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Subject: 2008 Cycle

Please consider the following comments and suggestions.

A CAP ON APPLICATIONS FROM ONE DEVELOPER

This is a bad idea that has been tried by the FHFC and abandoned.

First of all, this concept contradicts the goal of funding the "best" developments. The whole application and scoring process is an attempt to define what is comparatively better for the State, the residents, and the industry. Otherwise, a simple lottery would do. Capping applications from one developer would only apply if that developer submitted an "excessive" number of better applications. (If they didn't score better, the cap would not apply.) If an "excessive" number scored at the top, then the cap would replace these better apps with some that were not as good.

Second, the concept is virtually unenforceable. The last time this concept was tried, the FHFC was awash in phony applications containing silent and secret partnerships. This rule was one of the first eliminated by Mark Kaplan, who called it "bad public policy" and "unenforceable."

Third, the motivation for these suggestions is totally inappropriate. Those who suggest this do not want to compete straight up, but hope the FHFC will not only seek to address need, geographic and portfolio diversification, but will also lower the bar for those applicants who may score lower or suffer bad luck.

We don't think any of these rationales for a developer "cap" should be considered by the FHFC.

A LOCATIONS

It's time to look at markets again. The Southwest coast is suffering, and there is about to be overbuilding again in some markets that only recently were recovering, such as Hillsborough and Duval.

FRONT PORCH FLORIDA SET ASIDE

This set aside has outlived its usefulness, and serves no purpose but to drain resources from areas of greater need.

NON PROFIT SET ASIDE

The Federal requirement of 10% is sufficient, and the 12% requirement serves no policy or demographic purpose.

PRESERVATION SET ASIDE

This set aside is clearly excessively large relative to the number of applicants versus the overall Cycle. We recommend that Preservation be changed to a "Goal" of 4 transactions with a cap of \$3 million in credits, and that a \$10,000 per unit cap on SAIL be applied.

PHA'S AND LOCAL GOVERNMENT CONTRIBUTION

PHA's are clearly a branch of local government, whether County or City. Funds provided by PHAs, whether from a Federal source, or local, are as much local funds contributed as are local SHIP, CDBG, or local HOME funds, contributed to a non PHA applicant. Both are either State or Federal funds provided to local government, and sometimes passed on to AH developments as a contribution. To say that the same kind of funds, from the same sources, are somehow different, and not applicable as local contribution, is making a distinction without a difference, and is understandably perceived as by PHAs as a unique obstacle that is inexplicably prejudicial to their participation in FHFC programs.

LEVERAGING

Prior to the system currently employed by the FHFC, leveraging was a race to the bottom. That race was at the heart of the many returned deals that FHFC was receiving. The problem with leveraging is that the developer who cuts his margins to the bone wins. Any misjudgment or real change in the variables, such as construction costs, credit pricing, interest rates, stagnant rents, escalating operating expenses, such as utilities, windstorm insurance, ad valorem taxes, etc. is lethal. And applicants are guessing 18 months in advance when they project per unit costs.

If the old style of absolute leveraging, which some are pining for, had been in place over the last several years, there would have been a wave of unfeasible deals returned.

On the other hand, the FHFC has a cure in place for developers who guess high; it's called underwriting. When we guess high, and I pray we always do, your underwriters make us surrender unnecessary resources.

Your current leveraging system, accompanied by your underwriting standards, work as they are meant to.

SAIL REQUEST LIMITS

In this cycle, 90% of the applications came from two developers, and 80% of the applications came from 8 Counties. Actual funding will be reflective of that concentration. The reason for that level of concentration is that the economics of Bond/SAIL deals requires relatively low land costs, low rise wood frame type construction costs, and reasonably high AMIs. Those requirements exclude most Large Counties, most Small, and many the Medium Counties. And that was at the 2007 SAIL limits.

The effect of the reductions proposed in your latest draft is to further restrict feasibility to even fewer Counties and fewer developers. If that result is acceptable, it can only be that the FHFC is accepting that this financing source is only efficient in specific locations.

If so, then it is incumbent on the FHFC to consider the funding of these units when allocating the 9% credits, which then need to service all other locations. As we have already suggested, this would require that SAULs be filled FIRST with Bond/SAIL deals, as these are so restricted in geographical use, sparing the 9% credits for those areas for which they are the only available financing.

REPLACEMENT RESERVES

I believe most lenders are now requiring \$250 per unit, and it is appropriate.

HC REQUEST LIMITS

Land and construction costs are leveling, as are credit prices, but operating expenses are not, and rents are flat, with falling incomes, making it difficult to underwrite rent

increases. We would recommend a 5% increase across the board.

DEFINITION OF MID RISE

Three floors without elevators are garden style, and five and six floors, with elevators, of course, are mid rise. Four floor developments with elevators should be considered mid rise, and without elevators should be considered garden style.

HOPE VI GOAL

HOPE VI deals have been restricted in the past to a Bond/SAIL set aside, not HC, simply because these deals are so grossly over funded with federal subsidy, that it was simply wasteful to set aside HC for them. They were not prohibited from competing for HC, but received no advantage. A 9% set aside for Hope VI is wasteful and unjustified.