of income are not necessarily more secure than pay-stubs as anyone in the human resources department issuing the verification form can sign it.

Where SHIP funds have been successfully blended with bonds, it has been the result of close relationships with lending institutions which understand the level of detail needed for SHIP. Another practice which has eased the use of SHIP with local bonds has been to pre-certify an applicant for SHIP's requirements and then send the applicant to a lender for loan approval. City of Boca Raton utilizes this approach as does the City of Ft. Pierce.

Underwriting requirements relating to income ratios

Some SHIP programs have refused to make loans to applicants who show that they would spend more than 30% of their income for housing although the SHIP statute at F.S. 420-9071(2) specifies that affordability need not be restricted to 30% if the primary lender determines that the household can support higher payments. Participants on the call felt that, for the most part, SHIP administrators understand that they have this leeway, but are choosing not to use it. Keeping closely to a 30% definition of affordability has prevented predatory lending practices.

Definition of “Expended”

Helen Feinberg explained that some auditors only count SHIP dollars as expended when the mortgage pool is purchased by the bond trustee. This purchase point can occur after the 24 month expenditure period required by the SHIP statute. George Romagnoli pointed out that the correct definition of expended is tied to the date of the loan closing, and the real issue is that each loan must be associated with an individual applicant but local governments try to draw down their funds in a lump sum without showing the links to specific applicants. To address this, SHIP administrators should maintain an internal accounting system that shows how SHIP funds are linked to specific applicants and/or to move unspent funds into another fiscal year thus preserving its availability.

The workgroup asked Study Commission staff to research and report back whether or not the Florida Housing Coalition provides a training session on how to combine SHIP with bonds. If there is no such program, the workgroup can develop suggestions for the parameters of such a program. Rather than change existing regulations or requirements, share practices that are working in SHIP programs.

Following this discussion, the workgroup conducted a section by section review of the SHIP statute (F.S. 420.9091-9079).

Review of SHIP Statute

Definitions:

- Affordable – Ann Kashmer noted that this definition allows more than 30% of income to be deemed affordable if the first mortgage lender is satisfied that the household can afford mortgage payments in excess of the 30% benchmark.
- Annual Gross Income – several questions were posed on this definition. What exactly is mandated by 24 CFR Part 5 which defines annual income under the Section 8 housing assistance payments program? This definition also allows income to be projected forward from the date of determination; it was asked if banks annualize income into the future.
- Eligible Housing – this section prohibits mobile homes from SHIP funding. Members of the workgroup felt this was a punitive feature of the statute, particularly when post 1994 HUD code mobile homes are much stronger than their predecessors. Mandy Hines noted that she can't hook older mobile homes up to city water and sewer connections which further penalizes most vulnerable populations. **The workgroup felt this issue should be raised at a full Commission meeting.**
- Income Definitions – the various income definitions for low, moderate and very low income require a cap of 140% of the various AMIs adjusted for family income. Study Commission staff was asked to calculate how this 140% cap might change in escalating wage scenarios – are households moved out of their income eligibility ranges?
- Program Income vs. Recaptured Income – there was clear consensus on the call that the distinction between these types of income creates more administrative work while most local governments effectively treat the two types of income as the same.

State Housing Initiatives Partnership Program: no comments or changes, although Ann Kashmer pointed out that this section of the statute includes support for leveraging SHIP funds with active partnerships.

Local Housing Distributions: no comments or changes

Local Housing Assistance Plans:

- Call participants confirmed with SHIP staff that the definition of essential services personnel found in Section 3(a) of this section does require an amendment of their local housing assistance plan unless they have received CWHIP funds or it is time for regular review and update of the plan.
- Section 4(e) of this part of the statute requires annual compliance monitoring for rental units receiving \$3000 or more in SHIP funds. Call participants agreed that this section creates a prohibitive level of administrative work and discourages local governments from partnering with smaller properties that may be a good source of rental units. The Hurricane Housing Recovery Program suggested language that raised this monitoring level to \$10,000.
- Percentages – two points were raised by the workgroup in connection with the 65% home ownership requirement: first, George Romagnoli asked Study Commission staff to research how many SHIP programs are receiving more program income than allocation, as a way to examine which programs have access to unrestricted income to use for rental. Mandy Hines suggested that the HHRP option of requesting a waiver to this requirement was useful in her county’s recovery efforts. There was no comment on the 75% construction requirement other than Randy Wilkerson’s note that this requirement keeps the SHIP statute a production program. **The workgroup felt percentages should be discussed at a full Commission meeting.**
- Administrative Fees – George Romagnoli proposed the administrative fee on both allocation and program income should be 10%. There was some discussion about the pressure on counties receiving the minimum allocation which find it very difficult to administer the program on \$35,000 and have to combine their SHIP funds with other programs to pool administrative fees to pay for staffing. Some of the pressures include the difficulty in finding staff in small counties and the increases in cost of business. Study Commission staff pointed out that more detail setting out the context for raising the administrative fee will make the argument more compelling.
- Annual reports – SHIP staff explained that the annual reports deadline is set at Sept. 15th of each year to allow them time to review for compliance and receive corrections in time for their reporting deadlines to the legislature and others. Call participants suggested that the ability for a county’s local elected official to assign a designee to sign off on the annual report can ease some of the time constraints.

Adoption of Affordable Housing Incentive Strategies: no comments or changes

State Administration of Local Housing Distribution Funds: no comments or changes

Local Government Housing Trust Fund: no comments or changes however Study Commission staff was requested to research the amount of Florida Housing's compliance monitoring fee and how it is allocated.

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