From: Kevin McCarthy <kevin.mccarthy@vesaraton.com>
Sent: Tuesday, February 27, 2018 11:44:41 AM
To: Trey Price; Marisa Button
Cc: Brantley Henderson; Kevin Tatreau; Nancy Muller
Subject: Comment on 2018 Rule Development/QAP

Good morning, Trey and Marisa. Please find my comments attached. Thank you.

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Monday, February 26, 2018

Trey and Marisa:

In light of comments submitted by Mark Hendrickson on behalf of Florida ALHFA on February 24th, I am writing to clarify my comment from February 21st. Mr. Hendrickson's two letters make many good points; I largely agree with his remarks. The first letter clearly explains how proposed rule changes impact 4% transactions. The second letter rightly advises the Corporation to continue its productive collaboration with Local Housing Finance Authorities (LHFAs). No one is better qualified than Mr. Hendrickson to comment on that topic. My concern is much narrower, namely the Corporation's Areas of Opportunity strategy.

LHFAs and "Local Government Areas of Opportunity" Funding

To illustrate the mutually beneficial relationship between the Corporation and LHFAs, Mr. Hendrickson writes that "two local HFA's have been the entities that successfully implemented the Area of Opportunity Funding. If there is any question as to the capacity and public purpose orientation of Florida ALHFA members, one only needs to analyze the LGAOF application and selection process administered by the Hillsborough County and Jacksonville HFA's."

Others have submitted comments to the Corporation explaining how the process of reviewing and awarding so called "local government areas of opportunity funding" may impose unreasonable financial burdens on developers. Nevertheless, there is no question that the Housing Finance Authority of Hillsborough County conducted a thorough analysis of each application for funding. It is my understanding that Mr. Hendrickson (in his capacity as the HFA's advisor), with the chair of the HFA's board, personally visited each proposed development site. Among other things, the HFA evaluated the reasonableness of proposed costs, energy efficiency, economic impact, development feasibility, and proximity to transit. The process is thorough and effective. The successful application is for a well-located site; if it wins a tax credit award, the Corporation can rest assured that a competent local partner has already verified the development's feasibility utilizing the best advice available. However, this process does not consider whether proposed developments would create housing opportunities in ethnically/racially integrated areas where upward mobility is normative. In other words, it does nothing to signal to the Corporation whether the proposed development site is in an "area of opportunity."

Geographic Areas of Opportunity

"Local Government Area of Opportunity" (LGAO) is a misnomer. The designation of Geographic Areas of Opportunity and Racially/Ethnically Concentrated Areas of Poverty is based on objective data and sound public policy. The Corporation uses the most reliable data available: the American Community Survey (ACS). The clear meaning of the word "area" is spatial. Corporation-designated Geographic Areas of Opportunity are just that, they are spatial designations which utilize the ACS to identify indicators of community well-being conducive to individual opportunities for upward mobility. This process uses a consistent third-party spatial definition (the census tract) and a continuously updated, rigorously maintained, consistent dataset (the ACS). The Corporation evaluates the same variables, using the same techniques, across the state. Using Geographic Information System (GIS) software the Corporation is able to communicate these designations – and the data upon which they are based – to the public.

The most important quality of Geographic Areas of Opportunity is that they work. The Corporation first designated Geographic Areas of Opportunity in 2016. As I mentioned in my previous comment, the preliminary awards made in 2016 show that developments located in Geographic Areas of Opportunity are qualitatively different from other development sites. Preliminary awards to non-Geographic Area of Opportunity developments follow the same pattern as previous years, which largely mirrors the existing pattern of residential segregation. The Corporation is successfully taking affirmative action to further fair housing, using Geographic Areas of Opportunity.

Avoiding Confusion and Clarifying Which Designations Merit the Basis Boost

"Local Government Areas of Opportunity" are not necessarily areas of opportunity. In fact, local governments may use the designation to direct funding to the recapitalization of income qualified housing sites which were originally chosen to maintain racial and economic segregation. In such cases, the Corporation should look for material evidence that the creation/preservation of income qualified housing is tied to neighborhood-wide initiatives which bring about economic development and integration. Leverage of local financial resources and vetting by local governments and HFAs may very well be the tools you choose for that purpose.

In order to clarify that a property must be located in a Corporation-designated Geographic Area of Opportunity to qualify for the basis boost as an area of opportunity development, I ask that you clarify the relevant language in the QAP.

Paragraph I of Section II (Competitive Housing Credits) of the QAP currently contains the following language:

> "FHFC will retain the authority to designate Developments as a high-cost area, eligible for up to the 30% boost if that Development is not located in a HUD-designated DDA or a QCT, as authorized by the Housing and Economic Recovery Act of 2008, enacted July 30, 2008. Person with Special Needs Developments, Homeless Developments, and Developments located in FHFC-designated Areas of Opportunity, will be eligible for such designation based on the criteria outlined in a competitive solicitation."

Please insert the word "geographic" between the phrases "FHFC-designated" and "Areas of Opportunity."

> "FHFC will retain the authority to designate Developments as a high-cost area, eligible for up to the 30% boost if that Development is not located in a HUD-designated DDA or a QCT, as authorized by the Housing and Economic Recovery Act of 2008, enacted July 30, 2008. Person with Special Needs Developments, Homeless Developments, and Developments located in FHFC-designated Geographic Areas of Opportunity, will be eligible for such designation based on the criteria outlined in a competitive solicitation."

It may also be prudent to add a definition of the term to chapter 67-48 of the Florida Administrative Code.

> "Geographic Area of Opportunity" means a census tract, with boundaries delineated by the United States Census Bureau, with high indicators of community wellbeing based on income, educational attainment, employment rate, and other variables identified by the Corporation.

The Corporation may determine that it is appropriate to extend the basis boost to competitive tax credit awards which leverage significant funding from local governments and LHFAs. Such a policy would be most effective if it were tied to local government revitalization initiatives. In any event, if that is the Corporation’s wish, please clarify the distinction between these developments and those located in Areas of Opportunity. The “Local Government Area of Opportunity” is not an area of opportunity. It is not an “area” at all. Please eliminate it or call it something else.

Thank you.

Kevin C. McCarthy