

**Florida Housing Finance Corporation
Board of Directors' Meeting Minutes
July 27, 2007**

TIME: 9:00 a.m.

LOCATION: Tallahassee City Hall
300 South Adams Street
Tallahassee, Florida

BOARD MEMBERS PRESENT:

Lynn Stultz, Chairman
David Oellerich, Vice Chairman
Tom Pelham
Zully Ruiz
Stuart Scharaga
Sandra Terry

CORPORATION STAFF PRESENT:

Stephen P. Auger, Executive Director
Wellington Meffert
Wayne Conner
Laura Cox
Sheila Freaney
Barbara Goltz
Nancy Muller
Vicki Robinson
Stephanie Sgouros
David Westcott

ADVISORS AND OTHERS PRESENT:

Junious Brown, Nabors, Giblin & Nickerson
Jan Carpenter, Shuffield Loman
Jon Moyle, Moyle Flannigan
Wade Weeks, Deloitte & Touche

Chairman Stultz called the Board of Directors' meeting to order at 9:00 a.m., and confirmed that a quorum was present.

Chairman Stultz welcomed new Board Member Stuart Scharaga to his first non-telephonic Board Meeting.

MINUTES

Chairman Stultz asked for a motion to approve the Minutes of the April 27, 2007, Board Meeting.

Motion to approve the Minutes was made by Ms. Terry with a second by Ms. Ruiz.
Motion passed unanimously.

ELDERLY HOUSING COMMUNITY LOAN PROGRAM (EHCL)

Chairman Stultz recognized Vicki Robinson to brief the Board on Elderly Housing Community Loan Program (EHCL) matters.

Item A, Request Approval of 2007 EHCL Program Review Committee's Recommendation of Final Rankings. Ms. Robinson stated that the EHCL application cycle opened February 21, and closed April 2, 2007, with approximately \$2.8 million available for funding, and ten applications were received. She asked the Board to approve the 2007 EHCL Review Committee's Final Rankings and direct staff to issue preliminary commitment letters to applicants who fall within the funding range and proceed with all necessary credit underwriting activities.

Motion to approve staff's recommendation was made by Ms. Terry with a second by Ms. Ruiz.

Mr. Oellerich asked if the top eight on the list would get funded. Ms. Robinson stated they would. Mr. Oellerich asked if there was a minimum score required, or just a matter of going down the list until the funds ran out, as long as the applicants met certain requirements. Ms. Robinson stated that he was correct, and there was no minimum score, as long as they met the requirements.

Motion passed unanimously.

FINANCE

Chairman Stultz recognized Barb Goltz to brief the Board on Finance matters.

Ms. Goltz introduced Wade Weeks, a partner with Deloitte & Touche to address the Board regarding the audit for the year ended December 31, 2006.

Mr. Weeks walked the Board through Deloitte and Touche's audit report and noted that there was no adverse opinion or disclaimer of opinion, and then discussed the conduct of the audit. He pointed out that the audit was conducted under Generally Accepted Auditing Standards, that the financial statements include management's judgments and estimates and that there were no adjustments or uncorrected misstatements that were required to be brought to the Board. He pointed out the significant accounting policies that are in place and followed by Florida Housing. He stated that Florida Housing did not use any alternative accounting treatments, that they did not have any disagreements with management in the conduct of the audit and that they were not

aware of any consultation by Florida Housing management with other accountants prior to their retention in 2006. He stated there were no significant difficulties encountered in performing their audit, and that management was available at all times, was up front, forthright and provided significant internal audit assistance for them. Mr. Weeks briefly covered other material written communications with Florida Housing, including the engagement letter and the representation letter, which were attached to his letter.

Chairman Stultz asked if a Board Meeting would be the proper forum for the auditors to bring forth a problem if one was found. She also confirmed that the audited financials were completed. Mr. Weeks stated that before a problem was brought to an open Board Meeting, he would contact Board Members individually to make sure everyone was aware of it before presenting it in a public forum.

HURRICANE PROGRAMS (FHRP/SHADP) AND CWHIP

Chairman Stultz recognized Stephanie Sgouros to take the Board through seed number selection for the FHRP, SHADP and CWHIP Programs application cycles lottery numbers.

Item A, Lottery Number Selection. Ms. Sgouros asked Chairman Stultz to pick a seed number from Statement 4914, Interstate Commerce Commission, Appendix 81, Pages 1441 through 1446, Lines 1 through 300, Columns 1 through 14. Chairman Stultz selected Page 1441, Column 8, Line Number 25, Number 61280.

LEGAL

Chairman Stultz recognized Wellington Meffert to address the Board regarding Legal matters.

Item A, National Development Foundation, Inc. Mr. Meffert stated that National Development Foundation asked for a variance from Rule 67-48.0181(b). He stated that National Development Foundation received a 2005 allocation of HOME funds and were seeking an increase in the funding amount, and the Rule states that their options were to apply for the difference between the 2005 amount and what they were seeking in 2007, or to return the 2005 allocation before the application deadline. Mr. Auger stated that their only option was to return the 2005 HOME funds before the 2007 application deadline in order to ask for additional funds. Mr. Meffert stated that they did not return the original funds until after the application deadline. He added that a similar case was before the Board previously, and the Board denied that petition, and that petitioner appealed to the First District Court of Appeals, and the Court upheld the Board's action. He asked the Board to approved staff's recommendation to deny the Petition for Variance.

Mr. Meffert introduced Jon Moyle, with the law firm of Moyle Flannigan to address the Board on behalf of National Development Foundation. Ms. Stultz gave Mr. Moyle three minutes to present his case. Mr. Moyle stated that many petitions came before the Board and that most were granted. He asked the Board to grant the current petition for several reasons, the first being that the old rule allowed developers to come back after the fact and ask for additional funds rather than having to return the initial funding and reapply for a new, higher amount. He stated that his clients were only late in returning the original funds by about 48 hours, and that did not harm anyone else or give them an unfair advantage. He stated that in his research, he found that all the HOME funds available in Florida do not get used. He stated that it was within the Board's power to grant the petition for variance and that it was incumbent upon them to do so.

Mr. Auger stated that Mr. Moyle misled the Board on several things. He stated that not only are there not excess HOME dollars, funds were forward allocated to deal with hurricane response in 2004 and 2005, and at this point, more funds are desperately needed. He stated that in the 2007 HOME cycle, the results of which will be presented to the Board at the September meeting, HOME funds are over-subscribed, and Mr. Moyle's statement that there are funds that aren't used is false.

Mr. Auger also stated the during the seven years he's been at Florida Housing, he could not think of one instance where the Board granted a petition that affects the scoring during the cycle, and the reason is Florida Housing has an open rule development process that lasts six months. He stated that Mr. Moyle's clients participated in that process during the 2007 cycle and agreed on the rules. He stated that when the format of the application changed from 2001 to 2002, it changed so there was only a handful of items you had to have right at the application deadline, so you couldn't game the system and threaten the integrity of the system, and most of the other things were curable. He stated that the policy changed in the 2007 where you had to return any previous award of funds if you wanted to re-submit that same deal for more funds, which was talked about extensively during the rule development workshop, and at the time the rule was adopted, anybody in the process had a chance to challenge them, and the petitioner did not do that. He said it is frustrating to see applicants commit fatal errors, but to step in and change their scoring would be unfair to somebody else who followed and met the rules. He stated that if the Board were to grant petition for waiver, there was a handful of other applicants that didn't have perfect scores that will also petition to change their scores and they'll have similar stores about how they're sorry, and the integrity of the process will break down.

Mr. Moyle stated that it was his understanding that the HOME monies in year past had not been fully subscribed, and that he didn't mean to mislead the Board Members, and he was not trying to exercise rights his clients did not have. He said that the Legislature and the Governor stated that applicants have a right to ask the Board to grant a waiver or variance and that was what he was doing. He said that historically, the Board has exercised discretion and granted waivers where there was substantial hardship.

Mr. Auger stated that the difference is between petitions filed before the competitive scoring process is over and after the process is over.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Ms. Terry.

Ms. Stultz echoed Mr. Auger's statement that she could recall no instances where petitions were granted during the cycle. Mr. Meffert stated that requests were rare and none had been granted during his tenure, and added that the Board was on solid legal grounds to deny the Petition.

Motion passed unanimously.

PREDEVELOPMENT LOAN PROGRAM

Chairman Stultz recognized Nancy Muller to address the Board on Predevelopment Loan Program matters.

Item A, By the River, Kashi Church. Ms. Muller stated that this item was a loan extension request for a 41-unit special needs development in Indian River County. She stated that on August 4, 2004, the developer closed on a PLP loan in the amount of \$441,210, and to date, had

drawn about half of the funds for eligible expenses, so there is a remaining principal balance. She stated that on May 11, 2007, staff received a request from the developer to extend the term of the loan beyond its August 4, 2007, maturity date, due to delays in the permitting process. She stated that special needs developments are also often hampered by the task of putting funding together, and that is also the case in this instance. She stated that the technical assistance provider has recommended approval for a one-year extension, and staff believes the request is reasonable and necessary in order to allow for the completion of the units. She asked the Board to approve the developer's request for a one-year extension to the PLP loan term from August 4, 2007, to August 4, 2008.

Motion to approve staff's recommendation was made by Ms. Ruiz with a second by Mr. Scharaga.

Ms. Stultz asked if it was normal for a PLP to close in 2004, and still not be built in 2007. Ms. Muller stated that PLP loans have a term of three years with the possibility for an extension depending on circumstances. Ms. Stultz questioned if they had even broken ground yet. Ms. Muller stated that they had not, as they were still trying to get their funding together and doing a lot of predevelopment necessary to get ready to break ground. Mr. Auger added that PLP loans generally go to nonprofits that work with a technical assistance provider to help build capacity and provide some capital for the expenses incurred before building begins, and when the staff brings PLP loans to the Board for extension, it is for developments where there is activity and hope that the project will go forward, and this is one of those projects.

Motion passed unanimously.

PROFESSIONAL SERVICES SELECTION (PSS)

Chairman Stultz recognized Nancy Muller to address the Board regarding PSS Item A.

Item A, PLP and Demonstration Loans Technical Assistance Provider Services. Ms. Muller stated that a key element in the success of the Predevelopment Loan Program and the Demonstration Loan Program has been the provision of technical assistance to non-profits, public housing authorities and other community-based organizations to provide guidance at the front end of a project before a loan is even brought to the Board for approval. She stated that Florida Housing contracts with an outside entity to provide the service and the most recent contract was entered into in January 2005 with two one-year extensions. She asked the Board to authorize staff to begin the request for proposals process and establish a review committee to select one or more technical assistance providers for the Predevelopment Loan Program and the Demonstration Loan Program.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Ms. Terry. Motion passed unanimously.

Chairman Stultz recognized Barb Goltz to address the Board regarding PSS Item B.

Item B, Financial Advisor Services. Ms. Goltz stated that an RFP for financial advisor services was issued on April 20, 2007, and five responses from Caine Mitter and Associates, Caughman Enterprises, CSG Advisors, First Southwest Company and TIBOR Partners, Inc., were reviewed on May 18, 2007. She asked the Board to approve the review committee's recommendation to enter into contract negotiations with TIBOR Partners, Inc., the highest ranked respondent; if negotiations fail with TIBOR Partners, Inc., authorize staff to enter into negotiations with CSG

Advisors; if negotiations fail with CSG Advisors, authorize staff to enter into negotiations with Caine, Mitter and Associates; and if negotiations fail with Caine, Mitter and Associates, authorize staff to issue a new RFP.

Motion to approve staff's recommendation was made by Mr. Oellerich with a second by Ms. Ruiz. Motion passed unanimously.

Chairman Stultz recognized Wellington Meffert to address the Board regarding PSS Item C.

Item C, Hearing Officer Services. Ms. Meffert stated that the RFP for hearing officers services to conduct the informal 120.57 proceedings and other informal administrative hearing actions was issued on May 18, 2007, and responses were received from David Ramba from Lewis, Longman and Walker; and Chris Bentley and Diane Tremor from Sundstrom and Bentley. He stated that the respondents have been the hearing officers for several years and are experienced. He asked the Board to approved the review committee's recommendation and authorize staff to enter into contract negotiations with David Ramba, Chris Bentley and Diane Tremor for hearing officer services.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Mr. Oellerich.

Chairman Stultz asked why multiple firms were chosen to serve as hearing officers, unlike the financial advisor services, where only one was chosen. Mr. Meffert stated that it was to ensure there were enough to provide coverage for hearings.

Motion passed unanimously.

Chairman Stultz recognized Ian Smith to address the Board regarding PSS Item D.

Item D, Media Services. Mr. Smith stated that the Florida Administrative Code requires that for the purchase of any commodities or contractual services that may exceed \$25,000 in a 12-month period, an invitation to negotiate, invitation to bid, request for proposals or request for qualifications must be issued to solicit the services. He stated that staff determined that media services costs will exceed \$25,000 over a 12-month period, and asked the Board to authorize staff to begin the RFQ process and authorize the executive director to establish a review committee to begin the process of selecting a pool of media-buying companies.

Motion to approve staff's recommendation was made by Ms. Ruiz with a second by Ms. Terry. Motion passed unanimously.

Chairman Stultz recognized Barb Goltz to address the Board regarding PSS Item E.

Item E, Investment Manager Services. Ms. Goltz stated that the RFP for investment manager services was issued on June 15, 2007, and responses were due July 13, 2007. She stated that ten responses were received from AmSouth Asset Management, Bear Stearns Asset Management, Bond Logistix, Citi Smith Barney, Columbia Management Advisors, MBIA Asset Management, PFM Asset Management, State Street Global Advisors, RBC Public Fund Services and Wertz York Capital Management. She asked the Board to approve the review committee's recommendation and authorize staff to enter into contract negotiations with Bear Stearns and PFM Asset Management, and if negotiation fails with either of them, authorize staff to enter into

negotiations with Columbia Management Advisors; and if negotiations fail with Columbia Management Advisors, authorize staff to enter into negotiations with RBC Public Fund Services.

Motion to approve staff's recommendation was made by Ms. Terry with a second by Mr. Oellerich.

Ms. Stultz suggested that the Board Members should be better informed on what is contained in an RFP as it progresses through the process. She also stated that she would like to get the final ranking information with the board package, not as supplemental items at the meetings. Mr. Auger stated that in the future staff would provide the Board Members with ongoing information throughout the process, including drafts of the RFPs and particulars on the scope of service of how they will be scored. Mr. Oellerich echoed Chairman Stultz's desire to be better informed on RFPs before making decisions at board meetings.

Motion passed unanimously.

Chairman Stultz recognized Vicki Robinson to address the Board regarding PSS Item F.

Item F, Farmworker/Commercial Fishing Worker Housing. Ms. Robinson stated that an RFP to solicit proposals for the development and/or rehabilitation of farmworker/commercial fishing workers housing was issued on February 13, 2007, making up to \$4.5 million available, and one response requesting \$1,680,000 to construct 24 rental apartments targeted to migrant and seasonal farmworkers in Hendry County was received. She asked the Board to approve the review committee's recommendation to authorize funding \$1,680,000 to the applicant.

Motion to approve staff's recommendation was made by Mr. Oellerich with a second by Mr. Scharaga. Motion passed unanimously.

SINGLE FAMILY BONDS

Chairman Stultz recognized Barb Goltz to address the Board regarding Single Family Bond fiscal matters.

Item A, Single Family Bonds. Ms. Goltz stated that in June Florida Housing sold \$175 of 2007 bonds, and closed those bonds in July, and predicted that those funds will be fully originated or reserved toward the end of August. She asked the Board to approve up to \$250 million in Single Family Bonds to fund mortgages from what will be designated as 2007 Phase 4 Bonds; and if savings can be achieved, to refund the outstanding 1996 Series 1 & 2, 1996 Series 3, 1997 Series 1 through 3 and 1998 Series 1 through 4 bonds. She asked the Board to approve the necessary funding, including reimbursable amounts, to provide program funding between bond issues, staff actions and the resolution to permit the issuance of the proposed 2007 Phase 4 Homeowner Mortgage Revenue Bonds.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Ms. Terry.

Chairman Stultz congratulated staff on a fourth \$250 million issue in 2007. Mr. Auger stated that the credit goes to the finance staff for structuring the deals and the single family staff for promoting the programs. Ms. Ruiz commented that staff came to the Miami-Dade area for a teachers' fair and did a great job. Ms. Stultz said she participated in the Homebuyer Expo in

Orlando and appreciated all the hard work staff does to organize, promote and execute such events.

Motion passed unanimously.

SPECIAL PROGRAMS

Chairman Stultz recognized Nancy Muller to address the Board on Special Program matters.

Item A, Request Approval of Modification of Development Requirements for General Design Features and Supportive Services for Wesley Haven Villa. Ms. Muller stated that in 2002 Florida Housing provided Demonstration funding for affordable assisted living projects through an RFP, and Wesley Haven Villa received a \$3 million loan as part of the demonstration. She stated that construction was completed on the project in August 2005. She stated that in early 2007 the developer informed Florida Housing staff that the property was constructed without roll-in showers in the units as was required in the request for proposals, and in April 2007 the developer submitted a plan to modify five of the bathrooms with roll-in showers and 50 units with tub cut outs except in cases in which a roll-in shower would be required based on the need of the residence or the request by the resident, at no cost to the resident.

Ms. Muller stated that staff believes the original requirement to equip every unit in the development with a roll-in shower was probably more stringent than necessary in light of the fact that as part of the ALF licensing requirements, the developer had to commit to 24-hour residence assistance as an ALF. She stated that staff developed a set of stipulations to insure that not only are the changes made, but also responsive to the needs of the residents. She stated that the developer is rectifying other issues such as installation of peepholes in all unit exterior doors and installation of toggle switches for lights and fans. She stated that the developer asked that a service they originally committed to, weekly visits by ARNPs and physician assistants, be modified under an extended physician program. She stated that they've found that residents felt they were being bothered too often and asked to modify the service to reduce the frequency of the visits from weekly to monthly or on an as-needed basis. She stated that in the developer's original proposal, they committed to elderly day care for persons with early stage Alzheimer's and related cognitive disorders. She stated that the developer wanted to make sure the Board understood that they had not committed to some special outside day care program for elders, and instead, what they committed to were ongoing services to the residents with Alzheimer's and cognitive disorders. She stated staff agrees that what the developer believes they committed to is what staff originally thought they were committing to. She asked the Board to approve the developer's request to modify the requirements of the RFP response for Wesley Haven Villa to allow for "tub cut-outs" for 50 units and roll-in showers for five units; and to change the frequency of the regularly scheduled visits by ARNPS and physician assistants.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Ms. Terry.

Ms. Terry asked how anyone could build something for over 55 and not do these things. Ms. Muller stated that assisted living facility licensure requirements in the State of Florida do not require the level of features Florida Housing required in the RFP for ALFs. Ms. Terry asked if Florida Housing can make its own stipulation. Mr. Auger stated on the rental side, elderly developments have a series of code-plus requirements that are threshold, and in the new construction production program staff has been engaged with developers about how more universal design features can be implemented. He stated that Bill Aldinger was brought on as Supportive Housing Coordinator to help staff evaluate whether what we have and what we

require is enough. Chairman Stultz asked if the Universal Application currently requires roll-in showers. Ms. Muller stated that in an ALF situation where there is 24 hour care, somebody is available to assist residents in and out of tubs and showers.

Motion passed unanimously.

STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM (SHIP)

Chairman Stultz recognized Nancy Muller to address the Board regarding SHIP matters.

Item A, Request to Begin Rule Development Process of Chapters 67-37 and 37-53.005, Florida Administrative Code, Governing the State Housing Initiatives Partnership (SHIP) Program. Ms. Muller asked the Board to authorize staff to begin the rulemaking process for the SHIP Program, which is done on a regular, if not annual, basis based on changing needs. She added that there were also rule changes needed as a result of the 2007 regular Legislative Session. She stated that the Affordable Study Commission spent the last year studying the SHIP program on its 15th anniversary, and made recommendations for changes. She stated that the SHIP program would be discussed in-depth at the September Board Meeting, at which time staff will present a timeline to the Board for approval. She asked the Board to authorize staff to begin the rule development process for Rule Chapter 67-37 and Rule Chapter 67-53.005, Florida Administrative Code.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Mr. Pelham.

Mr. Auger mentioned that the SHIP program was designed to be a local government program, and therefore, has not been discussed at length by the Board, so with the Study Commission's evaluation, this is an opportunity for the Board to consider whether there are rule or statutory changes that should be made.

Motion passed unanimously.

UNIVERSAL CYCLE

Chairman Stultz recognized Vicki Robinson to address the Board regarding Universal Cycle matters.

Ms. Robinson asked the Board to authorize staff to begin the rule development process for the Universal Cycle.

Motion to approve staff's recommendation was made by Mr. Scharaga with a second by Ms. Terry. Motion passed unanimously.

CONSENT AGENDA

At the request of Board Member Zully Ruiz, Chairman Stultz pulled Multifamily Bonds Consent Item A for discussion and recognized Wayne Conner to address the Board. He asked the Board to approve the credit underwriting report on Boynton Bay which recommends that \$17,600,000 of tax-exempt bonds be issued and assumption of the existing \$2,655,000 SAIL loan for the purpose of acquiring and rehabbing the development subject to further approval and verification by the credit underwriter, bond counsel, special counsel and Florida Housing staff. He outlined the \$7.2

million of rehab work that will be done in the project. He stated that the write-up for the item showed there were some past due items, but stated that those amounts have been paid. He stated that with Citibank doing the credit enhancement on the project during the construction and permitting phase, from Florida Housing's standpoint, there is no direct financial responsibility or liability on the project. Ms. Cox clarified that Florida Housing has a SAIL loan on this and that it will be extended as another item in the Consent Package, picking up another 23 years of affordability as part of that package.

Motion to approve staff's recommendation was made by Ms. Terry with a second by Mr. Oellerich. Motion passed by a vote of 4 to 1, with Ms. Ruiz casting the dissenting vote.

Chairman Stultz asked for motion to approve the remaining items on the Consent Agenda.

Motion to approve the remaining items on the Consent Agenda was made by Mr. Oellerich with a second by Mr. Scharaga. Motion passed unanimously.

Mr. Auger stated that the Governor's Appointments Office is working on appointments to fill the vacant seats on the Board, and that he appreciated the support of the six current Board Members in the interim.

Ms. Freaney reminded everyone that the September meeting in Tallahassee would be at the Doubletree Hotel, not City Hall.

Hearing no further business, Chairman Stultz adjourned the July 27, 2007, Board of Directors' Meeting at 10:45 a.m.