

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
October 31, 2008
Action Items



ELDERLY HOUSING COMMUNITY LOAN PROGRAM (EHCL)

Action

I. ELDERLY HOUSING COMMUNITY LOAN PROGRAM (EHCL)

A. Request Authority to Begin Rulemaking

1. Background/Present Situation

- a) In order to address changes to Rule Chapter 67-32, Florida Administrative Code, which governs the Elderly Housing Community Loan (EHCL) Program, it is necessary to begin the rulemaking process.
- b) A public meeting will be held in December 2008 to solicit comments concerning Rule Chapters 67-32, F.A.C.
- c) Staff will advertise the rulemaking process as required.

2. Recommendation

Approve staff's request to begin the rule development process by scheduling a rule development workshop.

HOMEOWNERSHIP PROGRAMS

Action

II. HOMEOWNERSHIP PROGRAMS

A. Request Authorization to Commence Rule Amendment Process

1. Background

The Homeownership Pool ("HOP") Program, governed by Rule 67-57, Florida Administrative Code, establishes the procedures by which the Corporation administers the HOP Program which provides purchase assistance to Eligible Homebuyers.

2. Present Situation

Recognizing the need to make some changes to the Program, Staff plans to conduct workshops throughout the state to solicit input from the public.

3. Recommendation

Authorize staff to commence the rule amendment process for the HOP Program.

HOMEOWNERSHIP PROGRAMS

Action

B. Request for Approval to Extend the Loan for GoodHomes / CLTRFP05-04-2

Applicant Name (“Applicant”):	GoodHomes of Manasota, Inc. (Non-Profit)
Developer/Principal (“Developer”):	Laura Carter / Peggy Roberts
Type: Community Land Trust Loan (land acquisition)	Allocated Amount: \$290,000 / 6 lots
Location:	Sarasota County, Florida

1. Background

- a) On March 3, 2006, the Board approved the final rankings for the 2005 Community Land Trust Request for Proposals (“CLTRFP-05”) and Florida Housing issued the Applicant an invitation into credit underwriting on March 13, 2006.
- b) The final credit underwriting report, dated August 24, 2006, was approved at the September 8, 2006 Board Meeting, which specified that construction must commence within 12 months following the purchase of the land.
- c) The Developer closed on a loan with a term of two years for the purchase of 6 lots for \$290,000 on October 31, 2006.
- d) On October 26, 2007, the Board granted an extension until October 31, 2008 for the commencement of construction.
- e) On August 4, 2008, the Developer advised they were unable to continue with the project and requested resolution of the \$290,000 in CLT funds provided for the purchase of the 6 lots.
- f) At the September 26, 2008 meeting, the Board approved the request to de-obligate the remaining \$210,000 in CLT funds and directed program staff to negotiate a “work-out” strategy for the \$290,000 in CLT funds received.

2. Present Situation

- a) Sarasota County has been hit particularly hard with the current foreclosure crisis. Through the Neighborhood Stabilization Program, Sarasota County will receive \$7.14 million for emergency assistance with redeveloping abandoned and foreclosed homes. These funds were given to states and units of general local government with the greatest need based on number and percentage of home foreclosures, the number and percentage of homes financed by a subprime mortgage, and the number and percentage of homes in default or delinquency. Sarasota has an estimated 7,057 homes in foreclosure or 8.3% of all mortgages originated in that county. This tops the State of Florida’s foreclosure rate of 6.4% of all mortgages.
- b) This high number of foreclosed homes has put downward pressure on the value of all real estate in Sarasota County, including new home sales and vacant land.

HOMEOWNERSHIP PROGRAMS

Action

- c) According to the Developer, the current market in Sarasota will not support the development of homes at the prices they were able to provide. In 2006, the homes were underwritten with a total project cost of \$230,000. In today's market, new homes, without Community Land Trust conditions, are being sold in the immediate vicinity of the proposed homes for \$140,000.
- d) On October 16, 2008, the Developer provided a letter requesting an extension of the Loan to pursue a suitable option for the lots. The letter is attached as [Exhibit A](#).

3. **Recommendation**

Staff recommends that the Board grant an extension of the Loan until October 31, 2009.

PROFESSIONAL SERVICES SELECTION (PSS)

Action

III. PROFESSIONAL SERVICES SELECTION (PSS)

A. Request for Proposals (RFP) 2008-05 for Affordable Housing Locator Subscription Services

1. Background

- a) Florida Housing's rental locator has become a valuable, reliable resource in helping households search for affordable Florida Housing funded rental units that meet their needs. It is a proven success. Staff believes that the service provided exceeds our initial expectations, and as a result, it is time to fully implement the original goal of including any affordable rental unit statewide that meets Florida Housing's inclusion standards. A fully inclusive Locator will include Florida Housing funded, public housing and other assisted units, as well as privately funded units that serve households up to 120% AMI.
- b) The optimal benefits and utilization of a fully inclusive locator has been demonstrated in the partner counties. We estimate that enabling all landlords to register their affordable rental units will result in approximately 10,000 additional units being added to the daily list of units that are immediately available for rent, more than doubling the number of units now available.
- c) At its May 2, 2008 meeting the Board authorized Florida Housing staff to begin the solicitation process to select one entity to provide expanded affordable housing locator services and authorize the Executive Director to establish a Review Committee.

2. Present Situation

- a) RFP 2008-05 was issued on Friday, August 22, 2008. The deadline for receipt of proposals was 2:00 p.m., Wednesday, September 24, 2008. The RFP is provided as [Exhibit A](#).
- b) Two (2) Responses were received by the deadline from the following:
 - (1) Non-Profit Industries, Inc. d/b/a/ Socialserve.com; and
 - (2) Rentlinx
- c) At the bid opening it was determined that the Rentlinx Response failed to meet threshold because they did not include the required certification statement.
- d) The Review Committee members designated by the Executive Director: Bill Aldinger (Chairperson), Supportive Housing Coordinator; Elaine Roberts, Senior Policy Analyst; Jody Bedgood, Multifamily Loans Manager; Cecka Rose Green, Communications Director; and Linda Arredondo, Chief Technology Officer.

PROFESSIONAL SERVICES SELECTION (PSS)

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- e) Each member of the Review Committee individually reviewed the Socialserve.com proposal prior to convening for the first Review Committee meeting which was held at 2:00 p.m., Wednesday, October 1, 2008. The Review Committee observed a web-based presentation by Socialserve.com at 1:00 p.m., Tuesday, October 14, 2008 and convened for the final Review Committee meeting at 10:00 a.m., Friday, October 17, 2008.
- f) Results of the Review Committee's scoring are provided as [Exhibit B](#).

3. Recommendation

The Review Committee recommends that the Board authorize staff to enter into contract negotiations with Non-Profit Industries, Inc. d/b/a/ Socialserve.com.

PROFESSIONAL SERVICES SELECTION (PSS)

Action

B. Request for Proposals (RFP) 2006-05 for the Community Workforce Housing Innovation Pilot Program

1. Background

- a) House Bill (HB) 1363, passed by the Legislature on May 2, 2006, became law effective on July 1, 2006 (Laws of Florida 2006-69). Section 27 of this Law created the Community Workforce Housing Innovation Pilot Program (CWHIP). CWHIP is a pilot program created to provide affordable rental and homeownership Workforce Housing for Essential Services Personnel and others affected by the high cost of housing, using regulatory incentives and state and local funds to promote local Public Private Partnerships that leverage government and private resources. CWHIP loans may be forgivable and may only be used for new construction or rehabilitation of Workforce Housing.
- b) At its June 9, 2006 meeting, Florida Housing's Board of Directors authorized staff to begin development of the CWHIP RFP to select projects for funding, and to promulgate rules to govern the program.
- c) An RFP process was initiated and RFP 2006-05 was issued on Friday, October 6, 2006, making up to \$50 million available as loans. The deadline for receipt of responses was 2:00 p.m., Friday, December 15, 2006.
- d) Thirty three (33) Responses were received by the deadline. The Response of Creative Choice Homes XXV, Ltd. – was found to be ineligible for funding pursuant to Laws of Florida 2006-69, Section 27, subsection (4); as the Project was already built. Creative Choice filed a bid protest. Following an informal hearing held on March 6, 2007, a Recommended Order was issued confirming Florida Housing review committee's decision. On April 27, 2007, a Final Order adopting the Recommended Order was issued.
- e) Creative Choice filed an appeal with the First District Court of Appeal. On July 17, 2008, the Court reversed Florida Housing's order, and returned the case with directions for Florida Housing to score Creative Choice's response.
- f) The 2006 RFP Review Committee members, designated by the Executive Director, included David Westcott (Chairman), Deputy Development Officer, Steve Auger, Executive Director, Barbara Goltz, Chief Financial Officer, Laura Cox, Director of Asset Management and the Guarantee Program, Wayne Conner, Deputy Development Officer, and Robert Dearduff, Special Programs Administrator and Local Government Liaison.

PROFESSIONAL SERVICES SELECTION (PSS)

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- g) Each member of the Review Committee individually reviewed the Creative Choice Response prior to convening for the Review Committee meetings, held at 3:30p.m. on Friday, October 17, 2008. The financial sections of the Response were individually reviewed by Bond Fund Administrator Kenny Derrickson and Comptroller Angie Sellers, who presented their findings to the review committee. The Review Committee found that the Response failed to meet the threshold financial requirements of section F.1., in that the projects sources did not equal uses, and section F.2.a, in that the contributions failed to reach the required 15%. The Review Committee determined that the Response should be rejected due to the two financial threshold failures.

2. Recommendation

The Review Committee recommends that the Board adopt the Review Committee's decision to reject the Creative Choice XXV, Ltd., Response to RFP 2006-05.

MULTIFAMILY BONDS

Action Supplement

I. MULTIFAMILY BONDS

A. Request Approval Of The Final Credit Underwriting Report For Fairview Cove II Apartments

DEVELOPMENT NAME (“Development”):	Fairview Cove II Apartments
DEVELOPER/PRINCIPAL (“Applicant”):	Fairview Cove II Ltd./Fairview Cove II Managers, LLC/Alan H. Ginsburg Tenth Amended and Restated Revocable Trust UA dated March 3, 2008/ Alan H. Ginsburg
NUMBER OF UNITS:	65
LOCATION (“County”):	Hillsborough
TYPE (Rental, Homeownership):	Rental/Family (MMRB & HC)
SET ASIDE:	70% @ 60% (MMRB) 100% @ 60% (HC)
ALLOCATED AMOUNT:	\$6,400,000 of Tax-Exempt Bonds

1. Background

Applicant submitted applications (“Application”) on behalf of the proposed Development during the 2007 Supplemental MMRB Cycle. Applicant applied for Tax-Exempt Bonds in the total amount of \$7,100,000 in order to construct the Development.

2. Present Situation

- a) While the current Program Rule does not prohibit changes or modifications of the proposed Development during credit underwriting, the Board has directed staff to notify it of any such changes.
- b) The Applicant requested it be allowed to combine Phase II (30 units for family under Application 2007A-221B) and Phase III (35 units for elderly under Application 2007A-222B) into one phase to be known hereafter as Fairview Cove II Apartments and that the elderly demographic commitment be deleted and the combined 65 units maintain a family demographic commitment. As a result of the combination of the two phases, the number of residential buildings has changed from one building in each phase to two buildings in Phase II, however 6 units in one building will be transferred to Phase I. The applicant also requested a change in the unit mix in one bedroom, two bedroom, three bedroom and four bedroom units from the original Application as outlined in the Credit Underwriting Report.
- c) Total development costs listed in the Application have decreased from \$14,465,952 to \$11,657,477. The decrease is the result of lower construction and financial costs.
- d) The Application listed Regions Bank (“Regions”) as the private placement/bond purchaser. The Developer has since replaced Regions with Bank of America, NA (“BOA”) as the private placement/bond purchaser. The amount of tax-exempt bonds was reduced from \$7,100,000 to \$6,400,000 which will be paid down to \$4,165,000 for the permanent financing of the Development.

MULTIFAMILY BONDS

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- e) The architectural plans and specifications have changed. The Developer requested it be allowed to substitute in each unit the electric hot water heater with energy factor of .93 or better (1 point) with a gas water heater with energy factor of .61 or better (1 point).
- f) The credit underwriter has determined that these changes have no material impact on their loan recommendation for this development.
- g) A Final Credit Underwriting Report dated October 29, 2008 is attached as [Exhibit A](#).

3. Recommendation

That the Board approves the recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report dated October 29, 2008, recommending that \$6,400,000 in tax-exempt bonds be issued, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.

MULTIFAMILY BONDS

Action Supplement

I. MULTIFAMILY BONDS

A. Request Denial Of The Final Credit Underwriting Report For Pine Grove Apartments

DEVELOPMENT NAME (“Development”):	Pine Grove Apartments
DEVELOPER/PRINCIPAL (“Applicant”):	Powers Avenue Apartments, Ltd./Powers Avenue Apartments GP, LLC/The Richman Group Development Corporation/The Richman Group of Florida, Inc./Richard P. Richman, individually
NUMBER OF UNITS:	168
LOCATION (“County”):	Duval
TYPE (Rental, Homeownership):	Rental/Family (MMRB, SAIL and HC)
SET ASIDE:	10% @ 30% (ELI, MMRB, SAIL, HC) 50% @ 50% (MMRB, SAIL, HC) 25% @ 60% (MMRB) 40% @ 60% (SAIL, HC)
ALLOCATED AMOUNT:	\$11,000,000 of Tax-Exempt Bonds and \$ 5,000,000 SAIL \$ 1,445,000 ELI
ADDITIONAL COMMENTS:	

1. Background

Applicant submitted an application (“Application”) on behalf of the proposed Development during the 2007 Universal Cycle. Applicant applied for tax-exempt bonds in the amount of \$11,000,000, SAIL funds in the amount of \$5,000,000 and ELI funds in the amount of \$1,445,000 in order to construct the Development.

2. Present Situation

- a) While the current Program Rule does not prohibit changes or modifications of the proposed Development during credit underwriting, the Board has directed staff to advise it of any such changes.
- b) At the time of Application, the Applicant provided a commitment from CitiBank, NA Miami, Florida for the purchase of the bonds. However, the bonds will be purchased by Bank of America, Hartford, Connecticut. The credit underwriter indicated this change has no material impact on its recommendation.
- c) At the time of Application, the Applicant indicated the Management Company would be WRMC, Inc. On December 28, 2007, the name of the WRMC, Inc. was changed to Richman Property Services, Inc. The credit underwriter indicated this is the only change made to the company and it should have no material impact on the Development.

MULTIFAMILY BONDS

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- d) Although our credit underwriter has recommended approval of the Final Credit Underwriting Report dated October 28, 2008, attached as [Exhibit B](#), the report also notes that the development of Pine Grove is likely to have a cannibalizing effect on other transactions in the area. This concern has been confirmed by the data that Florida Housing staff has reviewed and previously provided to the Board.
- e) Staff does not recommend approval due to the likelihood that this development will have a negative economical and financial impact to previously funded developments within close proximity, at least one of which is a Guarantee Program development.
- f) Furthermore, staff recommends that the Board consider using the \$5 million appropriated by the Legislature in 2008 as well as additional state funding to employ a strategy to “buy down” vacant units targeted to persons earning 60% AMI in various markets throughout Florida that have high vacancy rates so that those units will be restricted to persons earning lower incomes.
- g) Attached as Exhibits [C](#) and [D](#) are correspondences from Richman Group regarding Pine Grove and why it should be approved. Also attached as Exhibit [E](#) is a letter of support for Pine Grove from Wight Greger of the Jacksonville Housing and Neighborhood Department. Of note, however, is that while Ms. Greger has written this letter of support for Pine Grove, her department is currently utilizing local housing funds for two years as tenant based rental assistance instead of as funding to provide newly constructed units in Jacksonville. The strategy of providing rental assistance instead of producing new units seems to recognize that there are vacant units that should be absorbed and is similar to Florida Housing’s recommendation to employ a “buy down” strategy.

3. **Recommendation**

That the Board denies approval of the Final Credit Underwriting Report dated October 28, 2008 recommending that \$11,000,000 in bonds, \$5,000,000 in SAIL funds, and \$1,445,000 in ELI funds be issued for the purpose of constructing the Development.

MULTIFAMILY BONDS

Action Supplement

I. MULTIFAMILY BONDS

A. Assignment Of Bond Underwriters And Structuring Agents

1. Background

- a) Pursuant to staff's request for approval to issue bonds to finance the construction of the proposed Developments referenced below, Final Credit Underwriting Reports are being presented to the Board for approval simultaneously with these requests to assign the appropriate professionals to these transactions. Brief descriptions of the Developments are detailed below along with the Staff's recommendations for the assignments.
- b) Additionally, the Corporation's Senior Financial Advisor has prepared method of bond sale letters. Staff has reviewed the method of sale letters and Board approval is requested at the current meeting.

2. Present Situation

- a) The Credit Underwriter, the Senior Financial Advisor and Florida Housing staff have reviewed the financing structure for the proposed Developments.
- b) The Senior Financial Advisor's recommendations for the method of bond sale are being presented to the Board at the current meeting during the Multifamily Mortgage Revenue Bond Program Update of items on the agenda.

3. Recommendation

That the Board approves the assignment of the recommended professionals as shown in the chart for the proposed Developments.

Development Name	Location of Development	Number of Units	Method of Bond Sale	Recommended Professional
Fairview Cove – Phase II	Hillsborough	65	Negotiated Private Placement	Stern Brothers & Company

MULTIFAMILY BONDS

Action Supplement

B. Request Approval Of The Method Of Bond Sale Recommendations From Florida Housing's Senior Financial Advisor

1. Background/Present Situation

- a) The Credit Underwriter has provided Final Credit Underwriting Reports for the proposed Developments below. Florida Housing seeks Board approval pursuant to the recommendation of the Credit Underwriter and the appropriate Florida Housing staff.
- b) Pursuant to Rule 67-21.0045, F.A.C., staff has requested a review of the proposed bond structure by the Senior Financial Advisor in order to make recommendations to the Board for the method of bond sale.
- c) TIBOR PARTNERS, Inc. has prepared an analysis and recommendation for the method of bond sale for each Development. The recommendation letters are attached as [Exhibit F](#).

Development Name	Location of Development	Number of Units	Method of Bond Sale
Fairview Cove – Phase II	Hillsborough	65	Negotiated Private Placement

2. Recommendation

That the Board approves the recommendation of the Senior Financial Advisor for the method of bond sale for the above Developments.

SINGLE FAMILY BONDS

Action Supplement

I. SINGLE FAMILY BONDS

A. Single Family Homeowner Program

1. Background

- a) Through its First Time Homebuyer (“FTHB”) Program, Florida Housing makes 30-year fixed-rate mortgages and down payment assistance available to homebuyers throughout Florida by use of a network of participating lenders. Florida Housing has been able to keep funds continuously available to our lenders and homebuyers since 2002.
- b) On August 8, 2008 the Board authorized and approved the issuance in aggregate of up to \$250 million of bonds (2008 Phase Two Bonds) and to advance up to \$50 million of Florida Housing’s monies to provide interim financing between bond issues.
- c) On September 30, 2008 Florida Housing closed the first tranche (2008 Series 3) of the 2008 Phase Two Bonds in an amount of \$100 million.
- d) US Bank, Florida Housing’s Master Servicer for the 2008 Series 3 bonds and other prior issues, was selected via an RFP process in 2002.
- e) 420.508,1(a) grants Florida Housing the right to purchase mortgage loans from lending institutions. 420.508,1(d) permits Florida Housing to sell, at public or private sale, with or without public biddings, any mortgage or other obligations.

2. Present Situation

- a) Due to the recent market turmoil, investors have not demonstrated a strong or consistent appetite for housing bonds in the past month and it is expected that there will be periods of market turmoil in the future.
- b) Florida Housing only has \$7 million of bond funds remaining from the 2008 Series 3 bond issue available for reservations as of October 28, 2009. FTHB Program reservations averaged \$10.3 million per week at a 30 year fixed lending rate of 6.65%. The current lending rate is 7.15% and reservations for the week ending October 24, 2008 were \$5.3 million.
- c) Florida Housing is scheduled to price the second tranche of bonds (2008 Series 4) the week of November 10, 2008. If the pricing does not attract enough interest from investors to make the sale cost effective, or if the mortgage rate generated from this sale is higher than a rate deemed either competitive with market or acceptable to program borrowers, Florida Housing will withdraw the deal and the bonds will not be offered.
- d) If Florida Housing determines not to sell bonds now or in the future, Florida Housing must seek an alternative mechanism in order to keep funds available for our lenders and homebuyers through the FTHB Program. One option is to sell whole loans to Fannie Mae through the Fannie Mae Cash Window (“Cash Window”).

SINGLE FAMILY BONDS

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- e) US Bank has the capability as a seller/servicer to sell loans directly to Fannie Mae through the Cash Window. Utilizing US Bank as seller/servicer through the Cash Window will provide Florida Housing with an option to either sell loans through the Cash Window or as is already authorized, pool loans into mortgage backed securities (MBS).
- f) Florida Housing will assess the prices quoted by Fannie Mae for the direct sale of the loans. If the price is determined to be too costly, Florida Housing will require US Bank to bundle the loans into MBS. Florida Housing would then buy the MBS with Florida Housing monies (up to \$50 million). Once the market has settled and Florida Housing can sell bonds again, the MBS would become part of the bond issue and the Florida Housing monies would be reimbursed from bond proceeds.
- g) Florida Housing does not retain any interest in the loans sold through the Cash Window.
- h) [Exhibit A](#): Cash Window Process
- i) [Exhibit B](#): Cash Window FHA/VA Example
- j) [Exhibit C](#): Resolution

3. Recommendation

Staff recommends the Board allow the Master Servicer, on behalf of Florida Housing, to sell loans directly to Fannie Mae on an as needed basis so that Florida Housing can continue its First Time Homebuyer Program.