FLORIDA HOUSING FINANCE CORPORATION

Modification of Request for Applications (RFA) 2018-109
Development Viability Loan Funding

Pursuant to Rule 67-60.005, F.A.C., Modification of Terms of Competitive Solicitations, Florida Housing hereby modifies <u>Section Four A.4.</u> to read as follows:

4. Funding

a. The Applicant must provide the amount of loan funding it is requesting.

The maximum amount the Applicant is eligible to request is the lesser of (1) or (2), as applicable, or (3), as described below. During the scoring process, if the Applicant states a loan funding request amount that is greater than the amount the Applicant is eligible to request, the Corporation will reduce the amount down to the maximum amount the Applicant is eligible to request and such adjusted amount will be deemed the Applicant's Eligible Viability Loan Funding Request Amount. The Eligible Viability Loan Funding Request Amount will also be reviewed during the credit underwriting process and when the final cost certification is finalized, which may result in a further reduction of the Eligible Viability Loan Funding Request Amount. At no time will the Eligible Viability Loan Funding Request Amount be increased.

Note: A maximum of $2.25 million when funding two Related Applications will be eligible to be awarded to any one Principal, as verified by the list of Principals submitted with the Original Application or any subsequent Board or Corporation approved change in Principals. If a Principal submits Related Applications that exceed a total of $2.25 million, the award from the Related Application deemed Priority II will be reduced until the $2.25 million maximum is met. This $2.25 million maximum is increased to $3,200,000 when at least one Related Application is awarded funding within the limits in 4.a.(2) below.

(1) Per Unit/Development Limitations:

For Developments that do not meet the criteria in (2) below, the following limitations apply:

(a) Developments serving Homeless or Persons with a Disabling Condition Demographics are limited to the lesser of $18,000 per set-aside unit or $1,500,000 per Development.

(b) Developments serving a demographic other than Homeless or Persons with a Disabling Condition are limited to the lesser of $15,000 per set-aside unit or $1,250,000 per Development.

(2) Development Location Limitation:

If the Development is located in a small county, with a Development Category of new construction, the request amount is limited to the lesser of $43,500 per unit or $2,250,000 per Development;

or

(3) The amount of Viability Loan Funding needed to make the Development viable, sized by determining an amount to balance the Total Development Costs as provided in this Application against the Total Permanent Funding Sources, to the extent possible. The Total Permanent Funding Sources shall be determined by adding together the amounts provided in (a) through (c) below:

(a) Permanent Funding Sources:

The Total Permanent Funding Sources that will be used in this Application for this calculation will be the greater of any permanent funding (Corporation and non-Corporation) disclosed in the Original Application (exclusive of HC equity and deferred Developer fee) and that which is disclosed on the Development Cost Pro Forma provided with this RFA.

However, in the case of the permanent funding disclosed in the Original Application, the amount of the first mortgage will be discounted by 5% prior to making the comparison.

(b) Housing Credit Equity:

The HC equity that will be used in this Application for this calculation will be the greater of (i) the amount provided in the Letter of Intent provided with this Application when the housing credit pricing is at least $0.90, or (ii) an amount calculated by utilizing a housing credit price of $0.90 when the housing credit price as stated in the Letter of Intent in this Application is less than $0.90. In the case of a 9 percent HC Applicant, the amount of Housing Credits to be incorporated in this process cannot exceed the amount initially awarded;

(c) Deferred Developer Fee:

The deferred Developer fee that will be used in this Application for this calculation shall equal 50 percent of the total Developer fee, exclusive of any operating deficit reserve portion that is a part of a 21 percent Developer fee (which will be equal to 5 percent of Development Cost).

If the Applicant's Development Cost Pro Forma has surplus funding at time of Application submission, the scorer will first reduce the deferred Developer fee by the amount of the surplus funding to no less than the 50 percent deferral minimum and then reduce the Applicant's Viability Loan Funding Request Amount, as needed. This adjustment will take place prior to the process of determining the maximum Viability Loan Funding Request Amount.

Note: If other additional funding sources* are acquired prior to finalization of the cost certification, such other funding will be used to first reduce the deferred Developer fee to no less than 50 percent of the total Developer fee and then to reduce the Viability Loan Funding. After the IRS form(s) 8609 are issued, through the end of the Compliance Period, any additional funding sources* acquired will be used to pay down the deferred Developer fee and the Viability Loan Funding on a 50/50 basis. If the deferred Developer fee is paid off prior to the Viability Loan Funding, then 100 percent of any remaining additional funding sources* will be used to reduce or pay off the Viability Loan Funding. Thereafter, a portion of the Development Viability Loan would be reduced in the same manner as prescribed for SAIL in Rule Chapter 67-48.010(15), F.A.C.

*Additional funding sources does not include the Development's net cash flow from operations, after debt service, but it does include Housing Credit equity greater than the amount provided (or calculated) in this RFA as it relates to competitive Housing Credits. Additional Housing Credit equity as it relates to non-competitive Housing Credits shall be used to first pay additional development costs incurred prior to following the waterfall of payment priorities outlined above, but in no instance will the deferred Developer fee be less than 50 percent of the total Developer fee.

Provided below is an example of sizing process:

Applicant A has an Active Award of 9 percent Housing Credits with a Family demographic commitment located in a Large County. There are no Related Applications. The table below summarizes the information the Applicant provided in its Original Application under which the Active Award was made as well as information provided in response to this RFA.

	Original Application	**Current Application**
	General Information	
HC Allocation[1]	$1,510,000	$1,510,000
Limited Partner(s) Ownership %	99.99%	99.99%
HC Pricing	$0.97	$0.90
Total Units	90	90
	TDC Information	
Development Costs	$13,150,000	$13,940,000
Maximum Total Developer fee allowed (16% of Development Costs)	*$2,104,000*	*$2,230,400*
Total Developer fee used in RFA	$2,100,000	$2,230,000
Other Costs (land, ODR)	$2,700,000	$2,700,000
Total Development Costs	**$17,950,000**	**$18,870,000**
	Permanent Funding Sources	
Deferred Developer fee[2]	$504,465	$1,446,359
First Mortgage (Bank) Debt	$~~2,650,000~~2,750,000	$2,450,000
Local Gov't Funds	$50,000	$150,000
Other FHFC Funding	$0	$0
HC Equity[3]	$14,645,535	$13,588,641
Viability Loan Funding Request Amount[4]	*N/A*	*$1,235,000*
Total Permanent Funding Sources	**$17,950,000**	**$18,870,000**
	HC Equity Calculation for Sizing Purposes	
HC Allocation[1]		$1,510,000
Greater of Syndicator's LOI HC Price or $0.90		$0.9000
Resulting HC Equity for Sizing		**$13,588,641**
Minimum Deferred Developer Fee		$1,115,000
Permanent Sources that are not Deferred Developer Fee or HC Equity[5]	$2,662,500	$2,600,000

Greater amount of permanent sources that are not deferred developer fee or HC equity as presented in the original application or the current application ("other permanent sources")	$2,662,500
Viability Loan Sizing	
A: Total Development Cost, less minimum developer fee, less Resulting HC Equity for Sizing, less the greater amount of other permanent sources (Viability Loan Amount via gap analysis)	$1,503,859
B: Maximum Viability Loan Amount relative to the Per Development Limit	$1,250,000
C: Maximum Viability Loan Amount relative to the Per Unit Limit	$1,350,000
Least amount of qualifying Viability Loan	**$1,250,000**

[1]For 9% HCs, use the awarded HC allocation. For 4% HCs, use the HC allocation identified in the syndicator's Letter of intent.

[2]The current deferred developer fee must be at least 50%, but can go up to 100% if needed to balance total permanent sources and total development costs.

[3]The HC Equity amount listed is based on the calculations in the "HC Equity Calculation for Sizing Purposes" section.

[4] The Viability Loan Funding Request Amount cannot exceed the RFA limits. If it does, FHFC will reduce it down to the maximum and increase the deferred developer fee to offset, up to 100% of the developer fee.

[5] The total amount of permanent sources from the Original Application is calculated by taking 95% of the $2,750,000 first mortgage ($2,612,500) and adding the $50,000 from the local government to yield $2,662,500. This total recognizes the 5% discount of the first mortgage provided by 4.a.(3)(a) above.

The Viability Loan Funding Request Amount listed above from the current Application is $1,250,000. This will be reviewed using the following methodology during scoring, credit underwriting and final cost certification sizing processes. The Viability Loan Funding Request Amount can only be reduced or remain the same and cannot be increased.

- Sizing limits based on 4.a.(1) (Per Unit Limit): 90 Units x $15,000 PU = $1,350,000.
- Sizing limits based on 4.a.(1) (Per Development Limit): $1,250,000.
- Sizing limits based on 4.a.(2) is not applicable due to the Development's location.

Based on the two limiting factors above, the maximum Viability Loan Funding Request Amount is $1,250,000 ($1,250,000 < $1,350,000).

- Sizing limits based on 4.a.(3)

  The Total Development Cost must equal all permanent funding sources. The permanent funding sources will assume to include (for sizing purposes), at a minimum, the same amount of permanent sources provided in the Original Application, exclusive of HC equity and deferred Developer fee. The deferred Developer fee must equal at least 50 percent of the total Developer fee (exclusive of any operating deficit reserve portion that is a part of a 21 percent Developer fee). In addition, the amount of HC equity to be incorporated will assume to have (for sizing purposes) a minimum price of $0.90 per dollar of Housing Credits.

  Total Development Cost (TDC):

  - The TDC stated in the current Application is $18,870,000.

  Permanent Sources Calculation:

The greater of the following will be used in calculating the Eligible Viability Loan Funding Request Amount:

- Permanent sources provided in the Original Application, exclusive of HC equity and deferred Developer fee: $~~2,650,000~~2,750,000 x 95%+ $50,000 = $~~2,700,000~~2,662,500.
- Permanent sources provided in the current Application, exclusive of HC equity, deferred Developer fee and the Viability Loan Funding Request Amount: $2,450,000 + $150,000 = $2,600,000.
- The greater of the two amounts above is $~~2,700,000~~2,662,500.

Housing Credit Equity Calculation:

The greater of the following will be used in calculating the Eligible Viability Loan Funding Request Amount:

- The HC equity calculation will use a HC annual allocation based on the lesser of the amount awarded (if it is a 9% HC allocation) or~~,~~ the amount stated in the current syndicator Letter of ~~intent~~ Intent~~(if it is a 4% HC allocation), or the amount calculated by taking the eligible basis, applying a basis boost to the eligible basis that is subject to a basis boost (if the Development qualifies for a basis boost), applying the applicable fraction and taking the resulting qualified basis and multiply by the applicable PV Tax Credit Percentage. This later process is provided in the example in the table above within the "HC Equity Calculation for Sizing Purposes" section and the associated footnotes with a result of $1,743,183~~. This ~~amount~~ is ~~greater than the~~ a 9% HC allocation award so the amount of HC equity will utilize an allocation of $1,510,000 the same as the amount in the syndicator Letter of Intent.
- HC equity provided in current Application: $13,588,641 as stated in the Letter of Intent where the syndicator provided the following supporting information: $1,510,000 Housing Credit Allocation x 10 x 99.99% x $0.90 = $13,588,641 (rounded to nearest dollar).
- HC equity based on a minimum price of $0.90 per dollar of Housing Credits: $1,510,000 Housing Credit Allocation x 10 x 99.99% x $0.90 = $13,588,641 (rounded to nearest dollar).
- The greater of the two amounts above is $13,588,641.

Deferred Developer Fee Calculation:

The following will be used in calculating the Eligible Viability Loan Funding Request Amount:

- 50 percent of the stated total Developer fee (exclusive of any operating deficit reserve portion that is a part of a 21 percent Developer fee): $2,230,000 x 50% = $1,115,000.

Calculating the Eligible Viability Loan Funding Request Amount:

- $18,870,000 (TDC), less $~~2,700,000~~2,662,500 (the greater of the Permanent Sources Calculation above), less $13,588,641 (the greater of the Housing Credit Equity Calculation above), less $1,115,000 (the minimum deferred Developer fee) = $1~~,466,359~~1,503,859 (Eligible Viability Loan Funding Request Amount via gap analysis).
- The maximum qualified Eligible Viability Loan Funding Request Amount is based on the lesser of all sizing requirements described in 4.a. ($1,250,0000 < $1,350,000 < $~~1,466,359~~1,503,859), or the Applicant's Viability Loan Request Amount ($1,235,000) which equals $1,235,000 ($1,235,000 < $1,250,000).
- As a note, the deferred developer fee was increased above the minimum to balance the sources and uses.
- For Tie-Breaker purposes, the maximum Viability Loan Request Amount is $1,250,000 and the Applicant's Eligible Viability Loan Request Amount is $1,235,000, indicating the

Applicant's Eligible Viability Loan Request Amount is 98.80% of the maximum Viability Loan Request Amount.

In the case where the Eligible Viability Loan Funding Request Amount is less than the Applicant's Request Amount and a funding shortfall exists, the Applicant must demonstrate that it can meet the requirement of funding sources must equal Total Development Costs in credit underwriting or the award will be rescinded.

Since there are no Related Applications, the sizing limitation of $2,250,000 being available for up to two (2) Related Applications is not applicable to this example.

b. The Applicant must provide the following as **Attachment 2** to Exhibit A:

(1) A Letter of Intent from the Housing Credit Syndicator/Equity Provider

The letter of intent must meet the following criteria:

- Must be dated no earlier than March 1, 2018;
- Be executed by the syndicator/equity provider and the Applicant;
- Include specific reference to the Applicant as the beneficiary of the equity proceeds;
- State the proposed amount of equity to be paid prior to construction of completion;
- State the total Housing Credit request amount;
- State the anticipated dollar amount of Housing Credit allocation to be purchased; and
- State the anticipated total amount of equity to be provided.
- State the dollar amount of any reserve required by the Housing Credit Syndicator/equity provider. Such reserve must be entered on the Development Cost Pro Forma.

If the Applicant received a 9% allocation and the Applicant's previously awarded HC Allocation is less than the anticipated amount of credit allocation stated in the equity proposal, the equity proposal (that meets the above criteria) will be considered a source of financing and, for scoring purposes, the amount of HC equity to be permitted in the Development Cost Pro Forma will be adjusted downward from the amount stated in the equity proposal. If the Applicant received a 9% HC allocation and the Applicant's previously awarded HC Allocation is greater than the anticipated amount of credit allocation stated in the equity proposal, the equity proposal will be considered a source of financing and the amount of HC equity to be permitted for scoring in the Development Cost Pro Forma will be the amount stated in the equity proposal~~, adjusted upward~~. ~~In either case, this adjusted HC equity will be calculated by taking the total amount of equity to be provided to the proposed Development as stated in the equity proposal letter, dividing it by the credit allocation stated in the equity proposal and multiplying that quotient by the Applicant's previously awarded HC Allocation.~~

If the Applicant is to receive a 4% HC allocation, the amount of HC equity to be permitted for scoring in the Development Cost Pro Forma will be the same amount stated in the equity proposal (that meets he above criteria).

Note: Closing the Limited Partnership Agreement prior to Board approval of the credit underwriting report will result in the Viability Loan Funding being rescinded.

(2) A letter from the Housing Credit Syndicator/equity provider (a) confirming that, as of Application Deadline, the Limited Partnership has not closed; and (b) acknowledging that at

least 50 percent of the Developer fee must be deferred. This can be in the HC equity proposal provided above or a separate letter.

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