From: Rodrigo Paredes <rodrigop@htgf.com>
Sent: Wednesday, July 3, 2019 8:34:29 PM
To: Marisa Button
Subject: Comments to CDBG-DR RFA 2019-102

Good evening Marisa:

After reading the 6-26-19 draft, I had the following comments and suggestions:

1. Page 8: for all Priority I applicants, a clarification should be made that an instrumentality of the Public Housing Authority qualifies as the public partner, for the purpose of the joint venture requirement with either a PHA, a Local Government, etc. As explained in the past, PHAs are not allowed to directly be partners in Public Private Partnerships.
2. Page 24 states that if Applicant selects to income average, the minimum ELI is to be 10%, but page 26 states that the minimum is 5% ELI. Please make it consistent or further clarify.
3. Subsection (3) on Page 33 states that the "lease payments must equal $10 a year or less" for Ground Leases between the Land Owner and the Applicant entity, but since a Ground Lease should charge the land acquisition cost to the Applicant through a Capitalized Lease Payment due at the time of Construction financing closing (lease commencement), then an exception should be expressly made so that the Applicant who intends to obtain the Land Acquisition CDBG funds can ask for more than $10 of such funds. BTW, it should say that the Land Acquisition CDBG request amount should not surpass that Capitalized Lease Payment due at the time of Construction financing closing nor the "as-is" appraised value in the appraisal.
4. Subsection (3) on Page 34 needs to be, either:
    a. eliminated because Public Housing Authorities, Local Governments nor Community Land Trusts can be a special purpose entity that can sell 99.99% of its partnership interest to a LIHTC investor. Deeds as demonstration of site control are required in other RFAs where the Applicant can be a special purpose entity. In this RFA, this Priority I is to fund a Land Owner (PHA, etc.) site that shall be ground leased (not sold) to the Applicant.
    b. clarified so that the recoded deed of the Land Owner (PHA, etc.) is ALWAYS a requirement for Priority I applications that are not seeking Land Acquisition CDBG. For that, the word "if" should be eliminated from the beginning of the paragraph and Monroe County must not be mentioned in this RFA.
5. Page 55 (LEVERAGE tie-breaker on subsection e.): it is not wise to make this RFA be a race-to-the-bottom competition, which will only fund the lowest quality developments. We encourage to use the same 5 quantile groups system used by the general SAIL RFAs. We believe that's worked just fine.
6. Question c.(2) on Page 68 (application): since Applicant entity needs to be a special purpose entity (as required) to sell 99% of partnership interest to private LIHTC investor, as it should be… all Applicants need to be private.
7. Question c.(3) on Page 69 (application): no Applicant can be a public entity…
8. Missing questions in the application form: questions should be added for Priority I applications:
    a. State the name of the Local Government, Public Housing Authority, Land Authority or Public Housing Authority that is the Land Owner. Page 9 says to "state the name", but I don't see the question on the application form…
    b. State the name of the Local Government, Public Housing Authority, Land Authority or Public Housing Authority that is(are) partners or members of the Applicant. [to qualify for the Priority I, this public partner should be required to be named on the Principals List]

c. You should ask how many units are required to be public housing (ACC) units in the new development to be built. PHAs sometimes enforce for a number of ACC units… And if that's the case, the CDBG funds cannot be used to build the Public Housing units, as stated on page 125 of the RFA draft, to avoid double dipping on federal funds... BTW, Florida Housing should not count these new ACC units as CDBG units, for purpose of the LEVERAGE tie-breaker calculation.

9. On page 113:
    a. Subsection a. needs to be clarified. The CDBG-DR fund should enter to the public partner or Land Owner as a grant, not a loan. Then, the public partner or Land Owner shall provide a loan to the Applicant.
    b. Subsection b. needs to be re-worded so that the CBGD loan source is used solely by the allocated Development, not by any "Developments which provide affordable".
    c. Subsection d. needs to be modified so that the CDBG grant to the public partner is just a grant (and therefore no interest), but I believe that the CDBG loan from the public partner to the Applicant would potentially need to have an interest rate so that the CDGB doesn't create a basis problem for purpose of LIHTC. Call me to discuss if you want. What should be required is that such loan shall always be soft (subject to availability of cash flow) and forgivable.
10. Confused about the monitoring fees on subsection g. on page 114:
    a. I believe the compliance fees should probably just work like the SAIL compliance fees.
    b. If CDBG is a grant, the repayment date of the loan between the public partner and the Applicant shouldn't even matter, at least for purpose of compliance fees…
11. Page 116, subsection q.: I feel like further clarification needs to be made about when exactly a project is in default for lack of providing the SR-1 form.
12. Page 120, subsection a.: I think it will be easier for everyone involved (FHFC, the underwriter) if the entire amount of CDBG can be drawn from HUD once or twice during construction, and have those proceeds sit in the Trustee's account, waiting for the Developer to make a requisition on those funds to the Servicer in an amount that cannot exceed the construction progress percentage.
13. Page 127, Land Owner Certification Form.
    a. Subsection 1. should be a legal description, not an address. Addresses can be very unprecise and could make the Land Owner worried about executing the form. A paragraph should be added to make the Land Owner understand that the legal description can be changed with a $500 fee and the processing of an affidavit confirming that the development location point provided in the application is still within the described site.
    b. Subsection 4. should be re-worded, because it only applies to Applicants seeking the Land Acquisition funding. And, again, the concern should not be about the "purchase price", but about the value of the ground lease's capitalized lease payment at construction closing.
    c. Subsection 7. Should be modified to explain how the CDBG grant will be granted by HUD's DEO to the Land Owner, and Land Owner should enter into a loan agreement with the applicant entity at the time of closing under the conditions of the RFA.

Have a great 4th of July.

Respectfully,
Rodrigo Paredes
VP of Development
rodrigop@htgf.com

O (305)537-4704 | D (786)238-1131

3225 Aviation Avenue | 6th Floor

Coconut Grove, FL 33133