

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: February 5, 2008 [] Consent [X] Regular
Department: Housing and Community Development
Submitted By: Housing and Community Development

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to adopt: the State Housing Initiatives Partnership (SHIP) Purchase Assistance Program criteria.

Summary: The Purchase Assistance Program provides first-time homebuyer funding under Palm Beach County's local SHIP program. These state funds are allocated to Palm Beach County to facilitate in the development and preservation of affordable housing opportunities. This program provides assistance to households classified as very-low income; low income; and moderate income. The maximum allowable household incomes (for four (4) person households) are \$32,200 for very-low income; \$51,500 for low income; and \$77,280 for moderate income. The Commission on Affordable Housing recommended approval of these criteria on November 15, 2007. Countywide (TKF)

Background and Policy Issues: On May 18, 1993, Palm Beach County Board of County Commissioners (BCC) adopted its Affordable Housing Ordinance (No. 93-8 as amended) pursuant to the SHIP regulations outlined by the Florida Housing Finance Corporation (FHFC). The County's Commission of Affordable Housing (CAH) was established by the BCC in 1990 to administer the Robert E. Pinchuck Memorial Housing Trust Fund. The current SHIP Local Housing Assistance Plan (LHAP) adopted by the BCC on April 25, 2006 (R2006-0735) establishes how local SHIP program funds are to be allocated. The SHIP funds are used to facilitate the rehabilitation, acquisition, and construction of affordable single-family and multi-family/rental housing Palm Beach County. Additionally, under the LHAP SHIP funding is also used for: foreclosure prevention, utility connection and impact-fee payments; and architectural barrier removal for income eligible households. The attached criteria was recommended for approval by the CAH on November 15, 2007. These criteria were developed through a series of three (3) CAH workshops held between August 20, 2007 and September 14, 2007. These workshops were held with local mortgage lenders, non-profit agencies, realtors, and future home buyers.

Attachments:

1. SHIP Program Process Overview
2. Summary of Proposed Criteria
3. Proposed Criteria

Recommended by: Edward W. Loomis
Department Director

1/23/08
Date

Approved By: Sharon B. Boyd
Assistant County Administrator

1/31/08
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2008	2009	2010	2011	2012
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT					

# ADDITIONAL FTE POSITIONS (Cumulative)					
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Is Item Included In Current Budget? Yes ____ No

Budget Account No.:

Fund ____ Unit ____ Org ____ Object ____ Program Code/Period BG ____-GY

B. Recommended Sources of Funds/Summary of Fiscal Impact:

Source:

No fiscal impact

C. Departmental Fiscal Review:

Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

OFMB

B. Legal Sufficiency:

Senior Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

STATE HOUSING INITIATIVE PARTNERSHIP PROGRAM (SHIP)

General Information

This program is designed to provide financial assistance to very-low, low and moderate income applicants/households to acquire their first home that will be used as their principal place of residence. Financial assistance will be provided in the form of a mortgage which is due upon sale, transfer or conveyance of the property. If the loan conditions are not violated at the end of 30 years, the loan is forgiven.

SHIP funding makes homeownership affordable for prospective very-low, low and moderate income first time home buyers. Funds may be used as gap financing to buy down purchase price, rehabilitate existing property (*expending no more than \$5,000*) and/or closing costs.

The Subsidy Process

Those wishing to participate in the Purchase Assistance Program, must first enroll in a First Time Homebuyers' Education Program for a total of eight (8) hours. This program will start the process and prepare the first-time homebuyer for homeownership. Upon completion of the Homebuyers' Education Program, participants will receive a certificate of completion with each accompanying certification. A copy of the certificate and certification must be included in the SHIP Application upon submittal to our office.

After completion of the Homebuyer's Education course, the applicant must get approved for a mortgage with a bank/mortgage lender. When submitting an application to the Commission on Affordable Housing (CAH), applicants may choose to be represented by a non-profit organization and/or their lender. Applicants can either select a lender and/or non-profit organization of their choice or refer to the Commission on Affordable Housing's list of participating lenders and non-profit organizations. Applicants are advised that the lenders and non-profit organizations listed by the Commission on Affordable Housing are not "approved" or "certified" by Palm Beach County.

The application process for a prospective first-time homebuyer commences with the submission of a subsidy request package from the applicant; an institutional first mortgage lender; or a non-profit organization on behalf of the applicant. The lender or non-profit organization must submit the required documentation, including evidence that the applicant has been pre-qualified or approved for a first mortgage.

Applications for the SHIP Purchase Assistance Program will undergo an initial "intake review process" and determine whether or not the application can be processed as a: "Regular"; "Consent"; or "Fast Track."

Applications/Subsidy requests for the Purchase Assistance Program may be submitted either as a **Regular**, **Consent** or **Fast-Track** Application.

1. Applications not meeting one or more of the program's established criteria (*including the level of the subsidy*) will be designated as a **Regular Application**. Regular Application subsidy requests are considered for funding by the Commission on Affordable Housing Advisory Committee.
2. Applications meeting all the program criteria, but without a contract for a property will be designated as a **Consent Application**. Consent Applications that meet the criteria are recommended for funding by Commission on Affordable Housing staff.
3. Applications meeting all program criteria and having a property selected, will be designated as a **Fast-Track Application**. If the application is submitted as a Fast-Track, the following documentation is required at the time of submittal to CAH staff at intake: all of the property documentation; current credit report on each applicant; all verifications of income and assets, paystubs, tax returns, etc and such other information as required.

Regular and Consent applications will be scheduled for review by the Commission on Affordable Housing. Regular and Consent applications are accepted and must be submitted by 4:30 pm. during the first 2 working days of each month (*except for the months of September and December*). The Commission on Affordable Housing does not meet during the months of September and December. Fast-Track applications will be accepted any working day of the month, up until 4:30 pm. All applications are subject to funding availability.

SUMMARY OF PROPOSED PROGRAM CRITERIA

SHIP PURCHASE ASSISTANCE PROGRAM

A. Criteria that has been modified from that currently in use:

1. The maximum subsidy limit for a very-low income household has been raised from \$75,000 to \$150,000.
2. The "housing expense ratio" tiers have been expanded and range from 20.5% - 40.00%. {Housing expense ratio is the percentage of an applicant's monthly income to be paid for housing costs which include: first mortgage principal and interest, property taxes, insurance, and HOA fees where applicable.}
3. The maximum "total debt ratio" cannot exceed 48.00%. {Total debt ratio is the percentage of an applicant's monthly income to be paid for all existing debt plus the proposed housing expenses.}
4. The maximum allowable closing costs percentages will range from 3.5% - 8.0%.
5. The minimum applicant contribution will range from 1% - 3.5% dependent upon the income classification of the household. Additionally, the applicant contribution will now be based on the purchase price and rehabilitation costs, instead of total project costs to acquire the property.
6. The property tax calculation used for escrow contributions must be consistent with the Palm Beach County Property Appraiser Public Access System (PAPA) and/or any other available source of documentation used by the Commission on Affordable Housing to determine future property tax liability of SHIP applicants.
7. The maximum eligible interest rate on a fixed rate thirty (30) year mortgage shall not exceed .5 percentage points above the County average.

B. New Criteria:

1. First-time homebuyers receiving SHIP assistance are not permitted to receive cash through the closing transaction.
2. With the exception of very-low income households, the maximum subsidy a household would be eligible for if the home is located within SHIP Entitlement Cities (*Boca Raton, Boynton Beach, Delray Beach and West Palm Beach*) is one-half of the maximum eligible amount. To receive subsidy assistance under this provision, a "match" of equal or greater funding (or other considerations) must be provided by the applicant or on behalf of the applicant.
3. If a household is purchasing a home through Habitat for Humanity or the United States Department of Agriculture, the household will qualify for the maximum subsidy amount, provided that the applicant's housing expense ratio is at least 20.50% and that the housing expense ratio does not exceed 40.00%.
4. If the applicant's total liquid assets equal or exceed their maximum eligible subsidy amount, then the maximum eligible subsidy amount will be reduced to one-half of the otherwise eligible amount.
5. The maximum "liquid asset" limit for a household cannot exceed \$200,000. Liquid assets do not include Individual Retirement Accounts, pensions, and other retirement funds.
6. Palm Beach County must consent to any and all property interest transfers.
7. Insurance coverage must be sufficient to cover all encumbrances placed against the SHIP assisted properties. Exceptions to this requirement will be made only in cases where the insurance company certifies that the home is insured for the maximum value.
8. The HCD Director has authority to approve all SHIP subsidy requests which meet all approved criteria in and during the months the CAH Advisory Committee does not meet.
9. In order to receive SHIP subsidy assistance, the primary applicant(s) must be legal residents.
10. The HCD Director (or County Administration) has discretionary authority to approve SHIP subsidy applications at closing where the closing costs percentage does not exceed more than 0.25 percentage points above the stated criteria. This discretionary authority will be applicable on those applications that have been recommended for funding by the CAH.

C. Criteria that has been deleted:

1. Loan-to-value requirements are eliminated on SHIP subsidy requests. This requirement was deleted because "housing expense ratios" are a better indicator of

an applicant's ability to pay his/her "fair share" of housing costs.

D. No criteria changes are proposed in the following areas:

1. Homebuyer Education Certificate & Certification
2. Inspection Process
3. Rehabilitation Work Process

SHIP PROGRAM CRITERIA

1. MINIMUM AND MAXIMUM HOUSING EXPENSE RATIOS

- A tiered threshold approach will be used and the eligible housing expense ratios will range from 20.50% to 40.00%. The higher the housing expense ratio of the applicant, the more SHIP subsidy the applicant qualifies for.

Housing Expense Ratios and Maximum Subsidies

SHIP applicants whose housing expense ratios are between **20.50% and 29.49%** are eligible for subsidies as follows: \$75,000 for very-low income applicants; \$25,000 for low income applicants; and \$10,000 for moderate income applicants.

SHIP applicants whose housing expense ratios are between **29.50% and 32.49%** are eligible for subsidies as follows: \$100,000 for very-low income applicants; \$35,000 for low income applicants; and \$20,000 for moderate income applicants.

SHIP applicants whose housing expense ratios are between **32.50% and 40.00%** are eligible for subsidies as follows: \$150,000 for very-low income applicants; \$60,000 for low income applicants; and \$45,000 for moderate income applicants.

- The CAH Advisory Committee will review and recommend approval where the applicant's housing expense ratio is between 20.5% to 25.49% and 35.1% to 40%, which is to be considered a Regular Application. All other SHIP applications with housing expense ratios between 25.50% and 35.00% will be reviewed by CAH staff. The CAH Advisory Committee's recommendations regarding housing expense ratios will have no bearing on the eligible subsidy amounts. Actual housing expense ratios will determine subsidy amounts.
- If an applicant/household is purchasing a home through Habitat for Humanity or United States Department of Agriculture, the household will qualify for the above listed maximum subsidies, provided that the applicant's housing expense ratio is at least 20.50% and that it does not exceed the maximum eligible housing expense ratio of 40.00%.
- The HCD Director (or designee) has discretionary authority to approve applications where the applicant's income has changed after the CAH Advisory Committee has recommended approval of the subsidy request. This discretionary authority of up to 0.5% (housing expense and total debt ratios) is only applicable where the change in income was due to a change in how the bank calculates income versus how the State of Florida requires income to be calculated. CAH Staff will report the cases where this discretionary authority was exercised.

2. Maximum Total Debt Ratios

The CAH may recommend subsidy approvals where the total debt ratio exceeds 45.00%. However, under no circumstances shall a SHIP subsidy recipient have a total debt ratio to exceed 48.00%.

3. ELIGIBLE HOUSING

- Eligible properties are newly constructed or existing single-family houses, townhouses or condominiums.

4. ELIGIBLE AREAS

- SHIP assistance is available for eligible properties that are located within Palm Beach County's Urban Service Area. This excludes the Acreage in Royal Palm Beach and Loxahatchee.

5. ENTITLEMENT CITIES

- If the home to be purchased is located within a SHIP Entitlement City (*Boca Raton, Boynton Beach, Delray Beach or West Palm Beach*), the applicant will only qualify for

one-half the normal eligible subsidy amount. However, in order to receive this reduced subsidy, there must be an equal or greater "match" of funding or other consideration provided by the applicant or on behalf of the applicant. **Please note that, if the applicant qualifies as a very low income household, this Entitlement City restriction will not apply.**

- If the applicant seeks to use land, land improvements or any other equity that is not considered cash as the required match, then the subsidy request shall be reviewed by the CAH.

6. ELIGIBLE APPLICANTS & HOUSEHOLDS

- "An eligible person or household" is one or more natural persons or family who has been determined to be of very-low, low, or moderate income according to the income limits published annually by the United States Department of Housing and Urban Development. All units constructed, rehabilitated, purchased or otherwise assisted with SHIP housing funds must be occupied by eligible persons utilizing the assisted housing unit as their principal residence as required by Section 420.9075(4)(d)2., F.S.
 1. Legal Residency. It is required that only the first mortgage borrower and thus the recipient(s) of SHIP funds, have legal residency as defined by the Department of Housing and Urban Development. However, where and when the Florida Housing Finance Corporation determines additional policies or criteria is appropriate, Palm Beach County SHIP policy shall be revised to be in compliance,

7. INCOME ELIGIBILITY

- This program is designed to provide financial assistance to only very-low, low, and moderate income applicants/households to acquire their first home which will be used as their principal place of residence. Program income eligibility will be based on annual medium family income determinations issued by the Department of Housing and Urban Development.

8. MINIMUM LOAN-TO-VALUE RATIO

- There are no Loan-to-Value requirements. However, the total amount of SHIP subsidy provided for purchase assistance cannot equal or exceed the loan amount of the first mortgage (unless the SHIP subsidy will solely hold or share first lien position). Requested SHIP subsidies in excess of the first mortgage loan amount, shall be reviewed and recommended by the CAH. If the requested subsidy is recommended for approval by the CAH, CAH Staff must then submit the application to the Board of County Commissioners for final approval.
- First time homebuyers are not permitted to receive cash back through the closing transaction.

9. MAXIMUM SUBSIDY & MAXIMUM HOUSEHOLD ASSET LIMIT

- The maximum eligible subsidy amounts for the SHIP applicants will be \$150,000 for Very-Low Income applicants; \$60,000 for Low Income applicants; and \$45,000 for Moderate Income applicants. If the applicant's total liquid assets equal or exceed their maximum eligible subsidy, then the maximum eligible subsidy amount will be reduced to one-half of the otherwise eligible amount.
- In order to be eligible for assistance, the household's total "liquid assets" cannot equal or exceed \$200,000 (*excluding Individual Retirement Accounts, pension's and retirement funds*). Liquid Assets are defined as: any cash or cash equivalent which can be immediately converted into cash at an established rate or value. Cash equivalents include: savings bonds and other bond investments; corporate stock and stock futures; mutual funds; and any other investment security or note.

10. UPON RECEIVING SHIP SUBSIDY RECOMMENDATION

- The Commission on Affordable Housing staff will issue a "Conditional Loan

Commitment” that will be honored for up to 60 calendar days. Additionally, funds will only be encumbered for 60 calendar days from the date of subsidy recommendation. Conditional loan commitments will only be issued to applicants who have a fully executed purchase contract. Applicants shall verify with CAH staff the status of their commitment after 60 calendar days have elapsed. SHIP subsidy funds can not be committed indefinitely.

11. MINIMUM APPLICANT CONTRIBUTION

- The minimum applicant contribution percentages for the three income classifications are as follows:

Very Low – 1.0% Low - 2.5% Moderate - 3.5%
- The calculation of the applicant contribution will be based on the purchase price and rehabilitation costs (*if applicable*).
- The CAH has discretion to recommend requests where the applicant contribution is no more than one (1) percentage point below stated criteria minimum.

12. MAXIMUM CLOSING COST PERCENTAGES AND CALCULATIONS

- In an effort to maintain affordability for the home buyer, the CAH has established maximum percentages for closing costs. The approved closing cost percentages are as follows:

<u>First Mortgage Amounts</u>	<u>Maximum Closing Cost Percentage</u>
<input type="checkbox"/> Under \$30,000	7.0%
<input type="checkbox"/> \$30,000 - \$40,000	6.0%
<input type="checkbox"/> \$40,001 - \$50,000	5.5%
<input type="checkbox"/> \$50,001 - \$60,000	5.0%
<input type="checkbox"/> \$60,001 - \$70,000	4.5%
<input type="checkbox"/> \$70,001 - \$80,000	4.0%
<input type="checkbox"/> \$80,001 - \$280,000	3.5%

- The closing cost calculations used for qualifying shall not include prepaid interest, Private Mortgage Insurance, Escrows, Non-Profit fees or Builder/Developer fees. However, if the Builder/Developer received government assistance to build the purchased unit, then the Builder/Developer fee shall be included in the closing costs calculations.
- The HCD Director (or County Administration) has discretionary authority to approve applications at closing where the closing costs percentage does not exceed more than 0.25 percentage points above the stated criteria. This discretionary authority will be applicable on applications that have been recommended for funding by the CAH.
- The CAH has discretion to recommend subsidy requests where the closing costs exceed the stated criteria by no more than one (1) percentage point.

13. TITLE TRANSFERS/MORTGAG SUBORDIATIONS

- Palm Beach County must consent to all property interest transfers including, but not limited to transfers between owners. The County will only approve such requests in limited circumstances such as death, divorce or other special circumstances. Any unapproved transfer of interests will automatically (*and immediately*) require full repayment of the entire SHIP subsidy.
- Mortgage subordinations are granted at the discretion of Palm Beach County. Mortgage subordinations will only be granted by the HCD Director where the home

owner is seeking new financing to: lower the term of the first mortgage; lower the interest rate of the first mortgage; or make improvements to the SHIP assisted property. Mortgage subordination requests for any other reason must be presented to the CAH for a recommendation. Mortgage subordinations will not be granted at any time where the County's financial interest is not fully protected.

14. PROPERTY TAX CALCULATIONS FOR QUALIFYING RATIOS

- When establishing a property tax figure for calculating expense ratios, CAH Staff will use the information presented by the lender, provided the information is consistent with the information available on the Palm Beach County Property Appraiser Public Access System (PAPA) and/or any other available source of documentation used by the Commission on Affordable Housing to determine future property tax liability of SHIP applicants.

15. HOMEOWNERS INSURANCE INFORMATION

- Insurance coverage for the SHIP assisted properties must be sufficient to cover all encumbrances placed against the property. Exceptions to this requirement will be made only in cases where the insurance company accepts, through official certification, that it is acceptable for the coverage to be less than the total value of the encumbrances on the property.

16. MAXIMUM INTEREST RATE

- Interest rates on a thirty (30) year fixed rate, first mortgage shall not exceed 0.5 percentage points above the County average rate. Interest rates will be determined on the first Saturday of each month as is reported in the Palm Beach Post newspaper.
- The maximum applicable interest rate that will be applied will be based on the date the application is submitted.

17. FIRST MORTGAGES

- Subsidies will only be provided to those applicants who have acquired a 30 year fixed rate first mortgage.

18. HOMEBUYER EDUCATION CERTIFICATE & CERTIFICATION

- All applicants seeking participation in the SHIP Purchase Assistance Program are required to enroll in a home buyer education course for no less than six (6) hours in a classroom setting plus two (2) hours one-on-one counseling with approved checklist prior to the submission of the subsidy request application.
- All applicants seeking participation in the SHIP Purchase Assistance Program are required to have the provider of the home buyer education course certify their enrollment and completion of the course.

19. INSPECTIONS

- All existing residential properties to be purchased utilizing SHIP funds must have an initial inspection conducted by a County licensed Inspection Company to perform such services or by a certified building or general contractor.
- Pre-inspections are required to determine the condition of the property and identify needed repairs, if any. Please note that inspections of pre-1981 built detached homes must be performed by a certified Palm Beach County Inspector.
- Final Inspections must be conducted to determine that repairs required on the initial inspection report are complete and were done in accordance with all applicable building codes.

20. HCD AUTHORITY

- The HCD Director does not have authority to approve "Regular" SHIP subsidy requests in and during the months the CAH does not meet. These subsidy requests must wait until the next scheduled CAH meeting.

21. REHABILITATION WORK

- If the inspection report indicates the need for repairs on the property to be purchased with the SHIP subsidy, at least one bid to complete the repairs is required from a County licensed building contractor. The maximum award for CAH funded repairs is \$5,000. The cost of repairs combined with the SHIP subsidy cannot exceed the maximum allowable subsidy. If the cost of repairs exceed \$5,000, at least three (3) bids are required. Post-closing rehabilitation repair work must be performed by a County licensed building contractor. Only the CAH Rehabilitation Compliance Inspector can authorize the release of any escrowed funds for repairs.

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