Competitive Requests for Applications Process
Limited Development Areas Methodology

Florida Housing Finance Corporation (Florida Housing) manages its affordable housing rental portfolio through an asset management strategy that considers, among other factors, the viability of each proposed development, the condition of the market in which each property is or will be located, the demographic targeting of each development and the effect each proposed development would have on existing affordable units in Florida Housing's entire portfolio. Through an ongoing asset management process, Florida Housing staff identifies areas of the state where physical occupancy rates for rental developments funded through Florida Housing have declined or such developments have been unable to stabilize over time.

In 2023, Florida's multifamily affordable rental housing market saw steady growth driven by continued rising demand for affordable housing options. Factors like population growth, job opportunities, interest rates, the state of the single-family housing market, supply in the multifamily sector and shifting demographics influenced by market dynamics. While the unemployment rate provides a broad view of economic health, job growth and net in-migration to Florida bolstered demand for multifamily apartments. Multifamily supply and demand typically have a one to two-year lag between starts and completions. Markets where starts outpace increases in demand are at risk of downward pressure on rents because of over-supply. Similarly, shifting demographics can create an over-supply of rental housing in a specific area. As market conditions and demographics change, tenuous rental income and increases in operating costs may expose marginally viable properties to increased financial risks. Fortunately, Florida's affordable multifamily market has maintained healthy performance in recent years with the state still enjoying growth in the job markets and net in-migration. The implementation of the Live Local Act is expected to further stimulate job creation and economic growth through local hiring and contracting, revitalizing communities. Analysts forecast apartment occupancy remaining at solid levels this year, with demand outpacing forecasted new inventory.

At the end of 2022, the statewide occupancy rate for Florida Housing's portfolio was 97 percent; by the end of 2023, the occupancy rate had dropped slightly to 96.63 percent. This does not measure the "economic" occupancy rate, which may include rent specials to encourage people to rent units at a property in exchange for lower rent payments, a move-in special or another perk. Typically, economic occupancy is at least somewhat lower than physical occupancy. Some counties have overall lower occupancy rates than the state, and other counties make up for that with higher rates. Similarly, occupancy rates may be different for certain demographic categories over time.

In an effort to ensure that the state is not funding new rental developments near vulnerable, existing, affordable developments, Florida Housing developed a process for identifying these areas, minimizing the construction of new, affordable housing units in these areas, and ensuring that funding is targeted towards markets having an unmet demand for affordable units. Ideally, this helps developments with low physical occupancy achieve higher occupancy rates, stabilize operating incomes, garner higher Low Income Housing Tax Credit investor interest, and ultimately ensure that affordable housing program loans are repaid in a timely manner and can be used to finance more units.

Process for Developing Limited Development Areas[i]

As Florida Housing evaluated occupancy data in this process, the following physical occupancy rate divisions were used to focus on properties and areas of concern:

- Less than 90 percent occupancy, indicating a development whose financial operations are typically not self-sustaining, and is thus reliant on sources other than project revenues;
- Between 90 and 93 percent occupancy, typically indicating financial operations approaching break-even; and
- 93 percent and above, typically indicating healthy occupancy and financial operations.

Occupancy rates for the most recent analysis are based on an average from July 2023 through December 2023; and all averages for areas including multiple developments are based on the number of units, not the average occupancy rate for each specific development. The data includes physical occupancy rates for properties in Florida Housing's portfolio, the additional number of units that have been awarded financing but are not yet built or fully leased (referred to as pipeline properties), and the demographic targeting of each development.

[ii] Florida Housing does not designate certain areas as being acceptable or unacceptable for underwriting determinations. Locational factors are fundamental to property appraising, market analysis and prudent underwriting. By publishing Limited Development Areas, Florida Housing is providing applicants a realistic perception of market risk in a given location. In other words, Florida Housing does not "redline." Redlining can occur when perceived property risks are based on improper locational factors (such as the arbitrary imposition of unfavorable loan terms based on geographic area) or when the perceptions of risk are derived from factors that do not predict risk, either reliably or not at all. An example of a factor that is not predictive of risk is race, and racial redlining is illegal under federal law. Other factors that serve as a proxy for race are equally impermissible. None of Florida Housing's Limited Development Areas are intended to foster redlining. If any provision is interpreted to do so, it has been misunderstood.