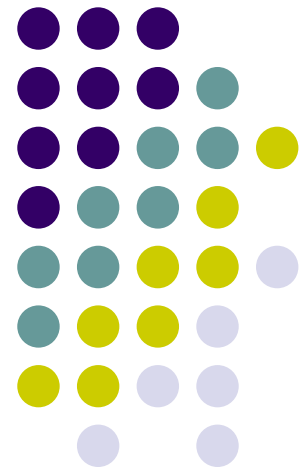


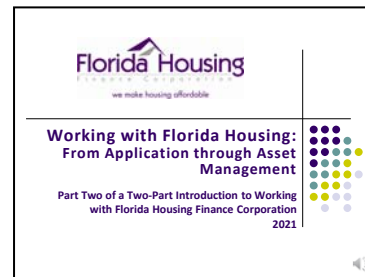


Working with Florida Housing: From Application through Asset Management

TRANSCRIPT

Part Two of a Two-Part Introduction to Working
with Florida Housing Finance Corporation
2021





Welcome to this orientation on working with Florida Housing Finance Corporation to develop affordable rental housing.

My name is Nancy Muller. I'm going to be taking you through this training.

This is Part 2 of a 2-part training focused on what to expect in working with Florida Housing through the application process and what happens once you get a funding award. Part 1 is focused on Permanent Supportive Housing – what it is, and a very broad overview of the development process.

If you haven't yet listened to Part 1, you can still listen to this presentation, but there is some information on the development process in Part 1 that might be useful when you are coming into this presentation. This presentation will last about 45 minutes. You can stop and start the presentation as needed.

Want to know more about developing Permanent Supportive Housing? Check out Part One!



- Focus of this training is on applying for Financing to build rental housing for persons with special needs or who are homeless.
- Check out our orientation to developing PSH = affordable housing + supportive services.
- Go to www.floridahousing.org> Programs> Special Needs Housing> Education, Training & Technical Assistance

2021

Working with Florida Housing



If you want to access the Part 1 training, this slide shows you where to find it on Florida Housing's website. Basically, it's located in the same place as you found this training.

What Does Florida Housing Do?

- Public corporation of the State of Florida – the state’s key financial lender for affordable housing.
- Both homeownership & rental programs.
- Working with local governments, private developers, nonprofits and private lenders.

2021

Working with Florida Housing



Before we continue, I’ll briefly describe what Florida Housing does:

- Public corporation of the State of Florida – state’s financial lender around affordable housing;
- Think of us like a public interest bank -- we administer the bulk of the state’s affordable housing programs, both rental and homeownership;
- On the rental side, we finance the construction of housing built by for profit and nonprofit developers. On the homeownership side, we work through private lenders to provide low interest mortgages and down payment assistance to homebuyers;
- We also administer the SHIP program, providing funding to local governments to implement local housing programs;
- We have a 9-member board of directors appointed by Governor, and a staff of ~135

Ranch at Pinellas Park

25 Units, Pinellas County



2021

Working with Florida Housing



Boley Centers is the nonprofit developer of this small permanent supportive housing property, completed in 2019. This is housing for formerly homeless individuals. Boley mainly serves persons with mental illness, providing supportive services and housing throughout Pinellas County.

Village on Mercy

166 Units, Orange County



2021

Working with Florida Housing



Here's a large, garden style apartment complex in Central Florida. Completed in 2020 by the nonprofit developer, Ability Housing, about half of the units are required to be set aside for homeless residents. This nonprofit worked closely with the City of Orlando through a local competitive RFP process to obtain the foreclosed land, and then applied to Florida Housing for the financing to build the property.

Objective of Part 2 Training

- What to expect if you **apply for funding** through Florida Housing's Request for Applications (RFA) process.
- What happens if **you win an award**.
- How the process works **all the way through to asset management and compliance monitoring**.

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This is an orientation for those of you wondering if you should get into the housing arena to serve your consumers, or to serve other agencies' consumers, and you are thinking about applying for funding from Florida Housing. At some point, we believe it's critical for your organization to go through a self assessment to evaluate whether it's appropriate and your organization is ready to take on housing development. Part 1 provides a useful set of questions to help your organization through this analysis.

Developing affordable rental housing is a big step, not to mention long term management of a property and regular interaction with residents once the property is built. We've heard from those just getting started that Florida Housing's funding process can be overwhelming. Many assume the hardest part is applying for and winning funding, but it's then that the fun begins! If your organization wins an award, you must go through an intensive credit underwriting process, which may be as time consuming and confusing as the application process. Once your credit underwriting report is approved, you'll move forward to loan closing and then construction and the loan draw process.

Once the property is open for occupancy, you'll be responsible for getting information to Florida Housing throughout the affordability period you've committed to on the property, typically 30-50 years. This includes such things as reporting demographic and income information about residents living at the property, annual compliance monitoring visits, and providing annual financial statements for the property per your loan documents.

We don't want to scare folks, but we also want to provide a realistic overview of what to expect. We hope this training will help you understand the issues you must consider, from the application process through to management of a successful housing development over many years.

This will give you a taste of what your organization must consider along the way. Once you complete this training, we'll provide contact information in case you are interested in next steps and have questions.

SUGGESTION!



- Sign up for our Listserv to get updates emailed to you.
- Go to our home page, www.floridahousing.org, click on Contact Us, then click “Sign Up for E-News.”
- Start with the **SPECIAL NEEDS** listserv.

2021

Working with Florida Housing



If you haven't done this already, why not sign up with Florida Housing to get updates on important dates when Requests for Applications are coming out, associated workshops and other information? There are a number of listserv topics you can sign up for. We suggest you begin with the Special Needs listserv and then if it makes sense later to sign up for others, go ahead.

What does Special Needs Include?

- Defined in FL Statutes, sec 420.0004.
- An adult requiring independent living services to maintain housing or develop independent living skills and who has a disabling condition;
- A young adult formerly in foster care who is eligible for services;
- A survivor of domestic violence; or
- A person receiving benefits under the Social Security Disability Insurance (SSDI) program or the Supplemental Security Income (SSI) program or from veterans' disability benefits.

2021 Working with Florida Housing



Our funding opportunities for Permanent Supportive Housing describe specific requirements for who is eligible to be served. Two key groups of people are eligible for PSH: Persons with Special Needs, defined on this slide, and individuals and families experiencing homelessness, on the next slide.

“Persons with Special Needs” is defined in the Florida Statutes, and the key points are outlined here. This includes people with disabilities, which may be mobility impairments, intellectual and developmental disabilities, and mental health and substance use disorders. You’ll see the definition also covers certain young adults exiting the foster care system, survivors of domestic violence, and those receiving various types of disability benefits.

**Individuals and Families
Experiencing Homelessness**

- Florida Statutes definition sec. 420.621(5)
- An individual or family who lacks a fixed, regular, and adequate nighttime residence as defined under “homeless” in 24 C.F.R. s. 578.3 (federal); or
- An individual or family who will imminently lose their primary nighttime residence as defined under “homeless” in 24 C.F.R. s. 578.3 (federal).

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What about people experiencing homelessness? This definition is focused on the federal definition. This overlap is to make sure that federal and state programs can be used together, as is often needed, to serve homeless people. Here you see the twin aspects of homelessness: someone who is already without a regular nighttime residence, and then also someone who is in imminent danger of losing their housing.

There is additional detail as to different types of homeless households that may be targeted with our housing dollars, but we’ll leave that detail for another time.

Florida Housing does not fund emergency shelters or short-term, transitional housing. Our focus is on permanent housing, in this case, rental housing for persons experiencing homelessness.

Timeline for RFAs

- 15-18 RFAs/year for rental development funding.
- Typical RFA cycle runs August – May.
- Each RFA customized in some way, e.g., type of housing, by geographic areas, demographic populations, etc.
- FHFC typically only funds independent housing, no residential facilities, emergency shelters, and no transitional housing.
- EXCEPT small, very specialized community residential homes with 6 beds for persons with intellectual/developmental disabilities in one RFA each cycle.

Let's get into Florida Housing's funding process and timeline.

We issue a series of competitive Requests for Applications throughout the year that are customized to finance rental housing based on factors such as geography, meeting the needs of various intended populations, demonstrating best practices or legislative mandates.

Of the 15-18 RFAs to be issued during the RFA cycle, 3 will provide financing for special needs or homeless developments. Beyond that, many of the rest of the RFAs require general occupancy properties to target 10-15% of units for extremely low income, or ELI, residents, and half of those ELI units must serve persons with special needs who are referred by a supportive services provider to the property.

Big picture, Florida Housing develops its Funding Plan and associated Timeline as soon after the Legislative session as possible (usually in early Summer) for approval by Florida Housing's Board of Directors. Because Florida Housing has an ongoing set of federal and state programs through which we receive funding, we have a predictable set of RFAs we issue about the same time each year. This allows the development community to plan forward. Sometimes we get special funding that is integrated into the timeline. The purpose of the Timeline that the Board adopts is to help provide predictability and consistency for everyone involved to plan appropriately for the RFA you are interested in.

The timeline is updated periodically throughout the year to insert specific dates for workshops, RFA issue dates and the like. Every time we update the timeline, we send out an email notice through our listserv to let stakeholders know.

The typical annual timeline runs from July through June. In the spring, we are workshopping any big changes or new approaches in the RFAs, and some years we may hold a separate, special workshop just to talk about our Permanent Supportive Housing RFAs. We are required to go through agency rule development as well. Program requirements in each RFA are based on that RFA as well as the applicable state administrative rules. For the special needs and homeless funding, applicable rules will be found in Rule Chapter 67-48 of the Florida Administrative Code, and it's critical that you are familiar with and know where to look for the program requirements in that code as well as the RFA itself.

Typical Timeline for PSH RFAs

- Typically during one cycle, 3 RFAs will focus on "permanent supportive housing," or "PSH."
- PSH RFAs are generally issued in the Winter/Spring each year.
- Each RFA is preceded by a workshop and draft RFA for public review and comment.

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As discussed in Part 1 of this training, Permanent Supportive Housing, or PSH, combines affordable housing with services that help people who face the most complex challenges to live with stability, autonomy and dignity. It's not time limited or transitional; often deeply affordable; and it's independent housing – tenants hold their lease with normal rights and responsibilities. It looks like any other rental housing, but the organizations and developers running these properties are particularly knowledgeable about the needs of the demographic they have chosen to serve.

Even though I say PSH combines housing and services, Florida Housing only provides the housing dollars for PSH. It's up to the organization involved to work at the local level to bring on one or more entities to ensure that residents have help if necessary in coordinating the services they need.

As I said before, Florida Housing offers funding for PSH in 3 RFAs each year, and these RFAs are typically issued in the winter/spring.

Lots of preparation is needed – maybe months of prep – before an applicant can be ready to fill out a funding application, so it's important to pay attention early – read related prior year RFAs and know what you must have together before you submit the application. Last minute applications – unless a developer is very experienced and savvy – are recipes for failure.

Every workshop we hold is advertised in a formal online publication called the Florida Register, and announcements also are sent out through our Listserv. In addition to the big annual workshops, we also hold a workshop specific to each RFA to go over the proposed approach. The public is welcome to call in to these mtgs and may ask questions or comment on any aspect the RFA approach. We also take comments in writing, including email, and we post all written comments on our website so you can read them and see what developers and stakeholders are concerned about.

Consider listening in to one or more workshops to get the hang of how we do things. You can use these workshops to learn, but we also rely on the development community to ask questions and provide comments about what will or won't work. We rely on builders and private financiers on the ground to help us provide an RFA that responds to the real economic situation you've got to work in – and to respond to those residents you want to serve.



Every RFA has its own webpage on the Florida Housing website, along with corresponding links related to what you need. This slide shows part of the webpage related to a particular RFA that funds smaller PSH developments for persons with special needs. There’s a link to the workshop information and then on down this page, below what shows here, there will be the draft and final RFAs and associated documents that go with the RFA.

Once applications are submitted for an RFA, Florida Housing adds reports to show a list of submitted applications and other information related to the scoring and awards process.

Here’s a suggestion: Get to know the Florida Housing website – on the Home Page under the pictures, go to the green box titled “Developers.” Click on the second bullet called “Requests for Applications.” That will take you to a page somewhat like the one on this slide. Then click on the year in which your RFA will be issued. You can see the list of years on this slide, going back to 2013. Once you find the year you are interested in, then find the RFA and click on it to get to that RFA webpage. If your RFA of interest won’t be issued for many months, it may not be showing yet, but just check with us if you are not sure where to find the information you want.

And another suggestion: Check prior year RFAs of the same type if you want to get a head start on what is typically required. You can see here that this is an RFA that was issued in early 2021. You can click on “2020” on this page, and it’ll give you a list of RFAs and then you can find the corresponding RFA from the prior year and click on that webpage. You can even see the applications submitted for that RFA, review them, see how each was scored and get to know what Florida Housing is looking for.



3 PSH RFAs in Early 2021

- SAIL Financing for Smaller Permanent Supportive Housing for Persons with Special Needs.
- Housing Credit/SAIL Financing for Housing for Homeless Persons.
- Financing for Housing for Persons with Disabling Conditions/Developmental Disabilities.

2021 Working with Florida Housing

Here are the 3 PSH RFAs – and all of these have been issued for 2021, but we expect similar RFAs in subsequent years.

The first RFA is focused on smaller developments, between 4 and 50 units, depending on where the property will be located, and the main focus is Persons with Special Needs. But you will find with all 3 of these RFAs that Florida Housing often requires overlapping demographics. For instance, in the top RFA listed here, at least 70% of the total units must be for Persons with Special Needs, AND at least 20% of the units must be for persons experiencing homelessness. Those unit requirements can overlap – so that means you can serve a homeless person with special needs, and that one unit will help you meet both requirements.

The first RFA is using SAIL funding – which stands for State Apartment Incentive Loan funding – to finance the property. This comes from an annual appropriation by the state Legislature.

The second and third RFAs listed on this slide use the federal Low Income Housing Tax Credit Program and the state SAIL program to finance larger properties. The financing for these properties is much more complex, requiring investors to buy the tax credits, and demographic requirements may also be more complex.

Steps in Development and FHFC Funding Process

- Predevelopment work, including site control & ability to proceed, before you even apply.
- Pre-application meeting w/ FHFC (for SAIL RFA).
- Fill out & submit application.
- Application scoring, ranking & funding selection.
- Credit underwriting & financing approval.
- Closing on financing.
- Construction inspections & financing draw approvals.
- Lease-up & meeting funding commitments.
- Property management & compliance.

2021 Working with Florida Housing

Before you can apply for funding, you must have made many decisions and gotten some preliminary development steps taken care of.

Think of applying for funding from Florida Housing as one of the last steps in your feasibility evaluation. You'll have to have your land purchased or under contract, and the correct zoning and necessary infrastructure in place.

If you need additional funding to add to what you can get from Florida Housing, such as from the local government where the property will be located, you'll have to have these funding commitments in place before you apply. It's important to know what the RFA requires ahead of time to make sure you can meet what we call "ability to proceed" requirements.

This slide shows the steps in the development process, particularly as they relate to working with Florida Housing. Remember, if you get financing from us, you will be married to us! Your property will be in our portfolio, and you will be required to submit regular reports to us. The idea is that, in exchange for getting low cost public financing, you must show that you are meeting the commitments you made to serve lower income residents of a particular demographic, and we will look over your property at regular intervals to make sure you are keeping it in good condition.

FHFC's Predevelopment Loan Fund

- Pays for predevelopment activities just short of vertical construction.
- 3-year term, 1% interest, up to \$750,000, paid back when construction funding comes in.
- Typically funds are always available.
- For more info, go to:
www.floridahousing.org/programs/special-programs/predevelopment-loan-program

2021 Working with Florida Housing

When you are on the front end of your project, even then your organization will need funds to do some feasibility work.

Many nonprofits do not have capital sitting in the bank to use for what are called “predevelopment” activities, such as land purchase, architectural drawings, soil and other tests, etc.

Florida Housing and other entities have “revolving predevelopment loan funds” just for this purpose. This is funding that can be used to get ready to apply for construction/permanent financing. Predevelopment loans from Florida Housing are 3-year, 1% interest loans that are typically paid back with the funding awarded through our competitive RFAs. They also come with technical assistance that is free to the nonprofit applying for the funds. The technical assistance provider works with the applicant to prepare a development plan that is submitted to Florida Housing’s board for PLP loan approval.

Other entities also offer predevelopment funding. To find out more about Florida Housing’s loan fund, check out the link on this slide, or go to our Home Page, go down to the green “Developers” box, and click on “Special Programs.” Then click on the Predevelopment Loan Program link, and you’re there.

RFA Applications

- Most application information required is “threshold” – ie, if you don’t provide it or it’s wrong, application is not eligible for funding.
- Development cost pro forma required in application.
- Narratives will receive range of scores depending on quality, detail and comprehensiveness.
- Applications must get a minimum score to be eligible for selection.
- **PAY ATTENTION to funding selection process and any RFA goals!!**

2021 Working with Florida Housing

As I’ve said earlier, it’s important to read and re-read the RFA (or prior year RFA) through which you’ll be applying for funding. Most of the information requested in the application is REQUIRED, or “threshold” information – that is, if you don’t provide it, or it’s wrong, your application won’t move forward for funding. You don’t have an opportunity to fix your application once it’s submitted, so it’s critical to check and re-check that information. Some developers hire a consultant to check their applications, but that may be cost prohibitive for your organization.

You’ll have to submit a development cost pro forma outlining what funding you are requesting and other funding sources you’ll be using as well. We also request applicants to provide us with a set of narrative explanations describing various aspects of what the development will have in place, and I’ll go over these in a minute. These are scored items. The better the narrative is in responding to the information requested in the RFA, the higher the score will be.

As long as your application meets all the threshold requirements, your application will rise or fall on how well you do in these narratives. Only the three permanent supportive housing RFAs include these narratives, because we want to make sure that applicants for this funding have the partnerships and experience in place to meet the specialized needs of the residents needing this housing.

Applications must get a specified minimum total number of points before they are deemed eligible for funding – it’s about two-thirds or more of the total score possible. We do this, because if the top scoring application still has a fairly low score, we’d rather not fund any applicants than fund one that doesn’t appear to have the experience or expertise needed to thoughtfully manage supportive housing.

Note that the other key way your application will be impacted besides meeting threshold and narrative scoring is through the funding selection process and any goals outlined in the RFA. For example, in the Homeless RFA, we include a goal each year for the regions in the state where we will prioritize funding first. We do this to distribute funding around the state, and we have four designated homeless regions that we move between every other year. In this example, even if your application were to get the highest score, if you were not in the region specified in the RFA, another application that is in that region with a lower score might be awarded funding ahead of yours. So it’s critical to read the entire RFA – these goals and the funding selection process are outlined after the narrative section in the RFA.

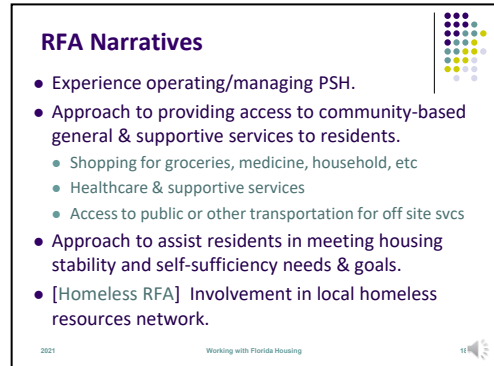
Application Information Required

- Applicant information/developer experience.
- Property information/location.
- Demographic/income commitments.
- Site control, zoning & infrastructure evidence.
- Development cost pro forma.
- Narratives descriptions provided by applicant.
- If acquisition/rehab of existing building, CNA required during credit underwriting.

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This slide lists the broad categories of information that applications are required to provide. You'll have to give us information about the applicant and partners; developer experience; information about the property, number of units, where it will be located and the type of buildings, whether high rise, garden style apartments or other; tell us who you plan to serve and the income commitments you're prepared to meet. You'll have to show proof of site control, that you have appropriate zoning and infrastructure, such as sewer and water, already in place.

As I said before, you'll fill out a development cost pro forma and provide narratives to us. If you should be proposing to acquire and rehabilitate an existing building, later in credit underwriting you'll have to pay for a capital needs assessment that will be carried out by an expert under contract with us to assure us that the property is in good enough shape that it can be rehabbed, and that it's not so run down that your funding won't cover all the rehabilitation needed.



RFA Narratives

- Experience operating/managing PSH.
- Approach to providing access to community-based general & supportive services to residents.
 - Shopping for groceries, medicine, household, etc
 - Healthcare & supportive services
 - Access to public or other transportation for off site svcs
- Approach to assist residents in meeting housing stability and self-sufficiency needs & goals.
- [Homeless RFA] Involvement in local homeless resources network.

2021 Working with Florida Housing 18

Let's focus briefly on the narratives requested in the application. Again, these are scored items, and applicants are scored on how well each narrative responds to what's asked for in the RFA. Detail and specificity are very important to us. These narratives are the opportunity for applicants to tell us about their capacity to manage a successful supportive housing property. However, we are not interested in information we haven't asked for, so focus on the narrative requirements outlined in the RFA.

We update our narrative requirements regularly. This slide shows what we're currently interested in knowing about your development. First, what you or your management company partner's experience is in managing supportive housing, particularly the specific population you will serve.

Second, what your approach will be to helping residents access services – whether they'll be on site or off site. This includes how easy it'll be for them to go out and buy groceries, clothes, household items – all the stuff we need to live independently. It also includes access to supportive services each resident will need to meet their own needs. If these supportive services will be provided off site, how easy will it be for residents to get to their appointments? Is the property near public transportation, or are stores in walking distance?

Third, your approach to assisting residents in meeting housing stability goals and being self sufficient – helping them meet their own expectations and goals.

We also have a fourth narrative in our Homeless RFA asking for a description of how the applicant's involved in the local homeless resources network.

RFA Application Process

- Communicating with FHFC re RFAs.
- RFA is issued.
- Formal Question and Answer period.
- Applications must be in by deadline in RFA.
- Scoring is done by FHFC staff.
- Scores and funding recommendations submitted to Board to make preliminary awards.
- Applicants not awarded funding may legally challenge scores.
- After litigation is over, awards go to credit underwriting.

2021 Working with Florida Housing

Before an RFA is issued, you can informally call or email Florida Housing with questions or comments. Once an RFA is issued, there is one last chance to contact Florida Housing with any questions through a formal process spelled out in the RFA. There’s an email address and a deadline specified in the RFA for submitting Qs through that Q and A process. Florida Housing staff reviews the questions and all answers are publicized on the RFA webpage by the date specified in the RFA. After that, you are on your own – you may not contact Florida Housing until later in the process. That’s why it’s so important to dive into and get to know the draft RFA before it’s issued, when you can still contact us with questions.

Once you’ve submitted your application, Florida Housing creates a review committee of staff who each get a separate section of each application to score. The committee meets in a publicly noticed meeting to report scores and carry out the funding selection. These recommendations are taken to our board of directors for approval, known as “the preliminary awards.”



After board approval, it’s possible that applicants that didn’t receive funding may choose to legally challenge the scores. This then requires our attorneys to meet with the petitioner’s attorneys and the winning applicants are likely to participate as well to protect their award. If the challenge proceeds, it goes through an administrative hearing process, with recommended orders from an administrative law judge going to Florida Housing’s board for final decision. Only then do the awards move forward into credit underwriting.

After the application deadline, while we are going through the scoring process, and up through the litigation process, FHFC may not talk to applicants about the RFA, and applicants may not attempt to interfere with staff or Board members. The exception is that applicants may contact Florida Housing Legal staff with questions or comments.

**Pre-Application Meeting –
What does Florida Housing Want to Know?**

- Description of the project.
- Organizations that are partnering to apply for funding.
- Name of company that will manage property.
- How tenant selection will be carried out.
- Name of Supportive Services Coordinator.
- How the Applicant has worked with the local community.
- How residents will access transportation to essential services.
- Estimated costs to develop, and sources of funds.
- Expected sources of operating funds.
- Role of all members of the Applicant Entity.

2021 Working with Florida Housing

Here is something we tried out for the first time in 2021 and will be implementing more fully in future funding cycles for the Permanent Supportive Housing RFAs – Part of your predevelopment process will be to sit down with Florida Housing staff and hold a formal “pre-application” meeting. If you want to maximize points in your application, you’ll want to request a preapplication meeting with us.

If your organization holds such a meeting with us by the deadline specified in the RFA and the correct representatives are present, your app will receive 5 points. And believe me, every single point is critical to get. The purpose of the Pre-Application Meeting is to increase the likelihood that potential Applicants are structuring their proposed Development so that it is successful, not just in terms of submitting an Application and being awarded funding, but successful in providing high quality Permanent Supportive Housing through the entire Compliance Period. We also want to make sure that if organizations are partnering on a project, all partners understand their roles in the proposed development.

The Pre-Application Meeting will not provide potential Applicants with information on how Florida Housing will score their Application or how to fill out their Application to receive a better score. We’ll want to see the key leaders of your nonprofit and any partners at this meeting, per the requirements laid out in the RFA.

The general process is that: 1. Applicants must request a Pre-Application Meeting by completing and submitting a form to Florida Housing. 2. Then Florida Housing staff will schedule the meeting based on your and our availability. The deadline for holding these mtgs is specified in the RFA. In order to prepare for the meeting, a list of discussion items and questions is available in the RFA, and you can see a list of topic areas on this slide. Florida Housing staff will ask these questions at the meeting. As I said before, we believe this process was very helpful and we plan to expand this to the other special needs and homeless RFAs in 2022.

Steps in Development and FHFC Funding Process

- Predevelopment work, including site control & ability to proceed, before you even apply.
- Pre-application meeting w/ FHFC (for SAIL RFA).
- Fill out & submit application.
- Application scoring, ranking & funding selection.
- **Credit underwriting & financing approval – for both development and operations.**
- Closing on financing.
- Construction inspections & financing draw approvals.
- Lease-up & meeting funding commitments.
- Property management & compliance.

2021 Working with Florida Housing

Going back to the steps in working with Florida Housing, awards are not final until they have passed through the credit underwriting process and gotten the final approval from our board that your organization has the financial wherewithal to carry out the development and all the sources of funding are in place and ready to go.

You'll also have to show that you'll have the income to operate the property for at least the next 15 years. Ideally, the rental income at the property is high enough to keep properties in good shape and pay for property management staff and other property costs. However, when serving extremely low income households, which is often the case for persons with special needs or homeless people, it may be very difficult to charge high enough rents both to fully operate the property and also ensure these households are able to live stably in their units, so where will you get the rest of the income needed to run the property?

Will you work with your local public housing authority to access precious project based rental assistance? Will your organization fundraise to meet any operating deficits? What sources of funding will you have to ensure that the costs of running the property can be met, and to ensure that you have funds for unexpected situations? What's critical here is to know the demographic you plan to serve. What are their incomes and what will they be able to pay in rent and still have enough to live on? There are the income levels you will be required to serve, and the maximum rents that can be charged by program requirements – and then there is the reality of the rents your residents actually will be able to afford.

All of this, both development and operating feasibility, are addressed in the credit underwriting analysis.

So let's talk about credit underwriting, closing on the financing and moving through construction --

What is Credit Underwriting?

- Evaluates/analyzes the risk of financing a specific borrower for a specific project according to RFA requirements.
- If the project received funding today, would it be able to proceed to construction tomorrow? What is left to do before a development can proceed?
- Provides an assurance that the award of funding will meet its intended result.

2021 Working with Florida Housing

Credit underwriters are specialized firms whose financial analysts evaluate borrowers and projects prior to the award of a loan or grant. Some other states have underwriters as employees. Here in Florida we contract with 3 firms that have worked with Florida Housing for many years.

Remember that in your application you will have to show that your project has the ability to proceed – that is, the zoning and infrastructure are in place, the land is in hand, and you’ve got the other pieces of financing ready to go. So once your application is selected for financing in the RFA process and any litigation is wrapped up, you will be invited by Florida Housing to enter into credit underwriting.

Then you are assigned to one of the 3 credit underwriting firms that then contact you, and the process begins.

Typically, you can’t access your funds to begin construction until your Credit Underwriting Report is approved by Florida Housing’s Board.

To kick off underwriting, your underwriter will send you a checklist of what they require, and you as the borrower must provide documentation sufficient for the underwriter to determine that the project is feasible, the site is appropriate, and the borrower, including the development team, has the financial capacity and experience required to develop and operate the project for the duration of the compliance period.

The underwriter must determine that the project as proposed will be consistent with the terms of the request for application, the laws and regulations governing the funding source, and the federal, state, and local jurisdiction’s planning, zoning and building construction laws and regulations.

Credit Underwriting/Loan Closing

- Borrower provides documentation for underwriter to determine that:
 - Project is feasible, site is appropriate, and
 - Borrower (entire development team) has the financial capacity and experience required to develop and operate the property for the duration of the compliance period.
- The SHFC Board approves Credit Underwriting Report.
- Development goes to loan closing.
- After loan closing completed, construction may begin.

SHFC

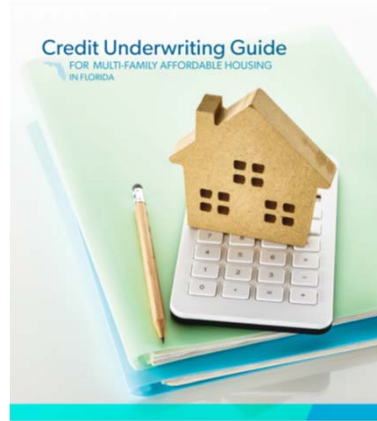
Credit Underwriting takes place over a number of months and typically must be completed within 9 months from the date of invitation into credit underwriting.

Nine months may seem like a lot, but this is typically a time consuming process. It is made more difficult for a less experienced developer with a very small staff. The underwriter will seek a lot of information, and will come back to a developer for more information if they don't get what they need. It's essential that developers without prior experience working with Florida Housing have staff designated to spend some real time responding to underwriting questions.

Your underwriter typically has many other developments they are also underwriting, so it's important to respond timely to their information requests in order to get your underwriting report completed in the time allotted.

In addition to information for the underwriting process during this time, you also must complete and submit a Tenant Selection Plan that describes the specific tenant outreach, marketing, referral, screening and application procedures and policies you'll be using.

Credit Underwriting Guide for Affordable Rental Housing in Florida



- The Florida Housing Coalition has many useful publications available.
- Go to: Flhousing.org> Publications to find this and other guides

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Here is a guide that covers the credit underwriting process up to loan closing. You can access this guide on one of our partner's websites. The nonprofit Florida Housing Coalition is under contract with Florida Housing to provide training and information mainly to local governments, but also to nonprofits. If you go to the Coalition's website, you can find this and other useful information.

Construction Inspections & Financing Draw Approvals



During this time the owner and partners must:

- Oversee the development process; and
- Respond to requests for payment, inspection and overall completion of the units according to plan.
- During this time the property manager should be marketing to potential tenants and pre-leasing the units.

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Once your project receives an approved Credit Underwriting Report, there will be a closing on the financing. From this point construction may commence and funding draws can be requested.

After the initial closing on the financing, and receipt of all development approvals and permits, the construction process begins.

Now while construction is occurring, your organization must oversee the development process, even if you have a developer partner – you must make sure that the design is being employed, accessibility features are being incorporated, and many other things. Plus, there is much to be done to prepare for lease-up.

In your application and then in credit underwriting, you will have submitted a plan for how you expect to market the property to get tenants. If you are already providing services to consumers, you may have a ready stream of folks who need housing. If not, or if you are working with community partners, your tenant plan will include how you will be working together to get referrals to your property and the process candidates for tenancy must go through to apply and be selected to live at the property.

Lease-up of general occupancy properties is typically much easier. You may or may not have to employ a marketing strategy, but in many places, just getting the word out that the property is leasing up will bring out a line of folks waiting to apply. Leasing supportive housing is different, because you've committed to work within a community partnership to select tenants, and this takes more time. Additionally, candidates for PSH may need more help getting through the application process, so who will take on this support? All this gets spelled out in your tenant selection plan.

Lease-up to Meet Demographic and Income Commitments

- Who on the development team will be responsible for working with community partners on the referral of candidates for tenancy?
- Who will assist applicants to fill out applications and provide needed information to prove their income? Who will do application intake?
- Move-in days require careful planning and execution.

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Once a property is cleared for occupancy the tenants can move in.

Most developers hire a property management company to run the property, and this includes lease-up. Typically the property manager is responsible for intake of applications, lease signings, and move-ins. As long as your management company has worked within the supportive housing framework and knows how to work with your chosen demographic group, you will be fine. However, it's critical that you and the company work ahead of time to develop detailed procedures to ensure that there are very few barriers to entry into your housing, but that you also meet all the demographic and income requirements committed to in your application.

If you hire an experienced property mgt firm for this purpose, the company will understand the tenant selection process, but your organization is the one with the greater knowledge of your consumers and the nonprofit mission to serve them. We urge you to look over the mgt company's shoulder during lease-up and beyond. This should be a partnership.

Your property is considered stabilized when it reaches 90 percent occupancy. This status enables your funders to conduct any final closings on the long-term financial obligations you might have or be waiting for.

Eliminating Barriers to Tenancy

- All RFAs include Tenant Application and Selection Requirements.
- Purpose: to eliminate barriers to tenancy.
- Examples: Lowering the cost to access and move into a unit, eliminating certain credit history info, shortening eviction look-back period to 5 yrs
- Now applies to both general occupancy and supportive housing developments financed by Florida Housing.

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In addition to the required property tenant plan, properties are required to follow the Tenant Application and Selection Requirements described in the RFA, meant to eliminate barriers to entry. After all, what's the point of financing this housing if it's too expensive for Florida's lowest income residents to move in?

Market rate and even some general occupancy affordable rental properties have tenant requirements that make it hard for extremely low income persons to get into that housing, even if they can afford the rent on the units. For instance, they may have to pay a high fee just to be on a waiting list for a unit. Or they may have to pay a high fee to fill out an application for tenancy. Security deposits may be very high, often both first and last months' rent.

After working with both property managers and supportive housing stakeholders, Florida Housing developed and now requires in its RFAs that a set of requirements be in place either for ELI tenants or all tenants, no matter their income, to lower barriers to move into affordable housing.

Here are just a few of examples of what we require:

- We require that a property may not charge a fee to households that are applying for tenancy in units specifically set aside for extremely low-income households just for the purpose of reserving a unit.
- The application for tenancy fee may not be more than \$35 per adult in a household.
- And a security deposit for new tenant households may not be more than the amount of one month's rent.

Period of Affordability

- Each funding source has a set of requirements and your property must meet what you committed to in the RFA:
 - **Affordability** – the length of time the property must serve a certain population at certain affordable rents. Ranges from 15 to 50 years depending on the funding source. AKA the “compliance period.”
 - **Income levels served** – Number of set-aside units for each income level served.
 - **Demographic commitments** – Number of set-aside units for particular demographic populations.

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The long-term compliance requirements vary from program to program and if there are multiple overlapping requirements from different programs, the most stringent requirement always applies.

The financing agreements and conditions are described in a Regulatory Agreement, which is filed in the public records for the property as a Land Use Restriction Agreement, or LURA.

For example, one of the special needs RFAs requires:

- 100 percent of the units shall be rented to households with incomes at or below 60 percent of the Area Median Income; and
- The property must commit to set aside 20 percent of the total units in the proposed Development to serve ELI Households.

Florida Housing will require that properties use our published Multifamily Programs Income Limits (updated each year) to determine resident eligibility under this funding. A link to the Income Limit Chart for all areas of the state is found on Florida Housing’s homepage under “Property Owners and Managers.” A link to the maximum rent limits are also found there – for example, the maximum rent your property can charge for a 60% AMI 2-bedroom unit in Hillsborough County – and again these are updated each year.

- And then Compliance Period Requirements --

For the RFA example we just used, Applicants must irrevocably commit to the Persons with Special Needs demographic commitment for a minimum of 30 years (it’s 50 years for the other two, more complex RFAs), and you must specify in the application which special needs group you will be serving. Referring back to the definition we went over at the beginning of this presentation, you’ll remember there are different groups who can be served, and you are not limited to just one.

Key Property Mgt Activities

- Tenant selection and leasing
- Addressing tenant issues when they arise
- Property maintenance
- Resident community-based services coordination and other resident activities committed to in your application
- Accounting and reporting

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As part of your ongoing responsibilities, you'll be required to carry out tenant selection and leasing activities, maintenance of the property and resident services coordination, as well as any other activities you committed to in your application. This includes maintenance of the accessibility and green building features committed to in the application over the entire compliance period.

Note that property management and resident community-based services coordination should not be the responsibility of the same staff persons; the functions must be entirely separate. This is critical for the success of the property and your residents, as they require completely different expertise.

In addition, you'll be required to have an executed agreement to participate in your local homeless Continuum of Care's Homeless Management Information System (HMIS), which will require your property to contribute data about the Development's tenants to the HMIS system.

Alternatively, if you will be serving Survivors of Domestic Violence, you must provide aggregate data reports to the Continuum of Care. In addition, your organization must commit to be a housing provider in the Continuum of Care's Homeless Coordinated Entry system as required by the U.S. Department of Housing and Urban Development.

You'll have to market available units on the FloridaHousingSearch online portal, which is the state's free website for residents to find affordable rentals.



The slide is titled "Key Property Mgt Activities" and lists three bullet points: "Submission of annual Financial Reporting Form to FHFC", "Monthly tenant data reports to FHFC", and "Compliance monitoring and reporting". At the bottom, it says "CREATE A PROPERTY MANAGEMENT PLAN!". There is a small logo in the top right corner and a small speaker icon in the bottom right corner.

You'll be responsible for your property's annual submission of its Financial Reporting Form, along with audited financial statements for the property. This allows Florida Housing to determine whether there is cash flow on the property sufficient to make interest payment on your SAIL loan balance after other items have been paid by the property, such as superior debt service.

As I said before, there will be annual compliance monitoring visits by Florida Housing's servicers to do a management review and physical inspection (including the inside of a few units) and review tenant files to ensure correct paperwork on income and demographic certifications. This may be entirely or partially done in the form of a desk review rather than on site.

You will be required to provide monthly reports to Florida Housing with summarized demographic data about the residents living in the units.

Check Out this Resource for Property Management:



- The Florida Housing Coalition has many useful publications available.
- Go to: Flhousing.org> Publications to find this and other guides
- www.CSH.org for more training

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While your property's Land Use Restriction Agreement will provide the key, big picture requirements your property is required to meet, there are reporting requirements as I just outlined.

Here's a great guide providing an overview of property management of PSH developed by the Florida Housing Coalition through its contract with Florida Housing.

The national Corporation for Supportive Housing also has training opportunities for folks seeking to learn about property management of permanent supportive housing, and we've provided a link to their website on this slide.

Thank You!

- **Questions?**
 - Contact Zach Summerlin in the Policy Unit at 850.488.4197 or zach.Summerlin@floridahousing.org
 - www.floridahousing.org
- **Check out Part One of this Orientation**
 - What is Permanent Supportive Housing
 - Understanding what to think about in the successful consideration, development and operation of housing for homeless or special needs households
 - Should your organization get into development?

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I've just thrown a LOT of information at you! We've meant this to be an orientation on what to expect in the affordable development process when you're working with Florida Housing.

If you or your organization is interested in further understanding what it will mean to get into the development process, there are additional detailed trainings available. If you would like more information about these, please contact us.

And a reminder if you haven't already viewed our Part 1 of this orientation, please check it out.

Thanks very much.