SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 540

SPONSOR: Comprehensive Planning Committee and Senator Constantine

SUBJECT: Affordable Housing

DATE: March 26, 2003 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CP	Fav/CS
2.			ATD	
3.			AP	
4.			RC	
5.				
6.				

I. Summary:

This CS authorizes the Florida Housing Finance Corporation (FHFC) to establish a subsidiary corporation to administer and manage programs under contract with the US Department of Housing and Urban Development (HUD).

This bill amends s. 420.507 of Florida Statutes.

II. Present Situation:

Florida Housing Finance Corporation
Florida Housing Finance Corporation (FHFC) is the primary state agency responsible for encouraging the construction of affordable housing in Florida.[1] Currently, the FHFC operates several housing programs financed by the state and federal governments:

- The SAIL program, which is designed to stimulate production of affordable, multi-family rental housing for very-low income individuals and families. SAIL leverages state loan funds, local government contributions, developer equity and private bond financing. [s. 420.5087, F.S.]
- The Multifamily Bond program, which provides below-market interest rates to developers of affordable housing. [s. 420.508, F.S.]
- The Guarantee Program, which lowers developers' interest rates and financing costs for very low, low, and moderate income housing. [s. 420.5092, F.S.]
- The HOME Rental program, which assists developers in building housing for very-low income persons. [s. 420.5089, F.S.]

[1]Part V, ch. 420, F.S.

- The Predevelopment Loan Program, which provides technical assistance to non-profit organizations and local governments. [s. 420.525, F.S.]
- The State Housing Initiatives Partnerships (SHIP) program), which provides funds to counties and cities as an incentive to create local housing partnerships and to preserve and expand production of affordable housing. [s. 420.9072, F.S.]
- Federal Tax Credit Program for Low-Income Housing, which provides federal tax credits to developers of affordable housing. Each year, the U.S. Department of Treasury awards each state with an allocation authority consisting of the per capita amount ($1.25) and the state's share of the national pool (unused credits from other states). FHFC is the sole issuer of tax credits for Florida. [s. 420.5099, F.S.]

The FHFC was created within the Department of Community Affairs (DCA) as a public corporation. It is an "entrepreneurial public corporation" that is a separate budget entity and is not subject to control, supervision, or direction by DCA. However, a contractual relationship exists between DCA and FHFC identifying performance measures for FHFC and the role of the Inspector General of DCA in analyzing and verifying the performance of the FHFC.

The FHFC is overseen by a board of directors composed of the Secretary of DCA and eight members appointed by the Governor, subject to confirmation by the Senate. Members of the FHFC Board are appointed for terms of 4 years and the members elect the chair and a vice-chair annually.

Ch. 2002-160, L.O.F.

In 2002, the Legislature amended s. 420.507, F.S., to create subsection (40), to authorize FHFC to establish subsidiary corporations for the purpose of taking title to and managing and disposing of property acquired by the FHFC. The new subsection provides that such subsidiary corporations shall be public corporations wholly owned by the FHFC, and shall be entitled to own, mortgage, and sell property on the same basis as the FHFC. The new subsection further provides that such subsidiary corporations shall be deemed corporations primarily acting as agents of the state, within the meaning of s. 768.28, F.S., relating to sovereign immunity, on the same basis as the FHFC.

Section 8 Federal Housing Choice Voucher Program[2]

The housing choice voucher program (Section 8) is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.

The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

[2] See http://www.hud.gov/offices/pih/programs/hcv/about/fact_sheet.cfm; also see 24 CFR Part 982

Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program.

A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety, as determined by the PHA.

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home.

Eligibility for a housing voucher is determined by the PHA based on the total annual gross income and family size and is limited to US citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live. By law, a PHA must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income. Median income levels are published by HUD and vary by location.

The maximum housing assistance is generally the lesser of the payment standard minus 30% of the family's monthly adjusted income or the gross rent for the unit minus 30% of monthly adjusted income.

HUD HANF Initiative[3]

The Housing Assistance for Needy Families (HANF) is a new initiative from HUD, under which the funding for Section 8 vouchers, which has been allocated to approximately 2,600 PHAs, would be allocated to the states. States, in turn, could choose to contract with PHAs or other entities to administer the program. The funding for both incremental and renewal vouchers will be contained in the HANF account.

HUD reports that there are a number of advantages to providing the voucher funds to the states. The allocation of funds to states rather than PHAs should allow for more flexibility in efforts to address problems in the underutilization of vouchers that have occurred in certain local markets. The allocation of funds to the states will be coupled with additional flexibility in program laws and rules, to allow states to better address local needs and to commit vouchers for program uses that otherwise would go unused. In the former Housing Certificate Fund, more than $2.41 billion has been recaptured over the last two years from the Housing Choice Voucher program. These large recaptures have resulted in a denial of appropriated housing assistance for thousands of families, which will be avoided under HANF. HUD reports that the administration of the HANF program should run more smoothly, with HUD managing fewer than 60 grantees compared to approximately 2,600 today.

[3] This summary is derived from statements made by Mel Martinez, Secretary for HUD, March, 2003.

HUD states that allocation of the funds to the states should allow for more coordinated efforts with the Temporary Assistance for Needy Families (TANF) program, and the One-Stop Career Center system under the Workforce Investment Act, successfully administered by the states, to support the efforts of those now receiving public assistance who are climbing the ladder of self-sufficiency.

HUD proposes that FY 2004 be a transition year in which PHAs would continue to receive voucher funds directly while states ramp up in preparation for administering the HANF program. Up to $100 million would be made available to assist states with this effort. In addition, states could apply for incremental vouchers if they are ready to do so, and could request waivers that would assist in the implementation of their programs. The HANF account would contain $13.6 billion in funding for voucher renewals and incremental vouchers. This would include funding for up to $36 million in incremental vouchers for persons with disabilities, additional incremental vouchers to the extent that funding is available, $252 million for tenant protection vouchers to prevent displacement of tenants affected by public housing demolition or disposition of project based Section 8 contract terminations or expirations, and $72 million for Family Self-Sufficiency Coordinators.

For FY 2004, the HUD proposes separate funding for vouchers under the new HANF account. The Project Based Rental Assistance Account will retain funding for renewals of expiring project-based rental assistance contracts under Section 8, including amounts necessary to maintain performance-based contract administrators. An appropriation of $4.8 billion is requested for these renewals in FY 2004, which is a $300 million increase over the current fiscal year. In addition to new appropriations, funds available in this account from prior-year balances and from recaptures will augment the amount available for renewals and will be available to meet amendment requirements for on-going contracts that have depleted available funding, as well as a rescission of $300 million.

HUD anticipates that approximately 870,000 project-based units under rental assistance will require renewal in FY 2004, an increase of about 50,000 units from the current fiscal year, continuing the upward trend stemming from first-time expirations in addition to contracts already under the annual renewal cycle. The HANF account will fund an estimated 30,300 units in subsidized or partially assisted projects requiring tenant protection vouchers due to terminations, opt-outs, and prepayments.

III. Effect of Proposed Changes:

Section 1 creates subsection (42) of s. 420.507, F.S., to authorize the Florida Housing Finance Corporation (FHFC) to establish a subsidiary corporation to administer and manage programs under contract with the US Department of Housing and Urban Development (HUD). Specifically, this provision will allow FHFC to administer the Housing Assistance for Needy Families (HANF), a proposed block grant initiative from HUD that replaces the federal Section 8 program. Section 8 housing choice vouchers allow very low-income families to choose and lease or purchase safe, decent, and affordable privately-owned rental housing.

Section 2 provides that this bill will take effect July 1, 2003.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.