Competitive 9 Percent Housing Credits Application Process
Limited Development Areas Methodology

Florida Housing Finance Corporation (Florida Housing) manages its affordable housing rental portfolio through an asset management strategy that considers, among other factors, the viability of each proposed development, the condition of the market in which each property is located and the effect each proposed development would have on existing affordable units in Florida Housing's entire portfolio, with special emphasis on Affordable Housing Guarantee Program developments. Through an ongoing monitoring process, Florida Housing staff identifies areas of the state where physical occupancy rates for rental developments funded through Florida Housing have declined or such developments have been unable to stabilize over time.

Occupancy rates at affordable housing developments may be impacted by a number of factors, including economic downturns, low interest rates for homeownership, labor market softness, and over-supply of rental housing in a specific area. As conditions change, rental developments in an area may suffer lower occupancy rates and, therefore, lower operating incomes, possibly exposing the developments, as well as the Guarantee Program, to greater financial risk than originally projected.

In an effort to ensure that the state is not funding new rental developments near vulnerable, existing, affordable developments, Florida Housing developed a process for identifying these areas, minimizing the construction of new, affordable housing units in these areas, and ensuring that funding is targeted towards markets having an unmet demand for affordable units. This will help the developments with low physical occupancy achieve higher occupancy rates, stable operating incomes, higher Low Income Housing Tax Credit investor interest and ultimately ensure that affordable housing program loans are repaid in a timely manner and can be used to finance more units.

Process for Developing Limited Development Areas

As Florida Housing evaluated occupancy data in this process, the following physical occupancy rate divisions were used to focus on properties and areas of concern:

- Less than 90 percent occupancy, indicating a development whose financial operations are typically not self-sustaining, and is thus reliant on sources other than project revenues;
- Between 90 and 93 percent occupancy, typically indicating financial operations approaching break-even; and
- 93 percent and above, typically indicating healthy occupancy and financial operations.

Occupancy rates for the most recent analysis are based on an average from October 2012 through March 2013; and, all averages for areas including multiple developments are based on the number of units, not the average occupancy rate for each specific development. The data includes physical occupancy rates for properties in Florida Housing's portfolio, the additional number of units that have been awarded financing but are not yet built or fully leased, and the demographic targeting of each development.

In Limited Development Areas (LDAs)[1], Florida Housing promotes the preservation or acquisition and preservation of rental housing and new construction or rehabilitation of developments where at least 30

---

[1] Florida Housing does not designate certain areas as being acceptable or unacceptable for underwriting determinations. Locational factors are fundamental to property appraising, market analysis and prudent

percent of the total units are set-aside for Extremely Low Income households and a minimum of 75 percent of the total units (excluding up to 2 employee units) receive project-based rental assistance or ACC or other form of Federal long-term rental assistance. *Please refer to the applicable Request for Application for specific exemptions from LDA.*

---

underwriting. By publishing Limited Development Areas, Florida Housing is providing applicants a realistic perception of market risk in a given location. In other words, Florida Housing does not "redline." Redlining can occur when perceived property risks are based on improper locational factors (such as the arbitrary imposition of unfavorable loan terms on the basis of geographic area) or when the perceptions of risk are derived from factors that do not predict risk, either reliably or not at all. An example of a factor that is not predictive of risk is race, and racial redlining is illegal under federal law. Other factors that serve as a proxy for race are equally impermissible. None of Florida Housing's Limited Development Areas are intended to foster redlining. If any provision is interpreted to do so, it has been misunderstood.