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May 4, 2016

Steve Auger, Executive Director
Florida Housing Finance Corporation
227 N Bronough St., Suite 5000
Tallahassee, FL 32301

Dear Steve:

Thank you for the opportunity to comment on the development of Rule 67-48.

As you know TAG Associates, Inc. (TAG) represents Public Housing Authorities (PHAs) throughout the U.S. many of which are here in Florida. With that in mind we respectfully submit the following for your consideration:

Background:
TAG has been in the business of assisting PHA's for 25 years. Every year we learn something new and work through creative ways to get our clients to the finish line. From the beginning of the mixed finance transactions, which included HOPE VI to the recent RAD program, we continually support the PHAs in their mission to provide the most affordable housing in the country. When considering special housing goals such as homeless and disabled housing incentives we encourage you to remember that the PHAs have been providing for these households since the beginning of affordable housing production, with not just the housing but the subsidies to enable those that are less fortunate to be self-sufficient.

We applaud FHFC for coming so far in the past 15 years to enable Florida PHAs to begin the long road to revitalizing their properties. While a few of the large county PHAs have the ability to revitalize their portfolios without applying in the FHFC competitive cycles most PHAs do not have the financial capacity to do so and rely on this process to fulfill their missions.

Over the last few years we have noticed some items that could be adjusted to assist with the process and provide a better outcome for PHAs and other Redevelopment and Preservation applicants. Below are a few of these items.

Total Development Cost – Through our experiences over the years we believe that certain items should not be included in the TDC for Redevelopment and Preservation projects. Demolition costs should be taken out of the TDC calculation as this cost is not producing units, and a New Construction deal does not incur these costs. Projects that require demolition are being penalized by including these costs in the TDC. The addition of demolition costs reduces the amount of funds that are going into the new units. We request that this cost be outside of the TDC so that the additional funds may go towards the production of units. Preservation deals also incur demolition and with any demolition (partial or full) in these older units inevitably comes remediation costs for dealing with hazardous materials such as asbestos. Many of these costs do not show up until demolition has begun. We would also request that relocation expenses be excluded from the TDC calculation for the same reasoning. These additional costs that are fairly exclusive to these deals and do not contribute to new or rehabilitated units but are often quite a large expense line item in the development budget.

We are also seeing additional costs in Redevelopment for site work and infrastructure. Please consider having a budget line for extraordinary site costs as replacing the older infrastructure on a redeveloped site is more costly than infrastructure on a typical New Construction deal. Extraordinary sites costs should not be included in TDC. This may also affect preservation deals and should be treated the same way. We suggest that any site work amount above $5,000 a door be considered extraordinary site costs for all deals and not be included in the TDC calculation. Although the New Construction sites will likely have less need for this we feel that extraordinary site costs should be a consideration for all developments. Having these costs outside of the TDC will assist in reducing requests for TDC relief after allocation.

Credit Boosts and increased Credit Requests –Redevelopment projects should be considered as Difficult to Develop Areas as these properties have additional costs (some of which do not increase the eligible basis) to get through all of the processes for closing. They are more comparable with bond deals than they are regular New Construction projects. This is even more so with the Joint Venture Partnerships which require multiple legal teams and HUD consultants to get through the multiple layers required for closing. Redevelopment and Preservation also require rent subsidies in the development which require an additional process to complete prior to closing. Other items that increase the costs are relocation as well as the additional costs for Davis Bacon which are approximately 20% higher than tradition construction for administrative and reporting requirements. These deals need to have the additional boost in credits and the higher credit request.

We acknowledge, through experience, that most areas in Florida require the higher request amount due to the high cost of construction throughout the state. Should FHFC decide to supplement credits with SAIL, in lieu of the boost for the Redevelopment and Preservation developments, the credit request amount needs to be the higher amount to account for the higher costs for the construction and rehabilitation of these properties.

In summary, we are requesting:

1. **Remove demolition, relocation and extraordinary site costs (site costs above $5,000 a door) from the TDC calculation.**
2. **Allow 9% competitive Redevelopment and Preservation deals to obtain the 30% increase in credits as well as the higher request amount.**

Again, we at TAG appreciate the opportunity to comment on the process.

Sincerely,

Jane Dixon, Associate

Cc: Ken Reecy, Director of Multifamily Programs