FINAL REPORT OF THE AFFORDABLE HOUSING STUDY COMMISSION

An Agenda For Florida Housing Policy

December • 1987

STATE OF FLORIDA
AFFORDABLE HOUSING STUDY COMMISSION

December 2, 1987

M E M O R A N D U M

TO: The Honorable Bob Martinez
Governor, State of Florida

The Honorable John Vogt
President of the Senate

The Honorable Jon Mills
Speaker of the House of Representatives

FROM: Joseph Diaz, Chairman
Affordable Housing Study Commission

SUBJECT: Final Report of the Governor's Affordable Housing Study Commission

It is a distinct pleasure to present to you the Final Report of the Affordable Housing Study Commission, An Agenda For Florida Housing Policy. This Report represents the work of the Commission and its findings and recommendations.

The most important finding of the Commission is that Florida should actively recognize the problem of affordable housing. The most effective method of recognition is the commitment of State resources to begin the resolution process.

The problem of affordable housing is as complex as any of the issues that Florida is facing due to its rapid economic and population growth; however, it can be solved. The Commission feels the resolution process should begin now, for the cost of effective action will only increase with delay.

The experience of working with this Commission has been unique and enjoyable. Even with the time constraints set for the Commission, the members were able to give in-depth study to these issues and produce meaningful and implementable recommendations and programs. The members have been diligent in their work and gained an education as they progressed.

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I appreciate the opportunity to participate in this process and I make myself available for questions in the future. The Commission views this report as only a beginning in the process of resolving affordable housing problems and looks forward to being available also to speak to you or address any questions that may arise in the future.

JD/sf

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EXECUTIVE SUMMARY

The Affordable Housing Study Commission was created in 1986 by the Legislature under Florida Statutes Chapter 420.609 to "analyze those solutions and programs which could begin to address the State of Florida's acute need for housing for very low, low and moderate income persons".

The Commission has met eight times since the enactment of legislation and this final report presents our findings and recommendations. The Commission has not only identified Florida's affordable housing needs, we have provided the justification and specific recommendations necessary to meet the obvious need. **The most important finding of the Commission is that Florida should actively recognize the problems of affordable housing and then commit State resources to solve them.**

The standard definition of "affordable" as it applies to housing is that not more than 30% to 35% of household income is spent on housing costs. That cost should include mortgage or rental payments, taxes, insurance, and utilities. Problems of affordability are most severe for low and moderate income households in both rental and owner occupied categories. State housing programs use the following definitions of those categories:

- Moderate Income - household income between 80% and 120% of the state median household income
- Low Income - household income between 50% and 80% of median
- Very Low Income - household income below 50% of median

After considerable testimony, research, and discussion the Affordable Housing Study Commission affirms that Florida's affordable housing shortage is real and acute. Furthermore, if it is not acted on today it will reach crisis proportions. The Commission also concludes that current State programs do not meet the present, much less the future, need in the state. And finally, experience from other state initiatives, such as those implemented in Massachusetts and Maryland, has shown that state general revenue dollars must be dedicated to a successful affordable housing program. The substantive work of the Commission was divided into three Committees: New and Existing Programs, Regulatory Reform, and Finance and Funding. Each committee was asked to develop recommendations using a set of comprehensive guidelines established by the full Commission:

1. The private sector should be the <u>primary</u> delivery vehicle for housing, with state and local incentives put in place to encourage the development of affordable housing;
2. State money must be heavily leveraged;
3. State money should be spent on housing, not program administration;
4. State money should be used, whenever possible, as loans, not grants;
5. Local government should provide some incentives and financial assistance, with State aid available for those that do;
6. Mixed income projects should be encouraged, avoiding a concentration of low income residents in one area or project.

The major recommendations of each committee are:

A. New & Existing Programs

1. Florida should commit $40 to $50 million each year to stimulate the annual construction or substantial rehabilitation of 6,000 units for 18,000 citizens. The body of this recommendation has been formed as the "SAIL" program, the State Apartment Incentive Loan Program.
2. Florida should commit $4 million each year to the Florida Housing Finance Agency's homeownership bond program to improve its ability to annually serve approximately 6,700 low and moderate income first-time homebuyers.
3. The SAIL program should incorporate the most viable, salient features of the current Affordable Housing Demonstration Loan Program and should replace that program as it is currently structured.

B. Regulatory Reform

The Regulatory Reform Committee worked to build incentives into the current regulatory process for developers, builders, and local governments to encourage the construction of affordable housing units, specifically considering:

1. Comprehensive planning;
2. Waiver of impact fees;
3. Development of Regional Impacts; and
4. Streamlining the Building Code process

C. Finance and Funding

1. Housing should receive a permanent source of funding from $45-$55 million annually using the reallocation of existing documentary stamp tax revenue. These funds would leverage a $300 million annual rental production program to house 18,000 residents per year and a $150 million homeownership program that will provide homes for 6,700 people a year.
2. If documentary stamp tax money is not dedicated, housing should be included under the definition of infrastructure and be eligible for funding under the State Infrastructure Trust Fund.

The final report of the Affordable Housing Study Commission presents the final recommendations of the Commission with justification and background for their findings.

Chapter One
AFFORDABLE HOUSING STUDY COMMISSION

I. AFFORDABLE HOUSING STUDY COMMISSION

A. Role of the Commission

Faced with the dismantling of federal housing programs, the Florida Legislature recognized the need for an increased State role in housing, and created the Affordable Housing Study Commission to make recommendations on solutions to the problem and to identify funding sources. The Commission's role was to recommend solutions and funding options, not to simply document the problem. Specifically, the Commission was to develop programs and proposals to provide for:

1. offering of low interest and zero-interest loans for the development or rehabilitation of housing;
2. use of publicly-owned lands and buildings as affordable housing sites;
3. streamlining of the various State, regional and local regulations and building codes governing the housing industry;
4. stimulation of public and private cooperative housing efforts;
5. implementation or expansion of the pilot programs authorized in this part;
6. discovery and assessment of sources of funding for low-cost housing construction and rehabilitation; and
7. development of such other solutions and programs as the Commission deems appropriate.

The Commission was directed to consider both homeownership and rental housing as viable options for the provision of housing.

B. Process

The Affordable Housing Study Commission has met eight times within the last year. An interim report submitted to the 1987 Legislature included recommendations which were approved by the Legislature.

After several general meetings in which the background issues were discussed, the Commission was organized into four committees, each with a substantive charge. These committees were:

1. New and Existing Programs
2. Regulatory Reform
3. Finance and Funding
4. Mortgage Insurance

Each subcommittee was given a set of guiding principles by the full Commission to use to shape their final recommendations:

1. The private sector should be the primary delivery vehicle for housing with State and local incentives to encourage the development of affordable housing;

2. State money must be heavily leveraged;
3. State money should be spent on housing, not administration;
4. State money used, when possible, as loans, not grants;
5. Local government should also offer incentives and financing with State aid available to local governments that do; and
6. Developments with a mix of incomes should be encouraged, avoiding a concentration of low income residents in one area or project.

C. General Findings of the Commission

Each committee drafted specific recommendations under their assigned topic. There were however, more general, broader findings formulated by the Commission:

1. For some groups in the State, especially the low income and the elderly, the need for affordable housing has reached crisis proportions. The number of citizens threatened will increase dramatically if specific solutions are not provided.
2. Due to the near total elimination of the federal government's participation in housing programs, it is not only appropriate, but necessary for the State to expand its current role.
3. Current State programs cannot meet current or future need.
4. Housing related programs and regulations should be streamlined and consolidated.
5. Unique elements within each community should be recognized and used to encourage local public/private partnerships.
6. Sound economic development relies on the availability of affordable housing. The State should recognize that affordable housing is essential to the health of an expanding economy.
7. Adequate, well planned infrastructure is important to the production of affordable housing. Funding options should be made available to local governments to construct and maintain necessary services.

II. BACKGROUND

A. Scope of the Issue

Estimates of the Florida Housing Finance Agency and the Florida Department of Community Affairs indicate that over two million residents are facing critical housing problems - they are paying a disproportionately high portion of their income for housing and they are living in substandard conditions. As Florida continues to grow, that figure will increase dramatically. Florida's population is projected to reach 16 million by the year 2000 and state and local governments are struggling with ways to accommodate the over 300,000 new residents annually. Safe, sanitary, affordable housing is an essential service that must be available to those residents.

Presently, over 720,000 low and moderate income households in Florida are paying more than 35% of their gross monthly income for housing. The figure for our lowest income residents is even more startling; over 84% of very low income residents are paying too high a percentage of their income for housing costs.

According to an analysis of 1980 Census data prepared by the National Low Income Housing Coalition, only seven states report a greater per capita need for low income rental units than Florida. Also, a series of market studies prepared for the Florida Housing Finance Agency from 1985 to the present surveyed the need for moderate income rental housing in 17 of Florida's largest counties. The result: over 35,000 units are needed each year for the next five years.

Census figures conservatively estimate a current need for rehabilitation or demolition with replacement housing of between 70,000 (lacking complete plumbing) and 160,000 existing units. As projected from local surveys of general housing conditions in ten Florida cities, the current statewide need for housing rehabilitation or demolition with replacement housing may be as high as 645,675 units. By the year 2000, this need may be an estimated 867,176 units.

Each county and each local government faces distinctly different affordable housing problems. In Dade County, for example, which represents approximately 16% of the State's total population, the 1980 census showed that 32.4% of the households had incomes of less than $10,000 and 13% under $15,000. And in Monroe County, the cost of land has made it virtually impossible for necessary service personnel to be able to afford to live there. This growing problem of housing affordability is the result of the rising costs of land, construction and financing, stricter underwriting criteria and added land use restrictions coupled with phenomenal growth. The situation has been compounded by massive cutbacks in federal housing programs.

B. The Effect of Changing Federal Policy

Since 1981 the budget of the Department Housing and Urban Development has been reduced by over 71.4%. Budget authority for all low income housing programs within HUD has decreased so substantially that the cuts have effectively eliminated federally subsidized construction. ***Figure A*** (pg. 4) graphically illustrates that budget authority for HUD, which accounted for 7.4% of the total federal budget in fiscal 1978, is proposed to be less than 1% in fiscal 1988.

The Tax Reform Act of 1986 signed by the President in October of 1986, has had a substantial negative effect on investment in the housing and real estate marketplace. The Act lowered the volume cap for single and multi-family programs, increased targeting requirements, and decreased benefits from syndication. The Act had chilling impact on real estate; unless the Act is amended by Congress in future years to reduce these restrictions, these indirect incentive programs will never again produce the level of housing previously seen. Additionally, direct expenditure housing programs designed to serve the very low and low income groups were considered to be very expensive to operate and in the wake of tremendous budget deficits will not be revived.

The indirect housing assistance programs designed to serve the low, moderate, and middle income groups have been restricted by the Tax Reform Act to serving more lower income households, but without the direct federal subsidies of past programs. Each one of the 50 states must now determine how to respond to the pressing housing need at the very low, low and moderate income level.

III. FINAL REPORT

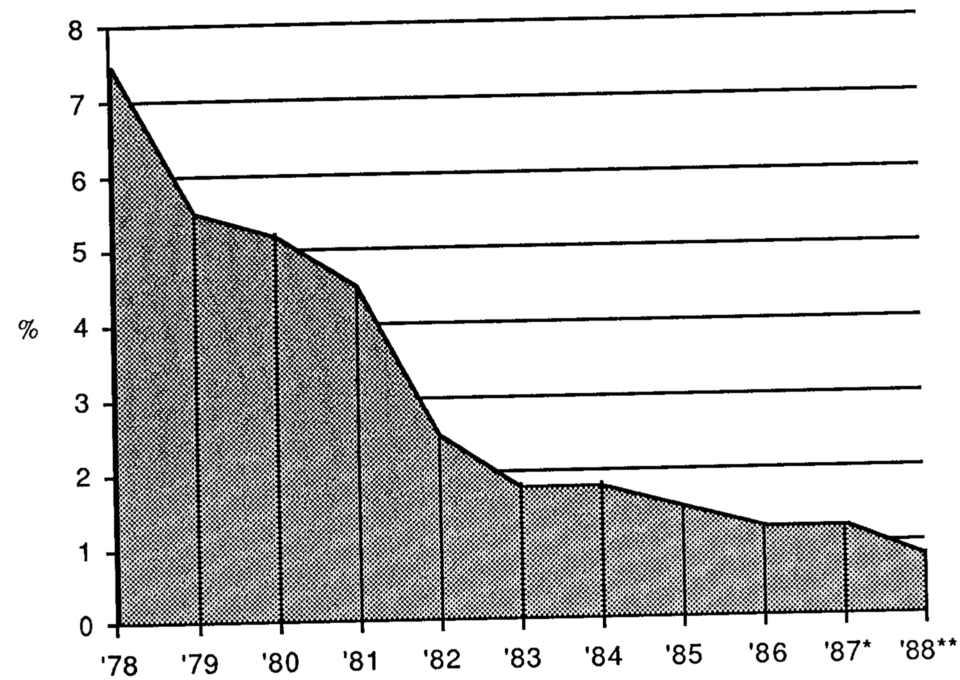
Out of the original four Committees, the fourth, Mortgage Insurance, was combined with the New and Existing Programs Committee and the recommendations on the issue are included in that committee's work. The report of the New and Existing Programs, Regulatory Reform and Finance and Funding Committees follow.

Figure A

BUDGET AUTHORITY OF HUD, AS A PERCENTAGE OF THE TOTAL FEDERAL BUDGET, 1978-1988

Housing's share of federal budget declines. *Budget authority for the Department of Housing and Urban Development, which accounted for 7.4% of the total federal budget in fiscal 1978, is proposed to be less than 1% in fiscal 1988.*

Source: Budget of the United States Government, FY 1988.



**Estimated*
***Proposed*

Chapter Two
FINAL COMMITTEE REPORT: NEW & EXISTING PROGRAMS

I. RENTAL PRODUCTION: STATE APARTMENT INCENTIVE LOAN "SAIL" PROGRAM

Background

There currently exists a shortage of affordable rental housing in Florida. The problem is most acute for low and moderate income renters. The scope of the problem is broad, as shown by these figures:

- There is an immediate shortage of 43,000 low income rental units;
- A need for 35,000 new moderate income and 6,000 new low income apartments each year to the end of this century;
- There are 70,000 units without adequate plumbing; and
- One in five tenants is presently paying a disproportionate share of their income toward rent.

Cutbacks in federal rental subsidy programs over the last seven years have increased this problem. The Tax Reform Act of 1986 reduced tax incentives for rental housing production, which further exacerbated the shortage.

Florida's tax-exempt bond program, which fully met the moderate income apartment demand in 1985, was also harmed by the 1986 Tax Reform Act. The new federal law increased very low income targeting to such a degree that tax-exempt projects are no longer economically feasible without additional subsidy. This program which produced over 30,000 new units in 1985, only produced under 2,500 in 1987.

Population growth, particularly the increase of families in service related industries, will continue to stimulate a critical need for new apartment development. If present trends continue, rents will accelerate with an extreme impact on the buying power of moderate income families and a devastating impact on low income families.

Existing programs contain valuable, but inadequate incentives for apartment production. Analysis of other states, most importantly Maryland and Massachusetts, show that a relatively small investment of State funds using existing resources will provide an adequate incentive for private sector rental production.

A. Issue: Should Florida Commit State Resources To A Rental Production Program?

1. The existing shortage of affordable rental housing is severe.
2. Present trends will dramatically increase the problem.
3. Existing programs are, by themselves, inadequate to address the problem.
4. Today, rental housing can be produced at a total cost of $40,000 to $50,000 a unit; as the problem increases, so will the cost per unit (and the related cost of State action).
5. Florida's continued economic prosperity, particularly in the service sector, is directly linked to an adequate supply of affordable rental housing.
6. Massachusetts and Maryland have shown that State funds can be cost effectively invested to provide adequate incentives for production of low and moderate income rental housing by private developers.

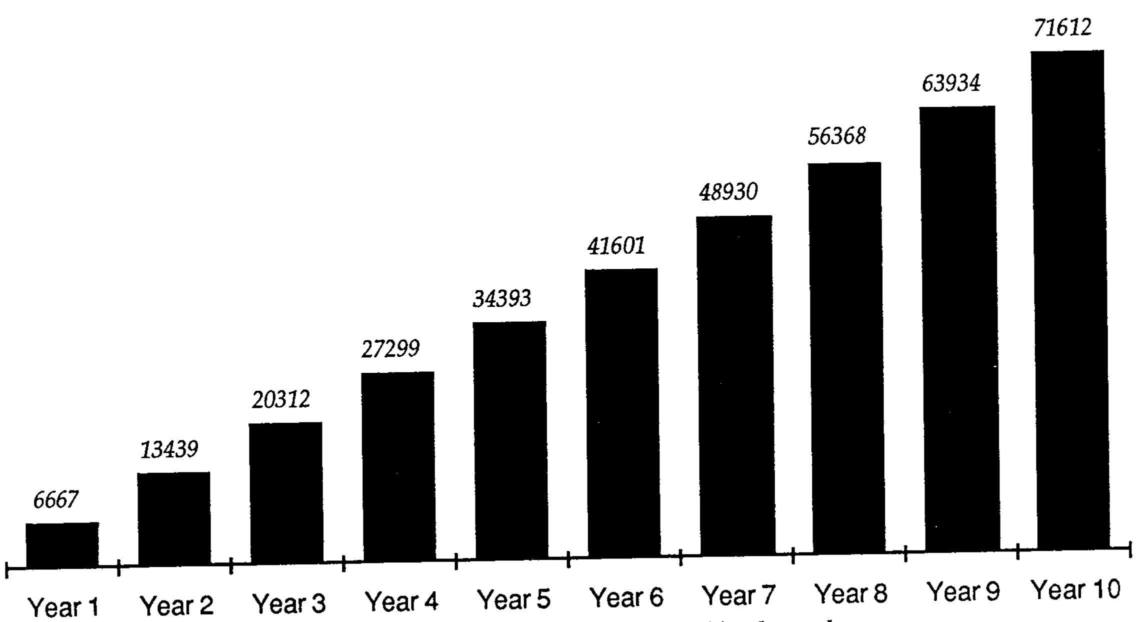
RECOMMENDATION

1. *Florida should create a new program which commits State resources to stimulate the construction or substantial rehabilitation of rental housing. The program could be called the State Apartment Incentive Loan, or "SAIL" Program.*
2. *The "SAIL" program should produce $300 million, or 6,000 units of housing annually, providing shelter for an estimated 18,000 persons. To accomplish this an investment of $40-$50 million of State monies is required each year, thus achieving a 5-1 leveraging.*
3. *Program Goals:*
   - *encourage use of existing federal tax incentives*
   - *stimulate maximum production with minimum State subsidy*
   - *use of State funds as loans, not grants*
   - *required local government contribution*
   - *assisting low income tenants in mixed income setting*
   - *use of the private sector including non-profits, as the production delivery vehicle*
   - *put additional units into service*
4. *Program Design:*
   - *agency/developer determine maximum mortgage payment possible from rents on project, taking into account rent loss from low income units*
   - *developer obtains first mortgage in this amount*
   - *remainder of project cost funded by combination of developer equity, local government contribution, and second mortgage from "SAIL" Program.*

Figure B

STATE APARTMENT INCENTIVE LOAN (SAIL)
RENTAL PRODUCTION PROGRAM

TEN YEAR CUMULATIVE TOTAL OF UNITS IN SERVICE



- *Assuming a unit cost of $45,000 to build today and a 5% cost increase each year*
- *Assuming a $40-50 million state investment each year*

B. Issue: Limit On State Subsidy

1. The State subsidy should come in the form of a low interest second loan.
2. The subsidy could be limited by either a maximum per unit and/or per project.

RECOMMENDATION

1. ***Limit subsidy per unit to the minimum necessary to make the project economically feasible given 20% of the units rented to very low income tenants.***
2. ***It is expected that no more than 25% of a project's costs should be provided through a "SAIL" loan; however it should be recognized that certain target groups such as farmworkers may need a larger amount of State assistance.***

C. Issue: Income Targeting

1. The greater the income targeting required, the greater the cost to the State.
2. Project economics are enhanced by inclusion of some middle - higher income tenants.
3. A project with residents of a mixed income is desirable from a social and economic viewpoint.
4. Very low income citizens should be served by this program, but cannot be its primary focus in a cost effective program.

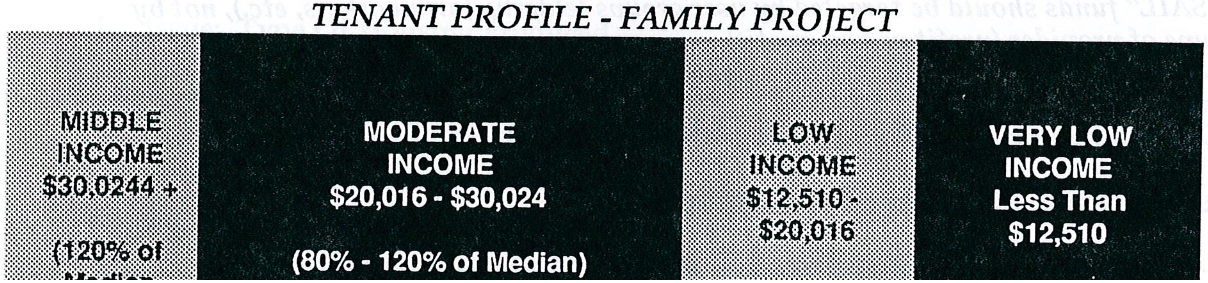
RECOMMENDATION

1. ***If developer uses tax-exempt financing for the first loan, require that 20% of the tenants have incomes below 50% of local median, adjusted for family size.***
2. ***If a developer uses taxable/conventional financing for the first mortgage, require that 20% of the tenants have incomes below 50% of the State or local median (whichever higher), without family size adjustment.***
3. ***No restrictions should be placed on other tenant's incomes.***

Figure C

STATE APARTMENT INCENTIVE LOAN (SAIL)
RENTAL PRODUCTION PROGRAM
$10 Million - 200 Unit Project

TENANT PROFILE - FAMILY PROJECT



D. Issue: Local Government Contribution

1. Local government has a responsibility to assist in the provision of affordable housing.
2. Local government contribution could be mandated or rewarded.
3. Local government contribution can take many forms, including cash, land, fee waivers, density bonuses, and other items such as, but not limited to those listed in 420.604(c), Florida Statutes.

RECOMMENDATION

1. *A minimal threshold of local government participation should be stated and required.*
2. *The scoring system for distribution of State funds should reward higher levels of local government contribution.*
3. *The program goal should be to obtain 5%-10% of project cost in the form of local government contribution.*

E. Issue: Private Sector Involvement

1. State and local governments are not equipped to directly produce housing efficiently.
2. For-profit developers have the expertise necessary to produce rental housing at the levels required in Florida.
3. Non-profits, while presently not major producers of housing in Florida, can (with effective training and expertise) be successful developers of affordable housing.
4. The recommended scoring system for this program rewards non-profit sponsors, who should be able to produce housing at a lower cost and are more likely to receive local government contributions.

RECOMMENDATION

1. *State funds should provide the incentive for private sector developers to produce the needed rental units.*
2. *Both for-profit and non-profit developers should be encouraged to participate in the program. Joint ventures between these groups should be encouraged.*
3. *"SAIL" funds should be targeted by user groups (elderly, farmworkers, etc.), not by type of provider (profit or non-profit).*
4. *Non-profits should be treated equally in terms of loan underwriting/credit evaluation.*
5. *Other State programs should provide development training to non-profits.*

F. Issue: Tax-Exempt/Conventional Financing

1. Generally, tax-exempt financing of the first mortgage will produce a lower interest rate than conventional financing, thus reducing the amount of State subsidy required for each project.
2. Some projects may not be large enough for cost-effective use of tax-exempt financing, or may find below market rate loans from another source.

RECOMMENDATION

1. *Developers should be allowed to use the most cost-effective source of first mortgage financing, whether tax-exempt bonds or conventional financing.*
2. *The program scoring system should heavily reward projects using the lowest State subsidy per project, therein rewarding developers with the lowest possible effective*

first mortgage interest rate.

G. Issue: Rent Limits On Low Income Units

1. The program will require 20% of the tenants to be very low income.
2. Rent limits would significantly increase the amount of required subsidy and would serve as a disincentive for private sector participation.
3. Rents must be affordable for the developer to fill the required 20% very low income units.

RECOMMENDATION

The State should not implement rent controls on units produced in the program.

H. Issue: Other Targeting

1. The demand for low income apartments is divided almost equally between families (53%) and the elderly (47%).
2. Families and young singles make up almost all of the moderate income rental market.
3. Past experience in the Section 8 new construction program has shown that developers, if given the choice, tend to build low income housing for elderly persons rather than families.
4. Farmworkers are a group that have severe housing problems that are not currently being addressed in an adequate manner.

RECOMMENDATION

1. *The program's goal should be a 50%-50% division of the low income units between family and elderly housing. This set-aside should be for a time-limited (six-month) period.*
2. *Ten percent (10%) of the "SAIL" funds should be set-aside for a six-month period for use by developers of farmworker housing.*
3. *No discrimination against families with children should be permitted, except in projects or portions of projects designed for all-elderly occupancy.*
4. *All set-aside targeting should be for time-limited (six-month) basis, after which time all funds would be available to any eligible developer throughout the State.*

I. Issue: Type Of Housing Produced

1. The most critical need in Florida is to add units to the housing stock.
2. New construction or substantial rehabilitation achieves the goal of increasing the number of affordable units.
3. Moderate rehabilitation, while cosmetically attractive, most often simply improves already affordable units.

RECOMMENDATION

The program should provide State loans to developers of new housing or housing requiring substantial rehabilitation.

J. Issue: Form Of State Assistance

1. Project feasibility could be enhanced by:
   - An up-front second loan at reduced interest rate
   - An annual loan to cover operating losses
   - Rent subsidies to tenants

RECOMMENDATION

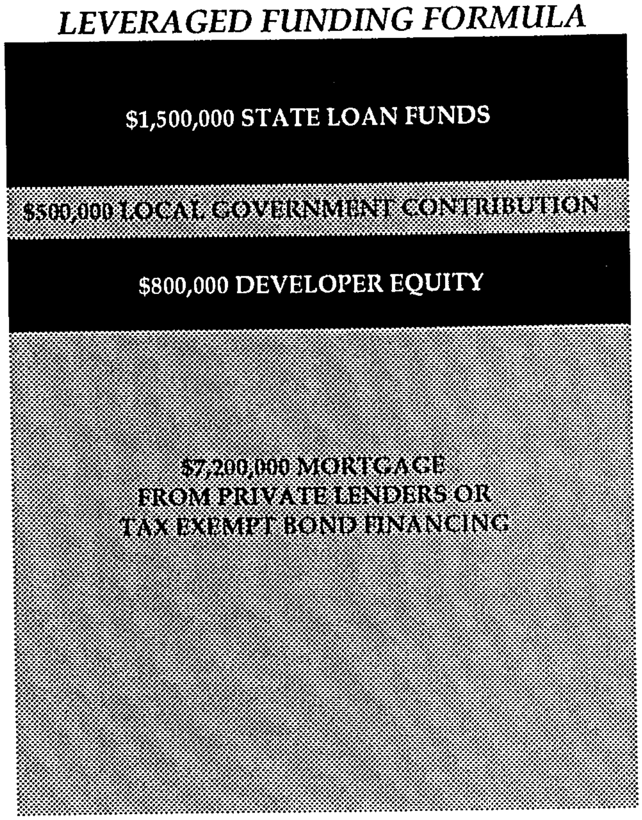
State monies should be used to provide up-front second mortgage loans to developers at reduced interest rates. Example:

• *$10 million cost*	
• *$50,000/unit*	
• *200 units*	
• *Average rent of $450/month*	
• *Tax-exempt financing at 7.25%*	
• *Net Operating Income*	*$ 600,000*
• *First Mortgage*	*7,200,000*
• *Shortfall*	*2,800,000*
Developer Equity	*800,000*
Local Government	*500,000*
State Loan	*1,500,000*
• *Annual Cash Flow*	*600,000*
• *Annual Debt Service*	*520,000*
• *Annual Surplus*	*80,000*
• *6% Return of Equity*	*48,000*
• *Available for interest on State Loan*	*32,000 or 2%*
• *Leveraging*	*6.7/1.0*

Figure D

STATE APARTMENT INCENTIVE LOAN (SAIL)
RENTAL PRODUCTION PROGRAM
$10 Million-200 Unit Project

LEVERAGED FUNDING FORMULA



• *One time investment of a $7,500 State Loan per unit*
• *20% of all units produced will be made available on an ongoing basis for very low income residents*

K. Issue: Loan Terms

1. State loans should provide the maximum rate of return while insuring project viability.
2. State loans should be time-limited, but should insure/encourage continued provision of low income units.

RECOMMENDATION

1. *The legislation should allow flexible loan terms.*
2. *State loans should be for a minimum of five, but no more than fifteen years.*
3. *The 20% low income requirement should be required for the length of the State loan. The scoring system will reward developers that agree to longer restrictions.*
4. *The loan should be due at project sale or refinancing.*
5. *A suggested loan structure would include:*
   - *A 3% base interest rate paid annually if cash flow permits.*
   - *A 6%-8% maximum interest rate paid annually if cash flow and developer return-on-equity requirement permits, or deferred until sale/refinancing and paid from appreciation in value of project.*
   - *A first mortgage plus a State funded second mortgage should be less than the value of project without low income land use restriction.*

L. Issue: Scoring System

1. It is anticipated that competition for the State loans would be strong, thus requiring a scoring system.
2. The system should establish minimum criteria for each application, and establish a point scoring system that rewards applicants who best carry out the program's goals.

RECOMMENDATION

1. *Minimum requirements for submission should include:*
   - *demonstrated project feasibility without State funds after 15 years*
   - *project requires no more than maximum allowable State loan*
   - *developer with no delinquencies or defaults on other HFA or DCA loans*
   - *evidence of local government contribution*
   - *expression of interest by first mortgage lender (with firm commitment required within six months of selection)*
   - *site control, developable site, proper zoning, and utility availability*
   - *adequate level of experience for development team*
2. *Scoring system should reward:*
   - *higher levels of local government contribution (up to 10% of project cost to maximum points, with a geometric progression in scoring system) including all regulatory reform suggestions*
   - *higher leveraging of State funds*
   - *minimum State dollars/total units produced*
   - *ability to proceed quickly to construction*
   - *longer length of commitment to maintain low income units*
   - *higher percentage of low income units (up to 30%) without increasing State subsidy*
   - *provision of three and four bedroom units*
   - *commitment of permanent financing*
   - *equity contribution by developer*
   - *project feasibility*

M. Issue: Geographic Distribution

1. The Affordable Housing Demonstration Loan Program showed that inadequate levels of funding inhibit developers of projects large enough to achieve economic feasibility (economy of scale) from participation.
2. Private sector developers will not participate in a program that allows only very small projects to be built.
3. Given the likely level of funding for this program, extensive geographic targeting (counties or regional planning districts) would severely hamper the program's viability.

RECOMMENDATION

1. ***Target funds for a six month period to no more than three regions.***
2. ***No other targeting should be applicable to each region.***

N. Issue: Necessary Level Of Funding

1. Project feasibility is directly related to project size (assuming equal levels of government subsidy). Fixed costs of marketing, maintenance and management make very small projects less economically viable. Therefore, a $100,000 of State loan is not 10% as effective as $1,000,000 State loan.
2. The program should allow for projects of any size; however, a realistic analysis of project economics shows that developments of less than 150 units are significantly less viable (with other factors equal).
3. Therefore, funding should be provided at a level sufficient for projects of 150 units to be built in each area for which funds are targeted.
4. The "SAIL" program will likely be linked to the valuable federal subsidy of tax-exempt bond financing. The State HFA has annual housing bond volume of $150 million, with local bond allocation at $360 million (for all purposes, including housing).
5. The "SAIL" funding should be adequate to leverage at least $250-$300 million of tax-exempt bonding authority.

RECOMMENDATION

1. ***Appropriate $40-$50 million per year for the "SAIL" loans, thus producing $300 million of housing annually.***
2. ***Target at least $7,000,000 of "SAIL" funding to each geographic area to be served.***
3. ***All set-asides should be eliminated at minimum funding levels.***

II. HOMEOWNERSHIP ASSISTANCE PROGRAM

Background:

Moderate income first-time buyers find it increasingly difficult to afford the jump from tenant to homeowner. Higher rents make saving more difficult. At the same time, the cash required to close a home loan has increased significantly. The additional cash requirements lock many first-time buyers out of the market, buyers that could afford the monthly payments but not the down payment, insurance premium, and other closing costs.

Although interest rates have declined significantly in the last five years, stricter underwriting standards have all but eliminated the benefits to first-time homebuyers of lower rates. For example, some eligible and generally credit worthy applicants to the HFA's first-time homebuyer loan program are unable to participate in the loan program due to the requirements that are now needed to close a loan. The cost of private mortgage insurance has risen markedly along with the minimum required downpayment. In response to increased foreclosures, mortgage insurers have tightened their underwriting standards and the five percent downpayment, conventional loan has effectively disappeared.

The debt-to-income ratio allowed by mortgage insurers has decreased in the last five years from 33 percent monthly and 38 percent total debt, to the current ratio of 25 percent monthly and 33 percent total debt. Many first-time homebuyers no longer qualify under the new guidelines since young, first-time homebuyers are often more dependent on credit than they once were. Therefore, the average debt-to-income ratio of homebuyers is higher now than it was five years ago.

Housing costs have also risen at a significantly higher rate than real income. In effect, five years ago a typical first-time homebuyer with an annual income of $20,000 could afford a $44,000 mortgage (13% mortgage rate.) Using today's insurance underwriting guidelines, and a 10% mortgage rate, that same family could still only afford a $44,000 mortgage (with a likely downpayment of 10%, as opposed to the previously available 5%). Therefore, the benefits of the significant drop in interest rates have been negated by the tighter credit underwriting standards.

The HFA's home mortgage bond program has, and continues to be, an effective tool in assisting first-time buyers to purchase a home, with over $700 million in loans made since 1982. The ability of the program to reach lower income homebuyers is negatively impacted by the above-referenced up-front cash requirements, the more restrictive private mortgage insurance standards, and by an increasing reluctance by lenders to bear the financial risk of loan non-origination.

<u>A. Issue: Should Florida Commit State Resources To A Homeownership Assistance Program?</u>

1. First-time homebuyers are growing dramatically in number.
2. Present trends make it increasingly difficult for low and moderate income first-time buyers to purchase a home.
3. The problem centers on a lack of up-front capital to pay higher downpayments, insurance premiums and other closing costs.
4. Mortgage rates are not presently a major problem for low and moderate income buyers, particularly those utilizing tax-exempt bond program loans.
5. The HFA's homeownership bond program is an effective vehicle for helping first-time buyers, particularly when utilizing FHA mortgage insurance (smaller down payments, more liberal credit underwriting, and a mortgageable insurance premium).
6. Minor problems with the bond program hamper its effectiveness, including total cash required at closing still too high for low-income buyers, a 2% shortfall in FHA insurance coverage, and an increasing reluctance by lenders to bear non-origination risk (inability to make loans with bond proceeds and recover up-front commitment fee.)

RECOMMENDATION

1. *Florida should commit State resources to the Florida Housing Finance Agency's homeownership bond program to improve its ability to serve low and moderate income first-time homebuyers.*
2. *The homeownership program should provide $150 million of financing annually, enough to house 3,000 families (estimated 6,000-7,000 people). To accomplish this, a commitment of $4 million of State funds is needed each year, thus achieving leveraging of over 35-1.*

3. *Program Goals:*
   - *reduce the up-front cash costs to 5% for low income homebuyers*
   - *facilitate the use of the FHA insurance on bond loans*
   - *use State funds as second mortgage loans to homebuyers (to be used to pay part of downpayment and closing costs)*
   - *use State funds to establish loan loss insurance reserve to cover 2% FHA shortfall*
   - *use State funds to assume part of loan non-origination risk*

B. Issue: Maximum Subsidy (Loan) To Homebuyer

1. Program goal is to reduce out-of-pocket costs to 5% for low income homebuyers.
2. Utilizing FHA insurance, out-of-pocket costs are approximately 8% (3% downpayment, 3.5% origination fees, plus closing costs).
3. Given a $150 million program with 50%-60% of the homebuyers eligible for these loans, $2.5 million would be necessary each year.

RECOMMENDATION

1. *Limit subsidy (in form of loan) to difference between 3% downpayment 3.5% origination fees/actual closing costs and 5% (low income buyers).*
2. *Commit $2-$3.5 million of funding each year.*

C. Issue: Income Targeting

1. Federal law limits loans made with proceeds of tax exempt bonds to families earning under 115% of State or local median income, whichever is higher ($31,970 for Florida)
2. Out-of-pocket expenses harm low income buyers the most.

RECOMMENDATION

Limit subsidy to families earning under 80% of median income (State or local, whichever higher).

D. Issue: Local Government Contribution

1. Local government contributions are difficult to obtain on a homebuyer-by-homebuyer basis.
2. It is very difficult to target bond proceeds to specific cities (up to borrower where they want to live).

RECOMMENDATION

No local government contribution should be required.

E. Issue: Coordination With HFA Bond Program

1. The purpose of a homebuyer assistance loan is to improve the existing HFA bond program.
2. The bond program has a built-in delivery system for making second mortgages.

RECOMMENDATION

Limit this program to use with HFA bond loans.

F. Issue: Sales Price Limits

1. Credit underwriting provides an effective limit on the sales price that low income homebuyers can afford.
2. The subsidy (loan) will not cover increased downpayments required on more expensive homes.
3. Federal law already limits the sales price on bond financed homes to 90% of the area average price.

RECOMMENDATION

No additional sales price limitations should be imposed.

G. Issue: Form Of State Assistance/Loan Terms

1. FHA insurance allows governmental bodies to loan downpayments/closing costs to homebuyers.
2. The State should receive a fair rate of return while preserving affordability.

RECOMMENDATION

1. *The State assistance should be in the form of a second mortgage loan, with the HFA given flexibility in setting the specific terms.*
2. *A recommended loan structure would include:*
   - *deferred payments for 3-5 years*
   - *3% interest rate*
   - *amortization over 10 year period*
   - *due at sale or refinancing*

H. Issue: Improved Ability For Use Of FHA Insurance On HFA Bond Issues

1. FHA mortgage insurance provides significant advantages for low and moderate income homebuyers:
   - less restrictive credit underwriting standards
   - one-time mortgage insurance premium, which can be mortgaged (as opposed to expensive yearly fees charged by private mortgage insurance companies)
   - lower downpayment requirements (3%-5% compared to 10%)
2. Bond issues are enhanced by the security of FHA as a federal agency.
3. FHA insurance, however, has a shortfall in payments of approximately 2% (pays 99% of mortgage, plus delay in timing of payment).
4. This shortfall makes it difficult to fully utilize FHA insurance in bond programs.

RECOMMENDATION

1. *State funds should be used to cover this shortfall of FHA insurance, in an amount sufficient to achieve a bond rating (less than 2%, as any worst case default scenario is not at the 100% level).*
2. *State funds should be placed in an insurance escrow, and could be released as the bond issue revenues became sufficient to cover shortfalls.*
3. *Approximately $1.5 million of State funds should be committed to this insurance reserve, with future funding a function of loan losses.*

I. Issue: Methods To Improve Lender Participation In Program

1. When selling bonds, the cost of issuing the bonds is paid by the lenders participating in the program.
2. The costs normally range from 1.5%-3.0%, and are recovered in the form of an

origination fee charged to the homebuyer, when and if, loans are originated.

3. Therefore, the risk of non-origination rests with the lender. In a volatile interest rate market, a downturn in rates shortly after the bond sale can occur, with significant monetary loss by the lender.
4. Lenders receive a 1.5% origination fee, above recovery of the cost of issuing the bonds. This fee is not large in comparison to lender risk; the fee cannot be raised without further inhibiting program participation by low and moderate income buyers who already have problems with up-front cash requirements.
5. Lender participation has decreased in recent issues, resulting in less than adequate program availability in some areas. Lender participation could be increased if non-origination risk were shared.

RECOMMENDATION

1. ***The State HFA should be authorized to use Agency funds to pay a portion of the cost of issuing bonds, thus sharing non-origination risk (Agency would recover costs from homebuyers as loans are originated).***
2. ***The State HFA should allow lenders to share non-origination costs with homebuilders, by permitting a portion of bond funds to be subcommitted to specific builders.***
3. ***The annual cost (recoverable) to the HFA would be less than $1.5 million.***

III. AFFORDABLE HOUSING DEMONSTRATION LOAN PROGRAM

Background

In 1986, the legislature created the Affordable Housing Demonstration Loan Program to encourage the production of housing for very low, low and moderate income citizens. State funds can be used for construction and/or permanent financing of rental or for-sale housing. The State funds are loaned as a 0%-3% second mortgage for up to one-third of a project or home's cost. The benefit of the reduced interest rate must be passed through to the renter or homebuyer.

$2.7 million was appropriated for loans to be made in five demonstration areas. Applications were solicited from each area, with a public purpose analysis by DCA and an economic feasibility evaluation by the HFA (who makes the loans). To apply, applicants had to show a contribution by local government. Another $500,000 was made available to the HFA for loans to very low and low income homebuyers (not linked to the demonstration areas).

Issue: Should Florida Continue This Program?

1. Funds available were not sufficient for economically feasible projects to be built ($440,000 x 3 = $1.3 million or 30 units).
2. Private sector developers have generally avoided the program due to lack of sufficient incentives (problem with potential total project size, not the 33% of project cost limit).
3. Only 13 complete and timely applications were received, with no competition in 3 of the 5 demonstration areas (single applicant in two, two applicants requesting combined loans under $440,000 in a third).
4. The best applications avoided the scale of a project problem by providing for sale housing (no rentals).
5. Most applicants had heavy contributions from local government (land, CDBG, Surtax loans) which insured affordability of units.
6. Several of the best applications joint-ventured with private developers.
7. The quality of many applications was poor; the initial economic feasibility analysis indicates that loan approvals could be difficult.

8. The heavy local government contribution may be possible on a very limited basis; it may not be reproduced on a large scale.
9. The better applications requested 18%-33% of project costs from State loans (most 28%-33%).
10. Very low income persons generally cannot afford to buy a home, even with 33% of the mortgage at a 0% interest rate.
11. Low income persons (50%-80% of median) can benefit from the homeownership program.
12. A successful part of this program was the contribution of public land. This has also been a key in other states' successful programs.

RECOMMENDATION

1. ***Sufficient funds should be made available on this type of program to insure private sector participation and economically feasible rental projects.***
2. ***The Affordable Housing Demonstration Loan Program should be continued in the form of the proposed "SAIL" rental production program.***
3. ***The inventory and analysis of public lands should be continued.***

IV. SITE ACQUISITION AND PREDEVELOPMENT LOAN PROGRAMS

Background

In the 1970's, the State recognized that many non-profit developers of FmHA projects lacked sufficient capital for expenses required prior to the FmHA funding. Accordingly, a revolving loan fund for site acquisition and predevelopment costs for rural projects was established (1974). The program has had mixed success, due in part to inadequate evaluations of sites/developers prior to loan commitments. Subsequently, a similar program of loans and grants for farmworker housing was combined with the rural loan program (1985). In its 1986 session, the legislature created two additional site acquisition and predevelopment loan programs — one for projects sponsored by Community Based Organizations and one for developers of mobile home parks which relocated low income residents evicted from another park due to a land use change.

Issue: Should This Program Be Continued/ Improved?

1. No reduction in rent levels compared to for-profit developments have been observed in projects financed.
2. Inexperience of the non-profits leads to lengthy time delays.
3. Boards of non-profits often have little understanding of their role/responsibility.
4. Consultants help to create non-profits who apply for funds and pay administrative fee to consultant (without housing being produced).
5. Staff of non-profits are often inexperienced, leading to significant time delays.
6. Permanent allocation of funds to specific categories leads to supply/demand imbalance.
7. Three separate statutes, rules and funding cycles are inefficient.
8. Foreclosed land cannot be easily disposed of to another developer interested in producing low-cost housing.
9. Confusion exists concerning whether primary legislative intent is to build housing or train non-profits.
10. Combinations of inexperience, time delays, and other problems may actually lead to increased cost of housing.

RECOMMENDATIONS

1. *The programs should be continued, but should be combined under a single statute, rule and application process.*
2. *Set-asides for specific groups (rural, farmworker or other) should be for time-limited period each fiscal year.*
3. *Projects should be allowed in all geographic areas.*
4. *For-profit developers should be allowed to participate.*
5. *Non-profit training should be increased.*
6. *The program should reward linkage with other programs.*
7. *Grants should be replaced with loans.*

V. LOW INCOME RENTAL HOUSING TAX CREDIT PROGRAM

Background

The Federal Tax Reform Act of 1986 severely reduced some tax law incentives for the production of rental housing (syndication and accelerated depreciation). In an attempt to continue production of low income rental housing, the Tax Reform Act created tax credit for developers of such housing. To qualify for the tax credit, a developer must build, rehabilitate or acquire a project and set-aside at least 20% of the units for households earning less than 50% of median or 40% of the units for households earning less than 60% of median (both adjusted for family size). Rents to low income tenants are limited to 30% of the maximum qualifying income by family size minus utility allowance.

Example: *Escambia County - 2 bedroom, family of 3, rent limit is $296 ($346 minus $50 utility allowance).*

The annual value of the credit is equal to 9% (new construction, rehabilitation) or 4% (all acquisition, new construction or rehabilitation of federally assisted projects) of the cost (minus land) of the low income units' construction, rehabilitation, or acquisition cost. "Federally assisted" includes FmHA loans and tax exempt financing, but does not include Section 8 rent subsidies. Acquisition tax credits are limited to projects at least 10 years old, with only a single owner allowed in the 10 years prior to acquisition by the new owner.

The tax credit is received for 10 years, while the low income requirement is for 15 years. The tax credit can be syndicated to corporations and to individuals with incomes less than $250,000. Each State's allocation of tax credit is $1.25 per person for each year through 1989. For 1987, that amount is approximately $14 million. To receive a tax credit allocation, the project must have been placed in service or acquired in the year of the tax credit allocation.

Issue: How Can The Program Be Improved By The State?

1. As this is a federal program, little can be done by the State to change its basic format.
2. Most projects utilizing the tax credit are receiving other federal subsidies.
3. Tax-credit projects have served areas not served by the tax-exempt bond program (rural areas).
4. Tax credits do not replace syndication proceeds available under the pre-1986 federal tax law.
5. The full tax credit allocation will not be used without further State or local subsidy.

RECOMMENDATION

1. *The federal government should be encouraged to increase the subsidy available for each project in order to provide an adequate incentive for development of low income housing.*
2. *The HFA should continue to promote the use of the tax-credit.*
3. *Developers in the "SAIL" rental production program should receive automatic allocations of the tax credit.*

VI. POCKETS-OF-POVERTY PROGRAM

While evaluating potential areas for the Affordable Housing Demonstration Program, it was found that most data is compiled on a county-by-county basis. If "need" is based on the county data, certain high need communities within relatively affluent counties are not identified. The two most obvious examples were the agricultural communities of Belle Glade and Immokalee located, respectively, within the high income Palm Beach and Collier Counties.

The legislature sought to target some affordable housing funds to this type of area by creating the "Pockets-of-Poverty Program" during the 1987 session (funding for Belle Glade only). State grant funds are made available to county government who distributes to governmental or non-profit housing sponsor. The county must also develop a local comprehensive farmworker plan.

<u>Issue: Should This Program Be Continued? Improved?</u>

1. This program, while attempting to serve a high need group, violates the basic principles for use of State funds conceived by this Commission.
2. Specifically, the program:
   • uses grants, not loans
   • prohibits private sector for-profit participation
   • allows high (10%) administrative expenses
   • Requires very little leveraging of State funds (80% of project cost can come from State)
   • does not require local government contribution

RECOMMENDATION

1. *Program should be eliminated as presently structured.*
2. *Funds should be used in more cost effective manner to serve farmworkers, who are in need of assistance.*
3. *Farmworkers should receive a set-aside of "SAIL" funds.*

VII. SUMMARY OF RECOMMENDATIONS; NEW AND EXISTING PROGRAMS

A. A rental production or "SAIL" (State Apartment Incentive Loan) Program should be created with annual funding of approximately $40-$50 million.
B. The HFA's homeownership program should be improved to aid low and moderate income homebuyers, by:
   • use of State funds for downpayment and closing cost loans (approximate annual cost: $2.5 million of state funds, $1.5 million of HFA funds)
   • use of FHA mortgage insurance (initial insurance reserve of approximately $1.5 million)
C. The Affordable Housing Demonstration Loan Program should be replaced by the "SAIL" program.

D. The three site acquisition and predevelopment loan programs should be combined into a single program.
E. The Low Income Rental Housing Tax Credit Program should continue to be promoted.
F. The Pockets-of-Poverty Program should be eliminated in its present form, with a farmworker set-aside in the "SAIL"program.

Chapter Three

FINAL COMMITTEE REPORT: REGULATORY REFORM

I. THE COMPREHENSIVE PLANNING PROCESS

Background

The Florida State Comprehensive Plan was adopted by the Legislature in 1985. It established goals and accompanying policies aimed at increasing Florida's affordable housing supply. The key goal pertaining to housing directs that "public and private sectors shall increase the affordability and availability of housing for low income and moderate income persons. . . " The Florida Affordable Housing Act of 1986 sought to further the goal by encouraging the use of various incentives and elimination of several disincentives that can affect the cost and supply of low and moderate income housing.

Pursuant to the Local Planning and Development Regulation Act, cities and counties must include a housing element in their local comprehensive plans. The DCA Rule 9J-5, authorized by section 163.3177 (9) of the Act, reflects the minimum criteria by which the Department will review local plans for state certification. Chapter 163, F.S., specifies requirements for a local plan housing element. This element must be coordinated with other plan elements. It must be economically feasible and internally consistent. The plans must also include policy recommendations for plan implementation.

What will be crucial to the consideration and implementation of the housing elements within the comprehensive plans, will be financial assistance for local government or incentives for them to accomplish these stated goals and policies. This may need to occur through authorization for local government to tax their communities or authorization of a state tax to be returned to local government for the purpose of infrastructure and housing.

A. Issue: Housing Element

1. Under the Comprehensive Plan, many areas must be addressed that are considered much more significant than housing.
2. The Commission feels the issue of housing needs to be elevated to equal if not higher levels as environmental and economic issues, as without housing there is no economic base in a community to contribute to resolving environmental concerns.
3. The State should be responsible for emphasizing the importance of housing through the enforcement of the Comprehensive Plan by the Department of Community Affairs.

RECOMMENDATION

1. ***Resources and personnel should be made available that will ensure a quality review of the housing element of the Comprehensive Plan.***
2. ***The State Comprehensive Plan's goals should be amended to recognize housing as a high priority.***

B. Issue: Set-Aside

1. With the recent advent of the Growth Management Act and comprehensive plans, community planning is becoming more critical statewide.
2. Capacity for water and sewer has become a major concern within many

communities of the state. In large metropolitan areas and small communities, moratoriums have been called on building, due to lack of service availability.
3. When building is halted, it affects everyone within the community.
4. Incentives should be provided by the local government in an effort to encourage developers and builders to assist in meeting the housing element within their comprehensive plan, thereby creating affordable housing.

RECOMMENDATION

Local government should set-aside capacity for utilities, services, and transportation for affordable housing units in an effort to meet their housing element and provide affordable housing for their communities.

C. Issue: Waiver Of Concurrency Requirement

1. In isolation, the state planning process contains strong language encouraging affordable housing. Consistency is currently mandated as well. Local regional and state plans must contain a housing element.
2. Adequate housing is just one of the essential services local governments must plan for, finance and maintain. Local governments must also prepare elements addressing: water, transportation, stormwater and wastewater programs, recharge areas, health care, the environmental concerns, jails and hurricane evacuation.
3. Meeting the requirements to provide these services is costly, and local governments are ultimately responsible to pay for them. According to the statutes:
   "It is the intent of the legislature that public facilities and services needed to support development shall be available concurrent with impacts of such development." *S163.3177(10)(h)*
4. Local governments are already behind in meeting their present infrastructure needs. It will be difficult for them to provide the infrastructure essential to future development.
5. If stated levels of service are not met and infrastructure development is not concurrent, no permits are to be issued by that locality.
6. Many communities will depend on new development to pay the way using new taxes and impact fees. It is evident that without the growth, even existing systems cannot be maintained.
7. Although the lack of infrastructure will effect all construction, the effect on "affordable housing units" will be severe.

RECOMMENDATION

1. ***The term "concurrency" should be defined within the law to identify and quantify its effect on housing.***
2. ***When a community is planning for its infrastructure needs, capacity should be set-aside for "affordable housing".***
3. ***When considering "quality of life issues", during the review of comprehensive plans, the State should be given the right to balance the appropriate concerns and adjust the concurrency requirements. It would be considered especially appropriate in those developments where it is felt the "public purpose" of providing affordable housing overrides the issue of level of service.***

D. Issue: Joint Venture

1. Financial assistance will be vital for the implementation of the comprehensive plans. This can occur through the authorization for local taxation or through dollars distributed at a state level back to local governments.

2. Prior to being eligible for these funds, local communities should exhaust all their local alternatives to provide affordable housing prior to looking to the state for additional dollars.
3. They should use all their resources to accomplish this, such as donating available land, replacement of impact fees, providing infrastructure to encourage the construction of affordable housing.
4. As an example, participation in the Joint Venture program established by the National Association of Home Builders/Housing and Urban Development would be a show of these efforts.

RECOMMENDATION

If state programs are developed that would provide funding to local government, the ability to receive funds should be based on the communities' efforts toward addressing the housing element of their comprehensive plan.

E. Issue: Workable Program

1. Federally, recommendations which were adopted in the Administration Housing Program and in the Housing Act of 1954, included The Workable Program.
2. The Workable Program provided that before public housing, slum allowance or FHA mortgage insurance Section 220 and 221, would be provided by the federal government, the community had to develop a plan for identifying the causes of slum and urban decay.
3. It required a community to show in its plan that it was providing for seven specific needs:
   a. Establishment of adequate standards of health and safety for housing;
   b. Undertaking of a comprehensive plan for the community's future development;
   c. Analysis of the neighborhoods in the community to identify those requiring immediate attention to blight conditions;
   d. Administrative organization capable of coordinating and carrying out a community program;
   e. Financial resources to support the locality's share of an urban renewal program;
   f. Housing resources to meet the needs of those displaced by urban renewal; and,
   h. Assurance that the community as a whole would be fully informed and have an opportunity to take part in developing and executing an urban renewal program.
4. The plan had to be reviewed each year in order for the community to continue receiving federal funds.
5. Although it was repealed in 1955 because it was burdensome, elements from it appeared throughout programs in the 60's and 70's.
6. The Workable Program was a mechanism to achieve a major part of the comprehensive approach to urban problems.
7. When reviewing the current efforts in Florida within local and state comprehensive plans, there is little assurance Housing will be considered as a significant part of the process.

RECOMMENDATION

Revive a variation "workable program" to ensure the implementation of the housing element of the comprehensive plans.

F. Issue: Density Bonus

1. With land being one of the most costly elements of housing, the density limitations a community may place within their zoning ordinances has a tremendous impact on the cost of housing.
2. By increasing the number of units allowed on a parcel of land, the cost of each unit can be decreased. This is an immediate and effective way of lowering the cost of housing.
3. Although this is regulated at a local level and at present cannot be pre-empted by the State, if the State has the opportunity to encourage the use of density bonuses for affordable housing, they should do so.
4. Another option being offered in other areas of the country, is the ability to "earn" density bonuses by building "affordable" units and transferring those bonuses to other projects or selling them to other developers.
5. While increasing densities for reduction in land cost, consideration should be given to ensuring "affordable housing" is incorporated into the development as "mixed income" units.

RECOMMENDATION

Local governments should be encouraged to use density bonuses to encourage affordable housing as well as density bonus transfers.

G. Issue: Inclusionary Zoning

1. Inclusionary zoning is used as a tool to assure a percentage of "low income" housing is provided within each development. It has also been referred to as "fair share" housing.
2. It has proven most effective within highly urbanized states (California, Maryland) where land availability is limited.
3. Inclusionary housing programs rely on their effectiveness on combined public and private initiatives for the provision of affordable housing as a part of the overall development of a community.
4. The programs also rely on state legislation and local ordinances that modify the development approval processes.
5. Whether mandatory or voluntary developers are normally offered incentives to attempt to offset cost involved in the provision of "low income" units.
6. Currently, for a program to be implemented of this nature, local government and state government must know the number of units needed within specific areas in order to facilitate a fair allocation.
7. Inclusionary zoning is currently mentioned as an alternative within the state comprehensive plan for local governments.

RECOMMENDATION

1. ***The Commission did not feel this was an area that should be acted on at this time due to the general feeling that the State should provide as many incentives as possible prior to mandating. Therefore, local governments should be encouraged to provide incentives that would encourage the construction of "affordable units" in an effort to further their housing goals.***
2. ***The Commission also felt it was important to recognize that if the incentive approach was not successful, that this is an area that should be reconsidered in terms of its appropriateness for the State of Florida.***

II. IMPACT FEES

Impact fees are regulatory tools used for capital improvements financing that involve the application of a one-time charge on new development or redevelopment creating a demand for one or more public facilities or services. Impact fees are utilized in Florida most frequently to fund transportation and water and sewer system improvements. Impact fees are also used for parks, fire protection, police protection, and for limited other purposes. Only one local government currently utilizes each of the fees enumerated above, most employ three or fewer. Fees levied also vary widely in amount, the one common denominator being that they rarely recoup the full cost of the needed infrastructure improvement. As of early 1987, twenty counties and 62 cities in Florida applied one or more types of impact fees.

The evolution of impact fees in Florida has been guided primarily by judicial action. A series of court decisions have clearly established the authority of local governments to enact rations, reasonable impact fee ordinances. The most important of the cases relating to fees was the 1976 Florida Supreme Court case Contractors and Builders Association of Pinellas County v. City of Dunedin, 329 so.2d 314 (Fla. 1976). The opinion in this case established the basis for an acceptable fee as one that meets a so-called "dual rational nexus test".

The principles underlying the dual rational nexus test are: (1) that there be a rational relationship between the fee charged and the demand on public facilities created by the new development and that the fee charged does not exceed the net proportional cost of the new or improved facilities; and (2) that the funds generated by the fee be "earmarked", or spent in a way benefitting the residents of the new development. Two important more recent cases, Hollywood, Incorporated v. Broward County, 431 so.2d 606 (Fla. 4th DCA 1983), cert. denied, 440 so.2d 352 (Fla. 1983) and Home Builders and Contractors Association v. Palm Beach County, 446 so.2d 140 (Fla. 4th DCA 1983), have further refined and clarified the application of the dual rational nexus test.

Any additional dollars that are added to the real cost of construction creates barriers to affordable housing. To what extent will depend on the specific area and the individual situations. To what extent impact fees or user fees can be eliminated or waived for affordable housing is purely a legal decision.

A. Issue: Alternative Methods Of Payment

1. A sound and convincing argument can be made against the legality of exempting affordable housing projects from paying impact fees. Also, under existing legal guidelines, impact fees clearly cannot legally be applied for purposes not related to the stated purpose for their collection.
2. An impact fee ordinance and its application must meet the dual rational nexus test to withstand judicial scrutiny. Government regulations need to be applied uniformly if equitable treatment under the law is to remain a valued principle.
3. Communities have been able to side step this requirement by waiving the fee to the developer when the city was able to earmark federal, general revenue, or local funds to replace the fee the developer would have paid.

RECOMMENDATION

1. ***Encourage local government to pay impact fees out of local or federal funds on affordable housing units.***
2. ***Adopt legislative language that would allow for impact fees to be waived by a local community for affordable housing.***

B. Issue: Codification Of Impact Fee

1. Currently there are not specific legislative guidelines associated with impact

fees. Although references to impact fees are made within the growth management act, all guidelines that currently exist are based on court cases and findings.
2. With this legislative void, impact fees are being created to deal with a wide range of needed services.
3. In Hillsborough County alone these fees add up to almost $6,000 per unit. These fees are obviously added to the cost of all housing which effects "affordable" units disproportionately and are not generating the funds necessary to provide infrastructure for the community.

RECOMMENDATION

1. *Support legislation to codify impact fees and provide guidelines and standards by which they are to be implemented.*
2. *The legislation should contain language that would allow for waiving impact fees on housing determined to be "affordable" by the definition provided by the Commission.*

C. Issue: Cost Of Roads

The Committee felt that with all the legitimate costs associated with housing, any cost that has been placed into the housing process that would be better associated elsewhere, should be taken out of housing cost.

RECOMMENDATION

1. *Take the cost of roads out of the cost of housing. The cost would be better borne by the user, i.e., automobiles. More appropriate sources for paying the cost for roads are:*
    - *a. Licensing*
    - *b. Gas tax*
    - *c. Rental car tax*
2. *The dollars collected should be used "specifically" for the hard costs involved in building roads.*

D. Issue: Lower Impact Fees

Communities may have areas in their communities where infrastructure exists that would be conducive to affordable housing units and where impact fees may not be appropriate. When developing their "rational nexus" for a fee, consideration should be given to lower fees for those areas.

RECOMMENDATION

Encourage local governments, where it is possible, to establish a rational nexus for a lower impact fee for affordable housing.

E. Issue: Credit For Exactions

Although currently, law requires credit be given for "donations" by developers to the community of fire trucks, parks, etc., it does not always occur. Because exactions do add to the cost of all housing and therefore, more severely affect "affordable units", full credit for compensation should be given.

RECOMMENDATION

Regulatory agencies, state and local government, must credit developers with any *exactions required of the developer.*

III. DEVELOPMENTS OF REGIONAL IMPACT

Background

The major objectives of the DRI process are to mitigate the impacts of large-scale developments and to give adjacent local governments the opportunity to participate in the decision making process for development outside of their jurisdiction. The regional planning councils should conduct a regional impact review and formulate non-binding recommendations to the appropriate local government jurisdiction.

The regional planning councils and the Department of Community Affairs have standing to appeal to the Governor and the Cabinet when a local government development order, in either DCA or RPC, judgment fails to mitigate sufficiently a project's negative regional impacts (GMAC Study).

Committees such as The Growth Management Advisory Committee (GMAC) and Environmental Land Management Study (ELMS I & II) have made numerous recommendations to improve and streamline the DRI process. Any program changes that reduce processing time, eliminate duplication and lower the cost will make the production of affordable housing more attractive to developers.

It is important to note that although there has been much review and attention given to this process, only a small percentage of the state's residential development is subject to its review. Although the DRI program was created to benefit the developer in the sense of coordinating the permitting process, there has been much controversy since the inception of the process.

A. Issue: Substantial Deviation

1. Pursuant to Section 380.06(19) FS any change to an approved development that creates the potential for additional impact must be subject to further DRI review.
2. Current law specifically states that a 5% increase in the number of developing units or 50 dwelling units, whichever is greater, is considered to be a substantial deviation.
3. The law should allow for the change in number of dwelling units, when those units are determined to be "affordable units" without creating a "substantial deviation".

RECOMMENDATION

Modification of substantial deviation requirements to the advantage of building "affordable housing".

B. Issue: Preliminary Development Agreement

1. The Preliminary Development Agreement (PDA) authorizes partial development prior to the issuance of a final development order.
2. The PDA may authorize the development of a given percentage of an applicable DRI threshold.
3. There are distinct cumulative criteria and requirements for the preliminary developments of:
   a. 25% or less of inapplicable thresholds;
   b. more than 25%, but at or below 80% of any applicable threshold; and,
   c. above 80% of any applicable threshold.
4. To enter into a PDA that authorizes the development of more than 25%, but at or

below 80% of any applicable threshold, a developer must satisfy a set of specific requirements and demonstrate that the preliminary development is in the best interest of the state and local government.

RECOMMENDATION

Recognize "affordable housing" as defined by the Commission as a legitimate criteria within a pre-development agreement to allow the possibility for the construction for up to 80% of the threshold.

C. Issue: Incentives

1. Because of the complexity and costliness of Developments of Regional Impacts only large developers are usually inclined to use the process.
2. Since this process is considered a good planning tool, and is conducive to mixed use projects, more efforts should be taken to provide incentives for its use and to encourage developers to build "affordable units" within these projects.

RECOMMENDATION

The Department of Community Affairs should:

1. *Develop incentives for DRI developer/builders to include affordable housing within their projects; and,*
2. *Encourage local governments to make efforts to create an atmosphere in which this could take place through their regulatory processes.*

IV. BUILDING CODES

Background

Building code and land use regulations were originally put in place to protect the health, safety, and welfare of individuals at the turn of the century. As population increased, individual government became more involved in proposing local regulations to address local problems.

Florida building codes are regulated for the most part through the State Statutes. The State adopts a nationally recognized code in the area being regulated. The areas or codes are regulated independently, and some are uniform statewide and others are not. These codes are updated as needed by the Building Board of Codes and Standards. The codes are not regulated consistently as some allow for local amendments and others do not.

Codes are enforced at a local level by building officials and inspectors employed by local government. There is no mandatory system for training inspectors, although there was recently established a voluntary program for Building Official certification. There is no clear line for code interpretation or authority within the State when there are specific code disputes. On a local level, in most jurisdictions, there is a local board of appeals for construction problems; only the civil courts exist beyond this board.

The recommendations offered are not intended to relax current standards and in most cases would offer alternatives that would increase standards but reduce costs.

A. Issue: Permitting Process

1. One of the most costly items involved with the building process is the "slack"

time created by waiting for permits or inspections, and the duplication that occurs. These costs include interest on construction loans, cost of having crew (laborers) idle, and penalties for not meeting agreed upon deadlines.

2. When reviewing regulatory programs that have been successful, streamlining (eliminating duplication) and shortening this process has been a common theme.
3. The committees' interest was directed toward single and multi-family dwellings within communities.
4. Many communities allow plans to be kept on file to eliminate lengthy delays which occur due to plan review.
5. The committee felt that special consideration could be given to those builders or developers who (1) are willing to pay additional cost to allow for immediate processing or, (2) have built a sufficient number of units and have established building credentials in the community.

RECOMMENDATION

1. *The privitization of plan review process for residential construction should be permitted:*
   - *Allow for a "special plan reviewer" much the same as a "special inspector for threshold buildings". That way, if a builder needs quicker review than the community is able to provide, he/she may choose to pay for the services of the "special reviewer". These "reviewers" would be certified by the state and bonded.*
2. *Whenever possible, duplication within the plan review process should be eliminated:*
   - *Establish criteria within a community which would allow those builders who have built a given number of units within a community, successfully, to be eligible for the elimination of the plan review process. The inspections that occur at each phase of single family construction would be considered sufficient review.*

B. <u>Issue: Certification Of Building Officials And Building Inspectors</u>

1. Presently, there is only voluntary certification of building officials and inspectors, which just began two years ago within the state.
2. Currently, 279 building officials have been certified, 99% of which were certified under the "old rules" or grandfathered in.
3. 109 or 39% of those certified are from Dade or Broward County which is attributed to the fact that the South Florida Building Code requires certification for building inspection personnel.
4. Although, there are currently 364 local building departments the comparison of 269 building officials certified to 364 jurisdictions does not accurately reflect the situation. It has been estimated 40% of those certified do not serve in the capacity of building official.
5. There are currently 106 Building inspectors certified, who are the individuals that actually perform inspections.
6. All other professionals within the state that the inspectors regulate must be certified or licensed by some process. Contractors, electricians, plumbers, swimming pool installers, etc. must pass state or local testing process, and maintain those credentials.
7. Most documented problems have occurred in rural coastal counties where communities are unable to support multiple inspectors, relying on one individual to inspect for plumbing, electrical, fire, mechanical, and building codes.
8. In terms of affordable housing, untrained or unknowledgeable individuals regulating trained individuals tends to create many delays in the field as well as no true oversight on the quality of the structures being built.

RECOMMENDATION

Mandatory certification of building officials and inspectors including ongoing training programs. The committee recommends that the process take place on personal time as other professionals must upkeep their certification on personal time. Training on personal time would not place an undue burden with regard to work load on local inspection offices.

C. Issue: The Adoption Of A County Or Statewide Building Code

1. The building construction standards are regulated under Chapter 553 of the Florida Statute.
2. There are four basic codes used within the State. They are: (1) Standard Building Code, (2) South Florida Building Code, (3) Epcot Building Code, and (4) Cabo/One and Two Family Dwelling Code.
3. Within these codes, local jurisdictions are permitted to address concerns within their areas and be more restrictive, creating as many codes as there are jurisdictions.
4. There is no one source within the state that monitors or oversees these variations to the basic state minimum code.
5. Due to the variations, builders, architects, and engineers must identify all local variations prior to developing plans.
6. In a report submitted to DCA by the Institute for Building Sciences (Florida A&M), loss of time and money were attributed to these variations. Not only do the variations of the codes create confusion, but also the interpretations that are made by each inspector. There is no mechanism for binding interpretations within the state.
7. Although this is an issue which affects all construction within the State, again added cost at any level affects affordable housing more dramatically.

RECOMMENDATION

Require the adoption by the state, or at the minimum, county, of one building code to facilitate consistency of enforcement and interpretation, thereby reducing the cost of "affordable units".

V. FLORIDA'S QUALITY DEVELOPMENT

Background

The Florida's Quality Developments (FQD) program was established by the Florida Legislature as part of the Florida Growth Management Act of 1985. Statutory reference for the program is contained in Section 380.061, Florida Statutes. Under the statute, the Department of Community Affairs is authorized to administer the program in coordination with the appropriate regional planning council and local governments. The FQD program is designed to encourage developments that have:

> *". . . been thoughtfully planned to take into consideration protection of Florida's natural amenities, the cost to local government of providing services to a growing community, and the high quality of life Floridians desire."*

FQD outlines certain compliance standards that must be met before a development may be certified as a Florida's Quality Development. These standards are set forth in Subsection 380.061(3), Florida Statutes. Developments that are certified as FQD's will not be required to undergo Development of Regional Impact (DRI) review.

The certification of a development as a Florida's Quality Development requires the approval of the DCA, the appropriate regional planning counsel and the local government with jurisdiction over the proposed development.

<u>A. Issue: FQD For Affordable Housing</u>

1. The committee was interested in the FQD program as to how it might relate to affordable housing.
2. It was determined that the program is based on environmental concerns and not communities; therefore, a separate program would be more appropriate.

RECOMMENDATION

DCA should develop a program like FQD for affordable housing in which the committee's recommendation, as well as other incentives, should be given to encourage participation of the private sector in resolving the affordable housing crisis with the state.

Chapter Four
FINAL COMMITTEE REPORT: FINANCE & FUNDING

I. BACKGROUND

One initial conclusion of the Affordable Housing Study Commission was that the State should commit general revenue funds to an affordable housing program. State general revenue has never been used to an appreciable degree to stimulate the production of affordable housing stock in Florida.

Instead, the State has used federal tax code incentives, tax-exempt bonding authority and the pass through of federal grant money to build low and moderate income housing. Federal policy has shifted substantially however, and federal incentives and subsidies are no longer available to the states. The newly imposed limits on the tax-exempt bonding authority of the State and almost complete elimination of federal subsidies have made it imperative for the State to set-aside federal funds for an affordable housing program.

The purpose of the Finance & Funding Committee was to identify a dedicated, recurring source of State funds to be used for an affordable housing trust fund. We were directed further that the funding source should evoke broad based support without unduly penalizing specific industries or organizations, and that housing related taxes should be dedicated to housing. The full Commission determined that a total of $45 to $55 million annually would be needed as leverage for a $300 million rental production program to house 8,000 residents a year. Additionally, $4 million annually in state funds would be necessary to enhance a $150 million homeownership program to house approximately 6,700 people per year.

The Committee researched and evaluated a multiplicity of State revenue sources to determine the amount of revenue generated, current jurisdiction over the funds, legal barriers to the use of the funds, and the appropriateness of their use to fund an affordable housing initiative. **Our highest priority recommendation was to reallocate an existing portion of the documentary stamp tax.** The second was to add housing to the list of eligible infrastructure which could be funded under the State Infrastructure Trust Fund and raise the level of what fund to accommodate the State's housing needs. Our specific recommendations and additional sources that were considered follow:

I. RECOMMENDED FUNDING SOURCES

A. Issue: Should The State Dedicate A Portion Of The Existing Documentary Stamp Tax To An Affordable Housing Trust Fund?

Background

1. Florida first enacted a documentary stamp tax in 1931. The tax is based on deeds and other documents relating to realty. The tax is 50 cents per $100 or fractional part of $100 of the consideration. Corporate shares, bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge account agreements are taxed at 15 cents per $100 or a fractional part of $100 of the consideration.
2. The tax is collected in each county by the county's comptroller. If there is no comptroller in the county, the tax is collected by the clerk of the circuit court.

3. Major rate increases occurred in 1957 (rate on deeds doubled from 10 cents to 20 cents per $100 of consideration) and in 1963 all rates were increased by 50%. In 1979, deed rates increased from 30 cents to 40 cents. In 1981, the deed rate was increased to 45 cents and in 1985, the deed rate was increased to 50 cents. The 1987 Legislature enacted significant changes to the collection and distribution of the tax which will be discussed in detail below.
4. In 1983, the Legislature also authorized certain charter counties to levy a discretionary surtax on deeds and documents relating to realty of up to 45 cents per $100, or a fractional part thereof. The local discretionary tax does not apply to documents relating to single family residences.
5. The 1987 Legislature raised the documentary stamp tax from the previous 50 cents per $100 to 55 cents per $100. The distribution formula was changed as well. The collection figures under the old law were as follows:

Documentary Stamp Collection Figures
(in millions) Based On Prior Statute

	1987-88	1988-89
General Revenue	$305.4	$327.9
Land Acquisition Trust Fund	63.9	68.6
Water Management Land Trust Fund	40.1	43.1
TOTAL	**$409.4**	**$439.6**

6. The new collection figures are:

Documentary Stamp Collection Figures
(in millions) Based On Current Statute

	1987-88	1988-89
General Revenue	$280.0	$285.0
Land Acquisition Trust Fund	68.1	69.4
Water Management Lands Trust Fund	42.3	43.1
State Infrastructure Trust Fund	25.4	28.2
Conservation & Recreation Lands	42.3	43.1
TOTAL	**$458.1**	**$468.8**

7. Section 201.02 was also amended to alter the distribution formula. Most notably, a state infrastructure fund was created and documentary stamp tax funds were also allocated to the Conservation and Recreation Lands Program. The following table shows the old and new distribution formulas:

Documentary Stamp Tax Allocation
Past and Present Distribution Formulas

	Old Law	New Law
General Revenue	74.6%	60.8%
Land Acquisition Trust Fund	15.6%	14.8%
Water Management Lands Trust Fund	9.8%	9.2%
State Infrastructure Trust Fund	0	6.0%
Conservation and Recreation Lands	0	9.2%

RECOMMENDATION

The Affordable Housing Study Commission recommends that $45 to $55 million of the documentary stamp tax that is currently dedicated to the General Revenue Fund be specifically earmarked for the Affordable Housing Trust Fund. $40 to $50 million annually should be dedicated to the State Apartment Incentive Loan Program to house 18,000 residents per year. $4 to $5 million annually should be committed to enhance homeownership loan programs to house 6,700 people each year.

- *It was determined that reallocating the general revenue portion of the documentary stamp tax is the most realistic and appropriate source of revenue to dedicate to the Affordable Housing Trust Fund. General revenue receives the largest portion of the tax and the money has not necessarily been assigned or committed to any other agency. Although the final strategy for reallocation may be contingent on the sales tax debate, this was determined to be our highest priority funding proposal.*

B. Issue: Should The State Increase The State Infrastructure Trust Fund And Add Housing To The List Of Eligible Infrastructure?

Background

The real estate sales tax legislation created a State Infrastructure Trust Fund to be used for the purposes of:

1. Acquiring the right-of-way for, and constructing state highways and bridges;
2. Constructing public education capital facilities;
3. Financing state projects for beach restoration or renourishment or lake or river restoration;
4. Constructing state correctional facilities;
5. Constructing other infrastructure projects; or,
6. Issuing revenue bonds to finance state capital outlay projects.
    - The State Infrastructure Trust Fund is capped at $200 million in fiscal year 1987-88 and $500 million thereafter. The money deposited in the fund is a combination of sales tax revenue (2%), documentary stamp revenue (6.0%), and a 5 cents diesel fuel tax.

RECOMMENDATION

Adding housing to the list of eligible infrastructure under the State Infrastructure Trust Fund is recommended as an alternative to the use of the general revenue portion of the documentary stamp tax.

III. ADDITIONAL SOURCES CONSIDERED

A. Issue: Should The State Collect Interest On Real Estate And Insurance Escrow?

Background

The standard method of using escrow accounts to fund a housing trust fund is to deposit short term real estate escrow funds in interest bearing accounts. The interest income on the account is subsequently reinvested as it accumulates and used to finance the construction or rehabilitation of low and moderate income housing. There is currently no requirement in Florida that real estate escrow monies be placed in interest bearing account for any particular public purpose.

RECOMMENDATION

It was recommended that an alternative source of funding be selected.

- *After researching this source, the Affordable Housing Study Commission has determined that it would be difficult to guarantee the use of real estate and insurance escrow accounts to fund an affordable housing trust fund. The opposition from lenders and real estate interest groups would be formidable. It therefore is not a predictable source of revenue.*

B. Issue: Should A Portion Of The Real Estate And Construction Sales Tax Be Dedicated To Housing?

Background

The current excise tax on the sale of services is presently set at a rate of 5% of the sales price of the service and the total projected revenue is as follows:

Projected Revenue From Sales Tax On Construction And Real Estate Services (in millions)

	1987-88	1988-89
Construction	252.8	366.6
Real Estate Services	32.7	19.4

RECOMMENDATION

Until a decision on the retention of the tax has been reached, this should not be considered to be a viable option.

- *Although the tax is directly related to the housing industry, and therefore an appropriate source, the status of the tax is extremely questionable. There is a chance that the tax will be repealed entirely or amended significantly.*

C. Issue: Should The Florida Housing Finance Agency Be Awarded General Obligation Bonding Authority?

Background

The committee did consider research presented on the use of general obligation bonds to finance or refinance housing or housing related facilities. It was determined that in order for this to be possible, Article VII, Section 17 of the constitution would have to be amended to delete the term revenue from the type of bonds authorized to be issued from housing and to delete language prohibiting the pledge of full faith and credit for housing bonds. The changes would need voter approval in a general election and would not be completed any earlier than 1989. Furthermore, general obligation bond financed projects would be subject to the same income limits imposed on revenue bonds, a fact that limits their value as an alternative.

RECOMMENDATION

The Affordable Housing Study Commission recommends not to pursue the use of general obligation bonds for housing or housing related industry at this time.

D. Issue: Should Funds From The Sale Of State Owned Lands Be Contributed To Housing?

Background

1. All revenues derived from application fees, leases, conveyances, and land sales are deposited in the Internal Improvement Trust Fund. These funds are used for the acquisition, management, administration, protection and conservation of state-owned lands.
2. Proceeds from sales are placed in the Conservation and Recreation Lands Trust Fund (CARL). The CARL Fund also receives 50% of the moneys collected from the excise tax on the severance of mineral rights (phosphate, oil, etc.). The Board of Trustees (Internal Improvement Trust Fund) administers, manages, conserves, and sells all real property forfeited to the state under the RICO Act (ss895.09).
3. Proceeds from forfeited property sales are used to satisfy encumbrances on forfeited property and associated administrative costs. Once all claims against the property are satisfied, 50% of the proceeds are deposited into the general fund of the county in which the court entered the judgment and the remaining 50% are deposited into the Forfeited Property Trust Fund of the Department of Natural Resources.

RECOMMENDATION

It was recommended that although this is a justifiable use of the proceeds from the sale of state owned lands, it should not be considered as a politically viable funding source.

E. Issue: Should The State Transfer The Fees On Apartments That Are Currently Collected By The Division Of Hotels And Restaurants To An Agency With Jurisdiction Over Housing?

Background

The Department of Business Regulation, Division of Hotels and Restaurants, annually issues licenses to approximately 60,000 hotels, restaurants, rooming houses, condominiums, and apartment buildings of more than five units. In fiscal year 1985-86, 16,168 of those were apartment projects, 4,747 were transient apartments (rentals of 90 days or less), and 3,457 were rooming houses. The fee is based on the number of units in each project. For projects with between one and 25 units, there is a $30 charge; after that, there is a charge per unit of:

1 - 50	added units	$1.20
51 - 100	added units	$ .80
over 100	added units	$ .40

The fees are deposited in the Hotel and Restaurant Trust Fund and the money is used to pay administrative costs in the Division of Hotels and Restaurants. The money is also used for training but not training that is directly connected to the housing industry. In fiscal year 1985-86, the Division collected a total of $3,691,411. In fiscal year 1986-87, the money generated directly by the housing industry contributed the following amounts:

Hotel And Restaurant Fees
Housing Related Revenue FY 86-87

Apartments	$ 852,506
Transient Apartments	188,508
Room Houses	48,935
Condominiums	103,850
TOTAL	**$1,193,799**

RECOMMENDATION

It was recommended that the New and Existing Program committee consider the transfer as one part of the Commission's overall program recommendation. The Commission has made a general finding that the housing programs and regulations should be streamlined and consolidated.

F. Issue: Should Unclaimed Funds Be Used To Fund Affordable Housing?

Background

1. Any unclaimed funds left deposited in banks are reverted to the jurisdiction of the Office of the Comptroller. The money includes cash, stocks, and bonds. The funds are then deposited in the statewide School Trust Fund.
2. If the funds are claimed, a claim is filed and verified and the money is transferred from the Trust Fund to the Comptroller's Account and then to the recipient.
3. There is no statute of limitations on the claims, they may be filed at any time.
4. To date, $50 million in unclaimed funds have been deposited into the School Trust Fund. The funds have been dedicated exclusively to education for the past fifty years.
5. The current balance of the fund is $24 million. Twenty-two million dollars ($22.0) will be used this year for the Florida Education Finance Program, a $3.2 billion program funded primarily from general revenue.

RECOMMENDATION

It was recommended that the use of this revenue should not be considered as a realistic alternative.

- *These funds are not generated by the housing industry and they have been specifically earmarked for education.*

G. Issue: Should The State Purchase Housing And Urban Development Foreclosures?

Background

1. Data was obtained by phone from two of the three HUD regions in Florida, the Jacksonville and Tampa regions.
2. The information given by the Jacksonville region showed:
   a. Number of Foreclosures

FY	Number Per Year
87	125 to date
86	Approximately 144 - (based on an average of 12 to 14 per month)
85	Approximately 264 - (based on an average of 22 per month)

b. Condition of Housing Stock

Most of the foreclosures that have been surveyed are four to five years old and many are ten years and older. The conditions vary, many are in need of substantial rehabilitation although there are foreclosures that are immediately saleable.

c. Original Acquisition Costs

The 1987 average price for HUD foreclosure was $41,750.

d. Type of Units

Many of the units are two story attached dwellings and there are generally two to four units per building. Approximately one-fifth of the foreclosures are single family detached dwellings.

e. Sales Price

The 1987 average sales price was $33,000 and 260 units were sold in that year.

f. Purchaser

60% of the units were bought by homebuyers and 40% by investors. The City of Jacksonville also has purchased foreclosures as part of an urban homesteading program.

3. The information given by the Tampa region showed:

a. Number of Foreclosures

FY 1987 - 750
FY 1986 - 476
Fy 1985 - 400

b. Condition of the Units

According to the Tampa HUD office, the condition of the foreclosures ranges widely from uninhabitable to those that are ready for occupancy. No hard data or percentages were available. The average age of the unit is between eight and ten years.

c. Acquisition Costs

The 1987 average acquisition cost was $47,500.

d. Type of Units

Over 95% of the foreclosures in this region have been single family detached dwellings. A few of these are duplexes.

e. Sales Price

The 1987 average sales price was $36,500.

f. Purchasers

50% of the foreclosed properties were purchased by investors and 50% were purchased by individual homebuyers.

RECOMMENDATION

It was recommended that this be looked at as a part of a new State housing program and taken up by the New and Existing Program committee.

- ***Although purchase of foreclosed property may be a viable course of action for the State, it should not be considered as a permanent funding source.***

Chapter Five

SUMMARY OF STUDY COMMISSION FINDINGS & RECOMMENDATIONS

Although the Affordable Housing Study Commission was able to accomplish a great deal in a short amount of time, there were issues that deserved attention that we were unable to explore. These areas are not insignificant, but were not determined to be priorities of the Commission at this time. These items are listed in ***Appendix B***.

In summary, there are several findings which should be reiterated.

- The problem of housing affordability is one that affects all segments of Florida's citizens, but is at a crisis level for very low and low income residents.
- Although this crisis is affecting individuals now, the state's economic base is being threatened as the number of individuals affected is growing. The economy of the State could be threatened as affordable housing units become more difficult to obtain.
- The Commission has recommended a comprehensive program which addresses multi-family and single family housing which can effectively leverage $450 million of housing each year from a state contribution/loan of between $45 and $55 million per year.
- The Commission has also made recommendations, that at little or no cost to the state, can provide regulatory changes that can reduce the cost of each affordable housing unit built within Florida.
- The Commission has also recommended a specific source of funding that is currently being collected from the industry it will serve.

With the completion of the Affordable Housing Study Commission Final Report, the Commission's major duties have been completed. The Commission sunsets on June 30, 1988, and between now and then, the members will be taking an active role in promoting their recommendations.

Appendices

11/9/87

AFFORDABLE HOUSING STUDY COMMISSION MEMBERSHIP

Name/Address/Business Phone	Representation
Dr. Joseph F. Diaz 5802 North 22nd Street Tampa, Florida 33610	Chairman
Mr. Fredd Atkins 2896 Noble Avenue Sarasota, Florida 33580	Community Based Organization Representative
Mr. Wallace Z. Bowers 1302 North Nebraska Avenue Tampa, Florida 33602	Chairman of the Board of Directors of the Florida Housing Finance Agency
Ms. Shirlee Bowne 553 East Tennessee Street Number 8 Tallahassee, Florida 32308	Citizen of the State
Mr. Lee Chira 255 S. Orange Avenue Number 1330 Orlando, Florida 32801	Citizen of the State
Mr. Samuel D. Collins 6425 Miami Lakeway, North Miami Lakes, Florida 33014	Citizen of the State
Mr. Clifford Hardy, Jr. 1715 North Westshore Boulevard Suite 375 Tampa, Florida 33607	Citizen of the State
Mr. Charles F. Johnson, Jr. 1351 NW 88th Street Miami, Florida 33147	Very low income and low income persons
Ms. J. Carol Johnson 348 Wahoo Road Bay Point Box 233 Panama City, Florida 32407	Citizen of the State
Mr. Randall C. Johnson 1307 US Highway 19, South Suite 500 Clearwater, Florida 33546	Home mortgage lending profession
Mr. Edward Jay Kleiman 2400 Maitland Center Parkway Number 120 Maitland, Florida 32751	Apartment development

Name/Address/Business Phone	Representation
Mr. John J. Koelemij Post Office Box 1212 Tallahassee, Florida 32302	Home builder
Mr. Edgardo O. Meneses 1221 Southwest 78th Place Miami, Florida 33144	Citizen of the State
Mr. Benjamin Norbom 111 Parker Street Suite 300 Tampa, Florida 33606	Management and operation of a rental housing development
Mr. Thomas G. Pelham 2740 Centerview Drive Tallahassee, Florida 32399	Secretary of the Department of Community Affairs
Ms. Jean L. Whitmire 140 Lurton Street Post Office Box 926 (32594) Pensacola, Florida 32505	Real Estate Broker/Salesperson

Appendix B
SYNOPSIS OF AFFORDABLE HOUSING STUDY COMMISSION RECOMMENDATIONS

Chapter One
None

Chapter Two
FINAL COMMITTEE REPORT: NEW & EXISTING PROGRAMS

I. RENTAL PRODUCTION: STATE APARTMENT INCENTIVE LOAN "SAIL" PROGRAM

A. Issue: Should Florida Commit State Resources To A Rental Production Program?

RECOMMENDATION

1. *Florida should create a new program which commits State resources to stimulate the construction or substantial rehabilitation of rental housing. The program could be called the State Apartment Incentive Loan, or "SAIL" program.*
2. *The "SAIL" program should produce $300 million, or 6,000 units or housing annually, providing shelter for an estimated 18,000 persons. To accomplish this an investment of $40-$50 million of State monies is required each year, thus achieving a 5-1 leveraging.*
3. *Program Goals:*
   - *encourage use of existing federal tax incentives*
   - *stimulate maximum production with minimum State subsidy*
   - *use of State funds as loans, not grants*
   - *required local government contribution*
   - *assisting low income tenants in mixed income setting*
   - *use of the private sector including non-profits, as the production delivery vehicle*
   - *put additional units into service*
4. *Program Design:*
   - *agency/developer determine maximum mortgage payment possible from rents on project, taking into account rent loss from low income units*
   - *developer obtains first mortgage in this amount*
   - *remainder of project cost funded by combination of developer equity, local government contribution, and second mortgage from "SAIL" Program.*

B. Issue: Limit On State Subsidy

RECOMMENDATION

1. *Limit subsidy per unit to the minimum necessary to make the project economically feasible given 20% of the units rented to very low income tenants.*
2. *It is expected that no more than 25% of a project's costs should be provided through a "SAIL" loan; however it should be recognized that certain target groups such as farmworkers may need a larger amount of State assistance.*

C. Issue: Income Targeting

RECOMMENDATION

1. *If developer uses tax-exempt financing for the first mortgage, require that 20% of the tenants have incomes below 50% of local median, adjusted for family size.*
2. *If a developer uses taxable/conventional financing for the first mortgage, require that 20% of the tenants have incomes below 50% of the State or local median (whichever higher), without family size adjustment.*
3. *No restrictions should be placed on other tenant's incomes.*

D. Issue: Local Government Contribution

RECOMMENDATION

1. *A minimum threshold of local government participation should be stated and required.*
2. *The scoring system for distribution of State funds should reward higher levels of local government contribution.*
3. *The program goal should be to obtain 5%-10% of project cost in the form of local government contribution.*

E. Issue: Private Sector Involvement

RECOMMENDATION

1. *State funds should provide the incentive for private sector developers to produce the needed rental units.*
2. *Both for-profit and non-profit developers should be encouraged to participate in the program. Joint ventures between these groups should be encouraged.*
3. *"SAIL" funds should be targeted by user groups (elderly, farmworkers, etc.), not by type of provider (profit or non-profit).*
4. *Non-profits should be treated equally in terms of loan underwriting/credit evaluation.*
5. *Other State programs should provide development training to non-profits.*

F. Issue: Tax-Exempt/Conventional Financing

RECOMMENDATION

1. *Developers should be allowed to use the most cost-effective source of first mortgage financing, whether tax-exempt bonds or conventional financing.*
2. *The program scoring system should heavily reward projects using the lowest State subsidy per project, therein rewarding developers with the lowest possible effective first mortgage interest rate.*

G. Issue: Rent Limits On Low Income Units

RECOMMENDATION

The State should not implement rent controls on units produced in the program.

H. Issue: Other Targeting

RECOMMENDATION

1. *The program's goal should be a 50%-50% division of the low income units between*

family and elderly housing. This set-aside should be for time-limited (six-month) period.

2. *Ten percent (10%) of the "SAIL" funds should be set-aside for a six-month period for use by developers of farmworker housing.*
3. *No discrimination against families with children should be permitted, except in projects designed for all-elderly occupancy.*
4. *All set-aside targeting should be for time-limited (six-month) basis, after which time all funds would be available to any eligible developer throughout the State.*

I. Issue: Type Of Housing Produced

RECOMMENDATION

The program should provide State loans to developers of new housing or housing requiring substantial rehabilitation.

J. Issue: Form Of State Assistance

RECOMMENDATION

State monies should be used to provide up-front second mortgage loans to developers at reduced interest rates. Example:

• *$10 million cost*	
• *$50,000/unit*	
• *200 units*	
• *Average rent of $450/month*	
• *Tax-exempt financing at 7.25%*	
• *Net Operating Income*	*$ 600,000*
• *First Mortgage*	*7,200,000*
• *Shortfall*	*2,800,000*
Developer Equity	*800,000*
Local Government	*500,000*
State Loan	*1,500,000*
• *Annual Cash Flow*	*600,000*
• *Annual Debt Service*	*520,000*
• *Annual Surplus*	*80,000*
• *6% Return of Equity*	*48,000*
• *Available for interest on State loan*	*32,000 or 2%*
• *Leveraging*	*6.7/1.0*

K. Issue: Loan Terms

RECOMMENDATION

1. *The legislation should allow flexible loan terms.*
2. *State loans should be for a minimum of five, but no more than fifteen years.*
3. *The 20% low income requirement should be required for the length of the State loan. The scoring system will reward developers that agree to longer restrictions.*
4. *The loan should be due at project sale or refinancing.*
5. *A suggested loan structure would include:*
   - *A 3% base interest rate paid annually if cash flow permits.*
   - *A 6%-8% maximum interest rate paid annually if cash flow and developer return-on-equity requirement permits, or deferred until sale/refinancing and paid from appreciation in value of project.*
   - *A first mortgage plus a State funded second mortgage should be less than value of project without low income land use restriction.*

L. Issue: Scoring System

RECOMMENDATION

1. *Minimum requirements for submission should include:*
   - *demonstrated project feasibility without State funds after 15 years*
   - *project requires no more than maximum allowable State loan*
   - *developer with no delinquencies or defaults on other HFA or DCA loans*
   - *evidence of local government contribution*
   - *expression of interest by first mortgage lender (with firm commitment required within six months of selection)*
   - *site control, developable site, proper zoning, and utility availability*
   - *adequate level of experience for development team*
2. *Scoring system should reward:*
   - *higher levels of local government contribution (up to 10% of project cost to maximum points, with a geometric progression in scoring system)*
   - *higher leveraging of State funds*
   - *minimum State dollars/total units produced*
   - *ability to proceed quickly to construction*
   - *longer length of commitment to maintain low income units*
   - *higher percentage of low income units (up to 30%) without increasing State subsidy*
   - *provision of three and four bedroom units*
   - *commitment of permanent financing*
   - *equity contribution by developer*
   - *project feasibility*

M. Issue: Geographic Distribution

RECOMMENDATION

1. *Target funds for a six-month period to no more than three regions.*
2. *No other targeting should be applicable to each region.*

N. Issue: Necessary Level Of Funding

RECOMMENDATION

1. *Appropriate $40-$50 million per year for the "SAIL" loans, thus producing $300 million of housing annually.*
2. *Target at least $7,000,000 of "SAIL" funding to each geographic area to be served.*
3. *All set-asides should be eliminated at minimum funding levels.*

II. HOMEOWNERSHIP ASSISTANCE PROGRAM

A. Issue: Should Florida Commit State Resources To A Homeownership Assistance Program?

RECOMMENDATION

1. *Florida should commit State resources to the Florida Housing Finance Agency's homeownership bond program to improve its ability to serve low and moderate income first-time homebuyers.*
2. *The homeownership program should provide $250 million of financing annually, enough to house 3,000 families (estimated 6,000-7,000 people). To accomplish this, a commitmentof $4 million of State funds is needed each year, thus achieving leveraging of over 35-1.*

3. *Program Goals:*
   - *reduce the up-front cash costs to 5% for low income homebuyers*
   - *facilitate the use of FHA insurance on bond loans*
   - *use State funds as second mortgage loans to homebuyers (to be used to pay part of downpayment and closing costs)*
   - *use State funds to establish loan loss insurance reserve to cover 2% FHA shortfall*
   - *use State funds to assume part of loan non-origination risk*

B. Issue: Maximum Subsidy (Loan) To Homebuyer

RECOMMENDATION

1. *Limit subsidy (in form of loan) to difference between 3% downpayment, 3.5% origination fees/actual closing costs and 5% (low income buyers).*
2. *Commit $2-$3.5 million of funding each year.*

C. Issue: Income Targeting

RECOMMENDATION

Limit subsidy to families earning under 80% of median income (State or local, whichever higher).

D. Issue: Local Government Contribution

RECOMMENDATION

No local government contribution should be required.

E. Issue: Coordination With HFA Bond Program

RECOMMENDATION

Limit this program to use with HFA Bond loans.

F. Issue: Sales Price Limits

RECOMMENDATION

No additional sales price limitations should be imposed.

G. Issue: Form Of State Assistance/Loan Terms

RECOMMENDATION

1. *The State assistance should be in the form of a second mortgage loan, with the HFA given flexibility in setting the specific terms.*
2. *A recommended loan structure would include:*
   - *deferred payments for 3-5 years*
   - *3% interest rate*
   - *amortization over 10 year period*
   - *due at sale or refinancing*

H. Issue: Improved Ability For Use Of FHA Insurance On HFA Bond Issues

RECOMMENDATION

1. *State funds should be used to cover this shortfall of FHA insurance, in an amount sufficient to achieve a bond rating (less than 2%, as worst case default scenarios are not at the 100% level).*
2. *State funds should be placed in an insurance escrow, and could be released as the bond issue revenues became sufficient to cover insurance shortfalls.*
3. *Approximately $1.5 million of State funds should be committed initially to this insurance reserve, with future funding a function of loan losses.*

I. Issue: Methods To Improve Lender Participation In Program

RECOMMENDATION

1. *The State HFA should be authorized to use Agency funds to pay a portion of the cost of issuing bonds, thus sharing non-origination risk (Agency would recover costs from homebuyers as loans are originated).*
2. *The State HFA should allow lenders to share non-origination costs with home-builders,by permitting a portion of bond funds to be subcommitted to specific builders.*
3. *The annual cost (recoverable) to the HFA would be less than $1.5 million.*

III. AFFORDABLE HOUSING DEMONSTRATION LOAN PROGRAM

Issue: Should Florida Continue This Program?

RECOMMENDATION

1. *Sufficient funds should be made available on this type of program to insure private sector participation and economically feasible rental projects.*
2. *The Affordable Housing Demonstration Loan Program should be continued in the form of the proposed "SAIL" rental production program.*
3. *The inventory and analysis of public lands should be continued.*

IV. SITE ACQUISITION AND PREDEVELOPMENT LOAN PROGRAMS

Issue: Should This Program Be Continued/Improved?

RECOMMENDATIONS

1. *The programs should be continued, but should be combined under a single statute, rule, and application process.*
2. *Set-asides for specific groups (rural, farm-worker or other) should be for time-limited period each fiscal year.*
3. *Projects should be allowed in all geographic areas.*
4. *For-profit developers should be allowed to participate.*
5. *Non-profit training should be increased.*
6. *The program should reward linkage with other programs.*
7. *Grants should be replaced with loans.*

V. LOW INCOME RENTAL HOUSING TAX CREDIT PROGRAM

Issue: How Can The Program Be Improved By The State?

RECOMMENDATION

1. *The federal government should be encouraged to increase the subsidy available for each project in order to provide an adequate incentive for development of low income housing.*
2. *The HFA should continue to promote the use of the tax-credit.*
3. *Developers in the "SAIL" rental production program should receive automatic allocations of the tax credit.*

IV. POCKETS-OF-POVERTY PROGRAM

Issue: Should This Program Be Continued/Improved?

RECOMMENDATION

1. *Program should be eliminated as presently structured.*
2. *Funds should be used in more cost effective manner to serve farmworkers who are in need of assistance.*
3. *Farmworkers should receive a set-aside of "SAIL" funds.*

VII. SUMMARY OF RECOMMENDATIONS: NEW AND EXISTING PROGRAMS

A. A rental production or "SAIL" (State Apartment Incentive Loan) Program should be created with annual funding of approximately $40-$50 million.
B. The HFA's homeownership program should be improved to aid low and moderate income homebuyers, by:
   - use of State funds for downpayment and closing cost loans (approximate annual cost: $2.5 million of state funds, $1.5 million of HFA funds)
   - use of FHA mortgage insurance (initial insurance reserve of approximately $1.5 million)
C. The Affordable Housing Demonstration Loan Program should be replaced by the "SAIL" program.
D. The three site acquisition and predevelopment loan programs should combined into a single program.
E. The Low Income Rental Housing Tax Credit Program should continue to be promoted.
F. The Pockets-of-Poverty Program should be eliminated in its present form, with a farmworker set-aside in the "SAIL" Program.

Chapter Three

FINAL COMMITTEE REPORT: REGULATORY REFORM

I. THE COMPREHENSIVE PLANNING PROCESS

RECOMMENDATION

1. *Resources and personnel should be made available that will ensure a quality review of the housing element of the Comprehensive Plan.*
2. *The State Comprehensive Plan's goals should be amended to recognize housing as a high priority.*

A. Issue: Set-Aside

RECOMMENDATION

Local government should set-aside capacity for utilities, services and transportation for affordable housing units in an effort to meet their housing element and provide affordable housing for their communities.

B. Issue: Waiver of Concurrency Requirement

RECOMMENDATION

1. *The term "concurrency" should be defined within the law to identify and quantify its effect on housing.*
2. *When a community is planning for its infrastructure needs, capacity should be set-aside for "affordable housing".*
3. *When considering "quality of life issues", during the review of comprehensive plans, the State should be given the right to balance the appropriate concerns and adjust the concurrency requirements. It would be considered especially appropriate in those developments where it is felt the "public purpose" of providing affordable housing overrides the issue of level of service.*

C. Issue: Joint Venture

RECOMMENDATION

If state programs are developed that would provide funding to local government, the ability to receive funds should be based on the communities' efforts toward addressing the housing element of their comprehensive plan.

D. Issue: Workable Program

RECOMMENDATION

Revive a variation of "workable program" to ensure the implementation of the housing element of the comprehensive plans.

E. Issue: Density Bonus

RECOMMENDATION

Local governments should be encouraged to use density bonuses to encourage affordable housing as well as density bonus transfers.

F. Issue: Inclusionary Zoning

RECOMMENDATION

1. *The Commission did not feel this was an area that should be acted on at this time due to the general feeling that the State should provide as many incentives as possible prior to mandating. Therefore, local governments should be encouraged to provide incentives that would encourage the construction of "affordable units" in an effort to further their housing goals.*
2. *The Commission also felt it was important to recognize that if the incentive approach was not successful, that this is an area that should be reconsidered in terms of its appropriateness for the State of Florida.*

II. IMPACT FEES

A. Issue: Alternative Methods Of Payment

RECOMMENDATION

1. *Encourage local governments to pay impact fees out of local or federal funds on affordable housing units.*
2. *Adopt legislative language that would allow for impact fees to be waived by a local community for affordable housing.*

B. Issue: Codification Of Impact Fees

RECOMMENDATION

1. *Support legislation to codify impact fees and provide guidelines and standards by which they are to be implemented.*
2. *The legislation should contain language that would allow for waiving impact fees on housing determined to be "affordable" by the definition provided by the Commission.*

C. Issue: Cost of Roads

RECOMMENDATION

1. *Take the cost of roads out of the cost of housing. The cost would be better borne by the user, automobiles. More appropriate source for paying the cost of roads are:*
   a. *Licensing*
   b. *Gas tax*
   c. *Rental car tax*
2. *The dollars collected should be used "specifically" for the hard costs involved in building roads.*

D. Issue: Lower Impact Fees

RECOMMENDATION

Encourage local government, where it is possible, to establish a rational nexus for a lower impact fee for affordable housing.

E. Issue: Credit For Exactions

RECOMMENDATION

Regulatory agencies, state and local government, must credit developers with any exactions required of the developer.

III. DEVELOPMENTS OF REGIONAL IMPACT

A. Issue: Substantial Deviation

RECOMMENDATION

Modification of substantial deviation requirements to the advantage of building "affordable housing".

B. Issue: Preliminary Development Agreement

RECOMMENDATION

Recognize "affordable housing" as defined by the Commission as a legitimate criteria within a pre-development agreement to allow the possibility for the construction for up to 80% of the threshold.

C. Issue: Incentives

RECOMMENDATION

The Department of Community Affairs should:
1. *Develop incentives for DRI developer/builders to include affordable housing within their projects; and,*
2. *Encourage local governments to make efforts to create an atmosphere in which this could take place through their regulatory processes.*

IV. BUILDING CODES

A. Issue: Permitting Process

RECOMMENDATION

1. *The privitization of plan review process for residential construction should be permitted:*
   - *Allow for a "special plan reviewer" much the same as "special inspectors for threshold buildings". That, if a builder needs quicker review than the community is able to provide, he/she may choose to pay for the services of the "special review". These "reviewers" would be certified by the state and bonded.*
2. *Whenever possible, duplication within the plan review process should be eliminated:*
   - *Establish a criteria within a community which would allow those builders who have built a given number of units within a community, successfully, to be eligible for the elimination of the review process. The inspections that occur at each phase of single family construction would be considered sufficient review.*

B. Issue: Certification Of Building Officials And Building Inspectors

RECOMMENDATION

Mandatory certification of Building Officials and inspectors including ongoing training programs. The committee recommends that the process take place on personal time as other professionals must upkeep their certification on personal time. Training on personal time would not place an undue burden with regard to work load on local inspection offices.

C. Issue: The Adoption Of A County Or Statewide Building Code

RECOMMENDATION

Require the adoption by the state, or at the minimum, county of one building code to facilitate consistency of enforcement and interpretation, thereby reducing the cost of "affordable" units.

V. FLORIDA QUALITY DEVELOPMENT

A. Issue: FQD For Affordable Housing

RECOMMENDATION

DCA should develop a program like FQD for affordable housing in which the committee's recommendation, as well as other incentives, should be given to encourage participation of the private section in resolving the affordable housing crisis with the State.

Chapter Four
FINAL COMMITTEE REPORT: FINANCE & FUNDING

A. Issue: Should The State Dedicate A Portion Of The Existing Documentary Stamp Tax To An Affordable Housing Trust Fund?

RECOMMENDATION

The Affordable Housing Study Commission recommends that $45 to $55 million of the documentary stamp tax that is currently dedicated to the General Revenue Fund be specifically earmarked for the Affordable Housing Trust Fund. $40 to $50 million annually should be dedicated to the State Apartment Incentive Loan Program to house 18,000 residents per year. $4 to $5 million annually should be committed to enhance howeownership loan programs to house 6,700 people each year.

- *It was determined that reallocating the general revenue portion of the documentary stamp tax is the most realistic and appropriate source of revenue to dedicate the Affordable Housing Trust Fund. General revenue receives the largest portion of the tax and the money has not necessarily been assigned or committed to any other agency. Although the final strategy for reallocation may be contingent on the sales tax debate, this was determined to be our highest priority funding proposal.*

B. Issue: Should The State Increase The State Infrastructure Trust Fund and Add Housing To The List Of Eligible Infrastructure?

RECOMMENDATION

Adding housing to the list of eligible infrastructure under the State Infrastructure Trust Fund is recommended as an alternative to the use of the general revenue portion of the documentary stamp tax.

Appendix C
ITEMS FOR FUTURE ANALYSIS

There were substantive housing issues that were raised in the course of discussions that could not be adequately addressed due to time constraints imposed on the Affordable Housing Study Commission. There were also those issues raised that were not within the perview of the Commission. It was felt that the following issues were important to the future of affordable housing and warrant research and analysis in the future.

ISSUES

The Homeless

Although the issue of the homeless in the State did not specifically fall under the legislative charge to the Commission, each member of the Commission felt it was a significant problem for the State of Florida. They emphasized the magnitude of the problem and supported research and analysis into State solutions of the problem.

Expiration of Rent Subsidy Contracts

Beginning in 1991, Federal Rent Subsidy contracts under Section A236 and Section 8 will begin to expire. Once the contracts have expired, they will be available for market-rate use. Many of the units are located in downtown areas that are being revitalized, thereby lending themselves to successful adaptive re-use. Given the current affordable housing shortage, it is imperative that whenever possible the units remain affordable. The Commission feels that the units need to be identified by number and location and steps taken to maintain them as affordable housing units and to prepare for the possible displacement of current residents.

HUD Foreclosures

The Finance & Funding Committee did consider State use of HUD foreclosures as affordable housing stock. The recommendation of the Committee was that it should be evaluated in more detail at a future date.

ITEMS FOR FURTHER ANALYSIS

CDBG

Community Development Block Grant funds have been used in communities for a myriad of purposes. The effectiveness and appropriateness of the use of these funds have varied from community to community. Although housing has been one of the uses, it does not appear to have been a high priority for these funds. Community Development Block Grant funds have been used more for infrastructure rather than any other item.

The use of the funds and the effect of the loss of these funds on communities could play a significant role in the affordable housing area. This is an area that definitely deserves further analysis.

Sunset of Chapter 481, F.S.

On October 1, 1988, Chapter 481. F.S., which has regulated the professionals within the construction industry, sunsets. There are many issues being discussed that could add to the cost of housing. One example is the requirement for all construction, including single family homes, to bear an architect's seal. The Regulatory Reform Committee of the Affordable Housing Study Commission was interested in reviewing this issue, but felt it would warrant a more thorough review than time allowed.

Subdivision Regulations

Subdivision regulations were identified as an issue that did add to the cost of housing, but, because it was such a localized issue, it was difficult to identify specific "statewide" solutions. It was felt if more time was available for further research, that there would be areas in which recommendations would be appropriate.

Department of Transportation Greenbook

The "Greenbook" contains road and curb specifications for subdivisions. There was discussion about the requirements to "over-build" and apply major highway and freeway specifications in areas that do not generate the traffic or speeds that necessitate the same. These costs are added into each unit built which again raises the cost. This would be an area for legitimate study in the future.

Manufactured Housing

There was a request from the Florida Manufactured Housing Association to discuss the applicability of manufactured homes as "affordable housing" and assuring barriers are removed that would prohibit their use. This was not an area the Commission addressed although, as pointed out in the Manufactured Housing testimony, recommendations that benefit "stick built" homes would also benefit Manufactured Housing.

Appendix D
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Appendix E
ENABLING LEGISLATION FOR THE CREATION OF THE AFFORDABLE HOUSING STUDY COMMISSION

Section 11. Section 420.609, Florida Statutes, is created to read:

420.609 Affordable Housing Study Commission. —Because the Legislature firmly supports affordable housing in Florida for all economic classes:

(1) There is hereby created the Affordable Housing Study Commission, which shall be composed of 17 members, including the Secretary of Community Affairs, or his designee, and the Chairman of the Board of Directors of the Florida Housing Finance Agency, or his designee, both of whom shall serve as ex-officio voting members of the commission, and the following additional members, to be appointed by the Governor, subject to confirmation by the Senate:

(a) One citizen actively engaged in the residential homebuilding industry;

(b) One citizen actively engaged in the home mortgage lending profession;

(c) One citizen actively engaged in the real estate sales profession;

(d) One citizen actively engaged in apartment development;

(e) One citizen actively engaged in the management and operation of a rental housing development;

(f) One citizen who represents very low income and low income persons;

(g) One citizen representing a community-based organization with experience in housing development.

(h) A chairman and seven citizens of the state, at least four of whom are not principally employed as members or representatives of any of the groups specified in paragraphs (a)-(g).

(2) The members of the commission shall serve without compensation, but shall be reimbursed for all necessary expenses in the performance of their duties, including travel expenses, in accordance with s. 112.061.

(3) The commission shall be appointed no later than August 1, 1986, and shall continue in existence until its duties are concluded, but no later than June 30, 1988.

(4) The department and the agency shall supply such information, assistance, and facilities as are deemed necessary for the commission to carry out its duties under this section and shall provide such staff assistance as is necessary for the performance of required clerical and administrative functions of the commission.

(5) The commission shall analyze those solutions and programs which could begin to address the state's acute need for housing for very low income, low income, and moderate income persons, including programs or proposals which provide for:

(a) Offering of low-interest and zero-interest loans for the development or rehabilitation of housing;

(b) Use of publicly owned lands and buildings as affordable housing sites;

(c) Creation of a state mortgage insurance fund;

(d) Streamlining of the various state, regional, and local regulations and building codes governing the housing industry;

(e) Stimulation of public and private cooperative housing efforts;

(f) Implementation or expansion of the pilot programs authorized in this part;

(g) Discovery and assessment of sources of funding for low-cost housing construction and rehabilitation; and

(h) Development of such other solutions and programs as the commission deems appropriate.

In performing its analysis, the commission shall consider both homeownership and rental housing as viable options for the provision of housing.

(6) The commission shall prepare and submit to the Governor, the President of the Senate, and the Speaker of the House of Representatives:

(a) By March 1, 1987, an interim report describing its progress; and

(b) By December 31, 1987, a final report detailing its findings and making specific program, legislative, and funding recommendations and any other recommendations it deems appropriate.

Appendix F
AFFORDABLE HOUSING STUDY COMMISSION STAFF

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This publication was produced at an annual cost of $2,588.00, or $1.29 per copy, to recommend solutions to Florida's growing shortage of affordable housing.