

THE HENDRICKSON COMPANY

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Mr. Steve Auger
Executive Director
Florida Housing Finance Corporation
227 North Bronough, Suite 5000
Tallahassee, Florida 32301

Re: Additional Comments on 2008 Universal Cycle

Dear Mr. Auger:

Thank you for the opportunity to comment on the 2008 Combined Cycle.

1. Local Government Contributions—Reinstate Meaningful Tiebreaker Status

- Reinstate the meaningful tiebreaker status to local government contributions. At one time, the level of contribution required to obtain maximum points was difficult, and provided a meaningful differentiation between applications. The current level of contribution is so small as to become essentially a non-factor.
- Local government contribution is also a meaningful policy goal, in that it rewards local governments who “put their money where their mouth is”, rather than the current system wherein commitments are given to every developer in order to put more balls in the lottery. By making local governments decide which deals are best for their jurisdiction, the ability of developers to swamp the system for lottery tickets is decreased because fewer deals can apply with full contribution.
- At a workshop last year, one audience member said that local government contributions were based upon contributions to local campaigns—there was absolutely no evidence that this was true. Good developers who built and managed properties that local officials found to be an asset to the community generally received the local government money over developers who did not make the same positive impression.
- The only downside to the system was that it was hard, causing some developers to resort to phony contributions—and this does require a thoughtful NOPSE and Florida

Housing staff review to prevent these from sneaking through the system.

- Also, because the SAUL system ensures that money goes to multiple counties, the argument that money will go only to counties with large amounts of funds is not accurate.
- Specific recommendation: Reinstate point system for local government contribution that requires (for maximum points) \$1 million contribution for large counties, \$500,000 for medium counties, and \$250,000 for small counties. Fewer points would be given on a direct proportional scale.

2. Leveraging—Reinstate Leveraging as Tiebreaker

- Reinstate leveraging as a tiebreaker. Developments should be compared only to like type and location—however, what is wrong with giving preference to the high-rise in Miami-Dade County that uses less Housing Credits to build the same product? Florida Housing has been inundated with developer rhetoric that leveraging leads to a “race to the bottom”. However, there is no evidence that the product built before reduction of leveraging to the A and B Group was of lesser quality, or that it lead to deals not being built. In fact, the returned deal problem came after leveraging was downgraded as a scoring item and was much more attributable to either the large spike in construction costs in one year or to the fact that developers could flip land for a larger profit than allowed in affordable housing programs. Conversely, the elimination of leveraging has lead to an unnecessary and unwarranted increase in “costs” as is evidenced by this year’s RRLP applications.
- Specific recommendation: give maximum points to development with best leveraging—meaning least amount of FHFC subsidy per set-aside unit—down to zero points for development with worst leveraging. Give points on direct proportional basis to all developments between the first and last ranked.

Thank you for the opportunity to comment on the 2008 Combined Cycle. Please feel free to contact me with any questions.

Sincerely,

Mark Hendrickson