

**FLORIDA HOUSING FINANCE CORPORATION**  
**Board Meeting**  
**April 25, 2014**  
**Action Items**



# FISCAL

## Action

### I. FISCAL

#### A. Unrestricted Net Assets

##### 1. Background

- a) For financial statement presentation purposes, Florida Housing's net assets fall into two primary categories: Restricted and Unrestricted. Restricted net assets are those on which constraints have been placed by law or external agreements or entities.
- b) Florida Housing's Board may "designate" net assets within the Unrestricted Net Asset balance for specific purposes. This designation means that the Board has directed the use of these assets for certain purposes. The Board may choose to modify or remove such designations through future votes.
- c) There are currently three main categories of designations: demonstration and other initiatives, single family homeownership program and operating reserve.
- d) Examples of these designations by the Board include:
  - (1) Demonstration programs such as victims of domestic violence and persons with special needs;
  - (2) The subordinate mortgage program for loans guaranteed by the Guarantee Fund;
  - (3) All funds in the Single Family Escrow accounts for the single family homeownership program. These accounts include cash, investments and loans remaining after bonds were fully defeased. Since these funds derive from the single family homeownership program, they have historically been set aside for use within that program; and
  - (4) A housing credit reserve (for future compliance monitoring fees) and budget stabilization. The amount of this designation currently provides for future compliance monitoring fees and two years of operations.

##### 2. Present Situation

Staff is requesting the board approve the following general designations for presentation in the financial statements. The exact amounts for the 2013 financial statements are not known until the final financial statement is prepared. The 2012 amounts are provided as a reference point.

- (1) Single Family Programs – includes all funds in the single family escrow and related accounts. For 2012, this amount was \$11.8 million.
- (2) Dedicated Reserve for Operations – includes a housing credit compliance monitoring reserve and operating budget stabilization. This designation was approximately \$42.8 million in 2012.

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- (3) Demonstration and Other Initiatives – includes funds for demonstration programs and to support other programs such as the Guarantee Fund. This designation would include all net assets not designated for Single Family or Operations. In 2012, this amount was approximately \$58.7 million.
- (4) Other unrestricted net asset designations may also include other risks and contingencies as approved by the Board.

### **3. Recommendation**

Staff recommends that the Board approve the designation of unrestricted net assets as articulated above.

# HARDEST-HIT FUND

## *Action*

### II. HARDEST-HIT FUND

#### A. Request Approval to Expand the Loan Pools Allowed in the Modification Enabling Pilot (MEP) Program Strategy of the Hardest Hit Fund (HHF)

##### 1. Background

- a) A presentation was provided to the Board on the MEP Program in December 2012 and the Board subsequently approved and allocated \$50 million to the Program at the March 2013 meeting. Staff then received approval for the MEP Program from the U.S. Department of Treasury (Treasury) in April 2013 and finalized the contract with National Community Capital (NCC) on June 26, 2013.
- b) NCC and its partners were successful in their efforts to acquire loans from sales conducted by the Department of Housing and Urban Development (HUD) under its Distressed Asset Sales Program (DASP) in both the Tampa and Orlando markets. They were not successful in their efforts to acquire loans in the Ft. Lauderdale/Miami DASP sale.

##### 2. Present Situation

- a) Both NCC and Florida Housing expected that HUD would make other pools of DASP loans available in Florida in 2013, but they did not do so. Instead, HUD is now expected to make these pools available in areas such as Jacksonville and southwest Florida in 2014-15.
- b) The MEP Program has been used to successfully modify the loans of nine homeowners so far. Another 223 homeowners are in the pipeline, with dozens expected to successfully complete their trial modifications in the coming months. However, even if all of these loans successfully modify, there will still be a substantial amount of the \$50 million allocation remaining.

##### 3. Recommendation

Staff recommends that the Board approve the expansion of the allowable loan pools in the MEP Program to include any further HUD DASP sales involving Florida loans through the end of calendar year 2015. Staff further recommends that the Board authorize amending the approved MEP term sheets with Treasury and amending the contract with NCC to allow for these additional loan pools, subject to further approvals and recommendations from Florida Housing's counsel, financial advisor, Treasury and the appropriate Florida Housing staff.

# MULTIFAMILY PROGRAMS

## Action

### III. MULTIFAMILY PROGRAMS

#### A. Request De-Obligation of Funding for Riverbend Apartments (RFA 2013-006)

<b>Applicant:</b>	<b>Henderson Behavioral Health, Inc.</b>
<b>Location:</b>	<b>Broward County</b>
<b>Number of Units:</b>	<b>15</b>
<b>Funding Amount:</b>	<b>\$1,581,542 (Grant) &amp; \$230,400 (ELI Gap Grant)</b>

#### 1. Background

- a) On October 11, 2013, Florida Housing Finance Corporation issued a request for applications, RFA 2013-006 for financing to build permanent supportive housing for homeless persons and families. The funding must be used to purchase and renovate existing houses or to construct or purchase and renovate small specialty housing of 15 units or less.
- b) On December 13, 2013, the Board approved the final scores and recommendations and directed staff to proceed with all necessary credit underwriting activities. Among those awarded funding under the RFA was Henderson Behavioral Health, Inc.
- c) On December 19, 2013, staff issued a preliminary commitment letter and an invitation to enter credit underwriting to Henderson Behavioral Health, Inc.
- d) Section Five of the RFA provides in pertinent part:

Funding that becomes available after the Board takes action on the [review] Committee's recommendations(s) due to an ... Applicant's inability to satisfy a requirement outlined in the RFA, and/or provisions outlined in Exhibit D [credit underwriting requirements] will be distributed as approved by the Board.
- e) Exhibit D to the RFA provides in pertinent part:

1. Within seven (7) calendar days of the date of the invitation to enter credit underwriting, the following Ability to Proceed documentation [must be provided]:

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b. The completed and executed ... Local Government Verification [of zoning and land use regulations form] or the completed and executed ... Local Government Verification that Permits are not Required...form, as applicable, to certify that ... the site is appropriately zoned for the proposed Development...

## MULTIFAMILY PROGRAMS

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- f) RFA 2013-006 resulted in the Board approving six Applications accounting for \$8,303,102 (of the \$10 million total in grant funds) in grant funding requests and \$460,800 in ELI gap grant financing, leaving a balance of \$1,696,898 in grant funds and an estimated \$425,000 in ELI gap grant financing. On January 8, 2014, Florida Housing issued RFA 2014-101, with the stated purpose of distributing the balance of the grant funds and ELI gap grant financing not awarded under RFA 2013-006.

### 2. **Present Situation**

The Applicant requested an extension beyond the initial due date to provide the required Ability to Proceed documentation due to a pending lawsuit filed by the Applicant against the City of Fort Lauderdale pertaining to their zoning. The Judge ultimately ruled in favor of the City and against the Applicant, determining that the City's interpretation of its zoning regulations was not unreasonable, and that based on the City's interpretation, Riverbend Apartments, as proposed, is not permitted under the City's land development regulations. As a result, the Applicant will not be able to provide the Ability to Proceed documentation necessary to complete the credit underwriting process.

### 3. **Recommendation**

Staff recommends that the Board (1) de-obligate the funding awarded to the Applicant under RFA 2013-006 and (2) award those de-obligated funds to the highest ranking eligible unfunded Applicant under RFA 2014-101.

## MULTIFAMILY PROGRAMS

### *Action*

#### **B. Request for Applications (RFA) 2014-104 for the Preservation of Existing Affordable Housing Developments**

##### **1. Background**

On February 7, 2014, Florida Housing staff issued RFA 2014-104 to award an estimated \$5,369,334 of Housing Credits to qualified Applicants that commit to preserve existing affordable housing developments. The deadline for receipt of Applications was 11:00 a.m., Eastern Time, Friday, March 7, 2014.

##### **2. Present Situation**

- a) Florida Housing received 33 Applications in response to this RFA. The Review Committee members designated by the Executive Director were Amy Garmon, Multifamily Programs Manager (Chair), Elizabeth O'Neill, Senior Policy Analyst, Bill Cobb, Multifamily Programs Manager, Jean Salmonsens, Housing Development Manager, and Tim Kennedy, Special Assets Administrator. Each member of the Review Committee independently evaluated and scored their assigned portions of the submitted Applications, consulting with non-committee staff and legal counsel as necessary and appropriate.
- b) At its April 23, 2014 Review Committee meeting, the individual committee members will present their scores and the Committee will carry out the funding selection process in accordance with Section Four B of the RFA. The following information will be provided as a supplemental item: (i) the Review Committee's recommendation(s), and (ii) the RFA 2014-104 Sorting Order Chart, with the eligible Applications listed in order from highest total score to lowest total score, with all funding selection criteria applied, and the ineligible Applications listed in assigned Application number order.

## MULTIFAMILY PROGRAMS

### *Action*

#### C. **Request for Applications (RFA) to Provide Financing to Transform Elderly Properties in Florida Housing's Portfolio into Properties that Allow Elders to Age in Place with Supports**

##### 1. **Background**

- a) Of the 19.5 million people in Florida today, about 3.5 million are aged 65+. The median age of Florida's older population is 74.3 years old. Approximately one-third of older Floridians have a self-defined disability, with the most frequently reported limitation being walking. Twenty-two percent report serious difficulty walking and climbing stairs. About 15 percent report difficulty with doing errands, chores and other activities without some type of help.
- b) The Administration on Aging reports that almost half of women aged 75+ live alone. The median income of older persons is \$25,704 for men and \$15,072 for women, with the major source of income being Social Security.
- c) Through 2030, Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.2 percent of the gains. The Baby Boomers are aging – the first Boomers will hit 85 in 2031.
- d) Of the more than 180,000 units in Florida Housing's portfolio, 187 developments with nearly 21,000 units are currently targeted to elders (in our case, this means residents 55+). Thirty-seven properties with 4534 associated units, are more than 15 years old. When built many years ago, these properties were not required to incorporate design features that would assist residents to age in place, particularly as they become more frail. Moreover, resident services were not incentivized to support aging in place.
- e) Even the properties financed through today's Florida Housing programs are limited when it comes to aging in place supports. However, evidence is mounting that programs that provide supports to help elders stay in their homes as long as possible not only reap higher quality health and emotional benefits for elders, but yield cost savings for families, government and health systems. Most elders want to remain in their homes as long as possible, and most fear they will end up in institutional settings as a result of disability and limitations as they age.
- f) In 2013, the average annual cost for a semi-private room in a nursing home in Florida was more than \$81,000 and nearly \$38,800 for assisted living. Cost studies nationally show that home health services are much less expensive, with costs increasing more slowly overall than institutional long term care. These costs impact not only families, but Medicare and Medicaid, which together pay for the majority of long term care.



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- g) Florida Housing's programs currently finance housing to serve the rental housing needs of a range of Floridians. This includes permanent supportive housing (i.e., affordable housing financed by Florida Housing, combined with supportive services provided by local partners working with a property owner), which studies show can have a critical impact on the lives of other vulnerable populations, including homeless people. A promising strategy would bring health and long-term services and supports into senior housing properties. The idea is to set up the housing to serve as a platform for meeting the health and long term needs of elders, but below licensing care levels required of assisted living facilities.
- h) This would require property owners to engage in contractual partnerships with local health care systems, including hospitals and home health care providers, to provide onsite services for residents. This would require a property to have adequate space for services to be delivered, including offices for a service coordinator, nurse and other health or social services providers; and space for group health education and exercise programming. Just as with other permanent supportive housing financed by Florida Housing, this type of service-enriched housing would keep property owners focused on the business of housing and property management, but working in concert with knowledgeable health care and supportive services providers and system.
- i) Florida Housing currently allows program financing to be used for affordable assisted living facilities (ALFs). Only a handful of such properties have been developed through our programs over time, most likely due to the complexity of marrying Housing Credit requirements with ALF licensing requirements. The housing model proposed in this agenda item would complete the continuum of housing options for older Florida renters, but likely be easier to put into place, because no licensing would be required.

## 2. Present Situation

- a) Florida Housing proposes to offer financing through a Request for Applications (RFA) to aging properties in the portfolio that are currently targeted to serve elderly residents for preservation that will include the following:
- Refinance the property;
  - Rehabilitate all units to allow elders to age in place;
  - Rehabilitate the property to create enough common space for the activities outlined above; and
  - Create partnerships with local health care supportive service providers as appropriate to provide onsite services to residents.

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- b) Financing would only be for rehabilitation; it could not be used for demolition and rebuilding of existing properties. Property owners would be required to carry out a thoughtful relocation plan during rehabilitation to ensure that current residents are well supported as their units are rehabilitated. Florida Housing would be looking for applicants willing to incorporate the following features and services at their properties:
- Accessible, adaptable construction features that aid residents with age related impairments and increasing mobility issues to get around their units and the entire property, as well as assist in performing activities of daily living;
  - Onsite 24/7 staff to assist with resident situations that arise;
  - Resident services coordinator(s) to ensure that as residents' needs change, they receive assistance in accessing services and resources provided by community-based organizations for their current situation;
  - Onsite access to healthcare and other activities of daily living through partnerships with local hospital/healthcare systems;
  - Onsite access to other specified resident services, such as meals and homemaker/personal care services; and
  - Access to community-based amenities and services (particularly health care) – probably requires private transportation affiliated with the property.
- c) Financing would be made available through approximately \$15 million in State Apartment Incentive Loan (SAIL), Bonds and 4% Housing Credits. Should the Board approve the recommendation for this RFA, the plan would be to hold a workshop with interested parties in May and issue the RFA in late May or early June.

### 3. **Recommendation**

Authorize staff to proceed with developing and issuing a Request for Applications to offer SAIL funding and Bonds to transform elderly properties in Florida Housing's portfolio into properties that allow elder residents to age in place with design and service supports, and authorize the Executive Director to establish a review committee to make recommendations to the Board.

## MULTIFAMILY PROGRAMS

### *Action*

#### **D. Request for Applications (RFA) 2014-105 for Financing To Build Or Rehabilitate Smaller Permanent Supportive Housing Properties For Persons With Developmental Disabilities**

##### **1. Background**

- a) Florida Housing Finance Corporation (Florida Housing) was appropriated \$10 million in non-recurring grant funds by the 2013 Legislature for housing for Persons with Developmental Disabilities as defined in Section 393.063, F.S. On October 11, 2013, Florida Housing issued a Request for Applications (RFA) to allocate \$4 million of the \$10 million appropriation for properties consisting of no more than four (4) Units. Through that RFA, Florida Housing awarded preliminary financing to 14 Permanent Supportive Housing Developments for Persons with Developmental Disabilities for a total allocation of \$2,016,991. The remaining balance (\$1,983,009) of the \$4 million allocation was made available through this RFA for the same purpose of financing small Permanent Supportive Housing Developments consisting of no more than four (4) Units.

##### **2. Present Situation**

- a) Florida Housing received 17 Applications in response to this RFA. The Review Committee members designated by the Executive Director were Bill Aldinger, Assistant Policy Director (Chair), Elizabeth O'Neill, Senior Policy Analyst, Elizabeth Thorp, Multifamily Programs Senior Analyst, Jean Salmonsens, Housing Development Manager, Elaine Roberts, Senior Policy Analyst, Susan Parks, Chief Information Officer, and Kevin Tatreau, Director of Development Finance. Each member of the Review Committee independently evaluated and scored their assigned portions of the submitted Applications, consulting with non-committee staff and legal counsel as necessary and appropriate.
- b) The Review Committee met on April 9, 2014, to discuss the Applications and answer Review Committee members' questions, and will meet on April 23, 2014 to give their scores and submit a recommendation to the Board.
- c) At its April 23, 2014 Review Committee meeting, the individual committee members will present their scores and the Committee will carry out the funding selection process in accordance with Section Five of the RFA. The following information will be provided as a supplemental item: (i) the Review Committee's recommendation(s), and (ii) the RFA 2014-105 Sorting Order Chart, with the eligible Applications listed in order from highest total score to lowest total score, with all funding selection criteria applied, and the ineligible Applications (if any) listed in assigned Application number order.

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

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

##### A. Arbitrage Rebate Services

###### 1. Background

At its meeting on January 31, 2014, the Board approved staff's recommendation to finalize and issue a request for qualifications (RFQ) to solicit proposals for arbitrage rebate services.

###### 2. Present Situation

- a) On Friday, March 7, 2014, RFQ 2014-02 was issued. The deadline for receipt of responses was 2:00 p.m., Friday, March 21, 2014.
- b) Four proposals were received by the deadline from:
  - (1) AMTEC (American Municipal Tax-Exempt Compliance)
  - (2) BLX Group, LLC
  - (3) Hawkins Delafield & Wood, LLP
  - (4) PFM Asset Management, LLC
- c) The Review Committee members designated by the Executive Director were Melanie Weathers, Bond Administrator, (Chairperson), Michelle Connelly, Bond Administration Manager, and Tamara Alford, Guarantee Program Asset Manager.
- d) The Review Committee conducted one meeting on Wednesday, March 26, 2014, to address issues and questions from the review committee members regarding the RFQ and to provide final scoring. The final scoring is provided as [Exhibit A](#).

###### 3. Recommendation

The Review Committee recommends that the Board authorize Florida Housing staff to enter into contract negotiations with the two top scoring firms:

- (1) BLX Group, LLC
- (2) Hawkins Delafield & Wood, LLP

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

#### **B. Request for Proposals (RFQ) for Approved Energy Consumption Providers**

##### **1. Background**

- a) Effective July 29, 2008, 26 CFR part 1 relating to the Low-Income Housing Tax Credit (Credit) under Section 42 was amended to update the utility allowance regulations to provide new options for estimating tenant utility costs. The final regulations affected owners of low-income housing properties who claim the Credit, the tenants in those low-income housing properties, and the State and local housing agencies that administer the Credit.
- b) Previously, under 1.42-10(b)(4), owners generally used the applicable Public Housing Authority (PHA) utility allowance established for the Section 8 Program or used a local utility company estimate.
- c) As an alternative, under the amended utility allowance regulations, utility allowance estimates may be calculated by a state certified engineer or other qualified professional. The estimates would be determined based on the applicable current local utility billing rate schedule and would be applied to all comparable units in the building using specific information about the design, materials, equipment, and location of the building.

##### **2. Present Situation**

- a) The current Approved Energy Consumption Provider contracts with 2rw Consultants, Inc., Diamond Property Consultants, Inc. with DcR Engineering Services, Inc., KN consultants, LLC, Matern Professional Engineering, Inc., and University of Central Florida/Florida Solar Energy Center expire June 30, 2014.
- b) The energy consumption model is widely used by owners of Credit developments and staff recognizes the need to provide owners a list of qualified energy consumption providers from which owners must contract directly in order to obtain the energy consumption estimate.
- c) Owners must pay for all costs incurred in obtaining the utility estimates from the qualified professional and provide the estimates to Florida Housing and tenants.

##### **3. Recommendation**

Authorize Florida Housing staff to begin the solicitation process to select energy consumption providers, authorize the Executive Director to establish a Review Committee, and temporarily extend existing contracts for six months.

## SINGLE FAMILY

### *Action*

#### V. SINGLE FAMILY

##### A. Request Permission to Amend the Existing Memorandum of Understanding (MOU) with Florida's Local Housing Finance Agencies (HFAs) to Allow the Use of up to an Additional \$1 Million of the \$35 Million Florida Housing Received from the Florida Legislature as Part of the Attorney General's Mortgage Settlement Agreement

###### 1. Background

- a) Florida Housing's Single Family Mortgage Revenue Bond (MRB) Program was given \$35 million, through the Legislative Budget Commission (LBC) Amendment process, as part of the Attorney General's mortgage settlement agreement with the top five servicers of residential mortgage loans for their mishandling of home foreclosures. Pursuant to the budget amendment request, the \$35 million is to be used for qualified homebuyers in conjunction with the first mortgage loans that Florida Housing provides through its First Time Homebuyer Program.
- b) At the March 15, 2013 Board meeting, the Board approved the request to enter into a MOU with local housing finance agencies, allowing them to utilize up to \$5 million of these funds for down payment assistance (DPA) in conjunction with their respective First Time Homebuyer Programs in the same manner as Florida Housing does in its program
- c) At the December 13, 2013 Board meeting, the Board approved the request to amend the MOU to allow the use of up to \$3 million in additional DPA funds by the local housing finance agencies.
- d) As of April 8, 2014, Florida Housing has disbursed \$7,071,677.52 of the available \$8 million to the ten local HFAs who have executed MOUs as reimbursement for the qualifying DPA loans that they have made. Florida Housing has committed over \$20 million to qualifying homeowners in its single family program during this same time period.

###### 2. Present Situation

- a) Florida Housing has been asked by the Florida Association of Local Housing Finance Authorities (Florida ALHFA) to allow the local HFAs who have executed MOUs to share in up to \$1 million of additional funds under the same parameters as stated in the original MOU.
- b) By allowing local HFAs to use an additional portion of these funds in the same way Florida Housing represented to the legislature in the LBC documents, qualified homebuyers throughout Florida will receive assistance more quickly with the purchase of their homes.

## **SINGLE FAMILY**

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3. **Recommendation**

Approve the request to allow Florida Housing to enter into an amendment to the MOU with the local HFAs allowing them to utilize up to an additional \$1 million of the \$35 million received by Florida Housing as part of the Attorney General's mortgage settlement agreement for down payment assistance in conjunction with their respective First Time Homebuyer Programs in the same manner that it is being used by Florida Housing.