



Strategic Plan Update, September 2012

This status report is provided to the Board of Directors as part of the staff's effort to keep the Board apprised of Florida Housing's implementation of the adopted strategic plan (adopted by the Board on December 4, 2009). Florida Housing is 2.5 years into the implementation of this plan, which has a 3-5 year horizon. This update summarizes work completed since the March 2012 update and anticipated next steps. This update is divided into the strategic plan priorities, with an update under each strategy. [An electronic version of the plan can be found by clicking this link.](#)

INCREASE AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES

Strategies

First Time Homebuyer Program (FTHB) [Team Leaders: David Westcott and Barbara Goltz]

Maintain the "Continuous Lending" model. Continuous Lending is a concept which provides a constant, reliable resource for first mortgages under the FTHB Program and is also important in maintaining lender loyalty and participation in the program.

- We have been able to maintain the Program's "Continuous Lending" model through issuance of tax exempt bonds while offering only conservative, insurable loans. We are currently able to maintain a competitive interest rate for our borrowers based on two primary factors: the Treasury's New Issue Bond Program (NIBP) initiative, which guaranteed us a favorable interest rate for 60 percent of our long term mortgage revenue bonds through 2011, and a AAA rated indenture from which we issue bonds. On November 3, 2011, Florida Housing issued its final NIBP bond issue in the amount of \$137,050,000. Using NIBP authority originally provided to housing finance agencies in 2009 as a way to promote continued lending through the liquidity crisis, Florida Housing has provided a total of \$912,050,000 in funds for first time homebuyer mortgages. As of July 1, 2012, FHFC has purchased 7,482 NIBP loans for a total of \$738,228,127.
- Current market conditions are not favorable for selling tax exempt bonds in the competitive market and obtaining a mortgage rate that is comparable to conventional mortgage rate financing. Current market indications, now that the NIBP program has expired, are that selling tax exempt bonds would generate a mortgage rate that is at least 100 basis points above the Freddie Mac Southeast Weekly Survey rate. In anticipation of market conditions and to have various loan sale options available to us, the staff requested Board approval to implement an alternative financing strategy. That strategy, which the Board authorized

at its March 13, 2009, meeting, and again at the June 8, 2012, meeting, is to sell loans pooled into mortgage backed securities (MBS) in the secondary market. In determining the best settlement option for the loans, either the specified pool market or using bond proceeds, Florida Housing staff balances the needs to meet the mission of providing loans through the FTHB program, using the bond proceeds within the required time frames, and selling the loans in the secondary market at a rate that will increase the net assets of the indenture.

- As of July 1, 2012, the balance of bond proceeds from the final NIBP bond issue is \$137 million.
- With market conditions continuing to be unfavorable for selling bonds and conventional mortgage rates continuing to drop, neither the secondary market sale process nor using bond proceeds may serve as the primary basis for maintaining the continuous lending program.
- Staff regularly meets with our investment bankers and other professionals to review new lending strategies that are being developed.
- In the past, Florida Housing has been able to rely on the payment of Servicing Release Premium (SRP) from our Master Servicer to help compensate our lenders and pay certain costs of the FTHB Program. However, the value of servicing rights has fallen and there is no longer any competition in the market. Bank of America has exited the master servicing business, leaving US Bank as the only choice for us and many other housing finance agencies. Therefore, we are actively seeking other entities that can provide master servicing of mortgage loans and evaluating the program's financial model to make sure we can continue to offer loans to first time homebuyers.
- We continue to work on ways to simplify and speed up the loan delivery and purchase process and help us identify and work only with well capitalized banks, mortgage companies and other lenders. Quarterly score cards on each participating lender, supplied by our Master Servicer, help identify lenders who are having difficulties delivering quality loans in a timely fashion. We then reach out to those lenders offering guidance and additional training if called for.

Maintain the availability of down payment assistance (DPA) in order to provide opportunities to more credit worthy homebuyers.

- In 2010, the program received a \$37.5 million legislative appropriation of Housing Trust Fund dollars through the state Homeownership Assistance Program to fund our Florida Assist DPA program. While we did not receive an appropriation in 2011 or 2012, we can continue to offer this DPA program through the use of repayments and reallocated funds. We continue to maintain sufficient assets to fund the Homeowner Assistance for Moderate Income (HAMI) DPA program. Currently 99 percent of our first mortgage loans utilize one of these DPA programs.

Recruit and retain reputable and trained lending partners.

- With the constant change and consolidation that has occurred in the mortgage lending industry over the last few years, we not only continue to seek strong, financially viable lending partners throughout the state but also have focused on retaining the lending partners that we have. Our Master Servicer aids us in evaluating each new applicant's financial strength and viability. In 2007, we had 88 participating lenders; today there are 45 lending institutions participating in the FTHB Program. Much of this is due to consolidation in the lending industry and smaller lenders going out of business. Recently, though, two major lending institutions, Bank of America and Fifth Third Bank, have exited FTHB Programs across the nation because of concerns over the profitability of this segment of their business.

Promote and expand continuing education opportunities for licensed real estate professionals.

- We continue to provide local Realtor boards throughout the state a three hour continuing education class which introduces them to affordable housing programs and has an emphasis on our FTHB Program. Since the last update in September, we have conducted 4 classes with a total of 145 Realtors in attendance. Just like we've experienced consolidation in our lender base, we have also seen a dramatic reduction in the number of Realtors around the state.

New Initiatives

- At its January 27, 2012, meeting, the Board approved the renewal of the Mortgage Credit Certificate (MCC) Program. This program provides qualifying first time homebuyers an ongoing annual tax credit that reduces the amount of taxes owed. This increases disposable income and provides the homeowner more money towards their mortgage payment. MCC's are offered through approved participating lenders and are issued in connection with the lender's in-house fixed rate mortgage product. We anticipate that MCC's will assist borrowers with higher incomes than those who currently use the FTHB Program. This program was made available to lenders beginning June 1, 2012, and as of August 1, 2012, thirteen lenders have enrolled in the program.

Single Family Development Programs [Team Leader: David Westcott]

Note: As noted in the March update, there is still a tremendous amount of unsold housing inventory in Florida. Because of this inventory, there is little current need to incentivize the creation of new single family homes. When the unsold inventory of homes in Florida begins to retract to more stable numbers and the state legislature appropriates more funding for housing, items under this strategy that are geared to the construction of units will begin to be implemented, including working with and training various stakeholders of affordable single family construction.

Promote affordable housing that incorporates green certification such as EnergyStar, Florida Green Building Coalition, National Association of Homebuilders' National Green Building Standard or Leadership in Energy & Environmental Design (LEED).

- Since January 1, 2009, all homes assisted under Florida Housing's HOP program, excluding homes constructed utilizing self-help housing programs (e.g., Habitat for Humanity), have been required to be certified to one of the following green building practices: EnergyStar, Florida Green Building Coalition or LEED. Florida Housing staff will add the National Association of Homebuilders' National Green Building Standard to the list of approved green housing certification options in the next HOP rule revision.
- Florida Housing's "Go Green" section on our Website, <http://www.floridahousing.org/GreenBuilding/>, continues to provide information about green building, including Florida Housing programs that promote green building, the different certification programs available in Florida, costs of implementation, where builders can find assistance on green building and additional resources.

Promote affordable housing that accommodates the physical disabilities, impairments and frailty of household members and their visitors.

- Since its inception in 2006, the HOP program has included design features geared towards visitability, universal design and aging in place.
- Florida Housing staff regularly collaborates with state agencies, supportive services providers, advocates and consumers at statewide meetings as well as on workgroups and councils that focus on identifying and addressing the housing needs and preferences of persons with physical disabilities and/or frail elders. Florida Housing also uses these opportunities to inform and educate stakeholders and their consumers about Florida Housing's homeownership program resources. Currently, Florida Housing is serving on an advisory committee for the Florida Developmental Disabilities Council and Florida Housing Coalition to assist the Coalition to update the Council's housing resources information for persons with disabilities. Florida Housing also sits on the newly created Florida Homeless Veteran's Council staffed by the Florida Department of Veterans Affairs. The purpose of the Council is to discuss specific issues regarding homeless veterans, share resource information, and brainstorm approaches and practices to adequately address or resolve these issues.
- Florida Housing updates its [Special Needs Housing web pages](#) at least monthly to keep the public and stakeholders aware of Florida Housing's homeownership assistance resources, as well as other homeownership related information that may be helpful to households with members with physical impairments or disabilities.

Learn and incorporate design techniques into housing that will make units functional for different family types including the aging population and multi-generational families.

- Florida Housing staff developed a list of proposed required and recommended Universal Design and Visitability features for single family and multifamily dwelling units that assist persons with disabilities, the elderly and other household members to perform activities of daily living with greater ease and independence. We have taken a phased approach to this strategy, with some of these features now part of the HOP program requirements. Additional features may be considered in the next HOP rule development phase.

Learn and incorporate design techniques into housing that will make units safer when storms strike Florida.

- Has not been addressed yet. At the point when Florida Housing takes a more active role in single family new construction, this will be addressed.

Promote rehabilitation of existing single family housing.

- With the introduction of the federal Neighborhood Stabilization Program (NSP) in Florida, there is significant funding available through local entities for the rehabilitation of foreclosed homes in Florida, and this funding is strongly pushing rehabilitation throughout the state.
- The State Housing Initiatives Partnership (SHIP) program is the primary source for rehabilitation under normal funding conditions. Local governments allocate approximately one-third of their SHIP funds local rehabilitation strategies in years when SHIP is fully funded. Because of the current reduced funding (\$30 million statewide in FY 2011-12, \$0 statewide in FY 2012-2013), the level of overall rehabilitation is reduced. If funding of the SHIP program returns to normal funding levels, rehabilitation of single family housing will again be a staple of the program.

Continue to promote relationships with Self-Help housing providers.

- Florida Housing values the relationships built with the providers of Self-Help housing and the missions of these organizations. Not only do these organizations build homes, but they foster a sense of community, especially the USDA-RD Mutual Self-Help Model where groups of homeowners work through the building process together and no one closes on their homes until the last home in the group is finished. Currently, the HOP program only supports this type of single family new construction.

Homebuyer Education and Counseling [Team Leader: David Westcott]

Florida Housing should look for ways to help local housing counseling agencies increase their capacity to provide pre-purchase counseling.

- Because of the foreclosure crisis in Florida, a significant amount of the capacity at local housing counseling agencies has been moved to foreclosure mitigation counseling. This includes these agencies' involvement in Florida's Hardest-Hit Program and the National Foreclosure Mitigation Counseling grants. Once the market and foreclosures stabilize, Florida Housing can begin to look for ways to help increase capacity to provide pre-purchase counseling. In the meantime, we are exploring better online alternatives in areas of the state where face-to-face pre-purchase counseling is no longer available.

Continue to identify ways to stem foreclosures and keep people in their homes.

- Florida Housing has successfully secured over \$9 million through six different rounds of funding under the National Foreclosure Mitigation Counseling (NFMC) Program over the last four years. These grants help

fund the efforts of dozens of local housing counseling agencies throughout the state that work tirelessly with homeowners who are struggling to stay in their homes.

- Florida Housing is one of 19 housing finance agencies to receive funding from the U.S. Treasury under the Housing Finance Agency Hardest-Hit Fund. A main focus of this initiative is to assist homeowners who are unemployed or underemployed to stay in their homes by making mortgage payments on their behalf while they try to secure employment or better employment. Staff will continue to report on the progress of this program to the Board as well as submit additional strategies, like the Mortgage Resolution Fund, for your consideration.

ENSURE THAT FLORIDA HOUSING’S RENTAL PROGRAMS ARE WELL MATCHED TO THE HOUSING NEEDS OF FLORIDIANS AND ARE FLEXIBLE ENOUGH TO RESPOND TO CHANGING MARKET CONDITIONS

Strategies

Refine market and housing need data to assist Florida Housing in targeting its rental programs to those in need. [Team Leaders: Kevin Tatreau, Laura Cox, Susan Parks, Linda Arredondo and Nancy Muller]

- See below – the staff is working on both strategies together.

Incorporate market data and portfolio benchmarks into program funding decisions. [Team Leaders: Kevin Tatreau, Laura Cox, Susan Parks, Linda Arredondo and Nancy Muller]

- For the 2011 Universal Application Cycle and going forward for the 2013 funding cycle, credit underwriting market benchmarks were incorporated into the rule that specify that our credit underwriters must substantively review the development team’s experience, financial capacity and track record, including foreclosure history. We’ve enhanced the language from our 2009 funding cycle that specified a certain level of market strength before a development could be approved. Selection of funding at final ranking is not an indication that a developer will receive a positive recommendation from the credit underwriter or from Florida Housing staff.
- For the 2013 funding cycle, we expect to add a requirement that final development cost information be submitted electronically to allow us to load the data into our multifamily portfolio data warehouse. This will allow us to more easily run analysis on actual development costs to better set funding parameters in future funding cycles.
- The two tenant data reports identified in the March 2012 update that might assist in setting front end funding and/or credit underwriting parameters were Occupancy Rates by Unit Mix and Achievable Property Rents versus Maximum Rents Allowable. Both of these reports have been completed, but have not yet been widely used internally for decision making. The team identified the need to educate staff and servicers about how to use the reports. Property managers and developers have been informed about some data quality issues we have with the information being submitted by the properties and the

quarterly compliance training workshops have been modified to emphasize the importance and proper completion of the reports.

- During late 2011, Florida Housing staff worked with the Shimberg Center to develop preservation data report parameters that will assist us in monitoring preservation efforts. Initial work on this was completed by the end of 2011, and the next step is for staff to create a report with these parameters. Once we are satisfied that the preliminary report meets Florida Housing’s needs, we will produce the report with data from Florida Housing’s multifamily portfolio data warehouse. We believe this project will be carried out in 2013.
- We are in the middle of implementing the comprehensive property assessment and portfolio analysis to understand the condition of Florida Housing’s portfolio and to better inform funding policies. This is further explained under the Preservation Strategy below.
- As reported in prior status updates, Florida Housing staff has placed a high priority on creating an enhanced Limited Development Area (LDA) mapping process to aid in Universal Application Cycle funding decisions. Formerly called “Location A,” LDA refers to areas of the state where Florida Housing has chosen to limit development financing in some way in order to address soft or saturated markets. We have developed a model for a more automated process that incorporates physical occupancy data into a geographic mapping system. We used a preliminary test system this summer in preparation for the 2013 funding cycle, and after we finish the draft maps/boundaries for the 2013 funding cycle, we expect to begin development of an ongoing automated process to be used in future cycles. So far, the staff is very pleased with the access to LDA data for this year’s process. The development community has been very willing to accommodate Florida Housing’s request to receive certain data more often. Prior to the last year or so, most developments provided data such as occupancy rates only once a year, making it difficult to evaluate the health of our portfolio. Now more than 85 percent of properties are providing monthly occupancy data to us.
- As indicated in the Strategic Data priority update, by the end of 2012 Florida Housing will have completed key parts of our multifamily portfolio data warehouse, allowing staff and servicers to access application, credit underwriting, loan closing and final development cost data. In 2013 we will begin work on the asset management components of this data warehouse.
- Florida Housing staff has begun discussions with The Shimberg Center for Housing Studies to evaluate how we can incorporate proximity to job centers into our multifamily funding decisions. Once we have carried out an evaluation of data options that could be used in our application process, we will determine whether to proceed with such a project and, if so, develop a timeline for implementation. We do know that work on this will not be completed for the 2013 funding cycle.

Evolve the multifamily funding process to respond to current and changing policy, market and financing needs. [Team Leaders: Kevin Tatreau and Wayne Conner]

- The current timeline for the 2013 Universal Application Cycle has the cycle opening in January 2013 with final ranking being done in late August 2013. While there are many smaller items that staff has identified for possible revision, some of the broader topics for the 2013 funding cycle that are being finalized include:
 - How Florida Housing can support local government priority efforts inclusive of public-private partnerships;
 - Implementing additional criteria to improve the selection of developments with lower development costs;
 - Refining our approach to financing preservation of existing properties; and
 - Updating the proximity tie-breaker criteria to reflect current market influences.

Florida Housing has held four public workshops so far seeking stakeholder input for the 2013 funding cycle with one more scheduled in September. The plan is to present the final proposed rules, application, instructions and Qualified Allocation Plan for Board approval at the November 2, 2012, Board meeting. The most recent version posted for public comment is dated August 31, 2012.

Develop a strong, comprehensive preservation strategy to save critical aging, assisted rental developments, especially those with expiring affordability periods. [Team Leaders: Kevin Tatreau, Wayne Conner and Nancy Muller]

- Preservation strategies were included in the 2011 Universal Application Cycle to focus on aging HUD and USDA RD properties with project based rental assistance (i.e., properties that are affordable to extremely low income residents). The 2011 funding cycle targeted 35 percent of the LIHTC allocation for this purpose. As indicated in the March update, Florida Housing received enough preservation applications to award all of the targeted allocation for this purpose. Twenty developments were awarded financing, which will preserve over 2,000 units of housing that are serving our lowest income residents. The staff is currently evaluating whether it would be appropriate to target a small amount of financing in future cycles to preserve properties where HUD has indicated that it will end the rental assistance contract unless the property changes ownership and is stabilized. Additionally, we are starting to think about what makes a “good” rehabilitation, both in terms of replacing aging systems in a property and the aesthetics of a rehabilitation – considering cost/benefit evaluation of bringing a property up to some standard for market purposes versus the cost of doing so.
- While we encourage funding applications for the types of aging properties described above, with a priority to preserve the precious rental assistance that serves extremely low income residents, Florida Housing’s competitive programs currently do not allow aging properties already in our portfolio to be resubmitted for additional funding for rehabilitation and recapitalization. The staff contracted with an outside firm to carry out capital needs assessments (CNAs) on a sample of aging properties in Florida Housing’s portfolio. The first draft CNAs have been completed, and when these are finalized by the end of the year, we expect to gain a better understanding of the condition of properties in the portfolio, thus assisting the staff in formulating a portfolio-focused preservation strategy.
- The staff continues to discuss how to support local government redevelopment goals as part of the Universal Application Cycle.

Enhance opportunities for special needs households to access rental housing financed by Florida Housing

[Team Leader: Kevin Tatreau]

- Since 2009, Florida Housing has incentivized developers to commit to reserve a portion of a development's extremely low income (ELI) units for special needs households that are referred by participating community based supportive services lead agencies recognized by Florida Housing and its state-level partners – this is called the Link Initiative. With the approval of the selected 2011 Universal Application Cycle's awardees, 1,136 Link units have been committed for this purpose. During 2012, Florida Housing will continue its efforts to evaluate how well Link is serving these households, and how well the service providers and developers are working together to this end. The first evaluation report due date has been extended to October 2012.
- The second initiative is the incorporation of universal design and visitability features into Florida Housing financed rental developments starting in the 2011 funding cycle. Florida Housing staff worked with the Coalition of Affordable Housing Developers and disability stakeholders to address issues and clarify language related to these required and optional features for the 2013 funding cycle. The draft of this second version of the manual was posted to our website in May for review and public comment.
- Florida Housing staff and sister state agencies completed an evaluation to consider whether to apply for competitive funding through Section 811 from US HUD that would provide long-term project based rental assistance tied to units funded through housing finance agency programs. The target population would be ELI adults with disabilities that are able to live independently with stable housing and long-term supportive services. The objective of the project-based rental assistance is to provide the target households greater access to integrated affordable housing in the community. In June, the Board approved a proposal for Florida Housing to partner with the Florida Department of Children and Families and Agency for Health Care Administration's Medicaid Office to apply for the HUD grant. The Governor's Office has approved Florida applying for this grant. The application was submitted August 7, 2012, and awards are expected to be announced by the end of November 2012.
- Florida Housing recognizes the ongoing benefits of participating in outreach and related activities with special needs households and those organizations that serve them. It has proved extremely helpful in disseminating information about Florida Housing's programs and other affordable housing resources, as well as better understanding these households' housing needs. Since the last update:
 - We have been working with the Florida Developmental Disabilities Council on an advisory committee assisting the Council with updating its housing resources information for persons with developmental disabilities and their families, as well as enhancing its approach to disseminating housing information; and
 - As mentioned earlier, Florida Housing also sits on the newly created Florida Homeless Veteran's Council staffed by the Florida Department of Veterans Affairs.

Incentivize green certification in Florida Housing-financed rental developments. [Team Leaders: Kevin Tatreau and Wayne Conner]

- All of the new construction developments awarded financing through the 2011 Universal Application Cycle committed to achieve green building certification. Florida Housing staff discussed implementation of this strategy at a recent servicers' meeting. Green building certification requires verification by a third party of green and energy efficient building components. Florida Housing is working with our contracted servicers to ensure that they understand the points during construction, underwriting and post-construction when the third party certifiers must provide certification forms that show that developers are going through the steps to achieve certification.
- In the 2013 funding cycle, Florida Housing will continue to incentivize green building certification. Developers can choose from Leadership in Energy and Environmental Design (LEED), Florida Green Building Coalition, or NAHB's National Green Building Standard.
- A 2010 study on the costs and benefits of green affordable housing was conducted by The Enterprise Foundation, a national nonprofit lender and technical assistance provider. They evaluated 27 affordable housing developments that followed the Green Communities green building criteria (similar to the standards which Florida Housing incentivizes). The study used actual use and cost data from utility companies for the first 12 months of operation to make cost savings estimates related to the energy and water saving features in the properties.
 - The additional cost of the green and energy criteria was \$4,524 per unit, or \$4.52 per square foot. This added 2.1 percent to the total development cost. Out of the total \$4,524/unit, \$1,917 was spent on just the energy and water conservation upgrades for each unit. The study found that these features have an expected lifetime¹ utility savings of an average of \$4,851 per unit. This savings more than pays for the entire set of green features at the properties.
- The national dataset is encouraging in terms of a cost/benefit analysis. However, Florida Housing would like to evaluate the operational savings in Florida resulting from incentivizing green certification. The staff is talking to faculty at the University of Florida to consider how this might be carried out.

ENSURE THAT THE GOVERNOR, FLORIDA LEGISLATURE, CONGRESS AND LOCAL ELECTED OFFICIALS UNDERSTAND FLORIDA HOUSING'S ROLE AND THE IMPORTANCE OF AFFORDABLE HOUSING TO COMMUNITIES AND THE STATE [Team Leaders: Jacqui Sosa and Cecka Rose Green]

Strategies

Educate the Legislature, Congress and their staffs on affordable housing issues and solutions.

¹ "Lifetime" refers to the assumed useful life of each specific feature, for example, 15 years for Energy Star appliances.

Provide . . . information for legislators and their staffs [types of information are listed in the plan].

- January-March 2012: The 2012 Legislative Session began on January 10 and concluded March 9. Staff focused on preserving Florida Housing's business model and advocating for the proposed funding provided in the Governor's budget recommendation of \$29.6 million for down payment assistance. With assistance from several Board members, staff strongly advocated against Senate Bill (SB) 1996, which would have brought Florida Housing into the General Appropriations Act, effectively reverting us to a state agency by 2013. The final product of the conforming bill, SB 1996, pertaining to Florida Housing Finance Corporation is the following:
 - Require the State Auditor General and the Office of Program Policy Analysis and Governmental Accountability (OPPAGA) to perform an audit of Florida Housing Finance Corporation and to make recommendations to the President and Speaker by December 1, 2012;
 - Provide the authority to use up to 10 percent of annual allocation of low income housing tax credits, non-taxable revenue bonds, and SAIL Program funds appropriated by the Legislature through a Request for Proposals for high priority affordable housing projects (such as housing to support economic growth, veterans and their families, and special needs populations); and
 - Authorize Florida Housing to collect SAIL interest payments, deferred and future, at a lower interest rate, with the collections used to fund the SAIL Program.

There was no state appropriation allocated to Florida Housing. The Legislative Office kept the Board informed during the 2012 Legislative Session through weekly electronic updates.

- April 2012: During the National Council of State Housing Agencies' Legislative Conference, Florida Housing legislative staff met with members of our Congressional delegation, including U.S. Senators and their staffs, on the importance of the low income housing tax credit and bond market to the provision of affordable housing in Florida. Statewide- and district-specific data and information were provided to each office detailing how federal funds were being used, how many units were being created, and how many people benefited from these resources. This provided the Legislative Office an opportunity to establish new contacts and build on existing relationships with Congressional staff, while learning about upcoming federal issues and the implication they may have on Florida Housing's programs and the state.
- May 2012: Legislative staff, working with the Board members, hosted members of the Duval legislative delegation for an affordable housing development tour in conjunction with the Jacksonville Board meeting.
- June 2012: Legislative staff hosted a site visit at Florida Housing from members of the Governor's Legislative Affairs office; this allowed key staff to discuss upcoming legislative priorities with Governor Scott's legislative team. Following the visit, participants toured a local Florida Housing-financed development serving elders. Later in the month, Legislative and Legal staff attended a ribbon-cutting ceremony for a homeless development in Pensacola.
- July 2012: Legislative and Legal staff met with members of the Duval County delegation on housing issues. Additionally, Legislative staff was able to meet with several Miami Delegation members during the week leading up to the Miami Board meeting. Prior to the meeting, state and federal elected officials joined Florida Housing staff for a tour of four affordable housing developments in the area. Additionally,

Legislative and Communications staffs are developing concise, informative legislative material to be used for upcoming committee meetings, during legislative session, and for district meetings.

ENSURE THAT INFORMATION ABOUT FLORIDA HOUSING'S PROGRAMS IS ACCESSIBLE TO ALL STAKEHOLDERS [Team Leader: Cecka Rose Green]

Strategies

Redevelop Florida Housing's website to make it easier for stakeholders and laypeople to find information and access financing through available programs.

- The Web Content Advisory Committee was established in October 2011 to develop oversight and maintenance procedures for content posted to the public website.
- The draft procedures were piloted and evaluated in August 2012, and the committee will revise the procedures accordingly. This should be complete in mid-November 2012, with a proposed roll-out for all units at Florida Housing in early 2013.
- Attention has moved to the actual redesign of the website; the committee charged with overseeing the redevelopment should be appointed and charter developed by early 2013.

Develop a web-based, one-stop tool to provide easy access to information about housing assistance and funding provided by all SHIP local governments.

- No update: this tool is completed and operational. Florida Housing staff continues to work with local governments to add and update information from the local programs in this web-based tool.

Develop a new builder assistance strategy for non-profit and for-profit developers to provide education on key aspects of how Florida Housing's homeownership and rental programs operate, including the process to access funding, the credit underwriting process, income certification of residents and the compliance monitoring process.

- After internal discussions, Communications staff (in consultation with program staff) will work to develop a comprehensive public information plan/program to educate developers statewide on Florida Housing and how to access funding for affordable housing development.
- This plan will encompass the redevelopment of the website, while not solely depending on the website as the only avenue developers can use to learn more about and use Florida Housing's programs.

DEVELOP A STRATEGIC DATA MANAGEMENT SYSTEM TO ASSIST FLORIDA HOUSING IN SETTING PROGRAM PRIORITIES AND MANAGING ITS MULTIFAMILY RENTAL PORTFOLIO [Team Leaders: Susan Parks, Linda Arredondo and Nancy Muller]

Strategies

Note: The Board approved a plan in late 2009 to commit resources to the development of a strategic data management system. In early 2010, we hired an additional programmer to focus solely on data management and brought on an experienced “project manager” to oversee our work on the strategic data management system. In early 2011 we moved an existing staff person into Information Management to assist with data input. During 2012 we have contracted with an additional programmer to assist with completion of the Strategic Data Initiative.

Develop our capacity to use property data from Program Reports and financial statements.

- Tenant Data Reporting System – Florida Housing’s system to collect and aggregate tenant data from program reports has been in place for over two years. During that time:
 - The number of program reports submitted electronically by property managers continues to increase. Property owners recognize the value of accurate occupancy information and have been more actively participating - currently, we receive monthly information from approximately 85 percent of the portfolio;
 - Occupancy and other data from the Multifamily Portfolio Data Warehouse have been incorporated into the analytical process used to determine “Limited Development Areas” (formerly known as Location A) for the 2013 Universal Application Cycle; and
 - Changes have been made to the Tenant Income Certification and Program Report to improve the quality of data received from property managers. We anticipate that this data will help us distinguish between economic and physical occupancy, and help us better understand market conditions at the local level.
- Financial Reporting System – Minor changes to the Property Finances by Year report requested and approved by the staff have been completed.

Establish procedures/resources/staff to manage, maintain and update data and provide data reports, and analyze results.

- Having two programmers, a project manager and a data quality analyst has allowed us to continue to move forward on this strategic plan priority on schedule. In addition, the Strategic Data Initiative team has been expanded to include members of the Records Management unit in order to prioritize the collection and imaging of documents from developments with maturing loans to make them more accessible to all Florida Housing staff. Procedures are being established to ensure that as new developments are underwritten and closed, the documents and data associated with those processes are made available in real time. In addition, a plan is being developed to consolidate Florida Housing’s multiple electronic document repositories for our multifamily portfolio so that electronic documents will be readily available.

Continue to streamline business processes to automate the capture of data at the appropriate location and time.

- Programmers are in the process of creating an automated data and document capture system for multifamily developments. The system will allow staff to input data and upload documents from which the data are collected for reporting, validation and analysis. We have completed programming of the application and credit underwriting data and document upload processes. We will begin receiving and uploading electronic data from final credit underwriting reports for developments beginning with the 2011 cycle. We are on track to complete the carryover, closing and final cost certification processes this year. During 2013, we will incorporate the data and documents from the Tenant and Financial Reporting System into the Multifamily Portfolio Suite.

Modify databases into data “warehouses” that are capable of providing historic data about properties, such as changes in financing due to preservation.

- As existing developments require additional financial assistance to preserve affordable units, it is essential that the Multifamily Portfolio Data Warehouse be capable of providing perspective on a development’s condition and funding over time. During 2013, we will develop reports which will improve our ability to track preservation efforts based on recommendations provided by the Shimberg Center for Housing Studies.

FULLY DEVELOP FLORIDA HOUSING'S ASSET MANAGEMENT CAPABILITY TO ENSURE THAT THE RENTAL PORTFOLIO REMAINS HEALTHY AND TO INFORM PROGRAM FUNDING DECISIONS [Team Leaders: Barbara Goltz and Laura Cox]

Strategies

Expand the Guarantee Program's early warning system to Florida Housing's entire portfolio to provide notice for properties that may be becoming financially troubled.

- The expansion of the Guarantee Program's early warning system to Florida Housing's entire portfolio remains dependent upon the data warehouse and reporting functions carried out through the work of the Strategic Data Initiative to develop property data on tenant characteristics and audited financial statements. The Tenant Data Reporting System, which aggregates tenant data from property program reports, has been completed. When staff used the output of the reports designed for this purpose, it became apparent that the information provided in program reports completed by many management companies for actual rent paid and concessions given was not consistently accurate. Changes have been made to the Tenant Income Certifications and Program Reports to improve the quality of data received from property managers and the quarterly compliance training workshops were modified to expand the Program Reporting training section and to highlight the importance of accurate reporting. The Coalition of Affordable Housing Providers was also reminded about the importance of submitting accurate data. The workgroup is also considering other methods to educate stakeholders on the importance of submitting accurate data, such as stakeholder meetings and web board notices.
- The Financial Reporting System has been modified to incorporate changes requested by users of the system. The modifications must be reviewed and tested by users. The Strategic Data Initiative team's next phase for this system is to identify additional reports that users require.

Expand the asset management model used by the Guarantee Program that is included in the servicer and borrower contracts to the broader Florida Housing portfolio.

- The work group for this strategy reviewed industry standard property inspection review forms and guidelines and drafted enhanced versions of Florida Housing's Site Inspection/Annual Review forms. The drafts were circulated internally for review and comment. The workgroup originally planned to send the draft to our servicers for their review with the final version included in the new servicing contracts executed December 2011.

However, the White House Domestic Policy Council established the Rental Policy Working Group to explore ways to improve existing federal rental policies. One of the areas the group identified where administrative changes could increase programmatic efficiency and reduce burdens on the public was the area of physical inspections. Many affordable housing developments benefit from more than one federal funding source, such as low income housing tax credits and HUD funding. The rules associated with the different programs result in multiple physical inspections of the same project using different inspection protocols (e.g., servicer performed annual reviews on all properties, GF staff inspections on GF properties,

HUD REAC inspection on anything HUD funded), resulting in affordable housing property owners and managers spending significant amounts of time preparing for, and responding to, multiple physical inspection visits for the same project.

- To avoid duplicative physical inspections, the federal Rental Policy Working Group is testing the feasibility of performing one coordinated inspection through a pilot program in six states that is expected to cover a twelve-month period that began in late 2011. The pilot program inspection format is HUD's REAC protocol, which it prefers over state agency inspections.
- The Rental Policy Working Group expects a three-month period in which program guidance would be drafted for consideration by HFAs, HUD, and USDA with finalization of the guidance at the end of the pilot period. The White House Domestic Policy Council, together with RD, HUD & Treasury held a Rental Policy Alignment Conference on August 1, to discuss realignment progress with stakeholders. FHFC participated telephonically and has advised the Rental Policy Work Group and NCSHA that we are interested in exploring opportunities to participate in the expansion of the pilot programs. The Rental Policy Work Group spoke about potential cost savings to HFAs, as well as improved working relationships among the agencies. We expect additional information regarding the expansion to be released in the fourth quarter.
- According to HUD and two rating agencies, Florida Housing's current asset management strategies are considered strong. To avoid multiple modifications and additional training expense, the Florida Housing team for this strategy recommends postponing implementation of the enhanced Site Inspection/Annual Review forms until the federal pilot program has been completed (anticipated later this year) and the protocols determined by that pilot are reviewed for potential incorporation into existing FHFC asset management processes.

Systematize strategies and procedures to prioritize existing properties for preservation funding and refinancing.

- The Multifamily Data Strategies team and the UAC team are assisting this working group to systematize strategies to prioritize existing properties in Florida Housing's portfolio for preservation funding and refinancing. This is further explained under the strategy, "Incorporate market data and portfolio benchmarks into program funding decisions," on page 6.

Analyze the portfolio and best practices to determine financing structuring models that promote the maintenance of high functioning properties over the long term.

- This work group is dependent upon the work of the Multifamily Data Strategies team. Both teams are testing the developed systems and continue working to identify necessary data elements and reporting requirements for the next phase.

Guarantee Program Strategies

Continue to examine the financial stress of the developments in the Guarantee Program portfolio and provide limited debt service assistance in order to aid in their ability to remain viable developments during these historically difficult economic conditions.

- Through ongoing monitoring of the portfolio, Guarantee Program (GP) staff continuously addresses this strategy. As of August 1, 2012, there are no foreclosures in inventory in the Guarantee Fund (GF). There is one default in the portfolio as of August 1, 2012, Tuscan Isle. The borrower continues to make mortgage payments in a manner which avoids making a claim on the GF.

Refine and reposition the subordinate mortgage initiative (SMI) as economic conditions and needs change.

- The 30 SMI loans closed have assisted with keeping the properties up to date on their mortgage payments through the worst of the financial crisis. Two loans have been repaid to date.
- The intent for this initiative is that the outstanding SMI loans will be repaid in full when the properties are refinanced out of the GF portfolio. Based on the favorable condition of the SMI loans as of August 1, 2012, no additional restructuring of the initiative is needed.
- SMI Details:
 - 30 loans closed with commitments totaling \$17,834,309.
 - The total amount disbursed as of May 1, 2012, is \$17,108,284.
 - 25 loans received their final disbursement as of July 1, 2012.
 - 2 of the 30 loans have been repaid in full.
 - One development, Tuscan Isle, is in default on its first mortgage as of August 1, 2012.
- While there has been a positive impact on the GF resulting from the short term debt service relief provided to these developments, the overall economy of the state is still recovering. The July 13, 2012, Florida Legislature, Office of Economic and Demographic Research report "Florida: An Economic Overview" states: "Florida growth rates are gradually returning to more typical levels. But, drags are more persistent than past events, and it will take a few more years to climb completely out of the hole left by the recession."

Maintain the suspension of issuance of additional guarantees.

- The Board directive to suspend guarantees remains in place.

Continue to explore opportunities to cede risk from the Guarantee Program considering a variety of factors, including but not limited to providing incentives to borrowers to refinance out of the Guarantee Program portfolio, refinancing and/or restructuring the capitalizing bonds, and pooling and selling portions or all of the Guarantee Program portfolio.

- As a result of the legal review of the program, ceding risk through “selling portions or all of the Guarantee Program Portfolio” will not legally release FHFC’s obligation under the guarantees; therefore, this is not an option for ceding risk.
- The work group continues to meet on a regular basis, primarily focusing on the financial condition of the GF. As revised fund projections incorporating new conditions are made, the working group reviews the results. A current review of the GF’s 1st quarter 2012 projections, with stressors applied (including the possibility of additional property foreclosures and refinancings, as well as the ability to fund principal reductions on the Citi loan), confirms the ability to stay within the mandated maximum 5:1 risk to capital ratio. The inherent continuing risk that remains for the GF is the ratings by S&P and Fitch. A downgrade from Fitch would lead to a statutory mandated draw on the documentary stamp taxes. The current S&P rating is A+/stable (affirmed in January 2012). The current Fitch rating is A-/stable (affirmed in June 2012, outlook revised from negative to stable). This Fitch rating is the lowest rating statutorily allowed for the GF without triggering a call on the documentary stamps.
- Through a request for proposals (RFP 2010-16, State Apartment Incentive Loan Funding for Properties Which Commit to Provide Set-Aside Units for Extremely Low Income (ELI) Households), 18 GF developments were awarded approximately \$50.5 million. This funding was for the purpose of paying off part of the outstanding debt in return for renting a specified amount of units to ELI qualified tenants. This RFP resulted in 673 units for ELI households for a 15-year period and results in a direct reduction in GF portfolio risk of \$50.5 million.
- Through another request for proposals in late 2011 (RFP 2011-05, for Extremely Low Income (ELI) Households), the Board authorized approximately \$41.6 million in SAIL funding with a preference for GF developments that are able to demonstrate the ability to refinance. Thirteen properties received preliminary awards in return for setting aside 555 units for ELI households for a 15-year period. Subject to credit underwriting and approval by the Board, this would eventually directly reduce the GF portfolio risk by the \$41.6 million.
- The SAIL ELI RFP’s articulated the interest of the GF in having the developments that received funding make their best efforts to refinance out of the fund. There were two developments that refinanced out of the portfolio in 2011, representing \$6.4 million in risk reduction. In the first seven months of 2012, two more developments refinanced out of the portfolio, representing \$16.2 million in risk reduction, and six more are on track to refinance out by year end, representing approximately \$52.7 million in additional risk reduction.
- Risk has also been reduced in the portfolio due to refinancings initiated by the owners of developments. In 2010 and 2011, 14 properties left the portfolio, 13 through refinancing and 1 maturity, representing a reduction in risk of approximately \$138.5M. In the first seven months of 2012, four properties refinanced out of the portfolio, ceding approximately \$35.1M of risk.

Continue to review counter party risk within the Guarantee Fund’s debt and investment structure, removing weak partners when possible.

- The fund has one primary contractual relationship – Citibank for the GP debt. Staff continues to monitor the condition of Citibank.
- The investment counterparty risk was with Trinity. In April 2012, Trinity, the guaranteed investment contract provider, sent FHFC the requisite notice of a downgrade of its credit rating by Moody’s. The contract terms allowed FHFC to terminate the investment contract. Subsequently, FHFC invested those funds (approximately \$165M) in the Florida Treasury Special Purpose Investment Account (SPIA), significantly increasing earnings thereon.

Continue to assess the utility and overall risk of the Guarantee Program in light of evolving market conditions to determine its long term value.

- The economic downturn underscored the value of having the Guarantee Program staff and Asset Management staff more actively involved in overall multifamily policy discussions and decision making on the front end of financing programs. Through ongoing monitoring of the Fund condition, greater and earlier involvement in multifamily policy decisions, the slowly improving overall economic and real estate climate of Florida, the resources awarded to developments in the GF portfolio, and the analysis resulting from the above strategy on refinancing the fund, the long term status of the fund has improved but will continue to be closely monitored.

IMPLEMENT A COMPREHENSIVE ENTERPRISE RISK MANAGEMENT FUNCTION [Team

Leaders: Steve Auger and Stephanie Sgouros]

Strategies

Create a formal ERM committee comprised of executive and senior management to oversee ongoing and newly created risk management activities.

Create an accountability mechanism to ensure that ERM committee recommendations are implemented and working as intended by management.

Update Florida Housing’s Board and staff periodically on ongoing ERM efforts and recent accomplishments.

- Florida Housing continuously manages risk across multiple programs and processes (internal controls and procedures, Inspector General’s office, and the Guarantee Fund working group are just a few examples). However, formal implementation of this strategy has continued with the Executive Director’s approval of an Enterprise Risk Management Governance, Risk and Compliance Steering Committee Charter. The next steps are for the Director to appoint a Risk Officer and committee, and for the committee to begin its work.

ENSURE THAT SUFFICIENT TALENT AND SKILL SETS EXIST TO MANAGE ALL BUSINESS FUNCTIONS AT FLORIDA HOUSING [Team Leaders: Angie Sellers and Rene Knight]

NOTE: Upon appointment of a new Human Resources Director in May 2012, we shifted direction on the three strategies in this section regarding staff development, succession planning and training programs, as described below.

Strategies

Develop staff expertise levels and skill sets to ensure market competitiveness, responsiveness to the housing community and efficient use of resources.

- In late July 2012, we initiated a change management process to identify what we are doing well at Florida Housing, what needs to be improved, and how we will accomplish necessary changes. This is a bottom to top review involving all Florida Housing employees in identifying areas for improvement, developing solutions, and implementing solutions. We held team meetings to get feedback from staff at all levels. Meetings were completed in early August, and now the information collected is being aggregated, evaluated for feasibility, and if appropriate, prioritized for implementation.
- The information gathered from these meetings and other activities will help us develop Florida Housing's long-term Organizational Development Plan. This plan will include initiatives and programs needed to support growth and development of our employees and will also include the strategies discussed further below. We anticipate finalizing this plan by the end of 2012.

Evaluate Florida Housing's capacity to meet emerging objectives, such as asset management and data information management, and implement business changes to meet these objectives.

- This strategy continues to progress through other initiatives in this plan related to strategic data management and asset management. Additionally, a critical part of ramping up to meet emerging objectives involves effectively selecting employees to fill key positions, enhancing technology skills and developing analytical capabilities. We will include job task analyses as part of our Organizational Development Plan so that we identify skill gaps and implement appropriate training programs, developmental opportunities and recruitment strategies to fill those gaps.

Develop and carry out a staff succession plan to ensure that Florida housing provides continuity of key functions into the future.

- Staff development and succession planning are interdependent functions and will be key components of our Organizational Development Plan.

Continue to offer low cost and no cost training opportunities to Florida housing Staff.

- We have scheduled a series of low- or no-cost training programs for our employees from July through December 2012. Topics include communication skills, supervisory skills, retirement planning, stress management, time management and others. These programs will provide skill development opportunities for employees as we work to develop the comprehensive Organizational Development Plan.

Document and map business processes and procedures of all Florida Housing functions.

- The Business Continuity unit has documented Florida Housing's business processes. This item is complete.