

**FLORIDA HOUSING FINANCE CORPORATION**  
**Board Meeting**  
December 7, 2012  
Action Items



## LEGAL

### *Action*

#### I. LEGAL

##### A. Florida Housing Finance Corporation v. Flagler Square Apartments, Ltd., Flagler Square Developers, LLC, Biscayne River Village Phase I, Ltd., MM Biscayne River Village I, LLC, Biscayne River Village Phase I, Ltd., MM Biscayne River Village I, LLC, Gonzalo DeRamon, and Michael Cox, DOAH Case No. 12-2905, FHFC Case No. 2012-031UC

###### 1. Background

- a) On or about December 6, 2011, Respondents submitted or caused to be submitted Applications numbered 2011-070C, 2011-076C, and 2011-077C, for projects known as Flagler Square Apartments, Biscayne River Village I, and Biscayne River Village II, respectively (“the Applications”). Each Application sought an allocation of federal Low Income Housing Tax Credits (“tax credits”) from the Petitioner, through the 2011 Universal Application Cycle, which is explicated more completely below.
- b) None of the referenced Applications were awarded tax credits in the 2011 Universal Application Cycle.
- c) On June 6, 2012, Florida Housing filed an Administrative Complaint, which it amended twice, alleging in its Second Amended Administrative Complaint, filed on September 5, 2012 that Respondents had, by including the two Downtown Miami Grocery (“DMG”) stores in the referenced Applications in order to gain tie-breaker points for proximity to services, committed fraud or misrepresentation.
- d) During discovery in preparation for a DOAH hearing, documentary evidence and uncontroverted witness testimony established that on December 6, 2011, both of the DMG locations (1) were retail establishments open to the public, with no membership fee; (2) exceeded 4,500 square feet of air conditioned space; (3) having as their major retail function to sell groceries, including foodstuffs, fresh and packaged meats, produce and dairy products, intended for consumption off-premises, and household supplies. Both DMG locations met all parts of the definition of “grocery store,” in Florida Housing’s rule.
- e) To resolve this matter, the Parties have entered into a Consent Agreement, a copy of which is attached as [Exhibit A](#). The Consent Agreement finds that there was no wrongdoing by any Party of any employee of any Party; that each Party will bear its own attorney’s fees and costs; that each Party waives its right to any further action in any forum; and that upon the Board’s acceptance of the Consent Agreement, that this case will be dismissed with prejudice.

###### 2. Present Situation

The Board must consider the consent Agreement.

###### 3. Recommendation

Staff recommends that the Board adopt the findings of fact, conclusions of law, conditions of settlement, and stipulated disposition of the Consent Agreement and issue a Final Order accordingly.

## LEGAL

### Action

**B. St. Martins PL, Ltd. v. Florida Housing Finance Corporation - FHFC Case No.: 2012-034UC; App. No. 2011-069C**

<b>Development Name: (“Development”):</b>	<b>St. Martin’s Place</b>
<b>Developer/Principal: (“Developer”):</b>	<b>St. Martin’s Place Developers, LLC</b>
<b>Number of Units: 94</b>	<b>Location: Miami-Dade</b>
<b>Type: High-Rise</b>	<b>Set Aside: 10% @ 28% AMI 90% @ 60% AMI</b>
<b>Demographics: Homeless</b>	<b>Housing Credits: \$2,561,000 HOME: \$4,700,000</b>

#### 1. Background

- a) St. Martins PL, Ltd. (“Petitioner” or “St. Martins”) applied for funding under Application No. 2011-069C, during the 2011 Universal Application Cycle, seeking an allocation of Low Income Housing Tax Credits. Petitioner was notified by Florida Housing Finance Corporation (“Florida Housing”) of its final ranking on or about June 8, 2012. Petitioner was not funded and another Application, No. 2011-064CH (“Amistad”) was funded instead, as Florida Housing deemed the St. Martins Application ineligible and funded Amistad to meet the requirement to fund a non-profit Community Housing Development Organization (CHDO) Applicant. Florida Housing determined that the St. Martins Application was ineligible as an Affiliate of three other Applicant entities that were at the time the subject of an Administrative Complaint brought by Florida Housing alleging material misrepresentation during the 2011 Universal Cycle, and therefore ineligible as inconsistent with the purposes of the HOME Program, pursuant to Rule 67-48.004(13), Fla. Admin. Code.
- b) St. Martins Place timely filed a Petition for Administrative Hearing under Sections 120.569 and 120.57(2), Florida Statutes, challenging Florida Housing’s final ranking of its 2011 Universal Cycle Application and the decision by Florida Housing to declare its Application ineligible for the reasons state above.

#### 2. Present Situation

- a) A hearing was conducted on September 5, 2012, before Florida Housing’s appointed Hearing Officer, Diane D. Tremor. The parties filed Proposed Recommended Orders. On October 25, 2012, the Hearing Officer issued a Recommended Order, finding that Florida Housing erred in declaring the St. Martins Application ineligible and otherwise in funding Amistad in its place. Accordingly the Hearing Officer recommends that Florida Housing adopt a Final Order funding the St. Martins application from the next available tax credit allocation. A copy of the Recommended Order is attached as [Exhibit B](#).
- b) On October 30, 2012 and pursuant to Rule 67-48.005(6), Fla. Admin. Code St. Martins timely filed Written Argument regarding the Recommended Order, asserting that the Recommended Order inadvertently omitted a recommendation regarding. St. Martins requested HOME Program funding. A copy of this Written Argument is attached hereto as [Exhibit C](#). Florida Housing agrees with this Written Argument.

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#### **3. Recommendation**

Staff recommends that the Board: Adopt the Findings of Fact of the Recommended Order, the Conclusions of Law of the Recommended Order, and St. Martins Written Argument to modify the Hearing Officer's recommendation to include that St. Martins will also receive an allocation of HOME Program funds from its next available allocation, and issue a Final Order accordingly.

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### Action

C. **Evernia Place Partners, LP v. Florida Housing Finance Corporation - FHFC Case No.: 2012-040UC; App. No. 2011-165C**

<b>Development Name: (“Development”):</b>	<b>Evernia Place</b>
<b>Developer/Principal: (“Developer”):</b>	<b>Eastwind Development, LLC HPI Development, LLC</b>
<b>Number of Units: 84</b>	<b>Location: Palm Beach County</b>
<b>Type: High-Rise</b>	<b>Set Aside: 10% @ 28% AMI 90% @ 60% AMI</b>
<b>Demographics: Elderly</b>	<b>Housing Credits: \$2,034,739</b>

1. **Background**

Evernia Place Partners, LP (“Petitioner” or “Evernia Place”) applied for funding under Application No. 2011-165C, during the 2011 Universal Application Cycle, seeking an allocation of Low Income Housing Tax Credits. Petitioner was notified by Florida Housing Finance Corporation (“Florida Housing”) of its final ranking on or about June 8, 2012. Petitioner was not funded and another Application, No. 2011-061C (“Village Square”) was funded instead. There was insufficient housing credit allocation to fund Evernia Place after Village Square was funded. Evernia Place timely filed a Petition for Administrative Hearing under Sections 120.569 and 120.57(2), Florida Statutes, challenging Florida Housing’s final ranking of its 2011 Universal Cycle Application and the scoring of the Village Square Application.

2. **Present Situation**

A hearing was conducted on August 21, 2012, before Florida Housing’s appointed Hearing Officer, Diane D. Tremor. Evernia Place requested, and was granted permission, to amend its Petition at the hearing; adding additional challenges to Florida Housing’s scoring of Village Square. The parties filed Proposed Recommended Orders. After reviewing the Proposed Recommended Orders, the Hearing Officer requested additional legal argument on the issue of Scattered Sites, which the parties provided. On October 25, 2012, the Hearing Officer issued a Recommended Order, finding that Florida Housing incorrectly scored the Village Square Application with regard to the Scattered Sites and the listing of the Principals of Developer issues, and upheld all other contested scoring issues. Accordingly the Hearing Officer recommends that Florida Housing adopt a Final Order funding the Evernia Place application. A copy of the Recommended Order is attached as [Exhibit D](#). No written argument regarding the Recommended Order has been filed by either party.

3. **Recommendation**

Staff recommends that the Board: Adopt the Findings of Fact of the Recommended Order, the Conclusions of Law of the Recommended Order, and the Recommendation of the Recommended Order, and issue a Final Order in accord with same.

## LEGAL

### Action

**D. The Lofts at Tarpon River, LLC and HTG Fort Lauderdale, LLC, v. Florida Housing Finance Corporation, FHFC Case No.: 2012-035UC**

<b>Development Name: (“Development”):</b>	<b>Lofts at Tarpon River</b>
<b>Developer/Principal: (“Developer”):</b>	<b>Pinnacle Housing Group, LLC</b>
<b>Number of Units: 100</b>	<b>Location: Broward County</b>
<b>Type: High Rise</b>	<b>Set Aside: 10% @ 25% AMI 90% @ 60% AMI</b>
<b>Demographics: Family</b>	<b>Housing Credits: \$2,561,000</b>

<b>Development Name: (“Development”):</b>	<b>Village Place</b>
<b>Developer/Principal: (“Developer”):</b>	<b>HTG Affordable Partners II, Developer LLC</b>
<b>Number of Units: 111</b>	<b>Location: Broward County</b>
<b>Type: Mid-Rise with Elevator</b>	<b>Set Aside: 10% @ 25% AMI 90% @ 60% AMI</b>
<b>Demographics: Elderly</b>	<b>Housing Credits: \$2,300,000</b>

**1. Background**

The Lofts at Tarpon River, LLC, and HTG Fort Lauderdale, LLC, (collectively, “Petitioners”) applied for funding, under Application Numbers 2011-119C and 2011-105C respectively, during the 2011 Universal Application Cycle, seeking Low Income Housing Tax Credits. Petitioners were notified by Florida Housing Finance Corporation (“Florida Housing”) of their final rankings on or about June 8, 2012. Petitioners were not funded and other Applications numbered 2011-185C (“Northwest Gardens II”) and 2011-191C (“Northwest Gardens IV”) were funded instead. There was insufficient housing credit allocation to fund Petitioners after Northwest Gardens II and Northwest Gardens IV were funded. Petitioners timely filed a “Petition Requesting Formal Administrative Proceeding and the Grant of the Relief Requested,” under Sections 120.569 and 120.57(2), Florida Statutes, challenging Florida Housing’s final ranking and scoring of the Northwest Gardens II, and Northwest Gardens IV applications, alleging that Florida Housing incorrectly scored these applications when it determined that these applications were eligible for a boost to their Proximity Tie-Breaker Measurement Point score, as there were letters from a Public Housing Authority certifying that a Declaration of Trust (“DOT”) existed between the Public Housing Authority and HUD for the proposed Development site for each Development. Petitioners asserted that the DOT must encumber the entire site of Development. It was acknowledged that the DOT encumbered only part of the site of Development for these applications.

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

A hearing was conducted on September 7, 2012, before Florida Housing's appointed Hearing Officer, Chris Bentley. The parties filed Proposed Recommended Orders. On October 30, 2012, the Hearing Officer issued a Recommended Order, finding that Florida Housing incorrectly scored the Northwest Gardens II, and Northwest Gardens IV applications. Accordingly the Hearing Officer recommends that Florida Housing adopt a Final Order awarding Petitioners their requested tax credit funding from the next available allocation. A copy of the Recommended Order is attached as [Exhibit E](#).

#### **3. Recommendation**

Staff recommends that the Board adopt the Findings of Fact of the Recommended Order, the Conclusions of Law of the Recommended Order, and the Recommendation of the Recommended Order, and issue a Final Order in accord with same.

## PROFESSIONAL SERVICES SELECTION (PSS)

### *Action*

## II. PROFESSIONAL SERVICES SELECTION (PSS)

### A. Investment Manager Services

#### 1. Background

At its July 20, 2012, meeting Florida Housing's Board of Directors authorized staff to begin the solicitation process for Investment Manager Services and establish a review committee to make recommendations to the Board.

#### 2. Present Situation

a) An RFP process was initiated and RFP 2012-03 was issued on Friday, September 21, 2012. Proposals were due on or before 2:00 p.m., Tuesday, October 23, 2012. The RFP is attached as [Exhibit A](#).

b) Twenty-seven (27) responses were received. They are as follows:

- (1) PNC Capital Advisors
- (2) Merganser Capital Management
- (3) BlackRock
- (4) Garcia Hamilton & Associates
- (5) Wells Capital Management
- (6) William Blair & Company LLC
- (7) Davidson Fixed Income Management
- (8) Cutwater Asset Management
- (9) Wellington Management
- (10) PFM Asset Management
- (11) Aberdeen Asset Management
- (12) Pyramis Global Advisors
- (13) Columbia Management
- (14) Smith, Graham & Co Investment Advisors
- (15) Standish Mellon Asset Management Co., LLC
- (16) Logan Circle Partners
- (17) Manning & Napier
- (18) Lord Abbett & Co.
- (19) Piedmont Investment Advisors
- (20) Sawgrass Asset Management LLC
- (21) Eagle Asset Management
- (22) JP Morgan Asset Management
- (23) UCM Partners

## PROFESSIONAL SERVICES SELECTION (PSS)

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- (24) LLM Capital Group LLC
  - (25) Franklin Templeton LLC
  - (26) Income Research & Management
  - (27) Sterling Capital Management
- c) The Review Committee members designated by the Executive Director were Wayne Conner, Chair, Director of Multi Family Bonds, Kirstin Helms, Assistant Comptroller, Kenny Derrickson, Assistant Comptroller and Denise Monzingo, Accounting Manager.
- d) Each member of the Review Committee individually reviewed, scored, and ranked the proposals prior to convening for the Review Committee meetings. The Review Committee met at 1:30 p.m., on Tuesday, November 6, 2012 and at 2:00 p.m., on Wednesday, November 14, 2012. Results of the Review Committee's actions are provided as [Exhibit B](#).

### **3. Recommendation**

- a) The Review Committee recommends that the Board direct staff to enter into contract negotiations with the two highest ranked Offerors:
- (1) Logan Circle Partners LLC; and
  - (2) BlackRock.
- b) If contract negotiations fail with either entity, then staff shall enter into contract negotiations with the next three highest-ranked Offerors in order until two contracts are signed. The next three Offerors in ranked order are: PFM Asset Management, Sterling Capital Management and PNC Capital Advisors.

**STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)**

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**III. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)**

**A. Request Approval of Loan Closing Extension for Vista Palms f/k/a Andros Isle (RFP 2011-05-11)**

<b>Development Name:</b>	<b>Vista Palms f/k/a Andros Isle</b>
<b>Developer/Principal:</b>	<b>Creative Choice Homes XI, Ltd.</b>
<b>Number of Units:</b>	<b>229</b>
<b>Location :</b>	<b>Lee County</b>
<b>Type/Demographic:</b>	<b>Rental/Family (Guarantee, SAIL, HC and SMI)</b>
<b>Set-Aside:</b>	<b>8.33% @ 30% AMI and 91.67% @ 60% AMI (SAIL) 100 @ 60% AMI (HC)</b>
<b>Allocated Funding Amount:</b>	<b>\$10,700,000 Lee County Housing Finance Authority Bonds \$2,000,000 SAIL \$577,947 Housing Credits \$491,271 Subordinate Mortgage Initiative (SMI) \$3,450,000 SAIL ELI (RFP 2010-16)</b>
<b>SAIL ELI Funding under RFP 2011-05 not to exceed:</b>	<b>\$900,000</b>

**1. Background/Present Situation**

- a) On October 21, 2011, Florida Housing staff issued Request for Proposals (RFP) 2011-05 to award SAIL Extremely Low Income funding to Applicants where the Applicant’s development had a mortgage note guaranteed by the Florida Affordable Housing Guarantee Program which closed by September 30, 2003, and the Applicant committed to provide additional ELI set-aside units. The deadline for receipt of Responses was Wednesday, November 9, 2011.
- b) On December 9, 2011, the Board approved the award list of RFP 2011-05 and directed staff to proceed with all necessary credit underwriting activities.
- c) On December 30, 2011, staff issued a preliminary commitment and an invitation to enter credit underwriting for SAIL Funding under RFP 2011-05 for units set-aside for ELI Households.
- d) On March 28, 2012, staff issued a firm loan commitment to Vista Palms in the amount of \$900,000 with a closing deadline of September 24, 2012.
- e) On September 20, 2012, staff received a request from the Developer for a 120 day loan closing extension ([Exhibit A](#)).

**2. Recommendation**

Approve the request for a 120 day loan closing extension to January 24, 2013, subject to payment of a loan closing extension fee (one-half of one percent of the loan amount) pursuant to Rule Chapter 67-48, F.A.C. and RFP 2011-05.

**STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)**

*Action*

**B. Request Approval of Loan Closing Extension for Preserve at Oslo f/k/a Woods at Vero (RFP 2011-05-04)**

<b>Development Name:</b>	<b>Preserve at Oslo f/k/a Woods at Vero Beach</b>
<b>Developer/Principal:</b>	<b>Creative Choice Homes XVI, Ltd.</b>
<b>Number of Units:</b>	<b>176</b>
<b>Location :</b>	<b>Indian River County</b>
<b>Type/Demographic:</b>	<b>Rental/Family (MMRB, Guarantee, HC and SMI)</b>
<b>Set-Aside:</b>	<b>50% @ 60% AMI (MMRB) 100% @ 60% AMI (HC)</b>
<b>Allocated Funding Amount:</b>	<b>MMRB 1999 Series N1 &amp; N2 \$7,665,000 Tax-Exempt Bonds and \$125,000 Taxable Bonds \$602,633 Housing Credits \$381,155 Subordinate Mortgage Initiative (SMI) \$675, 000 SAIL ELI (RFP 2010-16)</b>
<b>SAIL ELI Funding under RFP 2011-05 not to exceed:</b>	<b>\$2,625,000</b>

**1. Background/Present Situation**

- a) On October 21, 2011, Florida Housing staff issued Request for Proposals (RFP) 2011-05 to award SAIL Extremely Low Income funding to Applicants where the Applicant’s development had a mortgage note guaranteed by the Florida Affordable Housing Guarantee Program which closed by September 30, 2003, and the Applicant committed to provide additional ELI set-aside units. The deadline for receipt of Responses was Wednesday, November 9, 2011.
- b) On December 9, 2011, the Board approved the award list of RFP 2011-05 and directed staff to proceed with all necessary credit underwriting activities.
- c) On December 30, 2011, staff issued a preliminary commitment and an invitation to enter credit underwriting for SAIL Funding under RFP 2011-05 for units set-aside for ELI Households.
- d) On March 28, 2012, staff issued a firm loan commitment to Preserve at Oslo in the amount of \$2,625,000 with a closing deadline of September 24, 2012.
- e) On September 20, 2012, staff received a request from the Developer for a 120 day loan closing extension ([Exhibit B](#)).

**2. Recommendation**

Approve the request for a 120 day loan closing extension to January 24, 2013, subject to payment of a loan closing extension fee (one-half of one percent of the loan amount) pursuant to Rule Chapter 67-48, F.A.C. and RFP 2011-05.

**STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)**

*Action*

**C. Request Approval of Loan Closing Extension for Peacock Run (RFP 2011-05-08)**

<b>Development Name:</b>	<b>Peacock Run</b>
<b>Developer/Principal:</b>	<b>Creative Choice Homes XX, Ltd.</b>
<b>Number of Units:</b>	<b>264</b>
<b>Location :</b>	<b>St. Lucie County</b>
<b>Type/Demographic:</b>	<b>Rental/Family (MMRB, Guarantee/HUD-Risk, HC and SMI)</b>
<b>Set-Aside:</b>	<b>80% @ 60% AMI (MMRB) 100% @ 60% AMI (HC)</b>
<b>Allocated Funding Amount:</b>	<b>MMRB 2002 Series H1 &amp; H2 \$9,690,000 Tax-Exempt Bonds and \$3,090,000 Taxable Bonds \$674,643 Housing Credits \$605,345 Subordinate Mortgage Initiative (SMI) \$1,050,000 SAIL ELI (RFP 2010-16)</b>
<b>SAIL ELI Funding under RFP 2011-05 not to exceed:</b>	<b>\$3,900,000</b>

**1. Background/Present Situation**

- a) On October 21, 2011, Florida Housing staff issued Request for Proposals (RFP) 2011-05 to award SAIL Extremely Low Income funding to Applicants where the Applicant’s development had a mortgage note guaranteed by the Florida Affordable Housing Guarantee Program which closed by September 30, 2003, and the Applicant committed to provide additional ELI set-aside units. The deadline for receipt of Responses was Wednesday, November 9, 2011.
- b) On December 9, 2011, the Board approved the award list of RFP 2011-05 and directed staff to proceed with all necessary credit underwriting activities.
- c) On December 30, 2011, staff issued a preliminary commitment and an invitation to enter credit underwriting for SAIL Funding under RFP 2011-05 for units set-aside for ELI Households.
- d) On March 28, 2012, staff issued a firm loan commitment to Peacock Run in the amount of \$3,900,000 with a closing deadline of September 24, 2012.
- e) On September 20, 2012, staff received a request from the Developer for a 120 day loan closing extension ([Exhibit C](#)).

**2. Recommendation**

Approve the request for a 120 day loan closing extension to January 24, 2013, subject to payment of a loan closing extension fee (one-half of one percent of the loan amount) pursuant to Rule Chapter 67-48, F.A.C. and RFP 2011-05.

## SINGLE FAMILY BONDS – FINANCE

### *Action*

#### IV. SINGLE FAMILY BONDS - FINANCE

##### A. Single Family Homeownership Program

###### 1. Background

- a) In 2009 Florida Housing created its Homeowner Mortgage Revenue Bonds (Special Program) bond indenture (the “NIBP Master Indenture”) for the purpose of implementing the United States Treasury’s New Issue Bond Program (the “NIBP”). The NIBP program was created to provide financing assistance for bonds issued by state and local housing agencies so that such agencies could borrow money in larger amounts and at lower rates than otherwise would be possible under the market conditions that existed during 2009 through 2011. Under the NIBP Master Indenture, Florida Housing used its entire single family allocation of NIBP Program Bonds through the issuance of \$547,230,000 in bonds sold to the U.S. Treasury under six subseries (the “Program Bonds”) and \$364,820,000 under six series of bonds sold to retail and institutional investors in the public market (the “Market Bonds”). The NIBP Master Indenture is secured by mortgage-backed securities (“MBS”) and is currently rated “Aaa” by Moody’s Investors Service. Prior to issuing bonds under the Master Indenture, Florida Housing issued single family bonds under its 1995 open Homeowner Mortgage Revenue Bond Indenture (the “1995 Indenture”). The 1995 Indenture is currently rated “AA+” by Standard & Poor’s Rating Services, “Aa1” by Moody’s Investors Service and “AA+” by Fitch Ratings. The last NIBP issuance, 2011 Series C, 2009 Series B, Subseries B-5, has \$56,000,000 of unreserved funds available.
- b) Florida Housing has \$1.8 billion of volume cap that has been allocated for single family bond issuance. The \$1.8 billion consists of \$694.8 million of 2010 carry forward and \$1.14 billion of 2011 carry forward.
- c) Due to difficult conditions in the municipal bond market but attractive pricing of Mortgage-Backed Securities (“MBS”) in the mortgage market, the Board approved a resolution on October 31, 2008 allowing Staff to access funding for Florida Housing’s single family lending program through the sale of specified pools or To-Be-Announced (“TBA”) commitments in the MBS mortgage market purchased by Florida Housing under its Homeowner Mortgage Program (the “Single Family Program”). During 2012 Florida Housing sold over \$59 million of newly originated MBS in this mortgage market. Staff expects to continue periodic funding of the Single Family Program through the sale of MBS when prudent based on market conditions at the time of sale. Recently, however, financing alternatives in the municipal market have again become attractive and as a result Staff is currently seeking approval to issue up to \$525,000,000 in single family bonds for the purposes of: (1) refunding outstanding high coupon bonds that are currently subject to optional redemption, and (2) continuing Florida Housing’s single family lending program through the purchase of Guaranteed Mortgage Securities backed by Mortgage Loans under Florida Housing’s Homeowner Mortgage Program and providing down-payment assistance loans to qualifying homebuyers who are receiving a Florida Housing first mortgage loan. Staff will continue to evaluate market conditions, and should market conditions warrant may sell a portion or all MBS, rather than issue bonds, to fund new production and/or refund the outstanding bonds subject to optional redemption.

## SINGLE FAMILY BONDS – FINANCE

### *Action*

#### 2. Present Situation

- a) With regard to the refunding of high rate outstanding debt for the purpose of lowering Florida Housing's debt service payments, the 2009 Series A-2 Program Bonds and 2009 Subseries B-1 Program Bonds with current outstanding bond balances of \$98 million and \$119 million, respectively, bear interest at the rate of 4.06% and are subject to redemption at par at the option of Florida Housing on the first Business Day of each month. Since issuance of the 2009 Series A-2 and 2009 Subseries B-1 Program Bonds, interest rates have declined significantly. More specifically, at the time of issuance the 10-Year United States Treasury rate was 3.45% whereas on November 8, 2012 the rate was 1.62%. The decline in interest rates has created an opportunity to refund the 2009 Series A-2 and 2009 Subseries B-1 Program bonds to generate debt service savings of over 5% and will allow Florida Housing to repay the U.S. Treasury significantly faster than previously anticipated. Staff has evaluated the refundings and seeks approval to execute the economic refunding of 2009 Series A-2 and 2009 Subseries B-1 in an amount not to exceed \$217 million in refunding should economic conditions continue to warrant the refunding of the 2009 Series A-2 and 2009 Subseries B-1 bonds. Staff and its Financial Advisor will determine the amount of refunding bonds to be issued and whether they are executed as one or more refunding transactions based upon market conditions. Florida Housing may also opt sell a portion the MBS and to optionally redeem the NIBP bonds should this be deemed more economically prudent.
- b) With regard to the issuance of new money bonds, conditions in the municipal bond market have improved significantly making the issuance of new money bonds feasible. The improvement in market conditions for new money funding is largely the result of market demand for MBS Pass-Through Bonds (the "Pass-Through Bonds"). Traditional housing bond issues have fixed maturities and are structured with a variety of serial and term bonds. The Pass Through Bond structure mimics a mortgage backed security (e.g. a GNMA) by having a single maturity date. All repayments of principal, including prepayments, are passed through to the investors on a pro-rata basis. Investors in the bonds are able to analyze the underlying MBS collateral and are better able to track the projected average life of the bond. This structure has reduced the funding cost by 75-100 basis points as compared to traditional housing bond structures. Should such market demand and advantageous pricing conditions persist Staff expects that it would be financially prudent to issue new money bonds under several separate series throughout 2013 to continue funding single family loans under its Program. To the extent Florida Housing would achieve better pricing on any Pass-Through Bond sale by purchasing fully packaged MBS into the bond issue at time of closing, Florida Housing would utilize its existing warehouse line with the Federal Home Loan Bank of Atlanta. Florida Housing received Board approval on April 30, 2010 to use the FHLB to warehouse MBS between bond sales.
- c) The investment banking team, bond counsel, financial advisor and special counsel will be selected from the board approved list. The investment banking team, bond counsel, financial advisor and special counsel lists have been approved by the board pursuant a RFP/RFQ process. It is expected that if a refunding bond issue is priced first the professionals on what would be called the first issuance of the 2013 Phase One Bonds: (i) Morgan Stanley & Co. Incorporated, Citigroup Global Markets, Inc. and RBC Capital Markets (collectively, the "Investment Banking Team") will respectively serve as senior

## SINGLE FAMILY BONDS – FINANCE

### *Action*

and co-senior managing investment bankers for the negotiated sale; (ii) Hawkins, Delafield and Wood and Murai, Wald, Biondo, Moreno & Brochin P.A. will serve as bond counsel; (iii) Latham, Shuker, Eden& Beaudine LLP. will serve as special counsel; (iv) Tibor Partners Inc. will serve as financial advisor. This specific team will be used only if the refunding bond issue occurs first.

- d) The 2013 Phase One bonds will be issued under either the Homeowner Mortgage Revenue Bond Indenture, the Homeowner Mortgage Revenue Bond (Special Program) Indenture or a new master indenture but the aggregate amount of such 2013 Phase One Bonds shall not exceed \$525 million. The 2013 Phase One Bonds are expected to be rated “AA+” by Standard and Poor’s Rating Services, “AA1” by Moody’s Investors Service and “AA+” by Fitch Ratings if issued under the Homeowner Mortgage Revenue Bond Indenture. The expected rating, if the bonds are issued under the Homeowner Mortgage Revenue Bond (Special Program) Indenture or a new master indenture, is expected to be “Aaa” by Moody’s Investors Service. It is anticipated that the 2013 Phase One Bonds and any additional new money bonds issued will, for the foreseeable future, be secured by mortgage backed securities.
- e) Florida Housing is seeking approval to issue bonds in either the NIBP Master Indenture, the 1995 Indenture or a new master indenture for the purpose of executing economic refundings of Program Bonds issued under the NIBP Master Indenture and for the purpose of issuing new money bonds in an amount up to \$525 million.
- f) Authorization necessary to issue the 2013 Phase One Bonds requires (1) adoption of an authorizing resolution by Florida Housing’s Board and (2) approval of fiscal determination by the State Board of Administration. To work within the constraints of regularly scheduled public meetings and maintain Florida Housing’s goal of providing continuously available single family mortgage funding and to take full advantage of the current market conditions for the refunding, the authorizing resolution for the 2013 Phase One Bonds is being presented for consideration at Florida Housing’s December 7, 2012 meeting.
- g) Staff will determine the timing of issuance, size of issuance and the most applicable documents for the issuance of each series 2013 Bonds based upon prevailing market conditions.
- h) In addition, current market conditions render it difficult to predict the precise rate of reservation for the remaining \$56 million of 2011 C bond proceeds; however, to ensure sufficient time for obtaining required approvals for the 2013 Phase One Bonds, authorization is hereby requested to commit up to \$65million of Indenture assets and/or other funds available to Florida Housing to provide interim funding for single family mortgage backed securities. Florida Housing may sell loans directly to Fannie Mae or sell mortgage backed securities via the TBA (To Be Announced) market. Additionally, Florida Housing may also use the line of credit secured with the Federal Home Loan Bank as previously approved by the Board.

## SINGLE FAMILY BONDS – FINANCE

### *Action*

- i) [Exhibit A](#) – Board Resolution
- j) [Exhibit B](#) – Method of Sale Letter

### 3. **Recommendation**

Staff recommends the Board approve the necessary funding (including reimbursable amounts to provide funding between bond issues), staff actions and the resolution to permit the issuance of the proposed 2013 Phase One Homeowner Mortgage Revenue Bonds.

## SPECIAL ASSETS

### *Action*

#### V. SPECIAL ASSETS

##### A. Request Approval of Transfers of General Partnership Interests in Multiple CED Developments to Southern Affordable Services, Inc., a 501(c)(3), Not-for-Profit Corporation

###### 1. Background

CED received funding from Florida Housing Finance Corporation (“FHFC”) for multiple developments in previous years funding cycles. Funding sources from FHFC included Multifamily Mortgage Revenue Bonds, State Apartment Incentive Loans, HOME Investment Partnerships Program, and Low Income Housing Tax Credits.

###### 2. Present Situation

- a) FHFC received requests from CED for FHFC’s approval of the transfer of the general partnership interests and restructure of the Partnership in each development to affiliates of Southern Affordable Services, Inc.). The list of developments is provided in the credit underwriting report.
- b) Staff received a credit underwriting report from Seltzer Management Group ([Exhibit A](#)) providing a positive recommendation for the general partnership transfers and partnership restructures.

###### 3. Recommendation

Approve the transfer of general partnership interests and partnership restructures for the developments included in the Exhibits to the credit underwriting report, subject to the conditions in the credit underwriting report and subject to further approvals and verifications by the credit underwriter, counsel, and appropriate FHFC staff, and direct staff to proceed with loan document modification activities as required.

## SPECIAL ASSETS

### *Action*

#### **B. Request Approval of Transfers of General Partnership Interests in Multiple Atlantic Housing Partners Developments to Southern Affordable Services, Inc., a 501(c)(3), Not-for-Profit Corporation**

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

Atlantic Housing Partners (“AHP”) received funding from Florida Housing Finance Corporation (“FHFC”) for multiple developments in previous years funding cycles. Funding sources from FHFC included Multifamily Mortgage Revenue Bonds, State Apartment Incentive Loans, Tax Credit Assistance Program, Tax Credit Exchange Program, and Low Income Housing Tax Credits.

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

- a) FHFC received requests from AHP for FHFC’s approval of the transfer of the general partnership interests and restructure of the partnership in each development to affiliates of Southern Affordable Services, Inc. The list of developments is provided in the credit underwriting report.
- b) Staff received a credit underwriting report from AmeriNational Community Services ([Exhibit B](#)) providing a positive recommendation for the general partnership transfers and partnership restructures.

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

Approve the transfer of general partnership interests and partnership restructures for the developments included in the Exhibits to the credit underwriting report, subject to the conditions in the credit underwriting report and subject to further approvals and verifications by the credit underwriter, counsel, and appropriate FHFC staff, and direct staff to proceed with loan document modification activities as required.

**SPECIAL ASSETS**

*Action*

**C. Request Approval of the Extension of the SAIL Loan for Creative Choice Homes VII, Ltd., a Florida Limited Partnership, for Coral Gardens (93HRR-010/94L-160)**

<b>Development Name: Coral Gardens (“Development”)</b>	<b>Location: Miami-Dade County</b>
<b>Developer/Principal: Creative Choice/Creative Choice Homes VII, Ltd (“Borrower”)</b>	<b>Set-Aside: SAIL 100 % @ 50% AMI; HC 20% @ 40% and 80% @ 60% LURA: 33 years; EUA 30 years</b>
<b>Number of Units: 91</b>	<b>Allocated Amount: SAIL \$1,330,000, HC \$413,820</b>
<b>Demographics: Family</b>	<b>Servicer: Seltzer Management Group</b>

**1. Background**

During the 1993 State Apartment Incentive Loan/Hurricane Recovery and Rebuilding Program (SAIL/HRR) Application Cycle, Florida Housing awarded a \$1,330,000 SAIL/HRR construction/permanent loan to Creative Choice Homes VII, Ltd., a Florida limited partnership (“Developer”), for the acquisition and rehabilitation of a 91-unit development in Miami-Dade County. The SAIL loan closed on September 7, 1994 and matured on December 1, 2011. The Board approved a one year extension at the July 2011 Board meeting to December 1, 2012.

**2. Present Situation**

The Borrower is still working on the refinancing and has requested an additional one-year extension of the SAIL loan and the affordability period to give them the needed time to complete the refinancing of the development.

**3. Recommendation**

Approve the extension of the SAIL loan, at its current terms, for one year and extend the term of the LURA for an additional year and direct staff to proceed with loan document modification activities as needed.