Florida Housing Finance Corporation

Strategic Plan

Adopted by the Board of Directors

September 19, 2014

Florida Housing Finance Corporation Strategic Plan

INTRODUCTION

The purpose of this strategic plan is to provide a three to five year framework for policy and operational decisions at Florida Housing Finance Corporation. While Chapter 420, Florida Statutes, outlines Florida Housing's powers and responsibilities, and explains generally how programs will be implemented, there is an array of choices to be made within that statutory authority.

This plan is Florida Housing's roadmap of how programs will be targeted in the coming years. It is not meant to be a comprehensive plan that includes every facet of what Florida Housing does, but provides a big picture view of the Corporation's most important priorities. The strategic plan responds to current housing conditions and opportunities, emerging issues and concerns and provides a framework to guide operations.

The plan is divided into the following components:

- **Mission and Vision** - Statements outlining the purpose, primary objectives and aspirations of Florida Housing.
- **Guiding Principles** - The values the Board and Staff use to do business.
- **Priorities** - The goals that Florida Housing will focus on in the coming three to five years. The priorities are grouped by external issues (how Florida Housing wants to impact housing opportunities for Floridians) and internal, or operational, issues.
- **Strategies** - A list of actions that describe the key steps that Florida Housing will take to implement each priority.
- **Performance Measures and Targets** - Metrics to evaluate the execution of Florida Housing's goals and actions.
- **Current Trends and Conditions** - An overview of how demographic, economic and real estate conditions in Florida impact the need for affordable housing in 2014 and beyond and a picture of the current supply of and access to affordable housing in the state.

MISSION

Provide a range of affordable housing opportunities for residents that help make Florida communities great places to live, work and do business.

VISION

Florida Housing will be recognized as an outstanding provider of innovative, measurable, data-driven and fiscally sustainable solutions to the affordable housing challenges of our state.

GUIDING PRINCIPLES

As Florida Housing carries out its mission and vision, we will:

- Conduct business in an honest, ethical, open and respectful manner
- Be mindful and accountable stewards of resources entrusted to us
- Allocate resources fairly and consistently
- Remain innovative, flexible and responsive in our programs and funding strategies
- Base decisions on objective data and collaboration with public and private sector stakeholders
- Promote housing stability, sustainability and options for Floridians
- Foster awareness of affordable housing's role in building stronger communities

PRIORITIES

I. PRIORITY: Promote and support sustainable homeownership

- **Homeownership Lending Strategies**
  A. Maintain a continuous lending model, including the availability of down payment assistance, particularly through the state Homeownership Assistance Program, for credit worthy homebuyers
  B. Continue the use of mortgage backed securities as a means of limiting financial risk
  C. Evaluate alternative servicing opportunities to ensure the continuing delivery and purchase of loans
  D. Explore new/emerging financing opportunities to diversify mortgage lending options
  E. Recruit and retain reputable lending partners, and ensure that lenders and Realtors® know about and are trained on Florida Housing's programs
  F. Enhance financing opportunities for active duty military and veterans
- **Homeownership Development Strategies**
  G. Market Mortgage Credit Certificates to lenders and builders to support development
  H. Continue partnering with self-help builders
  I. Work with state, regional and local disability organizations to tie the homeownership needs of their consumers into local SHIP and Florida Housing programs

J. Incorporate design techniques into housing that will make units functional for different family types, including the aging population and multi-generational families
K. Incentivize the inclusion of green building features in homeownership development programs
L. Ensure that local governments receive training and technical assistance to implement SHIP development strategies, including rehabilitation, accessibility and green building techniques

- **Homeownership Sustainability Strategies**
  M. Encourage homebuyer education for borrowers
  N. Provide training and technical assistance to support strong local housing counseling agencies, including training on operating successful nonprofit businesses
  O. Support post-purchase and post-loan modification education and training
  P. Promote financial management/literacy education

II. PRIORITY: Ensure that rental programs are flexible enough to respond to housing needs in Florida's diverse communities and can respond to changing market conditions

A. Use market, investment and housing need data to assist in targeting resources to match needs throughout the state
B. Enhance the capacity to use property construction cost and operating expense data to assist in allocating resources and in credit underwriting
C. Continue work on a comprehensive preservation strategy to save critical, aging affordable properties that are worthy of preservation, including those in Florida Housing's portfolio
D. Implement strategies to target development that will support local revitalization and economic development efforts
E. Continue to foster a more integrated approach between Florida Housing's asset management and development teams to keep development costs down while incentivizing sustainable development that lowers operating costs over the long term
F. Incentivize the inclusion of green building features to lower operating costs, and accessibility/visitability features that accommodate the physical disabilities and frailty of household members and their visitors
G. Incentivize high quality management of properties in Florida Housing's portfolio
H. Develop partnerships with public/private utilities to build a more robust energy retrofit strategy for properties in Florida Housing's portfolio
I. Provide liquidity for future affordable housing needs by thoughtfully managing Guarantee Program assets and safeguarding the risk to capital ratio while ceding risk

III. PRIORITY: Enhance opportunities for special needs and homeless households to access rental housing paired with supportive services

A. Enhance implementation of the Link strategy as a way to integrate units for extremely low income households with special needs into general occupancy units throughout Florida Housing's portfolio

B. Develop a supportive housing model that supports elders aging in place by facilitating and supporting partnerships between developers and health care and other supportive service providers
C. Continue work to support development of a range of supportive housing options to assist veterans with special needs to live independently in their communities
D. Strengthen partnerships with state agencies responsible for Medicaid and supportive services
E. Continue outreach and partnerships with stakeholders in the supportive housing community
F. Work with state agencies, supportive service providers and developers to compile data for policy makers that evaluates resident outcomes and public cost savings of permanent supportive housing
G. Work with partners to bring federal rental assistance funding into Florida to help extremely low income elders and persons with disabilities

IV. PRIORITY: Ensure that information about Florida Housing's programs and the role that affordable housing plays in our state's economy is accessible and understandable to government officials, stakeholders and the public

A. Inform federal, state and local officials about affordable housing programs, issues and solutions
B. Provide easy access to information about Florida Housing programs through various communication media, including internet, print and broadcast
C. Create a customer focused approach to help different types of developers access Florida Housing's programs, from application for financing, to credit underwriting, to property and asset management
D. Develop and maintain relationships with local, state and business partners to deliver programs

V. PRIORITY: Strengthen Florida Housing's operational capacity

A. Attract, support and engage a skilled and productive workforce
B. Preserve the corporation's financial strength in order to serve the needs of Floridians well into the future
C. Automate, enhance and streamline work processes that are supported by technology
D. Continue to enhance data and records management through a systematic, planned approach to ensure information is accurate, complete and accessible
E. Establish an environment in which risk assessment and mitigation is integrated into all business practices and decisions

Performance Measures and Targets

Metric	Section 420.511 (1), F.S., specifies that as part of its strategic plan FHFC must provide performance measures and specific targets for the following:	Alignment with FL Strategic Plan for Economic Development	Explanation of Metric
Amount of funding disbursed through the Hardest Hit Fund each quarter	(a) The ability of low-income and moderate-income Floridians to access housing that is decent and affordable.	Goals 1, 3 Objs 3, 4 Strategies 4, 13, 24, 25, 27	Provides the total amount of funding that has been disbursed to assist homeowners (total disbursed as of the end of the quarter). The number reported will be one quarter behind due to timing of Treasury report. <u>Quarterly Target:</u> $30 million per quarter through the end of the program (early 2019 for final disbursements)
Amount of state appropriated rental funding awarded over time to target populations	(b) The continued availability and affordability of housing financed by the corporation to target populations.	Goals 1, 2, 3 Objs 1, 2, 5 Strategies 1, 4, 13, 24, 25, 27	Provides markers along the state fiscal year (July 1 through June 30) to show that FHFC is making progress towards awarding state appropriated rental funding to target populations. To match up calendar and state fiscal year quarterly reporting, each quarter's targets will always relate to the most recent prior legislative appropriation received. For example, Quarters 1 and 2 of 2014 would report on targets related to getting state fiscal year 2013/2014 funding awarded, and Quarters 3 and 4 of 2014 would report on targets related to getting state fiscal year 2014/2015 funding awarded. The target populations change over time, based on statutory, legislative and policy priorities. In 2014-2015, the target populations are families; elders; persons with special needs, including persons with developmental disabilities; farmworkers and fishing workers; and homeless persons. <u>Q1 Target:</u> Open at least one funding opportunity to receive applications/proposals for the current Fiscal Year funding <u>Q2 Target:</u> 80% of the current Fiscal Year appropriated rental program funds awarded <u>Q3 Target:</u> FHFC Board approves plan for allocation of the current Fiscal Year funding <u>Q4 Target:</u> Hold at least one public meeting on one or more draft competitive funding proposals for the current Fiscal Year funding

Performance Measures and Targets (Continued)

Metric	Section 420.511 (1), F.S., specifies that as part of its strategic plan FHFC must provide performance measures and specific targets for the following:	Alignment with FL Strategic Plan for Economic Development	Explanation of Metric
Number of participating lenders trained and approved to offer first mortgage financing throughout the state	(c) The availability of affordable financing programs, including equity and debt products, and programs that reduce gaps in conventional financing in order to increase individual access to housing and stimulate private production of affordable housing.	Goal 3 Objs 1, 2, 5Strategies 13, 24, 27	FHFC must partner with private sector lenders such as banks, credit unions, and mortgage companies to offer affordable housing programs to qualified first time homebuyers. This lender base forms partnerships with local realtors, title companies, home appraisers, and all other third party service providers involved in successful origination of FHFC's Program Loans and Mortgage Credit Certificates. Without an adequate number of trained and approved lenders, FHFC's programs and resources would not reach Florida residents. <u>Quarterly Target:</u> Maintain at least 50 active participating lenders at all times
FHFC budgeted total operating expenses to actual total operating expenses	(d) The establishment and maintenance of efficiencies in the delivery of affordable housing.	Goal 3 Strategies 13, 25, 27	Based on the annual operating budget approved by FHFC's Board. Year to date through the most recent month reported to the Board. <u>Quarterly Target:</u> Actual total operating expenses do not exceed budgeted total operating expenses by more than 10%
Board engagement: attendance and attainment of quorum	(e) Such other measures as directed by the corporation's board of directors.	Goal 3 Strategies 13, 25, 27	Shows the involvement of FHFC Board members via their attendance at scheduled Board meetings and whether a quorum was achieved at these meetings for decision making purposes over the quarter. <u>Quarterly Target:</u> Presence of five Board members required to achieve quorum at each Board meeting during the quarter

Trends and Conditions Impacting Affordable Housing in 2014 and Beyond

Statewide Demographic and Economic Conditions

Each year, the Legislative Budget Commission is required to issue a *Long Range Financial Outlook* for the state which covers the upcoming three fiscal years.[1] While the *Outlook* is primarily a tool to assist the Legislature in setting fiscal and budgetary strategies, its economic and demographic analysis sections provide a summary of current and projected conditions in these areas. The fall 2013 Report concludes that, while a Florida recovery has been underway since the late spring of 2010, the state still has several years to go to return to more typical economic conditions. Some of the findings relevant to Florida Housing from the most recent report include:[2]

- **The current economic recovery is expected to continue.** The latest baseline forecast is optimistic that the recovery will steadily continue, with a strong caveat that the effects of a continuing federal Sequester may have greater than currently anticipated dampening effects on the economy.
- **A return to "normal" conditions in three years.** In the forecast, normalcy will be largely achieved by state Fiscal Year 2016-17 with indicators suggesting that the construction and real estate sectors will take longer to reach these normal conditions.
- **Steady but modest job growth predicted to persist.** Florida's annual job growth rate has been positive for many months however it is still much below its peak during the economic boom. This indicates that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery.[3]
- **State wages remain below the national average.** Florida's average annual wage has typically been below the national average and recently further declined to 87.7 percent of the average for the United States as a whole. Although Florida's wage level has actually increased, the national average annual wage has increased more.
- **Moderate population growth over the next few years.** Florida's population growth slowed substantially as a result of the recent economic recession, mostly related to the recession's impact on job creation and the ability of people to migrate into the state. Population growth is anticipated to rebound, but with more moderate levels of growth.[4]
- **The share of residents over 65 years of age will continue to grow.** In 2010, 17.3 percent of Floridians were 65 years of age and older, greater than in any other state. This percentage is forecast to rise to 24.1 percent by 2030.[5]

Homeownership Landscape

The presentation on homeownership programs at the January 2014 Strategic Planning Retreat highlighted a number of housing-related signals echoing the state's *Long Range Financial Outlook* recovery prognosis.[6] These signs included a return to historical mortgage delinquency averages, home

---

[1] *See* Article III, Section 19(c)(1) of the Florida Constitution. The Legislative Office of Economic and Demographic Research takes a lead role in preparing the *Outlook.*

[2] Legislative Budget Commission, *State of Florida Long-Range Financial Outlook Fiscal Year 2014-15 through 2016-17* (Fall 2013), *available at* http://www.edr.state.fl.us/Content/long-range-finacial-outlook/3-Year-Plan_Fall-2013_1415-1617.pdf.

[3] It is estimated that about 419,700 jobs have been lost since the most recent peak. It would take the creation of about 850,000 jobs for the same percentage of the total population to be working as was the case at the peak.

[4] Growth is expected to average 1.4% between 2015 and 2020.

[5] Florida's older population will account for most of the state's population growth through 2030, representing 56.9 percent of the gains.

[6] *See* Citi, Morgan Stanley and RBC Capital Markets, *Homeownership: The Current and Future of Affordable Housing* (Jan. 30, 2014).

prices consistent with affordable mortgage payment-to-income ratios and home sales in the range of historical norms. Below are current homeownership trends featured in the retreat presentation, the *Long Range Financial Outlook* and other germane sources.

- **Florida's homeowners are decreasing, especially among younger households and families with children.** According to the Shimberg Center's *2013 Rental Market Study,* the state's overall homeownership rate is down to 68 percent.[7] The drop has been particularly acute for young households and families with children. In 2005, 42 percent of households headed by someone age 34 or under owned their homes, a rate that fell to 35 percent in 2011. During that same time, homeownership by families with children fell from 66 to 60 percent.
- **State home sales and prices are improving though remain below peak levels**. Multiple sources cite significant gains in existing home sales and median price over the past year with a Florida Realtors statewide median sales figure of $168,000 for single family homes in 2013. Still, the Legislative Budget Commission found that recent single family private housing starts came in at approximately 27 percent of their peak level in 2005-06.
- **Florida's foreclosure rate remains high though it is ebbing.** Private sector data for 2013 shows that Florida was the highest state in the country for both the number of foreclosure filings and the rate of foreclosure. More optimistically, the front end of the foreclosure stream, comprised of mortgages newly falling into delinquency, has steadily declined recently. At the end of the third quarter of 2013, 8.90 percent of the active loans originated by Florida Housing were in foreclosure, compared to the 9.48 percent of all loans statewide in foreclosure at that time.
- **"Underwater" homes appear to be declining.** Various reports show a decline in the state's homes deemed underwater (more is owed than the property is worth) from previous highs of 50% to slightly below 30% more recently.[8] Absent some intervention, these homeowners were the most likely to move into or already be in seriously delinquent status (generally a precursor to foreclosure).
- **Cash sales of bank-owned properties are a concern.** Florida's rate of cash sales for single family homes (upwards of 60%) far exceeds the national average. Lenders willing to sell to cash buyers for less rather than waiting for a buyer with a mortgage impacts entry-level homebuyer opportunities.
- **Pressure of tightened homeowner credit standards.** Credit standards for homeowners have tightened as a result of the economic crisis. A senior loan officer survey finds that banks are still less likely than in prior years to originate mortgages to most borrowers apart from those with the strongest credit profiles.
- **Institutional investing purchases are rising.** Institutional purchases of homes accounted for 7.9% of all U.S. residential sales in December of 2013 with rates in Jacksonville (38.7%) and Cape Coral-Fort Meyers (24.9%) among the highest in the country.[9]
- **Key housing market metrics in the state do not show a return to their peak levels until 2020-21.** This prediction from the state's *Long Range Financial Outlook* includes measures related to construction employment, multifamily starts, private housing starts, and median price. Single family starts are not predicted to return to peak levels until 2022-23.

Rental Housing Landscape

Various housing policy groups envision a growing need for all types of rental units in the future. Demographic trends, the after-effects of the foreclosure crisis and the conversion of single family homes

---

[7] *See* The Shimberg Center for Housing Studies at the University of Florida, ***2013 Rental Market Study: Affordable Rental Housing Needs*** (April 7, 2013), *available at* http://www.shimberg.ufl.edu/publications/Full_RMS_Needs.pdf.
[8] Based on third quarter 2013 reports by Core Logic and Florida's Office of Economic and Demographic Research.
[9] *See* Citi, Morgan Stanley and RBC Capital Markets, *Homeownership: The Current and Future of Affordable Housing* (Jan. 30, 2014).

to rental stock are just a few of the pressures that will impact rental stock going forward. These overall forces will affect the affordable rental market served by Florida Housing. Already worsening state statistics related to cost burdened renters and the actual availability of affordable units could cause a greater squeeze than already exists. Additionally, the unique challenges related to providing affordable housing for persons who are homeless or who have special needs bears close monitoring.

- **Demand for all types of rental units is anticipated to grow over the next 20 years.** According to the Bipartisan Policy Center, four groups are predicted to drive the rising demand: 1) baby boomers looking to downsize; 2) echo boomers[10] moving out on their own; 3) post foreclosure homeowners who prefer to rent or need time to rebuild credit; and 4) recent immigrants.[11]
- **Forces impacting overall rental stock supply:[12]**
    - **Conversion of single family homes** - Single family homes have been the fastest growing segment of the rental stock since 2005.
    - **Multifamily construction** - While rental starts have picked up post-recession, it will take time before apartments are ready for occupancy.
    - **Losses** - Over the past decade, an average of 240,000 units were lost nationwide due to conversion from rental to owner-occupied units (in Florida, this primarily occurred as multifamily rental properties were transformed into condominiums), through demolition and other causes. In addition, physical deterioration and obsolescence may be factors. Florida Housing has lost 1,980 Florida Housing units since July 2005.[13]
- **Florida's renters are increasing.** As a result of the economic downturn, the increase in foreclosures, and difficulty obtaining mortgage credit, more Floridians are turning to rental housing. According to the Shimberg Center, the number of renters in the state increased by 10 percent between 2005 and 2011, a period during which the total number of households barely grew.
- **Rents in Florida are increasing, even as incomes are decreasing.** Figures from the *Rental Market Study* show that the median rent in Florida increased from $816 to $950 per month from 2000 to 2011. During the same period, median renter income fell from $34,480 to $30,343 (all in 2011 dollars).
- **Growing pressure for all rental housing may push rents even higher for low-income households.** The combined impact of echo boomers forming their own households and baby boomers downsizing from their current homes may push rents further out of reach for low-income households least able to afford them.
- **Physical occupancy rates in Florida Housing's portfolio are on the rise.** At the end of 2011, the statewide occupancy rate was 91.9 percent; by the end of 2013, the rate had risen to 94.5 percent. This does not measure the "economic" occupancy rate, which would include rent specials to encourage people to rent units at a property in exchange for lower rent payments, a move-in special or another perk, and typically economic occupancy is at least somewhat lower than physical occupancy. Some counties have overall lower occupancy rates than the state, and other counties make up for that with higher rates.

---

[10] Baby boomers typically describes persons born between the years of 1946 and 1964. Echo boomers, also known as Generation Y or Millennials, are generally understood to mean persons born between 1980 and 1995. These persons currently range in age from roughly 20-35.

[11] Bipartisan Policy Center, *Rental Housing Market Trend* (May 30, 2013), *available at* http://bipartisanpolicy.org/sites/default/files/files/bpc-housing-infographic3-v7.pdf.

[12] *Ibid.*

[13] Florida Housing unit losses include: 184 - LURA/EUA Expiration; 93 - HC Qualified Contract; 1,659 - Foreclosure/Deed-in-Lieu; and 44 – Released due to involuntary noncompliance upon destruction by Hurricane Charley.

Cost Burdened Renters Continue to Grow

Cost burdened households pay more than 40 percent of income for rent and utilities.[14] Low income households make less than or equal to 60 percent of area median income. In a December 2013 report from the Joint Center for Housing Studies of Harvard University, Florida ranked as the state with the highest percentage of residents experiencing some form of renter housing cost burden.[15] The following conditions from the *2013 Rental Market Study* highlight specifics surrounding the growing ranks of these households.

- **More Florida renter households are facing a housing cost burden.** The number of renter households enduring the double whammy of being both cost burdened *and* low income rose from 553,035 in 2005 to 710,790 in 2011, a 29 percent increase. In 2013, an estimated 737,435 renter households in the state were cost burdened. While 38 percent of all renter households are currently cost burdened, <u>70 percent</u> of renter households at incomes served by Florida Housing's programs are cost burdened.
- **Extremely low-income renter households have the most severe needs.** Renter households are considered to be "extremely low-income" (ELI) if their incomes are at or below 30 percent of the area median. Nearly two-thirds of these ELI renter households pay <u>more than 60 percent</u> of their incomes for rent and utilities.
- **The share and sheer number of cost burdened, extremely low-income renters continues to rise.** The percentage of cost burdened ELI renter households rose from 64 percent in 2005 to 72 percent in 2011. Moreover, the total number of cost burdened ELI renter households stood at greater than 317,000 in 2011 and increase of over 100,000 from the year 2000.

Affordable and Available Gap Exacerbates Difficulties

An important metric in affordable housing analysis is the correlation between affordability and availability.[16] Many affordable units are unavailable to low-income households because they are already occupied by higher income households. When higher income renters occupy lower rent units, lower income renters are essentially crowded out of units they *could* afford. An affordable *and available* unit at a particular income threshold is: 1) affordable at that income threshold and 2) either vacant or occupied by a household with an income at or below the threshold.

- **Florida is among the states with the most severe affordable and available gap.** Considering families with incomes at or below 50% of median income, there is a deficit of over 240,000 affordable and available rental units in Florida:[17]
    - **Only 38 affordable, available units per 100 VLI households.[18]**
    - **Only 23 affordable, available units per 100 ELI households.[19]**
- **The consequences of this gap is borne by the most vulnerable.** When ELI renter households spend the majority of their income on rent and utilities, this leaves them with little money for other necessities such as food, medicine, transportation, and

---

[14] Sixty-one percent of cost burdened households are 1-2 person households.

[15] Joint Center for Housing Studies of Harvard University, *America's Rental Housing: Evolving Markets and Needs* (Dec. 9, 2013), *available at* http://www.jchs.harvard.edu/research/publications/americas-rental-housing-evolving-markets-and-needs.

[16] In this type of analysis, an affordable unit is any market rate, subsidized or public housing unit for which a household at a given income limit would pay no more than 30 percent of income for gross rent. These include apartments, condominiums for rent or single family homes for rent.

[17] Based on an analysis originally carried out as part of NLIHC's *HOUSING SPOTLIGHT: The Shrinking Supply of Affordable Housing*, (Vol. 2 Issue 1, Feb. 2012).

[18] $23,350 for a 2-person very low income (VLI) family based on the NLIHC's analysis.

[19] $15,000 for a 2-person extremely low income (ELI) family based on the NLIHC's analysis.

childcare. These are the households that are most vulnerable to becoming homeless if their incomes decrease or they have unexpected expenses.

Households with Special Needs and Others Facing Additional Housing Challenges

As a result of the 2011 Legislature's inclusion of persons with special needs as a demographic group in the State Apartment Incentive Loan Program (SAIL) statute (s. 420.5087, F.S.), the *2013 Rental Market Study*, provided data identifying the affordable rental housing needs for persons with special needs.[20] Persons who are elderly and those who are homeless also often encounter additional challenges in accessing affordable housing. While people represented in the above demographics encounter obstacles unique to their circumstances, they share a tendency to greatly benefit from various forms of supportive housing. Pairing additional services with affordable housing in a supportive housing framework is a proven successful delivery model for helping persons with special needs, people who become homeless and elders who wish to "age in place."

- **Affordable housing is a real issue for special needs households.** The *2013 Special Needs Households Study* estimates more than 90,000 low-income, cost burdened renter households in Florida include a person with a disability and receive Social Security Disability Insurance, Supplemental Security Income, or veterans' disability benefits. In addition, nearly 8,500 households used domestic violence emergency shelters in state fiscal year 2011-2012 and in 2012 over 5,000 young people aged out of foster care but were still attending school or vocational training; these households also are likely to need safe, affordable housing.[21]
- **The special needs household count likely understates the prevalence.** In the *Study,* the Shimberg Center acknowledges their household counts likely do not encompass the full spectrum of persons receiving disability-related benefits or requiring independent living services in order to maintain housing.
- **More than one-fourth of low income, cost burdened renters are elderly.** Of all cost burdened renter households, 20 percent are headed by someone age 55-74, and nine percent are headed by someone age 75 or older. As the share of residents 65 years and older grows, the challenges of aging in place will also increase.
- **Homelessness continues to be a serious problem.** The Shimberg Center study finds 42,476 homeless individuals in Florida, including single adults, married adults without children, and unaccompanied youth. There are also 31,148 homeless families made up of adults and their children. This includes families in shelters, unsheltered locations, hotels and motels, and those who are doubled up with other family members or friends. Assuming an average family size of 2.9 (based on national statistics from HUD), that means that *over 130,000 Floridians are experiencing homelessness*.

Green Building Initiatives

Florida Housing has incorporated requirements and incentives in several of its programs to encourage green building.[22] Continuing to foster such practices in affordable housing specifically will likely occur within a larger state and national commitment to energy efficiency of all kinds generally. The recent launch of the Multifamily Energy Retrofit Program via funding from the U.S. Department of Energy

[20] *See* s. 420.0004(13), F.S., for specific state statute definitions of persons with special needs including persons with a disabling condition, former foster care participants, survivors of domestic violence and veterans.

[21] Shimberg Center for Housing Studies, *2013 Rental Market Study: Special Needs Households* (Apr. 16, 2013) *available at* http://www.shimberg.ufl.edu/publications3.html.

[22] This whole-systems approach to the design, construction and operation of buildings is intended to increase building longevity while reducing utility and maintenance costs.

Program, though small in size, may portend additional, larger green building financing opportunities in coming years.

Affordable Housing Supply and Preservation

Summary information on Florida Housing-generated ownership housing and rental unit supply and location as well as supply figures on rental units financed through other subsidy programs is provided below. In addition, preservation data and trends are also highlighted. Florida Housing's preservation funding programs currently prioritize developments with U.S. Department of Housing and Urban Development (HUD) or U.S. Department of Agriculture (USDA) Rural Development rental assistance which largely serve extremely low income households. These households are the ones most negatively impacted by losses of assisted housing developments both now and into the future.

- **Supply Data**
  - **Homeownership impact.** Since 1980, Florida Housing has financed the construction or provided the funding for mortgage loans to nearly 65,400 units of ownership housing. Once these homes are sold to eligible buyers, and assuming all loan criteria are met, these units do not come back to Florida Housing for use by another income-eligible homebuyer. In 2013 alone, the following demographics show who was served:
    - The average loan amount in the First Time Homebuyer Program was $108,277.
    - The average acquisition price was $113,697.
    - The average household income was $46,548, or 82.5 percent of area median income.
  - **State Housing Initiatives Partnership Program impact.** Since 1992, the State Housing Initiatives Program (SHIP) has facilitated the creation, rehabilitation or homebuyer purchase of more than 185,000 homeownership and rental units, with almost 90% of SHIP funding going for homeownership. Given that SHIP has not been fully funded since 2008-2009, its recent impact has been muted.
  - **Rental impact.** Combined with affordable rental units financed through HUD, USDA Rural Development and Local Bond programs, the state of Florida currently has approximately 246,000 privately owned affordable rental units and another approximately 34,000 public housing units. Of this total, Florida Housing has participated in financing 181,026 currently active units or 230,118 active and inactive units over time.
  - For perspective, Florida household incomes and rents paid in rental housing:
    - **Incomes:**
      - Average household income in all rental units (including market rate): $30,209.
      - Average household income across all Florida Housing units: $22,861.
      - Average household income in all assisted and public housing units with rental assistance: $10,000 - 16,000.
    - **Rents:**
      - Average rent paid by ALL Florida renters: $1,030/month.
      - Average rent across all Florida Housing units: $705/month.
      - Average tenant rents paid in rental assistance units: under $300/month.
  - Comparing the number of current cost burdened households to the number of rent restricted units financed by Florida Housing across small, medium and large counties (i.e., by population), the proportion of units to cost burdened households is fairly even. Since 2002 when the allocation system changed, the small county and large county groups (overall) have received a slightly higher proportion of units compared to the proportion of current cost burdened households in these counties, and the medium county group has received slightly less in proportion to the current count.

- **Age of the Affordable Housing Supply**
  - 77 percent of the 34,000+ public housing units are at least 30 years old.
  - In the privately owned assisted stock (some of which is in Florida Housing's portfolio), nearly 110,000 units (1,230 properties) are 15+ years old, 45 percent of the assisted units in the state. Of these, 41,443 units are at least 30 years old.
  - In Florida Housing's portfolio alone, nearly 42,000 units are 15-29 years old, and another 3,700 units are 30+ years old.

- **Expiring Affordability Periods and Subsidies**
  - **Affordable developments are being lost.** According to the Shimberg Center, since 1993, Florida has lost more than 52,000 assisted housing units in 600+ properties. Causes include subsidy expirations, conversion to market-rate housing, deterioration, and foreclosure.[23]
  - **Losses of assisted housing have come in waves.** Florida began to lose larger numbers of assisted units in 2002, as early tax credit and bond-financed developments met their subsidy expiration dates. Condo conversions spiked in the mid-2000s. Other waves of losses were linked to recession driven foreclosures and financial distress.
  - **Extremely low income households are most affected by losses.** While 70 percent of formerly assisted developments still offer rental housing, most provide apartments affordable to low income households at 60% of area median income (AMI). *None* offer units affordable for extremely low-income households with incomes at or below 30% of AMI.[24]
  - **Least likely to remain affordable post-subsidy.** Small complexes, developments in neighborhoods with higher rents, and developments that are well connected to bus transit are least likely to remain affordable post-subsidy. As the economy recovers, losses will increase, particularly in higher market, robust growth areas of the state.
  - I**n Florida Housing's portfolio, the number of expiring properties is modest over the next five years, then increases significantly.** There are 392 expiring affordable rental units of all types in Florida Housing's portfolio within years 2015-2019. The number of expiring rental units increases to 8,074 within years 2020 - 2024 and to 11,438 within years 2025 – 2029.
    - The share of expiring 9% and 4% Low Income Housing Tax Credits (Housing Credits) financed rental units is evenly split. Of the 19,900+ rental units set to expire over the next 15 years, just over half of them were originally financed using competitive 9% Housing Credits; 41 percent utilized non-competitive 4% Housing Credits and Bonds, and the rest used a combination of Housing Credits or other financing.
  - **Across the entire assisted rental housing supply in Florida, over 14,000 units have federal rental assistance contracts expiring before 2021**. These owners have the option to terminate these contracts once the expiration date is reached. These units are most likely to serve extremely low income elders and persons with disabilities.

  - **Housing credit affordability periods vary from state to state.** Housing Credit properties are required by federal law to be affordable for up to 30 years, with an "opt out" possibility in

[23] See Shimberg Center for Housing Studies Research Website, *Preserving Affordable Rental Housing*, and *Preserving Affordable Housing: Research and Data Presentation* (Jun. 28, 2013) *available at* http://www.shimberg.ufl.edu/preserving_aff_rental_housing.html (last visited Feb. 24, 2014). The additional bulleted information on preservations data also comes from these sources.
[24] *Ibid.*

the second half of this period under certain circumstances. For both new construction and rehabilitation developments, Florida Housing requires a total affordability period of 50 years for 9% Housing Credits and 30 years for 4% Housing Credits (the latter go with tax-exempt bonds), and applicants waive their right to opt out. For 9% Housing Credits, affordability periods in other state Housing Credit programs show that 31 states either require or incentivize an affordability period of greater than 30 years (14 of these are at 50 or more years) for 9% Housing Credits. For 4% Housing Credits, a few states require more than 30 years, but the majority of states do not require anything beyond 30 years.

Affordable Housing Trust Funds

At this time, Florida Housing's state funds are generally appropriated through the trust funds created by the Sadowski Act. No appropriations are made to Florida Housing from general revenue. From the inception of the trust funds in 1992 through Fiscal Year 2000-01, the Legislature appropriated all documentary stamp tax distributed to the trust funds for affordable housing programs greatly enhancing the impact and reach of Florida Housing. The Legislature has chosen to sweep at least some of the trust fund distributions in eight out of the last 13 years for the purpose of meeting state budget deficits or for other purposes. Future trust fund sweeps would continue to impact Florida Housing's ability to carry out its statutorily defined mission and purpose.

- **Total documentary stamp collections are increasing.** According to the state *Long Range Financial Outlook*, while documentary stamps are nowhere near their prior peak, they have increased over the past three years a trend expected to continue. This forecast, combined with projected general revenue improvements for the state, suggests that future monies will be available from trust funds should the Legislature choose to appropriate them.
- **"Legacy" Environmental Spending Constitutional Amendment is on the November ballot.** This proposed amendment mandates that 33% of future documentary stamp revenues be spent on environmental and land purchase programs**.** The Revenue Estimating Committee has stated that this requirement may result in reductions to existing programs currently funded by the revenues, or in the replacement of those dollars with other state funds at a loss to other programs.
- **Renewed appropriations of Housing Trust Fund dollars would make a difference.** Florida Housing estimates that every $1 million appropriated to SAIL would create approximately 33 units, leverage $3.31 million in private and other public investments and generate approximately 70 jobs and $8.89 million in economic benefit. Every $1 million appropriated to SHIP would create approximately 56 units, leverage $4.39 million in private and other public investments and generate approximately 103 jobs and $13.02 million in economic benefit.

Markets and Methods related to Housing Related Investments

Recent Moody's and Standard and Poor's nationwide analyses of state Housing Finance Agencies (HFAs) are cautiously optimistic regarding their future, acknowledging that HFAs have evolved to meet the demands of the new lending environment.[25] These nationwide evaluations viewed HFA asset positions and profitability as solid during the downturn with signs of renewed strength now emerging. While HFA delinquencies are still seen as relatively high from an historical perspective, analysts believe balance sheets are strong enough to absorb them going forward. Below are some relevant investment market predictions, conditions and approaches specifically related to Florida Housing.

---

[25] *See* Moody's Investor Service, *2014 Outlook: US State Housing Finance Agencies* (Nov. 25, 2013), *available at* http://www.ncsha.org/resource/moodys-2014-hfa-outlook and Standard & Poor's Ratings Services Ratings Direct, *Housing Finance Agency Loan Delinquencies Remain High But Should Not Affect Ratings* (Nov. 18, 2013), *available at* http://www.ncsha.org/resource/sp-report-hfas-1113.

- **Issues impacting national origination volume of homeownership loan programs.** Current pressures affecting origination volume include higher credit standards, competition from investors buying homes as rental properties and a shrinking supply of affordable homes due to investors and cash buyers. While the Mortgage Bankers Association expects a slight increase in year-over-year originations in 2014, it recently lowered a previously rosier projection.[26] Forecasted refinance originations were also revised downward to roughly 60 percent of 2013 totals.
- **Movement away from traditional mortgage revenue bonds.** Annual issues of single family mortgage bonds declined significantly as a result of the financial crisis. A return to pre-crisis levels is unlikely in the near future. Recent reports suggest bond dealers expect 2014 to be the second-worst year for municipal issuance in a decade with some predicting the lowest volume since 2000, as the Federal Reserve's tapering program pushes interest rates higher.[27]
- **Financing flexibility will be critical going forward.** Diversified loan strategies including Mortgage Backed Security (MBS) pass-through bonds, MBS sales in the secondary market and direct loan sales to Government Sponsored Entities provide much needed flexibility to react in future markets. The success of Florida Housing's recent entry into the To Be Announced market supports the continuous lending concept during a time when use of traditional mortgage revenue bond strategies are not as useful.
- **Pricing on Housing Credits has strengthened.** After dropping precipitously, average Housing Credit pricing increased by over 30% from the 2009 to the 2011 funding cycle, a trend making development financing more possible.[28] According to investors, the current Florida locations that will demand higher pricing are Miami-Dade and Broward counties; following those areas, urban locations within Tampa, Orlando, and Jacksonville MSAs along with Palm Beach County. Good developments in other areas of the state will be able to find investors, but pricing will be slightly less. The highest pricing is usually offered by direct investors (i.e., banks) for specific locations to meet Community Reinvestment Act (CRA) needs, with the lowest pricing typically offered by national investors in a pooled-asset investment strategy (i.e., they aren't buying particular properties to meet location needs, but are choosing to invest in a broader Housing Credit investment that includes multiple properties).
- **The Guarantee Program portfolio is stable.** The risk-to-capital ratio of the program has continued to improve and stood at 1.80:1 at the end of February 2014. Prudent and forward-thinking decisions and actions have stabilized the Guarantee Program thereby enhancing Florida Housing's rental financing position for future years.

Federal and State Legislative Issues/Trends related to Housing

Florida Housing's administration of resources to finance affordable housing requires adherence to numerous laws, rules and regulations. Federal and state legislative mandates impact, and often dictate, Florida Housing's programs and priorities. Below are some current legislative issues and trends that may be relevant to the future of affordable housing in the state. As with any proposed or potential legislation, the specifics are fluid and unpredictable.

- **Congress may re-envision the roles of Fannie Mae and Freddie Mac.** Legislation filed in 2013 contemplates consolidating the multifamily mortgage lending programs of Fannie Mae and Freddie Mac and transferring these activities to a newly created Federal Mortgage Insurance Corporation (FMIC) whose risk would be shared by the private sector. Competing legislation

---

[26] Press Release, Mortgage Bankers Association, *MBA Lowers 2014 Mortgage Originations Forecast* (Jan. 14, 2014) *available at* http://www.mbaa.org/NewsandMedia/PressCenter/86781.htm.
[27] The Bond Buyer, *Low 2014 Issuance Will Rival Worst in Decade, Dealers Say* (Jan. 16, 2014) *available at* http://repubhub.icopyright.net/freePost.act?tag=3.7745?icx_id=1059043.
[28] *See* Florida Housing Finance Corporation, *Financing Multifamily Rental Housing* (Nov. 1, 2013).

essentially eliminates most taxpayer support for the housing market and pushes out the government. This route would wind down both Fannie and Freddie over five years and severely shrink FHA's footprint in the mortgage market.[29]

- **Potential 'blank slate' approach to federal tax reform is being discussed.** In an effort to balance the national budget and reduce the national debt, this approach would overhaul the U.S. tax code by taking all current tax deductions off the table and demand compelling justifications to renew them. The mortgage interest deduction, tax exempt private activity bonds and the Housing Credit program could be vulnerable in any deficit-reduction proposals.[30]
- **Modifications in the allocation decision process are being implemented.** Chapter 2013-83, Laws of Florida, clarified Florida Housing's ability to allocate financial resources, such as Housing Credits, through a competitive solicitation process. Florida Housing has chosen to use a "Request for Applications" (RFA) process for this purpose and has begun implementing the procedure. This more flexible process better enables Florida Housing to react to changing markets and needs and may also result in less litigation. Further modifications of this procedural change may be worth pursuing as Florida Housing and its partners become more conversant with it.
- **The continuation of the state Legislature's recent targeted non-recurring appropriations may drive future programmatic priorities.** Chapter 2013-106, Laws of Florida, included a number of specifically defined and targeted affordable housing appropriations. A continuation of explicitly designated state appropriations will put a premium on Florida Housing's ability to quickly develop, process and award funding per statutory requirements. Any long range programmatic priorities of Florida Housing would be affected by a continuation of more, and possibly more varied, annual legislatively-driven priorities.

---

[29] *See* Joint Center for Housing Studies of Harvard University, *The Changing Landscape for Multifamily Finance* (Dec. 2013), *available at* http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/rhb01_apgar_lajeunesse.pdf. Known respectively as the Corker-Warner proposal and the PATH Act.

[30] *Ibid.* The Senate Budget and the House Ways and Means Committees are taking the lead on any tax reform.

Additional Links to Relevant Sources

State of Florida Long Range Financial Outlook Fiscal Year 2014-15 through 2016-17

2013 Rental Market Study: Affordable Housing Needs (The Shimberg Center for Housing Studies)

Bipartisan Policy Center Rental Housing Market Trends

Rental Housing Markets and Needs Study: Joint Center for Housing Studies at Harvard University

Changing Landscape for Multifamily Finance: Joint Center for Housing Studies of Harvard University

Moody's 2014 Outlook for State Housing Finance Agencies

Standard & Poor's Report on HFAs