Housing Finance Authority of Leon County

June 7, 2019

Mr. Trey Price
Executive Director
Florida Housing Finance Corporation
227 North Bronough, Suite 5000
Tallahassee, Florida 32301

Re: Comments on Proposed Leon County Limited Development Areas

Dear Mr. Price:

I am writing in my capacity as Administrator of the HFA of Leon County. On behalf of the HFA, I am requesting that the LDA proposed by FHFC be altered to remove Leon County from an LDA designation. While there may be one or two developments with occupancy issues, they are not related to the overall market in Leon County. There is no underlying evidence of any countywide market problem, and the need and demand for new affordable units in Leon County is high.

When analyzing the Leon County aggregate data posted on the FHFC website, it appears that all units in a development are being analyzed—including market rate and other units with rents and AMI levels above 60%. This significantly skews the data, **understating the high occupancy level for affordable units in Leon County**.

In three developments alone, there are 582 units that have rent and AMI levels above 60%/affordable housing level. The occupancy of these units is only 85.9%, and the purely market rate units have an occupancy of only 75.0%.

FHFC staff has been very helpful in providing reports to FHFC from monitoring agents for the properties, and certain conclusions can be made—conclusions that should lead FHFC to a different determination for Leon County.

However, the problems with the current LDA analysis can be summarized:

1. Property designated as "red" because data included lease-up period—when property is now fully leased, 100% occupied, and should be included in analysis with current occupancy data.

2. Poorly managed properties should (if not already) be excluded from analysis.

3. Projects which include low-occupancy market rate units, are being over-weighted in analysis and are inaccurately being viewed as "problem" developments even though the affordable units have occupancy well above 90%. Market rate and workforce units

should be excluded from any weighted averaging and from the occupancy analysis in total.

The following is a project-by-project analysis of all properties that are designated “red” or “yellow” in the FHFC system.

1. Casanas Village—448 West Georgia Street—100% Occupied After Lease-Up Period

The period for which data was gathered included the lease-up period. This artificially lowered the average occupancy for the development. After the lease-up period, the development is now 100% occupied. Units becoming vacant have been pre-leased to new tenants.

FHFC should alter its analysis to include the occupancy of this development as fully leased. Casanas Village should be a “green” not a “red” property. The high occupancy level is consistent with the other developments in Frenchtown-Griffin Heights, including the Goodbread Hills and Griffin Heights “green” developments.

2. Hickory Hill—2315 Jackson Bluff Road—Management Issues

This development has had wildly erratic occupancy, that reflects severe management issues, not market problems. Any tax credit development with occupancy in the 60% range has problems that are not market driven. This development is owned and managed by Creative Choice, a developer with a history of issues with FHFC. **This development should be totally excluded from the LDA analysis**.

3. Augustine Club (The Greens at Old St. Augustine)—2001 Old St. Augustine Road—Market Rate Units Dragging Overall Occupancy Down

The latest FHFC Report (March 2019) shows

- 50% AMI units: 42 of 45 affordable units (93.3%) are occupied. With smaller data sampling, the 3 or 4 units that may become vacant each month represent the difference between 93% and 100% occupancy.
- 80% AMI units: 121 of 134 workforce units (90.3%) are occupied.
- Market Rate units: Only 31 of 42 market rate units (73.8%) are occupied.

Therefore, despite the fact that there is no market issue for affordable and even workforce units at this development, the overall occupancy is dragged down to 87.4% solely because of the market rate units. There is no market issue for Augustine Club related to its affordable units. **FHFC should alter its analysis to include only the forty-two affordable units in this development and exclude the units with income and rent restrictions above 60% AMI.**

4. **<u>Cypress Pointe (Live Oaks at Killearn)—1555 Delaney Drive—Market Rate Units Over-Weighting Development in Analysis</u>**

The latest FHFC Report (March 2019) shows

- 50% AMI units: 66 of 77 affordable units (85.7%) are occupied.
- 80% AMI units: 176 of 198 workforce units (88.9%) are occupied.
- Market Rate units: Only 58 of 76 market rate units (76.3%) are occupied.

From the numbers, one would surmise that there is some management or property-specific issue with this massive (over 350 unit) old bond financing. The nearby Plantations at Killearn has 98% occupancy with its affordable units. **FHFC should either exclude this development entirely from the LDA analysis or alter its analysis to include only the seventy-seven affordable units in this development and exclude the units with income and rent restrictions above 60% AMI.**

5. **<u>Sienna Square—1747 Capital Circle NE—Management Issues</u>**

The historical occupancy of Sienna Square is puzzling. From January to April 2018, occupancy was 95% to 98%. In a two-month period in 2018, occupancy dropped to less than 80%, and stayed there throughout 2018. The latest (April 2019) FHFC report shows occupancy at 87%.

Developments do not have a 20% drop in occupancy in two months due to market conditions. There was clearly some management specific issue at play for this development, which is now slowly moving back to the occupancy levels it experienced only 1.5 years ago. **FHFC should exclude this development from its LDA analysis.**

6. **<u>Plantations at Killearn—2305 Killearn Center Boulevard—Market Rate Units Dragging Overall Occupancy Down</u>**

The latest FHFC Report (March 2019) shows

- 50% AMI units: 50 of 51 affordable units (98.0%) are occupied.
- 80% AMI units: 87 of 94 workforce units (92.6%) are occupied.
- Market Rate units: Only 28 of 38 market rate units (73.7%) are occupied.

Therefore, despite the fact that there is no market issue for affordable and even workforce units at this development, the overall occupancy is dragged down to 89.7% solely because of the market rate units. There is no market issue for Plantations at Killearn related to its affordable units. **FHFC should alter its analysis to include only the fifty-one affordable units in this development and exclude the units with income and rent restrictions above 60% AMI.**

7. **<u>Kenwood Place—410 Junco Court—Consistently Good-Excellent Occupancy</u>**

Kenwood Place is a predominantly elderly development near the intersection of West Tennessee Street and Capital Circle NW. The property is not an ideal location for elderly residents and has no visibility from the main streets. Despite that, the development has consistently had occupancy levels above 90%, and is currently fully occupied.

On behalf of the HFA of Leon County, I am requesting that consideration be given to this request prior to the upcoming SAIL and/or Housing Credit RFA's.. The proposed LDA status for Leon County is not supported by the underlying data, and there is no market problem for new affordable housing. Please withdraw the proposed LDA designation for Leon County.

Sincerely,

Mark Hendrickson
Administrator
HFA of Leon County

cc: Laura Cox
Marisa Button