



THE AFFORDABLE HOUSING STUDY COMMISSION

**Meeting Summary
August 26th and 27th, 2008
Ft. Lauderdale, FL**

Commissioners Attending:

Oscar Anderson(Chair), Jeff Bagwell, Ann Kashmer, George Romagnoli, Kristin Larsen, Dorothy Ellington, Darlene Pifalo, Lelia Allen, Maria Barcus, Santos De La Rosa, Annetta Jenkins, Sharon Jenkins-Owen, Charles Milsted, Shannon Nazworth, Manny Pumariega, Gregg Truxton, Thomas Smith

Commission Staff:

Odetta MacLeish-White

Presenters:

Maria Ortiz, Miami HUD Community Planning and Development; Raphael Portuondo, Miami HUD Community Planning and Development; Annetta Jenkins, LISC West Palm Beach; Joni Foster, LISC Jacksonville; Stan Fitterman, Florida Housing Coalition; Terry Chelikowsky, Florida Alliance of Community Development Corporations; Beth Kinsey, Broward County Housing Authority; Nancy Muller, Florida Housing Finance Corporation

Public Attending:

Katherine Barry, Homes Florida; Lydia Beltran, Florida Housing Coalition; Ignacio Esteban, Florida Community Loan Fund; Juan Rojas, Gibraltar Private Bank & Trust; Lisa Hoffmeyer, Florida Housing Coalition; Peter McDougal, McDougal Consulting; Patricia Stephenson, BAND; Erbi Blanco-True, Great Florida Bank; Ramon L. Rodriguez, Citibank.

August 26th, 2008

The Commission meeting was called to order at 1:10 pm by Chairman Anderson with a welcome to the Commissioners and members of the public.

Panel 1: Importance of Nonprofits in Providing Affordable Housing

Maria Ortiz and Raphael Portuondo, from Miami HUD's Community Planning and Development, provided an overview of HUD's programs utilized by nonprofits:

- Community Development Block Grant (CDBG): annual grants provided to entitlement cities and counties and to states for distribution to non-entitlement jurisdictions. Eligible activities include construction and improvement of public facilities, public service programs, housing services and, for Community Based Development Organizations, new construction.

- HOME: annual grants provided to states, cities and counties for home-owner rehabilitation, homebuyer activities (acquisition, rehab and new construction), rental housing activities (acquisition, rehab and new construction) and tenant based rental assistance. At least 15% of HOME dollars must go to Community Housing Development Organizations (CHDOs).
- Supportive Housing Program (SHP): targeted to homeless families and individuals and can be used for supportive services as well as acquisition, rehab and new construction. This program focuses on development of long term housing for clients transitioning from homelessness to permanent housing. Development receiving this funding must remain affordable to program clients for 20 years.

To be designated a CHDO, a nonprofit must show that at least 1/3 of its board composition includes members of the local community and must have one least 1 year of experience in serving the community.

The presenters reported that nonprofits using HUD's programs in South Florida face challenges with not having firm commitments for permanent financing, keeping accurate tracking of draw requests when they are able to get through predevelopment and close on funding. Additionally, local governments are not knowledgeable about HUD programs and how they work in conjunction with other funding programs. While HUD does have training and technical assistance grants, the funds are disbursed slowly.

Annetta Jenkins opened her presentation by noting that nonprofit capacity building needs to be supported by financial resources and that volunteer boards often lack experience with the intricacies of affordable housing development. Her one recommendation to the Commission for improving nonprofit capacity was to provide operating funds and incentivize local governments to create their own pools of capacity building money.

Ms. Jenkins gave an overview of the role of Community Development Corporations (CDCs) in community revitalization and of national intermediaries in supporting CDCs. CDCs were formed when communities organized themselves to address a spectrum of local issues of which safe and affordable housing was one. Affordable housing became a focus of CDC activity when funding programs made financing more available, specifically the Low Income Housing Tax Credit and the Community Redevelopment Act which required banks to make investments in local revitalization efforts.

Today, there are three major intermediaries: Local Initiatives Support Corporation (LISC), Enterprise Community Partners and NeighborWorks (formerly Neighborhood Reinvestment Corporation). These organizations provide capacity building for nonprofits through technical assistance and funding.

Oscar Anderson asked the panelists what was the greatest challenge to HUD when working with nonprofits. According to Ms. Ortiz, it is a lack of financial management and project management expertise among nonprofits. Ms. Jenkins pointed out that internal technical skills are needed but nonprofits also need funds to hire professionals to handle certain tasks.

Mr. Anderson also asked the panelists for their definition of "capacity". Ms. Ortiz stated that a nonprofit must understand its role in the development process and have the necessary organizational structure and team members in place. Ms. Jenkins agreed with this definition, and added that the ability to perform its role is another indicator of nonprofit capacity.

Following the panelists, Odetta MacLeish-White presented some preliminary data on the need for nonprofit affordable housing developers and a preliminary scan of the nonprofit affordable housing developers working in the state:

- 207,403 ELI households earning 30% or less of area median income who owned their home were paying 50% or more each month for their housing.
- 247,657 ELI households earning 30% or less of area median income who rented their home were paying 50% or more each month for their housing.
- There are 33,088 homeless single adults, unaccompanied youth, and married adults in Florida but it is estimated the state has only 13,788 beds for this population.
- There are 6,466 homeless families with children but the state has only 2,768 units for family households.
- There are 181,145 special needs households, defined as households that include at least one person with a disability, report income below 30 percent of the area median income (AMI) and pay 50% or more of income for rent or mortgage costs. Just over 71% of these households pay 75% of their income for housing, have income less than 20% of AMI or both.

Panel 2: Nonprofit Affordable Housing Development in Florida: Who are Florida's Nonprofit Developers and What Are Their Accomplishments and Challenges?

Stan Fitterman, of the Florida Housing Coalition reviewed the Coalition's training programs, provided free of charge around the state to support the capacity of nonprofits and local governments. Some key points to remember as the Commission pursues this study topic:

- Where funds are predictable, Florida's nonprofits have done well in providing homeownership counseling and developing single family homes. The SHIP program's 65% set aside for home ownership strategies has supported nonprofits in these areas. This funding is especially important in a state where operating funds are not provided.
- Good technical assistance does not mean getting every deal funded, regardless of the challenges. It is important to remember that some deals are not financially feasible, and a nonprofit may need help recognizing a deal that will drain more resources than it will bring back.
- Florida's nonprofits have not succeeded at rental development because the main funding process, the Universal Application cycle, is not a predictable source of funding (the lottery system works against small for profit and nonprofit developers).
- Nonprofit capacity will increase with strong technical staff (either internal to the nonprofit or available from third party), the presence of an academic degree program to train upcoming practitioners and constant training in bookkeeping and financial skills.

Terry Chelikowsky, executive director of the Florida Alliance of CDCs, outlined some key findings about their 2007 survey of FLACDC members and other nonprofits.

- FLACDC captures a broad range of organizations in its membership: CHDOs, Community Based Development Organizations, Community Development Financial Institutions (CDFIs) and other nonprofits that do not carry one of these designations, can be members of the FLACDC.
- FLACDC defines a CDC as an organization incorporated in Florida nonprofit with a 501(c)(3), serving for revitalization of low to moderate income communities and governed by a volunteer board with at least 51% representation from the low to moderate income community.

- FLACDC has a database of 300 members and sent the 2007 survey to all of these plus another 100.
- FLACDC's 2007 survey findings include:
 - Estimated 250 CDCs in Florida
 - They tend to have small staffs (10 or fewer employees) and small budgets.
 - They target areas with resident household incomes ranging between 30%-115% of area median income. Sixty-eight percent of Florida's CDCs serve minority populations.
 - Seventy percent of respondents identified operational funding as a primary concern.

Beth Kincey, from the Broward County Housing Authority, spoke to the Commission about that agency's forays into development. Broward County PHA purchased a 64 unit property in 2004 and partnered with a for profit developer to demolish these units and replace them over 400 units of tax credit financed housing.

- The agency enjoyed some important advantages at the outset of this process: the staff had used advisors for other tasks and felt comfortable with third party consultants, the agency was well staffed and the board and CEO were familiar with real estate trends and issues.
- The agency also used its networking capabilities to identify what capacity they needed on staff for development projects which led to hiring a legal and community development staffer. This position is responsible for coordinating all the components of their redevelopment projects.
- Where staff capacity was low, they used RFPs and RFQs to contract subject matter experts, such as a third party real estate broker to look at pro formas. Staff and board had to be educated about what could and could not be done with the public funds received.
 - Ms. Jenkins noted that there are few third party advisors or consultants in the state which can shepherd nonprofits and CDCs through layered financing, project management and asset management. The Commission noted that a possible recommendation might be a database of qualified consultants to help nonprofits.
- They used tenant protection vouchers to make sure all the new units were subsidized.
- While they were able to redevelop the property with no debt, they were not able to build reserves into the financing (reserves are now being saved from operating subsidies).
- In the post development stage, the agency is still using third party management. Some of the staff has previous experience with HUD compliance requirements, making the tax credit compliance monitoring less intimidating.

From this experience, Ms. Kincey feels that nonprofits need to confidence in their ability to execute these complicated deals. Nonprofits bring connections in the community and to local government to joint venture partnership, as well as access to land and good reputations with residents.

The panelists were asked for one recommendation to the Study Commission to increase nonprofit capacity:

- Beth Kincey – provide predevelopment money
- Terry Chelikowsky – financial resources, including core operating support, are needed and incentives for collaborations
- Stan Fitterman – core operating support and technical assistance is needed, but funding should be tied to specific benchmarks. Mr. Fitterman noted that some nonprofits have diversified their income sources with non-housing activities.

Public Comment

Katherine Barry, H.O.M.E.S., Inc.: after thanking the Commission for taking up the topic of nonprofit capacity, Ms. Barry shared her experience as the executive director of a small nonprofit (3 full time, 1 part time employee). The biggest issue for her is lack of funding for operations, such as hiring staff, and to buy land. She noted there are no economic development incentives for nonprofits looking to create mixed use developments. She felt that the Predevelopment Loan Program is not fluid enough.

Pat Stevens, BAND: BAND is a coalition of Broward County CDCs and fosters nonprofits developing affordable housing in Broward County. Ms. Stevens has 20 years of experience with nonprofits in the Midwest and, when she moved to Florida, was surprised by the low key involvement of CDCs in affordable housing. She noted a lack of strong financial management and business planning among the nonprofits, and feels that they need to do a better job telling the story about what they bring to the table. Ideas for improving capacity include sharing financial management staff between smaller nonprofits, creating a one stop shop for capacity building where information and planning resources could be accessed.

Ignacio Esteban, Florida Community Loan Fund (FCLF): FCLF has 90% of its assets deployed in Florida's CDCs and it is his opinion that Florida's nonprofit industry is not strong yet. The state lacks stepping stones along the capacity spectrum. It is still important to focus on production as a measure of position capacity.

Meeting recessed at 5:35pm

August 27th, 2008

Legislative Update

Nancy Muller, Policy Director for Florida Housing, provided an update on affordable housing legislation and budget issues. Affordable housing stakeholders are waiting to see the impact of Tropical Storm Fay on the state and Florida Housing's budget.

At the time of the meeting, there was no more left over money in trust funds. The Revenue Estimating Conference is reporting less money will come to the trust fund than allowed by the cap (\$220 million in 08/09 and \$237.4 million in 09/10). State agencies are being asked to submit budgets minus 10%, which would be \$218.8 million for Florida Housing.

The 2008 Housing and Economic Recovery Act is now providing funds to states. All states will receive 2 years of additional low income housing tax credit allocation, which for Florida means \$3.6 million for each of the next two years. The legislation also provides additional bond authority; Florida is looking at whether this resource can be used to refinance families out of adjustable rate mortgages but there is no market at this time for the resale of bonds.

\$180 million for foreclosure counseling will be going to NeighborWorks, and Florida Housing is applying for a share of this resource.

The legislation also created a National Housing Trust Fund, along with changes to the existing to government sponsored entities. The first two years of funding for the Trust Fund will go to the GSEs, making 3 years the earliest Florida will see money from this fund. According to the legislation, most of the money must be used for rental housing for very low and low income

households. Counties that lower impact fees by 20% or eliminate them altogether can access a pool of \$20 million but no counties have taken this step.

Defining Capacity

Odetta MacLeish-White briefly reviewed the Glickman-Servon matrix of capacities, which could be used as an organizing principle for the Commission's future discussions and recommendations:

- Resource capacity;
- Organizational capacity;
- Programmatic capacity;
- Network capacity; and
- Political capacity.

Resource capacity is the ability of an organization to acquire and maintain funding adequate for achieving its mission. Organizational capacity covers a range of internal functions necessary for a nonprofit to succeed, including human resources, management, experience, and leadership. Programmatic capacity measures the actual services a nonprofit provides. Network capacity measures the interaction between a nonprofit and other institutions in its community. Political capacity is the ability to effectively advocate for the population being served.

Joni Foster, executive director for LISC Jacksonville, discussed LISC's role as a funding and capacity building intermediary in Duval County. LISC matches private contributions and leverages government resources to fund nonprofits. The National Equity Fund, a LISC subsidiary that syndicates low income housing tax credits, has provided equity for nonprofits in Duval County and LISC has maintained an interest in making sure organizations can sustain their work over 15-30 years. Political will of the local government and a larger community vision for redevelopment and development are critical.

LISC's Organizational Development Initiative contains 9 modules with 10 steps in each module. In Jacksonville, it took LISC 5 years to build up a cadre of 8 nonprofits, 7 of which develop affordable housing, with sustainable potential. The city of Jacksonville gives \$500,000 annually for capacity building, which LISC matches. Six out of the 8 nonprofits were new when LISC became involved by facilitating business planning and budgeting and board training. Good partners in local government and patient capital investors were key to ultimate success of these nonprofits.

CapMap is a tool for diagnosing areas in which a nonprofit needs improvement. LISC does not make funding decisions on the results of CapMap but can provide direct support for a work plan that addresses weaknesses revealed by CapMap. CapMap is done every 3 years.

Stan Fitterman, with the Florida Housing Coalition, pointed out that Florida has a strong technical assistance program in the Catalyst program. Affordable housing development is experiential, meaning it must be learned through doing. Florida is doing well with its programmatic capacity but has room for improvement in other areas. Systems changes to create a more receptive environment for nonprofits will vary from city to city and from county to county. Board development and education will be especially important for affordable housing development as nonprofits learn to assess risk and plan time frames.

When asked for one recommendation the Study Commission should consider, Joni Foster encouraged the creation of a clear vision of what a strong nonprofit should look like.

Next Steps

The Commission ended the day by considering some next steps in its learning process.

- Staff director will create a survey for the September stakeholders breakfast, with input from Commission members.
- The Commission wants to hear from a number of perspectives including a range of nonprofits, foundations/funders, for-profit developers who have joint-ventured with nonprofits, local governments, faith-based organizations and nonprofits working in rural areas.
- The Commission needs to explore the challenges in coordinating funding cycles; state and local funding cycles have different time lines that often hinder each other.
- Data questions include:
 - Effectiveness of Catalyst training
 - Funding sources for nonprofits
 - What is the role of CHDOs in the nonprofit affordable housing arena?
- Look at how other states support capacity building as well as Florida's previous efforts through CDCSAP and INVEST.

Meeting adjourned at 12:30pm.