

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
September 8, 2006
Action Items



ELDERLY HOUSING COMMUNITY LOAN PROGRAM (EHCL)

Action

I. ELDERLY HOUSING COMMUNITY LOAN PROGRAM (EHCL)

A. Request for Authority to Begin Rulemaking

1. Background/Present Situation

- a) In order to address changes to Rule Chapter 67-32, Florida Administrative Code, which governs the Elderly Housing Community Loan (EHCL) Program, it is necessary to begin the rulemaking process.
- b) A public meeting will be held in October 2006 to solicit comments concerning Rule Chapters 67-32, F.A.C.
- c) Staff will advertise the rulemaking process as required.

2. Recommendation

Approve Staff's request to begin the rule development process by scheduling a rule development workshop.

HURRICANE PROGRAMS

Action

II. HURRICANE PROGRAMS

A. Hurricane Programs Application Cycle Lottery Number Selection

1. Background

The Application Instructions for two new hurricane programs, the Farmworker Housing Recovery Program and the Special Housing Assistance and Development Program, provide that each Application that is assigned an Application number will receive a random lottery number at or prior to the issuance of final scores and that the lottery numbers will be assigned by having Florida Housing's internal auditors run the total number of assigned Application numbers through a random number generator program.

2. Present Situation

The seed number must be selected so that the internal auditors will be able to generate the random lottery numbers at the appropriate time.

3. Recommendation

The Chair should select a seed number from the listing of numbers provided by the internal auditor.

PREDEVELOPMENT LOAN PROGRAM (PLP)

Action

III. PREDEVELOPMENT LOAN PROGRAM (PLP)

A. Request for a Reduction in Number of Units for Palafox Landing (PLP 05-073)

DEVELOPMENT NAME (“Development”):	Palafox Landing
APPLICANT/DEVELOPER (“Developer”):	Palafox Landing, Ltd.
CO-DEVELOPER:	n/a
NUMBER OF SET-ASIDE UNITS:	144
LOCATION (“County”):	Escambia County
TYPE:	Rental
SET ASIDE:	60% @ 60% AMI
PLP LOAN AMOUNT:	\$ 383,775
ADDITIONAL COMMENTS:	Requesting change in units from 144 to 96

1. Background/Present Situation

- a) On December 9, 2005, the Board approved a predevelopment loan to Palafox Landing Ltd. for a development to be called Palafox Landing in the amount of \$383,775.
- b) The developer initially proposed the 144 unit development with the expectation that they would pursue funding through the Multifamily Mortgage Revenue Bond Program. The Bonds would have been paired with the non-competitive Low Income Housing Tax Credit Program and they would have also pursued Hurricane Housing Recovery Program (HHRP) funds through Escambia County. This financing structure was later determined not to be feasible for the development.
- c) In seeking alternate construction funding for this development through the competitive Low Income Housing Tax Credit Program, the developer submitted a plan for a 96 unit development in the 2006 Universal Cycle. This reduction in the number of units was made in anticipation of the set aside unit limitation (SAUL) method of allocating units across the state employed in the ranking of Universal Cycle applications. The limit for Escambia County is 100 units and although, in some cases, this limit could be surpassed, the developer chose to remain cautious. This development has been allocated competitive Low Income Housing Tax Credits through the 2006 Universal Cycle in the amount of \$998,400. The developer has requested a change in the number of units from 144 to 96 for the predevelopment loan to coincide with the Housing Credit application ([Exhibit A](#)) and the Technical Assistance Provider has recommended approval of the request ([Exhibit B](#)).
- d) Although in many cases, the reduction in the number of units would result in a corresponding reduction in the amount of the PLP loan, the pro forma submitted for the development lists predevelopment costs in excess of the \$500,000 limit for the program. Therefore, staff believes that it is reasonable to allow the loan to remain at \$383,775.
- e) The PLP loan will be repaid from the equity proceeds from the Low Income Housing Tax Credits.

PREDEVELOPMENT LOAN PROGRAM (PLP)

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2. **Recommendation**

Approve the reduction in the number of units for Palafox Landing from 144 to 96 and allow staff to proceed with loan closing activities.

RENTAL RECOVERY LOAN PROGRAM (RRLP)

Action

IV. RENTAL RECOVERY LOAN PROGRAM (RRLP)

A. Request Approval to Make Remaining 2005 Rental Recovery Loan Program (RRLP) Funds Available to the 2006 Rental Recovery Loan Program (RRLP) Cycle

1. Background/Present Situation

- a) On October 14, 2005, Florida Housing's Board of Directors adopted and approved the final rankings for the 2005 Rental Recovery Loan Program (RRLP) Application Cycle.
- b) Due to the withdrawal of Orange Blossom Apartments (2005-307HR) for \$5,500,000, \$2,808,786 remains available after \$2,691,214 was awarded to fully fund Charlotte Crossing which originally received a partial allocation. Per program Rules, after awarding funding to any partially funded Applications, funds should be awarded to the highest ranking eligible Application in the highest Tier regardless of Demographic Commitment and SAUL will still be applied. This process was to continue for one year following the Application Deadline. Staff followed this procedure and received no acceptances by eligible Applicants. Funds available after said timeframe may be allocated as the Board deems appropriate.

2. Recommendation

Approve allocating the remaining \$2,808,786 from the 2005 RRLP Cycle through the 2006 RRLP Cycle in accordance with Rule Chapter 67ER06, Florida Administrative Code.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action

V. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Request Approval of Conceptual Plan to Redevelop and Extend the SAIL Land Use Restriction Agreement (“LURA”) for Auburn Trace Apartments (92S-087) Cycle IV

Development Name: Auburn Trace Apartments (“Development”)	Location: Palm Beach County
Developer/Principal: Florida Affordable Housing (“Developer”)	Set-Aside: 75% @ 60% AMI
Number of Units: 192	Allocated Amount: \$1,765,000
Type: Garden Style	Housing Credit Allocation: \$955,530
Demographics: Family	

1. **Background/Present Situation**

- a) On August 24, 1993, a SAIL loan in the amount of \$1,765,000 closed for the 192 unit Development located in Palm Beach County.
- b) On April 28, 2006, Auburn Trace Ltd. (“Applicant”) paid off the SAIL loan for the Development. The compliance period for Housing Credits ended on December 31, 2005 and there is an existing LURA on the property for an additional 15 years.
- c) On August 18, 2006, staff received a letter from the Applicant ([Exhibit A](#)) proposing a conceptual plan for the redevelopment of Auburn Trace Apartments. In the Applicant’s proposal, the number of rental units would be increased to 264. Of the proposed 264 units, 192 units would be restricted to serving families at or below 60% AMI and 72 units would served families at or below 120% AMI. These units would be constructed on approximately 11 acres of the 30 acre site. The SAIL LURA would be released on the remaining 19 acres allowing for the construction of workforce homeownership condos and/or townhomes.

2. **Recommendation**

Approve the conceptual plan to redevelop Auburn Trace Apartments subject to the Developer securing the funding required as presented in their request. Once the redevelopment plan has been completed and reviewed by FHFC’s credit underwriter, staff will present it to the Board for final approval.

STATE HOUSING INITIATIVES PARTNERSHIP (SHIP) PROGRAM

Action

VI. STATE HOUSING INITIATIVES PARTNERSHIP (SHIP) PROGRAM

A. Approval of Changes to Rule Chapter 67-37, F.A.C. (SHIP Program)

1. Background/Present Situation

- a) On June 9, 2006, SHIP staff began the rule amendment process. This process included a review of the rule and necessary changes as well as accepting comments from the public. Some of the changes to the rule were necessitated by the passage of HB 1363 by the Florida Legislature.
- b) A summary of the changes include:
 - (1) Adding a definition of “essential services personnel” (teachers, police, firefighters, etc.) in the local housing assistance plan and the addition of a strategy to address the housing needs of the defined essential services personnel.
 - (2) A definition of extremely low income households has been added to the rule. Data for these extremely low income households will be tracked by local governments in order to provide more detailed information on who is being served by the SHIP program.
 - (3) The date for submission of each local government’s consolidated audited financial Report was changed from April 30 to June 30.
- c) There were no other substantive changes to the rule.
- d) On July 10, 2006, a rule development workshop was held. The public was invited to attend and several interested parties attended and made comments.
- e) A rule hearing was scheduled on August 14, 2006. There were no attendees at the hearing.
- f) After Board approval, a Notice of Change will be filed for publication in the Florida Administrative Weekly noticing the changes to the rule.
- g) On October 16, 2006, staff will file the rule ([Exhibit A](#)) for adoption with the Secretary of State.

2. Recommendation

Approve the rule changes to chapter 67-37, F.A.C., and allow staff to proceed with filing the rule with the Secretary of State.

SINGLE FAMILY BONDS

Action

VII. SINGLE FAMILY BONDS

A. Single Family Homeowner Program

1. Background

- a) Florida Housing sold its \$175 million 2006 Series 4&5 Bonds on August 17, 2006 which resulted in single family rates of 6.67% for assisted loans, 5.97% for low rate loans and 5.72% for subsidized and community loans. Freddie Mac purchased \$30 million of the 2006 4&5 bond issue at a below-market rate which created a mortgage pool of 5.72% for low rate loans and 6.42% for assisted loans for homebuyers in the Wilma GO Zone.
- b) Consistent with normal rotation of senior managers, Bear, Stearns will serve as senior managing investment banker for the negotiated sale of the 2006 Phase Four Bonds. Greenberg Traurig, P.A. and Edwards & Associates, P.A. will serve as bond counsel and Adorno & Yoss, P.A. will serve as special counsel.
- c) The 2006 Phase Four Bonds are expected to be rated "AA" by Standard & Poor's Ratings Services, "Aa2" by Moody's Investors Service, and "AA" by Fitch Ratings. It is anticipated that the 2006 Phase Four Bonds and any additional new money bonds issued under the 1995 Indenture for the foreseeable future will be secured by mortgage backed securities.
- d) Based on the strong demand Florida Housing has been experiencing for these mortgage products, staff is requesting approval to issue up to \$200 million of single family bonds to fund mortgages from what will be designated as 2006 Phase Four Bonds (multiple series to be determined).

2. Present Situation

- a) Authorization necessary to issue the 2006 Phase Four Bonds requires (1) adoption of an authorizing resolution by Florida Housing's Board and (2) approval of the plan of finance by the State Board of Administration. To work within the constraints of regularly scheduled public meetings and maintain Florida Housing's goal of providing continuously available single family mortgage funding, the authorizing resolution for the 2006 Phase Four Bonds is presented for consideration at Florida Housing's September 8, 2006 meeting.
- b) Based on the current rate of reservation, it is possible that all 2006 Series 4&5 proceeds could be fully reserved by the end of November 2006. To provide sufficient time to obtain the required approvals, authorization is requested to commit up to \$15,000,000 of Indenture assets to provide interim funding for single family reservations.
- c) Final size, structure, timing and other decisions relating to the 2006 Phase Four Bonds will be made based on production, program changes and market conditions with the advice of CSG Advisors and Bear Stearns & Co., closer to the time of the anticipated transaction. Issuance costs and capitalized interest (if any) for the 2006 Phase Four Bonds will be funded with assets available under the single family bond indenture and/or by a contribution from Florida Housing's general funds. In the past actual negative reinvestment costs have been reduced by shortening origination schedules and by investing bond

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proceeds with the State Treasurer's fund, which until recently has paid a higher rate of interest than could be achieved by investing in a Guaranteed Investment Contract (GIC) or in other qualified investments. The investment determined to be financially advantageous to Florida Housing will be used for the 2006 Phase Four bond proceeds. The current financial conditions indicate a Guaranteed Investment Contract will be a viable option for minimizing negative arbitrage.

d) Summary of Proposed 2006 Phase Four Bonds:

- (1) Principal amount: Not to exceed (a) \$185,000,000 in long term fixed rate bonds in one or more series to finance new mortgage loans, and (b)\$15,000,000 long term bonds to refund Florida Housing 1996 Series 1&2 and 1996 Series 3 outstanding bonds.
- (2) Florida Housing Funds: Not to exceed \$15,000,000 from Indenture resources funds with the expectation that any funds committed will be reimbursed with proceeds of the 2006 Phase Four Bonds.
- (3) Mortgage Rates: Not to exceed a mortgage loan yield of 7.75% for the 2006 Phase Four portfolio.
- (4) Origination & Delivery Period: Four to six months production with up to twelve months delivery period.
- (5) Maximum Combined Loan-To-Value: 105% of the lesser of the appraised value or the purchase price of the property except in the case of the person with a disability as defined by the Americans with Disabilities Act in which case the combined loan-to-value may be up to 120% with certain restrictions.
- (6) Loan Types: Conventional, VA, Rural Development and FHA.
- (7) Second Mortgages: HOME, HAP Down Payment and HAMI.
- (8) Guaranteed Mortgage Securities: Ginnie Mae, Fannie Mae and Freddie Mac.
- (9) Private Activity Tax-Exempt Bond Resources Available
- (10) \$1,733,400 of tax exempt bond authority outstanding in the liquidity advance line at the FHLB
- (11) \$300,022,369.96 of 2005 carry-forward
- (12) \$250,497,280 of 2006 volume cap

[Exhibit A](#) – CSG Advisors Method of Sale Letter

[Exhibit B](#) – Draft Program Details

[Exhibit C](#) – Draft Terms Memo

[Exhibit D](#) – Authorizing Resolution

SINGLE FAMILY BONDS

Action

[Exhibit E](#) – Distribution List

3. **Recommendation**

Staff recommends the Board approve the necessary funding (including reimbursable amounts to provide program funding between bond issues), staff actions and the resolution to permit the issuance of the proposed 2006 Phase Four Homeowner Mortgage Revenue Bonds.