**From:** Shawn Wilson
**Sent:** Wednesday, August 4, 2021 1:31 PM
**To:** Marisa G. Button (Marisa.Button@floridahousing.org) <Marisa.Button@floridahousing.org>
**Cc:** Scott Macdonald <smacdonald@blueskycommunities.com>
**Subject:** Viability Loan Program

Dear Marisa,

Thank you for considering public comment on this.

The first thing I hope that FHFC realizes is that by making an additional commitment to pipeline developments, you are also helping FHFC to achieve its mission. You are not just bailing out Developers. Each deal that FHFC and a Developer does is a Public Private Partnership. If the Private part fails so does the Public part.

Despite what Scott Culp hinted at during the retreat, most of us do not view this a way to grab more money for Developments that we can actually build without it. It's for Developments that are failing due to the recent drastic increase in hard costs. If a Development is failing and the Developer has no other options, they will come to FHFC asking for a series of extensions and then either (a) proceed on a very marginal business deal; or (b) return the allocation. Neither of those are good for the overall system that we both operate in. And both options will result in a lengthy delay of people being able to actually move in.

Fundamentally, FHFC needs to create a program that is attractive and that Developers want to use – that's the key to getting all Pipeline deals moving faster.

We think the parameters of the 2017/18 Viability Loan program worked fine. You reported on this program in very positive terms at the retreat. We do not believe any sort of future App disincentive is appropriate or effective, and would be extremely difficult, if not impossible, to enforce. Let's focus on enforceability for a moment. Staff will have to write up something in that future RFA that obligates the Principals to certify that they did not get a Viability loan in order to not be subject to the Disincentive. What if the Principals change over the course of the pre-Development phase? How will you track who is the offending party? How will you know if a GP change was made expressly so that a particular Principal will not be subject to the Disincentive? By the same token, will you penalize a Principal who legitimately exited a Development for other reasons and then wants to freely apply in that future RFA without being subject to the Disincentive?

The 50% Deferred Developer Fee is already a substantial penalty, considering that the Developer is still making all the same commitments as they would make on any other Development. Additionally, if you provide a disincentive for future RFAs it is highly likely that most developers will forgo the Viability loan in order to preserve their future application competitiveness. Why would a developer agree to be at a disincentive for future RFAs in order to build a marginal deal now?  This would lead to all struggling developments turning in their allocation, which leaves FHFC with unplaced funds.

You indicated that this is not affecting most Developments, only some; thus, the penalty should be greater than in 2017/18 out of fairness to those Developments that do not need Viability.  Blue Sky will not feel aggrieved if we don't get Viability and a smaller Developer does get it.

As for your discussion about local funds.  We agree that any Viability applicant should have to provide a written account of their attempts to obtain additional commitment from the local government.  You could reward such additional Local Government commitment, for example by allowing a certain amount of the Viability loan to be forgiven in year 15, or allowing up to 75% of the Developer Fee to be paid.

Finally, we heard the verbal report provided regarding the data received from the developers in June.  Have you compiled that data or created any sort of report? It seems like that would go a long way to defining the extent of the need.

In conclusion, Blue Sky urges FHFC to offer a Viability Loan program to Multi-family developments that have been invited to credit underwriting but have not yet closed.  This should include non-tax-credit deals too and deals from the 2020 cycle.

Thank you again,
Shawn

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