

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: July 10, 2012 Consent Regular
 Ordinance Public Hearing

Department: Department of Economic Sustainability

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: a modification to the State Housing Initiative Partnership (SHIP) Program's Local Housing Assistance Plan (LHAP) to modify the maximum subsidy limits for very low, low, and moderate income eligible households.

Summary: The SHIP Program provides funding for various programs designed to further the development and preservation of affordable housing. The current maximum subsidy limits for the Purchase Assistance Program as funded through SHIP is \$150,000 for very low income households whose incomes are at or below 50% of Area Median Income (AMI), \$60,000 for low income household whose incomes are at or below 80% of AMI, and \$45,000 for moderate income households whose incomes are at or below 120% of AMI. The new recommended subsidy limits are \$100,000 for very low income households, \$65,000 for low income households, and \$50,000 for moderate income households. The recommended subsidy limits support the current average median sales price for Palm Beach County, increase the number of residents able to be assisted throughout the County, and bring about consistency with all County programs. Upon approval of this agenda item, the LHAP will be amended to reflect the above modifications and forwarded to the Florida Housing Finance Corporation (FHFC). Staff had prepared to take this item to the Commission on Affordable Housing for approval on January 26, 2012 and on April 26, 2012. However, both meetings were cancelled due to the lack of a quorum. So as not to further delay the submission of these modifications to FHFC, Staff is bringing them forward for approval. **These are State SHIP grant funds which require no local match.** (B&HI) Countywide (TKF)

Background and Justification: On April 20, 2010, the Board of County Commissioners approved (R-2010-0619), the SHIP Local Housing Assistance Plan for Palm Beach County. Currently, the goal of the Purchase Assistance Program is to provide assistance through gap financing, down payment, closing cost, lot acquisition, and rehabilitation of the unit to be purchased. Funding assistance will be based on the financial need of the income eligible homebuyer up to the maximum amount of assistance available for the income group.

Attachments:

1. Amended Purchase Assistance Strategies in ~~strikethrough~~/underline format.

Recommended By:  5-31-12
 Department Director Date

Approved By:  6-8-2012
 Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2012	2013	2014	2015	2016
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 _____ Dept _____ Unit _____ Object _____ Program Code/Period _____.

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

No fiscal impact

C. Departmental Fiscal Review:

[Signature] 5-30-12
Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

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

[Signature] 5/31/12
OFMB
JS
SKS
6/1/12

[Signature] 6/5/12
Contract Development and Control
6-4-12 B. Shedd

B. Legal Sufficiency:

[Signature] 6/7/12
Senior Assistant County Attorney

C. Other Department Review:

Department Director

Palm Beach County Local Housing Assistance Plan Amended Strategies: FY 2007-2010 & FY 2010-2013

Name of the Strategy: PURCHASING ASSISTANCE EXISTING WITH OR WITHOUT REHABILITATION:

Summary of the Strategy: Under this strategy, funding will be available strictly to income eligible first-time homebuyers for purchase assistance with or without rehabilitation. SHIP funds will be used with the goal of expanding homeownership opportunities to the targeted income groups. Assistance can be used for gap financing, lot acquisition; down payment; rehabilitation of the unit to be purchased; and closing cost; and will be based on the financing needs of the individual homebuyer up to the maximum amount of assistance available for the income group. Permanent first mortgage financing can be provided by either private sector financing institutions or other non-profit agency or governmental financing sources.

SHIP funds will not be utilized for the purchase of mobile homes.

Fiscal Years Covered: 2010-2011; 2011-2012; 2012-2013

Income Categories to be served: Very Low, Low and Moderate applicants up to 120% of the area median income can only utilize the SHIP program

Maximum Award: ~~\$150,000~~ \$100,000 for Very Low income families, ~~\$60,000~~ \$65,000 for low income families, and ~~\$45,000~~ \$50,000 for Moderate income families The HOME match funding may be based on the maximum award stipulate by HOME program guidelines

Terms, Recapture and Default: Deferred payment loans are secured by mortgage and note for a term of thirty (30) years with zero interest. Payment in full is due if the property is sold within 30-year term. If sold after the 30-year term, no repayment is required. Assistance will be included in a recorded mortgage and subject to recapture provision below.

If the property is sold, title is transferred or conveyed to an income eligible buyer during the term of the mortgage, repayment may be waived if the new buyer accepts and agrees to the term and conditions of the mortgage including, but not limited to the primary residence requirement. The purchaser's eligibility will be determined by the County and must be requested by the owner prior to the sale of the property. Any applicable affordability restrictions will be transferred to the new owner.

If the home is sold, title is transferred or conveyed to an ineligible buyer, or the home ceases to be the primary residence of the applicant during the term of the mortgage, the entire amount of the loan shall become immediately due and payable. In the event of a sale, the County may exercise its right of first refusal to purchase the property at its current market value for continued occupancy by income eligible persons.

In the event of the death of the borrower prior to the end of the term of the mortgage, the outstanding balance become immediately due and payable. If the property is inherited by an income eligible heir that meets the requirements of the program, repayment may be waived, if the new homeowner accepts the terms and conditions of the program, including, but not limited to the principal residence requirement. The new owner's eligibility and entitlement shall be determined by the County in its sole discretion and must be requested by the owner within ninety (90) days of the death of the original borrower. Any applicable deed/affordability restrictions will be transferred to the new owner.

Additionally, a deed restriction or other legally sufficient document may be recorded with the Clerk of the Circuit Court to ensure the resale of the unit to a low or moderate-income homebuyer. The County is currently exploring other long-term affordability

options such as Community Land Trust and Shared Equity/Appreciation. Resale restrictions as stipulated in a Community Land Trust and/or Shared Equity Agreements will be incorporated when/where applicable and imposed during the restrictive period. The Shared Equity/Appreciation policy will require homeowners receiving down payment assistance to repay a portion (20% to 70% of excess profit depending on year sold after purchase) of the equity/appreciation (less any applicable repayments) realized to the County when the property is sold at fair market value during the term of the mortgage.

In the event of default on the First Mortgage, the County may exercise its right of first refusal to purchase the property or if possible, coordinate the purchase of the property with an approved buyer. If unsuccessful, and a foreclosure or deed in lieu of foreclosure of the first mortgage transpires, any collateral agreement by the County restricting the use of the property or restricting the owner's ability to sell the property shall have no further force or effect on subsequent owners of the property. Furthermore, if the first lender acquires title to the Property pursuant to a deed in lieu of foreclosure, the County's lien shall automatically terminate upon the first lender's acquisition of title. Any person, including his successors and assigns (other than the Borrower or a related entity or person to the Borrower), receiving title to the property through a foreclosure or deed in lieu of foreclosure of the first mortgage shall receive title to the property free and clear of the County's restrictions.

Recipient Selection Criteria:

- a. Eligible applicants will be selected on a first come, first qualified, first served basis within the income group subject to funding availability.
- b. To qualify for assistance, eligible program participants must meet the definition of a first time homebuyer. A first time homebuyer is an applicant who has not owned a home within the three (3) years immediately preceding the SHIP assisted purchase. The only exception is a person who has lost a home due to a divorce and/or domestic violence as defined in Florida §741.28.
- c. The applicant must have completed a Homebuyer Education class approved by the County prior to receiving financial assistance.
- d. The purchased property must meet all applicable building codes. Deficiencies must be corrected prior to, or as part of the purchase transaction. In the case of new construction, a Certificate of Occupancy (CO) is required prior to occupancy.
- e. Very low-income homebuyers must contribute a minimum of 2.5% and low and moderate buyers must contribute a minimum of 3%.

Developer/Sponsor Selection Criteria: N/A

Additional Information: Other state, federal, private and local funds may be leveraged with SHIP funds. But, where the County's SHIP subsidy is equal to the first mortgage, the County must share first lien position with the first mortgage lender. However, where the County's SHIP subsidy is larger than the first mortgage, then the County must be in first lien position. Also, where the County's SHIP subsidy is larger than another subsidy, the County must be placed in a superior lien position to any smaller subsidy.

Name of the Strategy: PURCHASE ASSISTANCE NEW CONSTRUCTION

Summary of the Strategy: Under this strategy, funding will be available strictly to first time homebuyers for purchase assistance with or without rehabilitation. Eligible applicants for this program is available on first time, first qualified, first served basis.

SHIP funds will be made available to income eligible first time homebuyers with the goal of expanding homeownership opportunities to the targeted income groups. Assistance can be used for gap financing, lot acquisition; down payment; rehabilitation of the unit to be purchased; and closing cost; and will be based on the financing needs of the individual homebuyer up to the maximum amount of assistance available for the income group. Permanent first mortgage financing can be provided by either private sector

financing institutions or other non-profit agency or governmental financing sources.

SHIP funds will not be utilized for the purchase of mobile homes.

Fiscal Years Covered: 2010-2011; 2011-2012; 2012-2013

Income Categories to be served: Very Low, Low and Moderate applicants up to 140% of the area median income only can utilize the SHIP program

Maximum Award: ~~\$150,000~~ \$100,000 for Very Low income families, ~~\$60,000~~ \$65,000 for Low income families, and ~~\$45,000~~ \$50,000 for Moderate income families

Terms, Recapture and Default:

Deferred payment loans secured by mortgage and no note for a term of thirty (30) years with zero interest. Payment in full is due if the property is sold within 30-year term. If sold after the 30-year term, no repayment is required. Assistance will be included in a recorded mortgage and subject to recapture provision below.

If the property is sold, title is transferred or conveyed to an income eligible buyer during the term of the mortgage, repayment may be waived if the new buyer accepts and agrees to the term and conditions of the mortgage including, but not limited to the primary residence requirement. The purchaser's eligibility will be determined by the County and must be requested by the owner prior to the sale of the property. Any applicable affordability restrictions will be transferred to the new owner.

If the home is sold, title is transferred or conveyed to an ineligible buyer, or the home ceases to be the primary residence of the applicant during the term of the mortgage, the entire amount of the loan shall become immediately due and payable. In the event of a sale, the County may exercise its right of first refusal to purchase the property at its current market value for continued occupancy by income eligible persons.

In the event of the death of the borrower prior to the end of the term of the mortgage, the outstanding balance becomes immediately due and payable. If the property is inherited by an income eligible heir that meets the requirements of the program, repayment may be waived, if the new homeowner accepts the terms and conditions of the program, including, but not limited to the principal residence requirement. The new owner's eligibility and entitlement shall be determined by the County in its sole discretion and must be requested by the owner within ninety (90) days of the death of the original borrower. Any applicable deed/affordability restrictions will be transferred to the new owner.

Additionally, a deed restriction or other legally sufficient document may be recorded with the Clerk of the Circuit Court to ensure the resale of the unit to a Low or Moderate-income homebuyer. The County is currently exploring other long-term affordability options such as Community Land Trust and Shared Equity/Appreciation. Resale restrictions as stipulated in a Community Land Trust and/or Shared Equity Agreements will be incorporated when/where applicable and imposed during the restrictive period. The Shared Equity/Appreciation policy will require homeowners receiving down payment assistance to repay a portion (*20% to 70% of excess profit depending on year sold after purchase*) of the equity/appreciation (*less any applicable repayments*) realized to the County when the property is sold at fair market value during the term of the mortgage.

In the event of default on the First Mortgage, the County may exercise its right of first refusal to purchase the property or if possible, coordinate the purchase of the property with an approved buyer. If unsuccessful, and a foreclosure or deed in lieu of foreclosure of the first mortgage transpires, any collateral agreement by the County restricting the use of the property or restricting the owner's ability to sell the property shall have no further force or effect on subsequent owners of the property. Furthermore, if the first lender acquires title to the Property pursuant to a deed in lieu of foreclosure, the County's lien shall automatically terminate upon the first lender's acquisition of title. Any person, including his successors and assigns (other than the Borrower or a related

entity or person to the Borrower), receiving title to the property through a foreclosure or deed in lieu of foreclosure of the first mortgage shall receive title to the property free and clear of the County's restrictions.

Recipient Selection Criteria:

- a. Eligible applicants will be selected on a first come, first qualified, first served basis within the income group subject to funding availability.
- b. To qualify for assistance, eligible program participants must meet the definition of a first time homebuyer. A first time homebuyer is an applicant who has not owned a home within the three (3) years immediately preceding the SHIP assisted purchase. The only exception is a person who has lost a home due to a divorce; within the (3) three years preceding the SHIP assisted purchase.
- c. The applicant must have completed a Homebuyer Education class approved by the County prior to receiving financial assistance.
- d. The purchased property must meet all applicable building codes. Deficiencies must be corrected prior to, or as part of the purchase transaction. In the case of new construction, a Certificate of Occupancy (CO) is required prior to occupancy.
- e. Very low income homebuyers must contribute a minimum of 2.5% and low and moderate buyers must contribute a minimum of 3%.

Developer/Sponsor Selection Criteria: N/A

Additional Information: Other state, federal, private and local funds may be leveraged with SHIP funds. However:

- Where the County's SHIP subsidy is equal to the first mortgage, the County must share first lien position with the first mortgage lender.
- Where the County's SHIP subsidy is larger than the first mortgage, then the County must be in first lien position.
- Where the County's SHIP subsidy is larger than another subsidy, the County must be placed in a superior lien position to any smaller subsidy.
- Where the County is both the first and second mortgage lien holder superior or subordinate lien is not applicable.