

Florida Housing has received a number of requests from stakeholders over the past year about changing the SAIL leveraging process used in the competitive solicitations. As such, we are entertaining a new concept for the SAIL RFA whereby we will rank the Applications into five (5) groups. That is, the eligible Applications with the 20% lowest SAIL Request amount relative to Total Development Costs will be assigned a Leveraging Level of 1, and then each subsequent 20% grouping will be assigned a sequentially lower leveraging rank (e.g., "2", "3", "4", "5").

In an effort to equalize Development Types that are needed in more urban settings with other lower cost Developments, Florida Housing has historically applied "multipliers" to adjust some Applicants' request amounts for those Development Types that cost more to deliver. Florida Housing is now proposing to create an overall multiplier (Leveraging Factor) from combining factors relative to each Applicant's Development Category, Development Type and concrete construction qualifications. The concept is to use the TDC PU Limitation amount relative to each other and then enhancing them in a manner to not allow one component to dominate the overall leveraging process. The following formula has been created to accomplish this:

$$\text{Leveraging Level Percentage} = \frac{(\text{Eligible SAIL Request} \times \text{Leveraging Factor}) / \text{Total Development Cost, as adjusted}}{\text{Total Set-Aside Percentage}}$$

This calculation has been tested against some of the 2015 RFAs with the results disbursed consistently across the different leveraging levels for both Acquisition/Rehabilitation Developments and new construction Developments, as well as all Development Types, without the need to separate the Applications into two construction types or geographic lists or other structured manipulations that have been used historically.

A worksheet has been made available to provide a template for the user to enter their own data and automatically generate an Applicant's Leveraging Level Percentage. The worksheet can be used to look at the impact of the various input variables. In an effort to facilitate a better understanding of the proposed Leveraging Level Percentage methodology, the formulas in all of the cells can be viewed electronically, and the verbal descriptions of the calculations are provided below.

The Leveraging Level Percentages will be used as a tie-breaker in the funding selection process for RFA 2016-109 SAIL Financing of Affordable Multifamily Housing Developments to be used in conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits. We welcome any comments on this methodology; however, because the SAIL RFA will be issued on September 15, 2016, we ask that any comments on this methodology be submitted to us soon so that we have time to consider them for incorporation into the RFA.

Step #1: Calculate the Development Type Multiplier

The Applicant’s TDC PU Limitation amount (provided in the chart below, without the standard footnotes) must first be divided into \$159,100, which is the lowest available TDC PU Limitation amount on the chart. For the purpose of leveraging, it is assumed that all units of the proposed Development match the Applicant’s Development Category, even if they are not the same.

Total Development Cost Per Unit Base Limitations

Measure	New Construction Units					Rehabilitation Units	
	Garden Wood	Garden Concrete	Mid-Rise-Wood	Mid-Rise-Concrete	High-Rise	Garden	Non-Garden
Maximum TDC Per Unit Limitation for all counties except Broward and Miami-Dade Counties	\$188,300	\$225,400	\$225,400	\$248,000	\$300,800	\$159,100	\$222,100
Maximum TDC Per Unit Limitation for Broward and Miami-Dade Counties	\$197,300	\$236,200	\$236,200	\$259,800	\$315,200	\$166,600	\$232,700
Applicable TDC Add-On (to be added to the Maximum TDC Per Unit Limitation)							
TDC Add-On for Applicants that have a PHA as a Principal				\$5,000 of additional per unit costs will be added to the above Maximum TDC Per Unit Limitation			

The result of this calculation is the Development Type Multiplier, which is represented in the charts below:

Development Type Multiplier (without the TDC Add-On for Applicants that have a PHA as a Principal)

Measure	New Construction Units					Rehabilitation Units	
	Garden Wood	Garden Concrete	Mid-Rise-Wood	Mid-Rise-Concrete	High-Rise	Garden	Non-Garden
Dev. Type Multiplier for all counties except Broward and Miami-Dade Counties	0.8449	0.7059	0.7059	0.6415	0.5289	1.0000	0.7163
Dev. Type Multiplier for Broward and Miami-Dade Counties	0.8064	0.6736	0.6736	0.6124	0.5048	0.9550	0.6837

Development Type Multiplier (with the TDC Add-On for Applicants that have a PHA as a Principal)

Measure	New Construction Units					Rehabilitation Units	
	Garden Wood	Garden Concrete	Mid-Rise-Wood	Mid-Rise-Concrete	High-Rise	Garden	Non-Garden
Dev. Type Multiplier for all counties except Broward and Miami-Dade Counties	0.8231	0.6905	0.6905	0.6289	0.5203	0.9695	0.7006
Dev. Type Multiplier for Broward and Miami-Dade Counties	0.7865	0.6596	0.6596	0.6008	0.4969	0.9272	0.6693

For example, Applicant A does not have a PHA as a Principal and proposes to deliver a new construction, mid-rise Development qualifying as concrete construction in Miami-Dade County,

with 94% of the units being set-aside as affordable The Applicant has requested a SAIL amount of \$5,500,000 with a Total Development Cost of \$22,000,000.

The Development Type Multiplier in this example would be calculated by dividing \$159,100 by \$259,800 (the TDC PU Limitation for a Mid-Rise Concrete Development in Miami-Dade County, without the TDC Add-On for Applicants that have a PHA as a Principal), yielding a Development-Type Multiplier of 0.6124 (rounded here for illustrative purposes, but no rounding would take place in the actual calculation at this step).

$$\text{Development Type Multiplier} = \$159,100 / \text{The Applicant's TDC PU Limitation amount}$$

Step #2: Calculate the Leveraging Factor

The Development Type Multiplier by itself is an equalizing factor that could be used for leveraging, but it does not create a consistent distribution across all leveraging levels as intended, leaving the potential for higher cost Developments having a slight advantage.

The Development-Type Impact Ratios were created to account for this, and are provided in the table below.

Development-Type Impact Ratios

Development Type	Impact Ratio
NC Garden-Wood	150%
NC Garden-Concrete	125%
NC Mid-Rise-Wood	125%
NC Mid-Rise-Concrete	110%
NC High-Rise	110%
Garden - Rehab	200%
Non-Garden - Rehab	125%

The goal is to structure the Development-Type Impact Ratios so the adjustment for the higher cost Developments is lessened relative to the lower cost Developments. The Development-Type Impact Ratios incorporate a range from a 110% factor for the higher cost Developments and increasing in steps up to a maximum of 200% for the lowest cost Developments.

By subtracting the Development's applicable Development Type Multiplier (as calculated in Step #1) from one (1), the benefit earned by the Applicant's Development Type relative to the base Development Type is captured. This result must then be multiplied by the applicable Development Type Impact Ratio in the chart above. The result of this is also subtracted from one (1) to yield the Leveraging Factor.

The result of this calculation (the Leveraging Factor) is represented in the chart below:

Leveraging Factor Chart (without the TDC Add-On for Applicants that have a PHA as a Principal)

Measure	New Construction Developments					Rehabilitation Developments	
	Garden Wood*	Garden Concrete*	Mid-Rise-Wood*	Mid-Rise-Concrete*	High-Rise*	Garden*	Non-Garden*
Leveraging Factor for all counties except Broward and Miami-Dade Counties	0.767	0.632	0.632	0.606	0.482	1.000	0.645
Leveraging Factor for Broward and Miami-Dade Counties	0.710	0.592	0.592	0.574	0.455	0.910	0.605

Leveraging Factor Chart (with the TDC Add-On for Applicants that have a PHA as a Principal)

Measure	New Construction Developments					Rehabilitation Developments	
	Garden Wood*	Garden Concrete*	Mid-Rise-Wood*	Mid-Rise-Concrete*	High-Rise*	Garden*	Non-Garden*
Leveraging Factor for all counties except Broward and Miami-Dade Counties	0.735	0.613	0.613	0.592	0.472	0.939	0.626
Leveraging Factor for Broward and Miami-Dade Counties	0.680	0.575	0.575	0.561	0.447	0.854	0.587

* Garden includes all Development Types other than Mid-Rise and High-Rise; Non-Garden includes Development Types of Mid-Rise with Elevator (4 stories, 5 stories, or 6 stories) and High-Rise (7 or more stories); Mid-Rise includes Development Types of Mid-Rise with Elevator (4 stories, 5 stories, or 6 stories); and High-Rise includes Development Type of High Rise (7 or more stories). The classification of Wood or Concrete, where applicable, is determined by the response to question 5.c.(3) whereby a response of “Yes” qualifies as Concrete and any other response qualifies as Wood.

Continuing with the example for Applicant A, this would mean the following:

Subtract the Development Type Multiplier from one (1) and multiply that result by the applicable Development-Type Impact Ratio (e.g., $1.10 \times (1 - 0.6124) = 42.64\%$). The result of this is also subtracted from one (1) and rounded to three (3) digits, creating a Leveraging Factor of 0.574 (e.g., $1 - 0.4264$).

Leveraging Factor = $(1 - \text{Development Type Impact Ratio} \times (1 - \text{Development Type Multiplier}))$

Step #3: Calculate the Leveraging Level Percentage

The Leveraging Factor must then be multiplied by the Applicant’s Eligible SAIL Request Amount (exclusive of any SAIL ELI Loan funding), yielding an equalized request amount. This amount is then divided by the Applicant’s Total Development Costs (TDC) (as adjusted in scoring, if applicable), yielding a SAIL request amount relative to TDC. In order to encourage the highest Total Set-Aside Percentage, the SAIL request amount relative to TDC is divided by the Total Set-Aside Percentage. The result is the Applicant’s Leveraging Percentage which is then compared to all other eligible Applicants and sorted out into quintiles.

Continuing with the example for Applicant A, this would mean the following:

Multiply the SAIL request amount of \$5,500,000 by the Leveraging Factor of 0.574, then divide that result by the Total Development Cost of \$22,000,000, and finally dividing that amount by the Total Set-Aside Percentage of 94%, creating a SAIL leveraging amount of 15.27% (e.g., $\$5,500,000 \times 0.574 / \$22,000,000 / 0.94$), rounded to the nearest hundredth. This applicant would compare its 15.27% leveraging amount to the other eligible applicants and depending on its ranked placement, it would be assigned a leveraging level of 1 (for the best) to 5 (for the worst) and sorted from lowest to highest.

$$\text{Leveraging Level Percentage} = \frac{\text{Eligible SAIL Request} \times \text{Leveraging Factor}}{\text{Total Development Cost, as adjusted Total Set-Aside Percentage}}$$