



*City of Palms*

**THE HOUSING AUTHORITY**  
OF THE CITY OF FORT MYERS, FLORIDA

October 5, 2022

Ms. Marisa Button  
Director of Multifamily Allocations  
Florida Housing Finance Corporation  
227 N. Bronough Street, Suite 5000  
Tallahassee, FL 32301

Dear Ms. Button,

The Housing Authority of the City of Fort Myers (HACFM) is hereby requesting that National Housing Trust Fund (NHTF) dollars from FHFC be available to LIHTC projects experiencing a financing gap due to construction costs increasing post submission of a bond application. We are specifically interested in getting assistance with gap financing for 3611/3621 Cleveland Avenue, a 92 unit, multi-family housing development project that recently received local bonds and is eminently approaching a financial closing.

The 3611/3621 Cleveland Avenue project is the first of four phases of development planned for the Greater Dunbar Initiative Choice Neighborhood Initiative (CNI) program in Fort Myers. The CNI was awarded to the Housing Authority of the City of Fort Myers (HACFM) and the City of Fort Myers in June 2021. The project received bonding approval from the Housing Finance Authority of Lee County, Florida in June 2022.

Phase 1 will be developed on what is now a vacant commercial property located at 3611/3621 Cleveland Avenue in Fort Myers. The project will include the new construction of 92 units of mixed income family housing in four buildings. The mix of 92 units includes 50 1-BR and 42 1-BR apartments, including 9 market rate, 38 LIHTC 60% AMI, and 45 LIHTC/PBV 50% AMI units or below. This project will receive Section 8 PBVs on the 45 units which have to be 50% AMI or below and have the ability to be deeply subsidized units.

While the project was fully funded when the bond application was submitted, it is now experiencing a gap of \$6m due to an increase in construction costs. Our March 2022 application included \$190/gsf for housing construction and on July 15, 2022, we received an updated estimate for \$245/gsf, almost increased the cost of housing construction by 30%.





The 3611/3621 Cleveland Avenue project is subject to HUD Total Development Cost (TDC) cap, which limits the amount of HUD CNI funding that can be included in this project. This restriction of federal funds also contributes to the financing gap as the CNI funding is currently sized at the maximum HUD TDC, but more funding is needed.

The project is on track for financial closing in the first quarter of 2023, subject to gap funding. The site will be "shovel ready" no later than November 2022, when demolition and site preparation construction are expected to begin, paving the way for housing construction in early 2023. The Part 58 will be approved in October and funding is in place for demolition and site preparation work.

We are interested in working with FHFC to secure NHTF funding to close the gap for this essential project. We have searched for additional funding and will continue to do so but felt that request has the potential to fill the gap and provide the State an opportunity to participate fully in the Fort Myers's CNI project.

While we do have a gap in financing, we believe it is important to note that we have worked tirelessly to secure financing for this and other phases of CNI development. Under my direction, we have received a funding commitment of \$2m from the City of Fort Myers and \$3m from HUD stimulus funding for 3611/3621 Cleveland Avenue. This funding is leveraged with \$12.3m in tax credit equity; \$5m of first mortgage debt; and \$7.5m in CNI funds. The project is not short on funding from a lack of seeking funds. In addition to the funds received, we have received a waiver of City related fees to reduce the overall development cost.

We ask that you consider creating a competitive process for projects to request NHTF funds for gap financing to projects that have construction gaps and are ready to close otherwise. As you are aware, the dramatic increase in the cost of construction materials and labor and material shortages over the past twenty-four plus months are having an exceedingly detrimental effect on the market's ability to develop much needed affordable housing. The pandemic has greatly impacted affordable housing and more specifically the price of construction. We continue to see spikes in the costs of a wide range of manufactured products due to both costs of raw materials and shortage of production labor. Shortage of production labor has also caused it to be more expensive. Subcontractors are pricing the uncertainty into their bids and even when material costs stabilize, they are still above pre-pandemic levels. The labor market is still tight and delivery schedules unpredictable, and contractors are lengthening construction periods as a result, increasing the cost of overhead accordingly. All materials, including insulation, roofing, windows, plumbing, and HVAC have shown significant increases in cost, but other trades, such as electrical, have also been impacted, primarily through the cost of metals.

The CNI project is a significant undertaking, including the development of 465 mixed income units in 4 phases, three of which will be developed on the existing Southward Village Public Housing site. CNI projects require the support of state, local and private financing to fully transform affordable housing in a selected target area. We need the State's support in

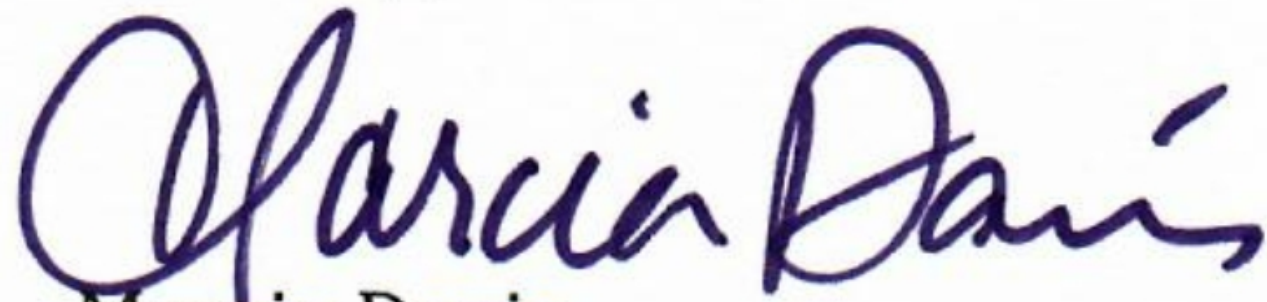




leveraging the CNI funds with NHTF dollars for the 3611/3621 Cleveland Avenue project, this first phase of the CNI Plan.

Thank you for any consideration you give to this request. Please do not hesitate to let us know if you have questions or need any additional information.

Sincerely,



Marcia Davis  
Executed Director

