



City of Gainesville Agenda Report

File #: 2022-568

Agenda Date: November 29, 2022

Department: Housing & Community Development

Title: Award of the Low-Income Housing Tax Credit Project 2022-568 (B)

Explanation: 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 and 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 November 10, 2022 the FHFC is scheduled to issue Request For Applications (RFA) 2022-201. In RFA 2022-201, the FHFC will identify funding goals for medium sized counties like Alachua County. Based on information presented at an October 12, 2022 FHFC Workshop, those goals will include funding one project located near the SunRail transit project in the Tampa Bay area, funding two projects located in certain mapped

areas of the State, and funding three 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 2022-201, 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 2022-201 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 2022 it is expected to be 6 or 7 projects. For that reason, projects that meet one of the FHFC identified goals, have a much better chance of being funded by the FHFC. Affordable Housing Developers’ applications associated with RFA 2022-201 are due to the FHFC in Tallahassee on December 28, 2022.

On July 7, 2022, 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 two applications for rental housing projects. Both of those projects are LIHTC Projects requesting LGAO Funding.

On October 11, 2022, the City’s Affordable Housing Advisory Committee (AHAC) met to discuss, evaluate, and rank the projects. At that meeting, both applicants presented their projects to the Committee and answered questions. At the October 11th meeting, the AHAC voted to rank the proposed projects in the following order:

1. Woodland Park, Phase 2 (96 units, family)
2. Hawthorne Heights (70 units, elderly)

Additionally, the AHAC voted to recommend 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.

Strategic Connection: Goal 3: A Great Place to Live and Experience

Fiscal Note: Funds in the amount of \$460,000.00 are available in the ConnectFree Program Budget to fund the selected rental housing project.

Recommendation:

The AHAC recommends that the City Commission: 1) Hear a presentation from the AHAC and staff; 2) Approve funding and loan terms for the Woodland Park, Phase 2 Affordable Rental Housing Project in the amount of \$460,000.00 from the ConnectFree Program; 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.