



THE AFFORDABLE HOUSING STUDY COMMISSION

**Meeting Summary
September 19 and 20, 2006
Tampa, FL**

Commissioners Attending:

Helen Feinberg (Chair), Gus Dominguez, Jill Collins, Michael Davis, Robert Gregg, Ann Kashmer, Darlene Pifalo, George Romagnoli, Jane Johnson, Joe Campus, Sharon Jenkins-Owen, Ellen Ramsey, Paul Curtis, Dorothy Ellington, Kristin Larsen, Howie Carroll

Commission Staff:

Odetta MacLeish-White

Guests:

Rob Dearduff, Florida Housing Finance Corporation

Presenter(s):

Stan Fitterman, Florida Housing Coalition

Public Attending:

Bill O'Dell, Shimberg Center; Patricia Roset-Zuppa, Shimberg Center; Neil Nissan, Pinellas County; Mike Boyle, Raymond James; Christine Long, Metropolitan Ministries; Susan Bruemmer, Domus Systems; Amanda Garces, HPUMC Homes Program; Mike Rowicki, Hillsborough County Housing; Anthony Jones, Pinellas County Community Development.

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September 19, 2006

The Commission meeting was called to order at 1:15pm with an introduction of newly appointed commissioner, Prof. Kristin Larsen. The commissioners in attendance introduced themselves, followed by members of the public in attendance.

The agenda for the day was a review of the funding programs that support development of single family and multifamily affordable housing in Florida, as well as an overview of the State Housing Initiatives Program (SHIP), by Stan Fitterman, Senior Technical Advisor for the Florida Housing Coalition.

Multifamily Funding Programs

Stan Fitterman began by presenting the pro forma of an actual affordable housing development but at market rate levels. This helped the commission to examine how high the rents would have to be set to service the debt without any type of subsidy.

Because the market is not paying wages that keep up with market rents, affordable housing programs provide money to the owner which does not need to be paid back immediately. This lowers the amount of money the owner must borrow and allows for lower rents.

Commissioner Ramsey noted that even with subsidies, the affordable rents shown on the pro forma are not affordable to extremely low income households. Stan Fitterman explained that to provide affordable rents to extremely low income households, an operating subsidy needs to be added on top of the financing which is bringing down the debt.

Stan then reviewed the basic elements of the Low Income Housing Tax Credit (LIHTC), HOME and SAIL programs. During the discussion of the SAIL program, Commissioner Dominguez noted that while SAIL can be combined with LIHTC only to serve the homeless, the cap on the amount of tax credits a single development can request is no longer sufficient. Increases in development costs have moved beyond the maximum subsidy amount.

Single Family Programs

The story here is the gap between purchase prices and lagging wages. Home ownership programs figure what a household can borrow (and repay) and then determine the difference between this figure and the purchase price of a home.

Traditional subsidy programs provide the entire difference between what the household can borrow and the purchase price of their home. In the 1990s, this gap could be as little as approximately \$4000. Stan showed a pro forma for a home purchase today that showed a subsidy gap of over \$83,000.

Stan pointed out that while some programs, such as SHIP, provide subsidy to the household to assist in purchasing the home, others provide the developer with a low or zero interest construction loan and require repayment when a unit is sold.

The Commission then discussed community land trusts (CLT) and the concept of shared equity.

SHIP Overview

Following the break, Stan walked the Commission through a review of the SHIP program, starting with a few points of the program's history.

- SHIP was designed to promote partnerships
- Statute establishes percentages for home ownership vs. rental, as well as targets for income levels
 - 65% home ownership
 - 75% new construction
 - 30% for households with income below 50% AMI
 - 30% for households with income below 80% AMI
 - 30% for households with income up to 120% AMI
 - 10% for administrative fee

Stan also shared data showing that the “buying power” of SHIP funds is down to what it was in 1995. At this time, SHIP is helping fewer households due to the need for greater and greater subsidy.

The SHIP program requires a local government to encumber its funds within 2 years, and complete expenditure within another year. This requirement is important to the SHIP's reputation as a production program.

All local governments provide annual reporting on their SHIP expenditures, with some using the WebEx online tracking tool taught by the Florida Housing Coalition, and some larger jurisdictions using their own systems. In 1995, reporting requirements were changed from number of households assisted to percentages of dollars expended. This change was instituted to prevent jurisdictions from spending smaller amounts on many units to meet their statutory requirements.

Meeting recessed at 5:00pm.

September 20, 2006

The meeting was reconvened at 8:50 am with public comment.

Public Comment

Christine Long, Metropolitan Ministries /Homeless Coalition encouraged the Commission to consider the needs of low income and very low income households, which are often single mothers with families. Her clients are often left homeless after an eviction, which also disqualifies the families from living in traditional tax credit affordable rental housing.

The Commission discussed this issue briefly, noting that it is usually a management decision to not rent to households with recent eviction history. With the demand for rental housing still strong and the supply still constrained, owners are not compelled to rent to anyone with a negative track record. Commissioner Romagnoli also noted that many low income and very low income families still can't afford to live in traditional tax credit apartments and are usually living in duplex or rented single family dwellings. Finally, Commissioner Dominguez shared that Greater Miami Neighborhood has a master lease with agencies wishing to place families in his units; the agencies screen the families and pay GMN the difference between the tenant contribution and the actual rent. The agencies also guarantee the full rent in cases of default.

Comment was also provided by Anthony Jones of Pinellas County Community Development. Mr. Jones pointed out that the SHIP program is a model due to its flexibility, but was created to respond to the very different market conditions existing in 1992. He encouraged the Commission to examine all aspects of the program including the home ownership and rental percentages and the income percentages, and how SHIP can be used with other programs.

Discussion of SHIP Review

Following public comment period, Odetta MacLeish-White briefly reviewed the meeting summary from the 2006 Stakeholders Meeting and then facilitated the Commission in developing a preliminary outline of the issues they will be discussing in their review of the SHIP program.

- 1) The Commission agreed that they are working from the shared belief that the SHIP program has been effective. They also agreed that this year's look at the program should be a critical review focusing on the challenges and opportunities that face the SHIP program and its administrators, and trying to identify how to improve or leverage the

program's effectiveness. It will be important to seek facts and stay focused on big picture policy issues.

- 2) The SHIP program was designed back in 1992, under different market conditions and to meet goals that were appropriate then. The Commission wants to see how market conditions are today in order to examine if the current structure of SHIP can still serve families well or if there are populations being left behind that the state should be interested in serving. The question is:

Can SHIP be effective for the next 20 years?

Staff has been directed to compile comparative market data for 1992 and 2005 (or most recent) to create a profile for the state and the market conditions in which SHIP must now operate. Market data should include:

Income levels, home purchase prices, population levels, levels of funding from federal sources, foreclosure rates, how many households were being assisted by SHIP, construction and insurance costs and wage levels.

- 3) The Commission also wishes to know how much other money the SHIP program is leveraging and the total amount of funding available over the life of the program.
- 4) The Commission also identified several further issues for testimony or discussion:
 - a. Have local governments been able to meet the required regulatory reforms?
 - b. Lack of coordination between SHIP and other local government programs or departments. This may be an area in which some best practices can be shared.
 - c. Can SHIP support the owner of small affordable housing units (duplexes, triplexes or rented single family homes)?
 - d. Methods of verifying income eligibility differ between SHIP and private lenders which bogs down the process and hinders partnerships when private lenders don't wish to wait on SHIP processes.
 - e. Percentages are open for discussion. This means the home ownership vs. rental percentages as well as the income targets should be placed under scrutiny. The question here is "Are these percentages really restricting local governments from accomplishing their local strategies?"
 - f. The Commission is also willing to discuss if the upper income limit should be raised from 120% to 140%.
 - g. Finally the Commission felt that we should discuss modular homes, specifically the ones that pay doc stamp taxes.

For the November meeting in Tallahassee, the Commission requested the following on the agenda:

- a panel of SHIP administrators (representing a cross section of program sizes and geographic areas) to further educate them on the daily challenges of administering the programs;
- the comparative market profiles will also be shared.

In closing, Gus Dominguez suggested that the Commission develop its key recommendations in time for the 2007 session.

The meeting adjourned at noon.