

## Mortgage Settlement Trust Fund Project

June 2014

Presentation to Monroe County Land Authority Advisory Committee

### Executive Summary

Habitat for Humanity of Key West and the Lower Florida Keys, Inc. (Habitat) is seeking the Advisory Committee's opinion on:

- the merits of a proposed acquisition of a multi-unit property in Key West to leverage the \$300,000 in grant funding that Habitat has for the acquisition and renovation of property to create affordable home ownership.
- Support for an expedited acquisition approval process to fit the grant's timelines.
- The efficacy of a small condominium as an affordable housing project

In the context of the above, Habitat wishes to present information on:

- the role of home ownership in the affordable housing programs for Key West and how the Habitat model addresses the affordability gap
- affordable housing funding issues

### Overview

Florida Habitat received \$20 million under the terms of Senate Bill 1852 in June of 2013. Our Habitat affiliate is one of 48 awarded a contract based on our prior home builds. The Florida Senate specified that these funds are to be spent on **acquisition and renovation** of affordable housing for home ownership by December of 2015. The award is for \$60,000 per unit on a reimbursement basis, so we have \$300,000 available for 5 units. The deadline for seeking reimbursement is June of 2015. No other state funding is permitted to leverage SB 1852, per the Legislature.

Approaching the Monroe County Land Authority (MCLA) to partner in the acquisition of a multi-family property in Key West has this logic:

- Local affordable housing funding for the City of Key West for the acquisition of property could leverage the SB 1852 funding to fulfill the Legislature's intent.
- This project will include the KWHHA as its governmental partner. They will own the land and lease it back for 99 years to Habitat. Habitat will sell leasehold condominiums while holding the zero percent mortgages. The

land lease and the condo docs will contain affordability covenants and restrictions to insure the long term affordability of these units.

- There are funds in the Key West portion of the MCLA. Despite unsettled other potential projects to be funded by this pool, this expenditure can fulfill the mandate of the Land Authority, the intent of the Legislature and the Housing Elements of the Comprehensive Plan.
- The funding formula of SB 1852 of \$60,000 per unit for acquisition and renovation is not cost effective in the Florida Keys without leveraging. There is no Federal funding or other local funding available in Monroe County to replace the prohibition on the State funding Habitat would usually use to fund home ownership projects.
- The roles for affordable home ownership and affordable rentals in our cost burdened city and county have equal merit. A Habitat homeowner is able to save the equivalent of their principal payments while paying real estate taxes. The people (in the target demographic of 80% AMI) who would be eligible to purchase workforce housing, do not usually benefit from the typical rental subsidies, where most programs target incomes below 60 %AMI, with an emphasis on those at 50% or 30% AMI.
- Habitat understands the potential pitfalls of small condo projects. Given the Legislature's specific requirements for this funding and the costs of property, this type of affordable housing project seems the only feasible approach. We have experience with developing a seven unit condo on Fogarty Avenue as an affordable housing project

Habitat asked for and received an exception to the no condo policy from Florida Habitat in administering these SB1852 funds. The per unit funding forces the acquisition effort towards a small condo due to the land costs in the Keys. Habitat looked at multi-family properties for sale seeking the best value.

The other factor was to identify and engage sellers willing to wait and work through the 4 to 5 month timeframe for the MCLA process to work through. The best value was evaluated by the relative condition of the property, the type of living space and unit configuration, the family sizes of our list of prospects, the code and operating costs associated with a condominium, including insurance and maintenance expenses.

Our initial project was to acquire five modular units on Big Coppitt, elevated three BR homes on Ed Swift Road. Our due diligence revealed that these were mobile homes, not eligible for this funding. Our plan was to use only our own funds to acquire and renovate.

A triplex on Dennis Street has an owner willing to wait through the MCLA acquisition process. Discussions with MCLA staff and the FEMA Coordinator however, have raised concerns over future flood insurance premium increases due to the flood zone (AE8) and their potential impact on the future affordability. Accordingly, we have identified other multi-family properties in Old Town and along White St that are in the X zone or close by. Reviewing the listings, the prices are higher and the units smaller.

Habitat researched the insurance costs and claim history to explore the projected costs.

A draft annual condo budget has been assembled for three different potential acquisitions. This formulation allows us to look at the income profile and family size of potential purchasers, as well as the viability of the long term sustainability of the affordable housing project. (Refer to the enclosed budgets for Dennis St., Virginia St., and Fleming St.) We have also prepared a draft summary sheet that uses best guess figures to illustrate the purchaser profile required.

The pricing of the units follows the City of Key West Workforce Housing. Potential purchasers will have to meet the income profile specified (80 % AMI in this case) in order to afford the housing cost burden of no more than 30% of their income.

Habitat will be the mortgage holder and the mortgage is interest free. Habitat will have a right of first refusal on any sale, as it has on its other projects. This structure and the other lease and condo doc restrictions mean that the subsidies spent here are protected permanently into the future. The principal payments are designated by Habitat to future builds.

### **Expedited Process and Timeline**

For this acquisition to proceed, a seller must agree to wait for the MCLA process to work its course, which can consume 4 to 5 months minimum. Habitat would hope to work with staff to expedite or stream line the process as much as

possible, if the Advisory Board agrees to the merit of doing so. The SB1852 has very specific deadlines imposed by the Legislature.

The bottom line is that Habitat must decide very soon if its allocation of five units under the SB1852 grant needs to be returned to Florida Habitat in order for another affiliate to acquire and renovate homes elsewhere.

If the Advisory Committee finds it is in support of leveraging the SB1852 grant by acquiring a multi-unit property, Habitat will approach the Land Authority members immediately to seek their support while cooperating with staff to do so.

### **Why has Habitat not built the projects on its vacant parcels?**

Habitat had hoped that SB1852 would fund new construction so that we could start building on these parcels. It has been five years since the Sadowski Trust Fund monies were not “swept” by the Legislature, which means that the consistent funding for affordable housing in place from 1991 on has disappeared. The acquisition of these parcels by the MCLA and Habitat’s plan for the building of 12 homes on the Big Coppitt parcel and another 10 homes on the Cudjoe parcel assumed a consistent funding source for affordable housing would remain. These are multi-unit builds, not individually platted lots. Our Bayside Landing project had a \$4.2 million project cost for 18 modular units.

The “sweeping” of the Sadowski Fund affects all affordable housing funding in Florida, not just Habitat. For example, the Sadowski Fund generated almost \$315 million this year but the state budget allocated \$67 million for affordable housing.

### **References on Affordable Housing**

The Shimberg Center at the University of Florida has detailed data on Monroe County and Key West that is informative on our population, housing inventory, cost burden and demand for affordable housing.

The Metropolitan Center at FIU (Florida International University) has a Housing Report section. There is a good presentation on Monroe County from 2007 that remains relevant.

The Key West Comprehensive Plan, in Chapter 3-The Housing Element, describes the strategies and policies for making affordable housing supply meet the demand.



## Client Detail Report

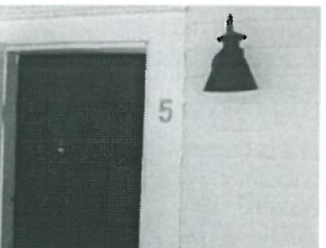
Property Type Residential Include Property Subtype 3-4 Units Key/Island Key West Price 1,000,000 or less Structure 500 or more (also includes 0 values)  
 Listings as of 06/19/14 at 2:51pm

Active 01/28/14 Listing # 119267 **1012 Fleming St Key West, FL 33040-6990** [Map](#) Listing Price: \$950,000  
 County: Monroe County



Prop Type	Residential	Prop Subtype(s)	3-4 Units
Key/Island	Key West	Subdivision	Old Town - Unrecord
Beds	5	Aprx Sq Footage-FLA	2995 Appraisal
Baths(FH)	5 (5 0)	Price/Sq Ft	\$317.20
Year Built	1933	Waterfront	No
Alt Key #	1007692	Lot Sq Ft (approx)	3572 ((Tax Roll))
DOM/CDOM	142/142	Lot Acres (approx)	0.0820

[See Additional Pictures](#)





**Directions** On the 1000 block of Fleming Street. Between Grinnell and Frances Street. Across from the Eden House.  
**Marketing Remark** Conch House Multi Unit in a great location on Fleming across from the Eden House Hotel. 4 Rental Units and an owners unit all with their own utility meters. Great opportunity for a buyer who likes the income aspect while enjoying his owners unit.

<b>Accessory Unit</b>	Yes	<b>Limited Represent</b>	No
<b>Representation</b>	Trans Broker	<b>As is w/Right to Ins</b>	Yes
<b>Mile Marker</b>	1.0	<b>Area</b>	Area 1-2
<b>Neighborhood</b>	Old Town-N of Truman	<b>Side</b>	Gulf Side
<b>Flood Zone</b>	AE	<b>Spa</b>	No
<b>Pool</b>	No	<b>Existing Pool</b>	None
<b>Existing Spa/Hot Tub</b>	None	<b>Need Renovation</b>	No
<b>Condo</b>	No	<b>Fractional</b>	No
<b>HOA</b>	No	<b>1st Right of Refusal</b>	No
<b>Assoc Approval Req</b>	No	<b>Handicap Access</b>	No
<b>Control Depth</b>	NA	<b>Control Depth Range</b>	Other/See Remarks
<b>Building Number</b>	0	<b>Add. Building Number</b>	0
<b>ZONING</b>	HNC-2	<b>Deed Restriction</b>	Unknown
<b>Tax Exemptions</b>	Homestead	<b>Taxes(Sub To Change)</b>	\$5993.00
<b>Tax Year</b>	2013	<b>Owner Names</b>	Christ Robin
<b>Tenant Occupied</b>	Yes	<b># Cnty Non-Trans Lic</b>	4
<b># City Non-Trans Lic</b>	4	<b>Non-Trans Rental Lic</b>	Yes
<b>Transient Rental Lic</b>	No	<b>Loft</b>	Yes
<b>Auctions</b>	No	<b>Waterview</b>	No
<b>Dockage</b>	No	<b>Building Style</b>	Two Story, Conch
<b>Exterior</b>	Fencing, Separate Meters	<b>Interior Features</b>	Dade Co Pine
<b>Parking</b>	No	<b>Furnished</b>	Partial
<b>Cooling/Heat</b>	Window/Wall Unit, Ceiling Fan, Heat	<b>Utilities</b>	FKAA, Municipal Sewer, Separate Meters
<b>Appliances</b>	Washer, Dryer, Dishwasher, Refrigerator, Range	<b>Construction</b>	Frame
<b>Floor</b>	Tile, Wood	<b>Roof</b>	Gutters, Metal
<b>Pets</b>	Pets Allowed	<b>Title</b>	Title Ins - Buyer, Negotiable
<b>Show</b>	24 Hour Notice, Call Listing Agent, List Agent Accomp, Owner Occupied, Short Notice Ok		

1012 FLEMING STREET  
CONDOMINIUM

		1	2	3	4	5
Sq. footage		1BD/1B	Eff.	Eff.	Eff.	Eff.
2995		599	599	599	599	599
<b>ESCROW</b>						
Wind	10,000.00	166.66	166.66	166.66	166.66	166.66
Flood	3,800.00	63.33	63.33	63.33	63.33	63.33
Fire	5,000.00	83.33	83.33	83.33	83.33	83.33
<b>INDIVIDUAL</b>						
Fire	800.00	66.66	66.66	66.66	66.66	66.66
Wind	700.00	58.33	58.33	58.33	58.33	58.33
<b>RE TAXES</b>						
	6,000.00	100.00	100.00	100.00	100.00	100.00
<b>MORTGAGE</b>						
		366.67	320.55	320.55	320.55	320.55
<b>ASSOC. FEES</b>						
		30.00	30.00	30.00	30.00	30.00
<b>TOTAL</b>						
		934.98	888.86	888.86	888.86	888.86
Sale price: 1bd						
		132,000	/360 months		\$366.67	
Sale Price: eff.						
		115,400	/360 months		\$320.55	
Purchase Price: \$950,000						
RE Taxes						
		4,000				
Sewer/Solid Waste						
		2,069				
HOA						
		75 per mo.				
Land Lease						
		150				
Reserve						
		20,000				

**1012 FLEMING STREET CONDOMINIUM  
PROPOSED BUDGET**

<b>Income</b>		
	<b>4000 · Unit Owners Assessment</b>	<b>\$30,669.00</b>
<b>Total Income</b>		
<b>Expense</b>		
	<b>Administration/Acctg</b>	<b>\$900.00</b>
	<b>Legal fees</b>	
	<b>Landscaping</b>	
	<b>Land Lease</b>	<b>\$900.00</b>
	<b>Misc-labor,Supplies, etc</b>	
	<b>Insurance-Wind</b>	<b>\$10,000.00</b>
	<b>Insurance-Flood</b>	<b>\$3,800.00</b>
	<b>Insurance-General</b>	<b>\$5,000.00</b>
	<b>Taxes</b>	<b>\$4,000.00</b>
	<b>Water</b>	
	<b>Electric</b>	
	<b>Garbage, Sewer &amp; Storm Water</b>	<b>\$2,069.00</b>
	<b>Reserves (over 5 yrs)</b>	<b>\$4,000.00</b>
<b>Total Expense</b>		<b>\$30,669.00</b>
<b>Net Income</b>		