

**FLORIDA HOUSING FINANCE CORPORATION**  
**Board Meeting**  
**July 30, 2021**  
**Action Items**



## MULTIFAMILY PROGRAMS

### *Action*

#### I. MULTIFAMILY PROGRAMS

##### A. Total Development Cost Per Unit Limitations

###### 1. Background

- a) Florida, along with the rest of the United States, is experiencing a strong real estate construction boom that escalated in 2020. The demand for building materials has increased accordingly. However, various material supply chains and their labor forces have experienced prolonged shortages creating stress in the supply and demand equilibrium nationwide.
- b) Construction costs have been increasing over this period with such uncertainty about future prices that construction contracts have escalated at an unprecedented pace. Finalizing general contractor construction contracts have been difficult and once contract pricing has been determined, current pricing has proven to have increased at a greater pace than expected at the time the respective Request for Applications (RFAs) were issued.
- c) There are many Applicants that had applied to Florida Housing for funding since 2018 and have received an Active Award, but have not yet started construction or rehabilitation of their proposed developments. As proposed development costs are being finalized, developers are required to address the need to obtain additional funding sources as well as the need to comply with RFA requirements.
- d) The majority of Florida Housing's RFAs incorporate a Total Development Cost Per Unit (TDC PU) Limitation requirement that is tested at time of application, credit underwriting and, if applicable, final cost certification.
- e) As Applicants finalize their development cost budgets and arrange for adequate sources of financing to pay these higher development costs, many find themselves in non-compliance with the TDC PU Limitation test set-forth in their respective RFA under which it applied. Non-compliance is established when an Applicant's development costs exceed the relative TDC PU Limitation and if the non-compliant excess costs exceeds five percent of the TDC PU Limitation, the credit underwriter must provide a negative recommendation to the Board when submitting the Credit Underwriting Report (CUR). Developer fee may be reduced to achieve compliance with the limitation restriction.

###### 2. Present Situation

- a) Florida Housing has made efforts to maintain the viability of the developments in this predicament and continues to believe it is beneficial to deliver these much-needed affordable housing units and communities in a timely manner. An important hurdle that remains to be addressed is to reasonably accommodate a request by the stakeholders to reduce the burden of the TDC PU Limitations which would otherwise create an unreasonable financial burden on the development and its Principals or even stop development delivery.

## MULTIFAMILY PROGRAMS

### *Action*

- b) During the 2017-2018 RFA cycle, there were 59 developments awarded funding with TDC PU Limitation requirements of which only two have not commenced construction. During the 2018-2019 RFA cycle, there were 61 developments awarded funding with TDC PU Limitation requirements of which 12 have not commenced construction. The following 2019-2020 RFA cycle awarded 82 developments with funding of which 8 have commenced construction. None of the 74 developments during the recent 2020-2021 RFA cycle have commenced construction.
- c) Staff requested stakeholders in the development pipeline to voluntarily respond to a survey about their status with development costs. There were 76 responses with numbers and several more with a simple acknowledgement that they did not have any known development cost hurdles. A review of the survey indicated 9% of the transactions would not pass the 5% test required as part of the TDC PU Limitation requirements and another 18% would have the developer fee reduced to meet the 5% test. There were 15% more that are very near the limit without requiring any forced reduction in the developer fee.
- d) Cost increases experienced after application submission is a normal development process. Developers acknowledge the risk, plan for the inevitable, and have found ways to adapt. Developers that have the capacity to move timely towards construction commencement post board action limit risks. There are some Applicants during this period that were better positioned to execute a general contractor agreement, finalize and close on its funding sources and start construction. Florida Housing does not desire to have Applicants that could complete this process timelier to have a higher standard of delivery than those who found themselves delayed in this process.
- e) Based on the assumptions that the TDC PU Limitation process inherent in the competitive RFA process at Florida Housing exists to limit controllable development costs and construction costs for fundamental affordable housing developments are creating non-viable developments for no other reason, the general proposal is to allow a process for Applicants to voluntarily elect to include this board updated limitation process and to give those developments that are close to commence construction or even approval of a final credit underwriting report, a chance to continue with delivery of units.
- f) The proposal is to move the TDC PU Limitation limits to match those presented during the 2020-2021 RFA Cycle for post-application limits plus an additional ten percent increase. In addition, any Applicant that qualifies for the following change in its TDC Multiplier or TDC Add-On structure, can include the modification as well. If the primary demographic being served by the Development is Persons with a Disabling Condition or Persons with a Developmental Disability and can demonstrate it meets the qualifications of the Construction Features Multiplier criteria in Section Four, A.10.g. of RFA 2021-106, it can exchange the multipliers in its RFA for the Construction Features Non-Geographic Multiplier of 60%. If the Applicant is associated with a PHA via the ownership structure or it has a land lease with a PHA on property with a Declaration of Trust, then it can earn a \$5,000 TDC Add-On due to Davis-Bacon/Prevailing Wages requirements that it otherwise would not qualify for it.

## MULTIFAMILY PROGRAMS

### *Action*

#### 3. **Recommendation**

- a) Staff recommends the Board to authorize a change to the TDC PU Limitation requirements for all RFAs from the 2017-2018 RFA funding cycle through the 2020-2021 RFA funding cycle to have the same TDC PU Limitation requirements for credit underwriting and final cost certification processes (if they originally included a TDC PU Limitation process) as set-forth above.
- b) Staff recommends the Board to authorize a re-examination of credit underwriting reports and final cost certifications previously completed relative to awards in the above referenced RFAs and to re-evaluate any applicable developer fee penalties for non-compliance of the TDC PU Limitation requirements utilizing the adjusted amounts in the table above if the Applicant elects to accept the change.

## MULTIFAMILY PROGRAMS

### *Action*

#### **B. Development of RFA to Pilot Financing of Permanent Supportive Housing in Concert with Services Funding**

##### **1. Background**

- a) Florida Housing recently completed a multi-year pilot to evaluate whether cost savings to public services and better resident personal outcomes were achieved when persons experiencing chronic homelessness who were high utilizers of crisis services were provided supportive housing with robust supportive services. People experiencing chronic homelessness typically have complex and long-term health conditions, such as mental illness, substance use disorders, physical disabilities, and other medical conditions.
- b) The three local pilots that were part of the state pilot proved that savings and better personal outcomes did occur. The staff presented findings from our state report, completed earlier this year, to the Board at its April meeting. The report outlined key barriers in carrying out the work to provide supportive housing to this population, particularly the fragmentation between housing and services funding. In the presentation staff noted that as a result of the pilot, new interest is emerging from key services funders and administrators under contract with the state to partner with housing providers, because they see the benefits of the high utilizers of their services having stable housing.

##### **2. Present Situation**

- a) The Department of Children and Families (DCF), as well as its lead agencies and service providers, tell Florida Housing that a dearth of affordable housing impacts how they can serve residents in need. Some persons under DCF programs remain on the streets or in more costly assisted living facilities and residential institutions, because of the lack of permanent supportive rental housing.
- b) As discussed at the April meeting, the staff believes there is an emerging opportunity to incentivize the linkage of housing and services funding through a new pilot.
- c) In addition to building upon the findings of the original pilot, the objectives of the new pilot would be:
  - (1) Divert high-risk high-cost individuals from repeated emergency and acute care service use with no progress to stabilization, recovery or greater self-sufficiency in their communities;
  - (2) Assist in developing partnerships between supportive services funders and nonprofit housing developers in providing predictable funding and resources for resident services coordination and housing stability services, as well as resident access to supportive services;
  - (3) Help Florida Housing and DCF to develop a replicable statewide model for funding supportive housing concurrently with supportive services funding; and
  - (4) Fully integrate existing Best Practices and foster further discovery of Best Practices in and newer innovative approaches to braid multiple streams of funding together for housing and services.

## MULTIFAMILY PROGRAMS

### *Action*

- d) In this pilot, as before, Florida Housing would offer financing to nonprofit providers to develop supportive housing, but require these applicants to show that they have the partnership of and commitment from specified services funders to provide funding for supportive services coordination and assistance with housing stability for a specified pilot period, such as three years. At this time, Florida Housing staff is considering focusing on applicants that partner with Managing Entities, which are the lead agencies under contract with DCF to fund and administer behavioral health services through seven regional systems of care throughout the state. These entities fund services in their regions by contracting with community-based providers of mental health, substance abuse and homelessness services.
- e) Additionally, applicants would be evaluated on areas of capacity such as those listed below. Many of these items are typically included in Florida Housing's other RFAs to finance homeless/special needs supportive housing:
- (1) Applicant's experience with a sustainable model for integrated housing and services coordination for high acuity populations;
  - (2) Experience in operating and managing supportive housing for the specified population;
  - (3) The process they would use, working in partnership with other organizations in the community where the property is proposed to be located, including the local government itself, to carry out tenant referral and selection, particularly for the high utilizer consumers served by the partnering Managing Entity;
  - (4) Prior experience providing residents with immediate access upon move-in to supports related to developing and maintaining housing stability; addressing trauma and acute issues; and accessing community-based supportive services, health and behavioral health services;
  - (5) Prior experience accessing and managing project-based rental resources and/or other operating assistance for its properties to support its extremely low income residents; and
  - (6) Applicant experience with and approach to implementing "Moving On" programs to support residents developing the capability of moving out of supportive housing into affordable housing, including replicable participant exit strategies to maximize long term independence and self-sufficiency.
- f) Florida Housing staff has begun talking informally with Managing Entities and others about how such a pilot could work and what evaluation outcomes should be considered to assist those at the state and regional level to determine the success of the pilot. In addition, the staff is evaluating appropriate financing approaches for the housing itself. The next steps would be to more formally solicit input and publicly workshop this concept to interested stakeholders to seek feedback, develop the final concept and bring a fully fleshed out housing

## MULTIFAMILY PROGRAMS

### *Action*

funding proposal to the Board for approval, and then workshop a draft competitive RFA before issuing it later this year or early next year.

### 3. **Recommendation**

- a) Approve the staff's request to carry out a formal public discussion about this pilot concept to complete due diligence on a formal proposal that will be brought back to the Board for final approval.

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

#### I. PROFESSIONAL SERVICES SELECTION (PSS)

##### A. Competitive Solicitation for Audio-Visual Upgrades/Installations

###### 1. Background

- a) Florida Housing maintains one small, two medium, three large, and one very large conference/presentation rooms used for internal collaboration, large meetings, and presentations with external collaborators. These rooms have historically been equipped with permanently installed basic conference phones and portable LCD projectors upon request. The large conference room includes a portable amplification system with microphones and permanently mounted projectors and screens.
- b) In 2020, flat-screen displays were added to 5 of the smaller conference rooms in lieu of permanent projectors.

###### 2. Present Situation

- a) With the technologies and processes put in place to allow social distancing in response to COVID, Florida Housing is expected to continue use of virtual platforms such as Zoom, Microsoft Teams and Citrix NetMeeting for internal and external meetings. With the return of portions of Florida Housing's workforce to the office, these collaboration spaces need to be able to better support hybrid meetings where some users are remote and some are physically present in a conference room. This presents some technical challenges in blending sound, phone, video cameras and presentation technologies. The technology to modify these rooms to facilitate hybrid meetings is highly specialized and the skill set to install and configure is not a part of standard IT Services capabilities. In particular, the large presentation space (Seltzer Room) must be capable of multiple-use scenarios, including board meetings, large capacity training, all-hands meetings, and possibly break-out groups within the space.

###### 3. Recommendation

- a) Staff recommends authorizing a competitive solicitation for the review, design, and installation of the requisite technology and equipment to make all or a subset of existing conference and presentation rooms capable of supporting hybrid meeting services.



## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

#### **B. Contract Extension for the Needs Assessment for Homeless/Special Needs Households**

##### **1. Background**

- a) While the three-year rental study required by section 420.5087, Florida Statutes, provides a simple evaluation of the need for special needs and homeless households, Florida has a very limited understanding of the housing needs across these sub-populations. Stakeholders and Florida Housing agreed that it would be useful to conduct a state-level needs assessment to identify the statewide affordable and supportive housing needs of special needs and homeless populations, as well as perform financial modeling to address the housing needs of each sub-population.
- b) At the May 10, 2019 meeting, the Board authorized Florida Housing staff to issue a competitive solicitation to procure a firm to conduct a statewide Needs Assessment for Homeless/Special Needs Households.
- c) At the September 4, 2020 meeting, the Board authorized staff to enter into contract negotiations with Corporation for Supportive Housing, Inc. (CSH), and the resulting agreement is set to expire on September 17, 2021.

##### **2. Present Situation**

- a) Due to challenges posed by the COVID-19 pandemic, the project has fallen slightly behind schedule and CSH requires additional time to complete the Needs Assessment. Staff supports an extension of the contract term through December 31, 2021.

##### **3. Recommendation**

- a) Staff recommends the Board direct staff to proceed with a contract extension through December 31, 2021.