From: Andrew Spofford <aspofford@poah.org>
Sent: Wednesday, March 31, 2021 3:39:35 PM
To: Trey Price <Trey.Price@floridahousing.org>; Marisa Button <Marisa.Button@floridahousing.org>
Cc: Aaron Gornstein <agornstein@poah.org>; Julie DeGraaf <jdegraaf@poah.org>; Rodger Brown <rbrown@poah.org>
Subject: POAH comments regarding FHFC QAP preservation set-aside

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Dear Mr. Price and Ms. Button:

I am writing to offer comments on behalf of Preservation of Affordable Housing (POAH) in response to the proposal to eliminate the 15% set-aside of Florida's allocation of Competitive Housing Credits for preservation projects from the Florida Housing Finance Corporation (FHFC) Qualified Allocation Plan (QAP), as indicated in a draft QAP posted on FHFC's website as "3.2.21 draft".

As our name suggests, POAH is dedicated to the preservation and stewardship of existing, at-risk affordable housing. Since its founding in 2001, POAH has preserved or built more than 12,000 affordable homes in 11 states and DC. In Florida, POAH has preserved 8 affordable housing communities which provide homes for more than 2,000 people, including 790 children, 895 seniors, and 218 persons with disabilities.

POAH strongly urges FHFC to retain the 15% QAP set-aside of competitive housing credits for preservation transactions.

As FHFC is aware, the preservation of existing at-risk affordable housing is a crucial element of the state's housing strategy. At some point all affordable housing requires a preservation event to address either capital needs or expiration of affordability protections, or both. Given the limited resources available for affordable housing, FHFC has been wise to prioritize preservation in recent years because it nearly always costs less to preserve a unit than to try to replace it via new construction once it's been lost to disrepair or market conversion. Beyond its lower per-unit cost, preservation has a number of advantages over new construction: it builds on existing public investments; it reinvests in communities and avoids "sprawl" development; it reuses existing building materials and provides opportunities to improve existing buildings' energy performance; and it creates more jobs per construction dollar. Perhaps most importantly, preservation protects existing residents of affordable communities from displacement.

While FHFC's robust preservation efforts over the last decade have yielded important victories benefiting thousands of households, this is no time to let up – the need to invest in preservation is ongoing, because there is a constant pipeline of previously financed properties which need both capital investment and extension of affordability protections. If anything, that need is growing, as the first significant cohort of housing credit developments reach Year 30, and an expiring-use tidal wave looms in the USDA Rural Development portfolio. According to 2020 data from the National Preservation Database (attaching following this letter), more than 16,000 publicly supported rental homes in Florida are at risk of loss over the next 5 years, and another 3,500 public housing units are in need of immediate reinvestment (as indicated by a failing REAC physical inspection score). While we appreciate the special focus FHFC has placed on the preservation of PBRA-assisted properties to date, these other cohorts of affordable properties also represent crucial affordability assets for their communities which must be preserved.

Wherever possible, POAH supports the financing of preservation transactions using the less-constrained 4% housing credit, tax-exempt debt, and gap financing sources like SAIL; but we also strongly support the use of the 9% (competitive) housing credit for preservation transactions where higher renovation needs or other project costs make the 4% credit execution infeasible. These higher-need properties are nevertheless often worthy and important preservation interventions – to protect existing residents and reinvest in local communities – and they typically still cost less per-unit than competing new construction projects.

As other commenters have noted, the recent establishment of a 4% minimum rate has increased the viability of that financing strategy – but contrary to what some have suggested, this change does not immediately make all preservation transactions viable as 4% housing credit executions. The minimum 4% rate increased the 4% housing credit's value by roughly 30% relative to the prevailing floating rates, which might cover an additional 8-10% of total project cost on a typical preservation transaction. Nearly all preservation transactions using the 4% credit also require gap financing, and so the minimum 4% rate will play an important role in reducing that gap financing need – but it does not necessarily eliminate the gap on existing 4% credit transactions, and it certainly does not obviate the need for 9% credits on projects with deeper renovation needs – conditions often found in older properties, public housing sites, and properties requiring substantial unit reconfiguration.

In view of Florida's ongoing and indeed mounting preservation challenges, and the need to ensure adequate resources are available to meet those challenges – we respectfully urge FHFC to preserve 15% setaside for preservation transactions in its QAP.

Thanks again for the opportunity to provide these comments. Please don't hesitate to contact me, or others on the POAH team copied here, if we can be of any use as FHFC continues to refine its preservation strategies.

Best,

POAH

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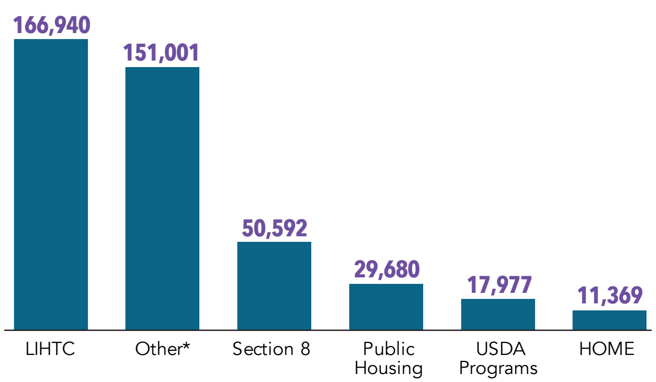
FLORIDA

HUD and USDA programs play an important role in providing affordable homes to extremely low-income (ELI) families across the state. Many of the publicly supported homes, however, face expiring rent restrictions and are at risk of becoming unaffordable to the state's lowest income families.

NUMBER OF PUBLICLY SUPPORTED RENTAL HOMES BY PROGRAM

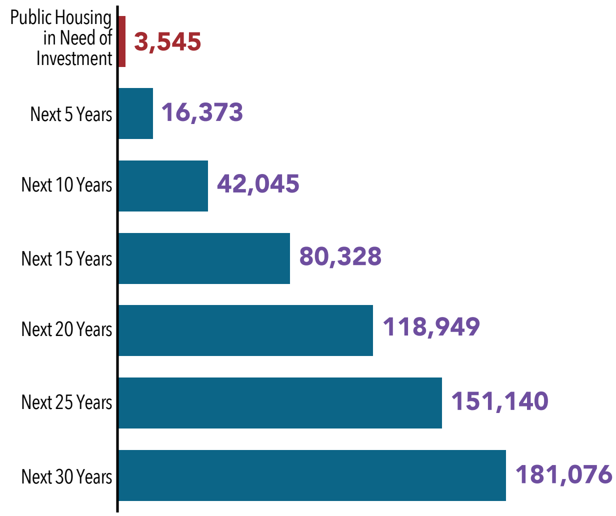


59% publicly supported rental homes across the state receive Low Income Housing Tax Credits.

*Other includes Section 236 HUD Insured Mortgages, Section 202 Direct Loans, Section 236, and state sponsored subsidies.

Note: Rental units can be supported by multiple programs.

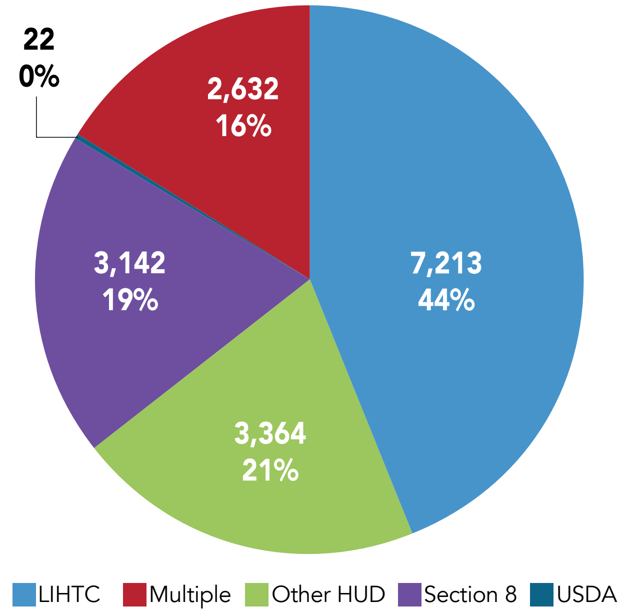
PUBLICLY SUPPORTED RENTAL HOMES AT RISK OF LOSS



6% affordability restriction in the next five years and 3,545 public housing units are in need of immediate investment*.

*Indicated by a REAC score less than 60.

PUBLICLY SUPPORTED RENTAL HOMES WITH EXPIRING AFFORDABILITY RESTRICTIONS WITHIN FIVE YEARS BY FUNDING STREAM



44% publicly supported rental homes with expiring affordability restrictions in the next five years are assisted by Low Income Housing Tax Credits.

KEY FACTS

-400,033
Shortage of rental homes affordable and available for ELI renters

79%
Percent of ELI households spending more than half of their income on rent

284,954
Number of publicly supported rental homes

16,373
Number of publicly supported rental homes with affordability restrictions expiring in next five years