I. **LEGAL**

A. **Request Authorization to Begin Rulemaking for Transfers of General Partnership Interest to Non-Profits**

1. **Background**
   a) Senate Bill 360 (SB 360), titled the “Community Renewal Act,” was approved by the Legislature on the last day of the Session, May 1, 2009. SB 360 was approved by the Governor and became law on June 1, 2009. SB 360 amends 196.1978, Fla. Stat., to extend the affordable housing property ad valorem tax exemption to property that is held for the purpose of providing affordable housing to persons and families meeting the income restrictions in 159.603(7), Fla. Stat., and 420.0004, Fla. Stat. The property must be owned by a Florida-based limited partnership, the sole general partner of which is a not-for-profit corporation, or be owned by a nonprofit entity that is a not-for-profit corporation. The not-for-profit corporation must qualify as charitable under section 501(c)(3) of the Internal Revenue Code and in compliance with Rev. Proc. 96-32, 1996-1 C.B. 717.4. The bill provides that any property owned by a limited partnership which is disregarded as an entity for federal income tax purposes will be treated as if owned by its sole general partner.

   b) SB 360 incorporated the language from Senate Bill 1042 (SB 1042) relating to affordable housing by Sen. Bennett. The Bill Analysis and Fiscal Impact statement from SB 1042 relating to ad valorem tax exemptions for exempt charitable organizations taking affirmative steps to provide affordable housing, estimated a negative impact to local governments of $200,000 each year over the next five years. The staff analysis appears to have been based on then-existing nonprofit projects, and did not contemplate large numbers of conversions from for profit to nonprofits General Partners.

   c) The statutory changes made in 2009 offer substantial financial benefits to affordable housing developments that qualify for full or partial ad valorem tax exemption under 2009 amendments to section 196.1978, Fla. Stat.

   d) Shortly after its enactment, SB 360 was challenged as constitutional in the courts by several local governments. The affordable housing provisions contained in the 2009 SB 360 were reenacted by the Legislature in SB 176 in the 2011 Session.

2. **Present Situation**
   a) To date, staff has received more than 60 requests for transfers of general partnership interests to non-profits. Florida Housing’s rules governing loan and land use restriction agreements provide the overall framework for reviewing these requests. With the exception of Low Income Housing Tax Credits that have already received a Final Housing Credit Allocation (IRS Forms 8609), any material changes in the ownership structure of a borrower require prior approval of the Florida Housing Board of Directors, after considering the facts and circumstances of each request and associated credit underwriting reports.

   b) Florida Housing presently does not have rules in place to specifically address the process for evaluating such transfers.
3. **Recommendation**

Authorize staff to begin the process to promulgate rules governing the transfer of for profit General Partner interests to nonprofit General Partners.
II. MULTIFAMILY BONDS

A. Request Approval of the Recommendation of the Final Credit Underwriting Report for The Preserve at Boynton Beach

<table>
<thead>
<tr>
<th>Development Name: The Preserve at Boynton Beach (“Development”)</th>
<th>Location: Palm Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer/Principal: Boynton Village Associates, Ltd./Cornerstone Boynton Village, LLC/CSG Development Services, LLC/Stuart Meyers, individually/Jorge Lopez, individually/Awilda Lopez, individually/Mara S. Mades, individually/Leon Wolfe, individually (“Developer”, “Principal”, or “Owner”)</td>
<td>Set-Aside: 80% @ 60% AMI (Multifamily Mortgage Revenue Bond Program (“MMRB”))</td>
</tr>
<tr>
<td></td>
<td>93.5% @ 60% AMI (HC)</td>
</tr>
<tr>
<td></td>
<td>93.5% @ 60% AMI</td>
</tr>
<tr>
<td></td>
<td>6.5% @ 140% AMI (SAIL)</td>
</tr>
<tr>
<td></td>
<td>93.5% @ 60% AMI</td>
</tr>
<tr>
<td></td>
<td>6.5% @ 140% AMI (CWHIP)</td>
</tr>
<tr>
<td>Funding Sources: MMRB/ Low Income Housing Tax Credits (“HC”)</td>
<td>Amounts: $11,700,000 Tax-Exempt Bonds</td>
</tr>
<tr>
<td>Number of Units: 122</td>
<td>Type: Rental</td>
</tr>
<tr>
<td>ADDITIONAL COMMENTS: New Construction</td>
<td></td>
</tr>
</tbody>
</table>

1. Background

Applicant submitted an Application (“Application”) on behalf of the proposed Development during the 2009 MMRB Supplemental Cycle. Applicant applied for tax-exempt bonds in the amount of $6,000,000 in order to acquire and construct the Development. Subsequently, the Applicant requested an increase in the tax-exempt bonds to $11,700,000.

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) Funding source changes include:

   (1) The Application included a Prudential Mortgage Capital Company firm commitment for FHA/GNMA Credit Enhancement Facility in the amount of $6,000,000 with $5,700,000 in the form of NIBP/MMRB and $300,000 in the form of Supplemental Bonds. JPMorgan Chase Bank will now provide a Direct-Pay Letter of Credit for construction period credit enhancement in the amount of $11,700,000 and Oak Grove Capital is anticipated to provide a Fannie Mae funded forward commitment for permanent non-recourse financing in the amount of $11,700,000.

   (2) The Application did not include any other mortgages; however, the Applicant negotiated an assumption, modification and extension with Florida Housing of a matured CWHIP Loan in the amount of $5,000,000. The undisbursed portion of the CWHIP loan will be modified and assumed as a SAIL Loan. The SAIL is anticipated to be in the amount of $1,974,964 with a 30 year term and annual payments.
MULTIFAMILY BONDS

Action

of interest only based on available cash flow and all principal and any accrued but unpaid interest due at maturity. The Applicant also negotiated with Florida Housing for an assumption and extension of the disbursed portion of the CWHIP loan in the amount of $2,625,035. These negotiated terms were approved at the September 1, 2011 Board meeting.

(3) The Application reflected that the HC equity provider would be PNC Bank, National Association, who would provide equity, in the amount of $2,581,000; however, Hudson Housing Capital is now anticipated to provide the HC equity in the amount of $5,615,332.

(4) The site plans and specifications do not include certain features and amenities that were committed to in the Application. However, the Credit Underwriter’s recommendation is conditioned upon receipt and satisfactory review, prior to loan closing that all committed features and amenities are included.

(5) The Applicant has increased the number of proposed units from 64 units in five residential buildings to 114 units in nine residential buildings. In addition, as part of the CWHIP negotiations, the Applicant is adding eight (8) units already constructed. As a result, Total Development costs have increased from $9,237,059 in the application to $24,554,778., which can be directly attributed to the increase in the number of units. The Construction Contract increased from $6,192,420 to $12,771,000; Non-Land Acquisition Costs increased in the amount of $640,000 for purchase of eight (8) units already constructed; Hard Cost Contingencies increased in the amount of $638,550; General Development Costs increased from $786,356 to $1,188,803; Financial Costs increased from $598,000 to $4,340,210; Land Acquisition Costs increased from $448,000 to $2,000,000 and as a result Developer Fee from $1,212,283 to $2,976,215.

(6) The Application was for 64 units with 85% set aside at 60% of AMI or less for MMRB and 100% set aside at 60% or less for HC. Applicant subsequently requested to add an additional 50 units and retained the same set asides as in the application. As part of the CWHIP negotiations, the Applicant then added an additional 8 existing units set aside at 140% AMI which reduced the original set asides for MMRB to 80% (97 units) at 60% of AMI and for HC to 93.5% (114 units).

c) Other changes:

(1) The General Partner of the Borrower, Boynton Village, L.L.C. ("BVLLC") has been replaced by Cornerstone Boynton Village, L.L.C. ("CBV"). The owners and principals of CBV are the same as the owners and principals of BVLLC.

(2) Ownership interests for Applicant have been revised subsequent to submission of the Application. The ownership interest of Jorge and Awilda Lopez, tenants by entireties, increased 7.5% to 52.5% and the ownership interest of M3 Assets, L.L.C., a business interest of Leon J. Wolfe, decreased 7.5% to 10.0%. The remaining ownership interests are unchanged.
MULTIFAMILY BONDS

Action

(3) The Application reflected that the Development would consist of 5 residential buildings containing 64 units but will now consist of 9 residential buildings containing 122 units. The unit mix changes comprise of:

(a) 10 two-bedroom/two-bathroom units to 18 two-bedroom/two-bathroom units
(b) 10 three-bedroom/two-bathroom units to 18 three-bedroom/two-bathroom units
(c) 44 three-bedroom/three-bathroom units to 78 three-bedroom/three-bathroom units
(d) The additional eight (8) completed CWHIP units will be leased to residents earning 140% or less of AMI and will not be subject to the MMRB or HC set aside commitments

(4) The Application indicated that JMWA Architects would be the architect for the development. The Construction Contract reflects AW Architects will be the Architect. The Credit Underwriter has received an assignment of the contract from JMWA Architects to AW Architects.

(5) The Application reflected Cornerstone Group Construction, Inc. as the general contractor. The general contractor to be used during construction of the subject development is now CSG Construction, L.L.C.

d) The requested changes have no detrimental impact to the successful construction, lease-up or operation of the development.

e) A Final Credit Underwriting Report dated September 29, 2011 is attached as Exhibit A.

3. Recommendation

That the Board approve the recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report dated September 29, 2011, recommending that $11,700,000 in tax exempt bonds be issued for the acquisition and rehabilitation of the Development, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.
B. Request Approval of the Recommendation of the Final Credit Underwriting Report for Villa Capri

<table>
<thead>
<tr>
<th>Development Name: Villa Capri (“Development”)</th>
<th>Location: Miami-Dade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer/Principal: Villa Capri Associates, Ltd./Cornerstone Villa Capri, LLC/CSG Development Services II, LLC/Stuart Meyers, individually/Jorge Lopez, individually/Awilda Lopez, individually/Mara S. Mades, individually/Leon Wolfe, individually (“Developer”, “Principal”, or “Owner”)</td>
<td>Set-Aside: 85% @ 60% AMI (Multifamily Mortgage Revenue Bond Program (“MMRB”)) 100% @ 60% AMI (Low Income Housing Tax Credits (“HC”)) 80% @ 60% AMI 20% @ 50% AMI (HOME)</td>
</tr>
<tr>
<td>Funding Sources: MMRB/HC</td>
<td>Amounts: $15,700,000 Tax-Exempt Bonds</td>
</tr>
<tr>
<td>Number of Units: 220</td>
<td>Type: Rental</td>
</tr>
</tbody>
</table>

ADDITIONAL COMMENTS: New Construction

1. Background

Applicant submitted an Application (“Application”) on behalf of the proposed Development during the 2009 MMRB Supplemental Cycle. Applicant applied for tax-exempt bonds in the amount of $15,700,000 in order to acquire and construct the Development. The Applicant also submitted a response to RFP 2009-06 (“RFP”), and was awarded funding for a HOME loan in the amount of $2,500,000.

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) Funding source changes include:

(1) In the Application, Stratford was designated as the original HC Syndicator of $6,950,000 in allocation. In the Applicant’s RFP 2009-06 HOME Response, Raymond James Tax Credit Funds, Inc., was reflected as HC Syndicator for $7,626,000 in allocation. Stratford, however, will now provide $9,889,000 in HC allocation.

(2) Oak Grove Capital will provide Fannie Mae Credit Enhancement in the amount of $6,800,000 and JPChase will issue a Letter of Credit in the amount of $15,700,000 to support the NIBP Bonds plus $8,900,000 of Market-Rate Tax-Exempt Bonds. This financing replaces a $17,000,000 CW Capital, L.L.C., Credit Enhancement reflected in Applicant’s RFP 2009-06 HOME Response and a $16,500,000 Prudential Mortgage Capital Company FHA 221(d)(4) Credit Enhancement reflected in Applicant’s Application.
MULTIFAMILY BONDS

Action

(3) Villa Capri has been approved for a Neighborhood Stabilization Program (“NSP”) 2 loan of $3,750,000 from the Miami-Dade NSP Consortium. Applicant states the NSP2 loan will reflect interest at 0.00% during the first 17 years and 1.00% thereafter, with accrued interest and principal due at a 32-year maturity.

(4) Villa Capri has been approved for $2,000,000 in grant funding from Miami-Dade County’s General Obligation Building Better Communities (“BBC”) Series 2011A Tax-Exempt Bonds in the amount of $200 million. Applicant states this is a new program and exact terms are unknown; however, the funding will be either in the form of a forgivable loan or an outright grant.

(5) Villa Capri has been approved for a Federal Home Loan Bank of Atlanta (“FHLB”) Subsidy of $1,000,000 funded through RBC Centura Bank (“RBC”). Applicant will sign a Promissory Note and Mortgage at 0.00% interest for 60 years with the option to have the principal forgiven upon expiration of a successful 15 year Affordable Housing Program (“AHP”) Retention Period.

(6) The Applicant has applied for a partial rebate of Miami-Dade County Impact Fees in the amount of $177,694. The Applicant states the rebate will be made upon successful completion of the Development.

c) Development Cost changes include:

The Total Development Costs have risen from $29,910,738 to $31,295,736. The increase is primarily attributable to an increase in construction costs, including construction loan interest; hard and soft cost contingencies; impact fees and required operating deficit reserves. However, these cost increases are partially offset by a reduction of $1,390,000 in Land Acquisition Cost (from $5,390,000 to $4,000,000) and the elimination of Bridge Loan Interest and Bridge Loan Origination Fee.

d) Other Changes from the Application:

(1) The ownership interest for Applicant has changed since submission of the Application. Villa Capri Apartments, LLC, a minority general partner, now has an ownership interest of 0.003%. This change reduces Cornerstone Villa Capri, LLC’s (“CVC”), the majority general partner, ownership interest from .01% to .007%.

(2) CVC’s ownership structure has also changed: the ownership interest of Jorge and Awilda Lopez, tenants by entireties, has increased by 7.5% to 52.5% and the ownership interest of M3 Assets, L.L.C. has decreasing by 7.5% to 10.0%. The remaining ownership interests are unchanged.
MULTIFAMILY BONDS

Action

(3) The Developer Entity has changed from CSG Development Services, L.L.C., to CSG Development Services II, L.L.C. (“CSG”). Ownership interests for CSG are the Stuart I. Meyers Family Limited Partnership (20%), Jorge and Awilda Lopez, tenants by entireties (52.5%), M3 Assets, L.L.C. (10.0%), and the M.S. Mades Family Limited Partnership (17.5%).

(4) The General Contractor has changed from Cornerstone Group Construction, Inc., to CSG Construction, L.L.C. Both are related entities.

e) The above changes have no material impact on Seltzer’s MMRB, RFP 2009-06 and HC recommendations.

f) A Final Credit Underwriting Report dated September 29, 2011 is attached as Exhibit B.

3. Recommendation

That the Board approve the recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report dated September 29, 2011, recommending that $15,700,000 in tax exempt bonds and $2,500,000 in HOME funds be issued for the acquisition and construction of the Development, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.
MULTIFAMILY BONDS

Action

C. Request Approval of the Recommendation of the Supplemental Letter to the Final Credit Underwriting Report for Captiva Cove Apartments

<table>
<thead>
<tr>
<th>Development Name: Captiva Cove Apartments (“Development”)</th>
<th>Location: Broward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer/Principal: Captiva Cove Associates, Ltd./Cornerstone Captiva Cove, LLC/CSG Development Services II, LLC/Jorge Lopez, individually/Stuart I. Meyers, individually/Leon J. Wolfe, individually/Mara S. Mades, individually (“Developer”, “Principal”, or “Owner”)</td>
<td>Set-Aside: 85% @ 60% AMI (Multifamily Mortgage Revenue Bond Program (“MMRB”))</td>
</tr>
<tr>
<td>Funding Sources: MMRB/HOME/Low Income Housing Tax Credits (“HC”)</td>
<td>Amounts: $20,500,000 Tax-Exempt Bonds $5,000,000 HOME Funds</td>
</tr>
<tr>
<td>Number of Units: 264</td>
<td>Type: Rental</td>
</tr>
<tr>
<td>ADDITIONAL COMMENTS: Credit Enhancement Substitution</td>
<td></td>
</tr>
</tbody>
</table>

1. Background

   a) Applicant submitted an Application (“Application”) on behalf of the proposed Development during the 2009 MMRB Supplemental Cycle. Applicant applied for tax-exempt bonds in the amount of $7,600,000 in order to acquire and construct the Development. Subsequently, the Applicant requested an increase in the tax-exempt bond amount to $20,500,000. The Applicant also submitted a response to RFP 2009-06 (“RFP”), and was awarded funding for a HOME loan in the amount of $5,000,000.

   b) At the July, 2011 Board Meeting, the Board approved the recommendation of the Credit Underwriter outlined in the Supplemental Letter to the Final Credit Underwriting Report dated July 7, 2011, recommending that $20,500,000 in tax exempt bonds and $5,000,000 in HOME funds be issued for the acquisition and construction of the Development.

2. Present Situation

   a) Subsequent to the approval of the credit underwriting report, the Applicant requested a substitution in credit enhancement from Freddie Mac to Fannie Mae by providing a term letter from Oak Grove Commercial Mortgage, LLC. The credit enhancement will have a term of 30 years, a 35 year amortization and an interest rate of 4.43% which is lower than the original Freddie Mac rate of 5.09%. In addition, JPMorgan Chase Bank, N.A, issued a new letter of credit term letter in the amount of $20,500,000. Under this structure, JPChase will credit enhance the construction phase bonds instead of purchasing the bonds.

   b) The above changes have no material impact on Seltzer’s recommendations.

   c) A Final Credit Underwriting Report dated September 29, 2011 is attached as Exhibit C.
3. **Recommendation**

That the Board approve the recommendation of the Credit Underwriter outlined in the Supplemental Letter to the Final Credit Underwriting Report dated July 7, 2011, recommending that $20,500,000 in tax exempt bonds and $5,000,000 in HOME funds be issued for the acquisition and construction of the Development, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.
MULTIFAMILY BONDS

Action

D. Request Approval of the Recommendation of the Supplemental Letter to the Final Credit Underwriting Report for Groves of Delray II

<table>
<thead>
<tr>
<th>Development Name: Groves of Delray II (“Development”)</th>
<th>Location: Palm Beach</th>
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<tbody>
<tr>
<td>Developer/Principal: Groves of Delray II/Auburn Development, LLC/Thomas Hinners, individually/Brian Hinners, individually (“Developer”, “Principal”, or “Owner”)</td>
<td>Set-Aside: 85% @ 60% AMI (Multifamily Mortgage Revenue Bond Program (“MMRB”))</td>
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<tr>
<td>Funding Sources: MMRB/ Low Income Housing Tax Credits (“HC”)</td>
<td>Amounts: $9,350,000 Tax-Exempt Bonds</td>
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<tr>
<td>Number of Units: 158</td>
<td>Type: Rental</td>
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<tr>
<td>ADDITIONAL COMMENTS: Acquisition/Rehabilitation</td>
<td></td>
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</table>

1. **Background**
   a) Applicant submitted an Application (“Application”) on behalf of the proposed Development during the 2009 MMRB Supplemental Cycle. Applicant applied for tax-exempt bonds in the amount of $11,408,000 in order to acquire and rehabilitate the Development.

   b) At the July, 2011 Board Meeting, the Board approved recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report dated May 26, 2011, recommending that $9,350,000 in tax exempt bonds be issued for the acquisition and rehabilitation of the Development.

2. **Present Situation**
   a) Subsequent to the approval of the credit underwriting report, the Applicant stated its desire to change the Development’s designation from family to elderly. In addition, Applicant has requested a change in the general contractor from Seacoast Construction, Inc. to CB Constructors, Inc.

   b) These changes have no material impact to the loan recommendation for this development.

   c) A Final Credit Underwriting Report dated September 29, 2011 is attached as Exhibit D.

3. **Recommendation**

   That the Board approve the recommendation of the Credit Underwriter outlined in the Supplemental Letter to the Final Credit Underwriting Report dated May 26, 2011, recommending that $9,350,000 in tax exempt bonds be issued for the acquisition and rehabilitation of the Development, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.
E. Request Approval of the Recommendation of the Supplemental Letter to the Final Credit Underwriting Report for Hilltop Village Apartments

<table>
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<tr>
<th>DEVELOPMENT NAME (“Development”):</th>
<th>Hilltop Village Apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEVELOPER/PRINCIPAL (“Applicant”):</td>
<td>SP Hilltop Village LP/SP Hilltop Village GP, Inc./Southport Financial Services, Inc./J. David Page, individually</td>
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<tr>
<td>NUMBER OF UNITS:</td>
<td>200</td>
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<td>LOCATION (“County”):</td>
<td>Duval</td>
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<td>TYPE (Rental, Homeownership):</td>
<td>Rental/Family (MMRB and HC)</td>
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<tr>
<td>SET ASIDE:</td>
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<td>65% @ 50% (MMRB)</td>
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<tr>
<td></td>
<td>50% @ 50% (SAIL)</td>
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<tr>
<td>ALLOCATED AMOUNT:</td>
<td>$7,300,000 of Tax Exempt Bonds and $1,503,237 SAIL Loan Extension</td>
</tr>
<tr>
<td>ADDITIONAL COMMENTS:</td>
<td>Acquisition/Rehabilitation with Extension of Existing SAIL Loan</td>
</tr>
</tbody>
</table>

1. Background
   a) Applicant submitted an Application (“Application”) on behalf of the proposed Development during the 2011 MMRB Supplemental Cycle. Applicant applied for tax-exempt bonds in the amount of $9,000,000 in order to acquire and rehabilitate the Development. The Applicant also requested to extend the Development’s existing SAIL loan in the amount of $1,503,237.
   b) At the July, 2011 Board Meeting, the Board approved the recommendation of the Credit Underwriter outlined in the Supplemental Letter to the Final Credit Underwriting Report dated July 7, 2011, recommending that $6,190,000 in tax exempt bonds and the extension of the Development’s existing SAIL loan in the amount of $1,503,237 for the acquisition and rehabilitation of the Development.

2. Present Situation
   a) The credit underwriter, First Housing, underwrote the July 7, 2011 report with the SAIL loan co-terminus with the new first mortgage Bond loan. Freddie Mac, the Bond Credit Enhancer, requires that term of any subordinate debt must not mature earlier than six (6) months from maturity date of the first mortgage loan and that cash flow only mortgages are to be paid from 75% of available cash-flow, if available. The Developer has requested to alter the terms of the SAIL loan assumption to include a soft-pay 3% base rate to be paid from 75% of cash-flow, if available for the term of the loan (30.5 years) which is a six months increase from the currently approved term.
MULTIFAMILY BONDS

Action

b) The Development received two local government loans in 1996. The loans are subordinate to the current first mortgage and the existing SAIL loan. The loans are from the City of Jacksonville CDBG ($1,236,000, with $590,000 of principal and the remainder accrued interest) and from the Duval County Housing Finance Authority ($374,000, of which $250,000 is principal with the remainder accrued interest). These loans were not included in the original report as FHDC was not made aware that they existed. The financial advisor to the Jacksonville Housing Finance Authority (JHFA) as recommended that both loans be paid off at Bond closing and that a new JHFA loan in an amount not to exceed the existing outstanding balance of the Duval County Housing Finance Authority loan be executed.

c) First Housing reviewed a request from the Developer on August 30, 2011 to increase the size of the permanent Bonds issued from $6,190,000 to $6,800,000 in order to cover an increase in the hard construction costs, and an additional $500,000 increase in the construction bonds in order to ensure that the 50% test requirements are met to receive an allocation of 4% housing credits. The $500,000 in construction bonds will be paid down at conversion/stabilization with housing credit equity.

d) First Housing also received a revised equity commitment from Raymond James dated September 15, 2011 which reflected an increase from $4,146,023 to $4,763,307 for a total increase of $617,284 and the pricing went from $0.89 to $0.93 per dollar.

e) The above changes have no material impact on FHDC’s recommendations.

f) A Final Credit Underwriting Report dated September 29, 2011 is attached as Exhibit E.

3. Recommendation

That the Board approve the recommendation of the Credit Underwriter outlined in the Supplemental Letter to the Final Credit Underwriting Report dated July 7, 2011, recommending that $7,300,000 in tax exempt bonds and $1,503,237 in SAIL loan extension be issued for the acquisition and rehabilitation of the Development, subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.
III. UNIVERSAL APPLICATION CYCLE

A. Request Approval to Forward Allocate 2013 Low Income Housing Tax Credits to be Awarded via the 2011 Universal Application Cycle

1. Background

   a) The Low Income Housing Tax Credit (LIHTC) program was created by the Tax Reform Act of 1986 and is codified at Section 42 of the Internal Revenue Code, 26 U.S.C. 42. The regulations governing the program can be found at 26 C.F.R. §1.42. The IRS provides additional guidance through revenue rulings, technical advice memorandums, notices, private letter rulings, and other means.

   b) The LIHTC program is designed to expand the supply of affordable housing by offering tax credits to investors and thereby encouraging private investment. Once awarded tax credits, an Applicant sells them to investors, usually through a syndicator. The cash equity provided by the investors is used by the developer to construct or substantially rehabilitate affordable housing.

   c) There are two levels of credit: 9% (also known as “competitive” credits) and 4% (also known as “non-competitive” credits, which are used in conjunction with Multifamily Mortgage Revenue Bonds). The 9% and 4% rates are designed to yield 70% or 30% net present value, respectively. In the case of a 9% credit (i.e., the 70% present value credit), the stream of tax credits over the 10-year credit period has a value today equal to 70% of the eligible development costs. The figures 9% and 4% are only approximate rates. The IRS computes actual rates monthly based on Treasury interest rates. For any given project, the real tax credit rate is set at either the month the project is ready for occupancy or the month a binding commitment is made between an HFA and the Applicant – at the developer’s option. This applicable percentage is applied to the development’s qualified basis to determine the investors’ tax credit.

   d) The Housing and Economic Recovery Act of 2008 (HERA) made changes to the low-income housing credit under §42 of the Internal Revenue Code of 1986, as amended. Section 3002(a)(2) of HERA (Temporary Minimum Credit Rate for Non-Federally Subsidized New Buildings) provides that in the case of any new building which is placed in service by the taxpayer after July 30, 2008 and before December 31, 2013, and which is not federally subsidized for the taxable year, the applicable percentage shall be not less than 9 percent.

2. Present Situation

   a) The 70% present value credit rate peaked during the last 12 months at 7.78% in March and April 2011. Since the peak, it has dropped each passing month and the published rate for October 2011 is 7.48%. Using the current published rate in lieu of the 9.00% rate temporarily provided from HERA, a development would qualify for 16.9% less housing credits which equates to an equal reduction in the amount of housing credit equity provided to the development by the investors.
b) Each state’s housing finance agency is allowed to forward allocate housing credit allocations from future years as provided in its Qualified Action Plan. The 2012 Qualified Allocation Plan (2012 QAP) provides for a method to determine the amount of housing credits to be awarded in the 2011 Universal Application Cycle (2011 UAC), inclusive of forward allocating housing credits from the 2013 Housing Credit Allocation Authority.

c) The 2011 UAC is expected to be the last UAC process to award housing credits that can feasibly take advantage of the temporary 9% present value credit rate offered by HERA. By forward allocating 2013 Housing Credit Allocation Authority in 2012, additional developments can be awarded by the Board through the Final Ranking process of the 2011 UAC.

d) The 2011 state housing credit ceiling (annual per capita allocation) amount for Florida totals $40,422,816.50, utilizing the per capita multiplier of $2.15. Although the population of Florida may be higher in 2012 than 2011 and the per capita multiplier may be higher than $2.15 in 2012, the general expectation of the 2012 state housing credit ceiling should be reasonably close to 2011’s ceiling.

3. **Recommendation**

Authorize staff to increase the Total Housing Credit Allocation Authority for the 2011 UAC to up to $60 million via the forward allocation of housing credits from the 2013 Housing Credit Allocation Authority.