

Development and Management Scoring System

The purpose of the proposed Development and Management Scoring (DMS) system will be two-fold: first, to provide an incentive to Developers for efficient development and management practices for Multifamily Rental Developments funded through the Corporation, and secondly, to provide a meaningful delineator in the scoring process for Corporation competitive solicitations.

This will be accomplished by designing an electronic application that associates natural person owners (Applicant Principals) of Multifamily Rental Developments funded through the Corporation with the Development, and then tying certain actions indicative of inefficient development or non-compliant management associated with that funded Development back to the Applicant Principals, such that it will have an adverse effect on future Applications submitted by any of those Principals. The DMS system will be designed to capture Applicant (Development) and Applicant Principal information from submitted Applications. As funded Developments move through the development process (credit underwriting, PRL, carryover, loan closing, draws, certificate of occupancy and lease up, etc.) certain ineffective actions, (those that the Corporation has identified as being indicative of ineffective development best practices) would cause a certain number of points associated with the action(s) to be deducted from the DMS score of the Applicant Principals tied to the Development. Similarly, once Developments are fully leased up, certain uncorrected non-compliance actions associated with the ongoing management of the Developments will also result in points being deducted from the DMS score of the Applicant Principals tied to those Developments. Applicant Principals who have no points deducted from their DMS Score (due either to never having been a Principal for a Corporation-funded Development, or having been a Principal for Development(s) that did not have points deducted for undesirable actions) will have a “perfect” DMS score of 1000 points.

RFA’s issued by the Corporation beginning in September of 2016 will capture the Applicant Principal information from submitted Applications to associate with funded Developments. RFA’s in 2017 will begin using the Applicant Principal DMS scores as a delineator in the funding selection process. Applications with the highest DMS scores will receive preference over those with lower scores.

Proposed Development Criteria Which Will Affect Principals’ DMS Score:

X number of credit swaps in X years?

X number of extensions in X years? (What kind of extensions?)

X number of Rule waiver requests in X years

X number of funded deals not completing CUW within X time over X years?

X number of incidences over X years where it was found that the Development does not include required construction elements required in the RFA. (this will include Acq/Rehabs in which it is found that it is “not feasible” to meet the RFA requirements)?

Proposed Management Criteria Which Will Affect Principals' DMS Score:

Health and Safety Deficiencies – If there are compliance violations cited as a finding at the time of inspection and one or more remain uncured after the end of the written specified timeframe to cure the deficiencies, such Health and Safety non-compliance will receive a higher level of point deductions than other uncured non-compliance categories. The health and safety deficiencies that will result in penalty point deductions are as follows:

1. Missing, non-charged or empty fire extinguishers for more than twenty percent (20%) of the total units inspected.
2. Missing or non-working smoke detectors for more than twenty percent (20%) of the total units inspected. A missing or non-working smoke detector is defined as not having at least one operable smoke detector per floor for each apartment unit inspected.
3. Exposed electrical wiring or electrical hazards including, but not limited to, missing, damaged or improperly installed cover plates or wire guards which leave connections exposed.
4. Ongoing Insect infestation (based on visible presence, damage or reports), including, but not limited to, owner's failure to notify FHFC of any bed-bug infestation; or, failure to provide pest control services.
5. Mold and/or mildew-like substance(s) in more than twenty percent (20%) of the total units inspected.
6. Severe damage (UPCS Level 3) to sidewalks or parking lots including, but not limited to, tripping hazards.
7. Missing, broken or loose handrails or steps.
8. Inoperable emergency call equipment
9. Missing exit signs, or signs not illuminated
10. Missing fire sprinkler heads
11. Emergency/Fire Exits-blocked/unusable
12. Additional penalty points will be deducted if the same point deduction items listed above (except for items 6 and 7) are found in more than fifty percent (50%) of the total units inspected.

Unit Deficiencies - If there are compliance violations cited as a finding at the time of inspection and one or more remain uncured after the end of the written specified timeframe to cure the deficiencies, such non-compliance will receive point deductions. For the purposes of this section, each of the common areas count as one unit.

1. Missing or inoperable plumbing fixtures.
2. Missing or disconnected stoves, dishwashers, or refrigerators.
3. Boarded, broken or missing exterior windows or doors.
4. GFI Inoperable.

5. Missing Breakers/Fuses.
6. Units which have been vacant and are not suitable for occupancy or are found to be unsanitary. A unit which is suitable for occupancy should at a minimum include removal of the previous household's items (furniture, clothing and trash), repairs to the walls and floors completed, cleaned carpets and walls and general maintenance completed to the unit which creates an overall market readiness.

Site, Exterior or Common Area Deficiencies - If there are compliance violations cited as a finding at the time of inspection and one or more remain uncured after the end of the written specified timeframe to cure the deficiencies, such non-compliance will receive point deductions:

1. Missing and/or non-functioning project amenities as approved in the owner's approved application as included in the applicant's loan documents (including, but not limited to the LURA and EUA, as amended).
2. Siding and /or exterior trim, including soffits, fascia, soffit vents or associated components that have rotted or are missing.
3. Foundation/walls with cracks or gaps more than 3/8 inch wide by 3/8 inch deep by 6 inches long, possible sign of serious structural problems providing opportunity for water penetration.
4. Spalling/Exposed Rebar with 50 % or more spalling area(s) affecting any foundation exposing reinforcing materials or rebar.
5. Ponding or erosion which has extensively displaced soil, causing visible damage or potential failure of adjoining structures, systems, pipes, pavements, foundations, etc., which threatens the safety of pedestrians or makes an area of the grounds unusable.

Documentation or File Deficiencies - If there are compliance violations cited as a finding at the time of inspection and one or more remain uncured after the end of the written specified timeframe to cure the deficiencies, such non-compliance will receive point deductions:

1. Failure to fulfill the Development's Link compliance obligations
2. The failure to obtain an updated utility allowance which results in a household's gross rent being in excess of the applicable gross rent limit.
3. If any of the households in a project are over the applicable income limit at move-in.
4. If over twenty percent (20%) of files selected for audit are missing.
5. If any of the households in a project were charged over the maximum applicable rents.
6. Failure to submit program reports timely.
7. Failure to submit AOC by April 30th each year.
8. Failure to meet overall set-aside requirements.
9. Failure to document eligibility requirements at initial occupancy, and not cured.
10. Failure to perform First Anniversary Income determination, when required.
11. Failure to obtain Florida Housing's approval of the owner's management company

- selection prior to such company assuming responsibility.
12. Raising rents above the restricted maximum, during the three year tail after an EUA is terminated.
 13. Outstanding Payables on SR-1 Report

DMS System “Rules”

The DMS system will be designed such that all Applicant Principals must register to obtain and submit a unique Principal identification number along with their name when applying for funding. Applicant Principals of funded Developments must also provide 8821s within X days of invitation to credit underwriting. The SSN on the 8821 form will be associated with the unique Principal ID number to ensure the integrity of the process and that the DMS scores are attributed to the proper Principals moving forward.

The DMS score for an Application submitted for an RFA is only as high as the Principal with the lowest DMS score for that Applicant. This will be the score that is used as a delineator in the funding selection process for future RFAs.

Principals deleted from the Applicant subsequent to receiving an award will still be associated with the Applicant for DMS scoring purposes for X years.

Adding a Principal(s) to a funded Applicant with a DMS score lower than the DMS score for that Application when it was funded, will result in all other Applicant Principals having their DMS scores lowered to match that of the lowest added Principal’s DMS score for X years.

System “Rules” Not Yet Determined

How long will deducted points stay on Principals’ records?

How many points to be deducted per criterion?

Where should DMS “live”? Rule (67-60)? Individual RFAs?

What system requirements should be developed for the DMS scoring for individual Principals and Application Scoring?

How would scoring criteria be updated once DMS has been implemented?

What RFAs should the DMS scoring system apply to? All RFAs? NOT “Small DD” RFA or demonstration loan RFAs?

How should Applicant Principals be captured in the 2016 RFAs (prior to the development of the electronic system)?