From: Sam Johnston <Sam@ArbourValley.com>
Sent: Monday, June 18, 2018 1:34 PM
To: Marisa Button <Marisa.Button@floridahousing.org>; Trey Price <Trey.Price@floridahousing.org>
Subject: 2018/2019 RFA Comments - Income Averaging with 4% tax credits and SAIL

Marisa, Trey,

We appreciated the update at the June 14 workshop. It was informative and helpful. However, I was concerned about discussion on income averaging and requiring the repayment of SAIL ELI loans for 4% TC/SAIL developments.

As discussed, delivering affordable housing is getting more difficult due to a confluence of rising interest rates, dampened tax credit pricing and increased construction costs; this issue was recognized and addressed at the May 4 workshop, with FHFC considering an increase in TDC per unit limits and utilizing the 12.5% bump in tax credits to take rising costs into account. However, for 4% TC/SAIL developments, requiring repayment of the ELI loan within a short period effectively nullifies this financial source and cancels out the benefit of a potentially larger mortgage due to income averaging. And it runs counter to FHFC's thinking on May 4.

As understood, FHFC's requirement to repay the ELI loan is based on its mission to protect vulnerable renters, namely residents earning 60% AMI and below. I'm assuming the repayment requirement is meant to dissuade developers from making an income averaging election thereby keeping all units at or below 60% AMI instead of allowing some units to float up to 80% AMI. While I understand the desire to maximize 60% AMI units, this policy comes with a tradeoff: 1. Repaying the ELI loan removes a financial source and weakens the financial viability of developments; 2. Income averaging allows a handful of normally non-qualifying residents (those earning just above 60% AMI) to move into a quality development--these residents are also vulnerable and will lose access to affordable housing without income averaging.

Bottom line – please reconsider the requirement to repay the SAIL ELI loan so that it becomes a long-term financial source for 4% TC/SAIL developments.

Thank you for your considering this comment.

Best regards,

Sam Johnston
Principal
242 Inverness Center Drive
Birmingham, Alabama 35242
T: 205-909-0060
C: 205-266-4583
www.arbourvalley.com