

# Housing as a Tool for Redevelopment

Certification Training – May 13, 2016

*Produced and Prepared in partnership with:*



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## Certification Training – Study Guide

**Date:** Friday, May 13, 2016  
**Location:** Real Estate Research Consultants/GAI  
618 E. South Street, Suite 600  
Orlando, FL  
(407) 423-8398

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## **Acknowledgments**

Housing as a Redevelopment Tool is one module of the FRA Redevelopment Academy's Certification Program, and content from other modules has been integrated herein to provide a consistent presentation of information regarding redevelopment.

The other modules and teams that developed them are listed below:

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## ***Housing as a Redevelopment Tool – Agenda***

### **9:00 – WELCOME AND INTRODUCTION**

### **9:15 – STEP 1: UNDERSTAND CAPACITY AND CONSTRAINTS**

- ☐ Community Redevelopment Agencies (CRA)
- ☐ Property Acquisition/Disposal
- ☐ Assessing Your Agency's Capacity and Constraints
- ☐ Public Funding Sources for Housing
- ☐ Challenge of Mixed Income Housing Development
- ☐ Context/Partnerships

### **9:45 – STEP 2: IDENTIFY AREA HOUSING ISSUES, NEEDS & MARKET DEMAND**

- ☐ The Real Estate and Housing Cycle
- ☐ Housing Trends in Florida
- ☐ The “Healthy Mix”
- ☐ Housing Issues, Needs & Market Demand Analysis
- ☐ University of Florida Shimberg Center
- ☐ Communicating Results – Sharing the Story

### **10:15 – STEP 3: PLAN FOR MARKET RATE, WORKFORCE & AFFORDABLE HOUSING**

- ☐ Agency's Objectives for Housing
- ☐ Constraints to Housing Development
- ☐ Housing Policies & Procedures
- ☐ Strategic Planning/Community Involvement
- ☐ Land Development Regulations
- ☐ Creative Innovations
- ☐ Anticipating the Impact of Housing Programs

### **10:45 – BREAK**

### **11:00 – GROUP EXERCISE**

- ☐ Breakout Groups
- ☐ 30 minutes working
- ☐ 30 minutes presentation

### **LUNCH BREAK/ WORKING LUNCH**

**AGENDA CONTINUED ON NEXT PAGE**

## **HOUSING AS A REDEVELOPMENT TOOL AGENDA (CONTINUED)**

### **1:00pm – STEP 4: IDENTIFY RESOURCES, GAP-FILLING SUBSIDIES AND INCENTIVES**

- ☐ Public/Private Partnerships
- ☐ Why is the Public Sector Concerned?
- ☐ Investor's and Lender's Perspectives
- ☐ Community Reinvestment Act (CRA)
- ☐ Redevelopment Agency's Job
- ☐ Incentives: Filling the Gap
- ☐ Disposal of Property
- ☐ Public Funding Sources for Affordable & Workforce Housing

### **1:30 – STEP 5: ACQUIRE PROPERTY**

- ☐ Objectives for Acquisition
- ☐ Acquisition Issues
- ☐ Property Title
- ☐ Property Deeds
- ☐ Methods for Acquiring Property

### **2:15 – STEP 6: REHABILITATE OR DEMOLISH SUB-STANDARD HOUSING**

- ☐ Rehabilitation & Demolition – Objectives & Constraints
- ☐ Housing Rehabilitation – Agency-Owned Property
- ☐ Housing Rehabilitation – Privately Owned Property
- ☐ Demolition – Agency-Owned Property
- ☐ Demolition – Privately Owned Property

### **2:30 – STEP 7: FACILITATE NEW HOUSING CONSTRUCTION**

- ☐ Why CRA's are Involved in New Housing Construction?
- ☐ Objectives for New Housing
- ☐ *Build It If You Have To!*
- ☐ Constraints to Housing Development
- ☐ Project Delivery & The Development Process
- ☐ Borrowing to Finance a Project
- ☐ Processes for Procurement
- ☐ Monitoring the Construction Project
- ☐ Marketing the Project

### **3:00 – GROUP EXERCISE**

- ☐ Breakout Groups
- ☐ 30 minutes working
- ☐ 30 minutes presentation

### **4:00 – DISCUSSION, QUESTIONS, & TEST**

### **5:30 – ADJOURNMENT**



## FRA Mission

### FRA Mission

The mission of the Florida Redevelopment Association is:

- to provide a forum for members to share knowledge and common experiences regarding redevelopment opportunities and problems
- to encourage adoption of legal and financial tools and programs favorable to community redevelopment; serve as a statewide clearinghouse for redevelopment information; and . . .
- *to encourage Florida's communities to create a "healthy mix" of affordable, workforce and market rate housing*

## Housing Types – Market Definitions

### Housing Types – Market Definitions

- Luxury - High Income
- Market Rate - Middle Income
- Workforce - 60% to 120% of Area Median Income (AMI)
- Affordable - <60% of AMI
- Mixed Income – combination of above

*\* Households that spend more than 30% of income on housing are considered to be "cost burdened"*

## Agency's Objectives for Housing

### Agency's Objectives for Housing

- Prioritize and budget CRA Increment Revenue to facilitate creating a “healthy mix”.
- Work with the private sector to:
  - encourage Luxury and Market Rate housing and incentivize, if necessary, when possible.
  - facilitate tax-credit financing and other funding for development of Workforce and Affordable Housing.
- Work with public sector, City/County/other Agencies, to encourage public development and public/private partnerships to create Workforce and Affordable Housing.
- Work with both the private and public sectors to realize opportunities for new Mixed Income Housing.
- “Build It If You Have To!”

## Luxury and Market Rate Housing as a Redevelopment Tool

### Luxury and Market Rate Housing as a Redevelopment Tool

- High and Medium Income households generate a strong retail/restaurant/local business market.
- Affluent retirees may increase expenditures for medical services offered in the area.
- Non-subsidized housing creates environment of healthy property values.
- Homeownership vs. Rental
  - Homeownership brings stakeholders into the CRA District.
  - Rental properties entice young “creatives”.
- Area that is exclusively Luxury and Market Rate may make it cost prohibitive for area business employees to live nearby.

## CRA's Unique "Fit" in Workforce and Affordable Housing Development

### CRA's Unique "Fit" in Workforce and Affordable Housing Development

- Workforce and low-income households provide workforce for area businesses.
- Retirees on fixed income may require Affordable Housing.
- Homeownership vs. Rental
  - Homeownership may be very challenging below 60% of Area Median Income (AMI), not possible below 30%.
  - Multifamily rental communities can be managed to assist low- and very low-income households through training and counseling.
- Subsidies and incentives are often required to build or rehabilitate Workforce/Affordable Housing.

## Benefits of Mixed Income Housing/Communities

### Benefits of Mixed Income Housing/Communities

- Reduced income segregation providing lower-income residents with opportunities to move up occupational/social ladders
- Improved quality of Affordable/public housing
- Decreased crime in the area
- Increased property values and tax base
- Enhanced public services
- Higher quality schools
- Increased need for improved public transit
- More politically palatable option to building Affordable housing projects in a neighborhood



## *Step One – Understand Capacity and Constraints*

Community Redevelopment Agencies (CRA)  
Property Acquisition/Disposal  
Assessing Your Agency's Capacity and Constraints  
Public Funding Sources for Housing  
Challenge of Mixed Income Housing Development  
Context/Partnerships

### STEP 1 – UNDERSTAND CAPACITY AND CONSTRAINTS



## Community Redevelopment Agencies (CRAs)

### Community Redevelopment Agencies (CRAs)

- Authorization for CRAs was passed in the Redevelopment Act of 1969 which became Chapter 163 Part III of the Florida Statutes.
- CRA's were not in widespread use until after 1980 when State of Florida v. Miami Beach was decided.
- As of last review there are more than 200 CRAs registered with the Florida Department of Economic Opportunity.
- CRAs are currently the only form of Tax Increment Districts in widespread use in the State of Florida.
- CRAs may be created by a City or County to assist in the elimination of slum and/or blighting conditions.
- State is not involved in the creation of CRAs.

## CRA Legislative Intent – Eradication of Slum & Blighted Areas

### CRA Legislative Intent Eradication of Slum & Blighted Areas

“Existence of such areas”:

- constitutes a serious and growing menace, injurious to public health, safety, welfare of residents
- contributes to spread of disease and crime
- constitutes an economic and social liability, decreasing tax base and revenues
- impairs sound growth
- **retards provision of housing accommodations**
- aggravates traffic problems and traffic hazards

## Use of Redevelopment Trust Funds – FS 163 Part III

### Use of Redevelopment Trust Funds – FS 163 Part III

Money in the redevelopment trust fund may be expended for undertakings as described in the Community Redevelopment Plan, including, but not limited to:

- Administrative and overhead expenses
- Redevelopment planning, surveys, & financial analysis
- Acquisition of real property in the CRA District
- Clearance/preparation & relocation of occupants
- Repayment of borrowed funds
- All expenses related to bonds/other indebtedness
- Development of affordable housing
- Community policing innovations

## Property Acquisition

### Property Acquisition

- A CRA may acquire property by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition.
- Property acquisition objectives should be in the Redevelopment Plan.
- *Don't land bank just to land bank.* Acquisition takes properties off the tax roles – it's new development that increases future Increment Revenue.

## Disposal of Real Property – FS 163.380

### Disposal of Real Property – FS 163.380

- Proposed use(s) must be in the Redevelopment Plan.
- May follow any procedures deemed reasonable.
- Must publish a public notice of such disposition **at least 30 days prior** to the execution of any contract to sell, lease, or otherwise transfer.
- Must invite proposals from private redevelopers or any persons interested in undertaking to redevelop the property.
- Exception:
  - *additional 35% adjacent* to land of 20 acres or more previously disposed of by the CRA
  - Disposition of property that was part of a closed military base shall be prescribed by the Governing Body

## Disposal of Real Property – (continued)

### Disposal of Real Property – (continued)

- CRA may accept or reject all proposals.
- CRA can consider long term benefits – must dispose of real property for “fair value”, not market value.
- CRA may restrict resale unless and until all contract commitments are in place.



## It Must Be in the Plan!

### It Must Be in the Plan!

- Any project or program a CRA wishes to undertake must be outlined in the Community Redevelopment Plan
- *If it is NOT in the Plan, you can't do it!*



## Assessing Your Agency's Capacity and Constraints

### Assessing Your Agency's Capacity and Constraints

- All provisions of Statute 163 Part III, as enacted by the Governing Body that created the CRA
- Budget and sources of funds for housing projects
- Organizational structure, context & partnerships
- Other
  - Availability of vacant land or land suitable for redevelopment
  - Land Development Regulations, Land Use & Zoning
  - Political constraints – potential conflict between elected officials, business interests, housing advocates, and existing homeowners/residents



## Budget & Funding Sources

### Budget & Funding Sources

- Private sector can build Luxury and Market Rate housing, but may require incentives to realize a return on investment or to achieve CRA objectives.
- CRA Increment Revenue can be used to incentivize building any types of housing to help create a “healthy mix”.
- Tax-credit financing and other funding sources are available to the private sector for development of Workforce and Affordable housing.
- There are many public funding sources for public development of Workforce and Affordable housing.
- **There are no funding sources solely committed to the development of Mixed Income housing, although “Mixed Finance” is a HUD recognized method for such development.**

## Public Funding Sources for Building or Rehabilitating Housing

### Public Funding Sources for Building or Rehabilitating Housing \*

- |  |  |
|--|--|
| • Community Development Block Grant Program (CDBG) | • Funds available exclusively to Public Housing Authorities          |
| • Home Investment Partnerships Program (HOME)      | • Community Contribution Tax Credit (CCTC)                           |
| • State Housing Initiative Partnership (SHIP)      | • Multi-Family Mortgage Revenue Bond Program                         |
| • Neighborhood Stabilization Program (NSP)         | • HUD Section 202 – Housing for Elderly Persons                      |
| • Low-Income Housing Tax Credits (LHTC)            | • HUD Section 811 – Supportive Housing for Persons with Disabilities |
| • State Apartment Incentive Loan program (SAIL)    |  |

\* AFFORDABLE HOUSING FUNDING SOURCES  
Florida Housing Coalition, Inc. – June 2015

## Public Funding Sources for Individuals or Household Assistance

### Public Funding Sources for Individuals or Household Assistance \*

- Community Development Block Grant Program (CDBG)
- Home Investment Partnerships Program (HOME)
- State Housing Initiative Partnership (SHIP)
- Neighborhood Stabilization Program (NSP)
- Funds available exclusively to Public Housing Authorities
- Housing Choice Voucher (HCV) Program (previously known as Section 8)
- Continuum of Care Program
- Urban Rural Housing Service – Ownership & Rental
- The Weatherization Assistance Program (WAP)
- HUD Section 811 – Supportive Housing for Persons with Disabilities

\* AFFORDABLE HOUSING FUNDING SOURCES  
Florida Housing Coalition, Inc. – June 2015

## Private Funding Sources

### Private Funding Sources \* *(not in 2015 Update)*

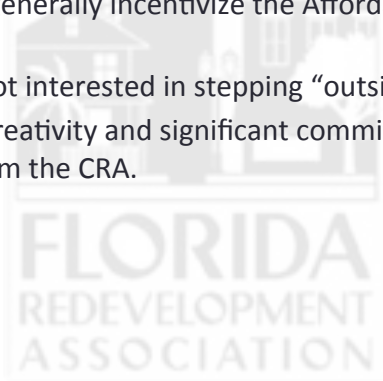
- Community Foundations of Florida
- Florida Community Loan Fund
- Federal Home Loan Bank Affordable Housing Program (AHP)
- Bank of America Charitable Foundation
- Home Depot Foundation
- JPMorgan Chase
- Lowe's Foundation
- United Way
- Wells Fargo

\* AFFORDABLE HOUSING FUNDING SOURCES  
Florida Housing Coalition, Inc. – September 3, 2014

## Challenge of Mixed Income Housing Development

### Challenge of Mixed Income Housing Development

- Mixed Income Housing often requires a diverse source of funding/financing, because funding sources are not solely focused on benefits of mixed income housing.
- Public funds generally incentivize the Affordable Housing components.
- Developers not interested in stepping “outside the box”.
- Can require creativity and significant commitment of funding/incentives from the CRA.



## Organizational Structure, Context & Partnerships

### Organizational Structure, Context & Partnerships

- Redevelopment Agency structure
  - Staff Resources and Time
  - Consultant Expertise
- Partnerships with other Agencies
  - City/County Departments
  - Community Development Corporations (CDC)
  - Community Housing Development Organizations (CHDO)
  - Community Land Trusts (CLT)
  - Public Housing Authorities (PHA)
  - Habitat for Humanity



## City/County Housing Programs

### City/County Housing Programs

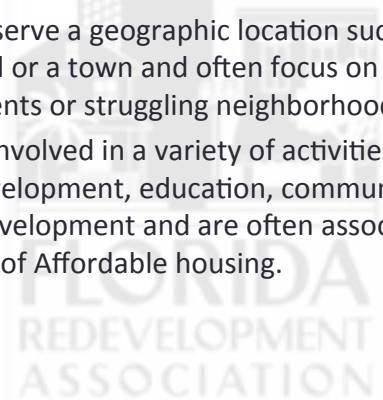
- Community Development Block Grant (CDBG)
- Home Investment Partnerships Program (HOME)
- State Housing Initiative Partnership (SHIP)
- Neighborhood Stabilization Program (NSP)
- Other/local housing initiatives



## Community Development Corporation (CDC)

### Community Development Corporation (CDC)

- A CDC is a not-for-profit organization incorporated to provide programs, offer services and engage in other activities that promote and support community development.
- CDCs usually serve a geographic location such as a neighborhood or a town and often focus on serving lower-income residents or struggling neighborhoods.
- CDCs can be involved in a variety of activities including economic development, education, community organizing and real estate development and are often associated with the development of Affordable housing.



## Community Housing Development Corporation (CHDO)

### Community Housing Development Corporation (CHDO)

- Community Housing Development Corporations (“CHO-dos”) are community-based nonprofit housing providers that meet certain HUD criteria for geographic and programmatic focus and board structure.
- Participating Jurisdictions (PJs), not HUD, are responsible for certifying organizations seeking CHDO status.
- At least 15 % of a PJ’s annual HOME allocation must be set aside for affordable housing activities to be undertaken by CHDOs.

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## Community Land Trust (CLT)

### Community Land Trust (CLT)

- A Community Land Trust is a nonprofit corporation that develops and stewards Affordable Housing, community gardens, civic buildings, commercial spaces and other community assets on behalf of a community.
- CLT acquires land and maintains ownership of it permanently.
  - With prospective “homeowners”, it enters into a long-term, renewable lease instead of a traditional sale.
  - When the homeowner “sells”, the household earns only a portion of the increased property value.
  - The underlying land is kept by the trust, preserving the affordability for future low- to moderate-income households.
- “CLTs” balance the needs of individuals to access land and maintain security of tenure with a community’s need to maintain affordability, economic diversity and local access to essential services.

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## Public Housing Authority (PHA)

### Public Housing Authority (PHA)

- A Housing Authority is the local administrative agency for housing assistance programs funded by the federal Department of Housing and Urban Development (HUD).
- Large cities often have their own Housing Authority, small communities may be served by a County Housing Authority
- Chartered under state law, a Housing Authority is an autonomous, not-for-profit public corporation that works in conjunction with local governments and agencies to develop long-term housing strategies for communities.
- Although independently run, Housing Authorities are required to follow federal regulations.
- Most Housing Authorities receive a subsidy from HUD and do not generally receive any funds from state or local governments.

## Public Housing Authority (PHA) *(continued)*

### Public Housing Authority (PHA) *(continued)*

- All Housing Authorities provide rental housing or rental assistance to low-income families, the elderly and people with disabilities.
- Not all Housing Authorities manage and maintain public housing units, although virtually all Housing Authorities serving large urban areas do.
- Public housing units tend to suffer from deferred maintenance issues, and many urban developments have reputations as dangerous places.
- Despite this, there are always long waiting lists for units.
- Since the 1990s, many public housing developments nationwide have been rebuilt and restructured into mixed income developments.

## Habitat for Humanity

### Habitat for Humanity

- Habitat for Humanity is a nonprofit Christian housing organization founded on the conviction that everyone should have a decent, safe, affordable place to live.
- Habitat builds houses that are simple, decent, and affordable to low-income families.
- Habitat for Humanity lends 0% interest mortgage loans to its beneficiary families.
- Whenever possible, Habitat for Humanity builds energy-efficient, sustainable housing.
- Habitat's international housing finance programs consist of innovative housing finance practices and/or partnerships with microfinance organizations.

## Other Capacity and Constraints Issues

### Other Capacity and Constraints Issues

- Availability of vacant land or land suitable for redevelopment
- Land Development Regulations, Land Use & Zoning
- Political constraints – potential conflict between elected officials, business interests, housing advocates, and area homeowners/residents
  - identify political constraints
  - find common ground
  - strive to build consensus along the way



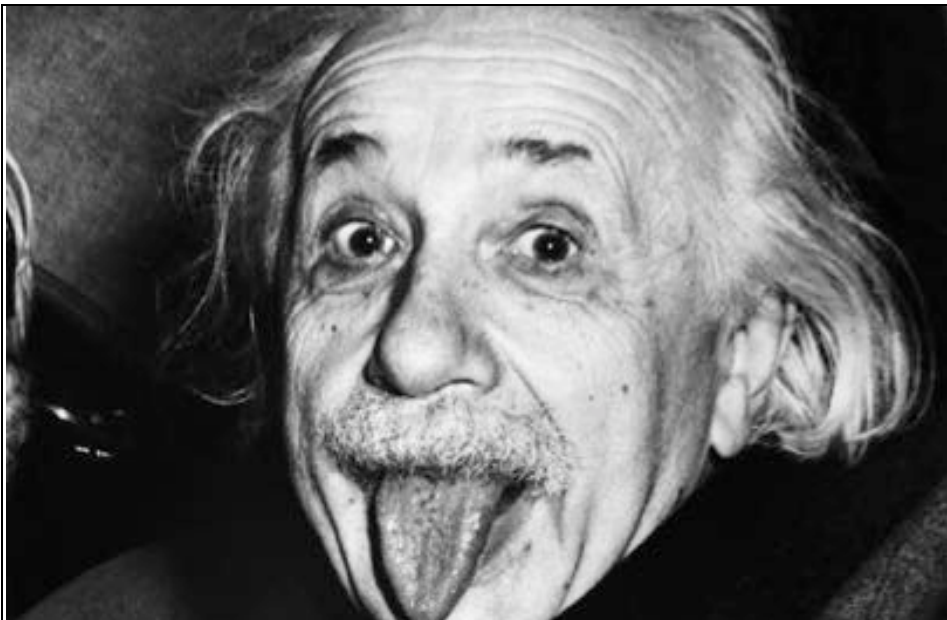
## ***Step 2 – Identify Area Housing Issues, Needs and Market Demand***

The Real Estate and Housing Cycle  
Housing Trends in Florida  
The “Healthy Mix”  
Housing Issues, Needs & Market Demand Analysis  
University of Florida Shimberg Center  
Communicating Results – Sharing the Story

### **STEP 2 – IDENTIFY AREA HOUSING ISSUES, NEEDS AND MARKET DEMAND**



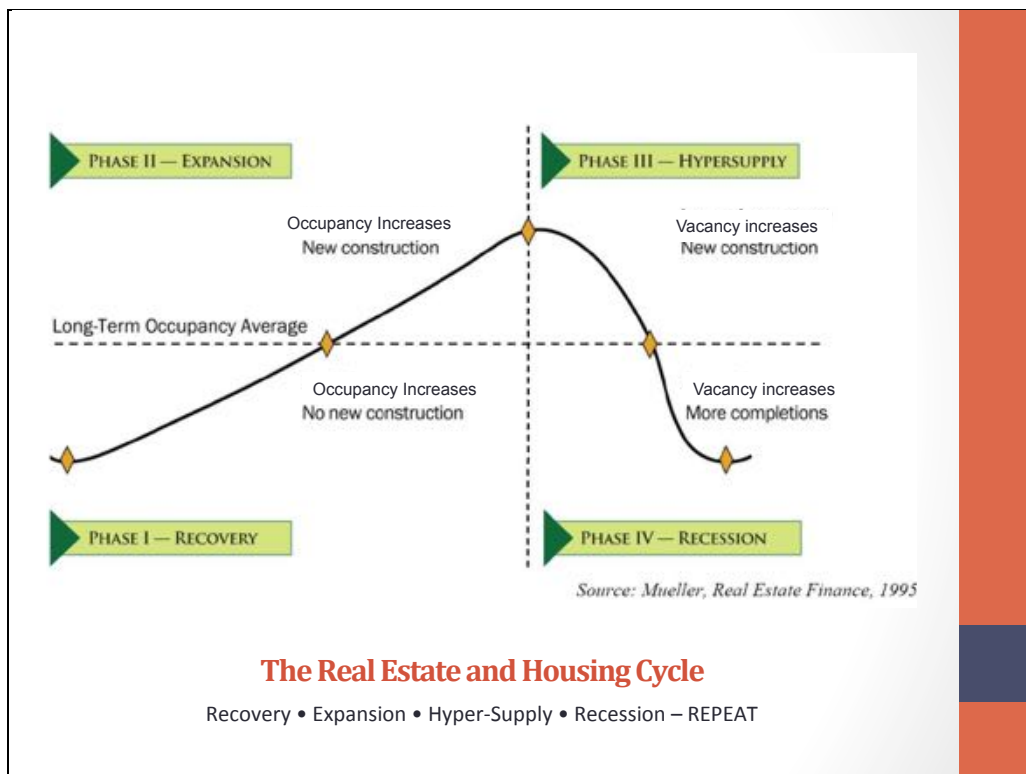
## The Definition of Insanity . . .



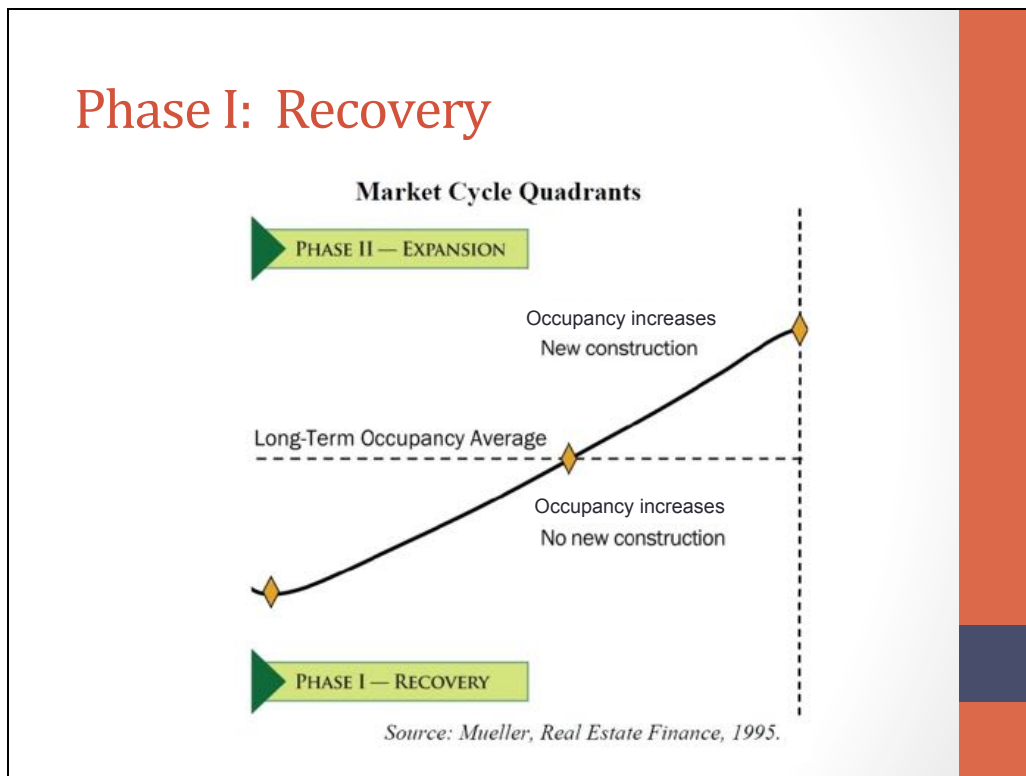
### The Definition of Insanity . . .

. . . is doing the same thing over and over and expecting a different result – Albert Einstein?

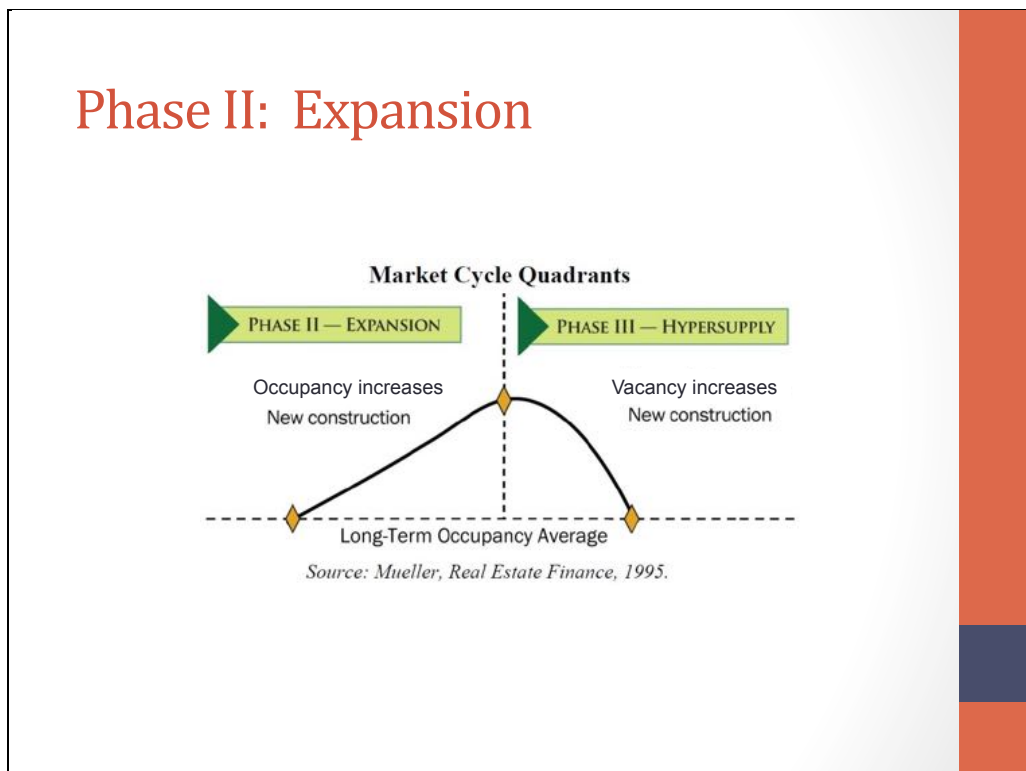
## The Real Estate & Housing Cycle (See online link on page 69)



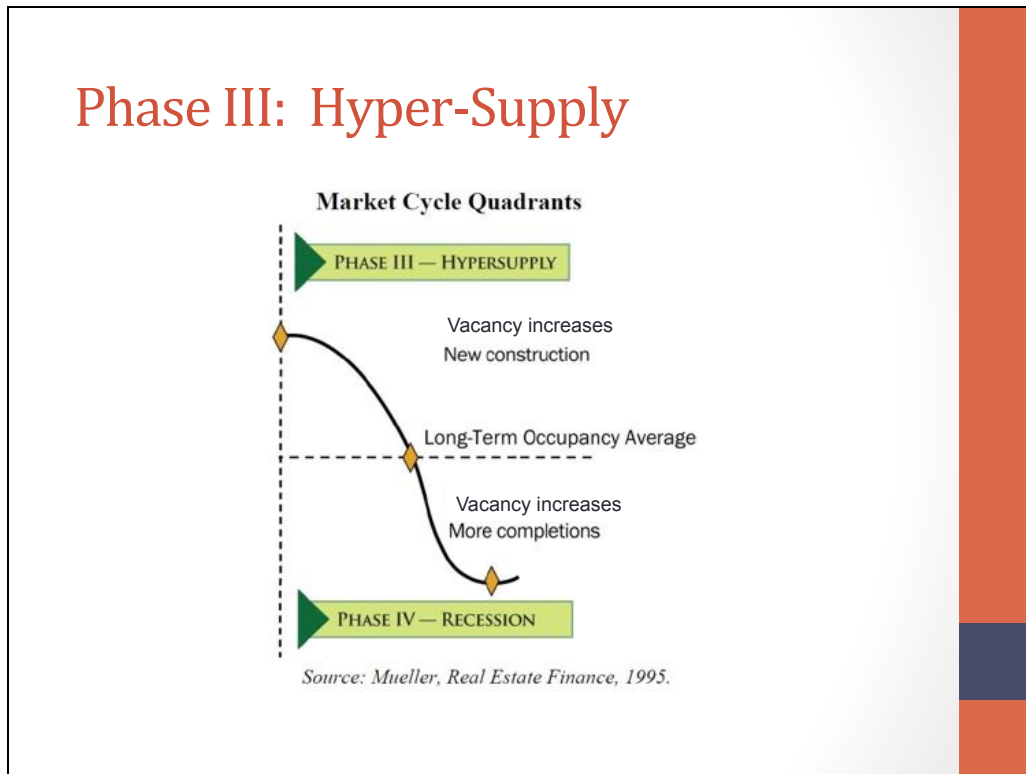
## Phase I: Recovery



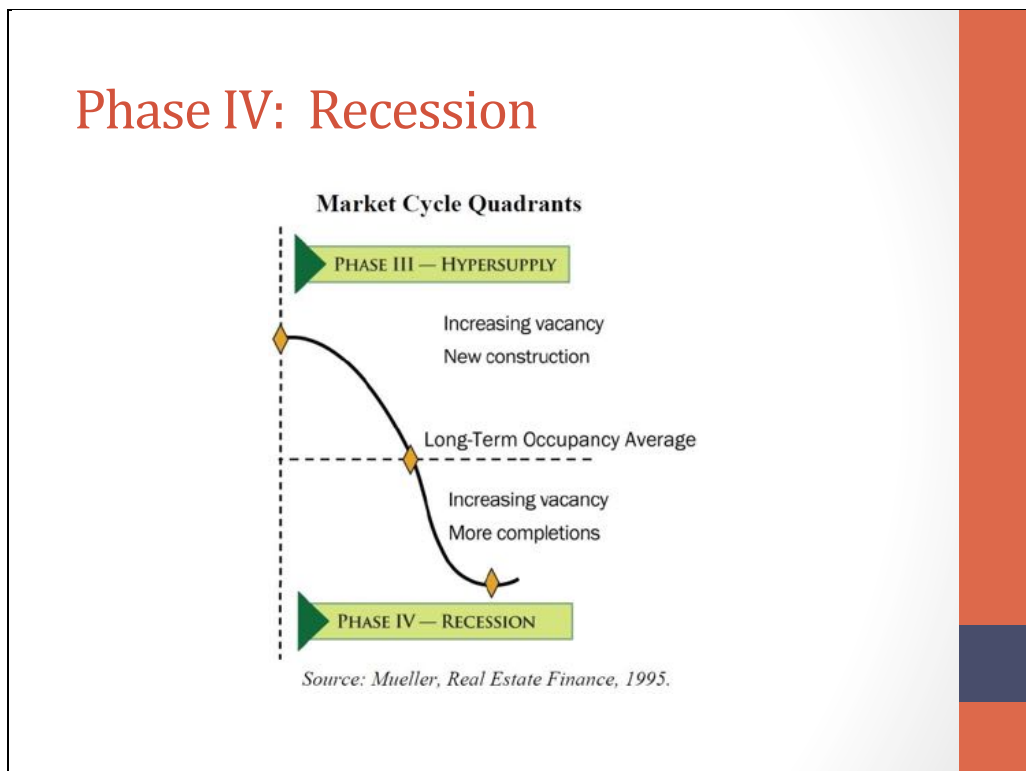
## Phase II: Expansion



## Phase III: Hyper Supply



## Phase IV: Recession



## Repeat: Duration and Frequency of the Real Estate Cycle

### Repeat: Duration and Frequency of the Real Estate Cycle

Peaks in Land Value Cycle	Interval (Years)	Peaks in Construction Cycle	Interval (Years)	Peaks in Business Cycle	Interval (Years)
1818	--	--	--	1819	--
1836	18	1836	--	1837	18
1854	18	1856	20	1857	20
1872	18	1871	15	1873	16
1890	18	1892	21	1893	20
1907	17	1909	17	1918	25
1925	18	1925	16	1929	11
1973	48	1972	47	1973	44
1979	6	1978	6	1980	7
1989	10	1986	8	1990	10
2006	17	2006	20	2008	18

Source: Fred E. Foldvary, "The Depression of 2008"

## Housing Trends in Florida (See online link on page 69)

### Housing Trends in Florida\*

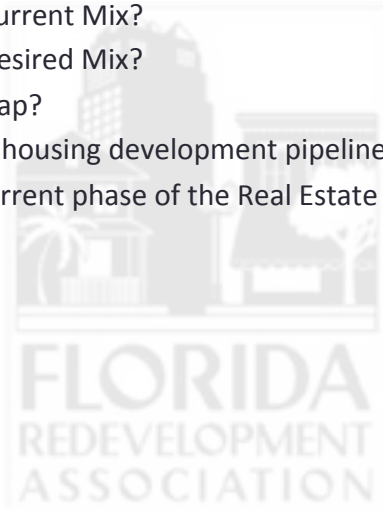
- More of Florida's households have become renters, particularly among younger households and families with children.
- From 2007 to 2013, the the number of owner-occupied households fell by 6 percent, while the number of renter households jumped by 22 percent. (2013 dollars)
- The statewide median rent increased from \$896 to \$972 from 2000 to 2013, while the state median renter income fell from \$36,000 to \$32,000.
- In 2013, an estimated 715,032 low-income renter households are cost burdened. This represents a 24 percent increase in households in need just from 2007 to 2013.
- 1 million low-income renter households, 44% are at or below 30 percent of AMI. 38% percent have incomes at 30-50 percent of AMI, and the remaining 18% have incomes of 50-60 percent of AMI.

\* 2014 Update to Rental Market Study: Affordable Rental Housing Needs (2013)  
Shimberg Center for Housing Studies – University of Florida

## Agency Objective – Facilitate Creating a "Healthy Mix"

### Agency Objective – Facilitate Creating a "Healthy Mix"

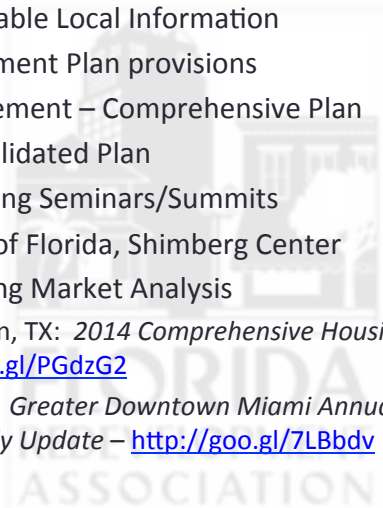
- What is the Current Mix?
- What is the Desired Mix?
- What is the Gap?
- What's in the housing development pipeline?
- What's the current phase of the Real Estate Cycle?



## Housing Issues, Needs and Market Demand – Information Sources

### Housing Issues, Needs and Market Demand – Information Sources

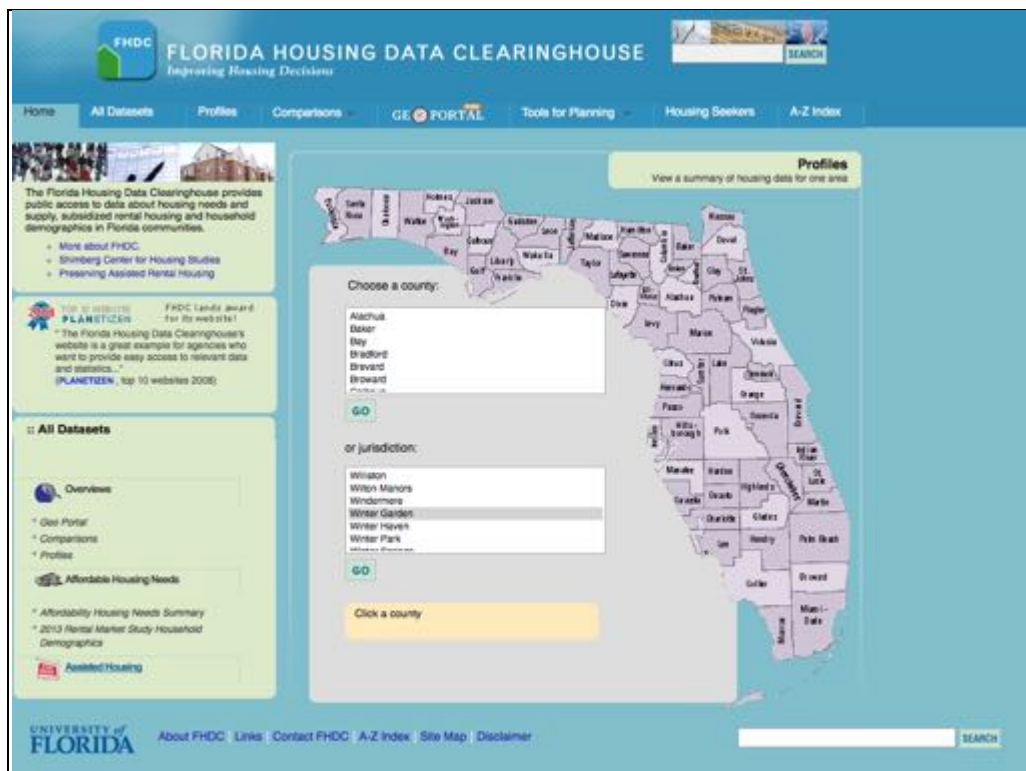
- Existing/Available Local Information
  - Redevelopment Plan provisions
  - Housing Element – Comprehensive Plan
  - HUD Consolidated Plan
  - Local Housing Seminars/Summits
  - University of Florida, Shimer Center
- Formal Housing Market Analysis
  - City of Austin, TX: *2014 Comprehensive Housing Market Analysis* – <http://goo.gl/PGdzG2>
  - Miami DDA: *Greater Downtown Miami Annual Residential Market Study Update* – <http://goo.gl/7LBbdv>



## University of Florida Shimberg Center

- The Shimberg Center for Housing Studies was established at the University of Florida in 1988 to promote safe, decent and Affordable Housing and related community development throughout the state of Florida.
- The “Florida Housing Data Clearinghouse”, jointly funded with the Florida Housing Finance Corporation (Florida Housing), provides public access to data about housing needs and supply, subsidized rental housing and household demographics in Florida communities.
- <http://flhousingdata.shimberg.ufl.edu>

- <http://flhousingdata.shimberg.ufl.edu>



## Sharing the Story!

### Sharing the Story!

- Review issues, needs, and market demands for housing within the CRA District boundaries.
- Identify the number of units in the development pipeline and the current phase of the Real Estate Cycle.
- Create an informal presentation for review:
  - Area real estate professionals
  - City/County staff working on housing issues
  - Local Agencies working on Affordable Housing
  - Developers with current/past projects in the District
  - CRA Board
- Garner additional data/information, conduct a more formal market analysis, or . . .
- Prepare to move on to the Planning Phase.

## Notes:



## ***Step 3 – Plan to Create Market Rate, Workforce and Affordable Housing***

Agency's Objectives for Housing  
Constraints to Housing Development  
Housing Policies & Procedures  
Strategic Planning/Community Involvement  
Land Development Regulations  
Creative Innovations  
Anticipating the Impact of Housing Programs

### **STEP 3 – PLAN TO CREATE MARKET RATE, WORKFORCE AND AFFORDABLE HOUSING**



## Agency's Objectives for Housing

### Agency's Objectives for Housing

- Prioritize and budget CRA Increment Revenue to facilitate creating a “healthy mix”.
- Work with the private sector to:
  - encourage Luxury and Market Rate housing and incentivize, if necessary, when possible.
  - facilitate tax-credit financing and other funding for development of Workforce and Affordable Housing.
- Work with public sector, City/County/other Agencies, to encourage public development and public/private partnerships to create Workforce and Affordable Housing.
- Work with both the private and public sectors to realize opportunities for new Mixed Income Housing.
- “Build It If You Have To!”

## Constraints to Housing Development

### Constraints to Housing Development

- Market factors such as land costs, construction and rehabilitation costs, projects in the development pipeline, and the availability of financing
- Governmental factors such as land use regulations, development standards, building codes, permit procedures, concurrency issues, and other local policies
- Environmental factors such as the adequacy of infrastructure, public services, and water supply to support new development

## Create Housing Policies and Procedures

### Create Housing Policies and Procedures

- *(Pre-Class Assignment)*  
Review Existing Policies and Procedures
  - Redevelopment Plan provisions
  - Housing Element – Comprehensive Plan
  - HUD Consolidated Plan
  - Other
- Adopt Agency Policies and Procedures
- Amend or create new CRA Plan provisions, if required



## Typical Housing Policies and Procedures

### Typical Housing Policies and Procedures

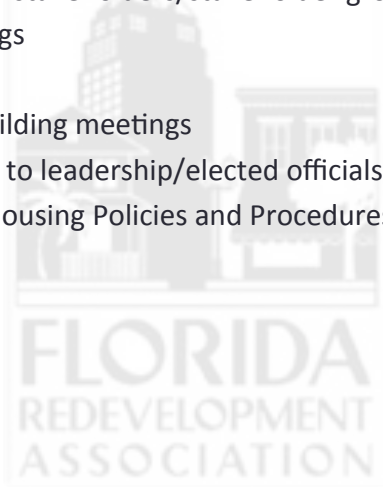
- Land Acquisition Plan, including “Target Areas”
- Incentives policies
- Policies and procedures for Housing Rehabilitation and other programs
- Demolition policies and process
- New Housing development policies



## Strategic Planning/Community Involvement

### Strategic Planning/Community Involvement

- Meetings with stakeholders/stakeholder groups
- Public meetings
- Focus groups
- Consensus building meetings
- Presentations to leadership/elected officials
- Adoption of Housing Policies and Procedures



## Land Development Regulations (LDR)

### Land Development Regulations (LDR)

- Land Use – Future Land Use Plan must allow the type, density and desired mix of housing.
  - Single family
  - Multifamily
  - Mixed-use
  - Transit-oriented development (TOD)
- Zoning – Zoning must create an envelope for successful type, density and mix of housing and commercial uses.
- Building Codes and Other Regulations



## Pro-Redevelopment Zoning

### Pro-Redevelopment Zoning

- Provisions for Density Variances or Bonuses to create higher residential density and increase neighborhood vibrancy
- Mixed-Use Ordinances to create a mix of residential and commercial uses
- Transit-Oriented Development to concentrate residential and commercial development at hubs to increase public transit
- Inclusionary Zoning Ordinances that require developers to make a percentage of new residential units Affordable
- Linkage Fees charged to developers and then allocated for Affordable housing programs

## Creative Innovations – Responding to Supply & Demand

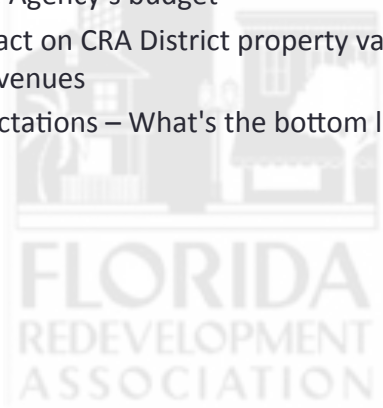
### Creative Innovations – Responding to Supply & Demand

- Granny Flats – ~600 sq. ft./possible maximum
- Micro-apartments – ~ 300 sq. ft.
- Nano-apartments – ~150 sq. ft. w/shared kitchen
- Alternative Construction Materials, Design & Methods
  - What does Florida Building Code allow?
- Other

## Anticipate Impact of Housing Programs

### Anticipate Impact of Housing Programs

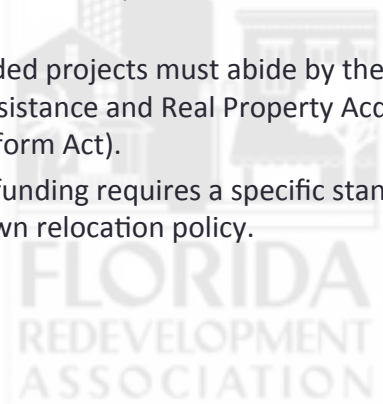
- Impact on the Agency's overall objectives and how plans integrate into other Agency programs and projects
- Impact on the Agency's budget
- Potential impact on CRA District property values and future Increment Revenues
- Realistic expectations – What's the bottom line?



## Gentrification, Displacement & Relocation

### Gentrification, Displacement & Relocation

- Gentrification and Displacement refer to shifts in a community's population generally with an increasing share of wealthier residents and/or businesses and increasing property values.
- Federally funded projects must abide by the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA/Uniform Act).
- Unless other funding requires a specific standard, CRAs can adopt their own relocation policy.



## ***Step 4 – Identify Resources, Gap-filling Subsidies and Incentives***

Public/Private Partnerships  
Why is the Public Sector Concerned?  
Investor's and Lender's Perspectives  
Community Reinvestment Act (CRA)  
Redevelopment Agency's Job  
Incentives: Filling the Gap  
Disposal of Property  
Public Funding Sources for Affordable & Workforce Housing

### **STEP 4 - IDENTIFY RESOURCES, GAP-FILLING SUBSIDIES AND INCENTIVES**



## Public/Private Partnerships

### Public/Private Partnerships

- Not specifically enumerated in Florida Statutes, but . . .
- Chapter 163 empowers agencies and staff to pursue a number of activities and perform a number of functions that support the use of incentives to remove slum and blight, including:
  - 163.345 – Encouragement of private enterprise
  - 163.358 – Exercise of powers in carrying out redevelopment and related activities.
  - 163.360(7)(d) “afford maximum opportunity for rehabilitation and redevelopment by private enterprise”
  - 163.370 – Powers; counties and municipalities; community redevelopment agencies.
  - 163.380 – Disposal of Real Property

## Why is the Public Sector Concerned?

### Why is the Public Sector Concerned?

- To attract private investment (capital) into slum or blighted areas
- To increase the tax base
- . . . because investment in the CRA District won’t occur without public assistance.



## Why Won't Investment Occur Without Public Assistance?

### Why Won't Investment Occur Without Public Assistance?

- Investors perceive an inadequate Return on Investment (ROI), so Agency needs to:
  - understand how investors measure ROI.
  - learn how to adjust the imbalance between cost and revenues.
- Lenders perceive an unacceptable level of risk, so Agency needs to:
  - understand how lenders evaluate risk.
  - learn to reduce risk of default and foreclosure.

## Investor's Perspective

### Investor's Perspective

- Redevelopment returns are low relative to development costs:
  - lower rents
  - higher vacancies
  - higher operating costs
  - uncertain appreciation
- Investors want to invest in projects yielding the highest ROI.
  - Investors are seeking to maximize economic benefits and minimize equity investment.
  - Redevelopment projects may require higher equity investment because of lenders' perception of higher risk.

## Lender's Perspective

### Lender's Perspective

- Lenders are risk limiters, not profit “maximizers”.
- Redevelopment Districts appear risky due to:
  - past failures
  - unproven rental market
  - uncertain property market/foreclosures
  - unfamiliar locations, such as rural areas or deteriorated urban neighborhoods
- Lending is a low-margin, high-volume business.
- No "upside" for lenders in risky redevelopment areas.

## Community Reinvestment Act (CRA)

### Community Reinvestment Act (CRA)

- The Community Reinvestment Act is a federal law designed to encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods.
- Congress passed the Act in 1977 to reduce discriminatory credit practices against low-income neighborhoods, a practice known as redlining.
- To enforce the statute, federal regulatory agencies examine banking institutions for CRA compliance, and take this information into consideration when approving applications for new bank branches or for mergers or acquisitions.

## Redevelopment Agency's Job: Make Deals Happen in CRA Districts

### Redevelopment Agency's Job: Make Deals Happen in CRA Districts

- Encourage developers and investors to invest by increasing ROI to acceptable level:
  - reduce actual cost of the project
  - enhance project's return
  - reduce interest rate/cost of funds
- Get lender to lend by reducing risk:
  - contribution to developer equity
  - loan guarantee
  - loan loss reserve funds
- Provide a fair ROI but no "undue enrichment"

## Incentives – Provided to "Fill the Gap"

### Incentives – Provided to "Fill the Gap"

- Incentives are a means of support extended to programs or projects that may:
  - not be self sustaining financially.
  - not yield the necessary return given prohibitive risks and alternative demands.
  - require expedited approval or project delivery.
  - not meet community's objective for design or use if not incentivized.

## Housing Incentives: Filling the Gap

### Housing Incentives: Filling the Gap

- Increment Revenue Based Incentives
  - Public infrastructure/utilities improvements
  - Site assemblage/consolidated ownership
  - Compliance with Concurrency Issues
  - Up-front cash incentives
  - Back-end incentives/refund of Increment Revenue
  - Other
- Donation of Land
- Public Funding Sources for Affordable/Workforce housing

## Donation of Land: Disposal of Real Property – FS 163.380

### Donation of Land: Disposal of Real Property – FS 163.380

- Proposed use(s) must be in the Redevelopment Plan.
- May follow any procedures deemed reasonable.
- Must publish a public notice of such disposition **at least 30 days prior** to the execution of any contract to sell, lease, or otherwise transfer.
- Must invite proposals from private redevelopers or any persons interested in undertaking to redevelop the property.
- Exception:
  - *additional 35% adjacent* to land of 20 acres or more previously disposed of by the CRA
  - Disposition of property that was part of a closed military base shall be prescribed by the Governing Body

## Disposal of Real Property (*continued*)

### Disposal of Real Property – (*continued*)

- CRA may accept or reject all proposals.
- CRA can consider long term benefits – must dispose of real property for “fair value”, not market value.
- CRA may restrict resale unless and until all contract commitments are in place.



## Public Funding Sources for Building or Rehabilitating Housing

### Public Funding Sources for Building or Rehabilitating Housing \*

- Community Development Block Grant Program (CDBG)
- Home Investment Partnerships Program (HOME)
- State Housing Initiative Partnership (SHIP)
- Neighborhood Stabilization Program (NSP)
- Low-Income Housing Tax Credits (LHTC)
- State Apartment Incentive Loan program (SAIL)
- Funds available exclusively to Public Housing Authorities
- Community Contribution Tax Credit (CCTC)
- Multi-Family Mortgage Revenue Bond Program
- HUD Section 202 – Housing for Elderly Persons
- HUD Section 811 – Supportive Housing for Persons with Disabilities

\* AFFORDABLE HOUSING FUNDING SOURCES  
Florida Housing Coalition, Inc. – June 2015

## Community Development Block Grant (CDBG)

### Community Development Block Grant (CDBG)

- The Community Development Block Grant is a HUD-administered federal program.
- Funds may be provided as a subsidy to housing developers, or directly to homeowners or homebuyers.
- HUD provides CDBG grants on a formula basis directly to
  - Entitlement Communities – Urban Counties (population more than 200,000) and Large Cities (more than 50,000)
  - States and Small Cities Program

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## Community Development Block Grant (CDBG) - *continued*

### Community Development Block Grant (CDBG) - *continued*

- Funded projects must meet a national objective
  - Benefit low- and moderate-income (LMI) persons
  - Aid in the prevention/elimination of slums and blight
  - Meet a need having a particular urgency (referred to as urgent need)
- Require that States and local jurisdictions prepare a Consolidated Plan for CDBG and an Annual Action Plan

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## Home Investments Partnership Program (HOME)

### Home Investments Partnerships Program (HOME)

- HOME is a HUD-administered federal program providing the largest federal block grant to State and local governments exclusively to create Affordable housing for low-income households.
- HOME funds are awarded annually as formula grants to “participating jurisdictions” (PJs).
- Funding requires that PJs match 25 cents of every dollar to mobilize community resources in support of Affordable housing.
- At least 15 % of a PJ’s annual HOME allocation must be set aside for affordable housing activities to be undertaken by CHDOs.

## Home Investments Partnership Program (HOME) - *continued*

### Home Investments Partnerships Program (HOME) - *continued*

- HOME funds can be used as:
  - subsidies to Affordable housing developers for acquisition, construction or rehabilitation.
  - purchase assistance and gap financing for homebuyers.
  - rehabilitation assistance for homeowners.
  - tenant-based rental assistance.
- Flexibility allows use of HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancements, and tenant assistance, such as rental security deposits.

## State Housing Initiatives Partnership (SHIP)

### State Housing Initiatives Partnership (SHIP)

- Florida Housing Finance Corporation (Florida Housing) administers SHIP, which provides funds to local governments to create partnerships that produce and preserve Affordable homeownership and multifamily housing.
- The SHIP program primarily promotes homeownership, providing subsidies for construction, acquisition, and rehabilitation of owner-occupied housing, as well as down payment and closing cost assistance for homebuyers.
- SHIP funds can also be used to subsidize rental housing development and provide emergency rental deposit assistance.
- The program was designed to serve very low-, low- and moderate-income families.

## Neighborhood Stabilization Program (NSP)

### Neighborhood Stabilization Program (NSP)

- At the height of the recent recession, Congress created the Neighborhood Stabilization Program to help communities arrest and reverse blight and property value decline in neighborhoods most impacted by foreclosures and predatory lending.
- NSP funds were provided in three rounds in 2008, 2009, and 2010 (NSP1, NSP2, and NSP3).
- Although expenditure deadlines for NSP have passed, many grantees have and are continuing to earn program income.



## Low-Income Housing Tax Credits (LIHTC)

### Low-Income Housing Tax Credits (LIHTC)

- The largest single funding resource for developing Affordable housing in the United States and is provided by the federal government to rental housing developers in exchange for a commitment to provide Affordable rents
- Allocated annually by states and some local housing agencies to help developers raise private capital for building or rehabilitating Affordable housing units
- Involve a highly competitive application process for:
  - 9% New Construction/Rehab Credit – standard tax credit
  - 4% New Construction/Rehab Credit – projects financed by tax-exempt bonds
- Usually sold to investors to raise project equity

## Low-Income Housing Tax Credits (LIHTC) - *continued*

### Low-Income Housing Tax Credits (LIHTC) - *continued*

- Tax Credit Projects
  - New construction and rehabilitation projects
  - Acquisition in some cases
  - Housing for families, special needs tenants, single room occupancy and the elderly
  - Urban, rural and suburban locations
- Generally received over the first 10 years of operation
- Some credits recaptured by IRS if project does not comply with Affordable Housing provisions for 15 years

## Low-Income Housing Tax Credits (LIHTC) - *continued*

### Low-Income Housing Tax Credits (LIHTC) - *continued*

- Project complies with either of the following "set-asides":
  - At least 20% of the residential units are both rent restricted and occupied by individuals whose income is 50% or less Area Median Income (AMI).
  - At least 40% of the residential units are both rent restricted and occupied by individuals whose income is 60% or less than AMI.
- Typically, the project owner will agree to a higher percentage of Affordable units, up to 100%.
- Tenants can be charged a maximum rent.
- There are no limits on the rents that can be charged to tenants who are not low-income but live in the same project if it is Mixed Income.

## State Apartment Incentive Loan Program (SAIL)

### State Apartment Incentive Loan Program (SAIL)

- SAIL is administered by the Florida Housing Finance Corporation (Florida Housing) providing low-interest loans on a competitive basis to Affordable housing developers.
- This money often serves to bridge the gap between the development's primary financing and the total cost of the development.
- SAIL dollars are available for developers proposing to construct or substantially rehabilitate multifamily Affordable rental housing.

## Public Funding Sources for Building or Rehabilitating Housing

### Public Funding Sources for Building or Rehabilitating Housing \*

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\* AFFORDABLE HOUSING FUNDING SOURCES  
Florida Housing Coalition, Inc. – June 2015

## Funding the “Healthy Mix” – Mixed Finance Public Housing

### Funding the “Healthy Mix” – Mixed Finance Public Housing

- HUD defines “mixed-finance” development as the combined use of public housing funds and other public and private sources of financing for the development of public housing.
- The mixed-finance approach was formally codified in May 1996 when HUD promulgated an interim mixed-finance rule.
- In addition to mixed sources of finance, this method of development is characterized by flexible public/private partnerships in which Public Housing Authorities can play various roles.
- In addition, a mixed-finance development may be developed as a “Mixed Income” project combining public and nonpublic housing with a significant number of units rented or sold at Market Rate.

## Organizational Structure, Context & Partnerships

### Organizational Structure, Context & Partnerships

- Redevelopment Agency structure
  - Staff Resources and Time
  - Consultant Expertise
- Partnerships with other Agencies
  - City/County Departments
  - Community Development Corporations (CDC)
  - Community Housing Development Organizations (CHDO)
  - Community Land Trusts (CLT)
  - Public Housing Authorities (PHA)
  - Habitat for Humanity

## Florida Housing Coalition, Inc. (FHC)

### Florida Housing Coalition, Inc. (FHC)

- FHC is a nonprofit, statewide membership organization whose mission is to bring together housing advocates and resources so that all Floridians have a quality affordable home and suitable living environment. The organization:
  - provides professional consultation services through training and technical assistance on Affordable housing.
  - supports community-based partnerships in leveraging resources.
  - advocates for policies, programs and use of funding resources that maximize the availability and improve the quality of Affordable housing in Florida.
- FHC carries out this mission recognizing that Affordable housing is an integral **part** of community revitalization and economic development.

## *Step 5 - Acquire Property*

Objectives for Acquisition  
Acquisition Issues  
Property Title  
Property Deeds  
Methods for Acquiring Property

### STEP 5 - ACQUIRE PROPERTY



## Objectives for Acquisition – Housing

### Objectives for Acquisition – Housing

- Improve a single property or make it available for rent or sale
- Assemble small lots into one larger buildable lot and prepare for clearance
- Meet a Public Purpose
- Comply with a Development Agreement
- Other



## Acquisition Issues

### Acquisition Issues

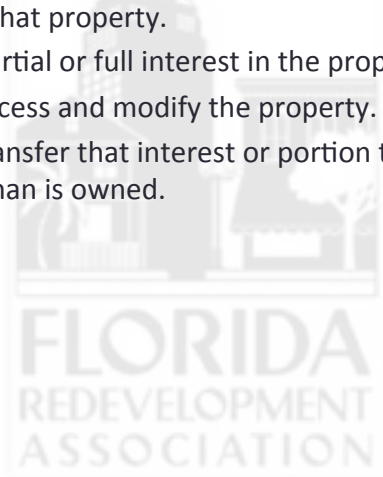
- “Scattered Site” and/or “Site Assemblage” Strategies
- Dealing with owners and making offers
- Working with real estate agents
- Working with a real estate attorney
- CRA Board authority to negotiate price or bid for property for sale at auction
- Relocation of owners
- Displacement of tenants
- Title and Deed



## Property Title

### Property Title

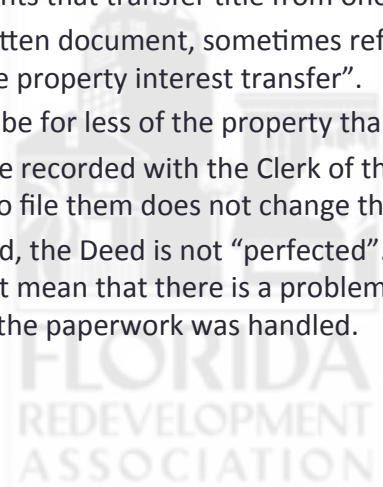
- Refers to ownership of the property, meaning the holder has rights to use that property.
- May be for partial or full interest in the property.
- Holder can access and modify the property.
- Holder can transfer that interest or portion to others, but never more than is owned.



## Property Deeds

### Property Deeds

- Legal documents that transfer title from one party to another
- Must be a written document, sometimes referred to as the “vehicle of the property interest transfer”.
- Transfers can be for less of the property than is owned.
- Deeds must be recorded with the Clerk of the County Court, but a failure to file them does not change the transfer of title.
- If not recorded, the Deed is not “perfected”. An imperfect Deed does not mean that there is a problem with the title, but with the way the paperwork was handled.



## Types of Property Deeds

### Types of Property Deeds

- Warranty Deed – grantor transfers ownership to grantee and promises that transferring party has “clear title” (property is free of liens and claims of ownership). If untrue, transferring party agrees to compensate buyer.
- **Deed of Trust**/Mortgage – a loan document that functions to secure the lender's interest in your property. The property acts as collateral in case of default. The deed places the property in control of a trust/lender until loan is paid in full.
- Quitclaim Deed – transfers whatever ownership rights grantor may have on the property. Grantor (“quits”) any claim to the property. No warranties or promises regarding the quality of the title are made. Quitclaim Deeds are useful for transferring rights when it's unclear exactly what those rights are.

## Quiet Title Action

### Quiet Title Action

- An action to quiet title is a lawsuit filed to establish ownership of real property (land and buildings affixed to land).
- The plaintiff in a quiet title action seeks a Court Order that “quiets” the respondent from making any subsequent claim to the property.
- Quiet title actions are necessary because real property may change hands often, and it is not always easy to otherwise determine who has title to the property.



## Methods for Acquiring Property

### Methods for Acquiring Property

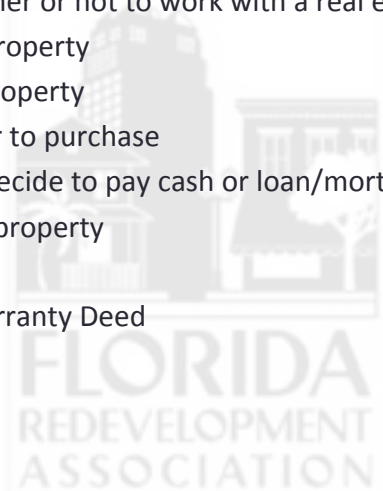
- Purchase
  - Fee Simple
  - *Purchase Mortgage Note*
  - County List of Lands
- Bid
  - *Property Tax Certificates*
  - Tax Deed Sale
  - Foreclosure Sale
- Offer
  - Short Sale
  - Probate
  - Bankruptcy Court
- Other Methods



## Purchase a “Fee Simple” Property

### Purchase a “Fee Simple” Property

- Choose whether or not to work with a real estate agent
- Identify the property
- Inspect the property
- Make an offer to purchase
- If accepted, decide to pay cash or loan/mortgage note
- Appraise the property
- Close the sale
- Receive a Warranty Deed



## Buying a Mortgage Note

### Buying a Mortgage Note

- For property acquisition, works best where loan is non-performing
  - Owner wants out with minimal damage to credit
  - Lender wants out to avoid foreclosure or short sale
- Agency buys Mortgage Note
- Owner Quit Claims property to Agency in lieu of foreclosure, or Agency chooses to foreclose

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## Lands Available for Taxes (LAFT) – *County List of Lands*

### Lands Available for Taxes (LAFT) *County List of Lands*

- Properties that have been advertised for sale by the Clerk at public auction, and no bidders appeared at the public sale to purchase the properties.
- When this happens, the Clerk is required to enter the land on a list called "lands available for taxes" and to notify the Board of County Commissioners and all other persons holding certificates against the land that the land is available.
- Once on the list, the Agency can purchase the property from the County.
- If escheated to the County after three years, the Agency might request donation if for building Affordable Housing.

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## Buying Tax Certificates

### Buying Tax Certificates

- Florida property taxes are due by March 31.
- If not paid, County advertises a Tax Certificate Sale (~ May).
- Auction is scheduled and bidders make deposit (~June).
- Prospective buyers bid during the auction.
  - reverse-auction style with participants bidding downward on interest rates starting at 18%
  - minimum 5% interest for the investor, with the exception of "zero" interest bids.
- Tax Certificates are "issued" to the winner, effectively paying the taxes for the property owner in exchange for return on investment.
- Property owner or lender may redeem any time.
- Others may offer to buy certificate.

## Tax Deed Sale

### Tax Deed Sale

- Tax Deed Application
  - Tax Deed Application is the action, initiated by a Tax Certificate holder, which begins the process of selling a property at public auction for the delinquent taxes.
- Tax Deed Sale Process
  - Holder of a Tax Certificate for a minimum of 24 months and maximum of 7 years from date taxes became delinquent (Florida) makes application for a Tax Deed sale.
  - Clerk of the County Court notifies the owner and all lenders to pay the taxes, interest, and fees or the property will be sold at a public auction to the highest bidder.

## Bidding at Tax Deed Sales

### Bidding at Tax Deed Sales

- Get in the information loop – County processes differ.
- Determine your maximum bid, and make required deposit.
- Participate in the auction.
- If successful, pay the balance not covered by deposit within specified time frame (1-2 days).
- Ensure receipt of Tax Deed.
- Have attorney do Quiet Title Action.



## Bidding at Foreclosure Sales

### Bidding at Foreclosure Sales

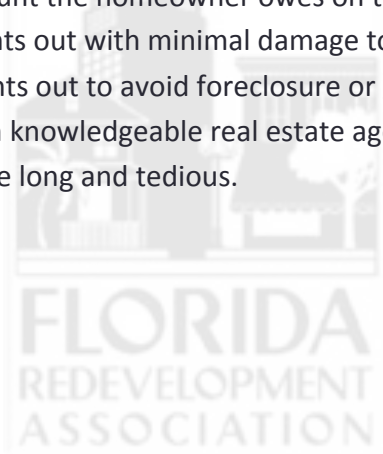
- Get in the information loop.
- Determine your maximum bid, and make required deposit.
- Participate in the auction.
- If successful, pay the balance not covered by deposit.
- Ensure receipt of Deed.
- Have attorney do a Quiet Title action.



## Short Sales

### Short Sales

- A short sale occurs when a property is sold at a price lower than the amount the homeowner owes on the mortgage.
  - Owner wants out with minimal damage to credit
  - Lender wants out to avoid foreclosure or greater loss
- Work through knowledgeable real estate agent.
- Process can be long and tedious.



## Buying Property from Bankruptcy Court

### Buying Property from Bankruptcy Court

- Type of Bankruptcy
  - Chapter 7 – Trustee
  - Chapter 13 – Owner
- Make offer to Trustee/Owner
  - Earnest Money Sales Contract
  - Cash or Pre-approved Mortgage
- Trustee/Owner secures approval of Court & creditors
- Inspection period with provision for contract termination
- Render payment
- Ensure receipt of Deed



## Dealing with Probate Issues – “Cloudy Title”

### Dealing with Probate Issues “Cloudy Title”

- Property is sold in probate court when someone dies intestate or without bequeathing his or her property. When this happens, the state takes over and administers the property’s sale.
- The court wants to be certain the property is marketed and sold at the best possible price. To ensure this, the court requires certain steps, processes and procedures be followed.
- Considerations:
  - House may be in deteriorating condition
  - May offer to front the cost for willing parties
  - Work with probate attorney
  - Buy from court before probate finished
  - Court will issue Deed

## Other Acquisition Opportunities

### Other Acquisition Opportunities

- Municipal (City/County) foreclosure for liens – Agency might purchase or Municipality might assign lien or transfer title to Agency
- Donation of property from County List of Lands for Affordable housing site
- Purchase of Bank-Owned/Real Estate Owned Properties (REO)
- Land Swap
- Developer Extraction – including partial transfer of property, such as “first two stories” of vertical development

## ***Step 6 – Rehabilitate or Demolish Dilapidated/ Sub-standard Housing***

Rehabilitation & Demolition – Objectives & Constraints

Housing Rehabilitation – Agency-Owned Property

Housing Rehabilitation – Privately Owned Property

Demolition – Agency-Owned Property

Demolition – Privately Owned Property

### **STEP 6 – REHABILITATE OR DEMOLISH DILAPIDATED/ SUB-STANDARD HOUSING**



## Rehabilitation & Demolition: Objectives

### Rehabilitation & Demolition: Objectives

- Rehabilitation
  - Stabilize neighborhoods
  - Improve sub-standard housing
  - Facilitate historic preservation
- Demolition
  - Remove unsafe structures
  - Create opportunities for new development
  - Create new public space



## Rehabilitation & Demolition: Constraints

### Rehabilitation & Demolition: Constraints

- Land Use/Zoning
- Building Codes/Minimum Housing Standards
- Historic preservation restrictions
- Presence of lead-based paint, asbestos and radon
- Accessibility
- Other





## Housing Rehabilitation – Agency-Owned Property

### Housing Rehabilitation – Agency-Owned Property

- Completing a “work write-up” (scope of work), possibly including video, and cost estimates
- Bidding process and Contractor walk-through and Notice to Proceed
- Interim inspections and payments
- Dealing with change orders
- Final inspection process, possibly including video
- Release of Liens
- Warranties
- Final payment to Contractor/Subcontractors

## Housing Rehabilitation – Privately Owned Property

### Housing Rehabilitation – Privately Owned Property

- Verification of ownership and eligibility
- Temporary relocation process, if required
- Selecting the Contractor and execution of the contracts with both homeowner and Contractor
- If mortgage is required
  - verification of borrowing ability
  - promissory note and mortgage recordation
- Same steps as for Agency-owned property
- Follow up with homeowner before Home Warranty expires

## Demolition of Agency-Owned Dilapidated Structures

### Demolition of Agency-Owned Dilapidated Structures

- Acquisition for demolition
- Maintaining structures between acquisition and demolition
- Selecting professionals and/or non-profits that might help with the process
- Choosing demolition Contractor, municipal Public Works Department, or even Fire Department
- Conducting asbestos inspection
- Disconnecting utility lines & inspecting to ensure that the property is vacant
- Demolishing the building and disposal of materials
- Post-demolition property maintenance

## Demolition of Privately Owned Dilapidated Structures

### Demolition of Privately Owned Dilapidated Structures

- Building Official is the key player in this process.
- Process is different according to jurisdiction, but in general . . .
  - Property is posted, owner is noticed
  - Building Official creates documentation
  - Public Hearing, as required
  - Order to Demolish issued
  - Period for appeal
- Same steps as with Agency-owned property
- After Demolition
  - File Demolition Lien, then foreclose according to process

## ***Step 7 - Facilitate New Housing Construction***

Why CRA's are Involved in New Housing Construction?

Objectives for New Housing

*Build It If You Have To!*

Constraints to Housing Development

Project Delivery & The Development Process

Borrowing to Finance a Project

Processes for Procurement

Monitoring the Construction Project

Marketing the Project

## **STEP 7 - FACILITATE NEW HOUSING CONSTRUCTION**



## Why are CRA's Involved in New Housing Construction?

### Why are CRA's Involved in New Housing Construction?

- To attract private investment (capital) into slum or blighted areas
- To increase the tax base
- . . . because investment in the CRA District won't occur without public assistance.
- *to help create a "healthy mix" of Luxury, Market Rate, Workforce and Affordable housing*



## Review CRA District Boundaries

### Review CRA District Boundaries

- Downtown-based Districts may have limited opportunity for new residential development.
- Agency should explore:
  - zoning/increased density to allow additions above existing commercial property or new mixed use development.
  - mixed-use residential conversion of existing commercial buildings.
- CRA may want to expand the existing Redevelopment District to take in and include adjacent blighted areas and/or other potential sites for housing.



## Agency's Objectives for (New) Housing

### Agency's Objectives for (New) Housing

- Prioritize and budget CRA Increment Revenue to facilitate creating a “healthy mix”.
- Work with the private sector to:
  - encourage Luxury and Market Rate housing and incentivize, if necessary, when possible.
  - facilitate tax-credit financing and other funding for development of Workforce and Affordable Housing.
- Work with public sector, City/County/other Agencies, to encourage public development and public/private partnerships to create Workforce and Affordable Housing.
- Work with both the private and public sectors to realize opportunities for new Mixed Income Housing.
- *“Build It If You Have To!”*

### ***Build It If You Have To!***

### *Build It If You Have To!*

- Understand the Project Development process.
- Assume the role of a Bank – not a Social Service Agency.
- If Affordable housing:
  - establish and document household income targets and eligibility.
  - choose to build for Homeownership and/or Rental.
- If Homeownership, understand:
  - establishing lending and grant policies and procedures
  - CRA property donation or loan forgiveness
  - the CRA's position during construction and at closing
  - future subordination Issues
  - dealing with future releases of mortgages

## Constraints to Housing Development

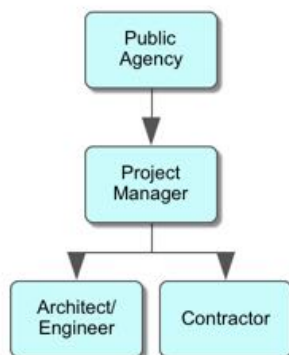
### Constraints to Housing Development

- Market factors such as land costs, construction and rehabilitation costs, projects in the development pipeline, and the availability of financing
- Governmental factors such as land use regulations, development standards, building codes, permit procedures, concurrency issues, and other local policies
- Environmental factors such as the adequacy of infrastructure, public services, and water supply to support new development

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## New Housing Construction: Project Delivery

### New Housing Construction: Project Delivery



## The Development Process

### The Development Process

- Conceptual Phase
- Pre-development Phase
  - Secure funding
  - Identify need for external Consultants and Contractors
  - Design the project: Schematic Design, Design Development and Construction Documents
  - Seek project approval
- Construction – all activities from Agency-Owned Rehabilitation *and more*
- Close Out
- Residential unit rental and/or sales

## Borrowing to Finance the Project

### Borrowing to Finance the Project

- Revenue Bonds for some or all phases of the project
- Pre-development Financing
- Construction Financing
- Permanent Financing

## Financing – The Pre-development Loan

### Financing – The Pre-development Loan

- Private sector projects are “at risk” during the Pre-development Phase. All expenses for acquisition, analysis, design, and project approval are at the developer’s expense.
- Likewise, the Redevelopment Agency must pay for activities during this phase and may need to seek funding or financing for predevelopment activities.
- Florida Housing’s Predevelopment Loan Program (PLP), can provide technical assistance and a low interest loan (\$750k) for acquisition, appraisals, design and engineering fees and other predevelopment activities for Affordable housing projects.

## Financing – The Construction Loan

### Financing – The Construction Loan

- Construction loans are typically short-term, approximately one year, and have variable rates that move up and down with the prime rate.
- The rates on this type of loan are higher than rates on permanent mortgage loans. To gain approval, the lender will need to see a construction timetable, detailed plans and a realistic budget.
- Once approved, the borrower will be put on a bank-draft or “draw” schedule that follows the project's construction stages and will typically be expected to make only interest payments during construction.
- As funds are requested, the lender will usually send someone to monitor the job's progress.



## Financing – The Permanent Loan

### Financing – The Permanent Loan

- For real estate projects, permanent financing is obtained after completion of construction, usually to repay the short-term “non-permanent” construction loan.
- These are long-term mortgage note loans with maturity periods up to 15 to 30 years.
- The Agency may choose to finance permanent loans to homeowners if newly constructed residential units are for sale.
- Construction loans may be designed to convert to permanent loans at project completion.

## Procuring External Consultants and Contractors

### Procuring External Consultants and Contractors

- The Agency identifies which process will be used:
  - Invitation to Bid (ITB)
  - Request for Qualifications (RFQ)
  - Request for Proposals (RFP)
  - Request to create a “pool” of Contractor/Vendors (Multiple Continuing Contracts)

## Monitoring the Construction Project

### Monitoring the Construction Project

An active role by the Agency in monitoring projects during Construction is essential to ensure successful completion.

The Agency must work with Contractor to:

- schedule inspections.
- establish a process for reviewing invoices as related to actual accomplishment.
- establish a process for prompt invoice approval and payment.
- measure progress according to Project Schedules.
- maintain and update Project Files.

## Marketing the Project

### Marketing the Project

- Homeownership
  - Sales
  - Working with Realtors
  - Promissory note and mortgage recordation
- Rental
  - Tenant qualification
  - Ongoing project management
  - Potential future sale of the rental property

## ***Online Housing/Redevelopment Resources***

### **Links from *Housing as a Redevelopment Tool* Module**

The Real Estate & Housing Cycle (Teo Nicolais)	<a href="http://goo.gl/LwpeZf">http://goo.gl/LwpeZf</a>
Housing Trends in Florida (Florida Housing Coalition)	<a href="http://goo.gl/WEosMj">http://goo.gl/WEosMj</a>
Florida Housing Data Clearinghouse (Shimberg)	<a href="http://flhousingdata.shimberg.ufl.edu">http://flhousingdata.shimberg.ufl.edu</a>
Mixed Use Transit Oriented Development Action Guide	<a href="http://mitod.org">http://mitod.org</a>

### **Housing Related Information Resources:**

Florida Housing Coalition	<a href="http://www.flhousing.org">www.flhousing.org</a>
Florida Housing Finance Corporation (Florida Housing)	<a href="http://www.floridahousing.org">www.floridahousing.org</a>
United States Department of Housing & Urban Development	<a href="http://portal.hud.gov/hudportal/HUD">http://portal.hud.gov/hudportal/HUD</a>

### **Redevelopment Information Resources:**

Florida Redevelopment Association	<a href="http://www.redevelopment.net">www.redevelopment.net</a>
Florida League of Cities	<a href="http://www.floridaleagueofcities.com">www.floridaleagueofcities.com</a>
Florida Association of Counties	<a href="http://www.fl-counties.com">www.fl-counties.com</a>
Florida Division Historical Resources/Main Street Program	<a href="http://www.flheritage.com">www.flheritage.com</a>
Regional Planning Councils	<a href="http://www.ncfrpc.org/state.html">www.ncfrpc.org/state.html</a>
American Planning Association (FL Chapter)	<a href="http://www.floridaplanning.org">www.floridaplanning.org</a>
Florida Special District Program	<a href="https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/">https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/</a>
Florida Department of Economic Opportunity	<a href="http://floridajobs.org">http://floridajobs.org</a>
International Council of Shopping Centers	<a href="http://www.icsc.org">www.icsc.org</a>
Urban Land Institute	<a href="http://www.uli.org">www.uli.org</a>
Congress for the New Urbanism	<a href="http://www.cnu.org/">www.cnu.org/</a>
Smart Growth	<a href="http://www.smartgrowth.org/">www.smartgrowth.org/</a>
International Economic Development Council	<a href="http://www.iedconline.org">www.iedconline.org</a>
Florida Economic Development Council	<a href="http://www.fedc.net">www.fedc.net</a>



## ***Glossary of Terms***

This Glossary is intended as an aid to the FRA Certification Course: *Housing as a Redevelopment Tool*. Definitions are provided in order to clarify the topics presented in this course. Sources for definitions beyond the scope of this course are [indicated].

Definitions from the Florida Housing Coalition publication “Affordable Housing Funding Sources” (September 3, 2014) are indicated as [FHC: AHFS]

### **Affordability Period**

The period during which a subsidized owner-occupied or rental unit must be kept affordable to households at designated income levels. Affordability periods vary widely among subsidy programs, generally ranging from 15 to 40 years. This period is sometimes also referred to as a “compliance period”. [FHC: AHFS]

### **Affordable Housing**

The rule of thumb used by the federal government is that housing should cost no more than 30 percent of a household’s gross income. Housing costs include rent or mortgage payments, property taxes (for homeowners), renter’s or homeowner’s insurance, and utility costs. [FHC: AHFS]

### **Area Median Income (AMI)**

The median household or family income in a designated geographic area, usually a metropolitan area or a county. Every year, the U.S. Department of Housing and Urban Development (HUD) calculates “Median Family Incomes” for designated geographic areas around the country, using data from the U.S. Census Bureau and the Consumer Price Index. [FHC: AHFS]

### **Bankruptcy Sale**

Bankruptcy is a generalized term for a federal court procedure that helps individuals and businesses rid themselves of debts and repay their creditors. A Bankruptcy Sale is an auction of property resulting from the bankruptcy.

In general, bankruptcies can be categorized into two types -- “liquidations” and “reorganizations.” Chapter 7 and Chapter 13 proceedings are the most common for individuals and businesses. Chapter 7 bankruptcies normally fall in the liquidation category. Chapter 13 bankruptcies generally fall under the reorganization category. [FindLaw.com]

**Community Development Block Grants (CDBG)**

The Community Development Block Grant is a HUD-administered federal program. HUD provides CDBG grants on a formula basis directly to:

- Entitlement Communities – Urban Counties (population more than 200,000) and Large Cities (more than 50,000)
- States and Small Cities Program

**Community Development Corporation (CDC)**

A CDC is a not-for-profit organization incorporated to provide programs, offer services and engage in other activities that promote and support community development.

**Community Housing Development Corporation (CHDO)**

Community Housing Development Corporations are community-based nonprofit housing providers that meet certain HUD criteria for geographic and programmatic focus and board structure.

**Community Land Trust (CLT)**

A Community Land Trust is a nonprofit corporation that develops and stewards Affordable Housing, community gardens, civic buildings, commercial spaces and other community assets on behalf of a community.

**Community Reinvestment Act**

The Community Reinvestment Act is a federal law designed to encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods.

**Deferred-Payment Loan**

A loan to a homebuyer or affordable housing developer that does not have to be repaid until a later date, when or if certain conditions are met. For example, if a homebuyer receives a deferred-payment loan for down payment assistance or mortgage principal reduction, he or she may have to pay back all or part of the loan if he or she sells the home during the affordability period (see Recapture). Depending on the program, deferred-payment loans may be forgivable under certain circumstances. [FHC: AHFS]

**Development Pipeline**

The number and type of housing units in the planning, permitting, sales and construction phases.

**Extremely Low-Income (ELI) Household**

A household with an income up to 30 percent of the Area Median Income (AMI).  
[FHC: AHFS]

**Fair Housing Act Protection**

It is illegal to discriminate based on: race, color, religion, national origin, sex, disability, and familial status.

**Fee Simple**

The greatest possible estate in land, wherein the owner has the right to use it, exclusively possess it, commit waste upon it, dispose of it by deed or will, and take its fruits. A fee simple represents absolute ownership of land, and therefore the owner may do whatever he or she chooses with the land. If an owner of a fee simple dies intestate, the land will descend to the heirs. [FreeDictionary.com]

**Financing – Construction Loan**

Construction loans are typically short-term with a maximum of one year, and have variable rates that move up and down with the prime rate. The rates on this type of loan are higher than rates on permanent mortgage loans.

**Financing – Permanent Loan**

Long-term (maturity period 15 to 30 years) mortgage loan or bond issue. In real estate projects, permanent financing is obtained after completion of construction, usually to repay the short-term (non-permanent) construction loan.

**Financing – Pre-development Loan**

Loans to cover expenses incurred prior to the construction phase of a project, such as expenses for acquisition, analysis, design, and project approval.

**Florida Housing Coalition, Inc. (FHC)**

The Florida Housing Coalition is a nonprofit, statewide membership organization whose mission is to bring together housing advocates and resources so that all Floridians have a quality affordable home and suitable living environment.

**Florida Redevelopment Association (FRA)**

Founded in 1974, FRA is a not-for-profit organization dedicated to assisting Florida professionals and volunteers in community revitalization efforts. With its mission of “transforming spaces, revitalizing places,” FRA is committed to providing a forum for its more than 300 members to share knowledge and common experiences regarding revitalization opportunities and issues throughout Florida.

**Foreclosure Sale**

Foreclosure is a legal process in which a lender attempts to recover the balance of a loan from a borrower who has stopped making payments to the lender by forcing the sale of the asset used as the collateral for the loan. [Wikipedia]

**Forgivable Loan**

A loan to a homebuyer or affordable housing developer for which repayment is not required if certain conditions are met. For example, in some homebuyer subsidy programs, the homebuyer is assisted with a loan that is forgiven if he or she lives in the home for a certain minimum amount of time. [FHC: AHFS]

**FS 163 Part III – Community Redevelopment**

Florida Statute 163 Part III is the statute that provides for Community Redevelopment and Community Redevelopment Agencies (CRA).

**Gap Financing**

Gap financing generally refers to a grant or loan that covers the difference between the cost of developing and operating an affordable housing project, and the funding sources that the developer has already obtained or is likely to obtain. [FHC: AHFS]

**Gentrification**

Gentrification refers to shifts in a community's population generally with an increasing share of wealthier residents and/or businesses and increasing property values.

**Guarantee**

In the affordable housing field, a guarantee usually refers to a pledge from a funding agency to repay a mortgage or other loan if the borrower (an income-qualified homebuyer or affordable housing developer) defaults. Loan guarantees encourage private lenders, such as banks, to make loans to individuals and organizations who would otherwise be considered too risky. [FHC: AHFS]

**Habitat for Humanity**

Habitat for Humanity is a nonprofit Christian housing organization founded on the conviction that everyone should have a decent, safe, affordable place to live.

**Healthy Mix**

A target identified for a community's unique mix of Luxury, Market Rate, Workforce and Affordable Housing.



## **Home Investments Partnership Program (HOME)**

HOME is a HUD-administered federal program providing the largest federal block grant to State and local governments exclusively to create Affordable Housing for low-income households.

## **Housing and Urban Development (HUD)**

The United States Department of Housing and Urban Development is a Cabinet department in the Executive branch of the United States federal government. Although its beginnings were in the House and Home Financing Agency, it was founded as a Cabinet department in 1965, as part of the "Great Society" program of President Lyndon Johnson, to develop and execute policies on housing and metropolises. [Wikipedia]

## **Housing/Household Types – Market Definitions (FRA Certification Housing Module)**

- Luxury - High Income
- Market Rate – High/Middle Income
- Workforce - 60% to 120% of Median Income
- Affordable - <60% of Median Income
- Mixed Income – combination of above

## **Housing/Household Types – ULI Definitions**

- Moderate-income/workforce households – those earning 60% to 120 % of AMI
- Low-income households – those earning 50% to 60 % of AMI
- Very low-income households – those earning 30% to 50 % of AMI
- Extremely low-income households – those earning less than 30 % of AMI

## **Housing/Household Types – HUD Definitions**

- Moderate Income – moderate income is "generally defined" as cash-income of 140% of the area median income
- Low Income – a household whose income does not exceed 80 percent of the median income for the area
- Very Low Income – 50 percent of the area median family income is calculated and set as the preliminary four-person family income limit

## **Incentives**

Incentives are a means of support extended to programs or projects that may: not be self sustaining financially; not yield the necessary return given prohibitive risks and alternative demands; require expedited approval or project delivery; or not meet community's objective for design or use if not incentivized.

## **Joint Venture**

A legal entity created by two or more organizations to undertake a specific project, sharing the benefits and risks according to a specified agreement. In affordable housing, a joint venture generally refers to a development project undertaken by two or more organizations working in partnership. The parties of a joint venture may be an inexperienced and experienced housing developer, a housing developer and a social service agency, or other configuration. A joint venture may consist of nonprofit organizations, for-profits, or both. [FHC: AHFS]

## **Land Development Regulations (LDR)**

Land Development Regulations are the Land Use, Zoning, Building Codes and other regulations that govern what and for what uses development can take place.

## **Lands Available for Taxes (LAFT)**

Lands Available for Taxes, or the County List of Lands, are Properties that have been advertised for sale by the Clerk at public auction, and no bidders appeared at the public sale to purchase the properties.

## **Loan-to-Value (LTV) Ratio**

The ratio of a mortgage loan for a homebuyer or rental housing developer to the total value of the property. Some funding programs have a maximum loan-to-value ratio used to determine the maximum amount of subsidy to award to an applicant. [FHC: AHFS]

## **Low-Income (LI) Household**

The most commonly used definition of a low-income household is one whose annual income is no more than 80 percent of Area Median Income (AMI). The entries in this Guide use this definition of low-income unless otherwise stated. One program that uses a different definition is the Community Development Block Grant. Under CDBG regulations, a low-income household is one whose income is up to 50 percent of AMI. [FHC: AHFS]

**Low-Income Housing Tax Credits (LIHTC)**

Low Income Housing Tax Credits are the largest single funding resource for developing Affordable Housing in the United States and is provided by the federal government to rental housing developers in exchange for a commitment to provide Affordable rents. The tax credits are allocated annually by states and some local housing agencies to help developers raise private capital for building or rehabilitating Affordable Housing units.

**Mixed Finance Public Housing**

HUD defines “mixed-finance” development as the combined use of public housing funds and other public and private sources of financing for the development of public housing.

**Mixed Income Housing**

A housing development or neighborhood with a mix of at least two of the following types of housing: Luxury, Market Rate, Workforce or Affordable Housing.

**Moderate-Income Household**

Under Florida Statutes, a moderate-income household does not exceed 120 percent of the Area Median Income (AMI). Under the CDBG and Neighborhood Stabilization Programs (NSP), a moderate-income household has an income greater than 50 percent of AMI but no more than 80 percent of AMI. Some programs, such as those administered by the United States Department of Agriculture’s Rural Housing Service (USDA RHS), have their own definitions of moderate-income. [FHC: AHFS]

**Neighborhood Stabilization Program (NSP)**

At the height of the recent recession, Congress created the Neighborhood Stabilization Program to help communities arrest and reverse blight and property value decline in neighborhoods most impacted by foreclosures and predatory lending.

**Other Public Funding Sources for Housing**

Funds made available to a housing organization such as Habitat, a Community Development Corporation (CDC), Community Housing Development Organization (CHDO), with home funds

**Probate**

Property is sold in probate court when someone dies intestate or without bequeathing his or her property. When this happens, the state takes over and administers the property’s sale.

**Property Deed**

A property deed is a legal document that transfers title from one party to another. A deed must be a written document, and is sometimes referred to as the “vehicle of the property interest transfer”.

**Property Deed - Deed of Trust/Mortgage**

A Deed of Trust is a loan document that functions to secure the lender's interest in your property. The property acts as collateral in case of default. The deed places the property in control of a trust/lender until loan is paid in full.

**Property Deed - Quitclaim Deed**

A Quitclaim Deed transfers whatever ownership rights a grantor may have on the property. Grantor (“quits”) any claim to the property. No warranties or promises regarding the quality of the title are made.

**Property Deed - Warranty**

A Warranty Deed is a deed whereby a grantor transfers ownership to grantee and promises that transferring party has “clear title” (property is free of liens and claims of ownership). If untrue, the transferring party agrees to compensate buyer.

**Property Title**

Refers to ownership of the property, meaning the holder of title has rights to use that property.

**Public Housing Authority (PHA)**

A Housing Authority is the local administrative agency for housing assistance programs funded by the federal Department of Housing and Urban Development (HUD).

**Public/Private Partnerships**

A partnership of the public and private sectors to develop projects that might not be possible or feasible without the skills, experiences, and resources available from both.

**Quiet Title Action**

An action to quiet title is a lawsuit filed to establish ownership of real property (land and buildings affixed to land). The plaintiff in a quiet title action seeks a Court Order that “quiets” the respondent from making any subsequent claim to the property.

**Real Estate and Housing Cycle**

A model of real estate development describing in four phases a repetitive cycle of Recovery, Expansion, Hyper-Supply, and Recession. [How to Use Real Estate Trends to Predict the Next Housing Bubble – Teo Nicolais at <http://goo.gl/LwpeZf>]

**Real Estate Owned Property (REO)**

Real Estate Owned is a term used to describe a class of property owned by a lender—typically a bank, government agency, or government loan insurer—after an unsuccessful sale at a foreclosure auction. [Wikipedia]

**Recapture**

A recapture provision is one way to ensure that a subsidy for an owner-occupied home remains available for future low-income homebuyers. A recapture provision is triggered if a low-income homeowner who benefited from a subsidy chooses to sell the house during the affordability period. Depending on the specific program guidelines, the homeowner may have to pay back all or part of the original subsidy using proceeds from selling the house. [FHC: AHFS]

**Resale Requirement**

If an affordable home sold to an income-qualified homebuyer has a resale requirement, the homeowner is legally required by a deed restriction or land covenant to sell the home to another income-qualified household at an affordable price (when/if the first homeowner chooses to sell.) [FHC: AHFS]

**Return on Investment**

Return on investment (ROI) is the benefit to the investor resulting from an investment of some resource. A high ROI means the investment gains compare favorably to investment cost. [Wikipedia]

**Short Sale**

A short sale is a sale of real estate in which the proceeds from selling the property will fall short of the balance of debts secured by liens against the property, and the property owner cannot afford to repay the liens' full amounts and where the lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt. Any unpaid balance owed to the creditors is known as a deficiency. (Wikipedia)

**State Apartment Incentive Loan Program (SAIL)**

The State Apartment Incentive Loan Program is a State of Florida program administered by the Florida Housing Finance Corporation (Florida Housing) to provide low-interest loans on a competitive basis to Affordable Housing developers

**State Housing Initiatives Partnership (SHIP)**

The State Housing Initiatives Partnership is a State of Florida program administered by Florida Housing. The program provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing.

**Tax Certificates**

A certificate of claim against property that has a lien placed upon it as a result of unpaid property taxes. Tax lien certificates are generally sold to investors by most counties and municipalities in the United States through an auction process. Subsequent to a winning bid made by an investor for a specific tax lien certificate, a lien is placed on the property and a certificate issued to the investor detailing the outstanding taxes and penalties on the property. [Investopedia]

**Tax Deed Sale**

The process and ultimate auction and sale of a property with delinquent taxes. The sale is the result of a tax deed application by a the holder of a tax certificate on the property. This action forces the property owner to pay the back taxes or the property is sold at a public auction to the highest bidder.

**Transit Oriented Development (TOD)**

Transit-oriented development (TOD) is commonly defined as high-density, mixed-use development within walking distance (a 1/2 mile) of a transit station. TOD provides a range of benefits including increased transit ridership, reduced regional congestion and pollution, and healthier, more walkable neighborhoods.

[Mixed Use Transit Oriented Development Action Guide: <http://mitod.org>]

**University of Florida Shimberg Center**

The Shimberg Center for Housing Studies was established at the University of Florida in 1988 to promote safe, decent and affordable housing and related community development throughout the state of Florida.

**Very Low-Income (VLI) Household**

A household with an income up to 50 percent of the (Area Median Income). [FHC: AHFS]