DEGREE TO WHICH THE ALACHUA COUNTY STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM ADDRESSES VERY LOW-INCOME HOMEOWNERSHIP

By

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To every person unable to afford one of life’s most basic necessities: Housing

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LIST OF ABBREVIATIONS

AMI	Area median income
CDBG	Community development block grant
CWHIP	Community workforce housing incentive program
DPA	Down payment assistance
FHFC	Florida housing finance corporation
FMR	Fair market rent
FY	Fiscal year
HOPE VI	Housing opportunities of people everywhere
HUD	United States Department of housing and urban development
LHAP	Local housing assistance plan
SAIL	State apartment loan incentive program
SHIP	State housing initiatives partnership program

Abstract of Thesis Presented to the Graduate School
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The State Legislature, various reports, and research documents, have documented Florida's lack of affordable housing since 1988. In response to this documented need the State Legislature stated that every Floridian should have access to safe and affordable housing by 2010. In direct response to this goal, the State Housing Initiatives Partnership program (SHIP) was designed to produce partnerships that will preserve and/or produce affordable housing in localities around the state. The SHIP program is funded by documentary stamp taxes which are collected on each real estate transaction that occurs in Florida. The SHIP program was specifically designed to assist very low-, low-, and to some extent moderate-income households obtain homeownership in Florida.

This study examines if very low-income households in Alachua County, Florida, can sustain affordable homeownership with down payment assistance. An exploratory case study was chosen to explore if very low-income households could sustain homeownership with SHIP down payment assistance in the fiscal years 2003-2004 and 2005-2006 in Alachua County, Fl. In 2003 the Alachua County Affordable Housing Study briefly examined Alachua County's SHIP

program, yet it did not examine very low-income households. The lessons learned informed recommendations that can be used to strengthen affordable housing policy in Alachua County.

Alachua County has peculiar characteristics that prevent the generalization of lessons learned from Alachua County's SHIP program to other SHIP programs across the state. These characteristics are examined in detail in chapter 5 Alachua County SHIP program. Although other jurisdictions might have some similar characteristics, they do not exhibit all of the characteristics of Alachua County; this prevents comparisons. Alachua County differs from other programs because it has designed its SHIP program differently from other SHIP programs. This is permitted under Florida State Statutes and it is another characteristic that prevented a comparison between Alachua County's SHIP program and SHIP programs of other jurisdictions.

It was concluded, from the examination of the data, that very low-income households in Alachua County that applied for SHIP Downpayment Assistance (DPA) in fiscal years 2003-2004, and 2005-2006 could not afford homeownership even with the down payment assistance program, while low-income households could afford homeownership. As a result of these findings, two recommendations were delivered: the income guidelines for Alachua County should be changed, and Alachua County should focus on using SHIP funds to provide multi-family rental housing for very low-income households while focusing on providing affordable homeownership for low-, and moderate-income households.

Future research opportunities include: affordability analyses should be performed for other jurisdictions and the results should be compared to the affordability analysis for Alachua County, back end ratios and household debt for very low-income households in Alachua County needs to be procured and reviewed, and close out-reports that detail how much recaptured funds Alachua County receives needs to be procured and reviewed.

CHAPTER 1
INTRODUCTION

Housing that is affordable is one of the most basic necessities of life, along with food and clean water. The lack of affordable housing has been an issue in the United States for several decades now, and there are many programs that exist to address this issue, including programs funded by the Federal Government and programs funded by state governments. Although housing options exist in many markets, most of the housing available is not affordable to lower income households. One example of this type of market is Florida. Florida is one of the fastest growing states in the nation, with one of the lowest average wages (National Low Income Housing Coalition, 2001). This combination of low-wages and fast growth has created a situation where Florida has a shortage of affordable housing options for those who need it. One of the state-run programs is the State Housing Initiatives Partnership (SHIP) program. This program was designed by Florida, to specifically address the needs of Florida's residents. The SHIP program has become a national model for providing affordable housing to lower income households.

The purpose of this study is to investigate the potential for the SHIP Downpayment Assistance (DPA) program to allow lower income households (specifically very low-income households) obtain and maintain a mortgage in Alachua County. In addition to investigating whether lower income households can maintain and sustain a mortgage with SHIP DPA, this study also explores and provides alternatives to using SHIP funding for homeownership for very low-income households in Alachua County based on the affordable housing needs of the County and not the mandates of the State Legislature. Several sources were utilized to provide a framework to examine Alachua County's affordable housing needs and the needs of very low-income potential homebuyers in Alachua County. As a result of Florida's low-wage service-

based economy many Floridians are cost-burdened renters, and owners. The SHIP program's downpayment assistance to lower income households is intended to bridge the gap for these households and allow them to obtain homeownership.

This study examines the emphasis that the SHIP Program places on homeownership activities for very low-income households. The SHIP program provides homeownership opportunities to very low-, low-, and to some extent, moderate-income households by creating partnerships between affordable housing providers and local government officials. The State Legislature intended for the SHIP program to provide a "dedicated" funding source that allows local officials the freedom to plan for and implement affordable housing strategies since they are assured of funding for these strategies. In addition to this stream of funding, the local governments also have the authority to deliver these funds to very low-, low- and moderate-income households for downpayment assistance.

One of the main barriers preventing lower income households from obtaining and maintaining homeownership is the lack of enough income for a downpayment (Herbert & Tsen, 2005; Listokin, Wyly, Schmitt, & Voicu, 2001). Although a potential homeowner can qualify for a mortgage, he or she needs to have enough wealth to keep housing payments less than 28% of the household's gross income in order to prevent cost-burden (Herbert & Tsen, 2005). It is this lack of wealth (that would prevent cost-burden) that prevents many potential homeowners from purchasing a home (Herbert & Tsen, 2005).

The Sadowski Affordable Housing Act (Sadowski Act) established the SHIP housing trust fund; and mandates the targets of the SHIP program. According to the Sadowski Act, SHIP is funded through a documentary stamp tax on all real estate transfers in Florida, and the funding is

supplied to 51 entitlement communities and all 67 counties throughout the state.[1] The amount of funding that each community and county receives is based on a population formula, with the minimum allocation being $350,000 (for rural communities) and the maximum $9 million.

Downpayment assistance is one facet of the SHIP program and is only provided to clients who prove their eligibility. Clients must demonstrate the ability to afford a primary mortgage, clients must demonstrate the ability to meet the minimum income guidelines (that are adjusted for family size), and finally clients must be able to demonstrate that the amount of the primary mortgage does not exceed the maximum house sales price (which is set by the Florida Housing Finance Corporation periodically). The combination of these factors (and others that are examined in greater detail in chapters 4 and 5) determine if a client is eligible for SHIP DPA, and, if so, how much assistance that client would receive. This study examines if the guidelines for determining if a client can actually afford a mortgage using SHIP downpayment assistance are adequate for very low-income households. Income verification was performed on each client file and for the income guidelines set forth by State Statutes. The income verification process, as performed here, examined if the minimum and maximum income guidelines for very low-income households were adequate for lower income households. This process entails examining the applicant's gross income to determine if his/her income falls within the income guidelines that are adjusted for family size, and are adjusted each fiscal year. The client's gross income for the next year must fall within the income guidelines that are set, since the SHIP program was designed to assist lower income households.

The income verification process is actually a three-phase process that involves determining the income, program, and unit eligibility of a client. SHIP jurisdictions have the option of using

[1] Entitlement cities refers to cities that receive Community Development Block Grant Funds.

the income verification process as set forth by HUD for the Section 8 Voucher Program or the process as set forth by the Florida Housing Finance Corporation. Phase one involves determining what income category the client should be placed in, phase two involves verification of the client's annual income, and phase three determines whether the unit is eligible for SHIP assistance.

Phase one involves determining which category the client's annual gross income falls within (very low, low-, or moderate-income). This study examines if these income guidelines are appropriate for allowing very low-income households to actually obtain and sustain a mortgage). Once all of this information is gathered, the anticipated annual income is calculated and analyzed to determine how much downpayment assistance the client will receive. Phase two determines if the use of the funds falls within the eligible activities as defined by State Statutes. The last phase is to determine if the unit that the client is attempting to purchase meets the guidelines as set forth by State Statutes, to some extent this study examines this phase; this is done to determine if the client can actually afford the house that s/he is attempting to purchase. The income verification process is explained in great detail in Chapter 3 since is an integral part of the methodology for the case study that is presented in Chapter 5.

Several sources were used to document Florida's need for affordable housing; these sources include: the National Low Income Housing Coalition (1999-2006), data from the 2000 Census, and Nissen & Borum (2005). In addition to examining the lack of affordable housing, these reports and others explain how this situation (the lack of affordable housing) has occurred in Florida. The affordable housing needs of Alachua County are examined, because the needs of the County eclipse those of the State. There are several reasons for this phenomenon:

- When compared to Florida, Alachua County has a higher percentage of its residents that are in need of affordable housing (Alachua County Affordable Housing Study Team, 2003).
- Alachua County has a higher poverty rate (22.8 percent) compared to the State (12.5 percent) (Census, 2000).
- Due to the University of Florida (which is located in Gainesville, the county seat), a dual renter market exists, because of the large number of students who reside in Gainesville (Alachua County Affordable Housing Study Team, 2003).
- Most of the affordable housing options for the County are located in Gainesville, and the students and residents compete for the affordable housing resources (Alachua County Affordable Housing Study Team, 2003).
- All of these factors have combined to create an affordable housing climate in the County that eclipses the needs of the State (Census, 2000; Alachua County Affordable Housing Study Team, 2003).

The structure of this study is as follows: Chapter 2 Literature Review details the relevant literature on the topic of affordable homeownership for lower income households, Chapter 3 Methodology describes in detail how the data was gathered and why a case study was chosen, Chapter 4 State Housing Initiatives Partnership Program explains in great detail the SHIP program in order to give the reader a frame of reference to understand the data and the thesis, Chapter 5 Alachua County Case Study presents the case study and provides details about Alachua County that are needed to understand the data, Chapter 6 Data Analysis is where the data is presented and analyzed, Chapter 7 Findings and Recommendations provides the findings from the data analysis and the recommendations suggested to improve the SHIP program in Alachua County, and Chapter 8 Conclusion is where the thesis is concluded, and where ideas that could not be explored in the scope of this study are offered as recommendations for future research.

This study provides recommendations that aim to improve Alachua County's State Housing Initiatives Partnership (SHIP) Program. These recommendations are provided as an

attempt to ultimately improve the state of affordable housing in the County. Additionally this study adds to the discussion on affordable housing in the County because the investigator takes the position that very low-income households in Alachua County should not be targeted for homeownership. This study examined this position in depth and attempted to determine whether it is valid or incorrect. The investigator arrived at this conclusion by reviewing data that shows that very low-income households need extremely large subsidies to obtain a mortgage in Alachua County, and sometimes these subsidies are still not enough, whereas low- and, moderate-income households can afford homeownership with lower subsidy amounts.

CHAPTER 2
LITERATURE REVIEW

Introduction

Themes examined in Chapter 2 Literature Review include: the definition of affordable housing, housing cost-burden, an examination of housing cost-burden for renters versus homeowners, a brief examination of the history of affordable housing in the U.S., an in depth examination of affordable homeownership, and an examination of Florida's affordable housing needs. This chapter lays the foundation for and informs the methodology, since it examines the literature explored on this topic by other scholars.

Affordable housing programs have existed in the United States since the early 1930s with the passage of the Industrial Recovery Act of 1933, yet the Federal Government maintained the official position that housing was the sole responsibility of the individual. Several factors eventually prompted the Federal Government to change its official position and intervene in the housing market using public policies and programs (Hays, 1995; Egan, Mott, & Roos, 1981). Since then the Federal housing policy has alternated between providing housing assistance, building affordable housing, promoting affordable homeownership, and providing rental subsidies for lower income households. Although the Federal Government has always heavily promoted affordable homeownership, it has not always provided funding to State governments to achieve this goal. This literature review will briefly examine the major policies and initiatives that laid the groundwork for today's affordable housing policies including: how the history of affordable housing policy has laid the groundwork for affordable housing as it operates today, the housing cost-burden standard, cost-burdened renters versus cost-burdened homeowners, and the difference between the two, what is affordable homeownership, Florida's affordable housing needs, and measures that address Florida's affordable housing needs.

This chapter examines the aforementioned affordable housing standards in order to provide a framework and foundation for the thesis of this study. This understanding is necessary because it provides a review of how other scholars have addressed and examined the affordable homeownership issue for lower income households. This review prevents repetition of ideas that were already examined, while also acting as a facilitator for new ideas and methods of addressing affordable housing and homeownership for very low-income households with the intention of providing potential solutions to this issue.

Affordable Housing Defined

What is affordable housing? How is housing determined to be affordable? Who needs affordable housing? These questions are essential to understanding affordable housing. The U.S. Department of Housing and Urban Development (HUD) approaches the idea of affordable housing by examining how much housing a person can or cannot afford; this is the definition of cost-burden. Cost-burden currently is the standard used to determine the most common housing need. A household is considered cost-burdened if it pays more that 30% of its pre-tax income on housing related costs (i.e. rent or mortgage related expenses) excluding utilities and food (HUD, 1998). All of the Federal housing programs and a majority of State affordable housing programs are based on this definition; all of HUD's affordable housing programs are designed to assist households that are considered cost-burdened. Although the standard for a cost-burdened household is currently 30 percent, it has ranged from as low as 25 to as high as 50% (Kutty, 2005).

Since the 1980s, scholars have criticized this standard as one that is wholly inadequate for determining the housing need of clients since it examines affordable housing by stating what is not affordable (Kutty, 2005; Stone, 2006). Additionally, affordable housing advocates have stated that this standard does not address all of the complex variables involved with housing

affordability (Kutty, 2005; Stone, 2006). Rather than examining affordable housing in terms of the housing ratio, Stone (2006) states that “housing affordability is an expression of the social and material experience of people, constituted as households in relation to their individual housing situations” (p. 151). Chi & Laquartra (1998) also disputed the application of the housing cost-burden ratio to homeownership stating that “housing expenses consist of different components, including mortgage costs, property taxes, energy and other utility expenses” and the current standard just does not address these variables (p. 177). Lerman & Reeder (1987) note that the cost-burden ratio is incapable of “discern[ing] cases of high rent-to-income resulting from low-income from those that are due to a high housing expense associated with a strong taste for housing” (p. 390).

Several affordable housing scholars proposed alternatives to replace the cost-burden standard including the Residual Income Approach. The Residual Income Approach works by providing a subsidy that covers the difference between the amount of housing the family could afford, and the amount that is left over, versus providing a subsidy based on a “One-Size-Fits-All” formula (cost-burden standard) (Stone, 2006). Lerman & Reeder (1987) and Kutty (2005) also suggested alternatives to the cost-burden ratio definition of affordability. Lerman & Reeder (1987) presented a “quality-based definition of affordability” as an alternative to the cost-burden ratio (p. 390).While Kutty (2005) suggests that housing needs of a client should be considered on an individual basis,

Federal Housing Policy

Affordable mortgages are one of the federally backed initiatives to assist historically “underserved” lower-income households with housing opportunities (Schwartz, 2006). Although affordable mortgages are generally served on the private side of the market, the Federal Government is a staunch supporter of these activities and provides support whenever possible

through programs such as the American Dream Downpayment Initiative, regulation of the mortgage market, and so on.

The national homeownership rate was 66.2% as of December 2000; homeownership is at a historical high yet many minority and lower-income households are not included in this statistic (Census, 2000). Of the national homeownership rate only 48.2% of African-Americans and only 60% of Asian, Native American, and Pacific Islanders owned their own home (American Dream Downpayment Act, 2003). It is argued that this neglect of minority and lower-income households has led to this disparity in homeownership rates (Goetz, 1993; HUD, 2002). As a result of this disparity the Federal Government is actively campaigning to increase homeownership among these historically underserved lower-income and minority households in order to extend the benefits of homeownership, and to alleviate its responsibility for providing and maintaining affordable rental units.

Affordable Homeownership

The Federal Government is actively campaigning to address the inequalities between minority, and lower-income households, and non-minority and higher-income households, and increase homeownership among lower-income households because affordable rental market units are rapidly converting to market rate units.

Some of the Federal initiatives that exist to promote affordable homeownership include the promotion of affordable homeownership options through affordable mortgages, down payment assistance initiatives, and the guaranteeing of affordable mortgages through corporations such as the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal National Mortgage Association (Fannie Mae). These initiatives in combination with the rapid conversion of affordable rental units to market rate rental (FMR) units have created a situation where lower-income households are enticed into homeownership. The national policy push to increase

homeownership among traditionally underserved households include programs such as the Housing Opportunities of People Everywhere (HOPE VI) program that focuses on the:

> revitalization of severely distressed public housing and [on] provid[ing] financial assistance under such programs for main street revitalization or redevelopment projects in smaller communities to support the development of affordable housing for low-income families" is one factor that is contributing to the large amount of affordable rental units that are disappearing across the country. (42 U.S.C. 12821, 2003)

Another program included in the national policy push is the American Dream Downpayment Act (2003). The Government instituted the American Dream Downpayment Act to address the inequality in homeownership rates between minority and non-minority households. The American Dream Downpayment Act provides downpayment assistance to eligible applicants, those enduring a cost-burden of 30% or more, and who expressed the desire to own their own home from 2004-2007.

Affordable homeownership is presented as a solution to the affordable housing situation because of the conversion of affordable rental units to market rate units in many markets. In addition to the revitalization of public housing units, many "mom and pop" smaller rental units that might be affordable are reaching the end of their contracts and are converting to fair market units (Larsen, 2004). This means that lower income households have fewer options when it comes to obtaining affordable housing. This is generally not such a bad idea, however affordable homeownership is presented as the *only* option to provide affordable homeownership. The researcher arrived at this conclusion since only two scholars Husock (1997) and Walker (2004) were the only two to actively refute and provide alternatives to affordable homeownership. Although the negatives of affordable homeownership are examined by several scholars McCarthy, Van Zandt, & Rohe (2001) and Stegman, Quercia, Radclife, Ding, & Davis (2007)

(to name a few) only examined the negative effects of homeownership on very low-income households in terms of how the household's finances are affected, without providing alternatives to affordable homeownership.

The main goal of the Federal Government regarding affordable homeownership is to rectify decades of institutional neglect that traditionally underserved households have endured since the beginning of the modern mortgage system. According to Listokin *et al.* (2001) these households are traditionally underserved because “the nation’s housing finance system was designed to predominantly serve the needs of white middle-or upper-income, nuclear families,” alienating scores of lower-income and minority households (p. 466). McCarthy *et al.*, (2001) also stated that “the United States has created a housing finance system that makes the direct benefits of owning a home most favorable for [higher-income] families and least favorable for [lower-income] families” (p.42). Other scholars also noted that “traditionally underserved households that attain homeownership may be challenged to meet their mortgage obligations in an economic downturn” (HUD, 2003; Stegmam *et al.*, 2007). Stegman *et al.* (2007) state that lenient mortgage terms pay a disservice to the lower-income household because the “liberalized underwriting guidelines also increase the likelihood that those homeowners will default” (p. 246). Lenient standards for homeownership could potentially mean that a household is not completely ready for homeownership. Retsinas (1999) also states that lower-income households are not ready for homeownership since the biggest obstacle is obtaining “owning and maintaining a home relative to their incomes” (n.p.). McCarthy et al. (2001), Retsinas & Belsky (2002), and HUD (2003) also concluded that affordable mortgages place low-income households in precarious financial situations due to the dangers of lending based on lenient terms. Listokin *et al.* (2001) stressed that affordable mortgages are risky for lower income households since these:

> innovative mortgage products…carry a greater risk because they allow an increasing share of income to be applied to housing, not leaving much leeway to meet household medical and other unexpected expenses, a high housing debt ratio may also be imperiled by future changes, such as missing utility costs or a down turn in the economy that raises unemployment rates and creates other adverse effects. (p. 500)

Listokin *et al.* (2001) examines why minority lower-income households are traditionally underserved. His research states that the lack of intergenerational wealth transfers and a lack of upward class mobility and economic barriers "suppress the homeownership rate of blacks and Hispanics" who also happen to constitute a large portion of the lower-income households in America (p. 466). Listokin *et al*.(2001) continues on to state that "lowering housing expectations helps but a large gap still remains…even the most liberal mortgage products…leave the vast majority of renter families unserved at any level"(p. 466).

All of the aforementioned factors have combined to create a national climate that portrays homeownership as *the* solution to the affordable housing problem. Asher, Revels, Marcus, Black, Seibert & Kaplan (2001), and HUD (2002) arrived at the conclusion that homeownership is great for economic redevelopment since it creates a secondary economy related to homeownership (construction, realtors, lawyers, title insurance officers, cashiers at home improvement stores and so on). The cycle of building and selling affordable homes, stimulates economic development in communities since homeowners have to purchase furnishings, decorations, and appliances for their homes, and this translates to jobs that are associated with this spending activity (Hendrickson, 2007).

Although homeownership does create a boost for the economy of a particular community, scholars have not addressed the idea that these actions are only beneficial for homeowners who are already at a stable economic place in their lives. The only true economic benefit from homeownership realized by lower-income households is the actual possession of the home; this possession gives the lower-income household an asset that many do not possess before

homeownership (Listokin *et al*., 2001). Although the power of the secondary economy related to homeownership has been fully documented, no studies exist that examine just how much (or whether) lower-income households actually reap the benefits of the secondary economy as well. Although scholars tout homeownership as a great economic revitalization tool for the community, very little academic research has been completed to actually demonstrate how lower-income households spend their money when they purchase their homes; all of this information is anecdotal. Do lower-income households completely furnish their homes with new items? Do lower-income households purchase major home decoration items on credit? Do lower-income households utilize the services of architects, or real estate brokers? Do lower-income households purchase secondhand items, and/or rely on family members to help supply some of these necessities? Immergluck & Smith (2006) are some of the few researchers who have examined how the economic activities of lower-income households might potentially have a negative effect on an entire neighborhood. This researcher did not come across any studies that examined how lower-income households spend their money and/or directly influenced by the secondary economy.

Affordable housing strategies need variety; policies simply cannot rely on one strategy. A mixture of homeownership and rental strategies will adequately serve the needs of all those in need of affordable housing. A heavier emphasis on rental housing strategies for lower-income households creates a better housing climate for lower-income communities; since a mixture of options allows-lower income households more choices and opportunities to achieve homeownership (Husock, 1997; Walker, 2004). Husock (1997) as well as Walker (2004) speak in depth about a continuum of housing options and how different affordable rental options allow households the opportunity to adequately save for homeownership. For example, Walker (2004)

found a direct correlation between a family's ability to save for homeownership, and residing in an affordable rental unit. Walker (2004) stated that residing in the affordable rental unit, affords the household the opportunity to save for a downpayment since a larger portion of the household's income is not tied up in paying for housing and can be saved.

The cornerstone of the American Dream is homeownership, and many lower-income and minority households do not share in this dream due to various barriers. These barriers include wealth constraints and finding an inexpensive home with payments that correlate with their income (Retsinas, 1999). Homeownership is highly valued because it is believed that "[it leads] to increased wealth and better living conditions" (Van Zandt, 2003). Homeownership is also highly valued, by many, due to its "perceived stabilizing effect," and because of this idea it is "often [viewed as]…a central strategy for successful economic development" (McCarthy et al., 2001, n.p.). Yet, in spite of this widely held belief, there is evidence that the economic benefits of homeownership, simply do not extend to lower-income households. According to McCarthy et al. (2001), the main economic benefits that are associated with homeownership are realized through itemized mortgage tax interest and local property deductions. Mortgage tax interest deductions are viable options for higher income households because these households earn enough yearly income to warrant itemization of deductions, one of the main ways to accumulate wealth using the home (Listokin *et al.*, 2001; Collins, 2002). Generally, lower-income households do not realize these benefits because they do not earn enough to itemize their deductions (McCarthy et al., 2001). Affordable homeownership initiatives such as down payment assistance and lenient mortgage terms only address the short-term affordability issues associated with homeownership for lower-income households. All of these factors are potentially problematic for a lower-income household. According to Larsen (2004), the success of

homeownership for lower-income households "is tempered by the fact that many of these households are at a greater risk of default due to a significantly higher housing cost-burden" (p. 526).

Florida's Affordable Housing Needs

Florida's affordable housing climate is and has been very dire. Florida has a documented need for affordable housing for its residents due to its heavy reliance on low-wage paying service and tourism jobs. As a result, the State Legislature has examined affordable housing and attempted to design solutions to these issues for over two decades. Numerous studies were delivered over the last 20 years decrying the lack of affordable, decent housing. These findings document a housing crisis due to various factors including a lack of resources, the historical low-wage paying service and tourism industries that fuel Florida's economy, and the lack of federal funding to assist in the production of affordable housing (State Housing Strategy Act, 1992; Affordable Housing Study Commission, 1999; Nissen & Borum, 2005).

Florida's significant tourism and service industries provide notoriously low-wage paying jobs; as a result, many Floridians are in need of housing that measure up to their lower wages (Affordable Housing Study Commission, 1998; Nissen & Borum, 2005). Additionally, other factors such as the Federal Assistance that would normally fund housing programs and the enormous population growth over the last ten years have combined to create great needs for affordable housing in Florida (State Housing Strategy Act, 1992). The Affordable Housing Study Commission, which is commissioned by State Statutes to convene once a year to study affordable housing needs, have examined this issue in depth since 1988.

As a result of the State Legislature's examination, several solutions were proposed; these include:

> [the articulation of a] state housing strategy that will carry the state towards the goal of assuring that by the year 2010 each Floridian shall have decent and affordable housing" and designing several programs that are specifically created to produce and/or preserve affordable housing in Florida. (State Housing Strategy Act, 1992)

Affordable Housing Study Commission (1998, 2006, 2007), Larsen (2004), and Neisen & Borum (2005) found that Florida has failed at achieving this goal and all have documented how far away Florida is from achieving this goal.

The following will document the affordable housing needs of Florida from the late 1990s to 2010 for two reasons: the 1990s were chosen since that is when the State Housing Initiatives Partnership Program (SHIP) was signed into law , and the year 2010 is Florida's self imposed deadline for supplying affordable housing to each of its residents. Examining these years provides the foundation for understanding why a program such as SHIP was designed and implemented as one of the major ways to address the lack of affordable housing in Florida.

Cost Burdened Households in Florida

Renters

In 1998 the program funds that were allocated by Florida to address the lack of affordable housing only kept up with about two-thirds of the growth of cost-burdened households (Affordable Housing Study Commission, 1998). The National Low Income Housing Coalition annually produces the Out of Reach Reports; these reports examine the ability of low-wage earners to afford housing in every state of the nation. The data for Florida are provided here from 1999-2006 to demonstrate how dire Florida's affordable housing situation is for low-wage earners. National Low Income Housing Coalition (1999) "showed that 37% of renters [were] unable to afford a one-bedroom apartment and 43% [were] unable to afford a two-bedroom apartment"(n.p). Minimum wage workers in 1999 would have to earn $12.08 an hour at 40 hours a week, 52 weeks a year in order to afford a two-bedroom unit in Florida at the Fair Market Rent

(FMR), without being cost-burdened; a dual-income lower-wage household would have issues affording a two-bedroom apartment at the FMR (Dolbeare., 1999).[2] In Florida in 2001, 40% of low-income renters could not afford the average FMR (National Low Income Housing Coalition, 2001).

In 2003, an extremely low-income household earning $15,217 a year (30% of the median income for Florida was $50,723) was only able to afford a rental unit at approximately $380 a month; the FMR for Florida was $515 for a studio and approximately $605 a month for a one-bedroom unit (National Low Income Housing Coalition, 2003).[3]

Fast forward to 2006 and the situation has only worsened. The FMR for a two-bedroom unit was $850 in 2006; to afford this rent without cost-burden, a low-wage earner household would have to earn $2,834 monthly or $34,007 annually (National Low Income Housing Coalition, 2006). This household would have to work a 40-hour work week, 52 weeks a year at a wage of $16.35 an hour, when the average minimum wage rate in Florida for 2006 was $6.40 an hour (National Low Income Housing Coalition, 2006). A worker earning the average Florida minimum wage rate ($6.40 an hour) would have to work 120 hours a week, 52 weeks a year, in order to afford the FMR for a one-bedroom unit, or the low-wage income household would have to include 2.6 minimum wage earners working 40 hours a week 52 weeks a year to afford the two-bedroom FMR without being cost-burdened (National Low Income Housing Coalition, 2006). This information illustrates wages for lower-income workers in Florida have not kept pace with the housing market. Although the Out of Reach Reports are published by the National Low Income Housing Coalition for each state, this literature review only focuses on Florida.

[2] "[Fair Market Rents] are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable, or satellite television service, and internet service" (HUD, 2007).

As the data shows, the trend for housing affordability for lower-income renters has worsened over the years, even though the State has acknowledged this issue, and actively attempted to rectify it. Renters are examined, since homeowners generally rent for a period, save for a down payment, and then attempt to purchase a house. The data presented here suggest that a minimum wage worker would have issues with affording homeownership since s/he has issues affording a rental unit in Florida. Hebert & Tsen (2005) reported that down payment assistance is the only impediment standing between a lower-income household and homeownership, yet the data provided by the Out of Reach series directly refute that idea. Since the lower-income renter household can scarcely afford the FMR without cost-burden since they do not make a living wage, how can s/he be expected to afford homeownership (Affordable Housing Study Commission, 2007)? The National Low Income Housing Coalition releases these reports annually and so far, scholars have not responded to these reports. This researcher feels that the data provides great support for the theory that lower-income households simply cannot afford homeownership in Florida.

Owners

In 2001, 59% of all Florida households could not afford a median priced home, Out of Reach series (1999-2006). Nissen & Borum (2005) found that 50% of all low-income households could not afford adequate housing, and over 70% of very low-income households could not afford adequate housing (Niesen & Borum, 2005). The data provided here supports the theory that lower-income households cannot afford homeownership in Florida. This is important because this data directly refutes the theory examined earlier in the literature review, the only barriers standing between the lower-income household and homeownership is a downpayment, (Van Zandt, 2003). This data provided supports the theories of Rohe *et al.* (2001), Larsen (2004), and Stegman *et al.* (2007). All of these scholars conclude that lower-income households should

not be placed into homeownership because they cannot afford it, although the data focuses more on renters, it is still valid when discussing homeownership since as Husock (1997) and Walker (2004) state affordable rental options are an integral part of homeownership. This data is mentioned because it illustrates that Florida lacks affordable rental housing, which means that the cycle is broken, which presents obstacle to prevent very low-income households from obtaining homeownership.

Addressing Florida's Affordable Housing Needs

Florida's affordable housing needs have been documented in the State Statutes since 1988. As a result, Florida has enacted many policies and strategies to address these needs. For example, the Sadowski Act funds several programs that solely exist to combat housing needs Florida. In addition to the Sadowski Act there are some federal funds that are used to combat housing needs in Florida. Out of the state programs that receive funding from the Sadowski Act, the SHIP program is the only one that is fully funded each year. Tables2-1 and 2-2 display the various affordable housing programs utilized in Florida.

In addition to funding affordable housing initiatives, the State also mandates that affordable housing issues need to be addressed through planning initiatives. For example, Florida State Statutes mandate that Comprehensive Plans explicitly address affordable housing needs.

The ideas of the housing cost-burden standard, cost-burdened renters versus cost-burdened homeowners, the housing continuum (Walker, 2004), what is affordable homeownership, Florida's affordable housing needs, and measures that address Florida's affordable housing needs, have all informed the methodology. These are the most important concepts from the literature review because they directly informed the design of the methodology.

Additionally, these concepts were mentioned because they give some credence to the investigator's belief that lower-income households simply cannot afford owning a home, if those

same households cannot afford to rent. Examining Florida's affordable housing needs was very important to the literature review, because it illustrated the actual need for a statewide affordable housing need. As a result of this belief, the design of the methodology focused specifically on collecting information that would deny or affirm whether the very low-income households in Alachua County, FL could afford homeownership with Downpayment Assistance (DPA).

Table 2-1. Homeownership and rental development programs designed and implemented by the state of Florida

Homeownership Programs	
State housing initiatives partnership program	State funded
Florida homeownership assistance program	State funded
Home investment partnership program	Federally funded
Florida affordable housing guarantee program	State funded
Neighborhood housing rehabilitation program	State funded
Neighborhood housing rehabilitation program	State funded
Community workforce housing innovation pilot program (CWHIP)	State funded
Low-income housing tax credit programs	State funded

Source: State Housing Strategy Act, 1992

Table 2-2. Rental development programs designed and implemented by the state of Florida

Rental Development Programs	
Local bond issues	State funded
Multi-family revenue bond program	State funded
Low-income housing tax credit	State funded
State apartment incentive loan program (SAIL)	State funded
Elderly housing community loan program	State funded
Florida affordable housing guarantee program	State funded

Source: State Housing Strategy Act, 1992

CHAPTER 3
METHODOLOGY

The methodology is one of the most important portions of a study of this type. The methodology is important because it allows the reader to systematically follow the process that the investigator used. The methodology performed for this study relied heavily upon the income verification process of Alachua County, which was slightly modified for the purposes of this study. It is also important to note, that Alachua County's income verification process is a slightly modified version of the income verification process as outlined by HUD. The income verification process was only one part of the Case Study performed for this study. The methodology will also explain why a case study was chosen, how it was performed, and why the income verification process was performed as well.

Yin (2003) defines a case study

> as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident…relies on multiple sources of evidence, with the need to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis. (p.13-14)

Every case study should contain the five components of a research design, which are listed here:

- A study's questions
- Its propositions
- Its unit of analysis
- The logic linking the data to the propositions
- The criteria for interpreting the findings. (Yin, 2003, p.21)

The questions examined in study include: Can very low-income households afford homeownership in Alachua County with SHIP? Is homeownership an appropriate activity for very low-income households in Alachua County? What can be learned from this study in terms of providing affordable housing to very low-income households? One exception to the definition

of an exploratory case study is that an exploratory case study does not need any propositions since it is exploring an idea, yet it must have a topic that is the subject of the "exploration" (Yin, 2003, p. 22). The subject of exploration for this study is down payment assistance in Alachua County for very low-income households. The unit of analysis is the income verification process as defined by Alachua County. The criteria for interpreting the findings were to determine if the amount of the needed subsidy for the mortgage to be affordable for very low-income households exceeded the maximum subsidy stated in the SHIP maximum subsidy guidelines.

This case study examines the affordability of the SHIP program for very low-income households for fiscal years 2003-2004, and 2005-2006. Thus, the area median incomes (AMI), income guidelines, and maximum house prices will come from those years.

Another reason why the investigator chose Alachua County is that it presents a unique case, which makes it hard to compare the lessons learned here to other jurisdictions. These reasons include:

- Alachua County has a large population, and approximately half of that population is located in Gainesville (the county seat) (Alachua County Affordable Housing Team, 2003).
- The University of Florida is located in the county seat (the University is one of the largest Universities in the southeast).
- The large number of students who attend the University of Florida and who need affordable housing, create a dual renter market where the residents of the County compete with the students from the University of Florida for the affordable housing resources (Alachua County Affordable Housing Team, 2003).
- The majority of the affordable housing for the County is located in the county seat, Gainesville, Fl (Alachua County Affordable Housing Team, 2003).
- Alachua County's SHIP program includes a purchase clause that stipulates that a resident cannot purchase a house within the boundaries of Gainesville if s/he receives SHIP Down Payment Assistance (DPA); a higher percentage of households in the lower income ranges reside in the County when compared to State.

There were some difficulties involved with this methodology design. These difficulties are: a small sample size, and the lack of information available. The small sample size of Alachua County's SHIP program could be due to the design of the County's SHIP program; part of Alachua County's housing strategy includes running "mini-SHIP" programs. This means that affordable housing programs and smaller jurisdictions within the County can apply to Alachua County's SHIP program and provide down payment assistance (DPA) to clients. This potentially led to the small sample size available for analysis. Since these clients might be "hidden" from the County's count of clients who applied for DPA. Although there was a small pool of applicants each year examined (an average of 40), there was the same number of very low-income applicants who could not afford a mortgage each year, even with SHIP assistance (Alachua County Client Files, 2003-2004, & 2005-2006). There were ten very low-income households that applied for SHIP DPA each fiscal year; each very low-income household that applied was incapable of affording a mortgage with down payment assistance. Some difficulty also existed with the comparison since debt other than the mortgage loan was not included in the calculations. This debt is important since it is used to help calculate how much debt a client can afford overall. Not including a value in the calculation could skew the results, since the calculation will state that a client could afford more debt than possible.

The first step of the methodology involved gathering the information needed for the income verification as defined by Alachua County, since it is the unit of analysis for the case study. The income verification process is a three-phase process that exists to determine if the income of the client falls within the mandated guidelines set forth by State Statutes.

Two sets of income verifications were performed for the income guidelines for very low-income households. One set used hypothetical client profiles that were constructed using

information from the minimum income guidelines that are adjusted annually, and the maximum house sales price that will be assisted in Alachua County. The hypothetical client profiles were constructed in order to examine if the income guidelines that are delivered annually by HUD are feasible for assisting very low-income households in Alachua County. In other words, was HUD realistic when setting these minimum income guidelines for Alachua County, or are these guidelines unattainable for residents of Alachua County? These guidelines represent how much a family can earn and still be eligible for SHIP assistance and still be able to afford a mortgage in this area.

The other set of income verifications were performed using client profiles complied based on information gathered from Alachua County SHIP program client files. Information about the average income, average household size, and average mortgage amount for a fiscal year were complied to create the average client. Once this was completed, the client's information was subjected to the income verification process as described earlier, to determine if the average client could realize and sustain a mortgage using SHIP downpayment assistance.

The income verification process is really a multi-phase process that involves determining the income, program, and unit eligibility of a client. There are three income categories that are defined as a percentage of the Area Median Income (AMI), and the SHIP administrator must determine if the client's annual gross income falls within one of the income categories (very low-low-, and moderate-income) this study examines if these income guidelines are appropriate for allowing very low-income households to actually obtain and sustain a mortgage. The client must be able to answer question about his/her financial situation and provide supporting documentation.

Once all of this information is gathered, the anticipated annual income is calculated and analyzed to determine how much downpayment assistance the client will receive. Once this phase is completed, the next phase is to determine if the use of the funds falls within the eligible activities as defined by State Statutes. The last phase is to determine if the unit that the client is attempting to purchase meets the guidelines as set forth by State Statutes. To some extent this study examines this phase; this is done to determine if the client can actually afford the house that s/he is attempting to purchase. This is the part of the income verification process that was modified by Alachua County.

Annual income is divided by twelve to determine the monthly income. Monthly income is then multiplied by 33 and 41 percent, to determine the maximum front end and back end ratios. This information in addition to the amount of the client's monthly debt is used to determine the amount of the client's income that can be dedicated to pay for housing without being cost-burdened. After the income is verified the amount needed for a down payment is calculated based on the sales price and the amount of the mortgage the client has obtained. This is done in order to determine the amount of subsidy the client needs in order to afford the mortgage based on his/her income, the amount of the mortgage, the annual interest, taxes and insurance, and the monthly payment that the client would need to provide to the loan company.

This study examines part of the income verification phase, and unit eligibility phase. This is done by examining the minimum income guideline for the very low-income category for the fiscal years examined. For example, for March 2008 the minimum income guideline for Alachua County is $11,900-$19,800 for a one person household, and the maximum home sales price that will be assisted is $204,440. Annual Income is divided by twelve to determine monthly income. Monthly income is then multiplied by 33 and 41 percent, to determine the maximum front end

and back end ratios. This information, in addition to the amount of the client's monthly debt, is used to determine the amount of the client's income that can be dedicated to pay for housing without being cost-burdened.

The next step in the methodology was to compile the client profiles. Information about Alachua County SHIP clients was used to determine the average mortgage loan for a SHIP client, the average household income, and the average home sales price. These averages were used to complete an affordability analysis for the "average" SHIP client. The average client from each fiscal year was then compared to a hypothetical client from each year as well. This hypothetical client profile meets the basic requirements for SHIP Down Payment Assistance for a very-low-income household. This means that the "client" earns the lowest income for the very low-income bracket, and is "purchasing" a house with the maximum sales price that Alachua County will assist. This was done to determine if a very low-income client could actually afford a house in Alachua County if s/he actually exhibited these financial characteristics when applying for SHIP downpayment assistance. This hypothetical client was also compared to actual clients to determine if clients who were assisted were truly able to afford a mortgage with Down Payment Assistance.

The average SHIP client for the fiscal year 2003-2004, had an average income of $21,146.77, an average loan amount of $89,432.10, and an average front end ratio of 29.52% (the front end ratio for an affordable mortgage that consumes less than 33% of the households' pre-tax in order to be considered affordable). These averages are important because they provide a snapshot of clients who apply for and receive SHIP assistance. The average client from several fiscal years will be compared to a hypothetical client from each fiscal year as well. This hypothetical client meets the minimum requirements for SHIP assistance. This hypothetical

client is necessary for the data analysis because the hypothetical client profile was constructed to determine if the guidelines that are set forth by the Florida Housing Finance Corporation are feasible in Alachua County. Can a client apply for SHIP Downpayment Assistance earning the minimum income that will be assisted and still be able to afford a mortgage? Some difficulty existed with the comparison since debt other than the mortgage loan was not included in the calculations. This could potentially skew the results since the back end ratio is a part of determining if a client can afford a mortgage.

Before the logic of why the fiscal years that were chosen are explained, a brief explanation of the Local Housing Assistance Plan (LHAP) must be provided. The LHAP is the document that details the strategies a local jurisdiction will adopt in order to address the affordable housing needs of its jurisdiction. This document must be submitted at least twelve months before SHIP funding is given to the jurisdiction and it can be amended twice in a twelve-month period. Additionally, each LHAP must address three fiscal years. Alachua County SHIP administrators decided to revise some of the guidelines of the 2002-2003/2003-2004/2004-2005 LHAP. The changes from the 2002-2003/2003-2004/2004-2005 LHAP were also adopted in the 2005-2006/2006-2007/2007-2008 LHAP. The changes are detailed in the following list:

- SHIP staff were no longer allowed to move remaining funding from strategy to another strategy.
- The maximum subsidy amount was increased.
- A prohibition on predatory lending was enacted.

Although these changes were enacted during the 2002-2003/2003-2004/2004-2005 LHAP they are applicable for both fiscal years examined. As a matter of fact these changes directly influenced the decision to examine the fiscal years that were examined. These factors and the fact that client data before 2003 were not available for review, influenced the decision to

examine the fiscal years 2003-2004, and 2005-2006. As a result of these changes all of the fiscal years examined had the same maximum house sales price (as mentioned earlier this figure is changed periodically by the Florida Housing Finance Corporation), and these changes potentially affected the amount of clients who applied for SHIP DPA, as well as how much funding was received by each client.

Each affordability analysis contained a control (an analysis performed using the information from the guidelines, i.e. using the area median income table and the maximum house value for that year; this information will then be compared to the affordability analysis performed using information from the average Alachua County SHIP applicant).

This methodology is especially important because it explains how the data was gathered and analyzed. The income verification process is important, because Alachua County has modified the income verification process as outlined by HUD to fit the needs of its SHIP program that fulfils the part of the SHIP design to provide flexibility of program design for jurisdictions. Again this is important information to know, if another jurisdiction tries to adopt any part of Alachua County's downpayment assistance program, the administrators of that program need to understand that this program had modified the income verification to specifically address the needs of its jurisdiction.

To sum up, this methodology consisted of an exploratory case study, with a single case design. A single case design was chosen because Alachua County is significantly different from other jurisdictions, and it would be difficult to perform a comparison between Alachua County and other jurisdictions. Part of the case study involved gathering data from Alachua County's LHAPs and client files and then analyzing the data to confirm or deny the suspicions of the investigator.

The case study applying the methodology to the Alachua County Case Study is presented in Chapter 5. Before the Case Study is presented, Chapter 4 details the history of the SHIP program, its purpose, and it details the mandatory requirements that must be met when using the funding. Chapter 4 provides a lot of detail about the SHIP program in general, because one must understand the general ideas of the SHIP program before one can understand the specific details of Alachua County's SHIP program.

CHAPTER 4
STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM

Introduction

Although these changes were enacted during the 2002-2003/2003-2004/2004-2005 LHAP they are applicable for both fiscal years examined. In fact these changes directly influenced the decision to examine the fiscal years that were examined. These factors and the fact that client data before 2003 were not available for review, influenced the decision to examine the fiscal years 2003-2004, and 2005-2006. As a result of these changes all of the fiscal years examined had the same maximum house sales price (as mentioned earlier this figure is changed periodically by the Florida Housing Finance Corporation), and these changes potentially affected the amount of clients who applied for SHIP DPA. As well as the amount of funding received by each client.

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The William E. Sadowski Affordable Housing Act

Signed into law on July 7, 1992, the William E. Sadowski Affordable Housing Act, (92-317 Florida Public Laws) was developed based on recommendations from Governor Chiles's Ad Hoc Work Group on Affordable Housing, a State Senate Bill, and Dade County's documentary stamp tax that was used to address affordable housing issues (Florida Law 92-317; Ross, 1992).

The documentary stamp tax had been in use by Dade County since 1988, and the Ad Hoc Work Group recommended that it be applied statewide (Ross, 1992). Dade County's model for funding affordable housing was the basis for the SHIP Program, as it exists today.

Many members of the Florida legislature and lobbyists supported modifying Dade County's initiative and applying it to the entire state so that other counties and local municipalities could enjoy the same degree of success as Dade County, and others wanted to expand this novel idea of using the documentary stamp tax (Ross, 1992).

In 1991, Governor Chiles convened the Ad Hoc Work Group on Affordable Housing that chaired by Bill Sadowski. The purpose of the Work Group was to examine various housing issues including the housing finance programs and regulatory reform that were bitterly dividing many housing proponents (Ross, 1992). The Ad Hoc Work Group eventually submitted a report to the Governor that included a recommendation to raise funds for affordable housing and reduce regulatory costs; these recommendations were included in the Senate bill filed by Senator

Kirkpatrick in September 1991 (Ross, 1992). The William E. Sadowski Affordable Housing Act was passed in 1992 and was a direct response to the Governor's goal of affordable housing for every Floridian by 2010. The Sadowski Act "establish[ed]a dedicated revenue source for these trust funds from a ten cent increase per one hundred dollars on the documentary stamp taxes generated by real estate sales" (Ross, 1992). In 1995 an additional ten cents was allocated form the state's general revenue to supplement the original funding (Affordable Housing Study Team, 2003).

All 67 counties and 51 Community Development Block Grant entitlement cities in Florida receive funds from the Affordable Housing Trust Fund, on an entitlement basis (State Housing Strategy Act, 1992). The documentary tax stamp generates approximately $200 million dollars annually, the minimum allocation is $350,000, and the maximum cannot exceed $9 million (State Housing Strategy Act, 1992). A population based formula is utilized to determine the amount each jurisdiction will receive.

SHIP focuses on creating homeownership opportunities by allowing local governments to tailor their funding in ways that address the unique affordable housing issues of its jurisdiction. There are some basic guidelines that must be followed but for the most part localities have flexibility in deciding how to use the SHIP funding. These basic guidelines are:

- Seventy-five percent of the funding provided must serve new construction activities
- Sixty-five percent of the funding must be used for homeownership activities
- Thirty percent of the funding must serve low-income households
- And another 30% must serve very low-income households. (State Housing Initiatives Partnership Act, 1992)

Each community must "develop and implement a Local Housing Assistance Plan (LHAP) that details how affordable housing dollars are to be spent on locally designed activities…annual

funding is based on population, and each jurisdiction is required to develop its plan through a local partnership" (State Housing Strategy Act, 1992). Once the minimum requirements are met, localities have the freedom to utilize the SHIP funds as necessary to provide and/or preserve affordable housing. Additionally the providers of the SHIP program are allowed to decide (to a certain extent) if moderate-income households will be assisted.

State Housing Initiatives Partnership Program Requirements and Administrative Procedures

The Sadowski Act is the framework that provides funding to address affordable housing issues. Seventy percent of the funds garnered by the Sadowski Act goes towards funding the SHIP program, which is a dedicated funding source, to provide affordable housing in the state of Florida. 4-1 details the amount of funding generated by the Sadowski Act each year starting in 1992, and ending with the projected funds for 2006-2009. Florida State Statutes mandate how municipalities can receive SHIP funding and how that funding shall be used. The amount of funding that is generated each year is provided to illustrate the amount of funding that is potentially used for affordable housing needs. The following is an in-depth description of the program procedures and program guidelines that are set forth by Florida State Statutes.

The footnote in Table 4-1 refers to the legislative cap that was signed into law at the time this table was published (2006), but it was not scheduled to take effect until July 1, 2007. The Sadwoski Workforce Coalition opposed the cap along with other affordable housing proponents. Asher, et al. (2007) sent an open letter to the State Legislators informing them of the Coalition's opposition and urging the Legislators to repeal the cap. The letter stated that capping the SHIP funds was an irresponsible and ill thought out legislative move, since the SHIP program is the only program that is fully funded under the Sadowski Act, and even with the amount of revenue

that was generated each year (see Table 4-1), there was still a gap between the amount of households served and those that went unserved (Asher et, al., 2007).

General Program Guidelines

Although the SHIP program was designed to provide localities with greater flexibility than federal programs, there are some program guidelines and statutory requirements that must be met before the SHIP funding can be provided to the locality. Each local government must draft and approve a Local Housing Assistance Plan (LHAP). The LHAP allows the Florida Housing Finance Corporation, the entity that regulates and funds the SHIP program, the chance to ensure that the strategies proposed comply with the statutory requirements and purpose of the SHIP program. The following list from the State Housing Strategy Act (1992) outlines the process in more detail.

- The LHAP outlines the local affordable housing needs in the locality, in addition to detailing how the locality will utilize SHIP funding to address these issues.
- The LHAP must include the maximum sales price and/or house value that will be assisted. The maximum sales price cannot exceed 90% of the area median house price, which is determined annually by Department of Housing and Urban Development (HUD).
- The LHAP must contain the maximum subsidy that will be provided to any recipient.
- The LHAP must detail the income limits for the area that will be assisted for very-low, low-, and moderate-income levels. Household income levels are determined by HUD each fiscal year, are adjusted for household size, and are expressed as a ratio of area median income (AMI) for a specified region.
- A copy of the LHAP must be provided to the Florida Housing Finance Corporation within 12 months of requesting SHIP assistance.
- A receiving municipality must establish a local housing assistance trust fund to receive the SHIP funding.
- The LHAP must be adopted by the local municipality through a resolution that details the local housing partnerships and initiatives.

- The LHAP must be reviewed at least once every three years, and the document can cover up to three fiscal years. The LHAP can also be reviewed and amended at any time as long as the revised version is filed with the Florida Housing Finance Corporation within three months of revision.

- An administrative team that implements the LHAP and its initiatives must be designated.

- A notice of funding availability of housing trust funds must be circulated in a newspaper of general circulation and in ethnic and/or minority neighborhoods.

- The county or eligible municipality must not discriminate in the distribution of funding to clients.

- Program participants are required to commit contractually to the affordable housing criteria provided by the LHAP. If the contractual obligations are not met, a request to return the funds can be submitted to the local program participants.

- The area median income is defined as "50% of the area income".

- Very low-income is defined as "not more than 50% of median annual adjusted gross income."

- Low-income is defined as "one or more natural person or a family, the total annual adjusted gross household income of that does not exceed 80% of the median annual adjusted gross income for households within the state or 80% of the median annual adjusted gross income for households within the metropolitan statistical area [MSA]."

- Moderate-income is defined as "the total annual adjusted gross household income that is less than 120% of the median annual adjusted gross income for households within the state or MSA whatever is greater." (State Housing Initiatives Partnership Program Act, 1992)

Statutory Requirements

These requirements must be met by the participating jurisdiction, or the SHIP funds must be returned. These requirements as determined by the State Housing Strategy Act (1992) include:

- At least 65% of funds must be reserved for homeownership activities.

- At least 75% of funds must be reserved for construction, rehabilitation or emergency repair activities.

- All units assisted with program funds must be occupied by persons not exceeding moderate-income. Income of the applicants must be verified using the HUD Section 8 income verification methods.

- At least 30% of units assisted must be occupied by very-low-income persons.

- Another 30% of units assisted must be occupied by low-income households.

- The term of a loan may not exceed 30 years (unless it is a deferred payment loan); the loan may exceed 30 years as long as it continues to provide housing for eligible persons.
- All eligible rental housing assisted with SHIP funds must remain affordable for at least 15 years. If the amount of assistance exceeds $3,000 all rental units assisted must be monitored for unit eligibility for 15 years. If the owner decides that he/she wants to sell the property during this period, a right of first refusal must be provided to not-for-profit organizations to purchase the property
- The assisted housing must remain occupied by the owner for a number of years determined by the participating jurisdiction. If the house is vacated for any reason the owner will have to repay the assistance to the participating jurisdiction.
- A qualification system for applicants must be designed and implemented by resolution.
- Each participating jurisdiction must submit an annual report to the Florida Housing Finance Corporation
- An Affordable Housing Advisory Committee must be convened at least once every 3 years to monitor the performance of the SHIP program. (Ross, 1992; State Housing Strategy Act, 1992)

The SHIP funding can be used for emergency repairs, new construction, rehabilitation of structures, downpayment and closing cost assistance, impact fee assistance, construction, gap financing, mortgage buy downs, acquisition of property for affordable housing, matching funding for Federal housing grants, and homeownership counseling (State Housing Initiatives Partnership Act, 1992). The funding can be used for other uses as long as they are deemed eligible by the Florida Housing Finance Corporation (FHFC) when the jurisdiction submits its LHAP to the FHFC.

Although there is great latitude in how a SHIP program can be designed, this flexibility cannot cloud the fact that the program must serve the needs of the community and there needs to be full disclosure surrounding the program. The design of the program must be fully explained in the LHAP and the LHAP must be adopted by the local jurisdiction before it will be reviewed by the FHFC. By mandating that the LHAP be adopted by the local jurisdiction, it is ensured that residents and the affordable housing administrators for that jurisdiction are in harmony when it

comes to addressing its affordable housing needs. Additionally, a notice of available funding must be provided where lower income and minority residents will see it.

The time was taken out to describe in great detail the SHIP program because it is imperative that the program be understood in its entirety in order to understand the Case Study. This is because the Case Study provides specific details of Alachua County's SHIP program, and in order to understand that program one must understand the entire SHIP program. The affordable housing needs of Alachua County are explicitly detailed in the next chapter because the SHIP program is specifically designed to allow jurisdictions the flexibility to custom tailor their programs to the needs of that particular jurisdiction, in hopes that this custom tailoring will specifically address those needs. The designers of the SHIP program did not want to impose a "cookie-cutter," "one-size-fits-all" type of program on the jurisdictions because what works in one jurisdiction might not necessarily work in another. Therefore the general program design was outlined in this chapter to provide the reader with an understanding of the basic framework of the program, and the Case Study provides the specific details of Alachua County's SHIP program.

Table 4-1. Funding history of the Sadowski Act

Dollar figures in millions				
Fiscal year	Doc Stamp tax distributions to housing trust funds	Housing trust fund monies		
		Appropriated	Diverted	Unappropiated
1992-93	40.8	39.2	0.0	1.6
1993-94	53.2	51.6	0.0	1.6
1994-95	48.6	50.8	0.0	-2.2
1995-96	112.4	112.9	0.0	-0.5
1996-97	120.2	125.9	0.0	-5.7
1997-98	155.6	133.3	0.0	22.3
1998-99	175.9	143.5	0.0	32.4
1999-00	179.4	157.2	0.0	22.2
2000-01	194.0	220.6	0.0	-26.6
2001-02	232.0	196.8	0.0	35.2
2002-03	297.8	249.4	0.0	48.4
2003-04	392.0	193.0	126.3	72.7
2004-05	478.8	193.0	220.8	65.0
2005-06	594.7	442.9	2.9	148.9
Cum. Totals	**3,075.4**	**2,310.1**	**350.0**	**415.3**
2006-07	520.8	-	-	-
2007-08	243.0	-	-	-
2008-09	244.4	-	-	-

The dollar figures, in the column labeled “Housing Trust Funds Monies: Appropriated” includes the amounts specified in the General Appropriations Act as well as any relevant budget amendments

Effective July 1, 2007, the “affordable housing” trust funds will have their distributions capped

Source: Florida Legislative Committee on Intergovernmental Relations March 9, 2006

CHAPTER 5
ALACHUA COUNTY CASE STUDY

Introduction

The last chapter detailed the general program guidelines of the SHIP program, and this chapter will provide the specifics of Alachua County's SHIP program. This chapter will also detail the affordable housing needs of Alachua County, why Alachua County was chosen, and the housing strategies that Alachua County has implemented to address affordable housing issues for its jurisdiction.

All 67 counties and 51 Community Development Block Grant entitlement cities in Florida receive funds from the SHIP program, on an entitlement basis (State Housing Strategy Act, 1992). Both Alachua County and the City of Gainesville receive SHIP funding. Alachua County's Local Housing Assistance Plan (LHAP) contains a purchase clause that states that an applicant who receives SHIP Downpayment Assistance (DPA) can purchase a house anywhere within the County except for within Gainesville's city limits. Gainesville's SHIP program also has a purchase clause that mandates that a client can only purchase a home within the Gainesville city limits. These purchase clauses exist to thwart competition between the SHIP programs. This creates a situation where clients have to choose which program they want to apply for funding. Normally this would not be a problem; however, a majority of the affordable housing options for the County is located in the county seat, Gainesville (Alachua County Affordable Housing Team, 2003). This potentially creates a problem for some residents of the County who would like to purchase a house, but most of the affordable housing resources are located within the City's limits.

In addition to this issue, there are some other factors which make Alachua County different from other jurisdictions and warrant an in depth investigation of its SHIP program versus other jurisdictions. These factors include:

- The University of Florida, which is a major university of the southeast, is located in the county seat
- A dual renter market exists due to the large number of students that attend the University of Florida and need housing.
- The County has a higher poverty rate than the state, since a majority of the jobs available in the County are in the lower-wage paying industry, service, and government sector.
- Due to the large amount of lower wage paying jobs, the incomes of the lower income households have not kept pace with the cost of housing in the region.
- According to the Alachua County Affordable Housing Team (2003) the most affordable type of housing available to lower income households are mobile homes, yet clients are units are barred from purchasing mobile homes with SHIP DPA funds.

Alachua County Demographics

As of April 4, 2001 The Bureau of Business and Economic Research ranked Alachua County Florida's 20th most populated county with a population of 222,935; the projected population for 2010 is 254,200 (BEBR, 2001). In 2006, Alachua County had a population of 240,756 people spread across 9 jurisdictions, approximately 90,000 or so were located in the City of Gainesville (American Community Survey, 2006). Alachua County was ranked 42nd out of the 67 counties for affordability of housing in 2000 (BEBR, 2000). Information from the American Community Survey was utilized as supplemental information, since information from the 2000 Census is eight years old. The information from the American Community Survey is utilized since it delivers timely estimates and projections between census years.

Alachua County had 94,208 households as of 2005, and a homeownership rate of 54.9 percent, when compared to the statewide rate 70.1 percent, is significantly lower (Census, 2000).

Table 5-1 shows a comparison of Alachua County to Florida for 2000. The information from the table comes from 2000 since that was the last decennial census.

The City of Gainesville currently possesses a dual renter market that skews the affordable housing results for the entire county. Approximately 90,000 of Alachua County's residents currently live in the county seat, with the remainder of the residents spread across the other eight cities and rural areas in Alachua County (Census, 2000). This is significant for several reasons: college students compete with lower-income households for affordable rental units in Gainesville, and most of the affordable housing units for the County are located in Gainesville (Alachua County Affordable Housing Study, 2003). Although the Census counts a significant amount of affordable renter housing as being available in Gainesville, a majority of those units are targeted specifically for college students (Alachua County Affordable Housing Team, 2003). This has caused competition between the college students and residents of the County for the available affordable rental units. Information about rental units is included here because as stated earlier, a community needs a range of housing units (including affordable rental units) to have a healthy affordable housing climate, and the data here shows that Alachua County does not have a healthy, balanced, affordable housing climate (Walker, 2004).

Studies such as those delivered by Alachua County Affordable Housing Study, 2003; National Low Income Housing Coalition have documented Florida's need for affordable housing for those employed in government, retail, and service jobs, where wages do not increase as quickly as housing costs increase. Alachua County reported an estimated 124,300 jobs as of December 2002 with approximately 24,000 of these jobs located at the University of Florida and lower-wage paying jobs.

Alachua County's Affordable Housing Needs

Alachua County is presented as a case study example of whether very low-income households can sustain homeownership with SHIP assistance. It is believed that these households simply cannot afford homeownership even with SHIP assistance, due to extremely low-income levels, and a lack of housing that correlates with income levels in the County. Alachua County is very invested in the quest to provide affordable housing for its residents. It has several programs and several policy initiatives that are aimed at specifically addressing affordable housing needs. The Housing Element of the Comprehensive Plan 2001-2020 for Alachua County, revised May 2, 2005 is dedicated to "[providing] for the development of affordable hosing dispersed throughout the County, through policies that focus on the following areas: land use and facilities, methods to promote the dispersion of affordable housing, and manufactured housing" (p. 1). The Housing Element describes in great detail all of the initiatives that address affordable housing in Alachua County. These include but are not limited to: a study for affordable housing (includes a detailed countywide needs assessment), a housing production cost analysis, an economic feasibility analysis, an inventory of substandard housing, an assessment of existing affordable housing developments, and an identification of specific areas in the county where the market and incentive programs are not responding to the area's needs. The County has also adopted an affordable housing ordinance that lays out incentives for following policies and options that increase affordable housing in the area. In addition to all of the aforementioned policies and programs, the County received a $750,000 Community Development Block Grant for 2007, SHIP funding that allowed the county to assist over 80 very low- and low-income families in 2007. The County also provides an Impact Fee Assistance Program that assists income-eligible homebuyers with the cost of impact fees in the form of a zero percent interest, soft second mortgage for five years (Alachua County Growth Management, 2007). The County has also

created partnerships with such entities as the Alachua County Housing Authority, the Department of Housing and Urban Development, the National Coalition for the Homeless, and the Neighborhood Housing Development Corporation to provide affordable housing for the very low- and low- income households of Alachua County. In spite of all of this, there is still a gap between the amount of available affordable housing and the residents who are in need of affordable housing.

The Affordable Housing Study of Alachua County of 2003 focuses specifically on the region, and was commissioned by the County to examine these needs in order to provide a vehicle that would allow County Commissioners to deliver effective strategies that will attempt to rectify these affordable housing issues. The Housing Study was relied upon extensively to provide in depth information for this case study on the affordable housing needs of the County. Data from other sources such as the Shimberg Center for Affordable Housing (2004), Out of Reach Reports (1999-2006), Census (2000), and reports from the Florida Housing Finance Corporation were utilized as well as other sources. One caveat must be presented, reports from the Shimberg Center for Affordable Housing (Shimberg Center, 2004), and the Housing Study omitted data that included college students (who attend the University of Florida and Santa Fe Community College), since these subsets of the population are very specialized and are not considered in need of affordable housing the same way that year-round residents of Alachua County are. The rationale given is that college students are notoriously transient, and are "temporarily" in need of affordable housing due to their college needs (Alachua County Affordable Housing Team, 2003). According to the Housing Study there is a great need for affordable housing for those employed in government, retail, and service jobs, where wages do not increase as quickly as housing costs increase.

According to the Alachua County Affordable Housing Study (Housing Study) that was prepared by the Alachua County Board of County Commissioners per the requirements of Alachua County's Comprehensive Plan, the "need for affordable renter-occupied units is greater than the need for affordable owner-occupied units when measured in absolute numbers on a comparative percentage basis" (Alachua County Affordable Housing Team, 2003, p.4).

Key findings of the Alachua County Affordable Housing Study are as follows:

- Approximately one-fourth of all Alachua County households are cost-burdened
- About half of all renter households and about 20% of owner-occupied households are cost-burdened (Housing Study, 2003)
- Without deep subsidies very-low-income households cannot afford homeownership
- Moderate-income households have a great ability to afford homeownership with only a moderate amount of assistance
- Between 1990 and 2000 the number of households in Alachua County increased from 71,258 to 87,509
- Alachua County has a higher percentage of households in the lower-income ranges compared to the rest of the State. The amount of incomes in the middle and upper ranges is below the state average and the Housing Study postulates that the above average amount of lower-income households could potentially result from the large amount of college students in the region
- Approximately 36% of Alachua County's housing is multi-family housing. (Alachua County Affordable Housing Study Team, 2003)

According to the Shimberg Center for Affordable Housing (2004), 20,126 households in the County were cost-burdened and 10,624 households were severely cost-burdened. Table 5-2 illustrates the households that are cost-burdened by tenure, while Table 5-3 illustrates the number of households that are cost-burdened by income level. Out of the total households that were cost-burdened in 2005: 6,349 were owner-occupied households, while 4,275 were severely cost-burdened; and 7,593 households were renter occupied households, and 12,533 renter households were severely burdened (Shimberg Center for Affordable Housing, 2004). The number of cost-

burdened renters is interesting to note because these are the households that could potentially request SHIP DPA to purchase a home. This is important because if these households are cost-burdened renters it is important to wonder whether these households will become cost-burdened homeowners if assisted with SHIP DPA funds. Table 5-3 illustrates by tenure the number of households that experience cost-, and severe cost-burden by income level in Alachua County. These figures are significant since approximately one third of all of the residents in the County (excluding college students) are considered cost-burdened. Hypothetically speaking if all of these households are attempting to obtain homeownership, they are going most likely to become cost- and severely cost-burdened homeowners creating more problems. As Immergluck & Smith (2006) illustrated, foreclosures have negative economic impacts on neighborhoods; and if these cost-burdened households become homeowners, they will most likely become cost-burdened homeowners that would potentially face foreclosure, and potentially cause negative economic effects on neighborhoods within the County.

One of the key findings of the Affordable Housing Study (2003) that was repeated several times throughout the study is that the "need for affordable renter-occupied units is greater than the need for affordable owner-occupied units" (p.5). This is significant because a major portion of Alachua County's affordable housing strategies and policies focus on providing and encouraging affordable homeownership opportunities for its cost-burdened residents instead of providing affordable rental housing to address this documented need. This could potentially stem from the mandates that have been passed down from the Federal and State governments to increase homeownership among lower-income households. Another extremely important finding of the Housing Study (2003) is that "without deep subsidies very-low-income households cannot afford homeownership" (p.5).

In addition to examining the affordable housing needs of Alachua County, the Housing Study also provided recommendations intended to guide and inform affordable housing strategies. The recommendations for the SHIP program are included here, since they are the most applicable to this study. These recommendations provided by the Alachua County Housing Study Team, include: not allocating more funding to moderate-income households and supporting more multi-family rental developments. Although this report was published in 2003, it is the most comprehensive examination of the affordable housing needs of Alachua County. Additionally, this report provides a good overview of the major issues of Alachua County's SHIP program, and delivers recommendations on how to improve the program.

Alachua County's SHIP Program

The purpose of Alachua County's SHIP program is to "meet the housing needs of very low-, low-, and moderate-income households up to 100% of the area median income …to expand production of and preserve affordable housing [in the County]" (Alachua County LHAP). Alachua County receives SHIP funds automatically as stated in the Florida State Statutes. A client cannot apply for SHIP assistance to purchase and/or renovate mobile homes; is an important point and it cannot be stressed enough since mobile homes can potentially be an extremely affordable source of affordable housing in Alachua County and clients are automatically prohibited from purchasing them with SHIP downpayment assistance funds (Alachua County Affordable Housing Team, 2003).

Approved housing strategies include but are not limited to: emergency repairs, new construction, rehabilitation, down payment and closing cost assistance, impact fee assistance, construction, gap financing, mortgage buy downs, acquisition of property for affordable housing, matching funds for federal housing grants and programs, and homeownership counseling (as a rule of thumb if the use is included in the LHAP and approved by the Corporation it becomes an

eligible use). These eligible home repairs are detailed here and can be found directly in the LHAP for 2005-2006/2006-2007/2007-2008.

Eligible Home Repairs

- Repairs that are needed to bring homes up to Florida Building Code S.S. 553.70-553.898 F. S. S.
- Roof repair or replacement
- HVAC repair or replacement
- Energy conservation techniques for lower-income households
- Handicap accessibility repairs
- And any other repairs that are recommended by a SHIP certified inspector. (LHAP 2006-2008)

There are several eligibility criteria that households must meet before receiving SHIP assistance. The list details the criteria that must be met as determined by the Alachua County LHAP 2005-2006/2006-2007/2007-2008:

- The client must be a first time homebuyer.[4]
- The applicant must meet the income guidelines adjusted for family size.
- There must be no foreclosures on the client's record.
- The client must have a primary mortgage from a mortgage broker or bank, the mortgage loan must not be from a predatory lender.[5]
- The sales price of the home must not exceed the maximum set forth by the Florida Housing Finance Corporation.

"[4] Displaced homemakers are allowed to purchase a home as an exception. A displaced homemaker is a person who previously owned a home with his/her spouse (LHAP 2006-2008).

[5] Alachua County offers a lender guideline workshop that educates potential lenders about the affordability and other guidelines which SHIP recipients must complete before receiving SHIP assistance. This program is effective because it reduces the amount of time that could potentially be lost due to lender misunderstanding about the SHIP program. This workshop also fulfils the partnership mandate of Florida State Statutes 420 (1992).

- The household income must not exceed the income limits adopted by the County (see Table 5-4) (Alachua County Local Housing Assistance Plan 2005-2006/2006-2007/2007-2008).[6]

Income Verification

The income verification process is really a multi-phase process that involves determining the income, program, and unit eligibility of a client. There are three income categories that are defined as a percentage of the Area Median Income (AMI), and the SHIP administrator must determine if the client's annual gross income falls within one of the income categories (very low-, low-, and moderate-income).

This study examines if these income guidelines are appropriate for allowing very low-income households to actually obtain and sustain a mortgage). The client must be able to answer the following questions and provide supporting information.

- How many persons live in the household?
- What is the total amount of income that each household member earns annually?
- A list of all sources of annual income must be provided.
- Can you obtain a primary mortgage loan? Does the mortgage loan fall within the maximum house prices for that fiscal year? (4350.3 REV-1)

Once all of this information is gathered, the anticipated annual income is calculated and analyzed to determine how much downpayment assistance the client will receive. And then this information is used to determine if the unit that the client is attempting to purchase meets the guidelines as set forth by State Statutes. This is done by multiplying the monthly mortgage amount by 28% (if the cost of housing exceeds 28%then this household is considered to be cost-burdened). This study examines part of the income verification phase, and unit eligibility phase. This is done by taking the minimum income guideline for the very low-income category, for

[6] Although the income limits are set by the Department of Housing and Urban Development; Alachua County has stated in its LHAP that it will use the income limits set forth by the Florida Housing Finance Corporation

example, for March 2008 the minimum income guideline for Alachua County is $11,900-$19,800 for a one-person household, and the maximum home sales price that will be assisted is $204,440. Annual income is divided by twelve to determine monthly income. Monthly income is then multiplied by 33 and 41 percent, to determine the maximum front end and back end ratios. This information in addition to the amount of the client's monthly debt is used to determine the amount of the client's income that can be dedicated to pay for housing without being cost-burdened. After the income is verified the amount needed for a down payment is calculated based on the sales price and the amount of the mortgage the client has obtained. This is done in order to determine the amount of subsidy the client needs in order to afford the mortgage based on his/her income, the amount of the mortgage, the annual interest, taxes and insurance, and the monthly payment that the client would need to provide to the loan company

Affordable Housing Strategies of the Alachua County SHIP Program

The Alachua County SHIP program has five affordable housing strategies that comprise its SHIP program. These strategies include: Down Payment Assistance with Rehabilitation, Mortgage Foreclosure Intervention, Single-Family Housing Development, Multi-Family Housing Production, and Special Needs Housing Production. All of these strategies are outlined in great detail in Alachua County's LHAP. Each strategy is slightly different from the other but all are used to contribute to affordable housing in Alachua County in one way or another. The strategies will be explained in the following paragraphs.

Down Payment Assistance with Rehabilitation Strategy

The Down Payment Assistance with Rehabilitation strategy (DPA) is administered by the Alachua County Growth Management Department. This is significant to mention since other local governments and not-for-profit housing providers "leverage SHIP funds with other funds" to provide affordable housing in the County (LHAP 2005-2006/2006-2007/2007-2008).

Essentially these other governments and housing providers receive SHIP funding from the County to run their own "mini-SHIP" programs. This strategy is primarily used to address the homeownership statutory requirement. Alachua County has adopted the statutory requirements and modified them to make them more applicable to Alachua County's affordable housing climate. The Down Payment Assistance with Rehab program addresses housing affordability by attempting to service the client's financial gap for affording a mortgage. The list details the requirements that are specific to Alachua County's SHIP program, that are specific to the County's program and differs from the general SHIP program.

- Available to all first time homebuyers
- The household must be able to attain a first mortgage from an approved mortgage lender
- Homeowners who have obtained "sub-prime" mortgages or mortgages from predatory lenders will not receive assistance
- The SHIP funding will be provided as a second, deferred payment, no interest 30 year loan.
- The family must retain the home as the primary residence for 30 years. If the family does not retain the home as the primary residence then the SHIP mortgage will have to be repaid in full
- If the primary mortgagee dies before the 30 years has transpired the SHIP mortgage will be forgiven
- The purchaser must attend 2 homebuyer's education courses, preferably prior to applying for a mortgage loan.
- The client cannot have any prior defaults on his/her record.
- This program is primarily available to very-low and low-income households, if there is additional funding left over it will be offered to moderate-income households
- A SHIP certified inspector must inspect the house in addition to an inspector hired by the client.
- The client must provide two percent of the mortgage loan amount for a down payment.
- The maximum assistance is $25,000 as of 2006

- There is no guarantee that a client will receive the entire maximum since the maximum amount allotted to each client depends on what income bracket the client falls in, whether the structure needs rehabilitation and the amount of closing costs and down payment assistance that a client needs (See Table 5-5).(Local Housing Assistance Plan 2006-2008)

Alachua County prepared a flowchart to display how a client can obtain downpayment assistance from the County. This flowchart starts at the pre-approval stage and details the SHIP process step by step. This flowchart is provided here as a way to illustrate the SHIP Downpayment Process from the notice of funding availability to the mortgage closing (Figure 5-1). In addition to this flowchart, another flowchart that displays how the County receives SHIP funding from the state and then allocates this funding into the various housing strategies that are outlined in the LHAP is provided as Figure 5-2.

Table 5-4 is provided in order to illustrate the maximum subsidy that will be provided to any client. The maximum subsidy is mandated by State Statutes to be explicitly stated in the LHAP as determined annually by the Florida Housing Finance Corporation. Although the maximum that could potentially be provided to any one client is $25,000 for 2006, there are certain conditions that must be met, and there is the chance that a client would not receive the maximum amount depending on that client's situation.

The maximum Downpayment Assistance (DPA) amount that will be given to any client depends on what income bracket that client is in, if the structure needs rehabilitation work, and finally how much closing cost and down payment assistance the client needs. Although two fiscal years are examined (2003-2004, and 2005-2006), only one table is provided. This one table is sufficient because the maximum subsidy assistance was raised from $20,000 to $25,000 and SHIP staff was no long permitted to switch remaining funding from one strategy to another in 2003. And these measures were still applicable for the duration of the fiscal years examined.

Single-Family Housing Development Strategy

This single-family housing development strategy (SFHD) is available to not-for-profit housing providers, for profit housing providers, smaller localities, and other entities that have expressed an interest in providing affordable housing to lower income households in Alachua County. The SFHD strategy falls directly under the State Statute Requirement that commands local governments to establish partnerships with other affordable housing providers in the community. Essentially the SFHD strategy allows housing providers to run their own "mini-SHIP program" if the funding will be used in accordance with the eligible uses set forth by State Statutes. In order to receive the funding, potential sponsors must submit an application that includes a narrative detailing how they plan on using the funding once Alachua County submits a notice of funding availability. This strategy addresses the 75%new construction activity requirement as well. The SHFHD strategy serves the county by actually providing affordable housing for very low-, low-, and moderate-income households.

This strategy has two major targets: new construction and home repairs that are detailed below.

New Construction target guidelines:

- Assist in new construction and development of single family housing for very low- and low-income households. Since SHIP funding is used to construct new housing, the affordability and eligibility guidelines still apply to the houses (that must remain available to very low- and low-income households for 30 years). This means that SHIP sponsors must keep detailed records and submit to monitoring for the 30 year period

- Funding can be used for the acquisition of land for new construction, acquisition of land for infrastructure, and new home construction. For example, Alachua Habitat for Humanity is a SHIP sponsor under the single family housing development strategy and uses the funds to acquire land that drastically helps defray the costs of housing for very low-income households. (Alachua County LHAP 2005-2006/2006-2007/2007-2008, p. 8-23)

Home Repair target guidelines:

- Emergency repair

- Rehabilitation of substandard housing
- Demolition and reconstruction of substandard homes
- The homeowner assisted must have incomes that fall in the very low- or low-income brackets.
- The funding can be used as matching funds by the County and other municipalities for funding from state/federal grant or loan programs. For example, the City of Alachua receives SHIP funding through the single family housing development strategy and leverages the funding with Community Development Block Grant funds to demolish and rebuild substandard structures for very low-and low-income households (Alachua County LHAP Alachua County LHAP 2005-2006/2006-2007/2007-2008, p.8-23).

Multi-Family Housing Development Strategy

The multi-family housing development strategy (MFHD) provides funding to for-profit and not-for-profit affordable housing developers for the construction, or rehabilitation of affordable rental units (Alachua County LHAP 2005-2006/2006-2007/2007-2008). The applicants can also leverage the SHIP funding with Low Income Housing Tax Credits, and the State Apartment Incentive Loan Program. The rental units must be affordable to very low- and low-income renters. If the loan provided to the developer exceeds $3,000, annual monitoring of the rental units must be performed to ensure the affordability of the units over the life of the loan (15 years) (Alachua County LHAP 2005-2006/2006-2007/2007-2008). This can quickly become cumbersome as the number of tenants increases. Additionally, if the owner wants to sell the rental property before the expiration of the loan, the owner needs to give a first right of refusal to any eligible non-profit organization to purchase the property at current market values, to ensure that the rental units will remain occupied by eligible renters (LHAP 2005-2006/2006-2007/2007-2008). As a result of these requirements, this strategy is rarely utilized by developers. Although the State Apartment Incentive Loan is available for multi-family rental production, the developer has to secure a minimum loan amount that excludes smaller “mom and pop” developers.

Special Needs Housing Development Strategy

The special needs housing development (SNHD) strategy is served by both Alachua County and the City of Gainesville through an interlocal agreement. It provides funding to not-for-profit agencies for the construction or rehabilitation of temporary transitional or long term rental housing (Alachua County LHAP 2005-2006/2006-2007/2007-2008). This funding is only for very low-income families.

Mortgage Foreclosure Intervention Strategy

The mortgage foreclosure intervention strategy is primarily used to address the requirement that 30% of all SHIP funding must address very low- income households, and another 30% of SHIP funding must address low-income households. The mortgage foreclosure intervention strategy provides funding to SHIP clients who are facing foreclosure circumstances beyond their control. The list provided here provides more information about the mortgage foreclosure intervention program as detailed in the Alachua County LHAP.

- The client must have purchased a home using SHIP funds
- The client must have defaulted on the mortgage loan for 2 months and has no other way of bringing the account current
- The client must be able to resume full mortgage payments to the primary lender after receiving the assistance
- Each household must be certified to meet the income guidelines for Alachua County for any year in order to receive SHIP funding. A mortgage is considered affordable if the "mortgage payments do not exceed 30% of that amount that represents the percentage of the median annual gross income for households…[but if] housing for that a household devotes more than 30% of its income shall be deemed affordable if the first institutional mortgage lender is satisfied [that] the household can afford the mortgage payment." (Alachua County LHAP 2005-2006/2006-2007/2007-2008, p. 8-23)

Table 5-5 illustrates the income levels that will receive assistance from Alachua County for the 2006-2008 LHAP. Part of the income verification process is determining the income level of the client.

This study might be useful to other SHIP administrators because it might potentially provide an outline for several things. Namely, how to perform an economic feasibility study, how to setup a SHIP program (for jurisdictions that are new to receiving SHIP funding), and lastly it could also serve as a warning for what to avoid when setting up a SHIP program. Or this study could eventually provide encouragement to Florida to change the State Statutes that mandate the SHIP program.

Table 5-1. Comparison of the state of Florida to Alachua County, Florida

	Florida	Alachua County
Population	15,982,378	217,955
Total housing units	8,533,419	106,752
Homeownership rate	70.1%	54.9%
Owner occupied households	4,441,799	48,085
Renter occupied households	1,896,130	39,424
Amount of vacant units	965,018	7,604
Total mobile homes	495,146	3,368
Median value of owner occupied Housing	$105,500	$97,300
Median household income	$45,625	$31,426
Poverty rate	12.5%	22.8%

Source: Census 2000

Table 5-2. Cost-burdened Households represented by tenure in Alachua County during 2005

	Renter	Owner-occupied	Total
Cost-burdened households	7,593	6,349	13,942
Severely cost-burdened households	12,533	4,275	16,808
	20,126	10,624	30,750

Source: Shimberg Center for Affordable Housing, 2004

Table 5-3. Housing needs assessment-population and household projection for Alachua County, 2005

Household income as percentage of area median income	Amount of Income Paid for Housing		
	Little to no cost-burden%	Cost-burden%	Severely cost-burdened
Extremely low-income	4,548	1,639	11,553
Very low-income	3,307	4,493	3,772
Low-income	10,415	4,439	1,063
Moderate-income	1,063	3,371	420
Total	63,458	13,942	16,808

Shimberg Center for Housing Affordability, 2004

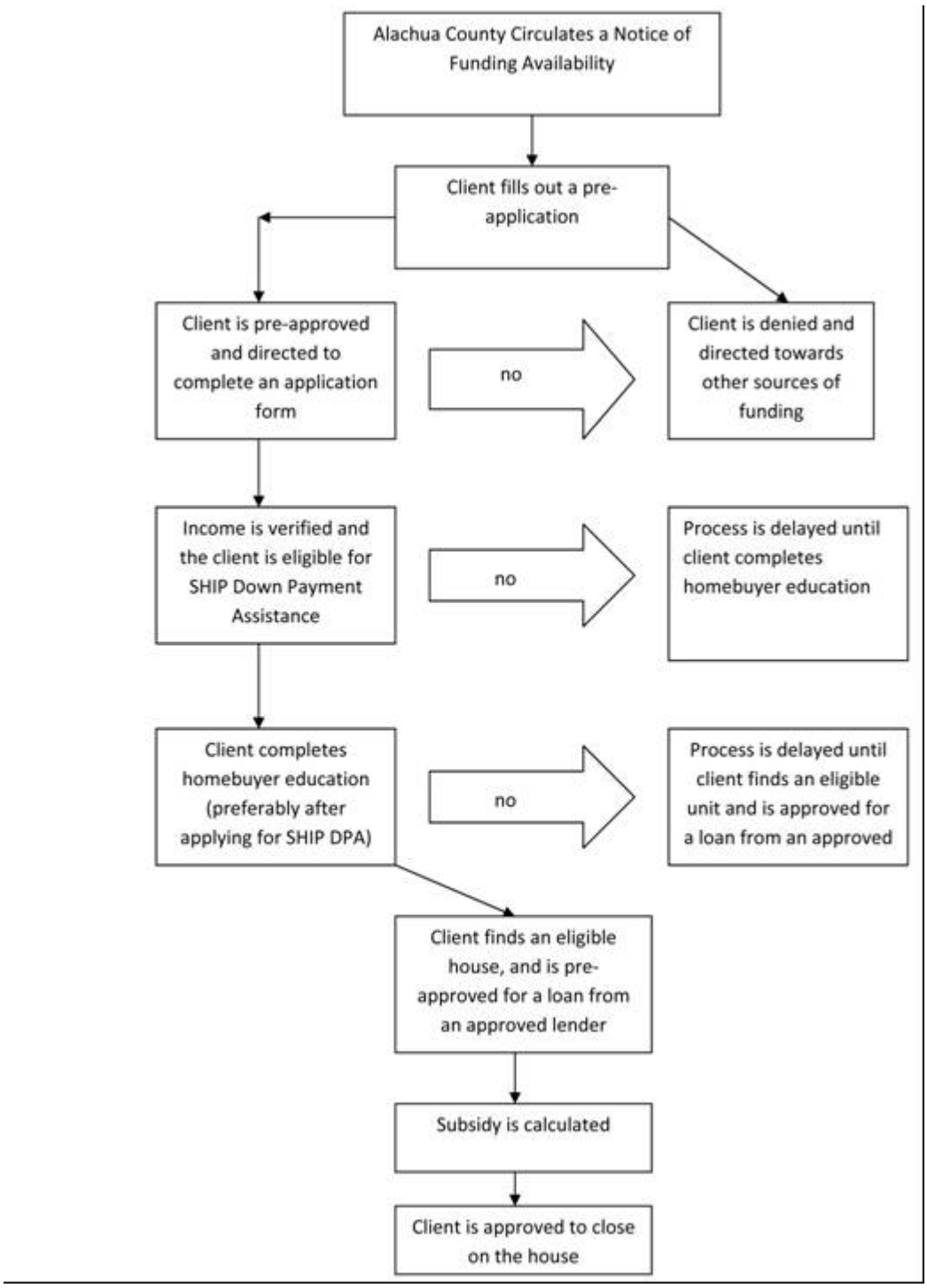

Figure 5-1. Alachua County down payment assistance strategy flowchart. Source: Alachua County Growth Management Department, 2006

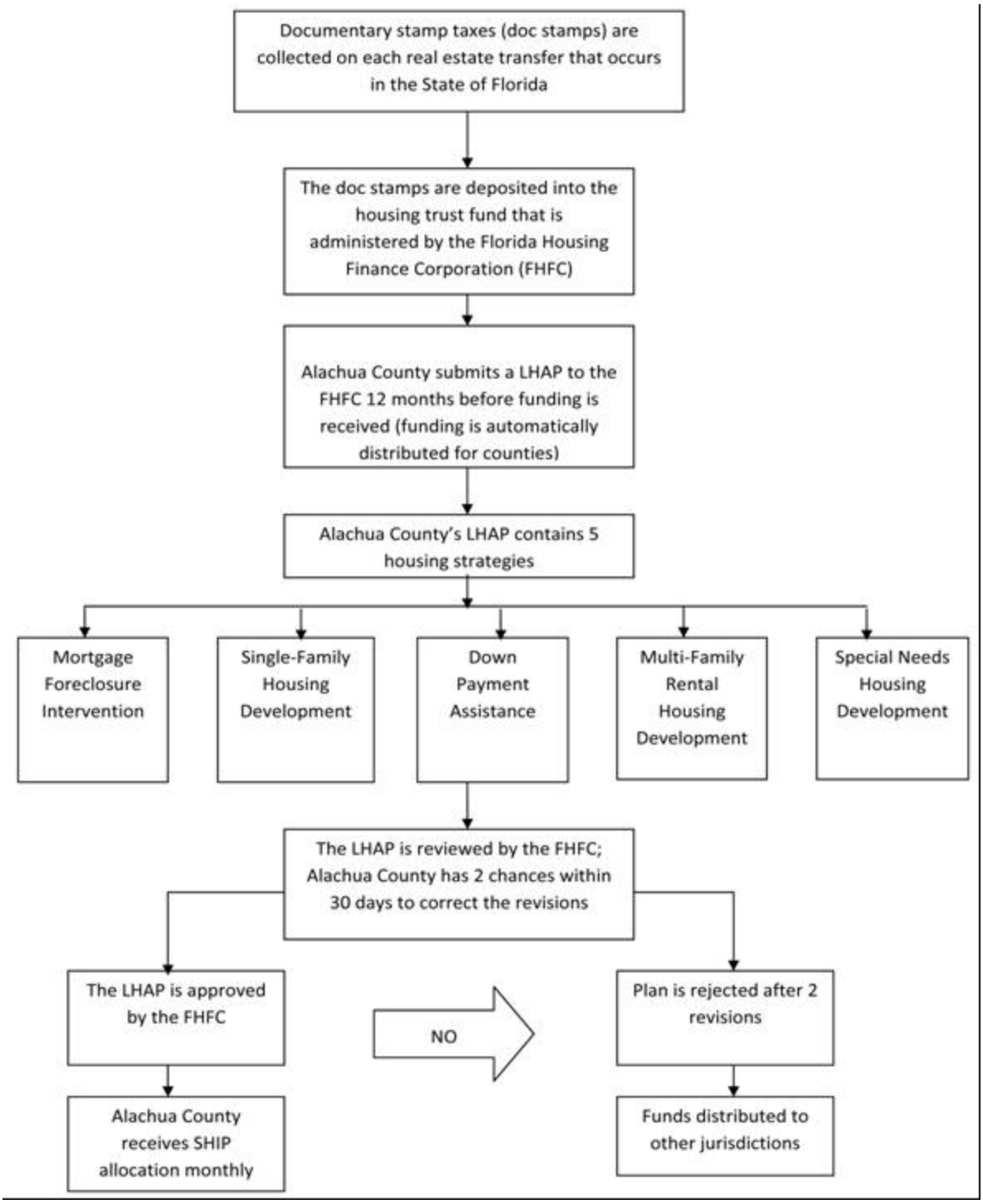

Figure 5-2. SHIP Process from documentary tax stamp to funding allocation. Source: Ross, 1992, Alachua County LHAP 2005-2006/2006-2007/2007-2008

Table 5-4. Alachua County SHIP down payment assistance income guidelines

Household Size	Very Low-income (30 to 50% of AMI)	Low-income (51 to 80% of AMI)	Moderate-income (81 to 100% AMI)
1	*$11,450-$19,100	$19,100-$30,500	$30,501-$38,125
2	*$13,100-$21,800	$21,801-$34,900	$34,901-$43,625
3	*14,700-$24,550	$24,551-$39,250	$39,251-$49,601
4	*$16,350-$27,750	$27,751-$43,6500	$43,601-$54,500
5	*$16,650-$29,450	$29,451-$47,100	$47,101-$58,875
6	$18,950-$31,600	$31,601-$50,600	$50,601-$63,250
7	$20,250-$33,800	$33,801-$54,050	$54,051-$67,563
8 or more	$21,600-$35,950	$35,591-$57,550	$57,551-$71,875

As a guideline, the minimum income set forth by Alachua Habitat for Humanity is used as the minimum income threshold for the SHIP Down Payment Assistance program
Source New Alachua County SHIP Down Payment Assistance Program Guidelines (May 2006)

Table 5-5. Maximum assistance guidelines May 2006

	Very low-income	Low-income	Moderate-income
Existing homes needing rehabilitation	$25,000 (combination of down payment, closing costs and rehabilitation)	$20,000 (combination of down payment, closing costs and rehabilitation)	$5,000 (combination of down payment, closing costs and rehabilitation)
Existing homes needing no rehabilitation	$15,000 (down payment and closing costs)	$10,000 (down payment and closing costs)	$5,000 (down payment and closing costs)
New homes (less than 1 year old)	$20,000 (down payment and closing costs)	$15,000 (down payment and closing costs)	$5,000 (down payment and closing costs)

Source: New Alachua County SHIP Down Payment Assistance Program Guidelines (May 2006)

CHAPTER 6
DATA ANALYSIS

Introduction

The data that was analyzed for this study was collected from Alachua County SHIP files from fiscal years (FY) 2003-2004, and 2005-2006. A hypothetical client profile was compiled for the fiscal year 2003-2004; only one hypothetical client profile was completed because the maximum house sales price did not change during the fiscal years examined. This hypothetical profile was used as a control/baseline to judge the average client profiles that were compiled for both FY 2003-2004 and 2005-2006. The information that was examined to construct the average client was: the annual income of the household, the purchase price of the house, and the household size for each client. While the information used to construct the hypothetical client was the maximum house sales price for the fiscal year 2003-2004 and the minimum household income for each fiscal year.

The fiscal years 2003-2004, and 2005-2006, were examined because both occurred after a major revision to the LHAP occurred. As of 2003, SHIP staff members were no long allowed to transfer funding from one strategy to another, and the maximum subsidy was changed. The LHAP addresses three fiscal years, and can be revised twice within any twelve month period. Alachua County revised the 2002-2003/2003-2004/2004-2005 LHAP, and kept these changes for the 2005-2006/2006-2007/2007-2008 LHAP. These changes meant that a client had a chance of receiving a higher subsidy and was part of the reason why these fiscal years were chosen. These fiscal years had the most in common out of all of the fiscal years that Alachua County operated a SHIP program. Having the same maximum subsidy guideline, $25,000, made the data analysis easier to perform since the investigator did not have to compare clients with different subsidy amounts.

The Alachua County Growth Management Housing Division has determined that if a household has a mortgage front end ratio of less than 33 % of its gross annual income, and a back end ratio of less than 41 percent, the mortgage loan is affordable. The front end ratio refers to the amount of gross annual income that pays for the mortgage, while the back end ratio refers to the amount of gross annual income that pays for recurring monthly debt. The SHIP staff uses an Excel worksheet, with formulas that are used by the mortgage industry to calculate the mortgage affordability for the client.[7] For example, the provided monthly calculator shows the mortgage loan that a very low-income, low-income and moderate-income one person household could afford for 2005-2006 without any SHIP assistance.

To obtain the front end ratio, monthly income is multiplied by 33 percent; this is the maximum front end ratio that Alachua County will accept, since a mortgagee with a front end ratio of less than 33 % means that the household is not cost-burdened. The same formula is applied to the back end ratio, and if the back end ratio is less than 41 % the mortgage is considered affordable. Alachua County SHIP staff will allow a client to have a back end ratio that is slightly higher than 41%, however a front end ratio that exceeds 33 % is unacceptable. The sales price of the home is multiplied by .02 (mortgage lenders require that a household must pay at least 2 % of the down payment without any assistance). The following list provides more information about the affordability analysis process that is used by Alachua County.

- The sales price is subtracted from the down payment to determine the mortgage amount
- The monthly interest is added to the term in months and the mortgage amount
- The total amount is multiplied by negative 1 to obtain the monthly payment
- The total monthly mortgage is added to the taxes and insurance to determine the total monthly payment.
- All of this is explained since the formulas are not displayed in the affordability calculator.

[7] Although if the mortgage lender's affordability analysis overrides Alachua County's; meaning that if a mortgage lender determines that a mortgage is affordable, Alachua County has to accept that mortgage

Affordability Analyses

Hypothetical Client

According to the affordability analysis, a very low-income one-person household earning $19,100 annually, without any outside debt (car payment, cell phone, car insurance etc) could only afford a mortgage for $38,539.36. The maximum house sales price for 2003-2006 was used to determine if a client came in with the bare minimum income and tried to obtain an average mortgage could afford it. The maximum home sales price for 2003-2006 was $172,732.00, and this amount far outstrips this "person's' ability to afford a home in Alachua County (Census, 2000). This is a completely hypothetical version of what an applicant would look like. There are very few people who have no recurring monthly debt. In this case, the maximum front end ratio that this applicant can afford without being cost-burdened is $525.25 per month, for a mortgage of $38,539.36. The maximum house sales price was $172,632 for this fiscal year, and the client would need a subsidy of $130,738 to afford the home on his/her yearly salary. This would not happen.

This affordability analysis was performed to illustrate that a very low-income household could not afford the average house sales price in Alachua County. The affordability analysis of a hypothetical client was also performed to examine if the guidelines set forth by the Florida Housing Finance Corporation are feasible in Alachua County. And for the very low-income household, this affordability analysis suggests that these guidelines are not feasible

Alachua County SHIP staff perform an affordability analysis for every client who applies for the Down Payment Assistance with Rehabilitation (DPA with Rehab) strategy as part of the income verification process. The affordability analysis allows the SHIP staff to determine how much assistance a client might need. For example, in the fiscal year of October 2003-September 2004, ten of the 41 households that applied for the DPA with Rehab strategy were very low-

income households. Of those households, all ten were cost-burdened when household income was analyzed. All of these cost-burdened households had front end ratios over that exceeded 33 % and some had front end ratios as high as 50 percent. This meant that these households would need substantial subsidies that could potentially exceed the amount that Alachua County was allowed to provide. And as a result these households were not able to receive SHIP assistance. See Table 6-1 for more information about this client.

Average Client FY 2003-2004

This affordability analysis examines information from the average client that applied for assistance in the Fiscal Year (FY) 2003-2004. This was used to compare the hypothetical affordability analyses and the affordability analysis for the "average" client. For this fiscal year each household had an average of three persons living within the household, the average household income was $28,140. The household income was adjusted for household size (see Table 5-4). The average home sales price for applicants applying to the SHIP program in FY 2003-2004 was $89,432.10. Table 6-2 provides more information about this "client."

According to the affordability analysis the average applicant for Alachua County was not cost-burdened. Yet there were 41 applicants to the SHIP Downpayment Assistance (DPA) for FY 2003-2004; and out of the 41applicants, there were ten very low-income applicants; all ten very low-income applicants were cost-burdened. The average front end ratio for the cost-burdened very low-income applicant was 41.63 percent, while the average front end ratio for all applicants for this fiscal year was 33 percent. This front end ratio for the cost-burdened very low-income households is unacceptable by Alachua County's standards to receive DPA. Actually by Alachua County's standards the very low-income households are severely cost-burdened. The affordability analysis also assumes no debt, potentially skewing the results. For some reason the majority of applicants to the program, especially for this fiscal year, were low-income

households. This could be due to how Alachua County operates its SHIP program. The single-family housing development strategy allows not-for-profit and for-profit organizations to run "mini-SHIP" programs. There is the potential that a majority of the very low-income households in Alachua County are applying to these "mini- SHIP" programs. There is a very active Habitat for Humanity chapter that operates in Alachua County and very low-income households might be applying to the Habitat for Humanity for assistance, since this program is very conducive to assisting very low-income households obtain homeownership. The average SHIP client for this fiscal year was not cost-burdened because the average SHIP client was a low-income household. While the households that are very low-income are cost-burdened by Alachua County's standards for this fiscal year.

Average Client FY2005-2006

The average applicant for FY 2005-2006 had an average household income of $27,142.47, for a household of three people, and the average house sales price was $78,165.70. This affordability analysis is very similar to the first affordability analysis. This affordability analysis is stating that a household of three people with no outside debt, and purchasing a house for $78,165.70 would be able to afford the mortgage. The assumption of no debt could be skewing the results, since the affordability analysis is not able to properly account for the maximum back end ratio. There were ten applicants who were cost-burdened when the affordability analysis was performed, and again these same ten applicants were the very low-income households. Out of the total applicants, only ten were very low-income households, but all of those very low-income households were cost-burdened and could not afford homeownership by Alachua County's standards. Table 6-3 provides more information about from when the information from all 41 applicants were averaged together.

Some caveats must be presented in order to accept this data: monthly debt information was not available for the income verifications of the clients, the income verification process was adapted by Alachua County from HUD and used here, and mortgage interest rate was the average interest rate for that fiscal year. All of this information might have potentially skewed the results, but everything in the researcher's power was done to ensure the validity of the data. Additionally the recommendations provided here are mainly applicable to Alachua County's SHIP program, and that is due to the flexibility of the SHIP program to begin with. Nonetheless, another jurisdiction could potentially read this study and gain some idea about what problems to watch out for in their jurisdictions. Some of the information here could prove useful to other jurisdictions when they are trying to set up a SHIP program. That type of information would be how to modify the income verification process to address the needs of a particular jurisdiction, keep meticulous records on information such as monthly debt if this is necessary to perform an income verification, and so on.

In conclusion, the affordable analyses were performed using Alachua County's modified version of the Department of Housing and Urban Development's (HUD). This is permissible under the State Housing Initiatives Partnership Program Act (1992). The affordability analysis is important because it illustrates how very low-income households in Alachua County cannot afford homeownership, while simultaneously providing support for Alachua County's Affordable Housing Study that stated that low-income households could not afford homeownership in Alachua County (Alachua County Affordable Housing Team, 2003). These findings directly informed the recommendations that are delivered and discussion in Chapter 7 Findings and Recommendations.

Table 6-1. Affordability analysis for hypothetical client 2003-2004

Applicant Information:				
Annual income	$19,100.00		Monthly Debt	
Monthly income	1,591.67			
Front ratio	33%		Total	0.00
Back ratio	41%			
Max front end ratio	$525.25		Max mortgage amount	38,539.36
Max back ratio less debt	$652.58		Deferred loan needed	130,738.00
Max monthly PITI	$525.25			
Sales price	Down payment	Mortgage amount	Annual interest	
$172,732.00	$3,454.64	$169,277.36	6.60%	
Monthly interest	Term (Months)	Monthly payment	T&I	Monthly payment without subsidy
0.55000%	360	$1,081.10	$279.12	$1,081.10

Source: Alachua County Growth Management Department Housing Division, 2005

Table 6-2. Affordability analysis for average applicant 2003-2004

Applicant Information:				
Annual income	$28,140.00		Monthly Debt	
Monthly income	2,345.00			
Front ratio	33%		Total	0.00
Back ratio	41%			
Max front ratio	$773.85		Max Mortgage amount	101,844.15
Max back ratio less debt	$961.45		Deferred Loan Needed	N/A
Max monthly PITI	$773.85			
Sales price	Down payment	Mortgage amount	Annual interest	
$89,432.10	$1,788.64	$87,643.46	6.60%	
Monthly interest	Term (Months)	Monthly payment	T&I	Monthly payment without subsidy
0.55000%	360	$559.74	$123.41	$559.74

Source: Alachua County SHIP Client Files, 2004

Table 6-3. Affordability analysis for average applicant 2005-2006

Applicant Information:				
Annual income	$27,142.47		Monthly debt	
Monthly income	2,261.87			
Front ratio	33%		Total	0.00
Back ratio	41%			
Max front ratio	$746.42		Max mortgage amount	100,846.51
Max back ratio less debt	$927.37		Deferred loan needed	N/A
Max monthly PITI	$746.42			
Sales price	Down payment	Mortgage amount	Annual interest	
$78,165.70	$1,563.31	$76,602.39	6.60%	
Monthly interest	Term (Months)	Monthly payment	T&I	Monthly payment without subsidy
0.55000%	360	$489.23	$102.35	$489.23

Source: Alachua County SHIP Client Files, 2006

CHAPTER 7
FINDINGS AND RECOMMENDATIONS

Introduction

A major finding was revealed from the analysis of the data. It was found that very low-income households that applied for Down Payment Assistance (DPA) in Alachua County during the fiscal years FY2003-2004, and 2005-2006 could not afford homeownership even with SHIP DPA. While low-income households that applied for DPA in Alachua County during the fiscal years FY2003-2004, and 2005-2006 could. This finding is examined in detail in this chapter, as well as the recommendations that are derived from this data analysis.

Findings

National Low Income Housing Coalition(1999, 2001, 2003, & 2006) stated over and over that minimum wage workers in Florida would have to either earn twice the minimum wage rate, or work about 100 hours a week (depending on the year) to afford a fair market rent (FMR) rental unit. The data paints a picture that it is nearly impossible for lower-income households to afford saving for a down payment while attempting to afford their current rental unit and pay for utilities. The SHIP program also does not take into account the fact that these households have to afford utilities and other household necessities (although Alachua County's SHIP program does through its back end ratio). The literature and the program guidelines that examine the feasibility of lower income households' ability to afford homeownership does not address how lower income households would be able to afford other household expenses (State Housing Strategy Act, 1992; Herbert & Tsen, 2005; Collins, 2006).

The Alachua County SHIP program provides gap assistance to applicants of its Down Payment Assistance with Rehabilitation (DPA with Rehab) strategy. An affordability analysis, as part of the income verification process, is performed to determine how much mortgage the

client's annual income can support without being cost-burdened. This affordability analysis is then compared to the actual sales price of a home and the mortgage that the applicant is attempting to obtain. This affordability analysis allows the Alachua County SHIP staff to determine what the gap is between an affordable mortgage and the actual mortgage that the applicant can support with his/her income, and then attempts to fill that gap.

The data was examined to test the thesis statement: whether very low-income households could sustain a mortgage in Alachua County with down payment assistance. According to the data, a very low-income household could not, while a low-income applicant could sustain a mortgage with assistance. Low-income households are only mentioned because they comprised the majority of applicants to the Alachua County SHIP program for each fiscal year examined. Alachua County determined a mortgage as affordable if the front end ratio is less than 33 percent. Front end ratio refers to 33 % of household pre-tax income that is spent on mortgage costs. Only low-income applicants had front end ratios less than 33 % when the affordability analyses were performed (30 in all), and all of the very low-income applicants had front end ratios that exceeded 33 % (in some cases it reached 49 percent). Although there was a small pool of applicants each year examined (average of 40), there was roughly the same amount of very low-income applicants who could not afford a mortgage each year, even with SHIP assistance. There were roughly ten very low-income households a year that applied to the SHIP program and each very low-income household was incapable of affording a mortgage with down payment assistance. This finding suggests a trend and not a fluke.

There are potentially several reasons why very low-income applicants did not apply to Alachua County's SHIP program, in spite of the fact that the SHIP program was designed to specifically assist very low-income households. One reason could be that the very low-income

household in Alachua County is applying elsewhere for assistance. The Habitat for Humanity is very active in Alachua County and is designed expressly to assist the very low- income household. Another reason could be the way that Alachua County actually runs its SHIP program. Not-for-profit and for-profit housing providers can apply to the Single-Family Housing Development Strategy for funding for the purpose of providing and/or preserving affordable housing in Alachua County. These organizations essentially run “mini-SHIP” programs. Most of the very low-income households could effectively be removing these households from the pool of applicants that apply to the Down Payment Assistance with Rehabilitation Strategy.

Other evidence includes the fact that Alachua County has used its mortgage foreclosure intervention strategy to primarily assist very low-income SHIP recipients. This allows the Alachua County SHIP program to fulfill the requirement that 30 % of all funding must assist very low-income households, and additionally fulfill part of the requirement that 65 % of all funding must assist homeownership activities. A red flag should be raised from this information, if the 30 % very low-income guideline is being served by the mortgage foreclosure strategy, is homeownership really the right strategy for this income group? Table 7-1 is provided as a snapshot of Alachua County’s SHIP program defaults, unfortunately it is hard to compare Alachua County’s foreclosure data to that of the foreclosure date of other localities in Florida since “this data is not accurately reported on a consistent basis” (Fitterman, email communication, December 5, 2007). What is known is that the foreclosure rate among SHIP programs is roughly three percent, which echoes that of the FHA mortgage foreclosures, while Alachua County has a cumulative foreclosure rate of 8.15 % for very low-income households, and 9.70 % for low-income households (Fitterman, email communication, December 5, 2007).

Recommendations for the Alachua County SHIP Program

This study provides two recommendations for the Alachua County State Housing Initiatives Partnership (SHIP) Program.

- Change the income-guideline targets for Alachua County. Instead of placing a heavy emphasis on homeownership for very low-income households, focus on assisting low-, and moderate-income households obtain homeownership
    - Use other strategies that focus on assisting very low-income households obtain affordable housing. One such strategy is the multi-family rental housing strategy that is already in place in Alachua County, but it is not utilized to its full extent.
- Focus on providing more affordable rental housing across the County, especially rental housing that targets very low-income households
    - This recommendation could be fulfilled by providing more multi-family rental housing that only available to very low-income households, this would fulfill mandatory statutory requirement that 30 % of all funding must assist very low-income households.

Change the Income-Guideline Targets for Alachua County

As stated numerous times throughout this document, the SHIP program was designed to have a minimum of guidelines, in order to allow jurisdictions maximum flexibility in designing a program that specifically addressed the needs of that jurisdiction. It is repeated again here for the benefit of the reader, because although the program affords the jurisdiction a minimum of guidelines, there are three major guidelines that must be addressed in order to receive SHIP funding. These guidelines are: 30 % of all funding must assist very low-income households, another 30 % must assist low-income households, 65 % of all funding received must assist homeownership activities, and 75 % of all funding received must serve new construction activities. This recommendation suggests that these income guidelines should be relaxed for Alachua County in light of the data examined here.

In Alachua County 52 % of all households that received SHIP assistance were very low-income households earning $18,150 or less for a family of four (Alachua County Growth

Management, 2007). Alachua County's SHIP program exceeds the very low-income income target by 22 percent. This investigator believes that the SHIP program places too much emphasis on very low-income households, without examining the potential for residents of a jurisdiction to sustain these guidelines. As the data illustrated, very low-income households cannot afford homeownership in Alachua County, but 30 % of all funding received by the jurisdiction must assist very low-income households, and 65 % of all funding must assist homeownership activities. This recommendation is based on Walker's 2004 study which stated that a wide range of affordable housing options are needed in order for a jurisdiction to have a healthy affordable housing climate. This recommendation is not suggesting that very low-income households should be ignored by Alachua County's SHIP program. Rather it is attempting to suggest that homeownership for very low-income households in Alachua County might not be the best option since the data shows that very low-income households could not afford homeownership. This recommendation is suggests utilizing SHIP funding in other ways to assist very low-income households instead of focusing on obtaining homeownership for very low-income households. Additionally, if a very low-income client already owns a home and would like to apply for SHIP funding for renovation activities, then that very low-income client could be assisted. However, SHIP funding should not be used to assist very low-income households in purchasing a house.

This emphasis on homeownership for very low-income households could work in other jurisdictions that do not rely as heavily on low-wage paying jobs. As such the program should continue focusing on utilizing the Down Payment Assistance with Rehabilitation (DPA with Rehab) strategy to fulfill the 65 % homeownership requirement and the 30 % low-income homeownership requirement in those jurisdictions if it has been found that very low-income households in that jurisdiction could indeed afford homeownership.

This focus on moderate- and low-income households will allow Alachua County to utilize any remaining funding in innovative and unique ways to address other affordable housing needs of the County. These remaining funds are recaptured funds and they are not subject to the same scrutiny of the State Statutes as the original funding. Recaptured funds are funds that are repaid at the end of the mortgage term, repaid when the house is no longer utilized as the primary residence, or if the affordability period is met (State Housing Initiatives Partnership Strategy Act, 1992). All of this means that the recaptured funds could theoretically be used to start another strategy, with more lenient terms than the original strategies. Recaptured funds will be essential in carrying out this recommendation since the State Statutes place a clear emphasis on assisting very low- and low-income households in obtaining affordable homeownership. But as stated before, recaptured funds are not subject to these requirements.

The data overwhelmingly showed that low-income households can support homeownership, especially with Down Payment Assistance in Alachua County. But the SHIP program (through the State Statutes) places just as much emphases on homeownership for very low-income households, as it does for low-income households. As a result the SHIP program should reexamine this focus on very low-income households and homeownership, while adding an economic feasibility study requirement to the State Statutes. If this recommendation is adopted very low-income households could always apply to Habitat for Humanity if that household truly wanted to purchase a house. Habitat for Humanity might be a better program for very low-income households in Alachua County since the client has to volunteer to build houses, allowing the client to earn sweat equity and essentially pay for his/her house in sweat equity.

Alternatively, the SHIP funding that would normally be used to assist very low-income households obtain homeownership could be channeled into other strategies that could assist very low-income households in other ways.

The SHIP program focuses a majority of its attention on very low-income and low-income households. The percent of funding that should assist low-income households should be increased, and moderate-income households should be assisted. The State Statutes only accommodates moderate-income households if there is unexpended funding and if the minimum requirements of the program have been met. At the very least, economic studies should be performed in each locality and county to determine if very low-income households can actually sustain homeownership within those jurisdictions. If the data shows that very low-income households cannot obtain and sustain homeownership, then those municipalities should receive permission to channel the funding which would normally be used to assist very low-income households obtain homeownership into other strategies that might provide other affordable housing options.

Focus on Providing More Affordable Rental Housing Options Throughout the County

Both the Alachua County Affordable Housing Study (Housing Study) and the Affordable Housing Study Commission's 2007 Final Report provided recommendations for the SHIP program. The Housing Study examined the issue of providing assistance to moderate-income households, but ultimately decided that this was not in the best interest of Alachua County's SHIP program (2006). The data examined disagree with this finding, as stated before the data show that very low-income households in Alachua County cannot sustain homeownership and as a matter of fact only ten households or so applied for down payment assistance each year. This data suggests that Alachua County should reconsider this recommendation since its been found that very low-income households cannot afford homeownership.

Although the Housing Study also explicitly stated that there was a greater need for affordable rental housing, it never suggested that Alachua County extend its multi-family rental housing strategy. Rental housing can be provided in various ways: provide a loan to housing providers who are interested in providing mixed-income rental units, utilize the various programs (Low Income Housing Tax Credit, State Apartment Incentive Loan Program, Community Development Block Grant Program etc.) that can be used in combination with SHIP funding to reduce the costs associated with providing rental housing, and any recaptured funds can be channeled into the multi-family rental strategy to fund the affordable rental strategy. This idea could be an excellent vehicle for producing more multi-family affordable rental housing in Alachua County. Especially since this was a need that was repeated several times throughout the literature (Alachua County Housing Study, 2003; National Low Income Housing Coalition, 1999, 2001, 2003, & 2006; Nissen and Borum, 2005).The SHIP program in general has obstacles that prevent the SHIP program from fully utilizing the multi-family strategy. These obstacles include:

- The affordability clause that states that each unit must remain affordable to residents for a minimum of 15 years and annual income verification monitoring needs to be performed to ascertain that the units remain affordable.
- The owner must file a right of first refusal if s/he wants to sell the property before the affordability period has expired (generally 15 years)

These barriers combine to form an extremely cumbersome, complicated, and time consuming task that prevents developers from seeking out this strategy.

These rules are counterproductive since this strategy is supposed to attract smaller developers who might be incapable of fully leveraging the funds needed for the State Apartment Incentive Loan (SAIL) Program. Although the Housing Study (2003) has stated in very clear terms that there is a dire need for affordable multi-family rental units in Alachua County, this

strategy is not being utilized to address this need. This could be rectified by slightly modifying the SHIP rules to ease the process for the smaller developer. The modified regulations could include relaxing the income verification process, or allowing rental developers to outsource the income verification process. Or it could be suggested that the rental developers roll the income verification process into the contract with the property manager. For example, the property manager could have to verify the income of each resident at the beginning of each lease and at each renewal, removing some of the responsibility from the developer.

Another use for the recaptured SHIP funds is to focus on establishing a program that allows not-for-profit and for-profit organizations to "assist structures" versus "assisting recipients." This strategy would entail providing funding to these organizations to purchase and rehabilitate structures; these organizations would also have to remain the landlords of these structures for the life of the SHIP loan. This program already exists to some extent with the single-family housing development strategy (new construction) but it needs to be expanded. This could be done by funneling more funding into this strategy; the extra funding could potentially be recaptured funds. Additionally, there would be a need to find organizations that would be willing to remain the landlords of these structures and to ensure that the structure remains affordable throughout the life of the loan. Again, this would entail making the income verification process easier and/or finding organizations that are willing to take on this process.

Discussion

One of the major recommendations delivered in this study was to utilize SHIP funds to provide more multi-family affordable housing units within the County. Although this study is about homeownership, affordable rental housing must be discussed as well, since a wide range of housing options is necessary in the provision of affordable housing (Walker, 2004). This range of housing options is necessary because it affords lower income households the ability to save for a

down payment if they want to purchase a home while residing in an affordable rental. Walker (2004) discusses affordable housing in terms of a continuum; rental housing is on one end of the continuum, while homeownership is on the other. Not everyone wants and/or needs to own a home, and housing markets need to offer enough options to appease the renters, households with special needs, homeowners, potential homeowners, the homeless and so on. Potential homeowners need special attention since one does cannot automatically purchase a home, s/he needs to rent in a unit that allows him/her to save enough money for a downpayment, in order to properly prepare for homeownership. As a result of this study, this researcher strongly feels that Alachua County needs to include the production of multi-family rental housing, in its affordable housing strategy in order to provide enough affordable rental options that would house those who do not want to rent, and those who want to own but need to rent in order to save enough money for a downpayment.

Alachua County has unique issues that prevent the applications of its lessons learned to other jurisdictions, except the recommendation that economic feasibility studies for providing affordable homeownership to very low-income households should be performed by each jurisdiction before assisting very low-income homeowners. This presents a future research opportunity. The scope of this study did not allow for a comparison of Alachua County's SHIP program with that of a comparable jurisdiction.

National Low Income Housing Coalition (1999, 2001, 2003, & 2006) provide information about how minimum wage workers in Florida would have to either earn twice the minimum wage rate, or work about 100 hours a week (depending on the year) to afford a fair market rate (FMR) rental unit. The data paint a picture that it is nearly impossible for lower income households to afford saving for a down payment while attempting to afford their current rental,

and pay for utilities, and so on. The SHIP program also does not take into account the fact that these households have to afford utilities and other household necessities (although Alachua County does through its back end ratio); in spite of the fact that the literature clearly states that these necessities are definitely a part of housing affordability and need to be included when attempting to determine affordability (Chi & Laquartra, 1998).

All of the above recommendations were delivered to enhance Alachua County's SHIP program. These recommendations mainly focus on Alachua County's SHIP program since Alachua County has unique characteristics that need to be addressed by the recommendations, and these recommendations might not necessarily apply to other municipalities. The scope of this study did not allow for the comparison of Alachua County to other municipalities and the economic feasibility studies presents opportunities for future research. These recommendations and future research opportunities will potentially improve the program, and create a stronger program that can reach more households in the long run. This study states that other housing options should be explored when it comes to very low-income households in Alachua County, since the data shows that they cannot afford homeownership even with DPA.

Table 7-1. Alachua County SHIP defaults from 1993-2005

Close out fiscal year	Very low-income number of applicants	Defaults	Low-income number of applicants	Defaults
1993	-	-	-	-
1994	-	-	-	-
1995	43	5	111	4
1996	8	0	52	5
1997	10	4	29	6
1998	12	0	37	3
1999	21	2	96	9
2000	27	-	75	1
2001	41	4	110	16
2002	55	5	61	14
2003	36	5	81	1
2004	41	1	44	9
2005	25	0	15	1
Total defaults	319	26	711	69
Default rate		8.15%		9.70%

Source: Alachua County SHIP Client Files, 2005

CHAPTER 8
CONCLUSION

Introduction

Two recommendations for the Alachua County SHIP program were delivered by this study, these recommendations were discussed in depth in Chapter 7 and will be repeated here. These recommendations are:

- Change the income-guideline targets for Alachua County. Instead of placing a heavy emphasis on homeownership for very low-income households, focus on assisting low-, and moderate-income households obtain homeownership
    - Use other strategies that focus on assisting very low-income households obtain affordable housing. One such strategy is the multi-family rental housing strategy that is already in place in Alachua County, but it is not utilized to its full extent.
- Focus on providing more affordable rental housing across the County, especially rental housing that targets very low-income households
    - This recommendation could be fulfilled by providing more multi-family rental housing that only available to very low-income households, this would fulfill mandatory statutory requirement that 30 % of all funding must assist very low-income households.

These recommendations were delivered after examining Alachua County's unique affordable housing and economic situation, which allowed the researcher to determine that very low-income households cannot afford homeownership in Alachua County, even with the assistance of the SHIP Down Payment Assistance Program. The very low-income households that applied directly to Alachua County's SHIP program between 2003 and 2006 had front end ratios that exceeded the 33 % benchmark established by the mortgage industry as affordable. Each fiscal year, an average of ten very low-income households applied for down payment assistance, and none of those applicants were able to afford a mortgage using the affordability requirements. These recommendations were provided to potentially strengthen the SHIP

program. Since very low-income households in Alachua County cannot afford homeownership even with the SHIP subsidy, the SHIP program should be modified to focus on other income levels.

Future Research Opportunities

Some future research opportunities are provided here and include: performing economic feasibility analyses for other jurisdictions and comparing the results to the affordability analysis performed in this study for Alachua County, examine back end ratios and household debt for very low-income households in the participating jurisdictions and examine how this debt affects the households' ability to afford homeownership, and examine if supplying recaptured funds to the multi-family rental strategy for Alachua County would allow developers to provide more affordable housing in Alachua County.

The Affordable Housing Study Commission is convened yearly to examine various affordable housing issues in Florida; the final reports deliver recommendations to improve affordable housing in Florida. The 2007 Final Report examined the SHIP program, and two major recommendations that were delivered are income targeting guidelines should remain in place, and guidelines for rental subsidies should be relaxed.

This study disagrees with the Affordable Housing Study Commission's recommendation that the income targeting guidelines should remain in place. The income targeting guidelines refer to the requirements that 30 % of all funding expended should assist very low-income households, and that 30 % of funding should assist low-income households.

This study recommends that very low-income households should not be targeted unless the participating jurisdiction has performed an economic feasibility study to determine if the very low-income households within that jurisdiction can actually sustain homeownership with down payment assistance. The targeting guidelines for low-income households should be increased,

and an income targeting guideline for moderate-income households should be instituted. This recommendation stems from the examination of the data from Alachua County's SHIP program. Although, as stated numerous times throughout this study, the majority of the lessons learned from Alachua County cannot be applied to other jurisdictions, but this one can. This recommendation can be applied to other jurisdictions since it suggests that the housing affordability issues within a jurisdiction should be examined before a program of such magnitude is carried out, especially since this program targets very low- and low-income households.

This study agrees with the Affordable Housing Study Commission's (AHSC) recommendation that the guidelines for assistance provided to developers of rental communities should be relaxed. The final report continued on to state that it believed that this recommendation would not be instituted since the Community Workforce Housing Innovation Pilot Program (CWHIP) was specifically designed to provide loans to developers of rental units (AHSC, 2007). This researcher believes that recaptured funds can be provided to smaller developers of rental units. According to the Alachua County Affordable Housing Study (2003) the CWHIP program is unattainable by smaller developers since the amount of funding needed to leverage the CWHIP funds is hard to secure, in addition to the inordinate amount of work involved in developing a rental complex. Although CWHIP is not the only program that is available, it was developed as a means to allow smaller developers obtain funds and leverage these funds with other programs. But somehow (according to the Affordable Housing Study Commission) CWHIP has become unobtainable for smaller developers and is primarily used by larger developers (Affordable Housing Study Commission, 2003).

Another future research opportunity would be to obtain closing reports for the fiscal years examined and determine how much funding Alachua County received and how the funding was

divided between the housing strategies and each client. These closing reports must contain information about the strategies utilized to address the housing needs of that jurisdiction, how many households were assisted, and how much funding each client received. Additionally the closing report must contain how much funding that jurisdiction received originally. This is a research opportunity because the Florida Housing Finance Corporation (the entity that regulates the SHIP program) only has closing reports on file until FY2000. The fiscal years examined were FY2003-2004, 2004-2005, and 2005-2006. Reviewing the closing reports once they are filed with the Florida Housing Finance Corporation could enhance the quality of this study and serves as a future research opportunity.

Close out reports are mandated by State Statute to be filed with the Florida Housing Finance Corporation at the end of each fiscal year. The penalty for not filing these reports is the suspension of SHIP funding. However, the fact that the closing reports were not available from the Florida Housing Finance Corporation does not mean that the closing reports do not exist. The closing reports could be missing because the jurisdiction did not file them with the Florida Housing Finance Corporation because a particular fiscal year has not closed out yet. Sometimes a fiscal year will extend past a regular calendar year, and the jurisdiction will need to apply for an extension (State Housing Strategy Act, 1992). Thus, retrieving and reviewing the close out reports once they are filed with the Florida Housing Finance Corporation will serve as a future research opportunity.

In addition to the information stated above, it would be helpful to determine how much funds are recaptured each fiscal year. This information is key to the recommendation that recaptured funds could be used to assist moderate-income households, and to provide affordable multi-family rental housing, because the feasibility of this recommendation depends on how

much funds are actually recaptured annually. This amount could determine whether one or several households could receive SHIP funding under this recommendation. This information should be included in the closing reports that are filed annually with the Florida Housing Finance Corporation, but as just stated, the close out reports for the fiscal years examined are not on file with the Florida Housing Finance Corporation.

Housing that is affordable really is one of the most important basic necessities of life, along with food and clean water. There are many programs currently in existence that serve to address this need, and the SHIP program is one of these programs. Although this study, has scrutinized the program extensively, and pointed out several of its faults, this researcher still feels that the program has its merits and can be salvaged. Additionally, the fact that this program exists to provide affordable housing to lower income households is very admirable. And the recommendations delivered here could improve the program and take it to a new level.

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BIOGRAPHICAL SKETCH

Toccarra Nicole Thomas was born on August 27, 2008 to Jacqueline Rose Thomas-Baker and Michael White in Huntsville, Alabama. Toccarra's family moved to Rivera Beach, Florida (her mother's hometown) when she was three years of age. Rivera Beach had a great impact upon Toccarra's life, and is part of the reason she eventually decided to pursue studying Urban and Regional Planning.

Toccarra received the Bachelor of Arts in English Literature from the University of Florida in 2006. While studying for the Masters of Arts in Urban and Regional Planning Toccarra was very active with extracurricular activities. She was very active in the Black Graduate Student Organization serving as the social chair for her first year of involvement and then as the Vice President during the second year. She simultaneously held the same positions in the Student Planning Association. While actively serving her community, Toccarra also worked as an intern for the United States Department of Housing and Urban Development Community Development Work Study Program.