

**FLORIDA HOUSING FINANCE CORPORATION**  
**Board Meeting**  
July 22, 2011  
Action Items



# LOW-INCOME HOUSING TAX CREDITS

## *Action*

### I. LOW-INCOME HOUSING TAX CREDITS

#### A. 2011 Low-Income Housing Tax Credit Allocation - Request for Proposals

##### 1. Background/Present Situation

- a) Florida Housing currently has \$7,546,261.23 of authority for 2011 Low-Income Housing Tax Credit (Housing Credit) Allocation that has not yet been awarded. This amount can change if any Housing Credits are returned to Florida Housing or if National Pool Housing Credits are received. These Housing Credits must be allocated by the end of the calendar year in order for Florida Housing to be eligible for the National Pool in 2012. The National Pool consists of unused Housing Credits from other states which are allocated to qualified states that have allocated all their Housing Credits in the prior calendar year.
- b) Section 16 of the 2012 Qualified Allocation Plan, approved by the Board on June 10, 2011, and subsequently approved by Governor Scott, states that any available 2011 Housing Credit Allocation Authority may be awarded by Florida Housing's Board by means of Request for Proposals (RFP) based on criteria approved by the Board.
- c) Through the RFP process, staff proposes to allocate the remaining 2011 Housing Credits to applicants that propose developments in communities where a jurisdiction of government is providing investment into the development beyond traditional strategies, including strategies provided in partnership with the private sector. Investments may include land use, financial and other investments to the development to promote unique affordable rental housing opportunities.
- d) Prior to the RFP being issued, Florida Housing staff intends to post a draft for stakeholder comment. Additionally, as is our normal RFP procedure, a draft would also be routed to the Board for comment before any RFP was issued.
- e) Staff expects award recommendations will be brought to the Board at its October 2011 meeting.

##### 2. Recommendation

Authorize staff to begin the solicitation (RFP) process in order to obtain responses from qualified entities and authorize the Executive Director to establish a Review Committee to review the RFP responses and make recommendations to the Board for the award of these remaining 2011 Housing Credits.

## MULTIFAMILY BONDS

### *Action*

## II. MULTIFAMILY BONDS

### A. Request Approval of the Recommendation of the Final Credit Underwriting Report for East Lake Apartments

<b>Development Name: East Lake Apartments (“Development”)</b>	<b>Location: Broward</b>
<b>Developer/Principal: Andrews Avenue Apartments, Ltd./Andrews Avenue Apartments GP, LLC/The Richman Group of Florida, Inc./The Richman Group Development Corporation/Richard P. Richman, individually (“Developer”, “Principal”, or “Owner”)</b>	<b>Set-Aside: 85% @ 60% AMI (Multifamily Mortgage Revenue Bond Program)</b>
<b>Funding Sources: Multifamily Mortgage Revenue Bond (“MMRB”)/ Low Income Housing Tax Credits (“HC”)</b>	<b>Amounts: \$11,446,000 Tax-Exempt Bonds</b>
<b>Number of Units: 128</b>	<b>Type: Rental</b>
<b>ADDITIONAL COMMENTS: New Construction</b>	

#### 1. Background

Applicant submitted an Application (“Application”) on behalf of the proposed Development during the 2009 MMRB Supplemental Cycle. Applicant applied for tax-exempt bonds in the amount of \$9,000,000 in order to acquire and construct the Development. Subsequently, the Applicant requested an increase in the tax-exempt bond amount to \$11,446,000.

#### 2. Present Situation

- a) While the current Program Rule does not prohibit changes or modifications of the proposed Development during credit underwriting, the Board has directed staff to notify it of any such changes.
- b) The total development costs have increased 52.6% from \$14,336,391 to \$21,918,691. This large increase is due to a change in the building design in order to increase the number of units being constructed (from 88 to 128 units). The building’s design was changed from six wood frame two-story garden-style buildings to two concrete block 4-story mid-rise buildings with elevators.
- c) The number of units increased:
  - (1) From no one bed/one bath units to 32 one bed/one bath units
  - (2) From 56 two bed/two bath units to 64 two bed/two bath units
  - (3) No change to the 32 three bed/two bath units
- d) The Application indicated that the bonds would be credit enhanced by HUD; however Applicant has requested that the bonds be credit enhanced by Freddie Mac.

## MULTIFAMILY BONDS

### *Action*

- e) The requested changes have no detrimental impact to the successful construction, lease-up or operation of the development.
- f) A Final Credit Underwriting Report dated July 7, 2011 is attached as [Exhibit A](#).

### 3. **Recommendation**

That the Board approve the recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report dated July 7, 2011, recommending that \$11,446,000 in tax exempt bonds be issued for the acquisition and rehabilitation of the Development, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.

## MISCELLANEOUS

### *Action*

### III. MISCELLANEOUS

#### A. Approval of Applicant Exchanges for Construction Features & Amenities and Resident Programs

##### 1. Background/Present Situation

- a) Within the instructions for the Universal Application as well as most Requests for Proposals related to the multifamily programs, Applicants have the opportunity to select certain items to earn points. If an Applicant is awarded funding, it is required that the Development delivers those selected items as well as maintain them in order to remain in compliance.
- b) As Developments progress through credit underwriting, construction, and compliance periods, it is frequently determined by an Applicant that the originally selected options are either no longer available, appropriate, or financially feasible. In many cases, the Applicant is allowed to request an exchange of the selected options for different options so long as Florida Housing staff recommends the exchange of options to the Board and the Board approves them.
- c) Florida Housing staff reviews the previously selected options, compares the points associated with them as provided in the original application/instructions to the points associated with the newly selected options, and, in the case where there are loan funds committed to the Development, requires the credit underwriter to opine on the request as well. Once it is determined the newly selected options are appropriate and provide the Development with at least the same number of points originally awarded, staff prepares a Board recommendation and submits it for approval.
- d) The process of having the credit underwriter opine on every exchange request as well as present a staff recommendation to the Board for approval quite often is administratively burdensome and with untimely turnaround. Board members briefly discussed this process at the June 10, 2011 meeting of the Board of Directors and suggested that in order to reduce the administrative processes and to provide a more timely response to the Applicants, the approval of the exchange of selected options with respect to the construction features and amenities as well as resident programs be delegated to staff.

## MISCELLANEOUS

### *Action*

#### 2. **Recommendation**

- a) Approve the delegation of the Board's authority to Florida Housing staff as it relates to the approval of requests from Applicants to exchange previously selected options within the Construction Features & Amenities and Resident Programs sections of the Universal Application instructions or any applicable Requests for Proposals related to the multifamily programs, maintaining the current requirement of comparing the points between the items to be removed with the items to be added.
  
- b) Additionally, authorize staff to determine the appropriateness, feasibility and acceptability of the newly selected options, and in order to remove duplicative review processes now being completed for mostly routine requests, authorize staff to determine when it is appropriate to request a review by the credit underwriters.

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

#### IV. PROFESSIONAL SERVICES SELECTION (PSS)

##### A. Request for Proposals (RFP) for Credit Underwriting, Construction and Permanent Loan Servicing and Compliance Monitoring Services for Florida Housing's Single Family and Multifamily Programs

###### 1. Background

At its September 16, 2010, meeting Florida Housing's Board authorized staff to begin the RFP process, establish a review committee, and select companies to provide credit underwriting, construction and permanent loan servicing and compliance monitoring services for Florida Housing's single family and multifamily programs. A copy of the RFP is attached as [Exhibit A](#).

###### 2. Present Situation

- a) The RFP process was initiated and RFP 2011-02 was issued on May 13, 2011. Responses to the RFP were due on or before 2:00 p.m., Friday, June 10, 2011.
- b) Three (3) responses were received from the following:
  - (1) Amerinational Community Services, Inc.
  - (2) First Housing Development Corporation of Florida
  - (3) Seltzer Management Group, Inc.
- c) The Review Committee members designated by the Executive Director were Kevin Tatreau, Director of Multifamily Development Programs, Diane Carr, Loan Servicing Administrator, Susan Platt, Assistant Loan Servicing Administrator, Robin Grantham, Compliance Monitoring Administrator, Tim Kennedy, Special Assets Manager, Wayne Conner, Director of Multifamily Bonds and Jan Rayboun, Loan Closing Coordinator.
- d) The Review Committee meetings were held on Monday, June 20, 2011 and Wednesday, June 29, 2011.

###### 3. Recommendation

- a) The Review Committee recommends that the Board direct staff to enter into contract negotiations with the three Offerors, AmeriNational Community Services, Inc., First Housing Development Corporation of Florida and Seltzer Management Group, Inc., to provide credit underwriting, permanent and construction loan servicing and compliance monitoring services. This recommendation is contingent upon the following:
  - (1) AmeriNational Community Services, Inc., shall provide a 2011 Certificate of Good Standing from the Florida Department of State and provide clarification relating to the errors and omissions insurance requirements. In addition, AmeriNational is required to provide evidence of the rating of the insurance company from A.M. Best Rating Service and that it meets the current Fannie Mae requirements as outlined in the RFP.

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

- (2) First Housing Development Corporation of Florida shall provide the names of the employees that are covered by the errors & omissions liability insurance and provide evidence of the rating of the insurance company from A.M. Best Rating Service and that it meets the current Fannie Mae requirements as outlined in the RFP.
  - (3) Seltzer Management Group, Inc., shall provide the names of the employees that are covered by the errors & omissions liability insurance and provide evidence of the rating of the insurance company from A.M. Best Rating Service and that it meets the current Fannie Mae requirements as outlined in the RFP.
- b) All information requested is required to be provided prior to the execution of a contract. A copy of the Scoring Grid is attached as [Exhibit B](#).



# STATE APARTMENT INCENTIVE LOAN (SAIL) PROGRAM

## *Action*

### V. STATE APARTMENT INCENTIVE LOAN (SAIL) PROGRAM

#### A. Request to Use Remaining State Apartment Incentive Loan Program Funding

##### 1. Background

- a) Florida Housing experienced eight claims/foreclosures in the Guarantee Fund multifamily portfolio with the first claim in November 2008 and the last claim occurring in April 2010. In 2009, the insurer strength rating of the Guarantee Fund was downgraded to an A- by Fitch. Further claims against the Guarantee Fund pose a risk of further downgrade to the rating. In addition to the loss of those Guarantee Fund development units that would occur in the event of a claim and subsequent foreclosure, such claims and further potential downgrade of the Fund's rating put at risk future state housing trust fund resources.
- b) To mitigate against further claims/foreclosures in the Guarantee Fund portfolio, Florida Housing has attempted to (1) halt cannibalization of current Guarantee Fund developments by keeping new units serving similar households from being built in close proximity to existing Guarantee Fund transactions with low occupancy; (2) provide resources through the Subordinate Mortgage Initiative to aid struggling transactions in the Fund's portfolio for a short term period; and, (3) provide Extremely Low Income (ELI) funding preference to developments in the Guarantee Fund portfolio, to "buy down" the Area Median Income (AMI) set-aside for units targeted to 60% AMI so that they will be set-aside for ELI households.
- c) Florida Housing has many units in its portfolio, including the Guarantee Fund portfolio, that are targeted to households earning up to 60% of AMI that, in many of the softer rental markets throughout the state, are currently empty. Each year, Florida Housing carries out an evaluation of six months of physical occupancy data for Florida Housing's entire portfolio. This analysis, along with more detailed information about the Guarantee Fund properties and data on new affordable rental units under construction, allows Florida Housing to target financing to areas of the state where housing is most needed. Based on data gathered for the 2011 Universal Application Cycle, staff proposed to increase the number of entire counties or areas of counties considered to be saturated from 24 in 2009 to 35 – over half of the state. The statewide rental needs study, however, indicates a great need for units targeted to households earning extremely low incomes (generally meaning 30% AMI and below).

##### 2. Present Situation

The Board approved the use of \$28,663,298 of uncommitted SAIL monies for the SAIL program at the June 10, 2011. The monies resulted from developments returning awarded SAIL funds, interest and principal payments on SAIL loans, and earnings from the investment of SAIL funds.

## STATE APARTMENT INCENTIVE LOAN (SAIL) PROGRAM

### *Action*

#### 3. **Recommendation**

Authorize staff to allocate the SAIL resources in the following manner:

Allocate the SAIL funding through a Request for Proposals process to existing Florida Housing developments, giving preference to developments in the Guarantee Fund portfolio, to “buy down” the AMI set-aside for units targeted to 60% AMI so that they will be set-aside for ELI households.