



July 31, 2007

Ms. Vicki Robinson
Deputy Development Officer
Florida Housing Finance Corporation
227 N. Bronough Street
Suite 5000
Tallahassee, FL 32301

Re: FHFC 2008 Universal Cycle – Developer Comments

Dear Ms. Robinson:

In response to your invitation at last Friday's public meeting regarding the 2008 Universal Cycle, we offer the following comments and suggestions:

HC Large County Geographic Set-Aside

To avoid an over-concentration of FHFC funding in a given county and spread out FHFC's affordable housing portfolio, FHFC mandates that no more than 50% of the SAIL funding available in the Large County Geographic Set-Aside may be awarded to projects in any one Large County.

To serve similar goals, however, the HC program has a much weaker and less effective requirement – it provides that no more than 50% of FHFC's total Housing Credit Allocation Authority can go to projects in any one county.

Based upon the current final scores, it appears that a total of six HC projects would be funded in the Large County Geographic Set-Aside. Five out of those six funded HC deals are in Miami-Dade County. This represents 456 set-aside units out of the 556 set-aside units funded in the Large County Geographic Set-Aside (82%), as well as \$11,349,967 out of \$13,079,967 in HC used in the Large County Set-Aside (87%). These figures do not include an additional 90-unit HC/SAIL Homeless project that will apparently also be funded in Miami-Dade County.

This result is obviously skewed and dramatically short-changes other densely populated areas of the state with significant affordable housing needs. Even if this initial skewed result does not ultimately bear itself out once formal and informal hearings are resolved, the potential that such a set of circumstances could arise should be of great concern to FHFC.

To address this problem, we suggest FHFC impose in the HC program a constraint similar to the one imposed for SAIL, i.e., no one Large County can receive more than 50% of the HC available in the Large County Geographic Set-Aside.

SAIL Leveraging Tiebreaker

Keep the current SAIL Leveraging Tie-Breaker as-is. Despite its flaws, this tiebreaker still drives a more efficient use of SAIL dollars in producing affordable housing. If the problem is an applicant overstating its development costs, then penalize that applicant in credit underwriting by reducing their SAIL loan by some appropriate percentage if the costs certified in their application are demonstrated in credit underwriting to be significantly overstated, e.g., by more than 15%.

We would also not support a separate SAUL cycle for HC and Bond/SAIL projects, at least not without some assurance that no single Large County could receive more than 50% of the HC available in the Large County Geographic Set-Aside.

Project-Specific Targeting

We understand there was some discussion at the public meeting about reserving or targeting HC for more costly projects, e.g., urban high-rises. Of course, urban high-rises already receive special consideration on leveraging and routinely compete successfully for HC within the geographic set-asides. This year, for example, of the six HC projects in the Large County Geographic Set-Aside that are poised to receive funding based upon their current scores, four are high-rise projects and one is a mid-rise project (all located in Miami-Dade County – see above).

We submit to FHFC that the economic feasibility of a given project varies by location, project-type, and numerous other factors. Many deserving projects throughout the state, whether garden or high rise, urban or rural, are simply not possible without HC as part of the financing structure. There is no justification for singling out high-rises (or any other type of project) for special consideration without a demonstration that these projects are unable to compete effectively within their geographic set-asides.

HC Non-Profit Goal

Keep the 12% non-profit goal as-is. While we understand that FHFC narrowly met its federal 10% non-profit requirement last year, we submit that this was an anomaly. Looking at the 2007 funding picture, FHFC should far exceed this 10% requirement, much as it has done in previous years.

We also submit that non-profit status is neither a marker nor a guarantor of greater innovation, efficiency, or public purpose. FHFC should identify its own objectives along these lines and let competition among and between for-profits and non-profits determine who can best meet those objectives.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Paxton", with a long horizontal stroke extending to the right.

Don Paxton