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Sent: Tue Oct 16 20:20:18 2007  
Subject: 2008 UC Recommendation for Allocating Subsidy by Construction Type

Steve-

The feasibility of developing affordable housing depends on accurately matching subsidies to costs. This effort is complicated by the variety of construction types and land costs throughout the State.

A system which matches subsidy limits to construction types can more fairly and efficiently distribute subsidies to generate financially feasible deals. FHFC already recognizes this through its leveraging multipliers for mid-rise (.785) and high-rise (.63) construction types.

We believe that modifying this rule to reflect the major construction types utilized throughout Florida would help further FHFC's established goals by more precisely matching funding to anticipated costs per unit. Furthermore, this change will help incentivize developers to choose construction technologies more likely to yield a durable housing product over the long term affordability period.

Specifically, we would propose the following:

#### 9% Credits

· Replace low, mid, and high-rise Development Types with the following:

- o "Wood Frame"- 1-4 Story
- o "Concrete Garden" - 1-3 Story
- o "Concrete Mid-rise" - 4-6 Story with elevator
- o "High-rise with Bustle Parking" - 7+ Story, Bustle Parking
- o "High-rise with Pedestal Parking" - 7+ Story, Pedestal Parking

Using Wood Frame as a base, we indexed construction costs for a sample unit and its associated parking. We found the following percentage increases in hard costs as compared to wood frame costs per unit:

- o Concrete Garden: 38%
- o Concrete Mid-rise: 75%
- o High-rise with Bustle Parking: 161%

- o High-rise with Pedestal Parking: 181%

Based on the differences in Development Type construction costs, the leveraging calculations should be modified as follows:

- o If the proposed development selected Concrete Garden Development Type, the total Corporation funding amount will be multiplied by .73.
- o If the proposed development selected Concrete Mid-Rise Development Type, the total Corporation funding amount will be multiplied by .57.
- o If the proposed development selected High-Rise with Bustle Parking Development Type, the total Corporation funding amount will be multiplied by .38.
- o If the proposed development selected High-Rise with Pedestal Parking Development Type, the total Corporation funding amount will be multiplied by .36.

While this change would not prevent the steady reduction of unit counts in 9% developments due to the per-deal caps on credits, it would serve to level the playing field for higher density developments throughout the State.

#### 4%/SAIL Deals

The following chart serves to outline the struggle required to make bond deals feasible when the costs of construction begin to disconnect from Area Median Incomes. In this analysis we analyze different development sizes using certain common criteria: \$20,000 per unit land cost and hard costs which mirror those used in the 9% credits analysis above:

SAIL	SAIL/unit
Concrete	
1-3 Story	
80	
units	
8,750,000	
	109,375
100	
units	
10,500,000	
	105,000

120

units

11,850,000

98,750

150

units

14,500,000

96,667

SAIL

SAIL/unit

Concrete  
4-6 Story

80

units

10,700,000

133,750

120

units

15,350,000

127,917

150

units

19,000,000

126,667

SAIL

SAIL/unit

Concrete 7+ Story

100

units

19,850,000

198,500

(bustle parking)

SAIL

SAIL/unit

Concrete 7+ Story

100

units

21,500,000

215,000

(pedestal parking)

FHFC's allocation process for 9% credits (A/B Leveraging and per-development Caps) only allows for development of low and mid-rise construction types. The exception, high-rise deals in Miami-Dade, proves the rule thanks to increasing subsidy requirements for decreasing unit counts and a strong shift towards serving the Elderly demographic whose smaller units and reduced parking cost less to build.

SAIL leveraging (per unit caps, deal caps, DSCR max, DSCR min, and 25% of TDC Max) constrain the use of these subsidies under generic conditions to wood frame garden style developments in high AMI / low land cost areas. Most recent cases where bonds and SAIL have been used with more expensive construction types have been the result of extraordinary subsidies or the availability of no-cost land. While communities should continue to be incentivized to provide one or both of these contributions, those communities which cannot provide them should not be unduly punished due to the cost of the local construction type.

Feel free to contact me with any questions or comments.

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