

**From:** Shannon Nazworth [mailto:snazworth@abilityhousing.org]

**Sent:** Tuesday, October 23, 2007 10:22 AM

**To:** Steve Auger

**Cc:** Nancy Muller; Bill Aldinger

**Subject:** Universal Cycle Comments

Dear Steve,

I am writing in response to some of the items discussed at last month's Rule Development Workshop. I'd like to start by reiterating my appreciation of Florida Housing's efforts to incorporate the comments and suggestions of its partners. I understand the complexities of addressing the spectrum of housing needs coupled with changing market conditions.

I have tried to segregate my comments into specific topic areas. However, there will be overlap throughout.

#### Fair Share

Housing resources should be distributed according to the unmet need as identified by Schimberg Center reports. This includes income and geographic targeting. Therefore, Florida Housing should establish goals to allocate all resources according to the proportion of need as identified in the study reports.

Further, Florida Housing should assess the effectiveness of its current structure at addressing the unmet needs. For example, at present a non-set-aside project receives more points for a picnic area than for serving persons with a disability. Points should be provided for projects which serve special needs populations. Not all projects can support such targeting; however, those projects that can should be awarded points.

#### Leveraging of Florida Housing Resources

In order to utilize Florida Housing resources to assist as many households in need as possible I recommend:

- Florida Housing calculate leveraging based upon resources utilized per restricted unit. Non-restricted units are not addressing the affordable housing needs of our community.
- However, not all projects or restricted units are the same. Therefore, a method must be developed permitting projects with deeper income targeting restrictions to receive the resources they require without being adversely penalized in comparison to projects with higher income restrictions. Points should be provided for projects which target lower incomes. Again, not all projects can support such targeting; however, those projects that can should be awarded points.
- The SAIL per unit tie-breaker should precede the SAIL as a percent of Total Development Cost tie-breaker; this may help address submittals with unrealistically inflated Total Development Costs.

In response to expressed fears of a 'race to the bottom', it is the responsibility of all applicants to submit only projects which are viable as submitted.

It is also the responsibility of Florida Housing to devise a methodology to fund only projects which are viable as submitted. As Florida Housing has access to current underwriting information a comparison of current 'actuals' and submitted projects can be conducted as part of the review process. I recommend either:

- Florida Housing establish a set range of costs and operating expenses (adjusted for land costs and construction type) within the Application and Instructions. An option to provide explanations for projects which do not fall within the established range may be provide. If the explanation is not accurate the NOPSE process will adequately inform Florida Housing of the discrepancy. Should a NOPSE be deemed accurate, the explanation should not be curable.

and/or

- Florida Housing conduct a mini-underwriting review prior to issuance of preliminary scores. I recognize this adds another layer to the scoring process; however, it will help ensure that only viable projects proceed. It may also help address the 'shell application' issue.

Should Florida Housing not modify the process and a project is submitted which 'raced to the bottom' by submitting unrealistically low per unit leveraging then that project ultimately will not proceed. Yes, credits may initially be returned and allocated to another project but the system must evolve so that only substantially accurate and complete applications are submitted and awarded funding.

#### Non-profit Set Aside

The set aside for non-profit developers should be increased. For-profit organizations have historically created affordable rental housing in Florida. However, as the development and operation of affordable housing becomes more difficult the affordable housing industry will likely evolve to mirror that in other states whereby housing is created by mission-based organizations rather than for-profit organizations.

With this reality it is important for Florida Housing to foster the development of non-profit capacity throughout the state.

#### Prior Experience

In order to foster the development of non-profit capacity, the prior experience criteria should be amended for 100% non-profit developers submitting smaller projects – developments with 50 or fewer units or requesting a limited amount of Florida Housing resources.

- Florida Housing's risk is limited due to the reduced level of its resources utilized.
- In most other states non-profits are the primary developers; therefore, any concern regarding guarantees is not relevant.

#### Shell Applications

This is an extremely difficult and very important issue. At present the most viable solution appears to be altering the timing of lottery number assignment. Florida Housing should assign lottery numbers at the time the review committee meets preceding the board meeting at which all awards are approved and announced.

I ask that whatever solution is adopted (for example, limiting the number of cures) Florida Housing ensure it not adversely impact new organizations entering the process. With the need to foster the development of non-profit capacity, Florida Housing should not burden such organizations with a process which did not burden existing organizations as they developed their capacity.

#### Rent Floor

I agree that developers require a minimum level of operating income in order to ensure the long-term sustainability of their projects. Rents may not keep up with utility allowances; thereby creating a decrease in net rent received. This is a genuine concern for the affordable housing industry.

This concern is especially true for units serving families with extremely low incomes. However, shifting the responsibility to the families in need is not a legitimate solution. It is the affordable housing industry's responsibility to create housing which addresses the need; not transfer the burden to those in need.

The ultimate solution is the creation of project based rental assistance (PBRA) which is tied to each project funded through Florida Housing's Universal Cycle committing to ELI units. I realize Florida Housing is reluctant to administer such a program; however, Florida Housing does not have to be the administrator. A non-profit can be formed or amended to administer such a program.

To illustrate, at \$85,000 per unit the \$30,000,000 allocated by the legislature for the 2007 Cycle will fund 353 ELI units. Had that \$30,000,000 been given to a non-profit to administer a PBRA program it could have funded over 650 units of ELI housing for 20 years (an 85% greater yield on investment). This estimate assumes a \$300/month/unit subsidy increasing 3% annually and a 5% annual return on investment for the principle balance.

Further, PBRA would only be provided if a unit required the subsidy. If an ELI unit is occupied by a qualified family with another form of rental subsidy (tenant based rental assistance for example) the PBRA would not be allocated to that unit and could fund additional units or extend the life of the subsidy provided.

#### Restriction of SAIL funds on units with LURAs

I share your hesitancy to use limited resources on properties which already have a LURA attached to them. Should Florida Housing consider using SAIL on such projects deep income targeting must be required.

According to information from a Florida Housing Coalition TA, acquisition/rehab projects which are now reaching Year-15 did not require as much rehab per unit as current projects. If this is true, it is possible there are projects in need of substantial rehab even though they have an existing LURA on them. Perhaps using SAIL on projects with LURAs that received below a certain level of rehab is appropriate.

Thank you again for permitting such comments. I will be unable to attend the upcoming Rule Workshop; however, feel free to contact me for clarification or elaboration on my comments.

Thank you,  
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