



Pinellas County

Staff Report

File #: 20-2127A, **Version:** 1

Subject:

Recommendation to fund four Penny for Pinellas Affordable Housing program applications.

Recommended Action:

Approval of the recommendation to fund four Penny for Pinellas Affordable Housing program applications. The recommended Board action is for conditional approval based on the successful completion of due diligence pursuant to the County's standard affordable housing development program guidelines, as determined by the County Administrator.

It is further recommended that the Board delegate authority to the County Administrator to negotiate and execute all contracts, loan documents, leases, restrictive covenants, and any other such agreements and documentation associated with the application approvals in the amounts authorized by the Board of County Commissioners or less, and authority to direct the HFA to acquire properties utilizing affordable housing land acquisition funding.

- A total of 18 applications were received and evaluated. Based on scoring evaluations and project readiness to proceed, four applications are recommended for funding and 14 applications are not recommended for funding at this time. Additional project funding recommendations may be brought to the Board within the next 90 days.
- The recommendation for Skyway Lofts by Blue Sky Communities is for \$700,000.00 and closing costs for land acquisition by the Housing Finance Authority (HFA) utilizing Penny for Pinellas affordable housing acquisition funds. The project is new construction of 65 multi-family affordable apartment units including 10 units restricted to households between 0-30% AMI, 42 units restricted to households between 31-60% AMI and 13 units restricted to households between 61-80% AMI.
- The recommendation for The Shores by Richman Group is for \$750,000.00 and closing costs for land acquisition by the HFA utilizing Penny for Pinellas affordable housing acquisition funds. The project is new construction of 51 multi-family affordable apartment units restricted to households between 0-60% AMI.
- The recommendation for New Northeast by Stock Development is for \$4M for capital improvement construction costs utilizing Penny for Pinellas economic development funds. The project is new construction of a 415 unit mixed-income apartment community including 59 affordable units restricted to households between 0-80% AMI and 66 affordable units restricted to households between 81-120% AMI. Further recommend an affordability period of thirty years from the date of project completion.
- The recommendation for Washington Avenue Apartments by Southport is for \$3.4M and closing costs for land acquisition by the HFA utilizing Penny for Pinellas affordable housing acquisition funds and \$2,220,000 for capital improvement construction costs utilizing Penny for Pinellas economic development funds. The project is new construction of a 171 unit mixed-income apartment community including 18 affordable units restricted to households between 0

-80% AMI, 49 affordable units restricted to households between 81-100% AMI and 114 affordable units restricted to households between 101-120% AMI. Further recommend an affordability period in perpetuity.

- Next steps: County and Housing Finance Authority of Pinellas County staff will complete additional due diligence activities including, but not limited to, property appraisals, title searches, loan underwriting and financial analysis. Funding agreements, leases, loan documents, and affordability restrictions will be prepared.

Strategic Plan:

Ensure Public Health, Safety, and Welfare

2.4 Support programs that seek to prevent and remedy the causes of homelessness and move individuals and families from homelessness to permanent housing

Foster Continual Economic Growth and Vitality

4.2 Invest in communities that need the most

Deliver First Class Services to the Public and Our Customers

5.1 Maximize partner relationships and public outreach

5.2 Be responsible stewards of the public's resources

Summary:

The first application cycle for Penny IV Affordable Housing Program funding opened on June 29 and closed on August 31, 2020. Eighteen applications were submitted requesting project funding assistance in a total amount of \$43.8M. County staff from multiple departments and HFA staff have reviewed, scored and completed an initial analysis of all proposed projects. All applications were evaluated and based on the five scoring categories in the evaluations, four (4) projects are recommended for funding. These projects attained both a high overall score and met thresholds in each category.

The 14 projects not recommended for funding do not meet all category threshold scores for a variety of reasons including readiness to proceed. Staff will continue to assist these applicants as project planning efforts progress. If adequate additional documentation for any project is submitted within 90 days, the project will be brought to the Board for consideration. All applicants may reapply in a following cycle.

An overview of the application process and application review was presented to the Board at the November 13th Work Session.

Background Information:

Penny IV Funds are provided through an extension of the Infrastructure Sales Surtax, a voter-approved 1.0% sales tax that is dedicated to infrastructure improvement projects in Pinellas County. Penny IV was approved by 83% of Pinellas County voters on November 7, 2017. The approved ballot language included "land acquisition for affordable housing" and "capital projects to support economic development" as permissible uses of funds.

On August 1, 2017, prior to the vote on the Penny IV ballot initiative, an Interlocal Agreement between Pinellas County and the 24 municipalities was approved regarding the allocation of

proceeds from the 2020-2029 infrastructure surtax. Under the Interlocal Agreement, 8.3% of the net proceeds of the surtax shall be dedicated to countywide investments in the areas of Economic Development Capital Projects, as authorized in Section 212.055(2)(d)3, Florida Statutes, and “Housing” land acquisition in support of affordable residential housing, as authorized in Section 212.055(2)(d)(1)(e), Florida Statutes.

On February 26, 2019, the Board adopted Resolution 19-6 specifying the County’s policy goals for use of the portion of 2020-2029 infrastructure surtax dedicated to economic development capital projects and affordable housing.

The Board established a joint review committee to develop guidelines for the use of Penny IV Funds for affordable housing and economic development capital projects.

The Committee was comprised of City and County representatives and met monthly between March and October of 2019. The guidelines were approved by the Board on December 10, 2019. The guidelines establish minimum criteria and project eligibility requirements. Priorities are outlined in three tiers. Based on the guidelines, staff developed a project scoring system for application evaluation.

The guidelines describe the Penny IV Affordable Housing Program as: This program provides Penny IV Funds to strengthen the local economy by stimulating the housing construction sector, providing affordable housing for those meeting income requirements to address Pinellas County’s housing needs. The goal of the program is to increase the number of designated affordable housing units meeting eligibility requirements (“Assisted Units”) throughout Pinellas County by supporting the development of new affordable units and preservation/rehabilitation of existing affordable units.

The Program builds on previous County-led efforts to support affordable housing throughout the county. Utilizing revenue from the infrastructure surtax revenue generated under Penny III (approved by referendum in 2007), the County created the Penny for Pinellas Land Assembly Fund (“Penny III LAF”) in 2015 and has allocated a total of \$18M. Administrative support of the Penny III LAF has been provided by the HFA through an interlocal agreement with the County. The previous Penny III authorization (2010 - 2019) did not include the ability to utilize economic development funds for capital improvements to support the development of affordable housing.

As a result of including the ability to utilize Penny IV Funds for economic development in the ballot, and the relationship between workforce housing and economic development, the County is now able to expand the eligible forms of assistance to most efficiently utilize the funds and maximize the opportunities to incentivize and support the production and preservation of Assisted Units. In doing so, the goal is to support projects with the greatest benefit to Pinellas County.

The first application cycle was publicized with press releases, direct email notifications and through the Purchasing Department notification system. A new website, www.homesforpinellas.com, was launched to focus on affordable housing in Pinellas and provide information on the Penny Affordable Housing Program. Applications became available on June 29, 2020, with an application deadline of August 31, 2020.

Eighteen applications were submitted requesting project funding assistance in a total amount of \$43.8M. All applications were scored following the established criteria. In addition, staff members from Housing and Community Development, Economic Development, Development Review

Services, Administrative Services, County Attorney's Office and the HFA reviewed the applications and provided comments based on their area of expertise.

Staff recommends the Board approve the following maximum funding amounts for four (4) project applications and authorize the County Administrator to negotiate and approve the terms and final funding:

\$ 700,000.00 plus closing costs - Skyway Lofts by Blue Sky Communities
\$ 750,000.00 plus closing costs - The Shores by Richman Group
\$ 4,000,000.00 plus closing costs - New Northeast by Stock Development
\$ 5,620,000.00 plus closing costs - Washington Avenue Apartments by Southport
\$ 535,500.00 Closing cost estimate

\$11,605,500.00 Total funding amount.

Funding for affordable housing land acquisition by the HFA will be provided at the time of acquisition and concurrent with or after all other construction financing loan closings. Funding for capital improvement construction will be provided in the form of a mortgage loan. Funds will be distributed for completed construction activities on a pro rata basis. Loan terms will not require repayment if all affordable housing program requirements are met for the duration of the affordability period.

Fiscal Impact:

Total maximum expenditure: \$11,605,500.00.

Funding to support land acquisition for affordable housing is available from the Penny III allocation balance of \$4,348,444.24 (project 001071A). Funding to support land acquisition and construction of affordable housing is available from the FY21 Penny IV budget of \$8,435,000.00 (project 004150A).

Staff Member Responsible:

Carol Stricklin, Director, Housing and Community Development

Partners:

Name of municipality, agency, advisory council, etc., if applicable. If not, N/Housing Finance Authority of Pinellas County
City of St. Petersburg
City of Clearwater

Attachments:

Application Scoring and Evaluation Summary Sheets
Penny IV Affordable Housing and Economic Development Program Guidelines
Resolution 19-6