

The Predevelopment Process

Part 2

April 27, 2022

Presented by: Florida Housing Coalition

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THE FLORIDA HOUSING COALITION





AFFORDABLE HOUSING CATALYST PROGRAM

Sponsored by the
Florida Housing Finance Corporation



we make housing affordable™

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Catalyst Training Schedule

A banner for SHIP Catalyst Training. The left side features a photograph of three people (two men and one woman) smiling and working at a table. Overlaid on this photo is the SHIP logo, which consists of a green house icon with a blue cube inside, and the text 'SHIP' in bold blue letters, with 'housing a stronger Florida' in smaller text below. The right side of the banner has a teal background with white text. It says 'Fine Tune Your SHIP Program' and 'REGISTER NOW FOR' in smaller text, followed by 'CATALYST TRAINING' in large, bold, white capital letters. At the bottom of the banner, there is a dark teal bar with the text 'Register Now for SHIP Catalyst Training!' in white. Below the banner, there are four small, light blue circles arranged horizontally.

Fine Tune Your SHIP Program
REGISTER NOW FOR
**CATALYST
TRAINING**

Register Now for SHIP Catalyst Training!

The Coalition is Florida's affordable housing training and technical assistance provider.

Hotline: 1-800-677-4548

www.flhousing.org

Your Instructors



Gladys Cook



Elissa Plancher



Conference Registration Now Open

<https://fhc.wildapricot.org/event-4693298>

ANNUAL STATEWIDE HOME MATTERS CONFERENCE

AUGUST 29-31

IN-PERSON AT THE ROSEN CENTRE, ORLANDO FL

AUG 29-31 ORLANDO, FL

www.flhousing.org

**HOME
MATTERS**

Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- This webinar is being recorded and will be available at www.flhousing.org
- A survey will immediately follow the webinar; ***please*** complete it!

SouthWood

Future Site of



Opening
Mid 2023

An Independent Living
Affordable Housing Community
for Individuals with
Developmental Differences

www.independencelandingFL.org

SCHUMER

Workshop Overview

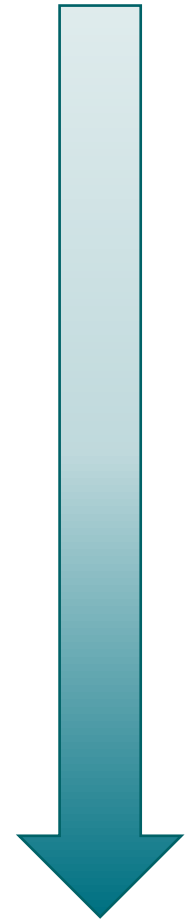
- Site Selection and Acquisition
- Third Party Reports
- Development Team
- Sources of Funding
- Complimentary Trainings & Resources

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The Development Process

- ✓ Conceptual vision
- Site Selection
- Programming/Preliminary Design
- Funding Application
- Credit Underwriting
- Funding Award and Initial Closing
- Construction and Lease-Up
- Project Stabilization and Final Closing
- Project Operation and Program Compliance



Florida Housing Finance Corporation

- State of Florida Housing Finance Agency
 - BOD appointed by Governor
- Quasi-Governmental Organization created by the state legislature 40 years ago
- Responsible for the distribution through competitive and non-competitive solicitation of Sadowski Affordable Housing Trust Funds, National Housing Trust Funds, Tax Credits, Bonds
- Conducts oversight for distributed funds

Site Selection: Criteria for 9% LIHTC

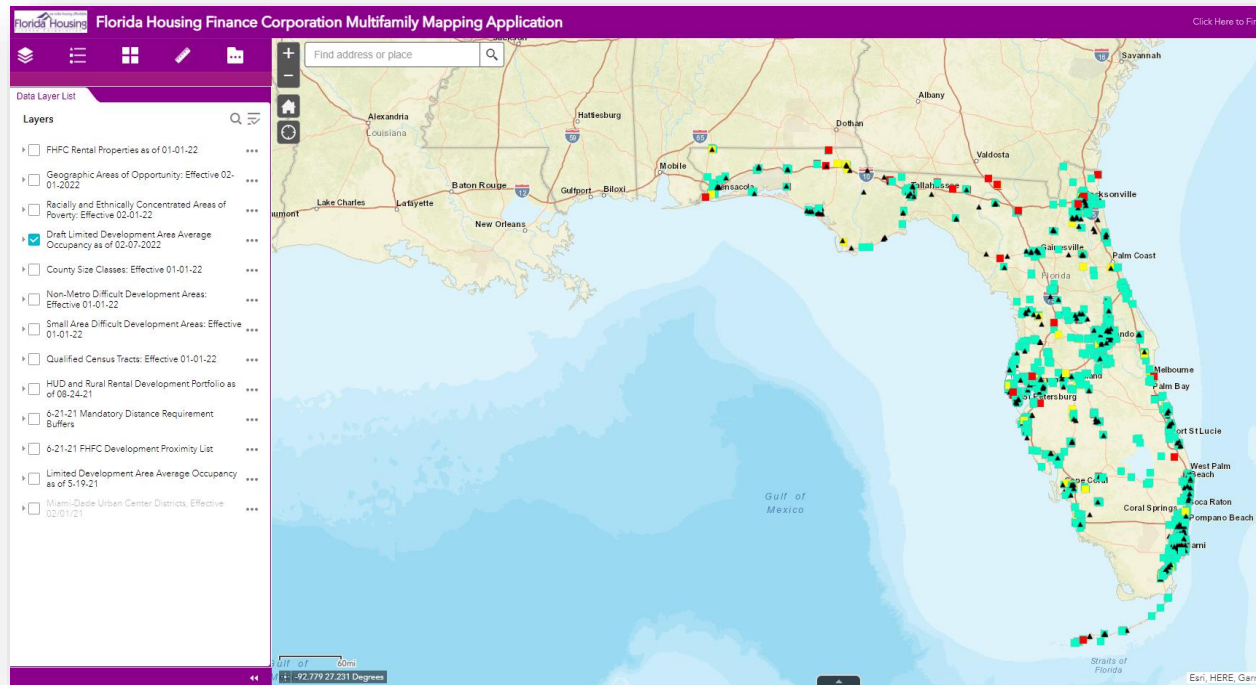
- Proximity to services
 - Bus stop/rail
 - Grocery store
 - Medical clinic, pharmacy (Elderly)
 - Public or charter school (Family)



Site Selection: Criteria for 9% LIHTC

- Utility Infrastructure
 - Ability to Proceed
- Zoning Verification Form
- Site Plan Review Form
- Local Government Contribution
- Ability to Proceed Verification Forms
- Site Plan Approval

Site Selection: Criteria for 9% LIHTC FHFC Multifamily Mapping Tool

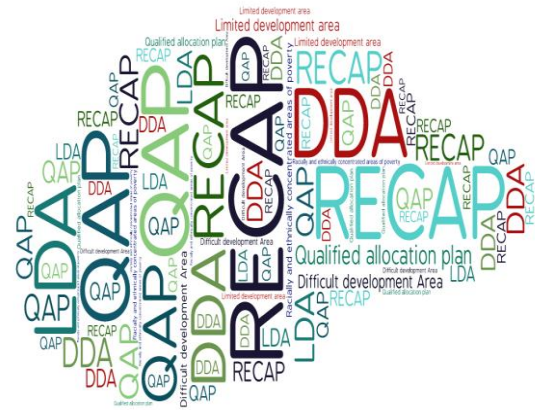


Link:

<https://www.arcgis.com/apps/webappviewer/index.html?id=775a78f4b8d147c09da03edbd3bc2de7&extent=-10262631.4986%2C2746922.6697%2C-8360878.2349%2C3810926.1035%2C102100>

Pre-Application Research

- Qualified Allocation Plan (QAP)
- Proximity-points
- Difficult Development Areas (DDA)
- Areas of Opportunity
- Local Government Preferences
- Who can apply?
- What was funded before?



Difficult Development Areas (DDA) & Qualified Census Tracts (QCT)

- 30% LIHTC boost if project is in a QCT or a DDA
 - Difficult Development Areas (DDA)
 - Higher cost areas to develop
 - Qualified Census Tracts (QCT)
 - Lowest income areas of MSA
- HUD changing definition of DDA to be more targeted (previously MSA, now ZCTA).

Opportunity Areas & R/ECAPs

- FHFC ‘Opportunity Areas’
 - 3 factors
 - Tract Median Income > than county.
 - Educational attainment > median of all county tracts (college enrollment).
 - Employment rate > statewide employment rate.
- Racially/Ethnically Concentrated Areas of Poverty (R/ECAP)
 - FHFC will NOT award LIHTC in a R/ECAP.

Third Party Reports

- Survey
- Appraisal
- Environmental
- Capital Needs Assessment
- Market Study
- Asbestos and Lead Testing
- Project Cost Analysis

The Survey

- Determine Requirements in Funding Sources
- Boundaries
- Legal Description
- Encumbrances
- Easements
- Structures
- Access
- Right of Way

The Appraisal

- Informal
- Formal
- FHFC requires appraisal for acquisition if PLP funds are used
 - Usually, must use their vendor
- Cost \$4,300-\$8,000

Appraisal Interpretation

- Market overview
- Improvement Analysis
- Highest and Best Use Analysis
- Marketability and Exposure periods

Valuation Procedures

- Market rental
- Land value
- Sales Comparables and Income
- Income capitalization
- Reconciliation
 - As a market rental
 - As a restricted property

Value Estimated	Interest Appraised	Estimated Value
As Vacant	Fee Simple	\$340,000
Market, As Is	Leased Fee	\$1,230,000
Market, As renovated	Leased Fee	\$1,940,000
Market, renovated, restricted w SAIL	Leased Fee	\$920,000
Market, As Is, restricted by USDA, RD, HOME, SAIL	Leased Fee	\$990,000
Market, renovated, restricted	Leased Fee	\$1,050,000
Market Value of favorable	Leased Fee	\$1,600,000

The Environmental Review

- Statutory Requirement
- Phase I, Phase II
- Mitigation
- Timeframe
 - Will need initial and update
- Protected species and actions
- Wetlands
 - Water Management issues

Lead and Asbestos Testing

- Required for Pre-1978 existing Buildings
- Do testing even if not using federal funds
- Guidance is available

Market Study: Rental or Owner

- FHFC requires market study for rental and owner projects
 - Must use their vendor
- Cost about \$7,500

Market Study Interpretation

1. Site Analysis
 - Exposure and access
2. Improvement Analysis
 - Suitable for use
3. Regional Analysis
 - MSA pop, growth, costs
4. Neighborhood Analysis
 - 3-mile ring
5. Apartment market overview
 - # and cost
6. Primary Market Area determination
 - 10-mile ring from which 66% to 75% of tenants will come

Market Study (continued)

7. Demographic Analysis
 - Pop-in ring
8. Rental Estimates
 - Restricted and market
9. Unit Mix, unit sizes, amenities relative to competition
 - Given area characteristics
10. Impacts on existing affordable inventory
11. Average occupancy rate
 - New or existing
12. Average absorption rate
 - Lease-up

Capital Needs Assessment (CNA) Existing Properties

- FHFC requires for rehabilitation or preservation projects
- Must use FHFC vendor
- Costs about \$8,000
- Detailed inspection
- Detailed report on needs
- Reserve Analysis is critical

Capital Needs Assessments (CNA)

- Professional written evaluation of physical property condition
 - Health and safety
 - Accessibility
 - Environmental
 - Remaining useful life of all systems
 - Rehab needed
 - Estimated costs (current)
 - Schedule and cost of future replacements

What is in the CNA Report?

- Statement of purpose
- Summary of prior repairs/replacements
- Summary of interview with owner/property manager
- Documents reviewed
 - Statements/reports/REAC/Environmental reports
- Site summary
- Summary of all systems
- Which units were inspected
 - Best to enter every unit (Min sample 25%)
- Photos
- Recommendations and priorities

How to Select a Firm for the CNA

- Begin with discussion of needs
- Willingness to tailor report
- How are costs calculated?
- Include green? Energy Efficiency?
- View samples of spreadsheet and narrative
- Request Reserve Fund Analysis

The Development Team

- Who is your Project Manager?
- Select your vendors and lenders
- Select your co-developer
- Verify licenses and complaints

Assemble Your Development Team

- Project Manager
- Appraiser/Market Analyst
- Architect/Engineer/Surveyor
- Co-Developer
- General contractor
- Consultant
- Legal Team
- Financing partners
- Property Manager/RE Agent
- Title Company

Selecting a Co-Developer

Step 1: Issue and RFQ

Step 2: Review their Experience:

- Is your project what they specialize in?
- Do they deliver a quality product?
- What is their reputation?
- Visit their projects
- Talk to their clients and funders

Co-Developer Capacity

Resources:

- Do they have appropriate financing? A strong balance sheet?
- Do they have sufficient liquidity?
- Do they have appropriate staffing?
- What other projects are in process?
- Are they well-connected?

Architect

- Selection Criteria
- Draft Design
- Preliminary Cost Review
- Final design
- Construction Docs and Specs
 - Construction cost estimator
- Bid Package

Engineer

- Geotechnical
- Civil
- Environmental
- Structural
- Surveyor
 - Tree, boundary, archeological, topographic

General Contractor

- Selection
 - Open RFP, Qualified/Limited Bidding (RFQ), Negotiated Hiring
 - References
 - HUD regs
- Contract
 - lump sum, cost plus, penalties, bonus
 - Hire construction contract expert

General Contractor

- Regular, timely communication & meetings
- Legal & financial controls
 - Performance & payment bond
 - Retainage
 - Lien releases/waivers – suppliers & subs
 - Warranties

Construction Management

- Objectives:
 - Scope: Make certain you get what you are paying for
 - Schedule: Monitor & respond promptly to changes
 - Payment: Make sure everyone gets timely payment
- Redundancy:
 - Architectural supervision
 - Lender construction inspections
 - Public agency inspections
 - Owner's rep, clerk of works or construction manager

Developer Capacity

- Have they done this before?
- Do they deliver a quality product?
- What is their reputation?
- Do they have appropriate staffing?
- What other projects are in process?



Developer Capacity



- Are they financially sound?
- Do they know the funding rules?
- Are all funding sources committed?
- What is their marketing plan?

Successful Partnerships

- Common mission and objectives
- Nice
- Responsible
- Financially sound
- Experienced
- Available
- Delineate tasks
- Share of proceeds/developer fee/rents

Project Feasibility Evaluation

- Site Selection
- Due Diligence and Contingencies
 - Good faith deposit/option
 - Appraisal
 - Title insurance /lien search
 - Closing date
 - Infrastructure
 - Insurance
 - Taxes
 - Surveys
 - Environmental reviews
 - Market studies
 - Neighborhood location and perception

Project Feasibility Evaluation

- Feasibility Analysis
 - Property/Capital Needs Inspection
 - Proximity to Services
 - Historical?
 - Project Budget
 - Land use/Zoning/NIMBY
 - Financing
 - Timeline
 - Feasibility Analysis
 - Operating Proforma
 - On-going

Florida Finance Housing Corp. Request for Application (RFA)

- Rule-making process
- Workshops
- Application Cycles
- [Multifamily](#)
 - Competitive
 - Non-Competitive



FHFC Programs-Multifamily

Low Income
Housing Tax
Credits (LIHTC)

State Housing
Initiatives
Partnership
(SHIP)

Predevelopment
Loan Program
(PLP)

National
Housing Trust
Funds

Multifamily
Mortgage
Revenue
Bonds (MMRB)

State Apartment Incentive Loan (SAIL)

HOME Investment Partnerships
(HOME)

FHFC Programs-Homeownership

**Homeownership Opportunity Pool
(HOP)**

Single Family Bonds DPA

**Homebuyer
Programs**

SHIP

**Homebuilders
New Construction
Pilot Program**

**Predevelopment
Loan Program
(PLP)**

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RFA Participation Factors

- \$3,000 application fee (\$1,500 for special needs)
- Scoring Rubric
- Prior Experience of Developer
 - 3 projects
- Prior Experience of Management
 - 2 projects
- Enhanced Structural Systems (ESS) Construction
- Energy and Construction features

RFA Participation Factors

- Resident Programs
- Local Government Support
 - Amount in RFA
 - Grants
 - Loans
 - Deferral of Fee
 - 1 year or more
 - Waiver of fees
- Documentation of other funding
- Site control
- Property Management

Participation Factors

- Minimum and maximum # units
- New or Rehab
- Ability to Proceed
 - Site plan approval
 - Zoning
 - Electricity, water, sewer, roads
- Proximity
 - PHA and RD get point boost
 - bus, rail, community services, grocery, public school, medical facility, pharmacy



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Income Targeting

- Income set-asides
- Based on funding sources
 - 9% LIHTC
 - 20% of units below 50% AMI
 - 4% LIHTC
 - 40% of units below 60% AMI
- ELI set-aside and ELI w/ special needs
- Income averaging for some RFAs

Non-Competitive

- Multifamily Mortgage Revenue Bonds (MMRB) with or without 4% credits
- Uses both taxable and tax-exempt bonds to provide below market rate construction loans to nonprofit and for-profit developers of affordable housing.

The Underwriting Process: Evaluating Feasibility of Project, the Developer and the Financing

- Borrower Capacity
 - Financial
 - Experience
- Market Analysis
- Property Analysis
- Compliance Analysis
- Cash Flow Analysis
- Project Readiness

The Underwriting Checklist

- Borrower
- Financials
- Assets
- Liabilities
- Board members
- Mission
- General Contractor Information

The Underwriting Checklist

- Management Company
- Architect, Engineer, Attorney, Accountant
- Financing Commitments
- Development Information
- Site Plans and Surveys
- Local Government Approvals

Fees

- Credit Underwriting Fees
 - \$13,000- \$40,000
- Market Study
 - \$7,500
- Appraisal
 - \$2,400-\$8,000
- Credit Report
- Capital Needs Assessment
 - \$8,000
- Plan and Cost Review Fee
 - \$5,000

The Process: From Credit Underwriting to Closing

- Credit Underwriting Report
 - Must be approved by FHFC Board
- Closing
- Construction
- Construction Monitoring
- Certification of Occupancy
- Lease up and Sales
- Monitoring Plan

Compliance Monitoring Fees

- See RFA See FAC Rule 67-53
- See RFA for specific fees

Predevelopment Loan Program (PLP)

Land Acquisition

- Up to \$500,000 loan, contingent upon FHFC underwriting and appraisal process and Board must approve acquisition prior to conveyance

Non-Acquisition

- Up to \$500,000 loan to be used for soft costs

Land Acquisition & Non-Acquisition

- Maximum PLP loan is \$750,000



About PLP

- Administered by Florida Housing Finance Corporation
 - <https://www.floridahousing.org/programs/special-programs/predevelopment-loan-program>
- Funded by Sadowski State Housing Trust Funds
- PLP Rule: Florida Administrative Code Chapter 67-38
 - https://www.floridahousing.org/docs/default-source/programs/special-programs/plp/2009-plp-rule.pdf?sfvrsn=9b1f3f7b_2
- Application Fees: \$1,300 (refunded at payoff)
- Technical assistance is included- and required

Predevelopment Loan Program (PLP)

Administered by FHFC

Land Acquisition and Soft Costs

1% Interest (non-amortizing)

Usually secured by site

Required set-asides specific to rental and homeownership

Loan takes subordinate position

Due in full at close of construction financing or perm

PLP Loan Terms

- Rental
 - The loan is due upon the closing of construction or permanent financing or three years after the PLP loan closed, whichever occurs first
 - Land Use Restriction Agreement (LURA) for 15 years
 - Set-Aside: 20% of units must serve households at or below 50% AMI
- Homeownership
 - Due pro rata per sale
 - LURA dissolved at sale, partial mortgage satisfaction per sale
 - Set-Aside: 50% of completed housing units to persons or households whose income does not exceed 80% AMI and sell the remaining housing units to persons or households whose income does not exceed 120% AMI.

Florida Housing Coalition's TAP Role

Prepare and submit Development Plan to FHFC

Intermediary between FHFC and PLP Applicant

Supervise closing of PLP loan

Review and process all PLP draws

Review all agreements

Review all reports

Florida Housing Coalition's TAP Role

Advise on financing

Monitor deadlines

Advise on permitting incentives

Submit for PLP maturity extensions

Communicate program changes

General training and technical assistance

PLP Eligible Activities

- Soil Tests
- Architecture
- Engineering
- Title Searches
- Appraisals
- Feasibility Analysis
- Legal Fees
- Underwriter Fees
- Audit Fees
- Earnest Money
- Impact fees
- Insurance fees
- Commitment fees
- Administrative
- Marketing
- Acquisition

No Hard Costs

The PLP Development Plan

The TAP will guide in the preparation of the Development Plan to include these sections:

- **Project Identification** – Name and Location
- **Project Description** – Rental or Owner New or Rehab
- **Site Control** – Lease, Contract, or Deed
- **Zoning** – Ready to Proceed?
- **Utilities** – At Site?
- **Development Team** – Who is Participating?
- **PLP Budget** – What will PLP Loan be Used For?
- **Project Budget** – What is the Total Project Cost?
- **Timeframe** – From PLP Closing to Repayment (3 years)

PLP Development Plan Approval Process

1. Draft Development Plan
2. Review Facts – Land use, qualifications of team
3. Schedule for FHFC Board Meeting
4. Board approval
5. Close on Non-Acquisition PLP Loan
6. If Acquisition:
 - Credit underwriting and appraisal once FHFC BOD approves CUR
 - Close on loan for land acquisition-buy land

TAP Meetings

- Meet staff and board and explain PLP process
- View site, if available
- Review Status of Due Diligence
- Prepare Sources and Uses
- Prepare Development Plan
- Develop a Timeframe

Development Team

Board
Members &
Staff

Legal and
Title

Contractors
and
Consultants

Architect

Engineers civil
and structural

Finance and
Investors

Selecting a Developer or Co-Developer

What does organization bring to table?

- Land
- Skilled staff
- Good community will
- Equity

Site Suitability (Review)

- Characteristics
- Purchase price and terms
- Proximity
- Geographical Factors
- Area of Opportunity

Sources and Uses

- Build the budget
- This is a forecast
- Need to be close to balancing
- Ok to plan to apply for funds
- Ensure funding sources align with timeframe

Due Diligence (Review)

- Prepare for underwriting
- Line up third-party reports
- Appraisal, survey, market analysis, CNA
- Market and affordability analysis
- Organization's financials (and board members)
- Staff qualifications
- Experience charts

The Timeframe

- Development Plan- 6 MONTHS
- Underwriting- 9-12 MONTHS
- Loan Closing- 2 MONTHS
- Rezoning- 2-6 MONTHS
- Permitting 2-4 MONTHS
- Construction 12-18 MONTHS
- Lease-up – 4 MONTHS
- Pre-sales- 4 MONTHS

Challenges

Site is inappropriate or will not score in competitive applications

Need local government support

Organization staff lacks skill-sets

Project design is unrealistic

Organization seeking to develop project that requires a co-developer

Sources of funding not foreseen

Staff too busy to take on a new project



The Development Process: Part 1

May 10 - 10:00 am - 11:30 am

[REGISTER](#)

This is the beginning of a two-part training series that provides participants with an introduction to the housing development process from the point of view of the developer. It is designed for nonprofit developers, housing program administrators, and their community partners. In this first session, the presenters will address land use, impact fees, permitting, platting and more. Key topics include financing, site selection, and how housing is made affordable.

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Complimentary Trainings & Resources

- The Pre-Development Process Part 1 – [Recording – Powerpoint](#) (April 2022)
- The Development Process
 - The Development Process- [Recording – PowerPoint](#) (Dec. 2, 2020)
- FHC Nonprofit Capacity Building Institute (NCBI)
 - Information about the [NCBI](#)
 - Survive and Thrive as a Nonprofit – [Recording – PowerPoint](#) (March 25, 2021)
 - Enroll in the Institute
 - <https://flhousing.org/nonprofit-capacity-2/>



Complimentary Trainings & Resources

- Funding Sources
 - Affordable Housing Funding Sources Part 1 – [Recording](#) – [Powerpoint](#) (March 2022)
 - Affordable Housing Funding Sources Part 2 – [Recording](#) – [Powerpoint](#) (March 2022)
 - Affordable Housing Funding Sources Part 3 – [Recording](#) – [Powerpoint](#) (March 2022)

Complimentary Trainings & Resources

- SAIL Funding
 - Affordable Housing Development Using SAIL Funds Part 1 – [Recording](#) – [Powerpoint](#) (April 2022)
 - Affordable Housing Development Using SAIL Funds Part 2 – [Recording](#) – [Powerpoint](#) (April 2022)
 - Affordable Housing Development Using SAIL Funds Part 3 – [Recording](#) – [Powerpoint](#) (April 2022)

Complimentary Trainings & Resources

Affordable Housing Resource Guide

<https://flhousing.org/wp-content/uploads/2020/06/Affordable-Housing-Resource-Guide-FINAL-06.202033806.pdf>



Thank you!

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