



Legislation Text

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ConnectFree Program Funds for an Affordable Rental Housing Project (B)

This item requests the City Commission to consider approving the use of ConnectFree Program funding to assist an Affordable Rental Housing Project.

On July 21, 2016, the City Commission adopted Resolution #160146 (Resolution) reinstating the ConnectFree Program (Program), which generates revenue from surcharges collected on new water and wastewater connections in the unincorporated part of the GRU service area. The primary purpose of that revenue is to subsidize new extensions and connections throughout the GRU Service Area. Additionally, that resolution identifies several activities that the ConnectFree Program may fund, including, local government contribution to affordable housing development projects leveraged with federal/state Low-Income Housing Tax Credit Programs.

The Low-Income Housing Tax Credit Program (LIHTC) provides for-profit and nonprofit organizations with a dollar-for-dollar reduction in federal tax liability in exchange for: 1) the acquisition and substantial rehabilitation; 2) substantial rehabilitation; or 3) new construction of low and very low-income rental housing units. Housing tax credits can be worth millions of dollars; and receiving this funding can assist cities/counties across the State of Florida to develop rental affordable housing in local communities. The use of tax credits subsidizes the cost of developing housing units, thereby producing decent, safe and affordable housing available to low-income households.

The Florida Housing Finance Corporation (FHFC) is essentially a department of the State of Florida, and administers the Program. The FHFC awards tax credits to affordable housing projects based on a competitive application system. Part of that system awards points to projects that meet certain criteria as established by the FHFC. Those criteria include affordability, sustainability and serving an identified housing need.

On September 6, 2018 the FHFC issued Request For Applications (RFA) 2018-110. In RFA 2018-110, the FHFC identified funding goals for medium sized counties like Alachua County. Those goals include funding a project for elderly residents, funding a project wherein the applicant (developer) is a non-profit organization, funding two projects located in certain mapped areas of the State, and funding two Local Government Area of Opportunity (LGAO) Projects.

LGAO Projects are projects where the applicant has demonstrated “a high level of Local Government interest in the project via an increased amount of Local Government contributions . . .” As outlined in RFA 2018-110, those contributions are generally defined as cash loans or grants. Essentially, the LGAO funding goal incentivizes a local government financial commitment. The minimum amount of local funding commitment ranges from \$297,563.00 to \$560,250.00, depending on the project’s rental housing development type.

If a local government elects to fund a LGAO Project, RFA 2018-110 requires the local government to choose to fund only one project, regardless of the number of applications the local government may receive from applicants. As such, the City Commission can select and fund only one LGAO Project to apply for housing tax credit funding from the FHFC.

The total number of projects funded throughout the State, in medium sized counties, can be impacted by several variables, but is generally six or seven projects each year. For that reason, projects that meet one of the FHFC identified goals, have a much better chance of being funded by the FHFC.

On August 26, 2018, the City published a Notice Of Funding Availability announcing that the City would accept applications for financial assistance for the development and/or rehabilitation of affordable rental housing projects. As a

result, the City received applications for a total of five rental housing projects. Each of those projects is a LIHTC Project requesting LGAO Funding.

On both September 11, 2018 and October 9, 2018, the City's Affordable Housing Advisory Committee (AHAC) met to discuss, evaluate and rank the projects. Based on those meetings the AHAC ranks the proposed projects in the following order:

1. Deer Creek Senior Housing
2. Madison Pines
3. Arbor Trail 2
4. Andrew Landing
5. Sydney Trace

Additionally, the AHAC recommends that the City provide the requested \$463,313.00, LGAO funding to Deer Creek Senior Housing, LLP, in the form of a loan from ConnectFree Funds. AHAC recommends that the terms of the loan be as requested by Deer Creek Senior Housing, LLP. Those terms are a no interest 24-month construction loan, with an automatic conversion to a permanent non-amortizing 15 year loan at 1% interest. The repayment of the funds may be reinvested back to the ConnectFree Program to assist other eligible projects.

Applications associated with RFA 2018-110 are due to the FHFC in Tallahassee on December 4, 2018.

Funds are available in the ConnectFree Program Budget to fund the selected rental housing project.

The AHAC recommends that the City Commission: 1) Hear a presentation from the AHAC and staff; 2) Approve funding the Deer Creek Senior Housing Affordable Rental Housing Project in the form of a loan in the amount of \$463,313.00 from the ConnectFree Program; the terms of which shall be a no interest 24-month construction loan, with an automatic conversion to a permanent non-amortizing 15 year loan at 1% interest; and 3) Authorize the City Manager or designee to execute any documents necessary to such funding, subject to City Attorney approval as to form and legality.