



THE AFFORDABLE HOUSING STUDY COMMISSION  
*Dedicated to Promoting Affordable Housing in Florida Since 1986*

**Finance Workgroup  
Conference Call Summary  
January 17, 2006**

Participating Commissioners:

Helen Feinberg, Gus Dominguez, Paul E. Curtis, Ann Kashmer, George Romagnoli, Lloyd Boggio, Ellen Ramsey

Participating Public: Tom Flynn, Florida Council for Affordable & Rural Housing; Matt Stewart, Jacksonville HUD

Participating Staff: Odetta MacLeish-White, Nancy Muller

After convening the call, staff reviewed the initial findings of the workgroup from the November 2005 Study Commission meeting.

**INITIAL FINDINGS FROM REVIEW OF UNIVERSAL APPLICATION**

Part II, B Development Team:

- 1.C. Developer experience – last section is too restrictive; can have a senior developer who is not a principal.

Part III Development:

- Definition of scattered sites is too limited for preservation purposes (*why has this been more restrictive?*)
- 3.b. (p.12) Indicate whether each building has 5 or more units – should be whole development, not each building
- P.13, #9 – in compliance at time of loan closing can pose problems

Proximity to Services (p.14): this one can sink a preservation deal

- Should only compare to other preservation deals (deals in downtown areas aren't close to schools, grocery stores, etc.)

Required features (p.14):

- Public transportation within ½ mile could limit SRO preservation deals

Optional features (p.15):

- Many of the features offered in this section require large amounts of space from the property. Older, urban preservation deals may not have features such as community centers, pools or car care areas. Including these features in a rehabilitation application would require reducing the overall number of units to make room.
- Section C (All Developments Except SROs) - consider adding “windows” as an option.

Following this review, Gus Dominguez led the workgroup through review of the remainder of the Universal Cycle Instructions. The workgroup agreed that reviewing the Instructions would capture issues in the Application itself.

### **Findings from Review of 10/05 Universal Cycle Instructions**

Ability to Proceed: p.28.

- The first 4 items of this section are not applicable to rehabilitation transactions because existing buildings will already have site control, site plan approval, infrastructure and zoning.
- The Environmental Site Assessment (ESA) is necessary for rehabilitation transactions because it will reveal major issues like asbestos and lead paint. It is necessary to continue requiring ESAs although they will make transactions more expensive and time consuming.

Demographic Commitment: p.29

- Most of this section is not applicable to rehabilitation transactions except for the Elderly selection.
- Rehabilitation transactions for Elderly developments should not be subject to the 160 unit restriction. The financial feasibility of a transaction will lead to a natural selection of the developments that will undergo successful rehabilitation.

Set-Aside Commitment: p.32

- The major issue for this section is the requirement that a development be in compliance with its set-aside commitment at the time of closing. There should be a grace period of 14 months to allow the owners to replace residents as leases turn over.
- If federal money is involved in the financing structure of the rehabilitation transaction, the grace period should default to IRS tax credit rules.
- The workgroup noted that, under the current rules, Section 8 voucher holders with incomes that qualify them as extremely low income are not counted towards the set-aside requirement for Extremely Low Income (ELI) Set-Aside Commitment. This should be changed as an acknowledgement that serving ELI requires operating subsidy, even if it is in the form of rental assistance.

Financing: p.57

- Under the current structure for Developer Fees, only 4% is allowed on the acquisition portion of a rehab transaction, which is the much larger portion of total development cost. A smaller developer fee for doing rehab transactions instead of new construction penalizes developers seeking to preserve existing housing.
- What fee should be allowed and what is the rationale for this number? Tax lawyers will give opinion letters for up to 20%; HOPE VI has to justify anything over 12%.

Set Aside Unit Limitation (SAUL): p.75

- The workgroup believes rehab units should not be counted in the SAUL process.

#### Affordability Periods:

- The workgroup believes that strong financial incentives must be provided to extend the affordability periods for tax credit properties that are now approaching their year 15 conversion date. These 15 year old properties are very valuable as market rate properties and will be in need of upgrades or maintenance to major systems.
- The workgroup also discussed the tension generated by requiring lengthy affordability periods (such as 30 or 50 years). This policy protects long term affordability but it can discourage investors and developers from undertaking preservation transactions; all the housing credits and developer fees have been earned after 10 years.

Helen Feinberg requested staff to send the statutes for the SAIL and SHIP programs to the workgroup and it was decided that staff would:

- Contact George Romagnoli and Howie Carroll (in separate calls) before the February meeting to review the SHIP statute for possible amendments; and
- Contact Gus Dominguez and Helen Feinberg (in separate calls) before the February meeting to review the SAIL statute for possible amendments.