TO: Kevin Tatreau

FROM: Alison Colvard

RE: High Priority RFP

DATE: April 9, 2013

We offer the following comments to the 2013 draft RFP for High Priority Developments:

1. Page 2, paragraph 3 identifies the priority for one Veterans with Special Needs application to be funded. The RPF identifies two types of Veterans with Special Needs categories that will be considered for this one priority. The 7th line, before the number "2)" is the word "and". This can lead to the perception that one of each category will be funded. It would seem appropriate to change this word to "or" instead of "and" in that it is either Veterans eligible for care facilities "or" Veterans in institutions or homeless that will be a priority. One of either, not both.
2. Page 42(2)(a) indicates that site plan approval must be obtained by RFP deadline. Please consider amending this item to provide that it be for preliminary or conceptual site plan approval and that final site plan approval be provided later after funding is confirmed during credit underwriting.
3. Page 9 references the 2012 QAP. Will there be a 2013 QAP for this RFP, and if so, when and where will it be published?
4. Will there be an automatic boost for special needs communities in housing tax credits similar to that provided when in a QCT or DDA?
5. In reviewing the RFP, the ELI Supplemental loan and the Set-Aside Gap loan both seem to be targeted to a unit versus the number of special needs persons served. For example, a 1 bedroom unit receives the same $40,000 loan or $75,000 forgivable loan as a 2, 3 or 4 bedroom unit, even though the 2, 3 or 4 bedroom unit could be serving more persons with special needs. Perhaps a tiered process for 1, 2, 3 and 4 bedroom units would be appropriate. A typical 1 bedroom unit would have about 200 SF less than its 2 bedroom counterpart, assuming a 12x12 bedroom and an 8x8 bathroom. A 4 bedroom unit would thus have about 600 SF more than a 1 bedroom unit. As such, anything larger than 1 bedroom has more costs to build and maintain, yet receives the same ELI or GAP set-aside loan amount. We would suggest that an ELI loan received a $65,000 to $95,000 range in funding based on the number of bedrooms in each unit, and that a GAP loan range from $35,000 to $50,000 based on the number of bedrooms in each unit. FHFC could also tie this range to the number of special needs persons served in each unit. This would distribute the funding with consideration to the costs and persons served.
6. Page 18, item 4d. provides for development type. Please consider adding a three story building with an elevator as an option for development type.
7. Page 19, item 4g. is this item to also include underwriting for PLP or other corporation sources, or only housing credits (Credit Underwriting)?
8. We encourage FHFC to provide for a 5% Developer Fee to be held by FHFC to be used for operating deficits for special needs communities similar to that provided for in homeless applications.

9. Page 59, Exhibit C, Part 1, item 11 provides that if an applicant uses Set-Aside Gap Loan funding, they must defer at least 35% of their developer fee. Instead of requiring a set amount, we encourage FHFC to consider making this an amount such that deferred developer fee is paid by the 10th year of operations. This is a common requirement of investors and affects the applicant's ability to claim the tax credits. We support the concept of only asking for as much funding as needed, yet recognize the difficulty this specific requirement could present with an investor.
10. Page 59, Exhibit C, part 1, item 11c(3) states:

(3) If the proposed Development does not have an amortizing permanent first mortgage loan, then the ratio of Effective Gross Income to Total Annual Expenses (including reserve for replacement) shall not be less than 1.10x for Developments involving new construction or 1.15x for Developments involving rehabilitation, during the 15-year pro forma. In addition, the maximum ratio shall be set at either 1.10x or 1.15x, respectively, in the year that has the lowest net operating income of the 15-year pro forma.

Please clarify if ratio shall be not less than 1.10 for new construction, and in addition, maximum ratio shall be 1.10, what is the difference?

11. Page 65 of the RFP provides for Total Development Costs limitation, with a limitation of $163,000 for new construction minus land cost. Please consider increasing the TDC for different housing types. Prior draft Universal Cycle documents contemplated an increase of this minimum cost for special needs developments, recognizing the additional space needed for job training, social services, and other requirements not seen in a typical tax credit community. A garden apartment community will cost less than a three-story elevator building, but an elevator is be needed for persons with physical as well as developmental disabilities. Construction costs are greater by providing a bathroom for every bedroom, and in providing handicapped units that allow a resident to age in place if they so choose. At a minimum, the limitation should be based on bedroom size or the number of persons being served. If a 30 unit development actually serves 90 persons because it has predominately larger bedroom units, FHFC should give consideration to the cost of the additional square footage of the unit, as well as the additional community room and amenities needed to serve 90 persons, not just 30 units. Please consider at least a 25% adjustment in total costs to accommodate the needs of those with special needs. Developers that are serving persons other than of moderate need should not be restricted from needing a higher TDC to build a handicap unit, an elevator building, or larger community facilities.
12. Please consider applying TDC limitations only to costs in calculating the tax credits or other corporation funding needed to build the special needs community. Please consider allowing for developers to raise money or seek other sources of funding that would provide for a larger clubhouse for greater amenities and services to the residents, or for additional job training facilities, or such other provision that will enhance the resident's ability to successfully live and thrive independently.

Please feel free to call me at 321-452-8845 for any questions or clarification. Thank you for your consideration and efforts to provide funding for persons special needs.