

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
March 13, 2009
Information Items



COMMUNICATIONS

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I. COMMUNICATIONS

A. Corporate Marketing and Outreach

1. Background/Present Situation

- a) During January, Florida Housing staff participated as a speaker at a homeownership and foreclosure symposium hosted by the Tallahassee Alumnae Chapter of Delta Sigma Theta Sorority, Inc. Susan Parks, chief information officer, was interviewed by television station WTXL-TV 40. In the interview, she detailed the steps homeowners facing foreclosure should take, in addition to sharing other information about Florida Housing.
- b) Currently, Communications and Policy staffs are planning a press event to announce receipt of grant monies from the John D. and Catherine T. MacArthur Foundation. The purpose of the grant is to foster demonstrations related to the preservation of existing affordable rental housing that is aging and has expiring affordability periods. Florida Housing, in partnership with the Florida Housing Coalition and the Shimberg Center for Housing Studies at the University of Florida, was one of 12 grant recipients. The MacArthur Foundation will hold a national telephonic press conference to announce all grant recipients on Thursday, February 26; Florida Housing will host a press event the following day.
- c) Florida Housing staff finished producing the 2008 Annual Report, as required by Florida Statutes. Reports were hand delivered to the Governor, Senate President and House Speaker on Friday, February 27.
- d) Communications staff is continuing to work on a "Going Green" Web site for Florida Housing, which will serve as a resource guide to help homebuyers, housing providers and advocates throughout the state *go green* in their affordable homes or rental properties. The site should be live mid-2009.
- e) Finally, Florida Housing staff will start conducting internal meetings to plan the 2009 Lenders Appreciation Awards Dinner, which is scheduled to be held on Friday, June 12, 2009, at the Peabody Hotel Orlando.

FISCAL
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II. FISCAL

A. Operating Budget Analysis for December 2008

- a) The Financial Analysis for December 31, 2008, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending December 31, 2008, is attached as [Exhibit B](#).

B. Operating Budget Analysis for January 2009

- a) The Financial Analysis for January 31, 2009, is attached as [Exhibit C](#).
- b) The Operating Budget for the period ending January 31, 2009, is attached as [Exhibit D](#).

GUARANTEE

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III. GUARANTEE

A. Claim Payment and Pending Foreclosure of Landings at Boot Ranch Apartments

Development Name: Landings at Boot Ranch	Location: Pinellas County
Developer: Gulf Landings Development “Developer”	Set-Aside: MMRB 20% @ 50% AMI HC 25% @ 50% AMI
Funding Sources: MMRB 1995 Series K HC 95L-504 SAIL 96S-010 Guarantee Fund #8 HUD Risk-Sharing 067-98004	Amounts: MMRB \$10,490,000 (current balance) HC \$149,066 (annually) SAIL \$2,450,000 (principal balance) GF \$5,162,693 (50% mtg guarantee)
Number of Units: 232	Type: Family

1. Background

- a) Landings at Boot Ranch apartments is located in Palm Harbor, approximately 20 miles northwest of Tampa. Gulf Landings Development Corporation, whose principal is Joseph Borda, built the development in 1995, making it one of the earlier deals in our portfolio. Mr. Borda is the general partner; or 1% owner, and Centerline Capital (Centerline) is the limited partner; 99% owner and tax-credit syndicator.
- b) The property was financed with FHFC bonds, 1995 Series K, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guarantee the first mortgage. In 1996, a SAIL loan was provided to the development. The current balance is \$2,450,000, not including another \$2,341,792 in accrued interest (at 9%). A title insurance update will be obtained to identify any additional debt/liens.
- c) The development is comprised of 232 units (48 x 1BR, 132 x 2BR, 46 x 3BR, 6 x 4BR), with set-asides at 25% @ 50% of area median income by virtue of the housing credit use restriction agreement. As of 12/31/08, physical occupancy was 80%.
- d) In recent years, Landings at Boot Ranch was deemed a problem asset in the Guarantee Program portfolio due to unsatisfactory oversight by prior management as well as severe structural deficiencies.
- e) The prior 3rd-party management agent was removed by the general partner in 2005 and replaced with a developer-related, FHFC/HUD-approved agent. In our opinion, the new agent has performed well, exhibiting more attention to the day-to-day operations and ongoing maintenance, remedying many of the prior deficiencies.

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- f) As for the previously mentioned structural issues, the property's recent history is marked by unsatisfactory physical condition. Six of the eight apartment buildings, as well as the clubhouse, are constructed over a below grade crawl space. The crawl spaces are kept dry by sump pumps that remove accumulated rainwater. Under prior management, the pumps were not maintained, resulting in standing water under the buildings. The excess moisture hastened deterioration of the wooden joists, thereby causing structural issues with many first floor units, to the extent that at least two residents fell through. It is our understanding that the two lawsuits stemming from these incidents have been settled within the insurable limits of the development's insurance policy, and the property did not incur additional exposure or costs. Furthermore, Mr. Borda, an architect, has taken steps to correct deficiencies. To that extent, the county retained Ayres Associates in September 2006 to verify repairs. Ayres Associates concluded, among other things, that overall the repairs were satisfactorily accomplished, but the owner will need to be diligent for maintenance, inspection and repair. They further concluded that the floor system will need continued maintenance throughout the life of the structures.
- g) In considering the contributing factors for the default, from a historical perspective, we attribute the property's problems to lack of oversight by the Borrower/Developer; until recently, an absentee owner. Prior management contributed to the property's problems, but proper oversight by the Borrower/Developer could have addressed issues preemptively at the property before they worsened. More recently, despite the general partner's involvement and the insertion of new management, the property's downfall can be attributed, at least in part, by the current adverse economic climate coupled with the unwillingness of the general partner to provide further financial support and absence of any such support from the limited partner. As to the latter, 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. However, to our knowledge, Centerline, in its role as limited partner, has provided no financial support to Landings at Boot Ranch.
- h) Based on correspondence with Centerline, their estimated federal income tax recapture is minimal and, in their judgment, less than would be required to cure the default and fund operating deficits. As such, Centerline has apparently deemed it economically feasible to effectively walk away.

2. Present Situation

- a) The property has failed to pay its mortgage payments due January 1, 2009 and February 1, 2009. The general partner and limited partner have indicated that no further payments will be made. Assuming no further payments are made, the Guarantee Program will file an Application for Initial Claim payment with HUD no later than Monday, March 16, 2009.

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- b) The claim amount will be approximately \$10.5 million based on the current mortgage balance of \$10.3 million plus 75 days of accrued interest (note: the estimated claim amount equates to approximately \$45,250/unit). Claim funds received from HUD will be paid to the Trustee and used to redeem the outstanding bonds. As a Risk-Sharing property, HUD shares in the mortgage guarantee 50/50 with the Guarantee Program (i.e., our half of the claim will be approximately \$5.25 million plus costs). HUD pays the entire claim amount 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 of 7.125% (based on the date HUD endorsed the Note following construction completion).
- c) Mr. Borda has indicated his willingness to cooperate with the foreclosure process and our eventual assumption of control of the property, but negotiations in this regard are preliminary at this time.
- d) We have advised our counsel of this pending action and expect them to immediately pursue all appropriate legal and equitable remedies under the note, mortgage and other loan documents to attain direction over monthly net operating income, prevent any deterioration of the property, and to obtain total control of Landings at Boot Ranch. Furthermore, we have begun discussions with management companies for assumption of management duties. We have also requested monthly financial statements, including income statement, balance sheet, rent roll and accounts payable aging list. A physical needs assessment dated November 14, 2004 is on file. An updated physical needs assessment, as well as an environmental site assessment and appraisal, will be ordered soon. The property's current tax-assessed value is \$8,950,000.

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 three (3) claims filed in recent months; Turtle Creek (in November 2008) and Riley Chase and Riverfront (in December 2008), represent the only multifamily claims incurred in the 15-year history of the Guarantee Program.

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- c) As of February 24, 2009, there are six (6) 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, four (4) 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	7,144,774	No	Creative Choice	Alliant Capital	Past due: 1/1/09 & 2/1/09 pmts
Andros Isle	Lehigh Acres	6/20/2001	229	9,509,167	No	Creative Choice	Alliant Capital	Past due: 1/15/09 & 2/15/09 pmts
Tuscan Isle	Naples	12/4/2002	298	17,879,708	Yes	Creative Choice	Capmark Capital	Past due: 1/15/09 & 2/15/09 pmts
Walker Avenue Club	Kissimmee	11/16/2000	172	8,309,550	Yes	Benchmark	PNC Capital	Past due: 1/1/09 & 2/1/09 pmts
Landings at Boot Ranch	Palm Harbor	12/11/1995	232	10,325,386	Yes	Gulf Landings Development	Centerline Capital	Past due: 1/1/09 & 2/1/09 Claim pending
Noah's Landing	Naples	11/14/2001	264	8,190,483	Yes	Vestcor	Centerline Capital	Past due: 2/15/09 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; six total, is not extraordinary in relation to the portfolio's historical performance and overall financial capacity. However, the three (3) claims filed in recent months are unprecedented.
- e) Of the six 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 a preliminary agreement to share in the funding of operating deficits and cure the monetary defaults in the near future.
- f) With regard to the four (4) claims totaling approximately \$47 million (including the potential claim on Landings at Boot Ranch), 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 contributed to its success to date, particularly in the current extraordinarily challenging economic environment.

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

POLICY

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IV. POLICY

A. Existing Home Sales Price Data in Florida Markets in January 2009

1. Background/Present Situation

- a) The attached information is provided to show a couple of snapshots regarding existing home sales price data in major Florida markets in January 2009. According to John Sebree, Vice President for Public Policy at the Florida Association of Realtors, nationwide, the number of existing home sales are down 8.6 percent from a year ago.
- b) He notes that in Florida, the number of existing home sales in January 2009 were up 24 percent from a year ago, and existing condominium sales statewide were up 13 percent over this same time.
- c) Exhibit A provides the Florida Association of Realtors' monthly report on existing sales prices for major markets compared to a year ago. John Sebree notes that, for five months in a row, the number of existing home sales in Florida have been higher than figures a year ago in the same month. You can see from Exhibit A that sales prices have fallen dramatically, but the number of sales are up significantly.
- d) Sebree also reported changes in the median price in Florida versus the U.S. As you can see from [Exhibit A](#), the statewide median sales price for an existing single family home in January was \$139,500, down 33 percent from January 2008. It is likely that this median is pulled down by higher sales in some of Florida's hardest hit foreclosure areas, such as Lee County. In another Realtor Association report, figures show that the statewide median price for an existing condominium last month was \$113,400, down 40 percent from the previous January.
- e) Sebree reports that the national median existing home price in January was \$170,300, noting that Florida's median price is much lower than the national median, which the National Association of Realtors recently pegged at \$170,300 (a 15 percent drop from a year ago). The National Association estimates that distressed properties accounted for 45 percent of all sales in January.
- f) [Exhibit B](#) provides an update to information provided to the Board last year. The chart looks at affordability by selected occupations – generally considered to be classic workforce jobs – over a set of major markets in Florida. We evaluated the ability of these various occupations to rent a typical two bedroom apartment or buy an existing single family home in their markets. This information is compared to prices a year ago. Overall, affordability on the homeownership side has increased dramatically, while the rental affordability indices show slight movement downward. The rental data suggest that, for these selected occupations, rentals are somewhat more expensive when compared to salary changes over the year. However, because our comparisons use “fair market rent” data from HUD, it is unclear how well these rental figures take into consideration the current slump in the rental market in most parts of Florida.

SINGLE FAMILY BONDS

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V. 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 had two such classes scheduled for the month of February, as well as three for the month of March. Our February 5th class was held in Merritt Island, at the Space Coast Realtor Association, and the February 17th class was held in Miami-Dade County, for the Realtor Association of Greater Miami and the Beaches. Our March 5th class will be in Tampa, for the Greater Tampa Realtor Association. The March 24th class will be in Navarre, for the Navarre area Board of Realtors, and our March 26th class will be held in Gainesville, at the Gainesville Alachua County Association of Realtors.
- b) Our next lender training is scheduled for 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. For much of 2007 and into 2008 we conducted this same training program on an “in-person” basis and moved classes around the state each quarter. Due to the high cost of renting a facility for the event, along with lodging and travel expenses, both to FHFC staff and the lenders, we returned to WebEx training in late 2008. We have seen no decline in lender origination or delivery efficiency since this change occurred.
- c) On February 24th, 2009, Chip White, Single Family Programs Administrator, attended the State Base Commander’s Meeting held at Eglin Air Force Base. This annual event, coordinated by the Governor’s Office of Tourism, Trade, and Economic Development, brings together all of the state Armed Service’s Base Commanders to meet with representatives from the various state agencies that help support the mission of Florida’s military bases. Through this interaction the Commanders are able to engage in direct dialog and ask questions about state programs and resources that affect them. Some of the housing issues discussed were Program highlights including downpayment and closing cost assistance programs, lack of affordable housing options for military personnel in certain areas of the state, difficulties encountered in selling a home in the current market downturn, and new Federal legislation and its effect on homebuyers, especially those in the military. There are plans to regionalize this meeting in the future and make it a quarterly event. With the large number of military bases and personnel located throughout Florida, it is important that we participate in this or similar events and try to find additional programmatic solutions to some of the housing issues faced by our service men and women.

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