

Construction Housing Inflation Response Program (CHIRP)

Board of Directors Meeting
April 29, 2022

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2017-2021

RFAs by the Numbers



History of Viability Funding

2017

- Changing market conditions resulted in significant reduction in equity from the LIHTC.
- In response, the Board authorized the use of \$20 million in Corporation funding for a competitive gap funding loan program
- Through RFA 2017-109, staff awarded **\$6,527,827** in loan funding to help fill funding gaps in **7** developments, resulting in **721** units made viable.

History of Viability Funding

2018

- Following Hurricane Irma, there was a continuation of the reduction in equity from the LIHTC, which was exacerbated by increased construction costs
- In response, staff used the allocation remaining from RFA 2017-109, and issued a new viability RFA.
- Through RFA 2018-109, staff awarded **\$14,106,880** in loan funding to help fill funding gaps in **11** developments, resulting in **1201** units made viable.

History of Viability Funding

2021

- Various material supply chains and labor forces experienced prolonged shortages creating stress in the supply and demand equilibrium nationwide, exacerbated by the COVID-19 pandemic.
- Uncertainty about future prices that construction contracts escalated at such a pace that finalizing general contractor construction contracts and pricing increased at a greater pace than expected at the time certain Request for Applications (RFAs) were issued.
- In response, the Board authorized the use of \$20 million in in Corporation funding for use in a competitive gap funding loan program
- As a result of RFA 2021-211, staff awarded **\$9,213,000** in loan funding to help fill funding gaps for **5** developments, resulting in **380** units made viable.

Note: The Board authorized staff to utilize the remaining \$10M in RFA 2021-211 (Viability Loan Funding) to fund remaining Self-Sourced Applications in RFA 2021-205 (SAIL Financing of Affordable Multifamily Housing Developments to be Used in Conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits).

Current Trends and Conditions

- The federal inflation rate has increased in recent months at an unprecedented pace, causing an increase in construction costs outside of Applicants' control.
- This is resulting in higher construction expenses for projects in the development pipeline.

Current Trends and Conditions

Rising Costs in material and labor lead to:

- Longer construction timelines
- Higher insurance costs
- Higher operating expenses for projects in the Development pipeline
- Difficulties in finalizing general contractor construction contracts

Current Development Pipeline

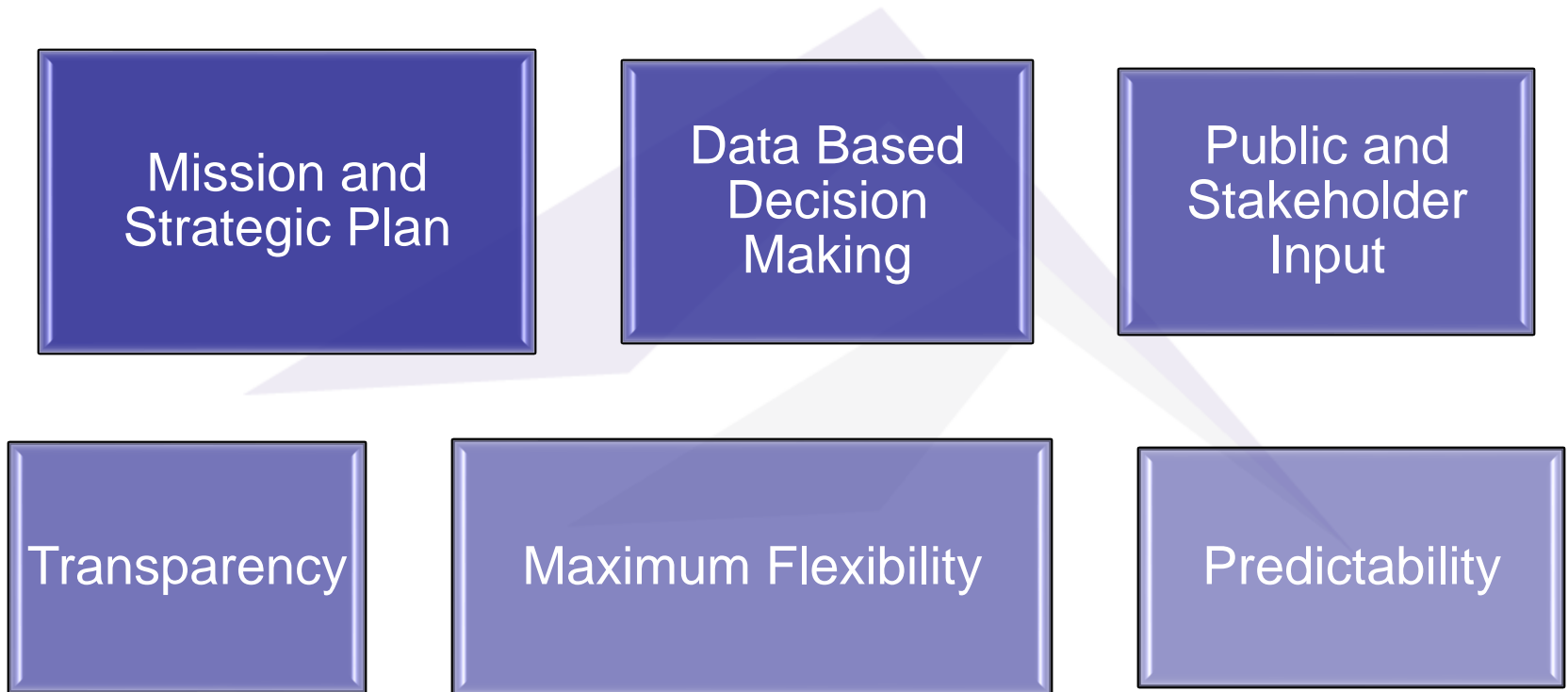
- Staff has identified **109*** developments in the Development pipeline awarded prior to the 2021-2022 RFA funding cycle (excluding HOME and CDBG-DR awards & 2021 awards not yet invited to underwriting) that have not closed on financing and have not recorded a notice of commencement.
- Some of these Developments were awarded funding in RFAs not included in this ITP. Staff is not recommending inclusion of those RFAs because the applicable Developments have not demonstrated that they can meet the timing criteria for the program.

Statutory Authority

Chapter 420, Part V, Florida Statutes

- Governs Florida Housing Finance Corporation (FHFC);
- Designates authority for FHFC to allocate Low Income Housing Tax Credits, and to develop and Administer the SAIL program, as well as other federal appropriations; and
- Provides rulemaking authority for all programs.

Guiding Principles



Qualified Allocation Plan (QAP)

- Required by Section 42 of the IRC;
- Outlines how Housing Credit resources are allocated
- Designates the use of 9% competitive Housing Credits for development categories and geographic and demographic aside distributions; and
- Allows for FHFC to issue and allocate competitive Housing Credits through competitive solicitation processes pursuant to Rule Chapter 67-60, F.A.C.

Qualified Allocation Plan (QAP)

The draft 2022 QAP submitted for Board approval contains the following new language:

In the event of an unprecedented increase in the federal inflation rate, causing volatility in construction pricing which results in significant increases in Development Construction cost outside of the Applicant's control, a portion of the current year or a future year Housing Credit Allocation Competitive Authority may be allocated to be used to fill funding gaps in Developments currently under construction. The process for allocating the current year Housing Credits and/or awarding Housing Credits from a future Allocation Authority for this purpose is not required to be competitive and will be approved by the Board of directors.

- Much like the current authority given to the Board when a natural disaster is declared by the state or federal government, this would give the Board authority to designate current year or future year 9% Housing Credits to Developments facing funding gaps as a result of increases in inflation and construction costs outside of the Applicant's control.
- Once approved by the Board, the 2022 QAP will then be submitted to the Governor for approval.

RFA 2022-211 Construction Housing Inflation Response Program (CHIRP)

- Through previous Viability RFAs, the Corporation has provided gap financing to 23 developments, resulting in more than 2,300 units made viable.
- There are 59 Developments that were funded under the RFAs listed for this ITP that have either not closed on financing or recorded a notice of commencement.*

CHIRP Funding Criteria

Criteria being considered by staff is as follows:

- A verifiable financing gap must exist with a deferred Developer Fee of at least 30 percent;
- Must apply for permitting no later than 60 days after Application submission
- The Limited Partnership Agreement, Tax-Exempt Bond financing, or any other Corporation funding (excluding PLP and EHCL funding) has not closed, but must be able to close no later than January 31, 2023;
- The Notice of Commencement with the appropriate local jurisdiction has not been recorded as of April 29, 2022;
- The Credit Underwriting Report will be completed or updated (as applicable) prior to October 31, 2022;
- The Original Application did not qualify as a Self-Sourced Application funded in RFAs 2019-116, 2020-205, or 2021-205;
- The Active Award has not been returned to the Corporation;
- The original award did not include CDBG-DR or HOME funding; and
- The Applicant was awarded in one of the following RFAs:

RFAs Eligible for Funding in this ITP

RFAs identified as having Developments that have not closed on financing or recorded a Notice of Commencement with their local jurisdiction:

- ❖ RFA 2019-116 SAIL Financing of Affordable Multifamily Housing Developments to be Used in Conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits
- ❖ RFA 2020-201 Housing Credit Financing For Affordable Housing Developments Located In Medium And Small Counties
- ❖ RFA 2020-202 Credit Financing for Affordable Housing Developments Located in Broward, Duval, Hillsborough, Orange, Palm Beach and Pinellas Counties
- ❖ RFA 2020-203 Housing Credit Financing for Affordable Housing Developments Located in Miami-Dade County
- ❖ RFA 2020-204 Housing Credit Financing for the Preservation of Existing Affordable Multifamily Housing Developments
- ❖ RFA 2020-205 SAIL Financing of Affordable Multifamily Housing Developments to be Used in Conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits
- ❖ RFA 2020-208 SAIL and Housing Credit Financing for the Construction of Workforce Housing
- ❖ RFA 2021-102 SAIL Financing for Smaller Permanent Supportive Housing Developments for Persons with Special Needs
- ❖ RFA 2021-103 Housing Credit and SAIL Financing to Develop Housing for Homeless Persons
- ❖ RFA 2021-106 Financing to Develop Housing for Persons with Disabling Conditions/ Developmental Disabilities
- ❖ RFA 2021-108 Financing For The Development Of Housing For Persons With Developmental Disabilities

RFAs Eligible for Funding in this ITP

RFAs identified as having Developments that have not closed on financing or recorded a Notice of Commencement with their local jurisdiction:

- ❖ RFA 2021-208 SAIL and Housing Credit Financing for the Construction of Workforce Housing
- ❖ RFA 2021-211 & 2018-109 Viability Loan Funding**
- ❖ RFA 2021-201 Housing Credit Financing for Affordable Housing Developments Located in Medium and Small Counties
- ❖ RFA 2021-202 Housing Credit Financing for Affordable Housing Developments Located in Broward, Duval, Hillsborough, Orange, Palm Beach and Pinellas Counties
- ❖ RFA 2021-203 Housing Credit Financing for Affordable Housing Developments Located in Miami-Dade County
- ❖ RFA 2021-205 SAIL Financing of Affordable Multifamily Housing Developments to be Used in Conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits
- ❖ 2019 RFAs, or other 2020 RFAs not listed but still meet all other criteria including timing requirements*

***Developments originally funded under CDBG-DR or HOME RFAs are not eligible for the CHIRP program

NHTF Funding

- May be requested by any Applicant
- New Construction only
- HUD Regulations must be met (e.g., environmental requirements)
- If NHTF requirements cannot be met, funding awarded will be re-calculated using HOME-ARP
- Per unit request amount limitations
- May deem up to 10 units as NHTF Units
- Up to half of the NHTF Units may be units that are currently ELI Units
- 22% - 30% AMI;
- After 30 years, all NHTF Units convert to serve residents at unit's original AMI
- All NHTF Units must be set aside as LINK units for Persons with Special Needs for 50 years
- NHTF Units can be Project Based Rental Assistance (PBRA) Units if the units are not also designated as ELI Set Aside Units

HOME-ARP Funding

- May be requested by any Applicant
- New Construction only
- Per unit request amount limitations
- May deem up to 10 units as HOME-ARP units
- All HOME-ARP Units must be set aside as Link units for Persons with Special Needs for 50 years;
- All HOME-ARP Units will be committed to serving at least one of the Qualifying Populations:
 - Homeless;
 - At risk of Homelessness;
 - Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, as defined by HUD, or
 - Other populations providing supportive services or assistance under section 212(a) of NAHA (42 U.S.C. 12742(a))
- After 30 years, all of the HOME-ARP Units may convert to serve residents at or below the unit's original AMI;
- Low-HOME Rents utilized
- HOME-ARP Units can be Project Based Rental Assistance (PBRA) Units if the units are not also designated as ELI Set Aside Units

9% Housing Credits

Eligible Applicants are those that did not request NHTF or HOME-ARP, and the Active Award was in a Competitive HC-only RFA.

*If the Active Award receive funding in RFA 2021-211, the Viability Loan Funding must be returned to the Corporation.

Program Income Loan

Eligible Applicants are those that did not request NHTF or HOME-ARP, and the Active Award was not in a Competitive HC-only RFA.

*If the Active Award received funding in RFA 2021-211, the Viability Loan Funding must be returned to the Corporation.

Consequences For Additional CHIRP Funding

- If requesting NHTF or HOME-ARP:
 - No future limitations
- If requesting Competitive HC or Program Income Loan:
 - ❑ return a recent competitive award, the amount of which can be use for up to 3 Developments in this program, or
 - ❑ limit on future priority I application submissions in the 2022/2023 funding cycle*

Timeline for CHIRP Program

- Open May 5 to July 5
- In order to maintain funding, Developments must be able to complete credit underwriting by October 31, 2022.
- The Limited Partnership Agreement, Tax-Exempt Bond financing, and any other Corporation funding, as applicable, but must be able to close by the earlier of the existing closing deadlines for the Active Award or January 31, 2023 (without rule extensions);

2022/2023 Funding Amounts and Timeline

- Staff will delay the start of the 2022/2023 funding cycle.
- Housing Credit RFAs will still have an Application Deadline prior to the end of 2022.
- Staff expects to present the 2022/2023 funding timeline to the Board for approval in August.

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Questions?

227 North Bronough Street, Suite 5000
Tallahassee, Florida 32301
850.488.4197 • 850.488.9809 Fax

www.floridahousing.org