August 2, 2017

Florida Housing Finance Corporation
c/o Trey Price, Executive Director
c/o Ken Reecy, Director of Multifamily Programs
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301

Re: 2017/2018 RFA Comments

Dear Mr. Price and Mr. Reecy,

Thank you for the opportunity to comment on the upcoming 2017/2018 Request for Application Cycle and appreciate your consideration.

LEVERAGING

We would like to reiterate our previous suggestions to FHFC with respect to tightening up the Leveraging criteria in the 9% competitive RFA's in order to stretch funding further and attempt to limit developments with excess subsidy. This will also encourage developers to maximize first mortgage proceeds and incentivize the most efficient developments. At a minimum, FHFC should consider a 65/35 A/B Leveraging cutoff. The Leveraging tiebreaker should also apply and be a scoring consideration for developments that receive the Local Funding Preference in the Large County RFA. The lowest ranked deal from a leveraging standpoint was funded last year because it got the local preference. There does not seem to be any change in policy to prevent such occurrence from happening again.

MINIMAL LOCAL GOVERNMENT CONTRIBUTION

We would like to encourage FHFC to eliminate the required minimum local government contribution, especially as it relates to the SAIL RFA. Since the SAIL RFA is not driven by the lottery, the local government contribution requirement does not make it easier or somehow encourage large developers to submit a lot of applications. It does however, provide certain jurisdictions with a mechanism to prevent the development of affordable housing in their communities, which we have experienced in numerous municipalities around the State. There is also not enough time ahead of the SAIL RFA for some jurisdictions to facilitate the process of getting local funding approved necessary to provide the local contribution.

For the 9% RFA's, if FHFC is going to continue to require the minimum local government contribution, we would like to suggest that it only apply to Large Counties and not Small or Medium Counties. We feel that in the Medium County RFA, this policy leads to some counties not being represented at all, while oddly enough, also contributes to 3 counties sometimes representing nearly 50% of the applications.

<u>NEW CAPITAL NEEDS ASSESSMENT POLICY FOR ACQUISITION/REHABILITATION DEVELOPMENTS</u>

1. <u>Clarification on Guidelines</u>

Can FHFC please clarify exactly what design guidelines applicants will be required to be 100% compliant with as it relates to acquisition/rehabilitation development types? Does this extend to Fair Housing guidelines as well for projects built prior to enactment? That criteria will be a primary driver of comments. We would like to suggest that the CNA requirements be limited to ensuring developments provide at least 5% fully accessible units, in addition to an accessible route around the property providing access to all ground floor units and common areas, regardless of feasibility. We encourage FHFC to provide detailed requirements as to what will be required in order to avoid confusion and subjectivity at the time of the CNA.

2. <u>Funding Preference versus Scoring/Threshold</u>

Depending on what exact guidelines FHFC is referring to, consideration should be given to making this a funding preference rather than a scoring or threshold item. This will at least allow developments that can't fully conform to be able to apply in the event there aren't enough fully compliant eligible applications to absorb all of the funding. This treatment would also appear to accomplish FHFC's stated goals with respect to this requirement.

3. <u>Timing on CNA Review</u>

It appears the CNA will not verify if a development could comply 100% until after invitation to credit underwriting. With the inevitable litigation that goes on after the Board approves the ranking, the process to receive funding can sometimes drag on for 6-9 months. It is very hard to maintain site control for preservation developments for these extended periods of time, and it appears that the timing of the new CNA requirement will only lengthen this requirement, and still carry with it the uncertainty that the allocation will be maintained after the CNA review. We would like to encourage FHFC to consider a process where the CNA recommendations can be hashed out much earlier in the process in order to alleviate issues with site control and uncertainty in receiving the allocation based on the report.

4. <u>Third Party Determining Scope of Work</u>

Most applicants/developers will continue to own these projects long after construction completion, and a lot of times for 20 years or longer. As such, certain considerations are made to the scope of work that contemplate challenges an owner may face as they own and manage these properties over the long term. We are a little concerned about a third-party consultant who does not have to live with and manage these projects over an extended period of time determining what sort of rehabilitation we are to provide. We are happy to provide specific examples, but as the long-term owner, we believe we should be able to determine the scope of work and perhaps have the CNA provider review for reasonableness (that scope is not too small….and not too large) and make additional recommendations that could be the basis for discussion points among staff and the underwriters. FHFC, as they have in the past, should require mandatory scope items in the RFA. Long term guaranties are not provided by the underwriters nor CNA providers. As such, developers should be able to sacrifice cash development fees to provide a higher quality asset should they be inclined to do so.

5. Consistency Among Providers

Southport would also like to echo Mr. Hawthorne and Mr. Lieberman's comments made during the FHFC board meeting on Friday, June 16th when they lamented that CNAs are often times subjective and really depend on the construction consultant's experiences and expertise. LIHTC developments on average have 3-4 CNA/PNAs completed during underwriting with the various parties involved. Investor, Lender, FHFC, HUD, etc. All often have different outcomes. We applaud FHFC on their attempt to bring policy and consistency to the way servicers engage, review, and present data. Often times the three have different approved vendors, required forms, and processes.

Thank you for your time and consideration. Please feel free to contact us at any time if you have any questions or need further clarification.

Sincerely,

Brianne Heffner