

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
January 30, 2015
Action Items



9% HOUSING CREDITS

Action

I. 9% HOUSING CREDITS

A. In Re: Renaissance Preserve IV, LLC

Development Name: (“Development”):	The Homes of Renaissance Preserve III
Developer/Principal: (“Developer”):	Norstar Development USA, LP Renaissance Preserve Developers, LLC
Number of Units: 88	Location: Lee County
Type: Townhouses	Set Asides: 51% @60% AMI 30% @40% AMI
Demographics: Family	HC: \$1,020,975

Application No. 2013-400C

1. Background

- a) Pursuant to RFA 2014-106 for PHA Revitalization of Affordable Housing Developments (the “RFA”), Renaissance Preserve IV, LLC (“Applicant”) applied for and was awarded an allocation of low income housing tax credits (HC) to finance a development in Lee County, Florida, on a site owned by the Housing Authority of the City of Fort Myers.
- b) On November 21, 2014, Florida Housing received a “Petition for Waiver” (“Petition”), requesting a variance from the Total Development Cost Limitation found in Exhibit B, Part 8 of the RFA. A copy of the Petition is attached as [Exhibit A](#).
- c) On December 13, 2014, Florida Housing’s Board of Directors tabled consideration of this waiver request, and asked that the Applicant provide additional information to support the request. On January 7, 2015, the Applicant provided a letter outlining a more detailed explanation of the cost situation in support of their Petition, and a schedule of values including value engineering information. The January 7, 2015 letter and the schedule of values is attached as [Exhibit B](#).
- d) Note: Although filed in the form of a petition for waiver pursuant to Section 120.542, Fla. Stat., the Petition does not request relief from any rule, is in fact a request for a variance from a term of the RFP, and shall be considered accordingly.

2. Present Situation

- a) Part 8 of Exhibit B of the RFP provides, in pertinent part:
 - 4. Total Development Cost Per Unit Limitation:

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The Corporation shall limit the Total Development Cost (TDC) per unit for all Developments categorized by the construction type of the units as indicated by the Applicant in the RFA. The maximum amounts are provided on the TDC Per Unit Limitation chart set out below (the maximum TDC per unit exclusive of land costs, applying any applicable TDC multiplier) and will be tested during the scoring of the RFA, during the credit underwriting process, and during the final allocation process, as outlined below.

Measure	New Construction Units	Rehabilitation Units
Maximum TDC Per Unit exclusive of Land Costs	\$165,900	\$138,900

These TDC limitation amounts are effective from the Application Deadline through Final Cost Certification.

Total Development Cost Per Unit Base Limitations

- b) The Applicant requests that the TDC limitation as it applies to its development and regarding new construction units be increased from \$165,900 to \$170,900. As grounds, the Applicant states that unforeseen issues have increased development costs, including prevailing wage issues regarding construction labor and Davis Bacon requirements regarding a development site owned by a housing authority. Applicant further asserts that in subsequent RFPs and RFAs that Florida Housing has recognized the potential for these kinds of unanticipated cost increases, and has included contingencies for them in its credit underwriting requirements.
- c) The Applicant's January 7, 2015 letter outlines that their development budget was based on prices in the first half of 2014, but that in the intervening eight months, there have been 20 to 30 percent increases in the price of materials, significantly increased labor costs due to a shortage of skilled labor resulting from sharply increased construction activity in Florida. Additionally, the contractors indicate that the Davis-Bacon requirements make the job less desirable to them when there are other jobs available without such requirements, and that Minority Business Enterprise/Women's Business Enterprise/Section 3 workforce requirements also increase costs.
- d) The granting of this variance would not change the Applicant's score under the terms of the original RFP and does not disadvantage any other Applicant to the RFP. Staff has discussed the need for this variance with Applicant and supports its request.

3. **Recommendation**

Staff recommends the Board **GRANT** Applicant's request for a variance from the TDC Limitation of the RFA to increase the TDC limits on its new construction units from \$165,900 to \$170,900.

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B. In Re: Janie Poe Associates 3, LLC

Development Name: (“Development”):	Janie’s Garden Phase 3
Developer/Principal: (“Developer”):	Michaels Development Company Sarasota Housing Authority
Number of Units: 72	Location: Sarasota County
Type: Garden	Set Asides: 58% @ 60% AMI 22% @ 35% AMI
Demographics: Family	HC: \$820,000

Application No. 2013-103C

1. Background

- a) Pursuant to RFP 2013-007 for PHA Revitalization High Priority Affordable Housing Developments (the “RFP”), Janie Poe Associates 3, LLC (“Applicant”) applied for and was awarded an allocation of low income housing tax credits (HC) to finance a development in Sarasota County, Florida, on a site owned by the Sarasota Housing Authority.
- b) On November 20, 2014, Florida Housing received a “Petition for Waiver” (“Petition”), requesting a variance from the Total Development Cost Limitation found in Exhibit C, Part I(20)(e) of the RFP. A copy of the Petition is attached as [Exhibit C](#).
- c) On December 13, 2014, Florida Housing’s Board of Directors tabled consideration of this waiver request, and asked that the Applicant provide additional information to support the request. On January 7, 2015, the Applicant provided a letter outlining a more detailed explanation of the cost situation in support of their Petition, and a schedule of value engineering totaling \$61,506. The January 7, 2015 letter and the schedule of value engineering is attached as [Exhibit D](#).
- d) Note: Although filed in the form of a petition for waiver pursuant to Section 120.542, Fla. Stat., the Petition does not request relief from any rule, is in fact a request for a variance from a term of the RFP, and shall be considered accordingly.

2. Present Situation

- a) The RFP provides, in pertinent part:
 - e. If the Credit Underwriter is to recommend a Competitive Housing Credit Allocation, the recommendation will be the lesser of (i) the qualified basis calculation result, (ii) the gap calculation result, or (iii) the Applicant’s Housing Credit Request Amount. During the credit underwriting process and as a part of the Final Cost Certification Application review outlined in Part II below, the Development will be subjected to the Total Development Cost per unit limitation test. Any credit underwriting report involving Competitive Housing Credits that reflects a Total Development Cost per unit amount that exceeds the Total Development Cost limitation, as outlined below, shall receive a negative recommendation by the Credit Underwriter.

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(1) For proposed Developments requesting Competitive HC, the Corporation shall limit the Total Development Cost (TDC) per unit for all Developments based on the average cost to deliver new construction units and rehabilitation units, based on the construction type of the units as indicated by the Applicant at question 4.f.(2) of Exhibit A of the RFP. The maximum amounts are provided on the TDC Per Unit Limitation chart set out below (the maximum TDC per unit exclusive of land costs, applying any applicable TDC multiplier) and will be tested during the credit underwriting and final allocation process, as follows:

(a) Any Applicant that has an amount that exceeds these limitations in any credit underwriting report will not have the credit underwriting report approved.

(b) Any Applicant that presents a Final Cost Certification Application (FCCA) that has amounts that exceed these limitations will have its Housing Credit Allocation reduced.

(2) These TDC limitation amounts are effective from credit underwriting review through Final Cost Certification.

Total Development Cost Per Unit Base Limitations (Calendar Year 2013)

Measure	New Construction Units	Rehabilitation Units
Maximum TDC Per Unit exclusive of Land Costs	\$163,000	\$137,000

- b) The Applicant requests that the TDC limitation as it applies to its development and regarding new construction units be increased from \$163,000 to \$168,000. As grounds, the Applicant states that it is experiencing additional and unanticipated cost increases due to recent increases in the prevailing wage for construction labor on public housing authority lands and the requirements of the Davis Bacon Act. Applicant further asserts that in subsequent RFPs and RFAs that Florida Housing has recognized the potential for unanticipated cost increases, and has included contingencies for this in its credit underwriting requirements.
- c) The Applicant's January 7, 2015 letter outlines that the general contractors bidding on Janie's Garden Phase 3 did so at a rate 10 to 20 percent higher than anticipated. The bidding contractors cited 20 to 30 percent increases in the price of materials since January 2014, significantly increased labor costs due to a shortage of skilled labor resulting from sharply increased construction activity in Florida. Additionally, the contractors indicated that the Davis-Bacon requirements make the job less desirable to them when there are other jobs available without such requirements, and that the medium size of the job is less desirable as well.

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- d) The Applicant informed Florida Housing that their contractor decided not to do the job, and they are now restarting the bid process in an effort to secure another contractor for Janie's Garden Phase 3.
- e) The granting of this variance would not change the Applicant's score under the terms of the original RFP and does not disadvantage any other Applicant to the RFP. Staff has discussed the need for this variance with Applicant and supports its request.

3. **Recommendation**

Staff recommends the Board **GRANT** Applicant's request for a variance from the TDC Limitation of the RFA to increase the TDC limits on its new construction units from \$163,000 to \$168,000.

MULTIFAMILY PROGRAMS

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II. MULTIFAMILY PROGRAMS

A. Request for Applications (RFA) 2014-112 - Financing To Build Or Rehabilitate Smaller Permanent Supportive Housing Properties For Persons With Developmental Disabilities

1. Background

- a) Florida Housing Finance Corporation (Florida Housing) was appropriated \$10 million in grant funds by the 2014 Legislature for housing for Persons with Developmental Disabilities as defined in s. 393.063, Florida Statutes. This RFA made up to \$4 million available to finance small Permanent Supportive Housing Developments consisting of no more than four (4) Units.
- b) The legislation specified that Florida Housing must offer the funding through a competitive grant program to private Non-Profit organizations that have a primary mission which includes serving Persons with Developmental Disabilities. Funding must be used for new construction or renovation of existing housing Units, including Community Residential Homes as defined in Section 419.001, F.S. Florida Housing was required to consider the extent to which funds from local and other sources will be used by Applicants to leverage these grant funds; employment opportunities and supports that will be available to Residents of the proposed housing; a plan for Residents to access community-based services, resources, and amenities; and partnerships with supportive services agencies.
- c) This RFA was open to Applicants proposing the development of Permanent Supportive Housing for Persons with Developmental Disabilities, either Community Residential Homes or Supported Living Units.

2. Present Situation

- a) The deadline for receipt of Applications was 11:00 a.m., Eastern Time, Wednesday, December 3, 2014. Florida Housing received 20 Applications in response to this RFA. The Review Committee members, designated by the Executive Director, were Kevin Tatreau, Director of Development Finance (Chair), Elizabeth O'Neill, Multifamily Programs Manager, Elaine Roberts, Senior Supportive Housing Analyst; Jean Salmonsens, Housing Development Manager; John Toman, Policy Coordinator; and Susan Parks, Special Programs Manager. Each member of the Review Committee independently evaluated and scored their assigned portions of the submitted Applications, consulting with non-committee staff and legal counsel as necessary and appropriate.
- b) The Review Committee met on January 13, 2015 to give their scores and submit a recommendation to the Board.
- c) At that Review Committee meeting, the individual committee members presented their scores and the Committee carried out the funding selection process in accordance with Section Five of the RFA.
- d) The RFA 2014-112 All Applications chart (provided as [Exhibit A](#)) lists the eligible and ineligible Applications. The eligible Applications (i.e.,

MULTIFAMILY PROGRAMS

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Applications that met all criteria to be eligible to be considered for funding) and ineligible Applications are listed in assigned Application number order.

- e) The Review Committee considered the following two (2) motions:
 - (1) A motion to adopt the scoring results, as set out on Exhibit A; and
 - (2) A motion to tentatively select the Applications set out on [Exhibit B](#) for funding and invite the Applicants to enter credit underwriting.
- f) Both motions were passed unanimously.
- g) The Review Committee's recommendations to fund 20 of the 23 eligible applications leaves a balance of \$324,000 from the \$4 million made available in this RFA. The three (3) eligible unfunded Applications are: #2015-009G, The Jonesville Home at the Arc of Alachua County; #2015-016G, BASCA Group Home 5 in Clay County; and #2015-012G, Neff Lake Estate II in Hernando County. Additionally, due to funding returned by Applicants awarded funding for housing for Persons with Developmental Disabilities appropriated by the 2013 Legislature, Florida Housing has an additional \$869,217 available for this purpose. Combining the \$869,217 with the \$324,000 leftover from the recommended awards for RFA 2014-112 makes a balance of \$1,193,217 available for housing Persons with Developmental Disabilities.
- h) As outlined in Section Six, E. of the RFA, at the completion of all litigation and approval by the Board of all Recommended Orders with regard to this RFA, Florida Housing shall offer all Applicants within the funding range an invitation to enter credit underwriting.

3. Recommendation

- a) Approve the Committee's recommendations that the Board adopt the scoring results of the 20 Applications (set out on Exhibit A) and authorize the tentative selection of the 14 Applications (set out on Exhibit B) for funding and invitation to enter credit underwriting.
- b) Additionally, combine the unallocated balance of \$869,217 in grant funds remaining from the funding approved by the 2013 Legislature for housing for Persons with Developmental Disabilities with the unallocated balance of \$324,000 in Grant Funds remaining from this RFA for a total of \$1,193,217; and authorize the tentative selection of the three (3) additional eligible unfunded Applications from RFA 2014-112 (set out on [Exhibit C](#)) for funding and invitation to enter credit underwriting. A balance of \$92,217 would remain to be awarded by the Board.
- c) If no notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., staff will proceed to issue an invitation to enter credit underwriting to the Applicants set out on Exhibit B.
- d) If a notice of protest or formal written protest is filed in accordance with Section 120.57(3), Fla. Stat., et. al., then at the completion of all litigation, staff will present all Recommended Orders for Board approval prior to issuing invitations to enter credit underwriting to those Applicants in the funding range.

MULTIFAMILY PROGRAMS

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B. Smaller Permanent Supportive Housing Properties for Persons with Developmental Disabilities - Distribution of Returned Allocation

1. Background

Florida Housing Finance Corporation (Florida Housing) has issued three (3) Requests for Applications (RFAs) for smaller permanent supportive housing properties for person with development disabilities, making a total of \$8 million appropriated by the 2013 and 2014 Legislatures available to prospective applicants to provide such housing.

2. Present Situation

- a) Contingent on Board approval of staff recommendations associated with RFA 2014-112, a balance of \$92,217 remains to build or rehabilitate smaller permanent supportive housing properties for persons with developmental disabilities.
- b) A number of developments funded through the first two RFAs for smaller permanent supportive housing properties for person with development disabilities (2013-005 and 2014-105), experienced costs above those originally anticipated by the Applicants in the course of building or rehabilitating their housing. The cost of inspections, meeting accessibility requirements, costs associated with closing, and higher than anticipated bids by contractors, among other things accounted for total costs being higher than the grant amounts requested by Applicants.

3. Recommendation

Provide staff the authority to issue an RFA making \$92,217 available to Applicants awarded funds in RFAs 2013-005 and 2014-105 that experienced costs above those originally anticipated. This RFA would not be issued until any petitions possibly filed in association with the awards granted through RFA 2014-112 have been resolved.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action

III. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Request for Applications 2014-111 - Distribution of Returned Allocation

1. Background

- a) On October 30, 2014 the Board voted to adopt the scoring, ranking and funding recommendations of the staff Review Committee regarding Request for Applications 2014-111 – SAIL Financing of Affordable Multifamily Housing Developments to be used in conjunction with Tax-Exempt Bond Financing and Non-Competitive Housing Credits (the “RFA”). At that time, there was an unallocated balance of \$583,473 of SAIL funding.
- b) Among those Applications selected for funding were Application #2014-428S, Cypress View Apartments, who was preliminary selected to receive \$2,750,000 in State Apartment Incentive Loan (SAIL) funding and \$219,700 in Extremely Low Income (ELI) funding; and Application #2014-410S, Oakridge at Palmetto, who was preliminary selected to receive \$5,000,000 in SAIL funding and \$385,600 in ELI funding.
- c) On December 9, 2014, Florida Housing received its first withdrawal of an Application from the funding process and, on December 12, 2014, the Board voted to distribute the returned allocation of that Application to Application #2014-416S, Lake Worth Commons, with any remaining allocation to be returned to the Corporation for funding of future RFAs. Lake Worth Commons had a smaller request amount than the Applicant that withdrew, resulting in the unallocated balance of SAIL funding increasing to \$916,793.

2. Present Situation

- a) On December 29, 2014, the Applicant for the Cypress View Apartments Application sent staff notice that it declined its invitation to enter credit underwriting.
- b) On January 7, 2015, the Applicant for the Oakridge at Palmetto Application advised staff of the withdrawal of its Application for funding.
- c) When the returned funding is combined with the previous balance of SAIL funding, the new total of unallocated SAIL funding is \$8,666,793.
- d) The RFA provides:

Returned Allocation –

Funding that becomes available after the Board takes action on the Committee’s recommendations, due to an Applicant withdrawing its Application, an Applicant declining its invitation to enter credit underwriting, or an Applicant’s inability to satisfy a requirement outlined in this RFA, will be distributed as approved by the Board.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

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3. **Recommendation**

That the Board give staff the authority to apply any returned allocation to the highest ranking unfunded Applications for RFA 2014-111 that can be fully funded.