

California Community Land Trust Network

2023 Conference

October 19-20 • Oakland Museum of California



Preparing for FIHPP

— Friday, Oct. 20 —

FIHPP Overview

Original Statute

California SB 1079 (Fall 2020): Senate bill providing 45-day post-foreclosure auction purchase opportunity to tenants and nonprofits on 1-4 unit properties

AB 140 (Summer 2021): Assembly bill providing \$500M in general funds to purchase and rehab 1-4 unit properties at post-foreclosure auction, or 1-25 unit properties at risk of foreclosure

Program Basics

Foreclosure: Notice of default, mortgage or tax delinquency, bankruptcy, tenant-initiated litigation, uninhabitable, post-foreclosure auction

Qualifying entities: Nonprofits, CLTs, LEHCs, LLC subs, local gov'ts: housing development and preservation primary activity

Affordability: 55-year affordability restrictions

Program Basics

Product: $\leq 3\%$ interest loans, and grants

Uses: Site-specific (acq/rehab), not site-specific (predev, dev fee), COSR

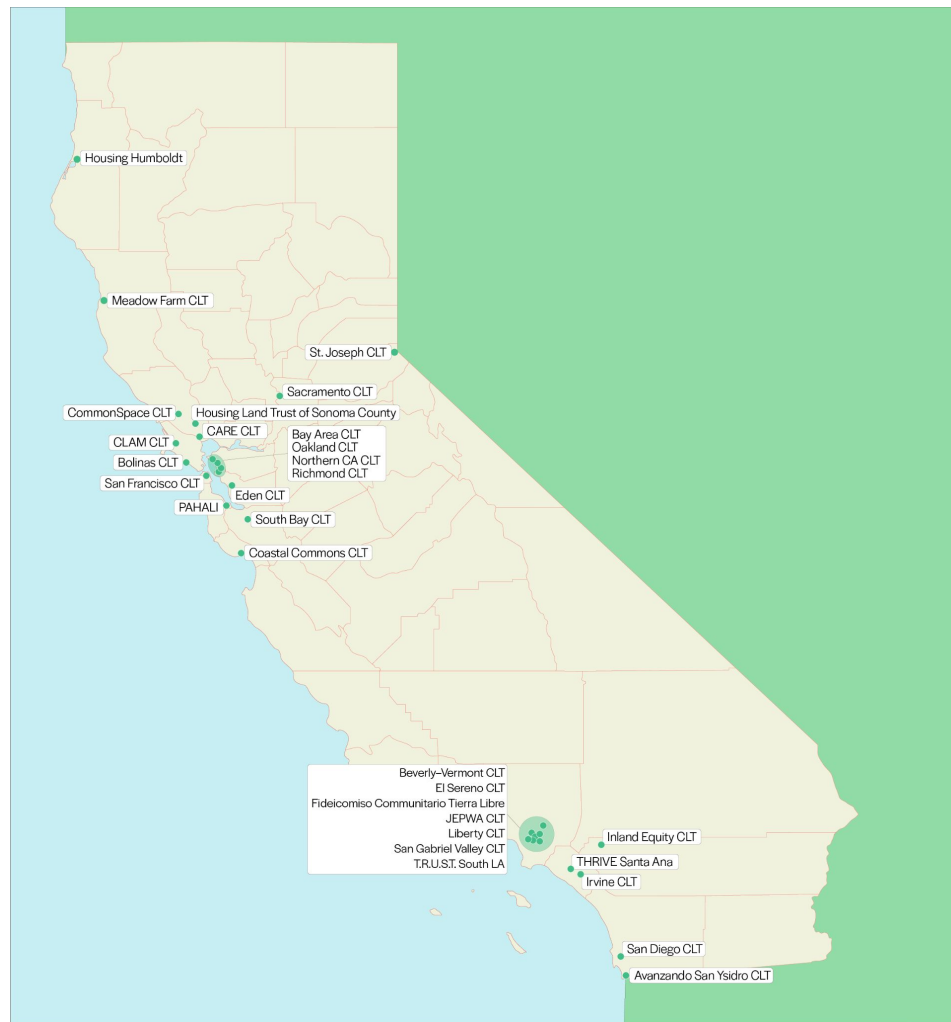
Maximums: \$500k per unit, \$10 million per project

AMI: extremely low ($< 30\%$) to moderate ($\leq 120\%$); $\leq 25\%$ total moderate

Fund Structure: HCD \rightarrow AFM \rightarrow IFM \rightarrow Borrower/Grantee

Geographic Distribution

- SoCal 45%
- NorCal 30%
- Rural 20%



Recent Budget Updates

2023 State Budget

- Cut \$15 million, now \$485 million program
- First designation of program funds encumbers \$239,875,000 in July 2023
- \$245,125,000 remains to be encumbered in 2024-2025 budgets

Funds are First Come First Serve!

FIHPP Fund Management

CA CLT Conference

10-20-23

LISC



FIHPP Fund Management Team

Implementing CDFIs	Role	Geographic coverage
LISC	AFM and IFM	Northern, Southern, and Rural CA
Community Vision	IFM	Northern CA
Enterprise	IFM	Northern and Southern CA
Genesis LA	IFM	Southern CA
NHT	IFM	Northern, Southern and Rural CA
RCAC	IFM	Rural CA
SF HAF	IFM	Northern CA

Anticipated FIHPP Capital Launch Timeline*

Milestone	Date Complete or Anticipated	Additional details
Award letter received	July 14, 2023	
Executed standard agreement	Winter 2023/2024	i.e., LISC and HCD in contract. Anticipated 4-6 months after award letter.
Program stand up begins	Winter 2023/2024	Major deliverables during this period: <ul style="list-style-type: none"> • Subcontract with IFMs • Develop regulatory/use agreement • Develop Eligible Sponsor application, Funding Application, and review procedures
Eligible Sponsor Applications open	Late spring/early summer 2024	In the application response, LISC estimated ~6 months before eligible sponsor applications would be open.
Funding Applications open	Summer / late summer 2024	

**Subject to change.*

How can orgs access FIHPP resources?

Step 1: Apply to be an eligible sponsor (spring/summer 2024)

- Apply through online portal
- Assigned to IFM by geography.
- If meet eligibility criteria, apply for funding.
- If not, go to TA team.

Step 2: Apply for funding (late summer 2024)

- Eligible Sponsors can apply for
 - Predevelopment funding
 - Capital funding
- Choose your IFM.
- IFMs assess for FIHPP project eligibility and work with Eligible Sponsors to build project budget.

IFMs will determine if applicants meet Eligibility Requirements.

- Both organizational experience (2 acquisition/rehab projects) AND staff experience is required in the following areas:
 - Project Management
 - Property Management
 - Construction Management
 - Homeownership
 - Cooperative Housing
 - Asset management capacity
 - Property management/homeownership plan
- ***Staff, consultants, or a joint venture partnership can be used to meet the experience requirements.***

IFMs will determine if projects are eligible for FIHPP funding.

- Properties can be single family homes, duplexes, townhomes, condos, apartment buildings
- Properties cannot have other CA HCD funding (past or pending)

Properties in foreclosure

- Properties for sale with recorded notice of default
- Properties subject to trustee sale / auction

Properties at risk of foreclosure

Properties for sale & are not owner-occupied & meet one of the following “foreclosure risk” criteria:

- Mortgage delinquency of at least 90 days
- Tax payments (2 or more) are delinquent
- The owner of the property is a debtor in a bankruptcy proceeding.
- Tenant-initiated litigation against owner
- Local govt body has:
 - deemed property at least partially uninhabitable
 - issued outstanding citations for habitability
 - has identified property as at risk of foreclosure

Eligible Sponsors can apply for different types of funding

Funds can go into project as grants or loans. FIHPP funds can cover 100% of eligible project costs with no developer equity requirements. Funding caps are **\$500,000 per unit** for multifamily; **\$600,000** for single-family. Max per project award is **\$10M** including both eligible capital costs and COSRs.

Predevelopment covers

- Preacquisition transaction costs (e.g. due diligence, earnest money deposits, legal fees, partnership incentive fees, costs associated with foreclosure proceedings, etc.)
- **Preacquisition project management fee** to cover staff costs (e.g. salaries, overhead, ID'ing projects, preparing applications) and can pay for consultants.

Acquisition and rehabilitation:

- Acquisition-Related Transaction Costs, including **Interim Project Management Fee**
- Direct acquisition and rehabilitation costs
- IFM transaction costs, which include:
 - Financing costs
 - Legal costs
 - Underwriting costs

Capitalized Operating Subsidy Reserves (COSR):

- FIHPP will cover a COSR for projects serving HHs at 50% AMI or less. \$175,000 cap per unit.
- Includes an annual **Post-Stabilization Project Management Fee** during the period from and after Project Stabilization
- **Replacement Reserves:**
 - Fully funded to cover 20 years of capital needs, as substantiated by PNA.

Terms of funding

- Use restriction recorded as a lien against the project in first position for 55 years to maintain affordability and condition of the homes.

GRANTS

- Majority of funding likely to go into projects as grants

LOANS

- Likely few loans made through FIHPP
- at least 10 years
- 3 percent interest rate
- See pages 19-21 for more

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Feel free to get in touch!



Preparing for FIHPP

Ruby Harris, Senior Director

CA CLT Network Annual Conference
10/20/23

FIHPP Technical Assistance

	Category	Description
1	1:1 TA	Provide one-on-one technical assistance to prospective FIHPP Eligible Sponsors on a variety of topics, including budgets, construction, sustainability planning, cooperative ownership models and more!
2	Toolkits & Templates	Create a resource center with downloadable toolkits and templates, including but not limited to partnerships guide, business plan, proformas, resident engagement plans, operating manuals, etc.
3	Webinars	Produce live and recorded webinars that will be publicly available on various topics related to FIHPP and small property acquisition.
4	Facilitating Partnerships	Assist less-experienced developers to connect and forge development agreements with more-experienced mission-aligned developers.
5	Prevailing Wage Guidance	Provide webinars, tools and 1:1 guidance on how to comply with prevailing wage laws.
6	Property Assessment	Assist developers to assess the viability of a property, including zoning and code analysis, interpreting due diligence reports, and determining pricing.
7	Searchable Database	Create a database where FIHPP eligible sponsors can search for potential projects.

FIHPP TA Timeline

**December
2023**

TA Team Selected

**November
2023**

TA Teams Apply to
HCD

**July/August
2024**

TA Begins

WHAT CAN WE DO IN THE MEANTIME?

Preparing for FIHPP Today

1. **Review the FIHPP Guidelines:** Review the requirements to become an eligible sponsor and understand which properties will be eligible for FIHPP. Guidelines: [Foreclosure Intervention Housing Preservation Program Final Guidelines \(ca.gov\)](#)
2. **Foster Partnerships:** If you do not meet the eligibility guidelines, begin identifying a more experienced development partner who is mission-aligned and works in your geographic region.
3. **ID Your Geography and Begin Identifying Properties:** Work with local tenant advocacy groups, talk to residents about their buildings, begin noting properties that seem like they may be at-risk of foreclosure.
4. **Prep Your Organization:**
 - Board engagement and training
 - Staff training
 - Business and Strategic Planning
 - Update accounting systems

Preparing for FIHPP Today

5. Attend Webinars and Download Toolkits: Lots of material already exists! Check out the following resources:

- Enterprise's Preservation Next Program
 - 11 recorded webinars with corresponding tools can be accessed here: <https://www.enterprisecommunity.org/resources/california-preservation-academy>
 - Summer FIHPP Series - In collaboration with CACLTN, Community Vision, and Strada Ventures. Topics are: Partnerships, Business and Sustainability Planning and Asset Management. Recorded webinars and tools will be posted here: <https://www.enterprisecommunity.org/resources/preservation-next-foreclosure-intervention-housing-preservation-program-fihpp-webinars>
 - Preservation Next Toolkit - This national toolkit, includes downloadable resources, case studies, a funding landscape by market and more. Find the toolkit here: <https://preservation-next.enterprisecommunity.org/>
- CACLTN's Technical Assistance and Resource Library
 - Contact CACLTN to access direct technical assistance with industry practitioners
 - Access CLTN's resource library: <https://www.cacltnetwork.org/resources-3/>
- Community Vision and Genesis LA's Real Estate Consulting and CalCORE Program
 - Contact Community Vision to find out about their robust real estate consulting practice and resource library: [Real Estate Solutions - Community Vision \(communityvisionca.org\)](https://www.communityvisionca.org/)
 - Enroll in CalCORE, a cohort-based training program dedicated to community ownership of community assets: [Cultivating Community-Owned Assets: CalCORE - Community Vision \(communityvisionca.org\)](https://www.communityvisionca.org/)

Community Anti-Displacement and Preservation Program (CAPP) – SB 225 (Caballero), Pending

- **Purpose:** CAPP will establish a state program to provide financing for the acquisition of rental housing (5+ units) and preserving it as permanently affordable. CAPP fills a state funding gap where there are not currently resources to support this type and scale of acquisition preservation.
 - Provide short-term acquisition capital & long-term subsidy through a single, streamlined program with the option to leverage LIHTC in the future and allow funds to revolve
 - Includes a provision for technical assistance to grow local capacity of mission-driven organizations like community development corporations, community land trusts, & BIPOC-led groups who often face barriers to resources
- **Amount:** Parallel initial \$500 million budget request as an initial investment to fund the program, estimated to acquire and preserve at least 3,600 units
- **Estimated Timeline and Next Steps:** SB 225: CAPP has officially been turned into a 2-year bill and is being held at the Assembly Appropriations Committee. We plan to continue to move CAPP forward once the leg and budget session starts again early next year.

Affordable Housing Bond Act of 2024 – AB 1657 (Wicks), Pending

- **Purpose:** AB 1657 aims to put a potential \$10 billion state affordable housing bond on the November 2024 ballot. This includes \$1.5 billion for Preservation, which includes a NOAH preservation program similar to CAPP.
- **Estimated Timeline and Next Steps:** The Legislature must pass AB 1657 by July 2024 at the latest for the bond to be on the November ballot.

Thank You

 Enterprise