



June 16, 2023

Florida Housing Finance Corporation
c/o Jean Salmonsens
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301

Dear Ms. Salmonsens,

Thank you for the opportunity to comment on the upcoming SAIL RFA.

Below is our company's perspective of the history of the Self-Sourced SAIL program:

- The Self-Sourced SAIL program originally called for a development to go through the Qualified Contract process at the end of the Initial Compliance period (Year 15). The Qualified Contract process would either result in the repayment of the initial capital outlay to keep the development affordable, or failing that repayment, the site would convert to market.
 - The benefits of the original program compared to "regular" SAIL were: 1) accelerating repayment of SAIL – program income is more likely to occur in year 15 instead of year 30 or beyond 2) leveraging of private capital and 3) incentivizing developers to present high quality sites to benefit in the future should they convert to market rate.
 - The primary downside of the original program was the potential conversion to market rate in Year 15, instead of keeping the units deed restricted.
- Last year, Florida Housing changed the Self-Sourced scoring criteria to provide more points for Developments that committed to longer deed restrictions at 60% AMI.
 - The benefit of last year's policy shift was addressing the primary downside of the original program, by incentivizing longer deed restrictions.
 - Downsides of last year's policy include: 1) less incentive for private capital to invest in developments (repayment of capital cannot be reasonably forecast 50 years out) 2) reduced expectations for SAIL repayment / program income at Year 15 and 3) less incentive to apply on higher quality sites and 4) overlap with "regular" SAIL applications – if developers can support making GP loans into developments with 50 year deed restrictions at 60% AMI, they can simply do so in regular SAIL and will enjoy a significant competitive leveraging advantage.

With that foregoing chronology in mind, it is also notable that with the passage of SB 102 this year the Legislature and Governor have made "missing middle" housing (up to 120% AMI) a clear priority. There

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has been a significant push throughout the State to address an income demographic that has been previously excluded by both market forces and by most subsidies.

To find a middle ground between FHFC's prior Self-Sourced policies while addressing the State's missing middle policy priority, we would recommend that, in lieu of last year's policy of points for extended affordability, Self-Sourced Applicants would have the option of getting points for converting to a missing middle income restriction at year 15. These points would require that the property (if not kept at 60% AMI by the Qualified Contract process) would be governed by a deed restriction from years 15 through 50 in line with the missing middle guidance from the Live Local Act: the lesser of 90% of market or 120% of AMI.

Benefits of this recommendation include: 1) fulfilling the clear priority of the Legislature and Governor to create more missing middle housing 2) addressing the primary criticism of the original program, while giving applicants a more feasible path to maintain deed restrictions 3) accelerating repayments of SAIL / program income 4) incentivizing private capital to invest in developments (albeit with less upside potential than a full "market rate" conversion) 5) aligning FHFC's deed restriction with the zoning benefits for building workforce housing under the Live Local Act (which require a 30 year deed restriction for units up to 120% of AMI) 6) addressing the property's capital needs over a 50 Year period (through higher, though still restricted, rents) would reduce the longer-term contingent liability of preservation costs that is experienced in the rest of Florida Housing's portfolio.

Thank you again for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "K Naylor".

Kenneth Naylor
President – Development
Atlantic|Pacific Companies