Florida Housing Finance Corporation
2013 Universal Application Cycle
Third Rule Development Workshop Agenda
Coral Gables Hyatt Regency,
50 Alhambra Plaza, Coral Gables, FL 33134
July 19, 2012

1.   **A/B Leveraging**

   a.   There have been discussions nationally regarding the cost of housing credit units and the need to reign-in these costs. The high-rise and mid-rise multipliers themselves were last adjusted for the 2005 UAC. In order to reduce the possibility of awarding funding to developments requesting a higher funding per set-aside relative to a substantiated need, FHFC is interested in updating any of these multipliers, if necessary and/or looking at other possible changes to this process. The various Development Types provided for in the UAC would, in general, constitute a substantiated need to vary the funding per set-aside. Comments received by FHFC include changing the high-rise multiplier to 0.70 and increasing the mid-rise multiplier to 0.80. It has also been suggested to remove the 1.10 multiplier for the Leveraging Cut-Off or lowering the 80/20 split. What do our stakeholders believe the best approach is to ensure developments only request funding for what is necessary?

   b.   FHFC is thinking of adding a tie-breaker after proximity related to leveraging to further delineate a developer's relative ability to efficiently deliver units without having a race to the bottom mentality. The proposal would be to utilize the A/B leveraging calculations (which should yield a relative level playing field across the Development Types), but to then further divide the "A" group into two subgroups (e.g., A1-A2) whereby subgroup A1 would represent the top 80% of the total "A" group and subgroup A2 would represent the remainder. What do the stakeholders think of the new tie-breaker and its parameters or is there a better way to encourage the most efficient HC development while still building a product that will be competitive and sustainable in the market for the long-term?

2.   **Florida Job Growth Rate**

   Since development costs and employment can differ widely from project to project, it is very difficult to timely determine an expected job growth rate for each application based on each application's individual unique characteristics that would delineate each via an arithmetical process in a judicial manner. Perhaps a simplified process that puts a development into one of three employment categories would best serve this tie-breaker requirement.

   One way to do this is to first take a defined dataset of applications and separate them into two lists: new construction and rehabilitation. Then one can determine the average number of set-aside units delivered from each list as well as the standard deviation of the distribution. Set-aside units have been suggested due to (a) their non-curable nature, (b) the number of set-aside units that are to be delivered is closely tied to the development's overall costs, and (c) development costs are typically used to calculate job growth for a development. The split between new construction and

rehabilitation is due to the wide variance in job creation between these two development types and it is best to compare like-kind developments.

Proposal: Analyze the funded applicants from the 2011 UAC (the immediately prior UAC) that have been accepted into credit underwriting by examining the average and standard deviation for the following groupings: (a) Rehab developments in Large counties, (b) Rehab developments in Non-Large counties, (c) NC developments in Large counties, and (c) NC developments in Non-Large counties.

When the 2013 UAC applicants are scored they will receive either a Job Growth Rate rating of a 1, 2, or 3 where 1 is the best. The basic premise is based on being above or below certain benchmarks which are calculated based on the particular dataset's average plus or minus an amount relative to one standard deviation (σ). There will be a separate dataset for each grouping listed above, at least to establish a dialogue.

As a note, this calculation is based solely on set-aside units delivered so without any compensating factors, the less costly Development Types would have an advantage by being able to deliver more units even though the lower costs typically translates directly into fewer jobs. As such the number of set-aside units will consequently be divided by the same leveraging multiplier used in the A/B Leveraging process. This adjustment will only be done to the incoming applications and not utilized to analyze the applicable datasets.

Using the prior year's UAC award list as the dataset allows applicants to know what rating they will earn prior to submission of the application. In analyzing the 43 developments that have accepted their invitations to enter credit underwriting from the 2011 UAC, one method of scoring parameters could be computed. As a note, since each standard deviation is relatively different, for policy purposes it is believe it would be best to treat all groupings identically by using one figure for each category that is close to the average of all deviations (e.g., 40%).

Analysis of the Number of Set-Aside Units

Grouping	Average	Deviation (σ)	Avg - 1σ	Avg + 1σ
NC, Large County	98 SAUs	39 SAUs	59 SAUs	137 SAUs
NC, Non-Large County	81 SAUs	32 SAUs	49 SAUs	N/A
Rehab, Large County	124 SAUs	50 SAUs	74 SAUs	N/A
Rehab, Non-Large County	85 SAUs	34 SAUs	51 SAUs	N/A

Florida Job Growth Rate Scores

FJGR Score	1	2	3
NC, Large County	>=137 SA Units	60-136 SA Units	<=59 SA Units
NC, Non-Large County	>=49 SA Units	<49 SA Units	N/A
Rehab, Large County	>=74 SA Units	<74 SA Units	N/A
Rehab, Non-Large County	>=51 SA Units	<51 SA Units	N/A

An example would be if a 2013 UAC applicant came in with a proposed 96 set-aside unit NC high-rise in Miami-Dade County that qualified for the 0.70 (newly proposed) multiplier to be utilized in the A/B Leveraging determination, then that application would yield an equivalent Florida Job Growth Rate set-aside unit count of 137.1 set-aside units (96/0.70). That yields enough set-aside units to give that application an FJGR Score of 1 since it is >=137 SA Units.

A 40 set-aside unit NC mid-rise development in a Seminole County that qualified for the 0.80 (newly proposed) A/B Leveraging multiplier would yield the equivalent of 50 set-aside units, qualifying for a FJGR Score of 1, which would compete equally with the development proposed above in Miami-Dade on this tie-breaker.

FHFC would like to discuss the approach generally and to see if there is a better set of criteria we should be using.

3.   **Proximity to the Closest Development on the Development Proximity List**

In an effort to minimize the effects of the rapid concentration of developments within relatively small areas, FHFC is intending to completely eliminate the ability for an application to receive the automatic 10 proximity tie-breaker points that was offered in the 2011 UAC under Part III.A.10.b.(1) of the instructions. In order to earn any portion or all of the 10 proximity tie-breaker points in this section, each applicant would need to qualify via the parameters in Part III.A.10.b.(2).

4.   **Total Proximity Score Ranges**

FHFC is considering adopting a process to group applications together that are within ranges in order to reduce the likelihood that minuscule variances from one property to another does not negatively affect land pricing. By tying the groupings to the highest proximity score of all applications that pass threshold at final ranking which have not been withdrawn by the cure deadline, then no one can guarantee where the groupings will fall prior to application deadline. FHFC is currently proposing the following for discussion:

1st Grouping: >=98.0% (Example: If the highest proximity score of all the
                          qualifying applications is 36.75, then the 1st grouping will
                          consist of all applications with a proximity score ranging from
                          36.015 (essentially 36.25) to 36.75.)

2nd Grouping: >=95.5% that are not in the 1st grouping. (Example: If the highest
                          proximity score of all the qualifying applications is 36.75, then
                          the 2nd grouping will consist of all applications with a
                          proximity score ranging from 35.09625 (essentially 35.25) to
                          the highest possible score that is less than the 1st grouping,
                          essentially 36.00.)

Any grouping lower than the 2nd Grouping (3rd-20th):   Each successive grouping will
                          have its applicable percentage decreased by 2.5% relative to
                          the next higher grouping, with a proposed maximum number

of groupings of 20 where the last group will consist of all applications not qualifying to be in any higher priority grouping. (Example: 3rd>=93.0% that are not in either the 1st or 2nd groupings, 4th>=90.5% that are not in groupings 1-3, 5th=88.0%, etc., 19th=53.0%, 20th<19th grouping.)

5.   **TOD Goal Adjustments**

   a.   In the 2013 UAC, there will only be one development awarded per county within the TOD Goal.

   b.   All TODs that had a funded development in the 2011 UAC, regardless of whether the application was chosen as part of the TOD Goal or not, will have a 0.5 mile circle drawn around the applicable rail station where no development will be allowed to be awarded in the 2013 UAC.

6.   **HOME Rental Allocation**

The amount of HOME Rental funds that can be awarded for the qualified Homeless demographic will have a maximum of the lesser of $50,000 per unit or $4.0 million total.

7.   **Local Government Incentives**

The four local government incentive forms have been combined into one form.

8.   **Local Government Contributions/Support**

FHFC is considering replacing the local government contributions criteria with a letter of support instead. There are a couple of factors working toward this change. The first is the relative difficulty local governments in general have in providing the cash support required to meet the hurdle for all applicants that seek the contributions. The second is the need to document the communication between the applicants and the local governments on the front-end of the application process with the need to recognize the local governments' support of the transaction. If a local government has the resources and feels the need to put a scoring priority on a development that otherwise would not seemingly fall within an expected funded ranking range, a different ranking process would need to recognize such a local government priority.

9.   **Local Government Priorities to boost Total Proximity Score**

FHFC recognizes that there are some local government affordable housing priorities that are not addressed in the UAC and perhaps there are some instances where a formal process must be in place to allow such local government knowledge and priorities to have a higher impact in the UAC ranking process. To incorporate such priorities, FHFC would need to understand how local governments document its affordable housing priorities. One of these components would be the recognition of a strong financial support of the transaction where the local government is providing, for example, a minimum of 10%-15% of the total development cost where the local funding must

close in order to comply with the associated ranking boost. Another is to recognize certain delineated areas designated by the local government in a redevelopment plan that has been approved and adopted by ordinance or resolution at least one year prior to the application deadline, and that target local funds to specific geographic areas (the geographic area cannot be the entire town or city that has adopted the plan) for both commercial/retail and low income residential projects (serving residents at, or below, 60 percent AMI). The last component for consideration would be one where a local government went through a Request for Proposal and has entered into a development agreement with a developer (public/private partnership) to provide affordable housing on a specific site.

What criteria should FHFC consider in determining which local plans appropriately address the affordable housing priorities? What are methods which FHFC should take into consideration in establishing criteria to recognize these local government priorities so they can be competitive with other developments that score well within the existing FHFC ranking process? The method FHFC was thinking of is to boost the application's Proximity Tie-Breaker Score. Since the application probably doesn't score well within the FHFC existing process, giving a boost of say two groupings to the Proximity group, it should be able to better compete. For instance, if an application's normal Proximity score is 26.0, it would normally receive a ranking in the 12th grouping utilizing the assumptions provided in agenda item 4 above. If it qualifies for this boost, it would then be ranked based on being in the 10th grouping for Proximity instead. Perhaps a boost should be offered for each of the three ways a local government priority can be met.

10.   Finance Documents

FHFC would like to document loan and equity funding via a certification form from the lender or the syndicator, respectively, instead of receiving the standard letter. FHFC has received comments from some lenders and syndicators regarding the previous version and would like to hear comments regarding the use of the forms as well as to continue comments about the suggested wording in the form itself.

11.   Updating the minimum criteria for a concrete development

There has been a comment submitted that requests a better understanding of the qualifications of a development that needs to meet the concrete construction criteria. The following has the suggested update:

Part III.A.3.b. For purposes of this Application, in order for a proposed Development to be considered to be concrete construction the proposed Development must meet the following specifications: (i) new construction buildings must have the following poured concrete or concrete masonry elements: all wall and exterior structural elements, not to include roofs; and structural elements at and under the ground floor, as well as the ground floor itself; …

11. **Limited Development Area**

FHFC has provided the first draft of the proposed Limited Development Areas (LDA) for public comment and is interested in hearing from the stakeholders regarding its current efforts. FHFC intends to provide any necessary updates prior to each of the next two public workshops.

12. **Other Discussion Items**