



Mr. Harold L. "Tray" Price  
Executive Director  
Florida Housing Finance Corporation  
227 North Bronough Street  
Suite 5000  
Tallahassee, FL 32301

August 21, 2017

**RE: Non-Profit set aside recommendations for future RFAs**

Dear Mr. Price:

Congratulations FHFC on yet another year of progress in distributing housing resources throughout the state. We can see clearly that the annual generous (15%) Non-Profit set-aside has been successfully distributed. To further assist you, we would like to share some observations and recommendations which may be useful in future distributions of the Non-Profit set asides.

We wish to propose a different and hopefully more strategic use of Section 42 Non-Profit low income housing tax credits. Having competed for these scarce resources, it is our observation that the present structure distributes Non-Profit LIHTC by default rather than design. One must ask, as occurred in 2016, what does the statewide community gain if all Non-Profit resources go to a few large economically diverse municipalities with the most likely strong Non-Profit organizations? To better emphasize this point, consider the converse circumstance if all for-profit credits were similarly distributed to only the three largest municipalities. Thus, we submit for your consideration the following recommendations for future RFAs under all applicable housing programs within FHFC jurisdiction.

**FIRST CONDITION**

**Establish a policy that seeks to proportionally distribute Non-Profit set aside funds across the three geographic categories of Small, Medium and Large counties.**

This ensures that Non-Profits are broadly supported throughout your service area. This broad support is needed to secure and hold affordable housing in otherwise overlooked or disadvantaged areas seeking your scarce resources. This would likely help ensure the ongoing presence of a network of socially focused, prepared, capable and responsive Non-Profit groups. Any paucity of existing Non-Profits to serve small counties today, after 30 years of Section 42, can be attributed, we believe, to this lack of focused intent to create and sustain credible Non-Profits to serve such communities (such as our organization). It is never too late to begin this initiative and we strongly encourage you to begin now. In 2016, 100% of the Non-Profit allocation went to large counties,

## **SECOND CONDITION**

**Establish a ranking for allocating Non-Profit awardees starting with those which are 100% developed and owned by a single, sustainable Non-Profit.**

**First Priority: 100% Developer and 100% Owner are a single and identical Non-Profit 501(c)(3) organization pursuant to Section 42.**

**Second Priority: Joint ventures or other suitable alliances of Developer and Owner among Non-Profits, 100% comprised of two or more Non-Profits.**

**Third Priority: Non-Profit/for-profit joint ventures or relationships, provided that the Non-Profit maintain 51% control of the Developer and Owner entity and 51% of any financial benefits.**

**Fourth Priority: Non-Profit/for profit joint ventures or relationships which meet the statutory minimums, presumably 51% Non-Profit Ownership pursuant to IRC Section 42.**

Congress established the IRC Section 42(h)(5) Non-Profit set aside for Non-Profits, not for for-profits. Those Non-Profits which qualify should be allowed this Federal opportunity without dilution or encroachment by the for-profit community, albeit under the auspices of “seeking to help” weak or unestablished Non-Profits. Such “weaker or non-housing (those without affordable housing missions) Non-Profits” are always encouraged to and are able to seek out qualified affordable housing Non-Profits such as our organization, The Paces Foundation, Inc.; Mercy Housing; National Church Residences, etc etc. to help provide the expertise in LIHTC development either as partners, sponsors or consultant/developers. Many capable Non-Profits are available to help other Non-Profits in their missions. If capacity and experience of the Non-Profit are of concern, consider the State of Georgia DCA 2017 QAP which ranks all applicants according to their volume of properties owned/developed, eg, those with 20 properties garner the most points, 15 the next, 10 the next and so forth.

### **THIRD CONDITION**

**Any remaining non-profit set aside credits could be distributed as presently done under normal ranking AFTER the preceding two conditions are met.**

A fairly common observation regarding social progress is that various Non-Profit organizations are at the forefront/vanguard of social progress. This could be churches, food banks, neighborhood watch groups or community organizations, such as CHDOs. We are acutely aware of this in the Non-Profit community. The broader the network of strong Non-Profits helps ensure that when such social need arises an active, healthy and proactive Non-Profit can serve the need. Most often, for-profit organizations, pursuing economic gain are unaware or disinterested in such matters. Only after a Non-Profit has worked in an area of real estate development and successfully established a presence do for-profit interests follow: gentrification of neighborhoods is a good example of this dynamic. One wonders had this been consistently applied heretofore it is likely there would be a broader, thriving sustainable, nonprofit community existing now serving Floridians. Thus it behooves us all to support the Non-Profit community to the greatest extent possible.

These three modest recommended policy actions, with your help, will serve to encourage, stabilize and grow the congressionally intended community of Non-Profit housing developers

Sincerely,



Mark M. du Mas  
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Cc: Honorable Doug Broxson, Florida State Senator (Pensacola)  
Mr. David Leon, Esq. Broad and Cassel, Orlando  
Mr. Michael Donaldson, Esq. Carlton Fields, Tallahassee  
Mr. Brian McDonough, Esq. CAHP counsel  
Ms. Paula McDonald Rhodes, Chair, CAHP (for distribution to all directors and staff)  
Ms. Nancy Muller, FHFC Policy and Special Programs  
Mr. Barney Smith, Board of Directors, FHFC (for distribution to all directors)