

Leon County Board of County Commissioners

Budget Workshop Item #3

June 17, 2025

To: Honorable Chairman and Members of the Board

From: Vincent S. Long, County Administrator

Title: Consideration of Affordable Housing Gap Financing Funding

Review and Approval:	Vincent S. Long, County Administrator
Department / Division Review:	Ken Morris, Assistant County Administrator Shington Lamy, Assistant County Administrator Abigail Thomas, Director, Human Services & Community Partnerships
Lead Staff / Project Team:	Jelani Marks, Housing Services Manager

Statement of Issue:

As requested by the Board at the January 28, 2025 meeting, this item presents for Board consideration the utilization of general revenue for gap financing of affordable housing projects for very low- and extremely low-income households. The item also acknowledges the Blueprint Intergovernmental Agency's recent action to provide economic development funding for this purpose and seeks Board approval of proposed revisions to the County's State Housing Initiative Partnership Local Housing Assistance Plan to better position the County's existing Rental Development Program to address the affordable housing need of rental housing development projects with gap financing.

Fiscal Impact:

This item has a fiscal impact. The preliminary Fiscal Year (FY) 2026 balanced budget includes an annual allocation of \$250,000 in general revenue that would be utilized for gap financing of rental development projects that set aside units for very low- and extremely low-income households. This would be in addition to the County's investment through the State Housing Initiative Partnership, which is the primary and dedicated funding source for affordable housing, and the County's share of the recently established gap financing program for affordable rental housing developments through the Tallahassee-Leon County Office of Economic Vitality. Should the Board approve the use of general revenue, County annual investment would be \$500,000 for affordable housing gap financing with the combination of the three funding sources, in addition to City of Tallahassee matching funding to be determined by the City. However, the Board could choose to fund the program at a lesser level. If so, general revenue savings could be reappropriated to fund other Board priorities. Alternatively, the savings could go to fund balance to address unanticipated issues such as final legislation that may impact revenues, impacts of the negotiated fire services rates with the City of Tallahassee, address any reductions in property tax revenues after final values are provided by the Property Appraiser on July 1, or adjust the millage rate.

Staff Recommendation:

Option #5: Board Direction.

Report and Discussion

Background:

As requested by the Board at the January 28, 2025 meeting, this item presents for Board consideration the utilization of general revenue for gap financing of affordable housing projects for very low- and extremely low-income households. The item also acknowledges the Blueprint Intergovernmental Agency's (IA) recent action to provide economic development funding for this purpose and seeks Board approval of proposed revisions to the County's State Housing Initiative Partnership Local Housing Assistance Plan to better position the County's existing Rental Development Program to address the affordable housing need of rental housing development projects with gap financing.

This item would advance the following FY 2022 – FY 2026 Strategic Initiative:

- *Continue to leverage County funding in partnership with local stakeholders to secure state and federal funding to build affordable rental housing for very low- and low-income families. (2023-61)*

This Strategic Initiative aligns with the Board's Quality of Life Strategic Priority:

- *(Q4) Support and promote access to basic healthcare, mental health, affordable housing, and homeless prevention services to our community members most in need.*

Leon County has a long history of commitment to increasing and preserving the stock of affordable housing in the community through down payment assistance (DPA), emergency home repairs, home replacements, and other services. Over the past several years, Leon County has been highly effective in addressing the highest affordable housing need of affordable rental housing which have or will construct more than 1,200 new affordable rental units within the next 12 – 18 months for low-income households, resulting in the largest development of affordable housing in more than 50 years. These efforts have included:

- Direct investment of \$5.8 million in affordable rental projects with one-time federal funding for gap financing that secured \$66 million in additional federal, state, and private funding.
- The authorization of approximately \$183 million in bond financing for rental development by the Housing Finance Authority of Leon County (HFA) that secured more than \$125 million in additional federal, state, and private funding.
- Approval of the HFA Plan of Financing in May 2025 which recently allowed the HFA to secure \$50 million in bond allocations that will be utilized to invest in affordable rental development projects in 2026.
- Adoption and implementation of the Leon County Rental Development Program to invest in rental development projects that set aside units for low-income households funded with State Housing Initiative Partnership (SHIP) which is the dedicated revenue source for the County's affordable housing programs.
- Implementation of the Florida Live Local Act by providing up to 100% property tax exemption to newly constructed rental development projects that dedicate units for low-income households, as well as allowing for the highest allowable use on density, height, parking, and other local development regulations for projects that dedicate at least 40% of units for low to moderate income-households.

Simultaneously, while the County actively addressed the need for affordable housing through policies and unprecedented level of investment, the Capital Area Justice Ministry (CAJM) identified affordable housing as an issue for their advocacy with the specific request for dedicated local funding of \$1 million to increase units for very low- and extremely low-income households in the community. On November 19, 2024, the Board directed staff to evaluate a proposal by CAJM to reallocate a portion of the County's 10% share of the one-cent infrastructure surtax to establish a land acquisition program for rental development projects that set aside units for very low- and extremely low-income households. The County's 10% share of the one-cent infrastructure surtax is the exclusive dedicated funding source of the County's roadway resurfacing program.

On January 28, 2025, the Board was provided details on the County's investments to increase the stock of affordable housing for very low- and extremely low-income households as well as an analysis on the significant adverse impact of reallocating a portion of the County's share of the infrastructure surtax on the resurfacing program. At that time, the Board voted not to reallocate the County's infrastructure surtax for CAJM's proposal and instead directed staff to work with the HFA to coordinate with other affordable housing stakeholders, including CAJM, to bring back a budget discussion item with a proposal that would enhance the County's ongoing efforts utilizing SHIP and other funding sources.

Subsequently, on May 8, 2025, the Blueprint Intergovernmental Agency (IA) Board, which is a separate legal entity governed by the County and City of Tallahassee (City) Commissions, approved the establishment of the "Affordable Housing Gap Finance Incentive Program" under the Tallahassee-Leon County Office of Economic Vitality (OEV) "Incentive Grants and Programs" master project and allocated \$250,000 annually to the program beginning in the current fiscal year (FY 2025) from the County and City one-cent infrastructure surtax for the life of the surtax (until 2039) which will generate \$4 million. This represents equal contribution from the County and City (\$125,000 each annually) for affordable housing through the surtax. In September 2025, OEV staff, in coordination with County and City staff, will present an item to the IA Board with additional programmatic details to align OEV funds with the County's and City's respective programs and efforts to invest in affordable housing rental projects, including for units set aside for very low- and extremely low-income households.

The following Analysis details the County's recent efforts to provide direct funding for gap financing of affordable rental housing projects; highlights recommended updates to the existing Rental Development Program that will enhance the County's investment in gap financing of projects that dedicate housing to very low- and extremely low-income households; and presents for Board consideration the option to utilize general revenue as an additional funding source for gap financing.

Should the Board approve the utilization of general revenue for gap financing of affordable rental projects, the County would allocate a total of \$500,000 annually with the combination of SHIP, the County's share of the OEV funds, and general revenue. The City will determine their level of funding for these purposes separately. However, as described in this item, the County and City have provided gap funding for affordable rental housing projects at an equal level of funding in recent years.

Analysis:

Gap Financing for Affordable Housing

Leon County has been highly effective in providing direct investment in gap financing to ensure the successful completion of affordable rental projects that are increasing the stock of available units for very low- and extremely low-income households. Over the past few years, affordable rental housing developments, which are traditionally funded through federal and state programs, have experienced gaps in financing due to the continued rise in the cost of construction materials and higher interest rates.

In partnership with the City, the County provided \$5.6 million (for a total of \$11.2 million) in direct funding to the Tallahassee Housing Authority's (THA) Columbia Gardens in South City (formerly Orange Avenue Apartments) for gap financing experienced due to inflationary increases in construction supplies. The THA project is the largest affordable housing redevelopment rental project in Tallahassee-Leon County to date and increased affordable rental units for low-income households 100% (from 200 units to 400 units). The County's direct funding was made possible due to the unprecedented levels of federal funding received by the County through the American Rescue Plan Act (ARPA) and the Emergency Rental Assistance Program (ERA) in response to the COVID-19 pandemic. That funding source has been exhausted.

Leon County Rental Development Program and Proposed Revisions

In order to address the ongoing need of gap financing for affordable rental projects, in 2023, the Leon County Rental Development Program was established by the Board and funded with SHIP. As mentioned earlier, SHIP is the primary funding source, provided through the State, for the County's Housing Program for services such as DPA and home replacement. The Rental Development Program provides gap financing to developers that build new affordable rental units for very low- and low-income renters. The County solicits applications through local and regional advertisements. Applications are reviewed by the HFA, which was established by the Board to alleviate the shortage of affordable housing primarily through capital investment and bond financing. The HFA evaluates applications of proposed projects for operational and financial feasibility. Subsequently, projects recommended for funding are presented to the Board for approval.

The program parameters of the Rental Development Program are established in the County's SHIP Local Housing Assistance Plan (LHAP) as required by the State and approved by the Board. Revisions to the LHAP for the Rental Development Program are recommended to better position the County to provide gap financing to projects that address the highest affordable housing need in the community. The proposed revisions would include the requirement for rental development projects seeking financial assistance from County funding (i.e., SHIP, OEV, etc.) to set aside a portion of units for very low- and/or extremely low-income households. The revisions would also require projects to secure funding through federal and/or state affordable housing programs which regularly monitor and verify that units set aside are occupied by eligible households (Attachment #1).

Additionally, the proposed changes to the LHAP would prioritize County funding to projects that exceed minimum set aside units for very low- and extremely low-income households commonly required by state program funding opportunities and/or set aside units in perpetuity rather than the

traditional period of 30-50 years. This would prioritize projects that effectively establish a permanent inventory of affordable rental units for low-income families. The Housing Service Division would evaluate the applications to ensure that developments meet the requirements and/or funding priorities, in addition to the operational and financial evaluation that would be conducted by the HFA. Projects recommended for funding would be brought to the Board for consideration.

Funding of the Leon County Rental Development Program with SHIP and OEV funds

Currently, the Rental Development Program is exclusively funded through the County's allocation of SHIP. The County allocates approximately \$125,000 annually in SHIP funds for the Rental Development Program which represents the maximum amount of annual SHIP that can be utilized for rental activities pursuant to Florida Statutes. As mentioned earlier, the IA Board established an OEV gap financing program for affordable rental housing projects. The County's share will generate \$125,000 annually and serve as an additional source of funding for the Rental Development Program. The utilization of SHIP and the surtax to fund and provide gap financing for affordable rental housing projects is consistent with other local governments including the counties of Alachua, Collier, Palm Beach, Pinellas, and Sarasota.

Utilization of General Revenue for Affordable Housing Gap Financing

Unlike SHIP and the surtax, the utilization of general revenue for affordable housing is relatively unique. According to the Florida Housing Coalition, only three local governments utilize general revenue for affordable housing – the counties of Broward and Hillsborough and the City of Fort Myers. Although uncommon, these local governments have utilized general revenue to provide gap financing to projects that increase the stock of affordable housing in their respective communities.

Should the Board wish to utilize general revenue for affordable housing in addition to SHIP and the County's share of the OEV funds, \$250,000 could be allocated annually as shown in Table #1. In addition to SHIP and the OEV funds, this would increase the County's annual funding to \$500,000 for affordable rental housing projects in the community for very low- and extremely low-income households.

Table #1: Annual County Funding for Affordable Rental Housing Development Projects

Funding Sources	Funding Amount
OEV Affordable Housing Gap Finance Incentive Program	\$125,000*
Leon County SHIP Program	\$125,000
Leon County General Revenue	\$250,000
Total	\$500,000

*County Share

Based on the analysis of gap financing provided by local governments, other communities have invested an average \$1 million in affordable rental housing development projects. Of course, the City would be responsible for determining their level of annual funding to meet or exceed the amount requested by CAJM for this purpose. Approximately 95% of affordable housing rental developments are located within the City limits. Additionally, the City receives annual federal

funding to invest in affordable housing as well as a significantly higher amount of annual SHIP funds from the State than the County due to population size. Therefore, City match of the County's investment of local funding would be appropriate.

Conclusion

Leon County is committed to addressing the highest affordable housing needs in the community. Over the past several years, the County has provided \$5.8 million in direct funding for gap financing and \$183 million in bond financing that secured more than \$190 million in additional federal, state, and private funds. These investments have or will construct more than 1,200 new affordable rental units within the next 12 – 18 months, resulting in the largest development of affordable housing in more than 50 years.

Direct funding was made possible due to the unprecedented levels of federal funding received by the County in response to the global pandemic, which have been exhausted. As a result, the Board established the Rental Development Program to provide financial assistance and gap financing to rental projects that are constructing and dedicating units for low-income households. Updates to the SHIP-LHAP is recommended that would amend the Rental Development Program to better focus the County's investments for gap financing to the highest affordable housing need by requiring proposed projects to set aside units for very-low and/or extremely low-income households.

The Rental Development Program is currently funded exclusively with SHIP, which is the dedicated revenue source for the County's Housing Program. Recent actions taken by the IA Board to establish and fund affordable housing gap financing through OEV provides an additional annual source of funding resulting in a total of \$250,000 annually (\$125,000 each SHIP and OEV).

Should the Board also wish to utilize general revenue for gap financing, an annual allocation of \$250,000 in general revenue would bring the County's total annual investment to \$500,000. This would reflect the County's share of annual local funding for gap financing to affordable housing rental projects that set aside units for very low- and extremely low-income households. The City would be responsible for determining their level of annual funding to meet or exceed the amount requested by CAJM for this purpose. The allocation of \$250,000 is included in the preliminary FY 2026 balanced budget for gap financing.

Should the Board not approve allocation of general revenue for affordable housing, the existing Rental Development Program would continue to be administered with SHIP funds and the County's share of the recently established OEV funds as funding sources for gap financing. As a result, the annual general revenue savings of \$250,000 could be reappropriated to fund other Board priorities. Alternatively, the savings could go to fund balance to address unanticipated issues such as final legislation that may impact revenues, impacts of the negotiated fire services rates with the City of Tallahassee, or address any reductions in property tax revenues after final values are provided by the Property Appraiser on July 1, or adjust the millage rate.

Options:

1. Approve the annual allocation of \$250,000 in general revenue for gap financing of affordable housing projects for very low- and extremely low-income households.
2. Adopt the Resolution approving revisions to the Leon County State Housing Initiative Partnership Local Housing Assistance Plan for the Rental Development Program (Attachment #1).
3. Do not approve the annual allocation of \$250,000 in general revenue for gap financing of affordable housing projects for very low- and extremely low-income households.
4. Do not adopt the Resolution approving revisions to the Leon County State Housing Initiative Partnership Local Housing Assistance Plan.
5. Board direction.

Recommendation:

Board Direction.

Attachment:

1. Resolution and proposed revised Leon County SHIP Local Housing Assistance Plan