



Broward County

Legislation Text

File #: 22-1574, Version: 1

Broward County Commission Regular Meeting

Director's Name: Leonard Vialpando

Department: Resilient Environment **Division:** Housing Finance Division

Information

Requested Action

A. MOTION TO APPROVE gap financing for four affordable housing projects and associated amounts as follows: 1) Southwest Hammocks/Carrfour or its affiliate (Southwest Hammocks) at \$1 million dollars (50 units); 2) City Place/Landmark or its affiliate (City Place) at \$3 million dollars (99 units); 3) University Station/Housing Trust Group or its affiliate (University Station) at \$6 million dollars (216 units); 4) Pinnacle 441/Pinnacle Communities LLC (Pinnacle 441) at \$1.8 million dollars (113 units); authorizing County Administrator to execute all agreements, subject to approval as to legal sufficiency by the Office of the County Attorney, related to the listed gap financing projects; and authorizing the County Administrator to take the necessary administrative and budgetary actions. **(Commission Districts 1 and 6)**

ACTION: (T-10:44 AM) Approved.

VOTE: 7-0. Commissioner Bogen voted in the affirmative telephonically. Commissioner Moskowitz was not present.

B. MOTION TO APPROVE reallocation of \$3,000,000 in gap financing previously awarded to HTG Madison Park, LTD or its affiliate (Madison Park Senior Housing - 103 units), to HTG University Station I, LLC or its affiliate (University Station, LLC - 216 units) to provide gap funding as provided in Motion A; and authorizing the County Administrator to take the necessary administrative and budgetary actions. **(Commission District 6)**

ACTION: (T-10:44 AM) Approved.

VOTE: 7-0. Commissioner Bogen voted in the affirmative telephonically. Commissioner Moskowitz was not present.

Why Action is Necessary

Board action is required to approve agreements with outside agencies and to create a new capital project above \$25,000.

What Action Accomplishes

Authorizes the County Administrator to execute agreements for financing four affordable housing projects totaling \$11.8 million dollars (478 units total).

Is this Action Goal Related

Yes

Previous Action Taken

None taken.

Summary Explanation/Background

THE RESILIENT ENVIRONMENT DEPARTMENT AND THE HOUSING FINANCE DIVISION RECOMMEND APPROVAL OF THE ABOVE MOTION.

The item supports the Board's Value of "offering sustainable, compatible, innovative housing options for all income levels, including integrated permanent supportive housing and the corresponding goal of" "increase the availability of affordable housing of all types, countywide, in every community using effective, uniform criteria, policies and strategies".

MOTION A

At the beginning of calendar year 2022, a significant and unusual "run up" of construction costs resulted from a perfect storm of supply shortages, logistic issues, trades availability and trades cost. More recently, increasing interest costs have further exacerbated the issue. This extreme and rapid escalation in construction costs has rendered the FYI 21 Florida Housing Finance Corporation (FHFC) awards for the "9% Tax Credit" equity and the State Apartment Incentive Loan (SAIL) go from providing "full funding" for projects to suddenly being not financially viable to close on construction financing. The developers of these projects, en masse, requested FHFC provide additional gap financing in the form of additional 9% tax credits or SAIL Loans. A program was developed by FHFC and a deadline for application of additional funding was held this past July 2022. According to FHFC, 74 projects statewide applied for additional funding. Six projects from Broward County applied for this funding. Sadly, as updated construction pricing has come in many projects statewide have found that even with maximum additional gap financing from FHFC the projects are still not viable. Generally, the additional funding from the state was approximately \$5 million dollars per project. FHFC has taken the position that no further funding will be forthcoming, as any additional funding places the ability to conduct a new FY23 funding cycle at risk. Of the six Broward projects that received additional funding, four of the projects are underfunded. Each of the four project developers have approached Broward County requesting gap financing to allow the construction of the projects. It should be noted that the County has no previous funding allocated to these four projects other than the FHFC required application match of \$100,000 per project.

Broward Housing Finance Division staff have had several conversations with FHFC staff requesting that the state be responsible for the additional funding. The FHFC has indicated no additional funding will be forthcoming, and that this is a condition that is occurring statewide. Further, in other counties and cities the local governments are providing the additional gap to allow the projects to close and to be constructed.

The four Broward projects total 478 units and are requesting a total of \$11.8 million dollars as follows:

1. Southwest Hammocks (Carrfour) \$1 million dollars (50 units) City of Hollywood (\$20,000 per unit

gap award)

2. City Place (Landmark) \$3 million dollars (99 units) City of Dania Beach (\$30,303 per unit gap award)

3. University Station (HTG) \$6 million dollars (216 units) City of Hollywood (\$27,777 gap award)

4. Pinnacle 441 (Pinnacle Communities) \$1.8 million dollars (113 units) City of Hollywood (\$15,929 gap award)

Exhibit 1 provides correspondence from each of the project developers explaining their request. Also, each of the developers has provided detailed "Sources and Uses" for their project based on the FHFC initial award and recent construction pricing.

The critical factor, in addition to the need for new affordable housing units, is that the initial FHFC award and the added gap financing provides large sources of noncounty equity for these deals. For example, the 9% tax credit deals have over \$30 million dollars in State funding per project. Allowing these projects to go unassisted will result in the loss of this equity and the new unit production.

The loan terms for the County gap financing for each of the projects is a 30 year, zero interest, non-amortizing loan that is due in full at the end of the term or upon refinancing or sale of the property at the County's discretion. However, the staff is now recommending, and each developer agrees, to an expanded affordability period from 30 years to 50 years. And, as indicated above, the gap financing per unit is well below the general standard of \$50,000 per unit. The Housing Finance Division staff and Financial Advisor will monitor the final credit underwriting of the project, as will FHFC, and reserves the right to reduce the gap financing award(s) based on final Sources and Uses.

MOTION B

As reflected in Motion B above, HTG received a \$3 million dollar award recently for a project, Madison Park Senior Housing, that was conditioned on a funding award from FHFC. This funding was not awarded. As reflected in Motion A above, one of the four projects is also a HTG project, University Station, and is also located in the City of Hollywood. Staff is recommending that the \$3 million dollar award associated with Madison Park Senior Housing be "reallocated" to the University Station request. In effect, the funding will return to the Affordable Housing Trust Fund and will be a portion of the total funding awarded to the four projects described above.

Staff recommends funding each of the four projects. Funding for these projects is available in the Affordable Housing Trust Fund and includes adequate remaining funding to provide for a FY 23 Request for Application cycle.

Source of Additional Information

Ralph Stone, Director, Housing Finance Division/Executive Director, Housing Finance Authority, 954-357-5320.

Fiscal Impact

Fiscal Impact/Cost Summary

This agenda item proposes to utilize \$11.8 million dollars funding from the Affordable Housing Trust Fund to provide construction of 478 new affordable housing rental units.