From: Mara Mades <Mara.Mades@CornerstoneGrp.com>
Sent: Monday, July 2, 2018 5:24 PM
To: Marisa Button <Marisa.Button@floridahousing.org>
Subject: Income averaging

Thank you for the opportunity to provide feedback on the FHFC draft proposal for income averaging. Following are my suggestions:

SAIL ELI

The draft FHFC proposal requests that the applicant return the SAIL ELI funds already awarded a project now that the LIHTC program incomes have changed.

As Paula Rhodes noted in the FHFC workshop, we are in a perfect storm right now of (a) vastly reduced equity pricing, (b) vastly increased construction costs, (c) and, interest rates that are 0.50% higher than just a matter of months ago. Consequently, because of this, we have projects that needed more funds (not less) in order to get closed. Which is why the FHFC had its recent 2018 Viability Round, as projects had been unable to close due to the preceding noted changes in the market. To qualify for funds in that round, the project needed to defer at least 50% of fee, even with the Viability gap funds. Therefore, staff is well aware that we have projects that still have huge deferred fees, and desperately need both the SAIL ELI and those Viability funds.

In the workshop, it was noted also that staff assumed that all projects would get the maximum 70%/80% LIHTC rents. This is not the case. Most of us are building in lower income neighborhoods. But, as noted, we need those higher income set asides, as each of the past two decades, we have seen incomes stall out for 5 or so years in each decade. At least with the higher limits, we will have loss to old lease that will be earned out during those income stall periods, when expenses rise and LIHTC incomes do not.

Lastly, bond deals are very challenging to get done. They require significant amounts of gap subsidy. Given the incredible challenges it takes to cobble those funds together, and the limited amount of 9% credit funds each state has, the last thing that we all want to do is make 4% LIHTC/ bond deals harder to get done. We all need to partner together to build as many units of affordable housing as we can. Therefore, given the real numbers of this projects, it does not make sense to penalize a developer effectively for changes in the LIHTC program that the industry had been trying to effect for many years and which, moreover, were desperately needed in a time of reduced equity pricing, and increased interest rates and construction costs.

9% LIHTC Projects

15% of the units set aside for ELI households is very difficult economically, as those units do not cover expenses. And making the assumption, again, that the maximum 70%/80% AMI rents will be obtained to offset the ELI rents, is not feasible in many areas.

It is therefore recommended that 12% of the 9% LIHTC projects' units be set aside for ELI households. And that 10% count as ELI units in the income averaging formula.

Again, thank you for your time and attention. We look forward to working with staff to continue to deliver quality affordable housing communities.

Best Regards,

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