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To: Marisa Button <Marisa.Button@floridahousing.org>; Bill Aldinger <Bill.Aldinger@floridahousing.org>

Cc: Oscar Sol <Osol@greenmillsgroup.com>

Subject: Homeless/Supportive Housing - Proposed RFA Language

Marisa and Bill-

Thank you for the opportunity to provide feedback regarding Florida Housing's recent 'Special Needs' and 'Homeless Households' RFA workshops.

The suggested language requiring non-profit "voting and management control" and the proposed goal to fund a 100% non-profit application won't necessarily create better outcomes but will a) put many service-oriented non-profits in unfavorable positions, and b) create significant disincentives to for-profit developers who participate in Supportive Housing development.

Non-profit Voting and Management Control

Florida Housing stated during both workshops that in order to qualify as a Non-Profit Applicant, the non-profit partner must "maintain at least 51 percent of the voting and management control of the Development". When asked during the workshop to clarify the intent and goal(s) Florida Housing provided a lot of helpful context, very much regarding tenant selection/vetting and service provision.

We agree the non-profit entity should be involved in and lead certain decisions (including tenant vetting, intake, and selection - subject to tax credit compliance, Fair Housing, etc.). And we agree the non-profit should be a material participant (minimum of 25% of development fee and 51% of GP interests). However, FHFC's proposed requirement that a non-profit maintain voting and management control will have the following consequences:

- Non-profits who might not be experienced, able, and/or willing to make decisions regarding design, financing, construction, compliance, etc. will be forced to do just that.
- For-profit developers will be "boxed out" from participating in Supportive Housing RFA's because they couldn't rationally provide financial guarantees (and accept accompanying risks) if they cannot also control day-to-day development to mitigate risks.
- Capable service-oriented non-profits will be forced to work with other non-profit developers, who may or may not listen to them or grant certain control rights to them anyways.

Many non-profits prefer to focus on providing services - not manage the day-to-day development process - and aren't staffed to negotiate with contractors, procure financing, process timely funding requisitions, oversee compliance, etc. Many non-profits simply don't want to be responsible for performing these critical development and finance functions. Moreover, some non-profits prefer to partner with experienced for-profit developers. This arrangement allows these non-profits to gain experience, build capacity, etc. while avoiding conflicts of interest with other non-profits who sometimes compete for the same resources.

100% Non-Profit Funding Goal

If this goal is implemented, it would severely hinder the ability of a Joint Venture Application (comprised non-profit and for-profit partners) from securing subsidies, and would only benefit a very small minority of non-profit developers. Also, this goal would mean that the best development application might not win despite the merits of its team, location, services, narratives, etc.

Suggested Alternatives

We understood the driving goal behind FHFC's proposed changes is to ensure non-profits have more input in the development process, specifically regarding operations and tenant selection. In lieu of FHFC's two RFA proposals (control and the 100% Non-Profit Goal), we offer the following suggestions which we believe will achieve additional non-profit participation without forcing them to make decisions they might not feel comfortable making:

1. Require confirmation that the non-profit partner has approval rights over certain decisions, specifically including those relating to tenant selection and vetting.

Instead of requiring that a non-profit have 51% voting and management control, we would suggest the non-profit partner (and/or affiliated entity) have reasonable approval rights over certain decisions, such as a unit mix/count, plans and specifications submitted for permits, service provisions, tenant selection criteria, and approval of a qualified (FHFC approved) management company and compliance agent. (Please note: once these milestones are met and certain approvals are given, the development team must collectively move forward and reasonable deviations, such as unit mix changes, should be permitted so as to keep budgets in balance.) One way to implement this would be for the applicant to provide a certification or MOU within the application attesting to the non-profit's approval rights over certain decisions. This certification can be verified later on during credit underwriting (after underwriters' review of GP/developer operating agreements).

2. Require confirmation the non-profit partner has approval rights over tenant selection, subject to fair housing laws, Section 42 compliance requirements, and/or any other applicable requirements.

Similar to the first suggestion, above, this can be a certification or MOU within the application and verified during credit underwriting. However, keep in mind that some non-profits may not want to be involved in the approval process of every tenant and instead may prefer to be involved with designing/approving the selection criteria, and then allowing for a capable third-party manager to make the standard operating and management decisions. The certification should be flexible enough to allow for this without asking or requiring the non-profit to "micro-manage" all aspects of resident oversight (including, potentially, evictions) if they don't want to.

Thanks again. Please feel free to contact us with any questions or comments.

Best,

Mitch



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We moved! Please note our updated address!