



Legislation Text

File #: 210203., Version: 1

Award of the Low-Income Housing Tax Credit 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 May 20, 2021, the City Commission adopted Resolution #201230 amending and restating Resolution #160146. These resolutions govern the City's 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 credits.

The Low-Income Housing Tax Credit (LIHTC) Program 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, very low, and extremely low income rental housing units. These tax credits can be worth millions of dollars, and as such, receiving them is often required to build affordable housing. Therefore, projects that receive this funding can help cities/counties reach their goals for the development of affordable rental housing. In essence, 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 July 20, 2021 the FHFC issued Request For Applications (RFA) 2021-201. In RFA 2021-201, the FHFC identifies funding goals for medium sized counties like Alachua County. Those goals include funding a project located in a locally designated revitalization area, funding one project located near the SunRail transit project, funding two projects located in certain mapped areas of the State, and funding six 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 2021-201, those contributions are generally defined as cash loans or grants. Fundamentally, the LGAO funding goal incentivizes a local government financial commitment. The minimum amount of the local funding commitment is \$460,000.00.

If a local government elects to fund a LGAO Project, RFA 2021-201 requires the local government to choose to fund only one project, regardless of the number of applications the local government may receive. 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 in 2021 it is expected to be 10 to 11 projects. For that reason, projects that meet one of the FHFC identified goals, have a much better chance of being funded by the FHFC.

On June 8, 2021, the City of Gainesville 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 four rental housing projects. Each of those projects is a LIHTC Project requesting LGAO Funding.

On July 13, 2021, the City's Affordable Housing Advisory Committee (AHAC) met to discuss, evaluate, and rank the projects. At that meeting, three of the applicants presented their project to the Committee and answered questions. The developers of Madison Moor did not attend the meeting and have withdrawn their application. At the July 13th meeting, the AHAC voted to rank the proposed projects in the following order:

1. Woodland Park, Phase 2 (96 units, family)
2. Village at Lincoln Park (88 units, family)
3. Veranda Estate (88 units, elderly)
4. Madison Moor (82 units, elderly)

Additionally, the AHAC recommends that the City provide the requested \$460,000.00 LGAO funding to Woodland Park, Phase 2 in the form of a loan from ConnectFree Funds. AHAC recommends that the terms of the loan be as requested by the applicants. Those terms are a 1% annual interest rate for an 18-year loan with a balloon payment at loan termination, and a 30-year amortization period. These terms ensure that the entire balance, including principal and interest, are paid in full at the end of the 18-year period. The repayment of the funds may be reinvested back to the ConnectFree Program to assist other eligible projects.

Applications associated with RFA 2021-201 are due to the FHFC in Tallahassee on August 26, 2021.

This item is connected to Goal 3: A Great Place to Live and Experience in the City's Strategic Plan, and is a high priority item.

Funds in the amount of \$460,000.00 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 Woodland Park, Phase 2 Affordable Rental Housing Project in the form of a loan in the amount of \$460,000.00 from the ConnectFree Program; the terms of which shall be a 1% annual interest rate for an 18-year loan with a balloon payment at loan termination, and a 30-year amortization period. The entire balance, including principal and interest, shall be paid in full at the end of the 18-year period; 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.