

*Centennial Management Corp
7735 NW 146 Street, Suite 306
Miami Lakes, FL 33016
305-821-0330*

August 9, 2021

Via email to marisa.button@floridahousing.org

Marisa Button
Director, Multifamily Allocations
Florida Housing Finance Corp
227 N. Bronough Street, Suite 5000-
Tallahassee, FL 32301

Re: Development Viability – COVID-19 Related Funding Gaps

Dear Marisa:

I wish to bring to your attention an industry-wide issue impacting developments that were recommended for funding through the FY 2019 application cycle. Due to the effects of COVID-19, many of these developments face a situation where funding gaps are threatening development viability, which may result in allocations being returned. (the development not being built?)

The COVID-19 pandemic and resulting economic fallout has created a perfect storm of obstacles for developers, including:

- **Outdated Cost Pro-Forma Assumptions:** The funds awarded in 2019 are based on pre-Covid development cost pro-forma assumptions. COVID-19 has caused significant shifts in costs and many of the assumptions are no longer viable due to the effects of the pandemic. The economic fallout of a once in a lifetime pandemic were not anticipated when creating these assumptions.
- **Dramatically Increased Construction Costs:** A combination of unprecedented world-wide supply chain issues, a record increase in construction materials demand and a workforce shortage have cause a large and unexpected increase in constriction costs.
- **Unexpected Downward Shifts in Area Median Income:** Area Median Income has gone down as a result of COVID-19 and resulting government policies keeping people out of work. Consequently, rent limits have been reduced which in turn reduces first mortgage proceeds. In our case, rents in Palm Beach County are approximately \$30 per unit per month less in 2021 than in 2020 causing a loss of first mortgage funds of roughly \$1.2 million.

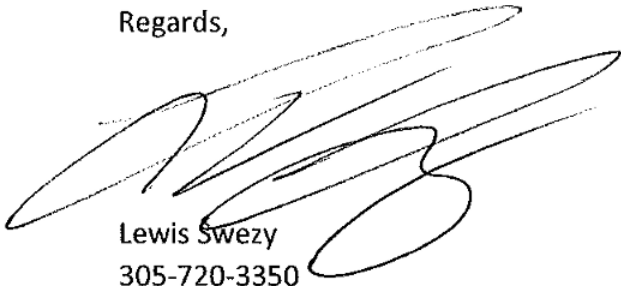
These issues are not isolated incidents, but rather an industry-wide problem. As such, I believe it is in the best interest of the public for developers and the Florida Housing Finance Corporation (FHFC) to work together to mitigate the effects of COVID-19 on development viability. One potential solution is for the FHFC to make available gap funding for eligible developments currently in underwriting.

In order to incentivize developers to also seek local funds, one idea to leverage FHFC funds is to incorporate a matching funds policy whereby FHFC matches new local funds dollar for dollar. In this model, funds already in place at the time of original funding application to FHFC will not be counted.

One option is the Viability Loan program which I understand has worked well in the past and appears to be a source well suited to address the new COVID-19 related funding gaps. My concern is that accepting Viability Loan funding not subject the principals to future application disincentives. Hopefully COVID-19 is a once in a lifetime event that Florida will bounce back from stronger and I think it is counterproductive for developers to be punished for attempting to mitigate issues relating to this pandemic.

Thank you again for your time and attention to this matter. I look forward to continuing to work with the FHFC to help our industry continue to serve Floridians.

Regards,

A handwritten signature in black ink, appearing to read 'Lewis Swezy', is written over a large, light-colored scribble or watermark.

Lewis Swezy
305-720-3350

enclosure