FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
June 16, 2017
Action Items

I. FISCAL

A. Fiscal Year 2017/2018 Trust Fund Allocation

1. <u>Background</u>

a) In most state fiscal years, Florida Housing Finance Corporation has been appropriated spending authority from documentary stamp tax collections in either or both the State Housing Trust Fund (SHTF) and the Local Government Housing Trust Fund. Section 420.507, Florida Statutes (F.S.), outlines the powers of the corporation and authorizes Florida Housing to expend amounts advanced from the SHTF to further its purposes. Of particular mention are the state programs provided for in Chapter 420, Part V, F.S., such as the State Apartment Incentive Loan Program (SAIL). Exhibit A shows the historical allocation of appropriated funds.

b) While the Legislature has specified the exact programs to be funded in some years, more recently the Legislature moved back to its traditional approach of appropriating at least a portion of funds as a lump sum for Florida Housing to allocate to state programs. This allowed Florida Housing to allocate funding across programs as warranted by real estate and financial markets and housing needs.

2. <u>Present Situation</u>

a) For state Fiscal Year 2017/2018, Florida Housing was appropriated a total of $37 million from the SHTF and LGHTF ($28 million and $9 million respectively).[1] Of this amount, the Legislature made specific spending designations totaling $28.6 million ($18.5 million for State Apartment Incentive Loan (SAIL) program, $10 million for Housing for Persons with Developmental Disabilities and $100,000 for the Affordable Housing Workgroup), leaving $8.4 million for allocation by Florida Housing.

b) The Legislature also designated $113,000,000 in unobligated funds from the Affordable Housing Guarantee Fund to be used for the SAIL program, for a total of $131,500,000. The Legislature required that $40 million of this funding must be used for "workforce" housing for persons with incomes up to 80% of area median income (AMI) or up to 140% of AMI in the Florida Keys (the normal statutory requirement is no more than 60% AMI).[2] This leaves $91,500,000 for the traditional SAIL program. Florida Housing also expects to have $38 million in SAIL program income from loan repayments and interest income. Program income must be recycled into the SAIL program. This means Florida Housing will have a total of $129,500,000 for the traditional SAIL program over the next year, and $40 million for "workforce" rental housing.

[1] This does not include the additional $100 million appropriated out of the LGHTF for SHIP and other purposes.

[2] Note that most units financed through the SAIL program are for working people, not just these units designated as "workforce" by the Legislature.

c) Of the $8.4 million to be allocated by the Board, staff recommends the following allocations:

(1) Homeownership Assistance Program (HAP) – $8,085,000 – Established in section 420.5088, F.S., to assist residents in the purchase of their home, HAP has been a critical source of down payment and closing cost assistance in combination with Florida Housing's first mortgage programs. As the Hardest Hit Fund wanes over the next year, Florida Housing needs additional funds for down payment assistance.

Through HAP, this assistance will be provided as a deferred second mortgage on the home, and required to be repaid if the property is sold, refinanced, rented or transferred. This assistance will be available to residents with incomes at or below 120% of area median income.

(2) Florida Housing Data Clearinghouse – Up to $315,000 – Founded in 2000 with support from Florida Housing's Board of Directors, the Clearinghouse provides a free, web-based portal for data and reports on demographics, housing need and supply across local communities and at the state level throughout Florida. Exhibit B provides more background on the Clearinghouse. The Clearinghouse is managed by the Shimberg Center for Housing Studies at the University of Florida and is heavily used by local planners, state policymakers, non-profit organizations, grant writers and reporters seeking information about Florida's affordable housing needs. Florida Housing regularly uses Clearinghouse data to assist in policy decisions and relies on Clearinghouse staff to run special reports as needed for this purpose. The detailed scope of the annual work to keep the Clearinghouse operating will be part of a contract, but will for the coming year only, include a redesign of the Clearinghouse website. Part of the funding this coming year would go for web redesign at Florida Housing's request. Note that additional support from other sources provided by the Shimberg Center also pays for Clearinghouse activities.

3. Recommendation

a) Approve the staff recommendation for allocating 2017 legislative appropriations as follows:

- For the HAP Program, $8,085,000; and
- For the Florida Housing Data Clearinghouse, up to $315,000.

b) Staff further recommends that any funds not used for the Data Clearinghouse be used in the HAP program.

II. LEGAL

A. GM Silver Creek, LTD., vs. Florida Housing Finance Corporation and Ambar Key, LTD.; FHFC 2017-010BP; DOAH Case No. 17-1545BID

1. Background

a) This case regards a protest filed in Request for Applications 2016-114 Housing Credit Financing for Affordable Housing Developments located in Miami-Dade County (the "RFA"). Petitioner GM Silver Creek, LTD ("Silver Creek") and Intervenor Ambar Key, LTD ("Ambar Key") applied for funding through the RFA seeking an allocation of Low Income Housing Tax Credits. Both Silver Creek and Ambar Key were deemed eligible for funding. Through the ranking and selection process outlined in the RFA, Ambar Key was recommended for funding.

b) Silver Creek timely filed a notice of intent to protest and a formal written protest challenging the Board's finding that Ambar Key was eligible for funding. Specifically, Silver Creek challenged Ambar Key's selected transit service, zoning form, the description of the location of its development site, that the development site constitutes Scattered Sites, and the development type.

c) The matter was referred to the Division of Administrative Hearings (DOAH) and consolidated with <u>Joe Moretti Phase Three, LLC and Stirrup Plaza Phase Three, LLC vs. Florida Housing Finance Corporation, Verbena, LLC and GM Silver Creek, LTD.</u> ("Joe Moretti" and "Stirrup Plaza" respectively). The consolidated matter was scheduled for hearing on April 12, 2017.

2. Present Situation

a) As a result of settlement discussions, the parties resolved certain issues in this litigation, and agreed that in the interest of avoiding the time, expense, and uncertainty of litigation entered into a Settlement Agreement on April 11, 2017. Upon motion, DOAH severed this case from the Joe Moretti and Stirrup Plaza matter and relinquished jurisdiction back to Florida Housing Finance Corporation.

b) On June 1, 2017, the parties entered into a Consent Agreement, attached as Exhibit A, which in significant part, the Consent Agreement results in:

(1) The parties agreeing that the transit service stop identified by Ambar Key in its Application does not qualify as a Public Bus Transfer Stop, as defined in RFA 2016-114. Ambar Key submits that its reliance in information to the contrary was reasonable and that there was no intent on Ambar Key's part to mislead Florida Housing or misrepresent the status of the transit service stop. Florida Housing and Silver Creek do not contest Ambar Key's contentions in this regard. The loss of the Public Bus Transfer Stop points for the Ambar Key Application results in the Application not receiving points for Transit Services, and thus, being deemed an ineligible Application under the terms of RFA 2016-114.

(2) Silver Creek withdraws the other issues raised in its petition regarding the Ambar Key site and both Silver Creek and Florida Housing agree as follows:

(a) As of December 15, 2016, the Ambar Key site is appropriately zoned for multifamily residential use and no further hearings or approvals are required to obtain the zoning classification or density necessary to construct the Ambar Key proposed development on its site;

(b) The Ambar Key Application's use of "Intersection of NE 2nd Street and NE 3rd Avenue, Florida City, Florida" as its development location is sufficient to comply with Florida Housing's RFA requirements for site address or location;

(c) The Ambar Key site does not constitute a Scattered Site; and

(d) The Ambar Key Application did not identify an incorrect development type by designating "Garden Apartments" in its application to Florida Housing.

(3) The Parties agree that Silver Creek's Application meets all requirements and is eligible for funding under RFA 2016-114. However, the funding recommendation for RFA 2016-114 will depend on the outcome of the litigation in the Joe Moretti and Stirrup Plaza matter.

(4) In the event Silver Creek's Application is recommended for a tax credit allocation under RFA 2016-114 to Florida Housing's Board of Directors, Ambar Key and/or its affiliates will in no way seek to overturn, negatively impact, modify, or otherwise challenge any such recommended award of funding to Silver Creek under RFA 2016-114.

3. <u>Recommendation</u>

a) Staff recommends that the Board adopt the Consent Agreement and issue a Final Order in accord with such.

III. MULTIFAMILY ENERGY RETROFIT PROGRAM PILOT

A. Multifamily Energy Retrofit Program Pilot

1. <u>Background</u>

a) In the fall of 2013, Florida Housing signed a grant agreement with the Office of Energy (OOE), housed in the Florida Department of Agriculture and Consumer Services, to use just over $8.3 million in federal energy funds to create a revolving loan fund to finance energy retrofits in affordable multifamily properties. This funding had been returned to the OOE just as the deadline to expend the program funds was approaching. The OOE approached Florida Housing with the idea of creating a revolving loan fund because this was the only approach that would allow the OOE to keep the money in Florida.

b) In the fall of 2014, Florida Housing issued its first competitive solicitation for the Multifamily Energy Retrofit (MERP) Program. No responses were received. We went through a lengthy process to seek feedback from property owners. Key concerns included:

(1) Properties served by most investor owned utilities vs local gov't utilities were not eligible; because it was perceived that locals would more easily shared required data on energy use;

(2) Burdensome, costly Davis-Bacon wage and reporting requirements that accompany SEP funds, increasing retrofit costs by ~15%;

(3) No owner fee to assist in recovering administrative costs of applying and implementing retrofit;

(4) For more active developers (building new properties), MERP not worth the opportunity cost (time spent on MERP is time not spent developing other sites);

(5) Skepticism that the projected energy savings would materialize, leaving owners with no revenue to service the loan debt;

(6) The split-incentive problem for individually metered properties: the owners take the front-end risk with the obligation to repay the loan, even if the energy savings do not last over the long-term, while tenants mainly reap the long-term benefit if the savings do materialize;

(7) The $5,000 per unit funding limitation and the exclusion of window replacement, which was important to property owners in South Florida, limited the scope of work; and

(8) The Request for Proposals (RFP) was limited to properties within Florida Housing's portfolio.

c) Florida Housing rebuilt the program, mainly the loan terms, to respond to these concerns:

(1) Revised loan terms (up to $15,000/unit; 1% interest, non-amortizing due at end of loan term);

(2) Added an Owner Incentive Fee to encourage participation, up to the lesser of 16% of development costs or $500,000;

(3) Allowed other properties to enter the program; and

(4) Sought and received permission from the OOE and the U.S. DOE to provide up to 15% of the award amount as a grant to offset Davis-Bacon expenses and defray other administrative costs.

d) In late 2015, Florida Housing issued the second RFP, which garnered interest, and preliminary awards were made by the Board. To date, and for a variety of reasons, no properties have made it through credit underwriting, as discussed below.

2. <u>Present Situation</u>

a) Scoping and Underwriting – Before entering credit underwriting, an independent energy auditor evaluates each property receiving an initial award. From the auditor's report, Florida Housing develops a proposed scope of work for the energy conservation measures to be retrofit. After negotiation with each property owner, the final scope and maximum loan amount is determined and the properties go into underwriting.

b) The central objective of MERP is that the payback from energy savings on a property will make the investment worthwhile, and in the case of this pilot, will provide enough savings to repay the loan. Energy retrofit *grants* in other states and cities have been successful, because payback is not required. In fact, Florida Housing knows of no stand-alone, loan-only retrofit programs targeted to affordable rental properties in the U.S. This was a primary concern of interested property owners who initially talked to Florida Housing – that the initial investment would not provide enough savings to pay back an amortizing loan. It was for this reason that Florida Housing changed the loan terms to a deferred repayment at the end of the loan period.

c) Once the energy audits were completed, with savings estimates provided for each retrofit measure, we saw that the projected overall "savings-to-investment ratio" (SIR) – i.e., for every dollar spent, how much savings would be provided for every dollar spent – for each property was lower than anticipated. This means that the savings from the retrofits will not be enough to repay the loans.

d) Why is this? Most of the retrofits needed in the properties that applied for funding will have relatively low energy savings when compared to the cost of the retrofit. This means that each property will have taken on additional debt for less return on investment than the debt itself. A partial reason for this is the "split incentive" discussed earlier – the property owners do not reap all of the energy savings themselves.

e) Florida Housing staff is most concerned that many of the proposed retrofits do not provide enough savings to sustain loan repayments. MERP retrofits will likely make residents more comfortable and address deferred maintenance on these properties; however, the program will only minimally meet its goal to provide energy savings that can adequately pay back the MERP loans. It is for this reason that the staff believes that the program's overall return on investment is too limited to be useful.

f) Staff met with OOE staff to discuss these concerns. The OOE staff agreed with the concerns and suggested that the pilot be terminated by returning the funds to OOE for use on another of their projects.

3. <u>Recommendation</u>

a) Florida Housing staff recommends that the Board:

(1) Approve the de-obligation of preliminary awards to the following properties in the program:

(a) New Hope;

(b) Kinneret;

(c) McPines;

(d) Wildwood;

(e) Middletown;

(f) Cutler Meadows; and

(g) Tall Pines.

(2) Approve the termination of the MERP pilot and return of the remaining funds and program interest, minus final expenses for the program, to the Office of Energy.

MERP Properties, June 2017

Property Name	Preliminary Award	Final Loan Amount	Date Scope Completed	Date Invited into Credit Underwriting	Closing Deadline	Projected SIR* Hard Cost| Total Cost
First Round of Awards						
North Grove	$465,000	$0	Withdrew from Program on 9/23/2016			
Forest Glen	$495,000	$0	Withdrew from Program on 6/16/2016			
New Hope	$900,000	$893,905	11/26/2016	11/28/2016	8/28/2017	0.94 | 0.65
Kinneret	$2,500,000	$2,249,452	10/26/2016	10/31/2016	7/31/2017 3 mo. extension requested	0.45 | 0.27
McPines	$960,000	$960,000	8/26/2016	10/24/2016	7/24/2017	0.75 | 0.52
Wildwood	$450,000	$449,810	8/26/2016	10/24/2016	7/24/2017	1.25 | 0.82
Middletowne	$1,500,000	$273,151	1/3/2017	1/5/2017	10/5/2017	1.18 | 0.73
Total First Round Awards	**$7,270,000**	**$4,826,318**				
Second Round of Awards						
Cutler Meadows	$2,500,000	TBD - Draft energy audit received 4/30/2017				
Tall Pines	$496,355	TBD - Draft energy audit received 4/30/2017				
Total Second Round Awards	**$2,996,355**					
TOTAL AWARDED	**$7,822,673**		**(includes Final Loan Amounts from first round and Preliminary Loan Amounts from second round)**			

SIR = "Savings to Investment Ratio," the amount of investment provided compared to the projected energy savings generated from that investment. Any number under 1.0 means the overall investment costs more than the projected savings. Over 1.0 means the overall savings is projected to be greater than the investment.

IV. MULTIFAMILY PROGRAMS

A. Request for Applications (RFA) 2017-101 Financing to Build or Rehabilitate Smaller Permanent Supportive Housing Properties for Persons with Developmental Disabilities

1. Background

a) On April 4, 2017, Florida Housing Finance Corporation (Florida Housing) issued RFA 2017-101 offering $6 million in grant funding to Applicants proposing to build or rehabilitate smaller Permanent Supportive Housing properties for Persons with Developmental Disabilities.

b) The deadline for receipt of Applications was 11:00 a.m., Eastern Time, Thursday, May 4, 2017.

2. Present Situation

a) Florida Housing received 12 Applications in response to this RFA. The Review Committee members, designated by the Executive Director, were Kevin Tatreau, Director of Development Finance (Chair); Elizabeth O'Neill, Multifamily Programs Manager; Ryan McKinless, Multifamily Programs Senior Analyst; Bill Aldinger, Assistant Policy Director; John Toman, Policy Manager; and Elaine Roberts, Senior Supportive Housing Analyst. Each member of the Review Committee independently evaluated and scored their assigned portions of the submitted Applications, consulting with non-committee staff and legal counsel as necessary and appropriate.

b) At its June 7, 2017 Review Committee meeting, the individual committee members presented their scores and the Committee carried out the funding selection process in accordance with Section Five of the RFA.

c) The RFA 2017-101 All Applications chart (provided as Exhibit A) lists the eligible and ineligible Applications. The eligible Applications (i.e., Applications that met all criteria to be eligible to be considered for funding) and the ineligible Applications are listed in assigned Application Number order.

d) The Review Committee considered the following motions:

(1) A motion to adopt the scoring results, as set out on Exhibit A;

(2) A motion to tentatively select the Applications set out on Exhibit B for funding and issue Corporation letters of preliminary award to the Applicants.

e) The motions passed unanimously.

f) As outlined in Section Six, E of the RFA, after issuance by the Board of all final orders regarding this RFA, each approved Application will be sent a Corporation letter of preliminary award.

3. <u>Recommendation</u>

a) Approve the Committee’s recommendations that the Board adopt the scoring results of the 12 Applications (set out on Exhibit A), and authorize the tentative selection of the 10 Applications (set out on Exhibit B) for funding.

b) An unallocated balance of $ $1,916,000 of funding remains. As provided in Section Five, B.5. of the RFA, any remaining funding will be distributed as approved by the Board.

c) If no notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., staff will proceed to issue a Corporation letter of preliminary award to the Applications set out on Exhibit B.

d) If a notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., then at the completion of all litigation, staff will present all Recommended Orders for Board approval prior to issuing the Corporation letters of preliminary award to those Applicants in the funding range.

B. Request for Applications (RFA) 2017-103 Housing Credit and SAIL Financing for Homeless Persons and Persons with Disabling Conditions

1. Background

a) On March 22, 2017, Florida Housing Finance Corporation (Florida Housing) issued RFA 2017-103 offering $6,075,000 in Housing Credit funding, $11,500,000 of State Apartment Incentive Loan (SAIL) funding, and $4,146,572 in National Housing Trust Fund (NHTF) funding to Applicants proposing the development of Permanent Supportive Housing for Homeless individuals and families, that also include a portion of units for Persons with Special Needs as a result of a Disabling Condition ("Persons with a Disabling Condition") located in the Medium and Large Counties.

b) The deadline for receipt of Applications was 11:00 a.m., Eastern Time, Thursday, April 20 2017.

2. Present Situation

a) Florida Housing received five (5) Applications in response to this RFA. The Review Committee members, designated by the Executive Director, were Kevin Tatreau, Director of Development Finance (Chair); Heather Greene, Multifamily Programs Manager; Tammy Bearden, Loan Closing Manager; Elaine Roberts, Senior Supportive Housing Analyst; Bill Aldinger, Assistant Policy Director; Rachael Grice, Multifamily Programs Manager; John Toman, Policy Manager; and Nancy Muller, Policy Director. Each member of the Review Committee independently evaluated and scored their assigned portions of the submitted Applications, consulting with non-committee staff and legal counsel as necessary and appropriate.

b) At its June 7, 2017 Review Committee meeting, the individual committee members presented their scores and the Committee carried out the funding selection process in accordance with Section Five of the RFA.

c) The 2017-103 All Applications chart (provided as Exhibit C) lists the Applications . The Applications are listed in assigned Application Number order. There were no ineligible Applications.

d) The Review Committee considered the following motions:

(1) A motion to adopt the scoring results, as set out on Exhibit C;

(2) A motion to tentatively select the Applications set out on Exhibit D for funding and invite the Applicants to enter credit underwriting.

e) The motions passed unanimously.

f) As outlined in subsection 67-48.0072(1), F.A.C., at the completion of all litigation and approval by the Board of all Recommended Orders with regard to this RFA, Florida Housing shall offer all Applicants within the funding range an invitation to enter credit underwriting.

3. <u>Recommendation</u>

a) Approve the Committee's recommendations that the Board adopt the scoring results of the five (5) Applications (set out on Exhibit C), and authorize the tentative selection of the three (3) Applications (set out on Exhibit D) for funding.

b) An unallocated balance of $ 675,000 in Housing Credits remains. As provided in Section Five, B.5. of the RFA, any remaining funding will be distributed as approved by the Board.

c) If no notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., staff will proceed to issue an invitation to enter credit underwriting to the Applications set out on Exhibit D.

d) If a notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., then at the completion of all litigation, staff will present all Recommended Orders for Board approval prior to issuing invitations to enter credit underwriting to those Applicants in the funding range.

C. Request for Applications (RFA) 2017-105 HOME Financing to be used for Rental Developments Located in Rural Areas

1. Background

a) On March 24, 2017, Florida Housing Finance Corporation (Florida Housing) issued RFA 2017-105 offering $15 million in HOME funding to Applicants proposing the construction of affordable housing utilizing HOME Investment Partnerships (HOME-rental) Program funding for Developments in Rural Areas.

b) Fifteen percent of the total HOME funding available ($2,250,000) was made available for Applicants that qualified as HOME Community Housing Development Organization (CHDO) Applicants.

c) The deadline for receipt of Applications was 11:00 a.m., Eastern Time, Friday, April 21, 2017.

2. Present Situation

a) Florida Housing received nine (9) Applications in response to this RFA. The Review Committee members, designated by the Executive Director, were Amy Garmon, Multifamily Programs Manager (Chair); Elizabeth O'Neill, Multifamily Programs Manager; Lisa Nickerson, Multifamily Programs Manager; David Woodward, Federal Loan Program Manager; and Karla Brown, Multifamily Programs Manager. Each member of the Review Committee independently evaluated and scored their assigned portions of the submitted Applications, consulting with non-committee staff and legal counsel as necessary and appropriate.

b) At its June 6, 2017 Review Committee meeting, the individual committee members presented their scores and the Committee carried out the funding selection process in accordance with Section Five of the RFA.

c) The RFA 2017-105 All Applications chart (provided as Exhibit E) lists the eligible and ineligible Applications. The eligible Applications (i.e., Applications that met all criteria to be eligible to be considered for funding) and the ineligible Applications are listed in assigned Application Number order.

d) The Review Committee considered the following motions:

(1) A motion to adopt the scoring results, as set out on Exhibit E;

(2) A motion to tentatively select the Applications set out on Exhibit F for funding and invite the Applicants to enter credit underwriting.

e) The motions passed unanimously.

f) As outlined in subsection 67-48.0072(1), F.A.C., at the completion of all litigation and approval by the Board of all Recommended Orders with regard to this RFA, Florida Housing shall offer all Applicants within the funding range an invitation to enter credit underwriting.

3. Recommendation

a) Approve the Committee's recommendations that the Board adopt the scoring results of the nine (9) Applications (set out on Exhibit E), and authorize the tentative selection of the three (3) Applications (set out on Exhibit F) for funding.

b) An unallocated balance of $2,913,700 of funding remains. As provided in Section Five, B.6.b. of the RFA, any remaining funding will be distributed as approved by the Board.

c) If no notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., staff will proceed to issue an invitation to enter credit underwriting to the Applications set out on Exhibit F.

d) If a notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., then at the completion of all litigation, staff will present all Recommended Orders for Board approval prior to issuing invitations to enter credit underwriting to those Applicants in the funding range.

MULTIFAMILY PROGRAMS

Action Supplement

I. MULTIFAMILY PROGRAMS

A. 2017-2018 Tentative Funding Amounts and Time Lines for Request for Applications (RFAs) for Multifamily Developments

1. **Background**

a) During the remainder of 2017 and first half of 2018, the Corporation expects to offer the following funding through various RFAs:

(1) Estimated $17,916,000 in grant funding (remaining 2016 plus projected 2017 Legislative appropriation for housing developments designed, constructed and targeted for persons with developmental disabilities, as defined in section 393.063, F.S.);

(2) Estimated $130 million in State Apartment Incentive Loan (SAIL) Program funding (2017 Legislative appropriation for the SAIL Program plus SAIL Program Income);

(3) Estimated $41 million in SAIL Workforce funding;

(4) Estimated $4,975,000 in National Housing Trust Fund (NHTF) funding;

(5) Estimated $49 million in Housing Credit (HC) allocation (anticipated 2018 Annual Allocation of HC); and

(6) Estimated $ TBD in HOME Program funding (2017 Annual Allocation of HOME funding plus HOME Program Income).

2. **Present Situation**

a) The Tentative 2017/2018 Funding Amounts/Time Line plan, outlining the estimated funding amounts and tentative timeframes for the various RFAs for which staff expects to hold workshops and issue through the remainder of 2017 and into the first half of 2018, is attached as Exhibit A.

3. **Recommendation**

a) Approve the plan and authorize staff to proceed with the development of various RFAs for grant, SAIL, HC, HOME, SAIL Workforce, and Demonstration Loan funding, as outlined in Tentative 2017/2018 Funding Amounts/Time Line plan, and authorize the Executive Director to establish a review committee for each RFA, as each RFA is issued, to make recommendations for award to the Board.

V. PROFESSIONAL SERVICES SELECTION (PSS)

A. Competitive Solicitation for Capital Needs Assessment Provider Pool

1. Background

a) At its September 16, 2016 meeting, the Board heard public comments about affordability periods and the long-term capital needs of properties within the Florida Housing portfolio. The discussion revolved around the need for rehabilitation and refinancing of properties with long affordability periods. The Board directed staff to develop approaches to address these concerns.

b) As part of instituting a broad framework for the preservation of existing affordable housing, particularly properties in Florida Housing's portfolio, staff has evaluated the processes already in place that guide recapitalization of existing properties. Florida Housing currently provides financing to preserve existing, older affordable rental housing and for acquisition and rehabilitation of existing multifamily properties. When these proposed developments enter credit underwriting, the credit underwriters order "capital needs assessments" (CNAs) (sometimes known as "physical needs assessments") from companies that specialize in these assessments to evaluate the condition of the property and assist in setting the rehabilitation scope and budget for the rehabilitation.

c) The CNA process is a critical step in the financing process, because it should assist Florida Housing in setting the scope of work for the rehab and the amount of financing needed for recapitalization. The staff decided to concentrate its preliminary work on the preservation framework on strengthening this process. While CNAs have been a requirement of most rehabilitation development for some years, staff and our credit underwriters are in agreement that the current preservation financing process does not rely heavily enough on CNAs to establish the scope of work and amount of financing to be provided. Instead we currently rely more on the developer's own scope of work. In some cases, underwriters and the staff have seen proposals from developers to replace features such as roofs that still have many years remaining before they need replacement. We have also seen situations where the developer has indicated that it is not financially feasible to incorporate the accessibility standards and other features (such as 4-burner stoves) that Florida Housing requires in Family and Elderly rehabs.

d) The staff and credit underwriters have agreed that our preservation strategy requires a consistent and predictable approach to evaluating proposed developments in the credit underwriting process. Such an approach will ensure that Florida Housing is funding only those developments that can meet our objectives, that we are replacing only those components of an existing property that are old and obsolete, and that we are building a future replacement reserve schedule that is measured and adequate to maintain the property over its affordability period.

2. Present Situation

a) Staff evaluated the standards and processes employed by other state housing finance agencies to ensure the quality of rehabilitations. This research included several telephonic interviews of the construction control personnel at housing finance agencies in the Southeast. Staff discovered that several of these states utilize prequalified lists of capital needs assessment providers and/or accessibility consultants, resulting in higher quality and greater consistency in the evaluation of current and future capital needs of existing properties.

b) In March of 2017, Florida Housing staff convened a working group to further examine standards for ensuring high quality rehabilitations. The group was composed of staff from various units across the corporation, representatives from each of the three firms which currently provide underwriting, loan servicing, and compliance monitoring services to Florida Housing, and external subject matter experts including an architect and a capital needs assessment provider. The working group agreed that Florida Housing should procure a qualified pool of CNA providers. This will ensure greater thoroughness and consistency of assessments.

c) The specifications for this procurement will include:

(1) Minimum qualifications and experience requirements for the company and the individuals carrying out the CNAs;

(2) The process that the providers will be required to participate in with Florida Housing, its credit underwriters and the developers of the proposed developments; and

(3) The standards and template to be used in carrying out CNAs.

3. Recommendation

a) Authorize staff to begin the competitive solicitation process and establish a review committee to make recommendations to the Board for firms to participate in the pool of Florida Housing's approved CNA providers, with the ability to re-issue the solicitation as needed to maintain a sufficient number of providers in the pool.