



City of Gainesville Agenda Item Report

File Number: 2025-723

Agenda Date: October 23, 2025

Department: Department of Housing & Community Development

Title: 2025-723 Funding Recommendation for Local Government Area of Opportunity Project (B)

Department: Housing & Community Development

Description: Request for the General Policy Committee to consider approving the use of ConnectFree Program funding to assist an Affordable Rental Housing Project.

Fiscal Note: For Fiscal Year 2024-25, the City has budgeted \$460,000 of ConnectFree Program revenue for a Local Government Contribution to a Local Government Area of Opportunity (LGAO) project.

Explanation: Staff is requesting City Commission to review and approve the use of ConnectFree Program funds in the amount of \$460,000 to provide the Local Government Area of Opportunity funding to support Catholic Charities and Crosland Southeast's application for Low-Income Housing Tax Credits from the Florida Housing Finance Corporation.

The approximately \$30 million project, to be known as Hope @ Debra Heights, includes the construction of 96 new units within four 3-story buildings. Located at 2001 NE 2nd Street, this project consists of one-, two-, and three-bedroom units affordable to households earning up to 70 percent of the Gainesville Area Median Income (AMI).

The Low-Income Housing Tax Credits (LIHTC) Program provides for-profit and nonprofit organizations with a dollar-for-dollar reduction in federal tax liability in exchange for the following activities:

1. Acquisition and substantial rehabilitation of low and very low-income rental housing units;
2. Substantial rehabilitation of low and very low-income rental housing units; 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 developers to build affordable rental housing in cities and counties across the State of Florida. 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) administers the LIHTC Program for the State of Florida. The FHFC is a public corporation of the State of Florida and is the State's housing finance agency. As a financial institution, the FHFC administers state and federal resources to provide affordable homeownership and rental housing options for the citizens of Florida.

The FHFC awards 9% LIHTCs to affordable housing projects based on a highly detailed and 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, feasibility, and serving an identified housing need. In addition, the FHFC monitors the developments for compliance with program requirements.

On September 16, 2025, the FHFC issued Draft Request For Applications (RFA) 2025-201. The actual RFA is expected to be issued on October 22, 2025. In the Draft RFA, the FHFC identified 9% LIHTC funding goals for medium sized counties like Alachua County. Several variables impact the total number of projects awarded 9% LIHTC funding, but in most years, it is 11 or 12 projects. For that reason, FHFC is much more likely to fund projects that meet one of the FHFC's identified goals. The goals identified in Draft RFA 2025-201 include funding projects in the following categories:

- One project located near the SunRail transit project in the Tampa Bay area;
- One project that qualifies as Permit Ready, as defined in the RFA;
- One project in certain mapped areas of the State; and
- Three projects that qualify as Local Government Area of Opportunity (LGAO) Projects.

LGAO Projects are developments where the applicant has demonstrated "a high level of Local Government interest in the project via an increased amount of Local Government contributions in the form of cash loans and/or cash grants." Essentially, the LGAO funding goal incentivizes a City or County financial commitment known as a Local Government Contribution (LGC). According to Draft RFA 2025-201, for local governments in Alachua County, the minimum amount of the local funding commitment is \$460,000. Additionally, if a local government elects to fund a LGAO Project, Draft RFA 2025-201 requires the local government to choose to fund only one project, regardless of the number of applications the local government may receive.

On September 8, 2025, the City of Gainesville distributed 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. Subsequently, the City received four applications for affordable rental housing projects requesting LGAO Funding. One of the applicants rescinded their application on October 1, 2025.

On September 23, 2025, in advance of the October 1, 2025 meeting of the City's Affordable Housing Advisory Committee (AHAC), staff made the Backup information

about the projects available to the AHAC and to the public. That information is also attached to this agenda item.

On October 1, 2025, the AHAC met to discuss and evaluate the projects. At that meeting, the applicants presented their projects to the Committee and answered questions from the Committee. Following the presentations and discussion, each of the members in attendance scored the projects.

Based on the AHAC members' scorings of each project, the Committee rated Hope @ Debra Heights the highest. As a result, the AHAC approved a motion to recommend that the City fund the application from Catholic Charities and Crosland Southeast with funding in the form of a loan from ConnectFree Funds. The terms of the loan are a 5% annual interest rate with a balloon payment at the maturity of the first mortgage (likely 15 to 17 years), and a 30-year amortization period. These terms ensure that the developer repays the entire balance, including principal and interest, at the maturity of the first mortgage (likely 15 to 17 years). The City may reinvest the repaid funds back into the ConnectFree Program to assist other eligible projects.

At the October 23, 2025 General Policy Committee (GPC) Meeting, the AHAC will present its funding recommendation and the reasons for that recommendation to the GPC. After receiving the AHAC's recommendation, the GPC will make a final funding determination. Applications associated with RFA 2025-201 are due to the FHFC on November 18, 2025.

According to State rules, if a City/County approves a LGAO for a project that the FHFC does not fund, or for some reason the project is not completed, the City/County is not obligated to provide the funding to the applicant. In this case, that means that the funds will remain with their original source, which is the City's ConnectFree Program.

Strategic Connection:

- Goal 1: Equitable Community
- Goal 2: More Sustainable Community
- Goal 3: A Great Place to Live and Experience
- Goal 4: Resilient Local Economy
- Goal 5: "Best in Class" Neighbor Services

Recommendation: The General Policy Committee: 1) hear a presentation from staff and the Affordable Housing Advisory Committee; 2) approve funding the Hope @ Debra Heights Affordable Rental Housing Project in the form of a loan in the amount of \$460,000.00 with a 5% annual interest rate with a balloon payment at the maturity of the first mortgage, and a 30-year amortization 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.