



October 31, 2014

Steve Auger
Ken Reecy
Florida Housing Finance Corporation
227 N. Bronough Street, Suite 5000
Tallahassee, FL 32301

Re: POAH Feedback on the Draft Competitive Housing Credit Medium/Small County Geographic Request for Application (RFA)

Dear Mr. Auger and Mr. Reecy,

Thank you for the opportunity to provide feedback on Florida Housing Finance Corporation's (Florida Housing or FHFC) most recent draft of the Competitive Housing Credit Medium/Small County Geographic Request for Applications (RFA) and the issues discussed at the workshop on October 23, 2014.

As you know, Preservation of Affordable Housing, Inc. (POAH) is a national nonprofit devoted to the preservation and long-term stewardship of at-risk affordable housing. POAH's portfolio is comprised of nearly 8,500 apartments nationwide, including 8 properties with over 1,350 apartments in Florida.

POAH very much appreciates Florida Housing's track record of supporting the preservation of existing affordable housing and its willingness to collaborate with owners to address preservation challenges. With the growing demand for affordable rental housing, it is increasingly important to preserve the existing affordable housing stock, particularly vulnerable properties at risk of market rate conversion or physical obsolescence. Preservation is an extremely efficient use of resources – it generally costs less than new construction (in terms of TDC as well as subsidy cost); requires less materials and produces less waste; produces more jobs given that labor makes up a higher proportion of construction costs; and reinvests in the existing built environment. Furthermore, it is an important tool for ensuring that seniors and families who live in and depend on at-risk affordable properties will continue to have a stable, safe and secure place to call home. Where feasible, POAH looks to minimize the use of scarce public resources by funding preservation transactions primarily with a combination of tax-exempt debt and 4% tax credits. However, the availability of 9% tax credit funding for preservation projects is critical to ensuring that well located older properties in need of substantial rehabilitation can be preserved as affordable.

Given the Development Category Funding Preference outlined in the Section Four B of the 10-17-2014 draft Medium and Small County RFA, it is our understanding that it would be nearly impossible for a preservation project to receive a funding allocation under this RFA. We understand that there will be a separate RFA issued for preservation projects and look forward to the opportunity to submit funding applications in response to the Preservation RFA. However, under the current Florida Housing QAP, the \$6.2 million set-aside for preservation projects is substantially below the funding levels available for non-preservation projects in small, medium and large counties (\$35.2 million in aggregate). As preservation

projects are not positioned to be competitive in the Geographic RFAs, the feasibility of preservation transactions for at-risk affordable housing properties across the state will be severely restricted by the small pool of available funding. In light of the efficiency and effectiveness of preservation transactions in maintaining the state's at-risk existing affordable housing stock, we strongly encourage Florida Housing to consider increasing the preservation set-aside in the QAP to meet or exceed previous levels, which have in the past been in excess of 35%. By way of comparison, according to the National Housing Trust (NHT), in 2013, 10 states published QAPs with preservation set-asides of 20% or higher, including a 35% set-aside in Ohio and 30% set-aside in Massachusetts.

Additionally, POAH participated in the Geographic RFA Workshop on October 23, 2014 and would like to offer our feedback on the withdrawal disincentives discussed:

- Letter of Credit: We believe that the requirement to submit a letter of credit with every application will place an undue burden on nonprofits that may not have the capital resources necessary to obtain a letter of credit. Although POAH is a well-capitalized nonprofit, we try to protect our resources to be used towards our mission and are hesitant to restrict funds for extended periods of time in cash collateral positions. For other nonprofits, \$25,000 will be too large a sum for them to put forth as cash collateral throughout the entire application cycle. We therefore ask Florida Housing to consider enacting a different process for nonprofit applicants that would include a letter of credit of a significantly lower amount. Additionally, Florida Housing should consider allowing the letter of credit to come from the developer or a principal of the applicant as opposed to the applicant only. Applicant entities are often newly formed entities with no financial or credit history and will have issues obtaining a letter of credit from a bank. Apart from the two suggested changes, POAH supports Florida Housing's plan to require letters of credit from applicants. We anticipate that this will be an effective deterrent to developers submitting projects that are not feasible.
- Developer Experience Penalty: While we understand Florida Housing's goal to discourage the submission of project's that are not prepared to enter into the credit underwriting process, we have concerns about the penalty on developer experience for two years following a withdrawal from credit underwriting. There is always the potential for unforeseen circumstances to present roadblocks during credit underwriting for what had previously been strong project applications from high capacity developers. In an effort to continue encouraging project applications from strong nonprofits, we suggest that Florida Housing consider an exemption from this penalty for nonprofit applicants.

Thank you once again for the chance to share POAH's thoughts on the Geographic RFA process. Please do not hesitate to contact me at (617) 449-0864 with any questions or comments you may have. We look forward to continuing to work with Florida Housing.

Sincerely,



Sara Myerson
Chief of Staff and Director of Policy
Preservation of Affordable Housing