A Few Basic Terms

Affordable Housing:

Affordable housing is defined in terms of the income of the household living in the housing. Housing is generally said to be affordable when a family is spending no more than 30 percent of its income on housing. A household is severely cost burdened if it is paying 50 percent or more of its income for housing.

A Housing Crisis:

A full-time worker earning the federal minimum wage of $7.25 needs to work approximately 122 hours per week for all 52 weeks of the year, or approximately three full-time jobs, to afford a two-bedroom rental home at the national average fair market rent. The same worker needs to work 99 hours per week for all 52 weeks of the year, or approximately two and a half full-time jobs, to afford a one-bedroom home at the national average fair market rent.

Allocation or PAB Allocation:

The federal government permits each state to issue only a specified amount of Private Activity Bonds each year. The amount is based on population. Each state has its own process for allocating authority to governmental entities that want to issue Private Activity Bonds. In Florida, PAB allocation is distributed by the State Division of Bond Finance ("DBF") of the State Board of Administration pursuant to a statutory process set out in Chapter 159, Part VI, Florida Statutes. Generally, PAB Allocation is granted on a project-by-project basis following a TEFA hearing

AMI – Area Median Income:

This means the household income for the middle household in a region, taking into account the highest and the lowest. The median income is not the same as the average income. The AMI for each county in Florida is established each year by the U.S. Department of Housing and Urban Development ("HUD"). AMI is adjusted for family size (it is higher if the family size is larger). <u>Don't Forget! These limits are subject to change every year, and they don't always go up.</u>

- Income at or below 30 percent of AMI is referred to as Extremely Low income;
- Income at or below 50 percent of AMI is referred to as Very Low Income;

- Income at or below 80 percent of AMI is referred to as Low Income; and
- Income at or below 120 percent of AMI is referred to as Moderate Income.

DBF or Division of Bond Finance:

The Division of the Florida State Board of Administration that is responsible for administering PAB Allocation pursuant to a statutory process set out in Chapter 159, Part VI, Florida Statutes. The long-time director of DBF is Mr. Ben Watkins (aka He Who is Greatly To Be Feared).

FHFC - Florida Housing Finance Corporation – Florida Housing:

Quasi-public agency and state instrumentality created pursuant to Chapter 420, Florida Statutes. Administers many affordable housing programs, including single family first-time homebuyers program, Mortgage Credit Certificate Program. Florida Housing also issues bonds for multi-family residential rental housing, Elderly Housing, Special Needs Housing, Veterans Housing, any many other projects. Florida Housing administers SHIP and SAIL appropriations and LIHTC programs for the state, along with many other programs

HAP or Housing Assistance Plan:

Each county has a plan for distributing its SHIP funds. This plan is called a "Housing Assistance Plan" or "HAP."

IDB or Industrial Development Revenue Bond:

General term for a tax-exempt revenue bond, excluding those for strictly governmental projects. These are issued by Florida Housing, Local Housing Finance Authorities, and many counties to finance capital projects for a wide variety of housing-related projects. Slightly archaic; most people now say "Private Activity Bond."

LIHTC - Low Income Housing Tax Credits:

(This is usually pronounced "Lie-Tech" or "Lighty" or just "Tax Credits.") These are tax credits made available through the federal government, which makes a population-based allocation of these credits to all states. In Florida, LIHTC is distributed though the Florida Housing Finance Corporation. Affordable housing developers sell these tax credits to large investors through a process usually called "syndication" and use the cash from the sale to pay a part of the cost of construction.

9% LIHTC:

9% Tax Credits are awarded through a very competitive process (think *Hunger Games*) established by the Florida Housing Finance Corporation. They do not involve tax-exempt bonds. The 9% is applied against "qualifying cost" which is generally hard cost.

4% LIHTC:

4% Tax Credits are awarded "automatically" by the Florida Housing Finance Corporation to developers who finance their projects with tax-exempt bonds and meet the threshold requirements of Florida Housing Finance Corporation. (The process is not exactly automatic, as requirements must be met. Accordingly, the process is tedious, not competitive.) The 4% is applied against "qualifying cost" which is generally hard cost.

LURA or Land Use Restriction Agreement:

This is an agreement that is filed in the public records at the time of issuance of a tax-exempt revenue bond for multifamily housing ("MMRB"). It evidences the developer's agreement to set aside a certain number of units for persons of lower income for a certain period of time usually referred to as the "Qualifying Project Period."

MCC - Mortgage Credit Certificates

Mortgage credit certificates entitle a borrower to a tax credit that will reduce their federal taxes up to fifty percent of the amount of interest paid on their home loan not to exceed $2,000 per year. Mortgage credit certificate programs can be offered by governmental entities, such as the Florida Housing Finance Corporation and local Housing Finance Authorities. Mortgage Credit Certificate programs require private activity bond allocation that is obtained by converting regular private activity bond allocation on a 4:1 basis to obtain allocation for mortgage credit certificates.

MMRB or Multifamily Mortgage Revenue Bond

A type of Private Activity Bond issued to finance multi-family residential rental housing projects. These are issued by Florida Housing and Local Housing Finance Authorities to finance a wide variety of housing related projects, including elderly housing in some contexts.

MRB or Mortgage Revenue Bond:

A type of Private Activity Bond issued to finance single-family mortgage loan programs. These are issued by Florida Housing and by Local Housing Finance

Authorities, although current market conditions are not as favorable as they once were.

PAB or Private Activity Bond:

General term for a tax-exempt revenue bond, excluding those issued for exclusively governmental projects. These are issued by Florida Housing, Local Housing Finance Authorities, and many counties to finance capital projects for a wide variety of housing-related projects. People used to call these "IDBs."

Qualifying Income:

Generally, government sources for homebuyer assistance are reserved for persons or families who earn less than a specified percentage of the "Area Median Income" (or "AMI") for the county in which they reside. Different programs often serve persons with different percentages of the AMI, but most programs use AMI as the base for measurement.

Generally, if a single family first-time homebuyer program is funded with the proceeds of tax-exempt bonds, qualifying income is going to be right at 100% of AMI.

If a residential rental project is funded with the proceeds of tax-exempt bonds, generally, either 20% of the units must be set aside for families with income at or below 50 percent of AMI or 40% of the units must be set aside for families with income at or below 60% of AMI

Qualifying Project Period:

This is the period of time that a portion of the units of a multifamily rental housing development financed with tax-exempt bonds must be set aside for persons of specified lower incomes. This will be somewhere between fifteen years and eternity depending upon legal requirements of the bond issue (pegged to period of time the bonds are outstanding and policy requirements of the entity that issues the bonds).

Qualifying Sales Price or Acquisition Price Limit:

Generally, government sources for homebuyer assistance are reserved for persons or families who want to buy a reasonably priced home. The U.S. Treasury establishes for each year for each county limits on sales price of homes that are financed with tax-exempt bond programs. This limit is calculated based on the median sales price for homes that sold in the county in the past year.

Qualifying Sales Price includes everything that is paid by or on behalf of the homebuyer for the home, and it is not adjusted for family size.

<u>Don't Forget! These limits are subject to change every year, and they don't always go up.</u>

SHIP - The State Housing Initiatives Partnerships Program.

The State Housing Initiatives Partnerships Program (or "SHIP") is administered by local governments. In most counties, both the cities and the county government receive and distribute their allocation of funds that are received from the State of Florida.

SHIP funds are derived from documentary stamp taxes collected in each county when documents are recorded in the public records. The Florida Legislature enacted the William E. Sadowski Act in 1992 that increased the documentary stamp tax and provided that a specified percentage of the documentary stamp tax would be deposited to affordable housing trust funds. Homebuilders, realtors and others interested in affordable housing advocated for the passage of the Sadowski Act and every year advocate for full funding of the housing trust funds (because the Legislature has a practice of appropriating a portion of these funds for other purposes).

SAIL - State Apartment Incentive Loan Program

The State Apartment Incentive Loan (SAIL) Program is state-funded and provides non-amortizing, low-interest (1% at present) loans to developers of affordable rental housing each year. The Florida Housing Finance Corporation administers SAIL money and distributes it on a highly competitive basis.

Recapture Tax:

There are certain circumstances that require a borrower to reimburse the federal government for benefits obtained through loans financed with tax-exempt single-family mortgage revenue bonds or from Mortgage Credit Certificates. It is unlikely that a borrower will owe recapture tax.

TEFRA:

This stands for the Tax Equity and Fiscal Responsibility Act of 1982. Generally, TEFRA requires that an elected official approve a bond issue before it is issued, and there must be a public hearing held before the approval is granted. The public hearing must be preceded by at least fourteen days published notice.