

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.)

Prepared By: Community Affairs Committee

BILL: SB 1048

INTRODUCER: Senator Sebesta

SUBJECT: Affordable Housing

DATE: January 26, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Vickers	Yeatman	CA	Favorable
2.			TA	
3.				
4.				
5.				
6.				

I. Summary:

This bill revises a number of provisions relating to affordable housing programs administered by the Florida Housing Finance Corporation. Most notably, the bill increases the minimum population required to meet the large county designation for purposes of the State Apartment Incentive Loan Program from 500,000 to 825,000. The bill also increases the income limitation applicable to the Florida Homeownership Assistance Program. Finally, the bill authorizes local governments to utilize federal data in setting limits of housing purchased through the State Housing Initiative Partnership Program.

This bill substantially amends the following sections of the Florida Statutes: 420.503; 420.5087; 420.5088; and 420.9075. This bill repeals section 420.37 of the Florida Statutes.

II. Present Situation:

The Florida Housing Finance Corporation (FHFC) or "Florida Housing" was established to increase the supply of safe affordable housing for individuals and families with very low to moderate incomes by stimulating investment of private capital and encouraging public and private-sector housing partnerships. Specifically, the FHFC provides incentives and assistance to help meet the housing needs of Florida's low and moderate income residents, including those with special needs such as the elderly, the disabled, homeless individuals and families, farm workers, and commercial fishing workers. The FHFC administers a variety of homeownership and multifamily development programs, including:

First Time Homebuyer Program - Florida Housing issues bonds under the Single Family Mortgage Revenue Bond Program and the proceeds from these bonds are used to originate 30-year mortgage loans through the First Time Homebuyer Program. First-time homebuyers then

benefit from lower mortgage interest rates due to the tax-exempt status of the bonds. Eligible borrowers must meet certain criteria such as the first-time homebuyer requirement, as defined by the Internal Revenue Code, credit worthiness, and an appropriate income level, not exceeding program limits.

HOME Investment Partnerships – This program provides non-amortizing, low interest rate loans to developers of affordable housing who acquire, rehabilitate, or construct housing for low income families. Loans are offered through FHFC’s annual Universal Cycle at the simple interest rate of zero percent to nonprofit applicants and three percent to for-profit applicants. The HOME program is generally designed for smaller developments in rural areas.

The Homeownership Loan Program – This program allows developers to apply for funding through either the HOME Investment Partnerships program or the Homeownership Assistance Program (HAP). Funding is obtained through a competitive process to assist with the construction of homes or to provide purchase assistance to the homebuyer for up to 25 percent of the purchase price of the home. The HOME program is a federal program available to eligible for-profit and nonprofit developers, local housing agencies, community housing development organizations, and public housing authorities. HAP is a state funded program tailored to nonprofit organizations and nonprofit sponsors, as well as community based organizations.

State Apartment Incentive Loan (SAIL) – The SAIL program provides low-interest loans on a competitive basis to developers of affordable rental housing each year. SAIL funds provide gap financing that allows developers to obtain the full financing needed to construct affordable multifamily units. SAIL dollars are available to individuals, public entities, and nonprofit or for-profit organizations for the construction or substantial rehabilitation of multifamily units. Special consideration is given to properties that target specific demographic groups such as the elderly, homeless people, farmworkers, and commercial fishing workers.

State Housing Initiatives Partnership (SHIP) – This program provides funds to local governments on a population based formula as an incentive to produce and preserve affordable housing for very low, low, and moderate income families. These funds are derived from the collection of documentary stamp tax revenues, which are deposited into the Local Government Housing Trust Fund. SHIP funds are distributed on an entitlement basis to all 67 counties and 48 Community Development Block Grant entitlement cities in Florida. The minimum allocation per county is \$350,000. SHIP dollars may be used to fund emergency repairs, new construction, rehabilitation, down payment and closing cost assistance, impact fees, construction and gap financing, mortgage buy-downs, acquisition of property for affordable housing, matching dollars for federal housing grants and programs, and homeownership counseling.

III. **Effect of Proposed Changes:**

Section 1 repeals s. 420.37, F.S. This section specifies additional powers of the FHFC relative to the Low-income Emergency Home Repair Program. According to FHFC, this section is unnecessary as this program is administered by the Department of Community Affairs pursuant to s. 420.36, F.S.

Section 2 amends s. 420.503, F.S., to revise the definition of “farmworker” to reference the corresponding federal definition.¹ Incorporating the federal definition is intended to maximize opportunities for the use of federal funds for eligible housing initiatives.

Section 3 amends s. 420.5087, F.S., to increase the minimum population required to meet the large county designation for purposes of the SAIL Program from 500,000 to 825,000. Currently, this section segregates large, medium and small counties by population for the purpose of providing funds to sponsors of affordable housing to very-low-income persons. When the SAIL Program was first created in 1988, there were seven counties that met the population minimum of 500,000 for SAIL fund allocations in the large county category.² This grouping policy was initially established for two reasons. The first reason was to group the large counties in a manner that mirrored the single county bond regions for the local housing finance authorities as laid out in their statute. The second reason was to create county groupings that were as homogenous as possible in such areas as public transportation, need, and infrastructure.

Until recently, no other counties in Florida have neared the minimum population for large county designation. In 2004, however, Polk County barely exceeded the 500,000 benchmark for large county designation. Based on the 2004 Shimberg Center for Affordable Housing study, Polk County has only 2.4 percent of the state’s need, unlike the other large counties, which each had at least 5 percent of the state’s need (defined as households below 60 percent average median income with a housing cost burden greater than 40 percent). According to the 2004 Statistical Abstract, Duval County, the smallest of the original seven large counties, has a population of 826,279. Miami-Dade (the largest in the state) has a population of 2,345,932 people. According to FHFC, it is difficult to set policies that apply to counties of the larger size that also work well for counties such as Polk and Brevard with just over 500,000 people, and which vary dramatically in their infrastructure and demographics.

Section 4 amends s. 420.5088, F.S., to increase the income limitation applicable to the Florida Homeownership Assistance Program. Currently, this section mandates that 30 percent of the homes in single family developments financed through HAP be sold to individuals earning 50 percent of the average median income or less. Historically, very few families earning 50 percent of the average median income or less can support a mortgage especially with the rising sale price of homes in Florida. The bill amends this section to increase the cap from 50 percent to 65 percent.

Section 5 amends s. 420.9075, F.S., to allow local governments to utilize federal data in setting limits of housing purchased through SHIP. Currently, local governments rely on an independent study to determine area median purchase prices which translates into calculating the sales price or value limits of new and existing housing that can be purchased using funds from SHIP. The bill allows local governments to use average purchase price limits established by the United States Department of Treasury as an alternative to relying on an independent study of area

¹ 7 CFR 3560.11 defines a *domestic farm laborer* as a person who, consistent with the requirements in Sec. 3560.576(b)(2), receives a substantial portion of his or her income from farm labor employment (not self-employed) in the United States, Puerto Rico, or the Virgin Islands and either is a citizen of the United States or resides in the United States, Puerto Rico or the Virgin Islands after being legally admitted for permanent residence. This definition may include the immediate family members residing with such a person.

² Applicable counties include: Miami-Dade, Broward, Palm Beach, Orange, Hillsborough, Pinellas, and Duval.

median purchase prices. This will allow local governments to have more tools available to adapt to market conditions and most effectively use state housing resources. Further, low and moderate income citizens buying a home will have more flexibility on the price of home they purchase.

Section 6 provides that this bill shall take effect upon becoming law.

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. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
