

**Florida Housing Finance Corporation
Board of Directors' Meeting Minutes
October 20, 2006**

TIME: 8:40 a.m.

LOCATION: Hilton Garden Inn
12 Via de Luna
Pensacola, Florida

BOARD MEMBERS PRESENT:

Terry Santini, Chairman
Lynn Stultz, Vice Chairman
David Oellerich
J. Luis Rodriguez
Zully Ruiz

CORPORATION STAFF PRESENT:

Stephen P. Auger, Executive Director
Hugh Brown
Wayne Conner
Laura Cox
Rebecca DeLaRosa
Sheila Freaney
Barbara Goltz
Vicki Robinson
David Westcott
Larry White

ADVISORS AND OTHERS PRESENT:

John Albert, Royal Concrete Concepts
Junious Brown, Nabors, Giblin & Nickerson
Jan Carpenter, Shuffield, Lowman
Gary Cohen, McCurdy Center
Elena Dominquez, Greater Miami Neighborhoods
Helen Feinberg, Affordable Housing Study Commission
Dean Lock, Royal Concrete Concepts
Odetta MacLeish-White, Affordable Housing Study Commission
Doug McCree, First Housing
Ben Johnson, Seltzer Management

Chairman Santini called the Board of Directors' meeting to order at 8:40 a.m., and confirmed that a quorum was present.

MINUTES

Chairman Santini asked for a motion to approve the Minutes of the July 28, 2006, and the September 8, 2006, Board Meetings.

Motion to approve the Minutes was made by Ms. Ruiz with a second by Mr. Oellerich.
Motion passed unanimously.

DEMONSTRATION LOANS

Chairman Santini recognized Steve Auger to address the Board regarding Demonstration Loan matters.

Item A, Gardens of Mt. Carmel Assisted Living Facility. Mr. Auger reminded the Board that in April 2005 it approved a credit underwriting report with a positive recommendation for the Gardens of Mt. Carmel Assisted Living Facility, and authorized staff to issue a final commitment. He stated that since that time, the first developer and financing package fell through, and although staff worked with the developers to try to resurrect the deal without success. Mr. Auger asked the Board to approve the staff's recommendation to deobligate the demonstration loan funds awarded to the Gardens of Mt. Carmel Assisted Living Facility, as additional time was not likely to result in successful completion of the development.

Motion to approve staff's recommendation was made by Ms. Stultz with a second by Mr. Oellerich.

Ms. Stultz asked if the funds would go back into the Demonstration Loan Program if they were deobligated, and if so, would they be specifically targeted to other assisted living facility (ALF) projects. Mr. Auger stated that the funds would go back into the Demonstration Loan Program and it would be up to the Board to decide what kind of demonstration projects the funds would be used for. He stated that the Demonstration Loan Program is a way for Florida Housing to learn about what works and what doesn't work for projects that don't fit into the mainstream funding process.

Motion passed unanimously.

GUARANTEE PROGRAM

Chairman Santini recognized Laura Cox to address the Board regarding Guarantee Program matters.

Item A, Request for Authority to Begin Rulemaking. Ms. Cox asked the Board to authorize staff to begin the rulemaking process to develop rules governing the transfer of ownership interest in Guarantee Fund deals and to amend the current rules governing nonprofit participation and the underwriting of already enhanced deals.

Motion to approve staff's recommendation was made by Ms. Stultz with a second by Mr. Oellerich. Motion passed unanimously.

HOMEOWNERSHIP PROGRAMS

Chairman Santini recognized David Westcott to address the Board regarding Homeownership matters.

Item A, Approval of Rule Chapter 67-58, Florida Administrative Code for the Community Workforce Housing Innovation Pilot Program (CWHIP). Mr. Westcott reminded the Board that at the June meeting it authorized staff to begin the rule development process for CWHIP. He stated that staff held public meetings and a rule development workshop and had the rule hearing on October 16. He stated that the Notice of Change for Rule Chapter 67-58 incorporates comments received from the Joint Administrative Procedures Committee (JAPC) and comments received from interested parties at the rule development workshops and in letters written to Florida Housing. He asked the Board to approve the proposed Rule Chapter 67-58 and the Notice of Change, and in addition, if JAPC has any further comments or changes, to authorize the Chair to determine whether the second notice of change, if necessary, makes material or substantive changes to the rule, and if it does not, authorize the Chair to approve that second notice of change without the requirement of another Board Meeting.

Motion to approve staff's recommendation was made by Ms. Ruiz with a second by Mr. Rodriguez. Motion passed unanimously.

Chairman Santini recognized Larry White to take the Board through seed number selection for the CWHIP application cycle's lottery numbers.

Item B, CWHIP Application Cycle Lottery Number Selection. Mr. White asked Chairman Santini to pick a seed number from Statement 4914, Interstate Commerce Commission, Appendix 81, Pages 1441 through 1446, Lines 1 through 300, Columns 1 through 14. Chairman Santini selected Page 1443, Column 6, Line Number 134, Number 44324.

PROFESSIONAL SERVICES SELECTION (PSS)

Chairman Santini recognized Wayne Conner to address the Board on Professional Services Selection Item A.

Item A, Request for Qualifications for Bond Counsel Services. Mr. Conner asked the Board to authorize staff to begin the solicitation process to select more than one qualified vendor bond counsel and to authorize the Executive Director to establish a review committee to make a recommendation for qualified offerors to the Board.

Motion to approve the recommendation was made by Mr. Rodriguez with a second by Ms. Stultz. Motion passed unanimously.

Chairman Santini recognized Steve Auger to address the Board on Professional Services Item B.

Item B, Affordable Housing Catalyst Program Services. Mr. Auger reminded the Board that the Affordable Housing Catalyst Program is funded through the State Housing Trust Fund and provides training and technical assistance to local governments and community-based organizations on state and federal housing programs, including administration and implementation of the SHIP Program, the HOME Program, SAIL, bonds and tax credits. He stated that in the 2004 Legislative Session, the administration of the Catalyst Program was transferred from the Department of Community Affairs to Florida Housing. He stated that

Florida Housing's contract with the Florida Housing Coalition, which provides the training and technical assistance, expires on June, 30, 2007, and asked the Board to authorize staff to begin the solicitation process to obtain responses from qualified entities to deliver affordable housing technical assistance to staff, state and local governments and community-based organizations, and authorize the Executive Director to establish a review committee to make recommendations for a qualified entity to the Board.

Motion to approve the recommendation was made by Ms. Stultz with a second by Mr. Oellerich. Motion passed unanimously.

Chairman Santini recognized Hugh Brown to address the Board on Professional Services Selection Item C.

Item C, Court Reporting Services. Mr. Brown stated that the current contracts with Dorothy King and Accurate Stenotype Reporters to provide court reporting services to Florida Housing expire in January of 2007. He asked the Board to authorize staff to begin the solicitation process to obtain responses for court reporters and to authorize the Executive Director to establish a review committee to make recommendations to the Board.

Motion to approve the recommendation was made by Ms. Stultz with a second by Mr. Rodriguez. Motion passed unanimously.

RENTAL RECOVERY LOAN PROGRAM (RRLP)

Chairman Santini recognized Vicki Robinson to address the Board on Rental Recovery Loan Program (RRLP) matters.

Item A, 2006 Rental Recovery Loan Program. Ms. Robinson presented the final rankings for the 2006 Rental Recovery Loan Program Cycle to the Board and asked them to approve the rankings and direct staff to proceed with issuing the final ranking scores and notice of rights to the applicants. She noted that after the Board takes action, there would be an opportunity for applicants to file lawsuits challenging the scoring of their applications, and no loans would be closed until all of that is resolved. After clarifying questions from Board Members, Mr. Ruiz asked what would happen to the units that did not receive funding. Mr. Auger stated that some of them would go through the 2007 Universal Application Cycle, and others would just let go and move on. Ms. Ruiz asked if Florida Housing would be doing anything different in the upcoming legislative session. Mr. Auger stated that in the next year the cap on the Trust Funds is supposed to go into effect and if the Legislature does not change that during the next session, Florida Housing will just have the \$243 million and nothing more for the regular programs, while in the last couple of years, between regular programs and hurricane programs, it has been closer to \$450 or \$500 million. Ms. Ruiz expressed concern that legislators understand that Florida Housing has developments ready to proceed without any funding. Mr. Auger stated that staff has made sure the Legislature knows how over-subscribed Florida Housing is, and added that the House of Representatives has created an interim work group on affordable housing. He stated that staff continually works to ensure the Legislature understands the needs and to prove that and show them how effective Florida Housing's programs are.

Motion to approve the recommendation was made by Mr. Oellerich with a second by Ms. Stultz. Motion passed unanimously.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Chairman Santini recognized Vicki Robinson to address the Board on SAIL matters.

Item A, Supplement – McCurdy Center Credit Underwriting Report. Ms. Robinson stated that McCurdy Center is a proposed 93-unit homeless development in Palm Beach County which will also function as an assisted living facility. She stated that on October 17 staff received a credit underwriting report without a positive recommendation due to concerns related to construction costs, as the developer proposes using a nontraditional product type which results in costs from 40 to 60 percent higher than traditional construction methods. She asked the developer to come forward and address the Board.

Gary Cohen, counsel for McCurdy Center, Ltd., stated that the development and operating cost pro formas have been approved but for the issue of whether construction costs are reasonable for the transaction. He stated that all the subs were competitively bid, but they did not competitively bid the general contractor because the contractor that was chosen is the leader in the industry in the state. He stated that the project was modular steel reinforced concrete construction. He stated that it would weather the storm and the units are much higher rated for fire and safety, impact-resistant glass, which, in turn, will bring down insurance costs on this type of product. He stated that the buildings are certified as energy efficient by the FP&L Build Smart Energy Efficiency Program and the developer encountered difficulty engaging a general contractor for the job because Belle Glade is a little bit out of the way. He stated that he thinks the differential is smaller than what is in the credit underwriting report and feels that the overall costs are entirely reasonable at \$160,000 per unit. He added that it is a product that might bode well for the future of affordable housing in the state.

Chairman Santini asked how much less the project would cost if CBS block was used instead. Elena Dominguez, from Greater Miami Neighborhoods, stated that the comps provided in the engineering report show costs per square foot somewhere around 90 to 95 cents, and their figure is \$1.20, which is adjusted for site work. She added that they also have a generator that will run the entire facility in case of a power outage. She stated that it also has an elevator and commercial kitchen and a 12,000 square foot administration core. Mr. Oellerich asked if the original numbers were valid and asked if the reason contractors can't make it there is because the numbers weren't good. Ms. Dominguez stated it was just lack of interest. She stated there was only a 12 percent increase since January 2005.

Ms. Ruiz stated that in a hurricane everyone would feel safe. Ms. Stultz stated that she wasn't sure this was a good use of a precious resource. Ms. Dominguez stated that they were trying to be proactive and build something that would last for the 50 years that it is required to maintain the affordability.

Ben Johnson, of Seltzer Management, the credit underwriter for the project, stated in his evaluation, the project would be 30 to 35 percent more expensive than traditional block, which adds up to \$2.7 million, and with the developer's fee, comes to about \$3 million. He stated that when possible savings in areas such as insurance, utilities and termite control, he estimates about \$500,000 to \$3 million in construction costs. He stated that he believes the starting number was too high and he looks at where they are now and compares that to where the market is.

Ms. Ruiz asked if this type of construction was faster or slower than traditional construction. Ms. Dominguez stated it was faster. Dean Lock, of Royal Concrete Concepts added that the ability to construct the majority of the facility in a plant setting allows them to undertake the site work at

the same time they are building the structure. Mr. Ruiz asked if there was a higher or lower number of change orders on this type of construction. Mr. Lock stated he had never issued a change order. Ms. Ruiz asked what the end product looks like and what the quality is. She stated that the project was an opportunity to test a new product.

Ms. Stultz stated that from a numbers standpoint, she has a problem with the project. Mr. Auger stated that as the Governor's Office works on the insurance issue, one concept is to lower risk over time, and construction design is a fact of this. Ms. Santini reminded the Board that at the retreat it was decided that the Board needed to think outside the box. She stated that she would like to see the project go forward to test the method. She stated that in old Miami all the buildings are concrete with concrete roofs and they have withstood many hurricanes and are still in place.

Motion to approve the credit underwriting report was made by Ms. Ruiz with a second by Mr. Oellerich. Motion passed 4-1 with Ms. Stultz opposing.

CONSENT AGENDA

Chairman Santini asked for motion to approve everything on the October 20, 2006, Consent Agenda.

Motion to approve everything on the Consent Agenda was made by Ms. Stultz with a second by Mr. Oellerich. Motion passed unanimously.

Chairman Santini asked for a motion to ratify everything on the September 8, 2006, Consent Agenda, which was approved on September 8, 2006, as there was no second to the motion to approve at that meeting.

Motion to ratify everything on the Consent Agenda for the September 8, 2006, meeting was made by Mr. Oellerich with a second by Ms. Stultz. Motion passed unanimously.

GUARANTEE PROGRAM

Chairman Santini recognized Laura Cox to address the Board on Guarantee Program matters.

Item A, Updated Status of Event of Default and Event of Intervention of Sunset Bay Apartments. Ms. Cox reminded the Board that Sunset Bay Apartments is a 308-unit rental community in Miami-Dade County which was financed by the Miami-Dade Housing Authority and bonds and credit enhanced by the Guarantee Program. She stated they also received an allocation of nine percent housing credits and have a SAIL loan of approximately \$2.5 million. She stated that in November 2005 the borrower reported that the development sustained extensive damage from Hurricanes Katrina and Wilma. She stated that at the June meeting staff reported that there was an event of default and event of intervention declared by the trustee, and since then, the development remained in the rolling default status with payments sufficient to negate the claim of loss against the Guarantee Program. She stated that in May Charter Mac provided a proposal outlining its desire to acquire the outstanding bonds and reimburse the Guarantee Program for payment for a full claim for loss and all their costs incurred in the transaction, and staff sought counsel from Florida Housing's financial advisor, guarantee counsel and bond counsel. She stated that earlier in October, staff expressed support for Charter Mac's proposal to acquire the outstanding bonds with conditions. She stated that currently, the September 15 and October 15 loan payments on the first mortgage totaling \$350,000 remain unpaid and the SAIL

loan is past due approximately \$56,000 for the August 31 interest payment. She stated that assuming consent, the Guarantee Program will be required to pay a full claim on the development in the amount of approximately \$13.8 million, but will concurrently be fully reimbursed by a Charter Mac affiliated entity. She stated that if Charter Mac's proposal is not implemented, the September 15 loan payment must be made by November 17 to nullify the claim for loss against the Guarantee Program; however if the payment is not made, Florida Housing stands prepared to take appropriate action, including payment of the full claim, acceleration of the loan, foreclosure of the collateral and notification to the IRS that would result in recapture of credits and the inability to claim future credits on the deal. She stated that authority to take the action was specifically delegated by the Board to the Executive Director, Chief Financial Officer, Guarantee Program Administrator and Director of Asset Management on December 12, 2003. She stated that if required to take such action prior to the December Board Meeting, staff would provide the Board with an update at that time.

FISCAL

Chairman Santini recognized Barb Goltz to address the Board on Fiscal matters.

Item A, Presentation of 2007 Draft Operating Budget. Ms. Goltz presented the proposed 2007 Budget to the Board for review. She recommended that the Board Members review the proposed Budget and contact her with any questions. She stated that the final 2007 Budget would be presented to the Board at the December meeting for approval.

PRESENTATION

Chairman Santini recognized Odetta MacLeish-White to address the Board regarding Affordable Housing Study Commission matters.

Ms. MacLeish-White gave a brief synopsis of the history, make-up and mission of the Affordable Housing Study Commission and introduced Helen Feinberg, who gave an overview of the 2005 Annual Report and the findings on the year's study topic, which was Affordable Multifamily Housing Preservation.

Hearing no further business, Chairman Santini adjourned the October 20, 2006, Board of Directors' Meeting at 11:10 a.m.