



RURAL NEIGHBORHOODS

Building Livable Places for Working Families

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Steven Kirk, President

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Mr. Steven Auger and Mr. Ken Reecy
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301

Dear Sirs:

COMMENTS ON RFA 2016-101 HOME Financing to be used for Rental Developments Located in Rural Areas

Rural Neighborhoods, Incorporated recommends the amendments to RFA 2016-101 listed below to better enable Florida Housing Finance Corporation to achieve its stated public policy in promoting affordable rental housing in rural areas within Florida.

- In order to facilitate more accurate applications from Community Housing Development Organizations and to reduce prospective challenges or disqualification due to technical issues, RN recommends changes to the application form.
 - If making application under the CHDO set-aside, the CHDO should be required to state if the CHDO will serve as Developer, Owner or Sponsor as set out in the RFA and HUD requirements. If Developer or Owner is selected, current forms are generally adequate since the CHDO will be listed as the “applicant” since HUD requires the CHDO to be fee simple owner of the completed property under those roles.
 - However, if the CHDO selects the role of Sponsor, the CHDO itself is not the applicant nor is it certain it will be listed as a Co-Developer in the current form. Sponsored requires the CHDO to be the sole managing member or general partner of the ownership or developer entity and the award of HOME funds to be made in the name of the LP or LLC. RN suggests the application ask if the CHDO serves in the appropriate role.
- RFP 2016-101 has proposed the FHFC HOME Rental Subsidy Limit be set at 60% of the HUD’s 2012 maximum subsidy limit. Rural believes these amounts are not

feasible and impede desirable policy outcomes such as statewide distribution of units in eligible rural areas. Instead, RN recommends that the FHFC HOME Rental Subsidy Limit be set at 100% of the HUD 2012 maximum subsidy limit.

- Though this recommendation allows applications to be submitted up to the higher recommended limits, applicants remain impeded by their competitors and selection criteria that favor the lowest HOME subsidy per HOME unit.
 - Eligible rural areas under the RFP are situated in small, medium and large counties; indeed, eligible areas are situated in both HUD Participating and Non-Participating jurisdictions. Though the RFP provides preferences for small counties over larger ones, the stated limits make achievement extremely difficult since such counties have little, if any, source of matching funds. In the absence of higher FHFC HOME Rental Subsidy Limits, applicants are “incentivized” to maximum debt, select the least expensive land (regardless of proximity in the absence of proximity scoring), and construct the smallest possible units per unit type. In small counties, those with even modest impact fees for items such as water and sewer are ruled out in favor of those with no fees. HUD Participating Jurisdictions are, in contrast, advantaged since applicants will be disproportionately drawn to PJ counties (more urban almost by definition) having some rural areas since access to HUD HOME, CDBG or NSP monies makes projects more feasible in the face of FHFC’s severe subsidy limits.
 - The FHFC HOME Rental Subsidy Limits are based on HUD 2012 data. These limits are based on 4 years old data at best. Significant growth in commercial and residential construction throughout Florida (and nationwide) has resulted in significant increases in construction materials and labor. Indeed, the number of interested contractors and the availability of labor in certain trades in rural counties have become severely limited. RN’s and its architects have experienced fewer responses to public bids in communities such as Immokalee, Lake City and others in recent months. In addition, the RFP limits developments to not more than 40 units. Though RN is in agreement with this limit as it discusses later in its comments, it nevertheless results in smaller construction projects in which cost per square foot is higher than in projects 80 or more units in size.
 - FHFC’s HOME Rental Subsidy Limits reduces to 60% HUD’s 2012 subsidy limit. Ironically, not even 100% of HUD’s limits are the maximum subsidy allowed under HUD regulations. HUD has established high cost areas including the entirety of Florida in which the HOME limits can be substantially increased.
- One respondent in the Public Workshop recommended total allowable units be raised from 40 units per development to a maximum of 50 total units. These comments did not change the cap of \$5,000,000 in total HOME subsidy per development.

- It is perhaps hard at first glance to see the harm in allowing more units at increase cost to FHFC, but RN believes there are substantive impacts if this change were made. First, small towns and rural places are indeed 'small,' and our review of past market studies conducted by FHFC underwriting consultants in these areas is imprecise at best. Most rely heavily on comparables from coastal areas or locations 30, 45 or more miles away. In addition, the impact of 50 additional units on modest size rural areas such as Okeechobee, Clewiston and others has significant effect on other FHFC projects – even those having reasonable current occupancy. If FHFC increases the allowable project size, it should do so only if it is prepared to review the previously defined Limited Development Areas and to be more constructively critical of underwriting market studies.
- Development of increased numbers of units at the same HOME total project cap echoes concerns made earlier about individual unit subsidies. RN is concerned that inferior sites may be selected that are not adequately proximate to services or that unit size be too constricted. If FHFC increases the allowable project size, it should do so only if it is prepared to impose some site proximity scoring similar to that used in the Small and Medium County LIHTC competition.

Thank you for your consideration of these suggestions.

Sincerely,

Steven Kirk/sck12.31.15

Steven Kirk