

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
February 1, 2013
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Federal Hardest-Hit Fund (HHF) Program

1. Background/Present Situation

a) Since statewide implementation of the Florida HHF Program statewide, Florida Housing has received press on the program in the following media outlets (including print, broadcast and Internet):

- (1) ABC 13 (WMBB.com)
- (2) Bay News 9 Tampa
- (3) Boston Today Newspaper
- (4) Bradenton Herald Newspaper
- (5) CBS 4 in Miami
- (6) Clay Today Newspaper
- (7) CitrusDaily.com Online
- (8) Daytona News-Journal Newspaper
- (9) First Coast News.com Online
- (10) Florida Courier
- (11) Florida Current
- (12) Florida.newszap.com
- (13) Florida Times Union Newspaper
- (14) Florida Today Newspaper
- (15) Florida Trend
- (16) Fox News
- (17) Free-Press-Release.com
- (18) Herald Tribune Newspaper
- (19) Highlandstoday.com Online
- (20) Hispanic Business
- (21) Housingwire.com Online

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- (22) Huffington Post
- (23) Miami Herald Newspaper
- (24) Mortgageorb.com Online
- (25) News Channel 5 (online)
- (26) News-Press Newspaper in Fort Myers
- (27) News 13 Online
- (28) New York Times
- (29) NorthEscambia.com Online
- (30) Ocala.com Online
- (31) Ocala Star Banner Newspaper
- (32) Orlando Sentinel
- (33) Palm Beach Post
- (34) Pensacola News Journal Newspaper
- (35) RealEstateRama.com Online
- (36) Stateline.org Online
- (37) St. Augustine Record Newspaper
- (38) St. Pete Times Newspaper
- (39) Sun-Sentinel Newspaper
- (40) Tampa Bay Times Online
- (41) TCPalm.com Online
- (42) Tomrollins.com Online
- (43) Treasury Notes
- (44) Watchdog
- (45) WBBH Channel 2 Charlotte County
- (46) WCTV – Action 9
- (47) WDEF News Channel 12 online wdef.com
- (48) WEAR Channel 3 Pensacola

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- (49) WESH 2 News Orlando
- (50) WFTV News Orlando
- (51) WJXT Channel 9 Jacksonville
- (52) WLRN Miami Herald News
- (53) WOFL Channel 35 Lake Mary
- (54) WPTV Channel 5 West Palm Beach
- (55) WTVT Channel 13 Fox Tampa
- (56) WUFT 89 FM Radio Gainesville
- (57) WZVN ABC Channel 7 Fort Myers

- b) For the past several months, Communications staff has coordinated with South Florida Workforce to ensure that the program will be represented at re-employment centers and resource fairs targeting South Florida airlines and auxiliary employees adversely affected by announced layoffs. A bi-weekly Resource Fair began on December 18, 2012, in Miami, FL; additionally, two re-employment centers have opened in Miami. Florida HHF has been present at all events and Communications staff is closely monitoring the events. Planning for the second phase of these events is scheduled to begin in February.
- c) Communications staff is researching advertising and marketing strategies for current HHF programs (UMAP and MLRP), to include possible broadcast options for public outreach. The strategy will include television and radio broadcasting, and can be expanded to include any additional HHF programs under consideration for implementation. As strategies become more final and are approved, additional information will be made available to the Board regarding areas of the state where efforts will be targeted.

B. Corporate Marketing/Outreach

1. Background/Present Situation

In addition to general functions of the Communications department, staff is working on developing a draft education/awareness plan to help facilitate new developers gaining access to affordable housing financing programs available at any given time through Florida Housing. The goal is to have a comprehensive builder assistance approach (CBAA)—including printed materials, outreach/education workshops, and revisions to the website—to help educate developers on the key aspects of Florida Housing’s affordable rental and homeownership development programs.

FISCAL
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II. FISCAL

A. Operating Budget Analysis for November 30, 2012

1. Background/Present Situation

- a) The Financial Analysis for November 30, 2012, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending November 30, 2012, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

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III. GUARANTEE PROGRAM

A. Status of the Guarantee Program Portfolio

1. Background/Present Situation

- a) Since the implementation of the Guarantee Program in 1993, it has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. Of the 70 multifamily developments in the Guarantee Program portfolio today, 50 are Risk-Sharing transactions.
- b) Since November 2008, there have been eight (8) multifamily claims filed on the Guarantee Program, representing the total (and only) multifamily claims incurred in its 18-year history. The last multifamily claim occurred in April 2010. The chart in Exhibit B reflects the developments that have been foreclosed as of December 31, 2012, listed in chronological order by claim filed date.
- c) There are no foreclosures in inventory.
- d) As of December 31, 2012, there was one (1) development in the portfolio in monetary default (due to the borrower's failure to make timely payments on the note):

<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>
Colony Park	West Palm Beach	8/24/2001	130	\$9,039,294	No	Wentwood Capital	Wentwood Capital	Past due: 11/15/12, 12/15/12 & 1/15/13

- e) Colony Park (Palm Beach HFA 2001 Series A/B) was originally developed by Housing Trust Group (Randy Rieger), who, in April 2007, transferred the general partner interest to Shelter Corporation (Shelter). Furthermore, the original limited partner, Capmark, filed bankruptcy in 2009 and their interest was subsequently acquired by Wentwood Capital (Wentwood). In May 2010, Wentwood removed Shelter as general partner and assumed control.

GUARANTEE PROGRAM

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B. Capitalizing Debt and Risk Exposure

1. Background/Present Situation

- a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately \$89 million and refinancing the remaining \$156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.
- b) At that time, the Guarantee Program's total risk exposure; single-family and multifamily combined, was \$754.5 million. Since then, total risk exposure ([Exhibit C](#), chart "Guarantee Fund Capacity," line item "Total Commitments") has consistently decreased, as reflected below:

Portfolio Risk Exposure

12/31/2009	12/31/2010	12/31/2011	Last Board Meeting (as of 11/30/2012)	This Board Meeting (as of 12/31/2012)
\$754,475,974	\$728,323,576	\$578,754,817	\$490,002,019	\$468,471,463

- c) Management has since aggressively reduced the Guarantee Program capitalizing debt, paying off \$90.2 million on April 20, 2011 and another \$15 million on July 29, 2011, leaving \$51.0 million outstanding. On December 21, 2012, the remaining balance of \$51.0 million was paid in full, reducing the Guarantee Fund's capitalizing debt to zero (\$0).

C. Corpus Investments

1. Background/Present Situation

The Guarantee Fund corpus contains approximately \$163 million in invested capital, all of which is currently invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "A+f" by Standard & Poor's as of August 31, 2012.

D. FHFC Actions to Effectively Manage the Guarantee Program ([Exhibit A](#))

E. Guarantee Program Foreclosure Summary ([Exhibit B](#))

F. Guarantee Program Portfolio Summary and Guarantee Fund Capacity ([Exhibit C](#))

HOUSING CREDITS

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IV. HOUSING CREDITS

A. Changes to Construction Features & Amenities and/or Resident Programs

1. Background/Present Situation

- a) The Development reflected below has requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the most recent Board meeting:

Kings Terrace (#2009-526C) has replaced Attic Insulation of R-30 or better with Insulation of R-19 with radiant barrier on top floor only. (Each option represents one point).

- b) Staff will amend the extended use agreement.



we make housing affordable

v. **M E M O R A N D U M**

TO: BOARD OF DIRECTORS, FLORIDA HOUSING FINANCE CORPORATION

FROM: WELLINGTON H. MEFFERT II, GENERAL COUNSEL

A handwritten signature in blue ink, appearing to be "W. Meffert II", is written over the name in the "FROM:" line.

DATE: January 14, 2013

RE: RETROACTIVE ASSESSMENT OF PROPERTY PREVIOUSLY GRANTED AD VALOREM TAX EXEMPTION

You have asked whether a property appraiser who grants an ad valorem tax exemption in given year may, in a later year, reverse that exemption and retroactively assess the tax for the year in which the exemption was originally granted.

Each property seeking an exemption from ad valorem taxes based on its use for a charitable purpose must apply to the county property appraiser before March 1 of each year to obtain an exemption for that year's taxes. Section 196.011(1)(a), Florida Statutes. The applicant must demonstrate each year that the subject property meets the criteria for exemption set forth in section 196.196, Florida Statutes.

With limited exceptions, a property appraiser may not alter an assessment once the tax roll for a given year is certified. The granting of an exemption is considered an assessment of value, so an exemption, once certified for a given year, cannot be revisited.

Back assessment/taxation is not allowable for property on which the property appraiser exercised judgment and granted an exemption. Section 193.092(1), Florida Statutes. Back taxation of property is only allowable as to property that has "escaped taxation." Rule 112D-8.006(1), Florida Administrative Code, defines "escape taxation" as "to get free of tax, to avoid taxation, to be missed from being taxed, or to be forgotten for tax purposes. . . . Property under-assessed due to an error in judgment should be excluded from this definition." Where property or improvements to real property are mistakenly excluded from the tax roll due to mistake or clerical error, back assessment may be appropriate. See, Korash v. Mills, 263 So. 2d 579 (Fla. 1972).

HOUSING CREDITS

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The courts are clear that a property appraiser may not reach back in a later year to change assessments made in a prior year. As an example, when the first floor of a new wing of a hospital had been assessed as exempt on the 1976 tax roll because the property appraiser

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granted a charitable tax exemption, it could not be back assessed because the property had not “escaped taxation” for that year. It had not been missed, overlooked, or forgotten. In the 1976 tax year it was the “judgment” of the property appraiser that the property was exempt. A tax appraiser cannot make a change in judgment after the tax rolls are certified. Underhill v. Edwards, 400 So. 2d 129, 132 (Fla. 5th DCA 1981). *See also*, Mitchell v. Higgs, 61 So. 3d 1152 (Fla 3rd DCA 2011). “[T]o change [an] assessment at [a later] time the assessor's actions must have been fraudulent or illegal . . . or the property must have been held to have ‘escaped taxation, . . .’” Markham v. Friedland, 245 So.2d 645 (Fla. 4thDCA 1971)

There are some statutory provisions that allow assessment of back taxes for up to ten years in specific circumstances, e.g.: Section 196.011(9), failure to notify of changed use; section 193.155, homestead exemption falsely claimed; and section 193.1555, failure to notify of changed value on transfer. Also, section 196.196(5)(b), Florida Statutes, provides for reassessment and recapture of taxes for up to five years where property has received an exemption for development as affordable housing without being placed into such use.

Conclusion: With limited exceptions, a property appraiser may not alter an assessment once the tax roll for a given year is certified. The granting of an exemption is considered an assessment of value, so an exemption, once certified for a given year, cannot be revisited in a later year; a back assessment of ad valorem tax is not allowed. Concerns regarding escrow of ad valorem taxes should be limited to the period ending upon certification of the tax roll.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Information

VI. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The development listed below has requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in its Application since the last Board meeting:

Hannah House (RFP 2008-01-07) has exchanged “Steel exterior entry door frames” for “Microwave oven in each unit.” This exchange is of equal value to the amenities originally chosen in the application.

- b) Staff will amend the Land Use Restriction Agreement for the development as appropriate.

SINGLE FAMILY BONDS

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VII. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. Background/Present Situation

- a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying homebuyers through our First Time Homebuyer (FTHB) Program. Florida Housing's Program provides assistance to eligible homebuyers by offering low cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance. Current allowable mortgage loan products include: Federal Housing Administration (FHA), Department of Veterans Affairs (VA), United States Department of Agriculture - Rural Development (USDA-RD), as well as conventional loan products offered through Fannie Mae and Freddie Mac.
- b) Borrowers must have a minimum 640 FICO score and complete a 6-8 hour face-to-face homebuyer education class in order to qualify for assistance through our FTHB Program. Our increase in credit score had already been adopted by many of our participating lenders. This change will serve to "level the playing field" for lenders originating our FTHB loans. Through close monitoring of loan performance (i.e. loan delinquency and early payment defaults) and based upon discussions that we have had with our Lender Advisory Board, we found it necessary to make additional program changes that should help strengthen the program and its borrowers. We have eliminated the use of co-signors because we found that their use can be abusive, allowing borrowers to purchase more home than they can afford. Another change that we think will help ensure a stronger borrower and commitment to long term homeownership is requiring a minimum cash contribution to the loan of \$1000 from the borrower's own funds. These funds can be a gift as allowed by FHA. All of these changes became effective May 1st, when we rolled out our newest bond issue, 2011 Series C & 2009 B-5 (Series B-5). Additionally on October 1st we implemented a maximum 45% debt to income ratio for our borrowers. This new credit overlay is a result of our recently negotiated servicing agreement renewal with US Bank, our Master Servicer. We have determined that this change will have a negative impact on loan production based upon analysis of our borrower profile. Unfortunately, since US Bank is currently the only major servicer that provides HFA servicing, we had no choice but to accept it.
- c) Florida Housing offers qualified homebuyers two down payment and closing cost assistance programs in the form of second mortgage loans. Florida Assist is a 0% deferred payment \$7,500 second mortgage that serves homebuyers with an area median income (AMI) of up to 120%, adjusted for family size. Another recent change was the increase of the Florida Assist income limits to 120% AMI, up from 100% AMI, as permissible by the Florida Statutes. Homeowner Assistance for Moderate Incomes (HAMI) serves households up to Program first mortgage income limits. This product provides a qualified buyer with up to \$5,000 of assistance in the form of a 10-year, amortizing second mortgage, currently at a 5% fixed rate. These second mortgage products may only be used in conjunction with Florida Housing's first mortgage products.

SINGLE FAMILY BONDS

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- d) Since 2003, Single Family Program Staff has taught a three hour, Department of Business and Professional Regulation (DBPR) approved continuing education (“CE”) course for Realtors which is coordinated through local Realtor boards throughout the state. We have received our recertification of the class from DBPR, which is required every three years. Realtors who attend these classes receive a general 3 hour CE credit while learning about our First Time Homebuyer Program, our Mortgage Credit Certificate Program, and other affordable housing programs available to their potential homebuyers. Our next scheduled class is with the Palm Beach Board of Realtors on January 17th.
- e) Our program has experienced a reduction in participating lenders as a result of industry consolidation and attrition that began with the financial meltdown in 2008. As a result, we have recently begun to accept new applications from potential lending partners at any time during the year rather than one time a year as had been our previous policy. This change created a need to have the ability to quickly and efficiently train new lenders. In response to this need, US Bank launched our long anticipated online lender training platform in mid- June. The lender training can be accessed by the staff of newly approved lenders as well as any new staff added by our existing participating lenders 24/7 and will greatly accelerate and improve our training efforts.
- f) Florida Housing continues to sponsor a toll-free telephone line (800-814-HOME), for first time homebuyers to call for information about our program. For the months of November and December, we received 515 total calls of which 208 were transferred to the Single Family Staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information by accessing our First Time Homebuyer Wizard tool, which is located on our website. We continue to closely monitor these calls to evaluate the best way to efficiently handle the call volume in the long term.
- g) Our Mortgage Credit Certificate Program has begun to generate greater lender interest and participation. Currently we have 20 approved lenders who have each paid a \$750 participation fee to Florida Housing. We are still soliciting our existing group of approved FTHB lenders to participate in this affordable housing program while also recruiting smaller lenders who might not otherwise qualify for FTHB Program participation. We have issued six MCC’s to qualified first time homebuyers and have an additional fourteen reservations in the pipeline. As we anticipated, the borrowers utilizing the MCC Program are purchasing higher cost homes (\$154,837 vs. \$106,017) and have a higher average household income (\$52,380 vs. \$43,915) than our FTHB borrowers in our current Series B-5 bond issue. We charge a \$500 issuance fee for each MCC. This can be paid for by the buyer, seller, or anyone else that chooses to pay the fee.

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

SUBORDINATED MORTGAGE INITIATIVE (SMI)

Information

VIII. SUBORDINATED MORTGAGE INITIATIVE (SMI)

A. Program Update

1. Background/Present Situation

- a) As of this date, the Board has approved funding for a total of thirty-two (32) Subordinated Mortgage Initiative (SMI) loans. The purpose of these loans is to provide subordinate financing on these developments which are credit enhanced by the Guarantee Program, and determined to be in financial distress, in order to provide temporary assistance in funding their mortgage debt service obligations for a period of up to twenty-four (24) months. Florida Housing provided funding for up to one mortgage payment per each three month period. The developer is required to make the remaining payments. This process is to be repeated for up to twenty-four (24) months, with Florida Housing potentially making up to a total of eight mortgage payments and the developer making a total of sixteen mortgage payments during this period.
- b) Attached as [Exhibit A](#) is a spreadsheet of the status of the SMI loans approved to date. Highlights of the data are as follows:
 - (1) The Board has approved a total of thirty-two (32) SMI loans in the amount of \$19,120,000.
 - (2) Thirty (30) of these SMI loans have been closed to date in the principal amount of \$17,834,309.01, of which \$17,348,592.30 has been disbursed as of January 11, 2013.
 - (3) One SMI loan, Woods of Vero, received SAIL/ELI funding prior to the final disbursement under the SMI loan. The SAIL/ELI loan reduced the first mortgage balance; as a result the three remaining SMI disbursements for Woods of Vero were reduced accordingly, reducing its SMI loan by \$14,116.97, effectively reducing the amount closed to date to \$17,820,192.04.
 - (4) Two (2) loans, representing two different developers, approved in the total amount of \$675,000, have yet to be closed.
 - (5) It does not appear, at this time, that these two loans will be closed due to an inability to obtain the required consent of the investment limited partner.
 - (6) As of January 11, 2013, the final disbursement has been made on twenty-seven (27) of the thirty (30) loans closed to date. All accrued interest will be due on these loans twenty four months after the final disbursement. The loan will then be amortized based on a twenty year amortization with a balloon payment due at the end of year six.
 - (7) As of January 11, 2013, five (5) loans have been paid in full totaling \$2,333,041.09.

SUBORDINATED MORTGAGE INITIATIVE (SMI)

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- (8) Since the inception of the Subordinated Mortgage Initiative only two developers, Shelter Corporation, involving two SMI loans, Venetian Isles I and Venetian Isles II, and Creative Choice, involving Tuscan Isle f/k/a Heron Cove, have failed to make a required payment under their obligations as outlined in the SMI loan. The required payments were ultimately made on these developments and are current.