



THE AFFORDABLE HOUSING STUDY COMMISSION

Catalyst and Predevelopment Loan Programs Workgroup Conference Call Summary December 4, 2008

Workgroup Members: Shannon Nazworth, Annetta Jenkins, Charles Milsted, Kristin Larsen

Other Study Commission Members: Ann Kashmer, George Romagnoli

Participating Public: Stephanie Shaw, Bradenton Housing Authority; Gladys Schneider, Florida Housing Coalition; Libby O'Neill, Florida Housing Finance Corporation

Speakers: Stan Fitterman, Florida Housing Coalition; Robert Dearduff, Florida Housing Finance Corporation; Amanda Franklin, Florida Housing Finance Corporation

Staff: Odetta MacLeish-White

Workgroup Chair Shannon Nazworth called the meeting to order at 10:05am.

Catalyst Program

Stan Fitterman opened the call with a review of the Catalyst program. Catalyst provides workshops and on-site technical assistance to local governments and nonprofits and is primarily utilized to assist local governments implement SHIP programs. Catalyst offers a core and an advanced curriculum. The core curriculum teaches Florida's affordable housing delivery system in general and strategies for using and tracking SHIP dollars and developing strategies for SHIP dollars. The advanced curriculum covers more advanced concepts including but not limited to real estate development, housing policy, quantitative analysis, subdivision development and infill development. Local government SHIP programs experience high turnover and the Catalyst program is an important training tool to help them learn the SHIP program and maintain the overall quality of the SHIP program.

In 2007-2008, Catalyst performed 119 on site visits, of which 27 were for nonprofit organizations and the remainder local governments. Prior to the SHIP program moving to Florida Housing Finance Corporation from the Department of Community Affairs, most technical assistance focused on utilizing SHIP dollars. Since the program's move, more nonprofits not receiving SHIP dollars have received Catalyst technical assistance. In 2007-2008, 114 organizations sent representatives to the core curriculum classes and of these 17 were nonprofits. In 2007-2008, 37 organizations sent representatives to the advanced curriculum classes; of these, 7 were nonprofits.

The Florida Housing Coalition advertises the Catalyst program through its database of 5-6,000 members who receive the annual calendar of workshops and an email update which always gives the dates and locations for upcoming workshops.

Questions on Catalyst Program

When SHIP administrators send on annual reports and mistakes are found, does Catalyst go in automatically to train and correct mistakes?

Yes. The most common errors relate to tracking SHIP dollars, and Florida Housing can initiate Catalyst training.

How do the workshops compare with on site training?

It is more cost effective to share some topics through workshops and Catalyst offers core and advanced curricula. If a local government or nonprofit has a specific issue, they can host a workshop for providers as long as they provide the space.

Catalyst's legislation requires training in the formation of local and regional partnerships and the implementation of regulatory reform. Are there specific workshops on these issues?

While there are no specific workshops on these issues, these concepts are infused throughout all the workshops. Attempts were made to offer workshops specifically on regulatory reform but they were poorly attended. With the re-emergence of the Affordable Housing Advisory Committees, regulatory reform is getting more attention.

Does the Predevelopment Loan Program require any certification from the Catalyst program?

Applicants for the Predevelopment Loan Program are not required to go through Catalyst certification before applying.

Why aren't more nonprofits sending representatives to the core and advanced classes?

Nonprofits have taken single workshops to address specific areas and often are too busy to complete all the classes and course work required for either the core or advanced curriculums.

Is there any data on how many nonprofits moved on to complete a development, or decided not to move forward with a development, after taking Catalyst classes?

There are many factors that contribute to whether an organization can successfully develop a property, so data attempting to answer this question should always be examined in the context of factors such as trying to secure funding through the competitive Universal Application Cycle, the presence or absence of local support, the skills and experience of the organization's staff, etc. It can be argued that Catalyst has improved capacity, whether or not a physical building is produced, by improving the knowledge base and skills of organizations.

If the money was available, what tracks or workshops, if any, would Catalyst add beyond the advanced curriculum?

Florida Housing Finance Corporation, the Florida Housing Coalition and the Shimberg Center have applied for a grant from the MacArthur Foundation which includes an intensive technical assistance component for nonprofits interested in preserving affordable housing. This technical assistance would address more than development-related issues and look to strengthen the organizations as a whole. Examples provided include reviewing accounting systems and software, reviewing or establishing price points, developing a business plan and fund raising capacity. Under Catalyst, the Florida Housing Coalition is charged with serving the entire state and so extra resources would have to serve the greatest possible number of organizations.

Predevelopment Loan Program

Rob Dearduff then presented information on the Predevelopment Loan Program (PLP). PLP was written into law in the early 1990s but was largely dormant until 1998. In 1998, competitive

cycles were started but only 4 deals out of 50 were successful in developing a property and no technical assistance was provided as part of the program.

In 2000, technical assistance by the Florida Housing Coalition was added and in 2002 the program was further streamlined to improve communication between Florida Housing Finance Corporation and the Florida Housing Coalition as well as place a greater focus on the availability of technical assistance. Additionally, the program is no longer competitive.

From 2002 to the present, the number of applications to the program has increased, the reputation of the program is stronger and the PLP is now available to all applicants. With tighter market conditions, PLP looks even more closely at the beginning of a project for its feasibility. Sometimes, it is more important to convince an applicant that their project idea is not going to be feasible, saving them time and resources while protecting the state's resources. There is \$20-22 million allocated at any given time.

In response to a question about the program's default rate, Mr. Dearduff stated that there are 8 deals that are technically in default at the time of this call. The overall portfolio of loans blends more and less risky deals. Two of the 8 defaulting loans are actually single family deals that repay their PLP loan as individual homes are built and sold; these deals are not really in danger of completely defaulting even if they take longer to repay. Of the remaining 6 deals, there is a concern that three of these will not repay their loans. Florida Housing has had to accept that there is more risk exposure in a predevelopment loan product, no matter how conservative the requirements are for funding.

At the end of 2007, there were 123 PLP applications:

- 35 open and funded
- 53 withdrawn for a variety of reasons
- 3 not funded
- 15 repaid

As a non-competitive program, PLP can work with applicants to correct, rectify and refine applications. After the application is complete, technical assistance is assigned to each applicant to create a development plan which is eventually sent to the Florida Housing board for final approval and funding.

Issues/Barriers to Success with PLP

1. It is important to remember that securing a PLP loan does not guarantee securing construction lending, through sources such as the Universal Application Cycle. Technical assistance can teach applicants about how to apply, what the timelines are and which programs are best for their idea.
2. Technical assistance can't take the place of experience. On site technical assistance is an important source of training and help, but nonprofits need to have experienced staff. Many nonprofits have very small staff and they often have no experience and they try to use the PLP assistance as consultants rather than teachers or advisors.
3. Some applicants become emotionally invested in a project and refuse to believe their idea is not viable.
4. The home ownership applications have been hard hit by recent foreclosures available on the market, reductions in house prices and the tightening mortgage market.

5. NIMBY is a constant issue. Affordable housing deals are held up in zoning and permitting stages. Technical assistance is less effective in addressing this issue because it is harder to convince an entire community to accept a development. However, an applicant can use pro bono legal assistance to help with this.
6. Public housing authorities can apply for PLP dollars, but HUD does not allow encumbrance of units built and occupied.

There are some repeat applicants to the PLP, only 2-3 nonprofits have come back as a repeat developer rather than as a one time project. A single applicant can have only 2 PLP loans out at the same time. There have been 8-10 applications from public housing authorities, but only 1 or 2 completed the process and received funding. Public housing authorities face the challenge of having very little capital to secure their loans.

As a revolving loan, PLP is generally not in danger of not having funds available for new applications. The question for the future of the PLP is whether new applications should be accepted when construction financing is so hard to secure. Stan Fitterman pointed out that, for some nonprofits, the low interest PLP loan gives them the time to take multiple “bites at the apple.” He mentioned one deal that applied for funding 4 times through the Universal Application Cycle before securing funding.

There was no public comment.

Workgroup Discussion

Annetta Jenkins applauded Florida Housing Coalition for its technical assistance programs and asked if there was any way to cross reference the 27 PLP recipients with any training they received through Catalyst. She identified two possible gaps for the Study Commission to consider:

1. helping applicants better understand the timing issues of using PLP with other funding sources; and
2. perhaps PLP applicants should be required to take a certain amount of training through Catalyst to be eligible for the PLP loan.

Shannon Nazworth noted that the nonprofits using PLP seem to be doing one time deals, and wondered if there should be two levels of technical assistance; one for those doing a one time deal and something more involved for those seeking repeat business with PLP. Rob Dearduff and Stan Fitterman pointed out that this happens in practice as the technical assistance spends more time with applicants needing to learn more. As a developer gains more experience, they lean less and less on the technical assistance.

Stan Fitterman pointed out that PLP is very deal oriented and the technical assistance provided focuses on getting that specific development built. Perhaps some technical assistance could be provided that focuses on the phases after the deal closes and the development is built.

Charles Milsted wondered what modifications could be made given the difficult budget times ahead for the state. Rob Dearduff responded that in difficult budget times the upfront due diligence becomes even more important and more intense and they also take the market conditions in account when granting extensions on the repayment of the loan. Stan Fitterman also pointed out that traditionally, infusing money into building new housing would jump start a bad economy but today’s housing market has created a high inventory so perhaps PLP money could be used to help buy foreclosed properties.

Ann Kashmer asked if any technical assistance was available to help nonprofits as they become the owners of tax credit properties after year 15. Stan Fitterman shared that the Year 15 seminar offered at the Florida Housing Coalition annual conference was poorly attended so perhaps site visits on this topic would be more effective. Rob Dearduff shared that Florida Housing has developed an RFP for a demonstration program on Year 15 properties.

The workgroup asked staff to conduct a survey of Catalyst and PLP participants and if another phone call is needed, staff should notice one for Jan. 7th, 2009 from 10am to noon.

The call was adjourned at 12:06pm.