

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Promotes Personal Responsibility / Empowers Families - This bill reduces the matching requirement of the Elderly Housing Community Loan Program (EHCL) from 15% to 5% of the loan amount received. The EHCL Program, a component of the State Apartment Incentive Loan Program (SAIL), was amended by ch. 2005-102, L.O.F., (SB 724), to raise the maximum loan amount from \$200,000 to \$750,000. This amendment had the effect of increasing the amount potentially needed to match funds from \$30,000 to \$112,500.

B. EFFECT OF PROPOSED CHANGES:

The State Apartment Incentive Loan Program (SAIL), created in 1992, provides mortgage loans or loan guarantees to sponsors providing affordable housing to very-low income individuals.¹ SAIL is funded by the State Housing Trust Fund² and administered by the Florida Housing Finance Corporation.³

Florida Housing Finance Corporation has the authority to underwrite and make state apartment incentive loans or loan guarantees to sponsors that:

- use tax-exempt financing for the first mortgage and at least 20% of the units in the project are set aside for persons or families who have incomes which meet the income eligibility requirements of s. 8 of the United States Housing Act of 1937;
- use taxable financing for the first mortgage and at least 20% of the units in the project are set aside for persons or families who have incomes below 50% of the state or local median income, whichever is higher, which shall be adjusted by the corporation for family size;
- use the federal low-income housing tax credit, and the project meets the tenant income eligibility requirements of s. 42 of the Internal Revenue Code of 1986; or
- the project is located in a county that includes, or has included within the previous 5 years, an area of critical state concern designated or ratified by the Legislature for which the Legislature has declared its intent to provide affordable housing, and 100% of the units in the project are set aside for person or families who have income below 120% of the state or local median income, whichever is higher.

Section (3) of s. 420.5087, F.S., requires that a percentage of SAIL funds be reserved for each of the following groups: commercial fishing workers and farmworkers; families; persons who are homeless; and elderly persons. The percentage of SAIL funds reserved for each group is determined by using the most recent statewide very-low income rental housing market study available at the time of publication of each notice of fund availability, but the reservation of funds to commercial fishing workers and farmworkers, families, and the elderly may not be less than 10% of the funds available at that time. Currently 24% of the total SAIL funds are reserved for the elderly.⁴

Section (3)(d) of 420.5087, F.S., requires that 10% of the amount reserved for the elderly be reserved to provide loans to sponsors of housing for the elderly to provide for building preservation, health, or sanitation repairs or improvements which are required by federal, state, or local regulation or code, or lifesafety or security-related repairs or improvements to such housing. This part of the program is

¹ s. 420.5087, F.S.

² The State Housing Trust Fund is funded by documentary stamp tax revenues. The documentary stamp tax is applicable to all recordable instruments requiring documentary stamps according to law, unless exempt pursuant to state or federal law. Revenue from documentary stamps is divided between the General Revenue Fund and various trust funds.

³ s. 420 part V, F.S.

⁴ Florida Housing Finance Corporation.

referred to as the Elderly Housing Community Loan Program (EHCL).⁵ Under the EHCL Program, sponsors are required to match the loan amount received at a rate of 15%. Funds received from matching are used to supplement the loan amount received to pay the cost of repair or improvement for which these funds are available

According to the Florida Housing Finance Corporation, the match requirement is used to leverage state funds and make more fiscally prudent investments. Prior to the increase in the available loan amount, sponsors were awarded additional points during the loan application process for exceeding the minimum match requirement by a certain percentage. With the current increased loan amount and match rate, this process is no longer being used. However, under general operating policy, sponsors are still encouraged to match at the highest percentage possible, which can exceed the minimum percentage amount set in statute.

Prior to 2005, loans under the EHCL Program were capped at \$200,000 with the requirement of a minimum match of 15% from the sponsor. Last Legislative Session, the Legislature increased the maximum loan amount from \$200,000 to \$750,000.⁶ The increase in the maximum loan amount had the practical effect of increasing the potential match requirement from \$30,000 to \$112,500. Reducing the matching requirement to 5%, as provided in this bill, would result in a maximum required match amount of \$37,500.

C. SECTION DIRECTORY:

Section 1. Amends s. 420.5087(3)(d), F.S., relating to the matching requirement of sponsors applying for the Elderly Housing Community Loan Program.

Section 2. Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill has no effect on state revenues.

2. Expenditures:

This bill appears to have no effect on state expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill does not appear to have an effect on local government revenue.

2. Expenditures:

This bill does not appear to have an effect on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill may have an economic impact on a private sector apartment owner that qualifies under the EHCL Program by reducing the match amount required to qualify for a loan under the program, allowing them to take advantage of higher loan amounts.

⁵ See, Florida Housing Finance Corporation Rule 67-32, F.A.C.

⁶ Ch. 2005-102, L.O.F., (SB 724).

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require the counties or cities to spend funds or take an action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

This bill does not grant additional rulemaking authority for the Florida Housing Finance Corporation.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Other Comments:

A representative of the Florida Association of Homes for the Aging⁷ indicated that the bill will make the EHCL Program more user friendly since most of the facilities that apply for loans under the EHCL Program are financially constrained non-profits that are financed through the Department of Housing and Urban Development (HUD) and are subject to HUD's restrictions in raising rents. The Florida Association of Homes for the Aging suggests that at the higher 15% match rate, many sponsors that apply for the EHCL Program are finding it difficult to make use of the higher available loan amounts and that reducing the match rate would allow more sponsors to take advantage of the higher loan amounts now available.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.

⁷ Mary Ellen Early, Senior Vice President of Public Policy