2024-2025 RFA Cycle Leveraging Multipliers

Florida Housing is reviewing the leveraging multipliers used in its RFA processes to better align with more current sets of data. This was last completed three years ago. Currently, Florida Housing is recommending the following changes of the Leveraging Multipliers for the 2024-2025 RFA cycle:

RFA Cycle	2023-2024	2024-2025	2023-2024	2024-2025
Leveraging Method	A/B	A/B	Quintiles	Quintiles
4% Basis Boost	NA	NA	115%	111%
Broward	88%	88%	88%	88%
PHA/Davis-Bacon	93%	97%	93%	87%
NC Garden	92%	100%	92%	89%
NC Mid-Rise	85%	97%	85%	88%
NC High-Rise	82%	95%	82%	87%
NC Other	100%	100%	100%	100%
ESSC	87%	93%	87%	96%

This write-up is not intended to provide details of how leveraging works in the RFAs, but to have a discussion as to what Florida Housing has done to review and recommend changes to the multipliers for the next RFA cycle. The intended audience of this discussion are those who are actively involved in the process. Florida Housing welcomes public feedback.

The associated Excel notebook reflects Florida Housing's current consideration for updating the leveraging multipliers with explanation and instruction below. The workbook is a data-driven model.

Florida Housing primarily uses two different leveraging methods across its various selection processes. The first is referred to as A/B Leveraging where the top 80% of the applications within a qualifying selection are classified as Group A while the remaining applications in that selection are classified as Group B. In selection ranking, Group A is ranked higher than Group B. The second is referred to as Quintiles where the top 10% of the applications within a qualifying selection are assigned Leveraging Level 1 with each of the next three 20% rankings being classified as Leveraging Levels 2-4, respectively, while the remaining 30% are classified Leveraging Level 5. In selection ranking, the Leveraging Levels are ranked lowest to highest with Leveraging Level 1 ranked as the best.

In evaluating the effectiveness of leveraging multipliers, the applications are grouped in "slices" that have a common characteristic or a group of common characteristics and the average of that slice is compared to the averages of other slices that have different, but related characteristics. For instance, all applications that indicate their Development Type is Garden Apartments are grouped together and its average Leveraging Classification is compared to other Development Types that are not Garden Apartments (i.e., Mid-Rise or High-Rise Apartments). In this example there are three Development Types, and the goal would be to have each Development Type have an average of 80% qualifying as Group A. For the Quintile leveraging process, the goal would be that each Development Type have an average Leveraging Level of 3.4 (10% x 1 + 20% x 2 + 20% x 3 + 20% x 4 + 30% x 5).

For A/B Leveraging, to the extent any appropriate slice has an average below 80%, it would be disadvantaged to a degree. If any appropriate slice has an average above 80%, it would be advantaged to a degree. For Quintile Leveraging, if any appropriate slice has an average greater than 3.4, it would be disadvantaged, and any slice with an average that is less than 3.4 would be advantaged.

To evaluate a given set of leveraging multipliers, you would look at multiple ways to offer up various similar slices of related applications across multiple criteria within recent RFAs and see how existing or newly proposed leveraging multipliers would reach or at least be as close as possible to the above referenced goals. The idea would be to propose new leveraging multipliers that are closer to the goal than is currently achieved. However, the idea is not to simply reach a set of mathematical variables that achieve these goals, but they would need to provide some real-world expectations. For instance, garden apartments should cost less than mid-rise apartments which, in turn, should cost less than high-rise apartments. Another example would include apartments constructed within the ESS guidelines which should cost more than those that do not. The proposed multipliers should reflect these expectations.

Florida Housing has posted an Excel Workbook that includes application data from three A/B Leveraging RFAs and two Quintile Leveraging RFAs. The data in this workbook incorporate a set of leveraging multipliers (one set for the A/B Leveraging RFAs and another set for the Quintile Leveraging RFAs) that are applied to the RFA data. There are formulas that determine either the % of applications that are classified as Group A or the average Quintile of any of the given slices of data, as applicable. To the extent the difference between the goal and the averages using the proposed leveraging multipliers is less than the difference between the goal and the averages using the original leveraging multipliers, then that is an improvement.

Workbook Details

There are two primary sections in the Summary tab where one section is for the A/B Leveraging data evaluation and the other is for the Quintile Leveraging data evaluation. Within each of these sections, there is a section that indicates a set of summary data using the original leveraging multipliers and another section for a set of summary data using a proposed modified set of leveraging multipliers.

There are two overall questions posted in the workbook in column A near the top. One asks if the user wants to use the original set of leveraging multipliers or if the user wants to use a modified set of multipliers. The default response here is a “1” (to use a modified set of multipliers). The second question gets elaborate in that it asks if the user wants to use the two unique sets of modified leveraging multipliers in the two analyses or use one of these two sets in both analyses. Florida Housing is proposing to use two distinct sets of multipliers for the two methods, but the user can see what happens if you use just one set of multipliers for both methods. The default response here is a “0” (to use unique leveraging multipliers sets for each method).

The modified multipliers are in a table near the top in column G for A/B and column Y for Quintile. The user can change these variables to test their own curiosity. There are three methods to evaluate the effectiveness any given set of modified multipliers. The first is to review the color-coded modified section which is a visually aided process. The A/B modified section is in cells K23:R65 and the Quintile modified section is in cells AB23:AG65. (Rows 67:74 are there for observation and not part of the analysis.) The color-coded process is defined by variables in a table in cells N4:P17. The second method is to visually inspect the modified results (numbers) and compare to the original results. Both methods are more subjective than objective. The third method is to observe the Improvement Score in either cell F2 or X2. The lower (more negative) the Improvement Score becomes, the higher level of improvement the modified multipliers are than the original multipliers. The Florida Housing proposed modified multipliers are in columns K and AC, including the resulting Improvement Score.

In addition, the original analysis sections have some color coding itself. Based on the background color and the font color (key in rows 18:22), the color will indicate whether the average is advantaged (in green font) or disadvantaged (in red font) as well as how far from the goal it is. A blue background is the furthest from the goal while the purple background is closer but still needs to be highlighted. The measure of being away from the goal qualifies by being either higher or lower than the goal by the designated amount.

Even though the worksheet tabs are protected, the user can inspect the data and the formulas in each of the tabs. In the Summary tab, the user can change any variable that is in a cell with blue font and a light-yellow background. The data extracted from the applications for each of the five RFAs is found in their respective tab in cells A1:VK72 (some RFAs do not have all rows filled due to having a different number of applications) with the remaining columns and cells reserved for formulas.

If there are any questions or comments, please contact Kevin Tatreau at Kevin.Tatreau@floridahousing.org or by calling the office. Kevin's direct number is 850.312.7867. Please provide any comments or suggestions prior to Wednesday May 22nd.