

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
April 24, 2009
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Corporate Marketing and Outreach

1. Background/Present Situation

- a) During February and March, Florida Housing staff participated in housing workshops hosted by Wells Fargo in Tallahassee. We provided approximately 100 interested renters and homebuyers with information about the Corporation and our programs.
- b) Currently, Communications and Special Needs staffs are working together on marketing the newly expanded affordable rental housing locator online at www.floridahousingsearch.org. The press release on the locator was sent out to the media statewide, and collateral materials (one pagers, post cards, flyers, etc.) are being created, as well. This information will be posted on Florida Housing's Web site, and will be distributed to local governments, housing authorities, elected officials, landlords, and other rental housing providers and advocates.
- c) Communications staff is continuing to work on a "Going Green" Web site for Florida Housing, which will serve as a resource guide to assist homebuyers, housing providers and advocates throughout the state to *go green* in their affordable homes or rental properties. The site should be live mid-2009.
- d) Florida Housing staff continues to plan the 2009 Lenders Appreciation Awards Dinner, scheduled to be held on Friday, June 12, 2009, at the Peabody Hotel Orlando. Save the Date Evites and invitations will be disseminated this month. Also, staff has started initial planning for the 2010 dinner.

FISCAL
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II. FISCAL

A. Operating Budget Analysis for February 2009

- a) The Financial Analysis for February 28, 2009, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending February 28, 2009, is attached as [Exhibit B](#).

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III. GUARANTEE

A. Claim Payment and Pending Foreclosure of Walker Avenue Club Apartments

Development Name: Walker Avenue Club	Location: Indian River County
Owner: The Benchmark Group (“Benchmark”)	Set-Aside: MMRB 50% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2000 Series L1 & L2 HC 2000-533C Guarantee Fund #55 HUD Risk-Sharing 067-98023	Amounts: MMRB \$8,565,000 (current balance) HC \$571,524 (annually) GF \$4,282,500 (50% mtg guarantee)
Number of Units: 172	Type: Family

1. Background

- a) Walker Avenue Club apartments is located in Indian River County, on the North side of Walker Avenue, on the west side of 66th Avenue, approximately 3 miles east of I-95 and 4 miles west of downtown Vero Beach. Coronado Construction (whose principal is Donna Pepper), built the development beginning in late 2000, finishing in July 2002. In January 2006, the .01% general partner interest was sold to SRK Walker Club LLC, an affiliate of The Benchmark Group (“Benchmark”), Amherst, N.Y., and PNC Capital (“PNC”) remained as the investor limited partner; 99.9% owner and tax-credit syndicator.
- b) The property was financed with FHFC bonds, 2000 Series L1 & L2, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guarantee the first mortgage. No subordinate financing is known to encumber the property. Nevertheless, a title insurance update will be obtained to identify any additional debt/liens.
- c) The development is comprised of 172 units (108 x 2BR, 64 x 3BR), with set-asides at 100% @ 60% of area median income by virtue of the housing credit use restriction agreement.
- d) Over the past few years, and almost immediately following Benchmark’s acquisition of the general partner, the property has struggled against steadily declining occupancy: 90% in July 2006, 68% in July 2007, 50% in July 2008, and 47% as of February 2009. Based on discussions with on-site management, occupancy was, at first, impacted by increased evictions and a high rate of application denials, but this gave way to negative catalysts stemming from turmoil in the real estate market (resulting in an oversaturated rental supply) and a severely depressed local economy.

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- e) In considering the contributing factors for the default, we attribute the property's default to Benchmark and PNC's unwillingness to provide further financial support in light of the adverse economic climate. Generally speaking, with respect to troubled properties, the Guarantee Program expects limited partners (equity providers/tax-credit syndicators) to assist in keeping properties financially viable by helping fund operating deficits, which has been our experience to date. Based on conversations with PNC, they have provided financial support since early 2008. However, compared to the potential federal income tax recapture, in their judgment a greater amount of funds would be required to cure the default and fund operating deficits until the property recovers operationally and financially. Consequently, PNC, as well as Benchmark, have apparently deemed it economically desirable to effectively walk away.

2. Present Situation

- a) On Monday, March 16, 2009, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Walker Avenue Club Apartments.
- b) On March 18, 2009, HUD paid the claim in the amount of \$8,696,793, representing the mortgage balance of \$8,565,000 plus \$131,793 in accrued interest (note: the claim amount equates to approximately \$50,562/unit). Claim funds received from HUD were, in turn, paid to the Trustee to be used to redeem the outstanding bonds. As a Risk-Sharing property, HUD shares in the mortgage guarantee 50/50 with the Guarantee Program. As such, our half will be approximately \$4.3 million plus costs. HUD pays the entire sum upfront to the Trustee. Typically, an HFA must provide a debenture to HUD evidencing its indebtedness for its half of the mortgage exposure. In our case, in lieu of a debenture, we are allowed to segregate funds within the Guarantee Program corpus for such purpose, evidenced by an enforceable certificate (the "certificate"). HUD provides a five (5) year term for repayment; a balloon payment, allowing time for Florida Housing to settle the matter and dispose of the property. During that term, interest accrues on the certificate at HUD's debenture rate (5.25%, based on the date HUD endorsed the Note following construction completion), which is payable annually.
- c) We instructed our counsel to immediately pursue all appropriate legal and equitable remedies under the note, the mortgage and other loan documents to obtain control of the monthly net operating income, prevent any deterioration of the property, and to obtain control of the property. We obtained current financials, including rent rolls and payables aging, and staff will be making a follow-up inspection soon. We will be ordering a Phase I environmental site assessment and a physical needs assessment, and an appraisal may be ordered at a future date. The property's current tax assessed value is \$6,717,820.
- d) The Trustee has issued a redemption notice to bondholders and a full redemption of the bonds will occur on April 17, 2009.

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B. Update Regarding the Guarantee Program and HUD Risk-Sharing

1. Background/Present Situation

- a) In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program. Since then, the Guarantee Program and HUD have closed 76 multifamily bond-financed transactions, representing approximately \$940 million of combined risk in force, facilitating the construction of over 19,400 multifamily units in Florida. Of the 98 multifamily developments in the Guarantee Program portfolio today, 64 are Risk-Sharing transactions.
- b) The five (5) claims filed in since November 2008, including Walker Avenue Club, represent the only multifamily claims incurred in the 15-year history of the Guarantee Program.
- c) As of March 31, 2009, there are four (4) developments in the portfolio in various stages of monetary default due to the borrower's failure to make timely payments on the note. Of those, two (2) are Risk-Sharing transactions and two (2) are not, as outlined below:

<u>Development</u>	<u>Location</u>	<u>Closing Date</u>	<u>Total units</u>	<u>Mtg. bal.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Woods of Vero Beach	Vero Beach	9/21/1999	176	7,117,598	No	Creative Choice	Alliant Capital	Past due: 1/1/09 & 2/1/09 pmts
Andros Isle	Lehigh Acres	6/20/2001	229	9,485,000	No	Creative Choice	Alliant Capital	Past due: 1/15/09 & 2/15/09 pmts
Tuscan Isle	Naples	12/4/2002	298	17,801,316	Yes	Creative Choice	Capmark Capital	1/15/09 & 2/15/09 pmts
Noah's Landing	Naples	11/14/2001	264	16,323,638	Yes	Vestcor	Centerline Capital	Past due: 3/15/09 pmt

- d) At any given time over the past 7 years, the Guarantee Program has had a handful of transactions (3 to 5) in default, usually in "rolling default" for an extended period. The current level of defaults; three total, is not extraordinary in relation to the portfolio's historical performance and overall financial capacity. However, the five (5) claims filed in recent months are unprecedented.
- e) Of the four transactions highlighted in the above chart, three are with Creative Choice Homes. It is our understanding that, in light of the challenging environment impacting the properties, the general partner and limited partner have reached preliminary agreements to share in the funding of operating deficits and cure the monetary defaults in the near future.
- f) With regard to the five (5) claims to date totaling approximately \$56 million, the eventual loss incurred upon settlement/disposition of the properties, will not have a significant detrimental financial impact on the Guarantee Fund's well-capitalized corpus. Nevertheless, the Guarantee Program will continue its monitoring efforts and exercise the same sound risk management that has

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contributed to its success to date, particularly in the current extraordinarily challenging economic environment.

C. Guarantee Program Capacity ([Exhibit A](#))

SINGLE FAMILY BONDS

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IV. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

- a) Single Family Programs staff has been teaching a three hour DBPR approved continuing education course offered through local Realtor Boards since 2003. We held two such classes in March, and have three scheduled for the month of April. Our March 24th class was held in Navarre, at the Navarre Area Board of Realtors (NABOR), and the March 26 class was held in Gainesville, at the Gainesville Alachua County Association of Realtors. Our April 14 class will be in Miami-Dade, for the Realtor Association of Greater Miami and the Beaches. The April 15 class will be in Palm Beach, for the Realtor Association of the Palm Beaches/Lake Worth; and our April 17th class will be held in Bunnell, for the Flagler County Association of Realtors.
- b) Our most recent new lender training was held on March 12, 2009. FHFC single family staff, along with participants from US Bank, the program Master Servicer, and eHousing, the program compliance team, conduct these quarterly training sessions via a teleconference format called WebEx. The WebEx format allows lenders from offices around the state along with some out of state support centers to dial in via conference call and participate in an interactive computer based training session. We conduct two 3 hour classes which allows up to 300 registered participants in each session. The morning session is for loan officers and processors while the afternoon session is for underwriter, closers, shippers, and funders. By tailoring each class to the intended target group we find that we are able to provide useful more detailed information that is group specific. We had a total of 208 new loan officers, processors, underwriters, and back office support personnel participate in this call.
- c) Florida Housing sponsors a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. Since 2007, the line has been manned by employees of CITI Mortgage, who provided this service to Florida Housing at an extremely reasonable rate. However, due to cutbacks at CITI, they discontinued this service on December 26, 2008. Due to short notice, this function was transitioned to Single Family Programs staff. For the months of February and March we received 294 and 559 calls respectively from first time homebuyers, Realtors, and lenders via the first time homebuyer line. We will continue to monitor these calls and evaluate the best way to handle the call volume in the long term.

B. Single Family Bonds Information ([Exhibit A](#))

UNIVERSAL CYCLE

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V. UNIVERSAL CYCLE

A. Universal Cycle

1. Background

Rule hearings on Chapters 67-21 and 67-48, F.A.C., were held on April 17, 2009, in Tallahassee. The hearings included discussions on the proposed revisions to the Universal Application and the Qualified Allocation Plan.

2. Present Situation

- a) Following review of the public comments received at the rule hearings and comments received from the Joint Administrative Procedures Committee (JAPC), staff will proceed as follows:
- (1) If it is determined that a Notice of Change (NOC) is not required to modify the proposed rules that were presented at the last board meeting and any revisions subsequently approved by the Chair, it is anticipated that the rules will be filed for adoption on May 4, 2009, with an effective date of May 24, 2009. Therefore, the 2009 Universal Cycle will open on May 4, 2009, and close on May 26, 2009. Application workshops are scheduled for May 11 and 12, 2009, in Tallahassee. The May 11th workshop will be oriented toward potential applicants new to the Universal Application process and the May 12th workshop will be oriented toward persons who are familiar with the Universal Application process.
 - (2) If it is determined that a NOC is required, a supplement to the Board Package will be provided which contains the proposed NOC. If approved by the Board, staff would then file the NOC for publication in the Florida Administrative Weekly and the NOC would be filed with JAPC for its review. Provided that a second NOC was not necessary, filing of the rules for adoption and opening of the application cycle would be delayed until early June, with the rules becoming effective and the cycle closing in late June.