

**MCCORMACK
BARON
SALAZAR**

March 9, 2023

Ms. Marisa Button
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301

RE: Comments for RFA 2023-304 RRLP Financing

Dear Ms. Button,

On behalf of the Housing Authority of the City of Fort Myers and its developer partner McCormack Baron Salazar, thank you for the opportunity to provide comments on the Rental Recovery Loan Program (RRLP) sponsored by Florida Housing Finance Corporation (FHFC) for hurricane impacted areas.

The ability to develop desperately needed affordable housing in Lee County is being heavily impacted by the 3 i's: Inflation, Insurance and Interest rates. We are hereby requesting that FHFC increase the total development cost per unit base limits by at least thirteen percent for developments applying for RRLP funding. As you are aware, the dramatic increase in the cost of construction materials and labor and material shortages experienced since the Covid-19 pandemic still have an exceedingly detrimental effect on the market's ability to develop needed affordable housing. 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 construction to be more expensive. Subcontractors are pricing the uncertainty into their bids. The labor market remains tight from Covid-19 affects and is even further challenged by the hurricane and the FEMA construction work thus increasing the overall price to build any affordable housing. 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. We have experienced an increase of more than \$85 per sq. ft. for construction costs in the last 12 months for this project. These increased costs are consistent with the impacts being faced across the entire country and have been exasperated by the hurricane.

Increased insurance costs and higher interest rates are also impacting the ability to finance affordable housing developments. Insurance in the hurricane impacted areas of Florida is expected to increase by 30%-50% percent after Hurricane Ian and Nicole. We are working to receive updated insurance quotes from our broker to better gauge this impact to the total development cost. In addition, interest rates for permanent and construction loans have nearly doubled in the last 12 months which has caused additional interest during construction.

Once again, an increase in the base TDC limit by at least 13% will greatly benefit projects in the immediately pipeline.

Sincerely,



Sandra Seals
Senior Vice President

McCormack Baron Salazar, Inc.

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