Florida Housing Finance Corporation
Board of Directors Strategic Planning Retreat
Thursday, January 30, 2014

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(Insert) Florida Strategic Plan for Economic Development Summary
Overview of Florida Housing Finance Corporation
Quick Facts

- **Florida Housing Finance Corporation** (Florida Housing) is a public corporation of the State of Florida. As a financial institution, Florida Housing administers federal and state resources to provide financing to homebuyers and to finance the development and preservation of affordable homeowner and rental housing.

- Florida Housing is not a department of the executive branch of state government, but is an instrumentality of the State.

- Amount of state General Revenue appropriated to Florida Housing annually: None.

- Number of state employees working at Florida Housing: None.

### Program Funding vs. Administrative Expenses

![Pie chart showing program funding vs. administrative expenses for 2013/2014](chart.png)

- **Federal Program Funds**: 86.88%
- **National Mortgage Settlement Funds**: 10.77%
- **Operating Budget**: 2.35%

### Introduction

Florida Housing Finance Corporation is a public corporation of the State of Florida and is considered to be a financial institution. Florida Housing administers federal and state resources to finance the development and preservation of affordable homeowner and rental housing and assist homebuyers with financing and down payment assistance. When the 1980 Legislature created Florida Housing Finance Corporation’s precursor, Florida Housing Finance Agency, the Agency was an arm of the Florida Department of Community Affairs (DCA). In the 2011 legislative session, statutory changes moved Florida Housing’s functional relationship from DCA to the newly created Florida Department of Economic Opportunity (DEO). Florida Housing’s purpose as outlined in Section 420.502, F.S., is to:

- Better access federal housing initiatives;
- Stabilize the flow of funds for affordable housing;
- Promote affordable housing; and
- Boost Florida’s construction industry.

As a result of revisions made by the 1997 Legislature, on January 1, 1998, Florida Housing became a public-private entity to reduce bureaucracy, streamline many administrative processes and operate more effectively within the real estate and financial markets. Two changes were particularly important in this regard: accelerated disbursal of trust fund dollars to the private sector and local governments, and elimination of duplicative services in the issuance of bonds. Funds disbursed by Florida Housing in loan closings for developments and homeowner mortgages, which took up to six weeks before Florida Housing became a public corporation, were processed through both DCA (now the Department of Economic Opportunity) and the Comptroller (now the Chief Financial Officer). The lengthy process was costly to private sector partners, created construction delays and slowed down implementation of local housing programs. The 1997 legislative changes authorized Florida Housing to disburse funds directly, typically within five business days. The bond issuance process also was streamlined by authorizing Florida Housing to issue bonds directly. Prior to this change, the Division of Bond Finance issued these bonds, requiring both agencies to provide staff for this purpose. The statute still requires the State Board of Administration to approve a fiscal determination for each bond issue carried out by Florida Housing.

Florida Housing is also subject to the Government-in-the-Sunshine Law, the Public Records Act, the Administrative Procedure Act, audits by the Chief Financial Officer for the State of Florida and the State Auditor General, and various other state and federal entities. Florida Housing is not a department of the executive branch of state government within the scope and meaning of Section 6, Article IV of the State Constitution, but is an instrumentality of the State. Sections 420.0006 and 420.504, F.S., require Florida Housing and DEO to sign a performance contract outlining the conduct of business by Florida Housing.

Section 420.507, F.S., assigns responsibilities to Florida Housing, which are summarized below:
- To carry out analyses of housing needs within the state and ways of meeting those needs;
- To participate in federal housing programs and federal community development, insurance and guarantee programs;
- To develop and administer the state rental and homeownership programs as outlined by statute;
- To designate and administer private activity tax exempt bond allocation received by Florida Housing pursuant to Part VI of Chapter 159 between the single family and multifamily programs;
- To set standards for and monitor compliance of residential housing financed by Florida Housing; and
- To conduct demonstration programs and projects which further the statutory purposes of Florida Housing.

Florida Housing is governed by a nine member Board of Directors appointed by the Governor and subject to Senate confirmation, with the following interests represented pursuant to Section 420.504 (3), F.S.:
- Residential home building industry;
- Commercial building industry;
- Banking or mortgage banking industry;
- Home building labor representative;
▪ Low income advocate with experience in housing development;
▪ Former local government elected official;
▪ Two Florida citizens who are none of the above; and
▪ The Executive Director of the Florida Department of Economic Opportunity or a designee (ex officio voting).

Each member of Florida Housing’s board of directors must file full and public disclosure of financial interests at the times and places and in the same manner required of elected constitutional officers under s. 8, Art. II of the State Constitution and any law implementing s. 8, Art. II of the State Constitution.1

The Board typically meets eight times per year. Day-to-day operations are managed by Florida Housing’s executive director, who is appointed by the DEO Executive Director with the advice and consent of the Board, and a staff of about 125.

As a financial institution, Florida Housing works with a variety of entities to finance affordable housing: private lenders and investors, mortgage and bond insurers, the Federal Home Loan Banks, liquidity facility providers, government sponsored enterprises (GSEs), federal agencies, for profit and nonprofit developers and property managers, local governments, public housing authorities and local housing finance authorities. In developing and implementing program priorities, the Florida Housing Board and staff must balance financial and market forces with our mission of serving Floridians who need well maintained, affordable housing. With more than 182,000 rental units currently financed and on the ground or in the construction pipeline, Florida Housing has approximately $5.3 billion in assets. These assets are primarily in the form of loans receivable and securities resulting from single family loan transactions and are restricted by various bond indentures or by statute.

What Is Affordable Housing?

Affordable housing is defined in terms of the income of the household living in the housing. Housing is generally said to be affordable when a family is spending no more than 30 percent of its income on housing. On the rental side, this includes utilities, while on the homeownership side, principal, interest, taxes and insurance are all part of the equation. A household is said to be severely cost burdened if it is paying more than 50 percent of its income for housing. Households at the lower end of the income spectrum are more likely to be cost burdened.

Resident eligibility for Florida Housing programs is typically governed by area median income (AMI) levels. AMI data is published by the U.S. Department of Housing and Urban Development (HUD) for every county and metropolitan area. While Florida’s 2014 state median income is $56,100 for a family of four, the AMI eligibility for a particular program is determined by the county or group of counties in which the property is located as well as family size. The following are standard household income level definitions and, for perspective, their relationship to the 2014 state median ($56,100) for a family of four (as a family’s size increases or decreases, these income ranges also increase or decrease; the average household size in Florida is just above two persons):

1 Ch. 420.504(7), F.S.
Florida Housing Finance Corporation’s Role in the Financial Market

Florida Housing uses federal and state resources to make loans and guarantees of loans to further our mission, including private activity tax exempt bonds. Each resource for financing brings with it certain financial risks. Every bond transaction is structured to provide an array of protections to assure that the mortgage and the bonds will be paid. Bond insurance and credit enhancement are the two primary means of protection.

As an issuer of hundreds of millions of dollars of tax exempt bonds each year, Florida Housing understands the necessity of effecting efficient transactions in the bond market to achieve the best interest rate for the bonds sold. These transactions require Florida Housing to establish and maintain good working relationships with the following financial entities:

- The State Board of Administration;
- The Division of Bond Finance;
- The three major rating agencies;
- Credit enhancers;
- Investment bankers;
- Tax credit syndicators; and
- Bond investors.

Each one of these parties plays a pivotal role in financing affordable housing and bringing tax exempt bond transactions to completion.

Private activity tax exempt bonds are allocated to Florida Housing pursuant to the calculation in Part VI of Chapter 159 performed by the Division of Bond Finance on an annual basis. Florida Housing receives approximately 24 percent of the annual state private activity bond volume. In 2014, the allocation to Florida Housing is $464.4 million.

These are revenue bonds; they are a not general obligation debt of the State of Florida, nor is the State liable for the debt in any way. Florida Housing Statutes clarify the revenue bond issuance process:

- **Chapter 420.51 State and local government not liable on bonds or notes** – The bonds of the corporation shall not be a debt of the state or of any local government, and neither the state nor any local government shall be liable thereon. The corporation shall not have the power to pledge the credit, the revenues, nor the taxing power of the state or of any local government shall be, or shall be deemed to be, pledged to the payment of any bonds of the corporation; and

- **Chapter 420.509(2) Revenue Bonds** – The State Board of Administration is designated as the state fiscal agency to make the determinations required by s. 16, Art. VII of the State Constitution in connection with the issuance of such bonds that in no state fiscal year will the debt service requirements of the bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for such debt service requirements.
The cash flow documents created for each issue and submitted to the State Board of Administration must demonstrate that it is in compliance with the above statutory and Constitutional requirement. For multifamily issues (each issue is a standalone indenture), revenues of the individual issue must meet these criteria. For single family issues which reside in a master indenture, the individual issue and the master indenture must both meet these criteria.

**Who is responsible for the debt service payments on the revenue bonds?**

For **multifamily**, it is the indenture trust estate; the development (borrower) which is funded by the bonds. For **single family**, it is the indenture trust estate; for securitized loans in the indenture, the timely loan payment guarantees by Fannie Mae, Freddie Mac and Ginnie Mae (this is approximately 90 percent of the 1995 single family bond indenture and 100 percent of the 2009 New Issue Bond Program single family indenture²); or for the whole loans in the 1995 master indenture, the borrower along with a primary mortgage insurer and a pool insurer.

**How Mortgage Revenue Bonds Work at Florida Housing**

**Multifamily** – Florida Housing facilitates the issuance of bonds by serving in a conduit capacity to lend bond proceeds to multifamily developers to construct/rehabilitate rental housing serving low income households. Each bond indenture is for a single purpose entity, i.e., each development that is financed. Only the development funded by the bonds supports the debt service of that indenture.

**Single Family** – Single family bonds are part of a master indenture with all issuances of bonds (supplements to the master indenture) incorporated into one indenture. The indenture is the legal mechanism created to establish the trust estate related to the issued bonds and governs the assets and liabilities accumulated in the indenture.

In 2002, Florida Housing changed its single family program from a whole loan program in which Florida Housing took all financial responsibility for payment of the debt service on the bonds to a mortgage backed securities (MBS) program in which there is a guarantee as to the timely payment of loan principal and interest by Fannie Mae, Freddie Mac, or Ginnie Mae. This change further insulated Florida Housing’s financial risk related to debt service on the bonds. The 2009 indenture, created solely to cover single family bonds issued under the authority of the New Issue Bond Program, is 100 percent MBS, resulting in no financial risk to Florida Housing related to debt service on the bonds.

The market for selling tax exempt mortgage revenue bonds continues to be comparatively expensive. As an alternative to selling tax exempt mortgage revenue bonds into the market, Florida Housing has recently opted to sell a portion of its securitized loans as specified pools in the secondary market in order to obtain the highest possible price. When sold, these securitized loans are no longer a part of Florida Housing’s single family bond indentures. The market products for selling securitized single family loan pools continues to evolve and Florida Housing will utilize the market products that are deemed appropriate, including but not

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² The New Issue Bond Program was a short term response to the national credit and liquidity crisis which created extremely high interest rates on tax exempt bonds, making them difficult to use for affordable housing programs.
limited to tax exempt bonds and the specified pool market, for maintaining the integrity of the single family indentures.

In addition, Florida Housing also allocates Mortgage Credit Certificates to homebuyers. These certificates, which are made available from single family mortgage revenue bond volume cap, are tax credits which can be applied against a home buyer’s federal tax liability each year each year the homeowner uses the home as their primary residence, increasing the homebuyer’s after-tax wages and thus increasing their ability to afford a home.

Both the securities, as indenture assets, and the bonds, as indenture liabilities, are included on Florida Housing’s balance sheet. The trust estate of the indenture, which is comprised of the indenture assets and liabilities, stands on its own. Neither the State of Florida nor Florida Housing general operations are responsible for the debt of the indenture.

While Florida Housing provides financing for first time homebuyer mortgages, we have never participated in subprime lending. The loan performance of the First Time Homebuyer Program has consistently been comparable to the performance of all prime mortgages in Florida. At the end of the third quarter of 2013, 8.90 percent of the active loans originated by Florida Housing were in foreclosure, compared to the 9.48 percent of all loans statewide in foreclosure at that time.

**Summary of Key Affordable Housing Programs Administered by Florida Housing Finance Corporation**

Florida Housing recognizes that not all Floridians are candidates for homeownership. Our affordable housing programs provide a range of housing types, both rental and homeowner, to ensure that residents have decent, affordable housing options that are appropriate for them.

**First Time Homebuyer Program**

*Objective:* To originate 30-year, fixed-rate, high loan-to-value mortgage loans for eligible first-time homebuyers who meet credit worthiness tests, have incomes within federal program limits and receive homebuyer education. For homeownership, the proceeds from tax exempt mortgage revenue bonds issued by Florida Housing are used by participating private lenders to originate 30-year, fixed-rate mortgage loans through this program; we have never participated in subprime lending. Florida Housing generally pairs some type of second mortgage purchase assistance with these mortgages to assist homebuyers, either through state or federal funding, if available. The average purchase price during 2012 was $102,250; the average loan amount was $97,757; and the average purchase assistance amount was $7,238.

*Source of Financing:* Primarily federal private activity bond volume allocated to states

**Homeownership Assistance Program**

*Objective:* In conjunction with the First Time Homebuyer Program, to assist eligible homebuyers in purchasing their home, primarily by providing up to $10,000 of down payment assistance in the form of a 0-percent interest, non-amortizing second mortgage loan that runs concurrently with the first mortgage, which means the homebuyer does not make any monthly payments. Instead, the loan is repaid when the homebuyer sells the home, transfers ownership, satisfies or refinances the first mortgage, or ceases to occupy the home.
**Source of Financing:** National Mortgage Settlement funding appropriated by the Legislature in 2013 ($35 million); appropriations have been made previously from the State Housing Trust Fund

**Mortgage Credit Certificates**

**Objective:** To provide eligible homebuyers with an annual tax credit that can be applied against their federal tax liability each year as long as the home is the primary residence, thus increasing the homebuyer’s after-tax pay and ability to afford a home.

**Source of Financing:** Federal private activity bond volume allocated to states

**Multifamily Mortgage Revenue Bonds**

**Objective:** To finance the development and preservation of rental apartments through proceeds from taxable and tax exempt bonds issued to provide below market rate loans to developers who set aside a certain percentage of their apartments for low income families.

**Source of Financing:** Federal private activity bond volume allocated to states

**Low Income Housing Tax Credits**

**Objective:** To provide equity to developers through private sector investment by providing a dollar-for-dollar reduction in federal tax liability in exchange for the acquisition/substantial rehabilitation and new construction of affordable rental housing for low income households. Affordable housing developers sell these tax credits to large, private investors and use the cash from the sale to infuse equity into the construction of the property, lessening the need for additional debt.

**Source of Financing:** Federal population-based allocation to states

**HOME Investment Partnership Program**

**Objective:** Provides low-interest loans to developers to finance the construction and rehabilitation of homes and rental apartments.

**Source of Financing:** Federal funding

**State Apartment Incentive Loan Program**

**Objective:** To provide gap financing through non-amortizing, low-interest loans to developers to leverage mortgage revenue bonds or competitive Low Income Housing Tax Credit resources and obtain the full financing needed to construct affordable rental units for very low income families. A 2013 state appropriation from the National Mortgage Settlement provides specific funding for elderly housing and for units to serve extremely low income residents and persons with developmental disabilities.

**Source of Financing:** State Housing Trust Fund (from National Mortgage Settlement funding appropriated by the Legislature in 2013)

**Florida Affordable Housing Guarantee Program**

**Objective:** The program provided credit enhancement (i.e., repayment guarantees) on tax-exempt and taxable bond developments to lower overall borrowing costs and improve the economic viability of affordable housing. It was authorized by the Legislature in 1992, at a time when credit enhancement products for bond transactions were mostly unavailable in the private market. During its active phase, the program guaranteed 120 multifamily transactions, representing $1.4 billion for the construction of over 28,000 affordable rental
units. The program partners with HUD’s Risk Sharing program, with HUD assuming 50 percent of the default risk on about two-thirds of the mortgages in the portfolio. The program guarantees in effect December of 2014 cover 11,207 units in 48 multifamily transactions for $297.4 million. Florida Housing has not provided any guarantees since early 2005, and in March 2009, the Florida Housing Board of Directors officially confirmed the suspension of new guarantees from this program because of the market availability of such guarantee instruments and the reassessment of the financial capacity and condition of the Guarantee Fund.

Capitalization of the Guarantee Fund occurs through the issuance of debt secured by Guarantee Fund income and documentary stamp tax revenues under terms specified in statute. Documentary stamp taxes distributed to the State Housing Trust Fund are the foundation of the Guarantee Fund’s credit rating and the essential element for maintaining an acceptable insurer financial strength (IFS) rating. There is no capitalizing debt outstanding as of December 31, 2012.

In the event that the Guarantee Fund is rated less than in the top three claims paying ratings by any of the rating agencies or there is a projected deficiency in the debt service reserve, the state would be required to use collections distributed to the State Housing Trust Fund to replenish the Guarantee Fund at the amount necessary to maintain the minimum claims paying rating or to pay the fund’s debt service. If the IFS rating on the Guarantee Fund drops below a certain level, documentary stamp tax revenues from the State Housing Trust Fund will be required to support the fund.

State Housing Initiatives Partnership Program (SHIP)

Objective: To provide funds to all county local governments and Florida’s larger cities on a population-based formula to finance and preserve affordable housing for very low, low, and moderate income families based on locally adopted housing plans. At least 65 percent of funds must be used for homeownership, although fully 87 percent of the funds have gone for this purpose. Funding is routinely used for such strategies as rehabilitation, emergency repairs, down payment assistance and homeownership counseling.

Source of Funding: Local Government Housing Trust Fund (i.e., state funding). (None appropriated in Fiscal Year 2009-10; Florida Housing allocated $30 million in program income to participating local governments in June 2011, to be expended by June 30, 2014; another $7.4 million in returned/de-obligated disaster recovery funding was allocated to local governments in January 2013, to be expended by June 30, 2015. $40 million was appropriated by the state Legislature from the National Mortgage Settlement in 2013.)

Hardest-Hit Fund

In 2010, the federal government announced funding to the hardest hit housing markets in the states that have been hit with foreclosures, housing price declines and unemployment. There are now 18 states and the District of Columbia participating in the $7.6 billion Hardest-Hit Fund program. Florida’s share of these funds totals approximately $1 billion. Florida and the other participating states worked with Treasury, major loan servicers and others to standardize plans for the two programs outlined below. Florida’s targeted unemployment programs are summarized below:

- **Unemployment Mortgage Assistance Program** – Provides up to 12 months of payments to the mortgage lender to assist unemployed/underemployed borrowers with their first mortgage until they can resume payments on their own; and
- **Mortgage Loan Reinstatement Program** – Used to bring a delinquent mortgage current for a homeowner who has returned to work or recovered from unemployment/underemployment.
- **Elderly Mortgage Assistance Program** – Assists senior homeowners with reverse mortgages who face foreclosure due to non-payment of property-related expenses such as property taxes, homeowners’ insurance and flood insurance (property charges).
- **Principal Reduction Program** – Assists homeowners who are underwater on their mortgage (they owe more than the property is worth) to bring down the principal owed to be more in line with their property values.
- **Modification Enabling Pilot Program** – Assists homeowners in modifying their mortgage to an affordable level.

**Source of Funding:** Federal Troubled Asset Relief Program (TARP)

### National Foreclosure Mitigation Counseling Program

Through this program, troubled homeowners statewide access federally approved housing counseling agencies and legal assistance to help them determine available options regarding their homes. Through six rounds of federal funding since 2008, Florida Housing has received $10.3 million which has supported 37 counseling agencies and legal aid to fund more than 35,000 counseling events for homeowners. Additional funding has just been received through a seventh round of funding. Florida Housing received a $1.8 million allocation in the current, seventh round of funding, which will fund approximately 6,800 counseling events.

**Source of Funding:** Federal appropriation competitively allocated through the national Neighborhood Reinvestment Corporation

### Foreclosure Counseling Program

**Objective:** To provide foreclosure counseling services throughout the state to help homeowners avoid foreclosure; provide good financial management education to help families better manage their money; and assist families with credit problems to become financially stable. Foreclosure counseling services is provided through a network of U.S. Department of Housing and Urban Development-approved nonprofit housing counseling agencies throughout the state through fee-for-service contracts with Florida Housing. To ensure that funding for foreclosure counseling services is allocated proportionally to those areas hardest hit by foreclosures, funding is allocated proportionally throughout the state based on loan delinquency/foreclosure data.

**Source of Funding:** National Mortgage Settlement funds appropriated by the 2013 Legislature ($10 million)

### One-Time Recent Financing Initiatives

**Objective:** To provide one-time time financing for affordable rental housing developments targeting persons with developmental disabilities as well as homeless persons and families. Developments may include new construction or renovation of existing units. Funding is competitively offered to nonprofit organizations.

**Source of Funding:** National Mortgage Settlement funds appropriated by the 2013 Legislature ($20 million)

### Funding Affordable Housing Leads to Economic Benefits for Florida

Construction and development are important job and economic generators for local communities and states. In carrying out its mission to help our fellow Floridians access housing that may not otherwise be accessible to them, Florida Housing Finance Corporation provides financing through a range of federal and state programs.
that provide important economic benefits for the state.

To assist us in estimating the economic impact of Florida Housing’s programs, we have worked with the University of Florida to develop an analysis of works with the IMPLAN input-output model that is used by hundreds of universities and government agencies across the country to estimate the economic and fiscal impacts of investments and to forecast employment generation, among other things.

The most recent University of Florida analysis provides the following conclusions:

In 2012, the agency’s [Florida Housing’s] homeownership and multifamily rental housing programs provided total development costs of $1.508 billion to support new housing construction, rehabilitation (preservation) construction, down payment assistance, closing cost and mortgage assistance, and pre-development activities. Economic multipliers from a regional economic (IMPLAN) model for the state of Florida were applied to estimate total economic impacts of total development costs generated by FHFC programs. The total impacts were estimated at 24,515 full-time and part-time jobs, $3.094 billion in output or industry revenues, and $1.772 billion in value added contribution to state GDP. It is apparent that Florida Housing Finance Corporation contributed significantly toward economic development through its affordable housing programs, in spite of the continuing generally very weak market for real estate and housing in 2012.

Florida Housing’s objective is to carefully target any new rental construction to those areas of the state where there is a defined need for such housing. The data show us there is currently a need for new affordable rental units in some markets in Florida. However, because so much single family stock is still on the market for sale, many owners have chosen to rent out their homes rather than try to find buyers in this market. These additional rental units are competing with market rate and affordable apartments, leading apartment owners to respond with lower rents and special offers. In these areas where new construction is not currently needed, economic benefit results when we finance rehabilitation of older, existing affordable apartments (generally 20+ years old) to extend affordability and ensure that they remain in good condition.

Florida Housing Finance Corporation’s Role in the State’s Housing Delivery System

In the first years of its operation, Florida Housing accessed only federal resources to finance housing, but these funds proved difficult to use on their own. To leverage and augment these programs, the Florida Legislature began appropriating some funding for state programs in the late 1980s. However, it was the enactment of the William E. Sadowski Affordable Housing Act in 1992 that created a dedicated source of revenue for affordable housing from a portion of documentary stamp taxes on the transfer of real estate. This legislation provided both the funding mechanism for state and local programs, as well as a flexible, but accountable framework for local programs to operate. The dedicated revenue comes from:

- A ten-cent increase to the documentary stamp tax paid on the transfer of real estate, which began in August 1992; and
- A re-allocation of ten cents of existing documentary stamp tax revenues from general revenue to the affordable housing trust funds, which began in July 1995.
A chart showing the history of trust fund appropriations and allocations is provided on the next page.

The 2005 Legislature adopted a cap restricting the amount of revenue that may flow into the housing trust funds to $243 million per year, with a mechanism for a small increase over time. The cap went into effect July 1, 2007. The 2011 Legislature removed the cap, but created a new annual requirement starting July 1, 2012, which provides that the first $75 million in documentary stamp tax collections credited to the housing trust funds is automatically transferred to the newly created State Economic Enhancement and Development (SEED) Trust Fund within DEO. The statutory change maintains the priority of payments for the Guarantee Fund as needed. The SEED fund gives the Governor a certain level of flexibility to create economic development opportunities. Florida Housing has the ability to compete for funding from SEED trust fund. At this time, all of Florida Housing’s state funds are appropriated through the housing trust funds created by the Sadowski Act or through one-time initiatives such as the National Mortgage Settlement; no appropriations are made to us from general revenue.
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Note: The table above represents appropriations for various programs related to housing and community development in Florida, indicating the allocation of funds over different fiscal years. The data includes amounts for different fiscal years from 1999/2000 to 2013/2014, with various program names such as Affordable Housing Study Commission, Guarantee Program, Predevelopment Loan (PLP) among others, and their respective funding amounts. The table shows a decrease in funding amounts over the years, with some years showing significant drops.
How Florida Housing Finance Corporation Makes Resource Allocation Decisions

Florida Housing targets funding to specific populations and geographic areas of the state based on a number of factors. Federal and state programs target all or a portion of funds to households at or below income levels set by each program.

On the homeownership side, Florida Housing follows federal income targeting requirements, allowing us to provide financing to households with incomes as high as 115 percent of area median income. On the rental side, targeted program incomes are generally lower to assist families that are unlikely to be able to afford homeownership. For example, the federal Low Income Housing Tax Credit Program requires that a portion of rental units in an apartment complex be set aside for families with incomes at or below 50-60 percent of area median income. Other federal rental programs are similar. As specified in s. 420.507, F.S., Florida Housing undertakes and uses studies and analyses of housing needs within the state, along with regular input from stakeholders and current market conditions to target program resources. Continuing input from stakeholders provides context and direction to Florida Housing’s Board and staff. Interested parties are encouraged to provide comments and critiques of our programs by mail, phone, personal contact and public meetings that are held regularly each year as we modify programs to respond to changing policies and market conditions.

Florida Housing’s Board and staff are constantly analyzing data, seeking input on financial and economic conditions and trends, and weighing this information with the range of changing housing needs to provide a set of balanced programs to finance affordable housing in an economically feasible manner. The Florida Housing Board and staff strive to allocate resources in a fair, open and rational way that is stable, predictable and user-friendly for the many participants in our programs and processes.

On the rental side, Florida Housing historically allocated most competitive funding through a universal application process. The staff held public workshops and took public comments before program rules were finalized. Once the Board of Directors approved modifications to program rules and attendant funding application forms, they were filed with the Department of State and became formal administrative rules of the corporation. This process was somewhat cumbersome due to the application and administrative rule framework used and particularly slow to resolve after awards were made due to the litigation process.

Events during the last two funding cycles, combined with observations and suggestions by the Office of Program Policy Analysis and Governmental Accountability, led to modifications in the allocation process in 2013. Chapter 2013-83, Laws of Florida, clarifies Florida Housing’s ability to allocate financial resources, such as Low Income Housing Tax Credits, through a competitive solicitation process. Florida Housing has chosen to use a “Request for Applications” process for this purpose. Streamlining the allocation process in this manner maintains a balanced, open, and transparent process that is more flexible, less time-consuming, capable of reacting to changing markets and needs, and less costly than the previous rule-driven prescriptive application process.

On the homeownership side, participating private lenders throughout the state originate mortgages through the First Time Home Buyer Program to homebuyers on a first come, first served basis according to federal and
state regulations and indenture criteria. Through Florida Housing’s Home Ownership Pool Program, builders may apply to reserve down payment assistance on a first come, first served basis for their homebuyers when funding is available.

According to statute, SHIP funds are distributed to counties and eligible cities on a population-based formula. Local governments must follow statutory and administrative rule requirements in the disbursal of funds, but the program’s premise is to allow them to set their own priorities within these guidelines according to local need as outlined in a locally adopted plan.

Accountability – How Florida Housing Finance Corporation Ensures Program Resources Are Appropriately Used

Multifamily Rental Process
The rental funding process begins with rule making and development of one or more Requests for Applications. Applications are submitted, scored independently by each member of a staff review committee, discussed and ranked by the full committee and the final recommendation is sent to Florida Housing’s Board of Directors for approval. Applicants have the right to contest the findings through an administrative hearing process.

Once recommended orders are issued through the hearing process and brought back to the Board for final action, developments awarded financing are invited to enter the credit underwriting process. Developments are assigned to one of three independent credit underwriters under contract with Florida Housing. Independent professionals approved by the credit underwriter complete necessary evaluations, such as appraisals and market studies. Credit underwriting reports are reviewed and approved by Florida Housing staff and the Board of Directors before loan closing may proceed. At loan closing, Florida Housing receives construction completion guarantees and operating deficit guarantees. The developer signs personal guarantees for these.

Throughout the construction process, Florida Housing’s servicers manage the draw process, construction inspections and other duties to ensure that commitments are carried out. Once the development is completed, Florida Housing’s compliance monitoring agents visit every development at least every year for the portion of our portfolio with state funds, and at least once every three years (as required by federal regulations) for those properties with Low Income Housing Tax Credits only that are in their first 15 years of their federal compliance period. The monitors ensure compliance with applicable federal and state statutes and rules, and with the loan closing documents. Florida Housing’s staff and servicers also receive and review audited financial statements for each property annually as a part of our permanent loan servicing and asset management processes.

Single Family Homeownership Process
In Florida Housing’s Single Family construction programs, the process for credit underwriting and construction loan servicing works in the same way that it does for our multifamily process. Applications for Florida Housing’s down payment assistance loans by builders on behalf of homebuyers are also reviewed by our
servicers who verify income and purchase price limits. Funds are not released until Florida Housing has sign-off from the servicer.

In Florida Housing’s down payment assistance programs, which are coupled with the First Time Homebuyer Program, our Master Servicer provides our “bond compliance” function. They review each loan made by participating lenders to make sure that it complies with federal and state income and purchase price limits as well as the requirement that the borrower be a first time homebuyer.

**State Housing Initiatives Partnership Program**

Local jurisdictions submit their Local Housing Assistance Plans (LHAPs) to Florida Housing for review to ensure that they meet the broad statutory guidelines and requirements of the program rules. Florida Housing must approve an LHAP before a local government may receive any SHIP funding. Florida Housing reviews each local jurisdiction’s annual report showing how they have spent or encumbered their SHIP funds to be spent. Local jurisdictions are also required to send Florida Housing their annual audited financial statements and their Florida Single Audit Act reports for review.

Compliance monitoring agents visit every local government at least once every three years for jurisdictions receiving smaller allocations, and at least every other year for the jurisdictions that receive about $500,000 or more. Florida Housing’s Inspector General may also audit local governments at any time. If problems are found, follow-up and annual reviews are scheduled, and Florida Housing may send technical assistance providers to assist the local jurisdiction with formulating and implementing a corrective action plan. When funds have been found to have been misused, the local jurisdiction has reimbursed that amount of funds. If technical assistance and/or training fail to correct the problems and a pattern of violations is established, Florida Housing has statutory authority to suspend or possibly terminate disbursement of funds to the local jurisdiction.

**Other Accountability Measures**

Quality Assurance Reviews are performed by Florida Housing to determine compliance with external contract requirements for credit underwriting, loan servicing, compliance monitoring and bond trustee services. Internally, Florida Housing’s Inspector General oversees the audit and investigative functions for all aspects of the Corporation’s programs and operations. Audits or other engagements can be initiated by internal audit risk assessments, the Board, Executive Director and internal or external complaints. Florida Housing contracts with an independent audit firm to carry out annual audits of the financial statements. The independent auditor opines on the financial statements, internal control over financial reporting and on compliance and other matters, and compliance and internal controls applicable to each major federal award program. Florida Housing is also subject to audits by the Auditor General, the State of Florida Chief Financial Officer, DEO, the Office of Program Policy Analysis and Government Accountability (OPPAGA), HUD, U.S. Treasury, the Internal Revenue Service and other state and federal entities at their discretion.
Background Materials
The following materials provide more information about Florida Housing Finance Corporation and its programs.

2012 Audited Financial Statements

2012 Annual Report

Florida Housing Finance Corporation’s Strategic Plan [adopted December 4, 2009]

Chapter 420, Part V, Florida Statutes [pertaining to Florida Housing Finance Corporation]

Florida Administrative Code Rules that Apply to Florida Housing Programs
Florida Housing Finance Corporation Program Policy and Financial Objectives: January 2014

Florida Housing will begin work on a new strategic plan in early 2014. To inform this process, below are capsule summaries of the major Florida Housing programs and initiatives. The reviews are purposefully concise to allow for broad, high-level comparisons among them. Each summary contains the following information:

- Program Name and Brief Description
- Authority for the Program and FHFC’s Function
- Statutory Requirements Summary
- Funding Source(s)
- Policy Objectives (may represent federal, state or FHFC aims or a merging of all three)
- Financial Objectives (may represent federal, state or FHFC aims or a merging of all three)
- Program Impacts

Programs are grouped as Rental, Homeownership, Special, or Recent One-Time Initiatives. While these categorizations represent a program’s primary focus, programs can often operate within and affect both the rental and homeowner markets.

**Program Eligibility: Average Median Income Levels**

Resident eligibility for Florida Housing programs is typically governed by area median income (AMI) levels. AMI data is published by the U.S. Department of Housing and Urban Development (HUD) for every county and metropolitan area. While Florida’s 2014 state median income is $56,100 for a family of four, the AMI eligibility for a particular program is determined by the county or group of counties in which the property is located as well as family size. The following are standard household income level definitions and, for perspective, their relationship to the 2014 state median ($56,100) for a family of four (as a family’s size increases or decreases, these income ranges also increase or decrease; the average household size in Florida is just above two persons):

- **Moderate Income** - earning from 80.01 to 120 percent of AMI ($44,881 to $67,320)
- **Low Income** - earning from 50.01 to 80 percent AMI ($28,051 to $44,880)
- **Very Low Income** - earning from 30.01 to 50 percent AMI ($16,831 to $28,050)
- **Extremely Low Income** - earning up to 30 percent AMI ($16,830)

**Rental Programs**

“Active Unit” counts are provided under each rental program below. However, because programs are often combined to make transactions financially feasible, the unit count cannot simply be totaled to get the total number of Active Rental Units in Florida Housing’s portfolio. At this time, there are 1,265 total properties with 179,074 units in the portfolio.

**Statutory Requirements Summary Pertaining to all Rental Programs (s. 420.507(48) and (49), F.S.):**

- Allows annual allocation funds to be awarded via competitive request for proposal solicitations
- Requires Florida Housing to reserve up to five percent of annual allocation funds for specified high-priority affordable housing purposes and to reserve an additional five percent of annual allocation funds for affordable housing that targets persons who have a disabling condition
- Requires Florida Housing to adopt rules prioritizing affordable housing in the Florida Keys Area of Critical State Concern and the City of Key West Area of Critical State Concern
State Apartment Incentive Loan Program (SAIL)
Provides non-amortizing, low-interest loans on a competitive basis to developers of affordable rental housing for new construction or rehabilitation.

Authority/FHFC Function: State (Sections 420.507 and 420.5087, F.S.). Florida Housing evaluates and selects applications for funding, determines actual loan amounts through credit underwriting, and closes and services the loans.

Statutory Requirements Summary:
- Program funds must be distributed over successive 3-year periods using the most recent statewide low-income rental housing market study
- Allocations are made to counties based on small, medium and large category apportionments
- Program funds must be reserved for specified groups such as commercial fishing workers and farmworkers, persons who are homeless, elderly or who have special needs
- At least 20 percent of funded units must be rented to households that earn 50 percent or less of AMI; however, if the development is also assisted with housing credits, a minimum of 40 percent of units may be rented to households that earn 60 percent or less of AMI
- Loan terms for periods of not more than 15 years with exceptions related to tax credit syndication
- Loans may not exceed 25 percent of project cost except to nonprofit organizations and public bodies that meet certain criteria, and for developments serving ELI tenants
- Loan proceeds must be used for new construction, moderate rehabilitation, or substantial rehabilitation
- Interest – 0-3 percent interest for farmworker, commercial fishing workers, homeless people or persons with special needs; 0-3 percent interest based on the pro rata share of units set aside for homeless residents or persons with special needs if the total of such units is less than 80 percent of the units in development; 1-9 percent interest for developments targeted at populations other than farmworkers, commercial fishing workers, homeless people, or persons with special needs
- Loan amounts attributable to the share of ELI units may be forgiven
- Competitive applicant evaluation and selection must include a set of criteria, including such items as
  - income and demographic targeting
  - local government contributions and comprehensive planning to promote affordable housing
  - developer experience and ability to proceed with construction
  - incorporation of green building principles and storm-resistant construction

Funding: State appropriation, primarily from the State Housing Trust Fund. Each year, the Legislature determines whether an appropriation will be made and the amount of the appropriation. As loans are repaid to Florida Housing, funding is re-loaned. $60 million was appropriated from the National Mortgage Settlement Fund in 2013 with specific demographic/income requirements.

Policy Objectives:
- Meet the need and demand for very low income rental housing throughout the state by providing first, second, or other subordinated mortgage loans
- Align development selection with current statewide low-income rental housing market studies
- Encourage development of properties that target specific demographic groups such as elders, people who are homeless, and persons with special needs
- Better serve extremely low income households with forgivable loans

Financial Objectives:
- Provide gap financing which allows development feasibility
Maximize leverage of federal Mortgage Revenue Bonds and 4% housing credits
- Provide gap financing for special needs developments financed with 9% housing credits
- Offer low interest rate parameters to encourage unit set-asides for specified target populations
- Provide for refinancing of existing loans
- Collect interest per loan documents
- Recapture principal on loans
- Ensure that funds are used only for financially feasible developments

**Program Impacts:**
- 52,841 Active Units in Portfolio, representing $672 million in financing

**Multifamily Mortgage Revenue Bonds Program (MMRB)**
Provides funds for developers who set aside a certain percentage of their apartment units for low income families through the sale of taxable and tax exempt bonds. By charging upfront and annual agency fees, bond transactions generate program income for Florida Housing.

**Authority/FHFC Function:** Federal (26 U.S.C. § 142), State (Private Activity Bonds, 159.804) and State (420.507, F.S.). Florida Housing offers bond financing, often combined with gap financing such as SAIL to develop properties and manages an ongoing MMRB portfolio.

- **Funding:** The federal government sets annual private activity bond volume based on state population. State statute sets the formula for the allocation of private activity bonds. Florida Housing’s 2014 allocation of the state’s total private activity bonds is $464.4 million. Florida Housing has $2.2B of remaining allocation authority from prior years. The Corporation receives priority status for any unused allocation reverting back to the state pool in the 4th quarter of each year.

- **Statutory Requirements Summary:**
  - State annual issuance of mortgage revenue bonds is capped. The 2014 limit is $100 multiplied by the state population.
  - Multifamily housing bond developments must set aside at least 40 percent of units for families with incomes of 60 percent of AMI or less, or 20 percent for families with incomes of 50 percent of AMI or less.

- **Policy Objectives:**
  - Increase the construction and rehabilitation of affordable multifamily rental properties in geographic locations where needed
  - Expand the number of units available for low income families within market rate developments

- **Financial Objectives:**
  - When MMRB interest rates are not as favorable, such as they are now, the value of MMRB financing is to obtain access to 4% housing credits (see below) to access the equity to help finance development
  - Provide an income stream to Florida Housing to support operations
  - Monitor financial viability of the developments and maintain compliance with Internal Revenue Code requirements and Land Use Restriction Agreements
  - Ensure that funds are used only for financially feasible developments
Program Impacts:
- 47,578 Active Units in Portfolio, representing $2.3 Billion in financing

Low Income Housing Tax Credits (LIHTC)
Through a competitive process, provides developers with 9% federal housing credits that they sell to investors in exchange for equity to finance the acquisition, rehabilitation and new construction of affordable rental housing. Investors use the housing credits for a dollar-for-dollar reduction of their federal tax liability over a ten year period. The equity infused into the housing transaction lowers the need for additional debt. The program also features non-competitive 4% housing credits that are awarded to developments financed with state and local tax exempt multifamily Mortgage Revenue Bonds.

Authority/FHFC Function: Federal (Section 42, Internal Revenue Code) and State (Sections 420.507 and 420.5099, F.S.). Florida Housing establishes annual development goals and objectives and receives, reviews and approves development applications. The corporation then manages subsequent underwriting and commitment processes and continues compliance monitoring for the life of the affordable housing status of the development.

Funding: Annual 9% federal allocation is based on state population, estimated at $43.4 million (19.3 million residents x $2.25) in 2014. 4% housing credit availability is based on annual federal tax-exempt bond allocations.

Statutory Requirements Summary:
- Eligible development types and corresponding credit:
  - new construction (9%)
  - substantial rehabilitation (9%)
  - acquisition (4%)
  - federally subsidized (4%).
- At least 20 percent of funded units must be rented to households that earn 50 percent or less of AMI, or at least 40 percent of units must be rented to households that earn 60 percent or less of AMI
- Affordability period minimum of 30 years with option to convert to market rates after the 14th year
- Ineligible development types include hospitals, sanitariums, nursing homes, retirement homes, trailer parks, and life care facilities (assisted living facilities are allowable)
- 50 percent of the aggregate basis of non-competitive 4% developments must be funded by tax-exempt bonds and bond proceeds
- An annual state Qualified Allocation Plan must be adopted and signed by the Governor

Policy Objectives (particularly the 9% allocation):
- Incentivize the development of affordable multifamily rental housing
- Stimulate development of properties that target specific demographic groups such as elders, people who are homeless, and persons with special needs
- Encourage developments in certain targeted geographic areas of need such as the Florida Keys
- Allocate at least 10% of housing credits to nonprofit entities (federal requirement)

Financial Objectives:
- Ensure that housing credits are used only for financially feasible developments
- Confirm that developments are located in markets with an identified demand for affordable housing
- Target financing to areas and developments in which investors are willing to invest
• Minimize impacts on existing developments in Florida Housing’s portfolio by locating newer properties away from existing properties, particularly in areas with high vacancies

Program Impacts:
• 79,368 Active Units in 9% Portfolio, representing $591.4 million in 9% financing (≈$5.15 Billion in Developer Equity). Includes 1,780 Units funded separately with federal stimulus funds. Except for these units, most of the stimulus funding (see bottom two bullets below) was provided as gap funding with 9% or 4% housing credits during the economic recession.
• 84,449 Active Units in 4% Portfolio, representing $263.7 million in 4% financing (≈$2.38 Billion in Developer Equity)
• During the economic recession, federal stimulus financing of $548.3 million in Tax Credit Exchange Program and $101.1 million in Tax Credit Assistance Program either replaced or was added to transactions to make them financially viable.

Florida Affordable Housing Guarantee Program
Provides credit enhancement (i.e., repayment guarantees) on MMRB developments to lower borrowing costs and improve the economic viability of these transactions. While established in 1992, Florida Housing has not provided any guarantees since early 2005. In March 2009, the Florida Housing Board of Directors officially confirmed the suspension of new guarantees because of the market availability of such instruments and the reassessment of the financial capacity and condition of the Guarantee Fund.

Authority/FHFC Function: State (Sections 420.507 and 420.5092, F.S.).

Funding: Capitalization of the Guarantee Fund occurs through the issuance of debt secured by Guarantee Fund income and documentary stamp tax revenues under terms specified in statute. There is no capitalizing debt outstanding as of December 31, 2012. Documentary stamp taxes distributed to the State Housing Trust Fund are the foundation of the Guarantee Fund’s credit rating and the essential element for maintaining an acceptable insurer financial strength (IFS) rating.

Statutory Requirements Summary:
• Florida Housing must perform a financial feasibility study prior to the issuance of any affordable housing guarantee
• Maximum total amount of revenue bonds that may be issued for the Guarantee Fund is $400 million
• An annual debt service reserve must be maintained equal to the maximum reserve amount for each series of revenue bonds issued
• If the primary revenue sources for repayment of revenue bonds are insufficient, the annual principal and interest due on each series of revenue bonds is payable from the annual debt service reserve
• If primary revenue sources are insufficient to fully fund the annual debt service reserve, the deficiency is payable from the first proceeds of the documentary stamp tax moneys deposited into the State Housing Trust Fund
• If the claims payment obligations in the guarantee fund cause the claims paying rating to be less than the third-highest rating classification of any nationally recognized rating service, the amount necessary to meet obligations is payable from the first available taxes distributed to the State Housing Trust Fund

* Developer Equity = ~87 cents on the dollar multiplied by 10 years.
Policy Objectives:
- Given the suspension of guarantees since 2005, policy objectives relate to the monitoring and management of individual property compliance and viability

Financial Objectives:
- Continue effective asset management (no foreclosures in inventory)
- Maintain top three claims paying ratings by the rating agencies
- Preserve an adequate fund corpus for the program to maintain at least a 5:1 risk to capital ratio (actual risk to capital ratio of 1.93:1 as of December 2013)
- Ensure that funds are used only for financially feasible developments

Program Impacts:
- During its active phase, the program guaranteed 120 multifamily transactions, representing $1.4 billion for the construction of over 28,000 affordable rental units.
- Guarantees in effect at the end of December 2013 cover 11,207 units in 48 multifamily transactions for $297.4 million.

Elderly Housing Community Loan Program (EHCL)
Provides loans of up to $750,000 to preserve, repair or improve existing affordable elderly rental housing.

Authority/FHFC Function: State (Section 420.5087, F.S.). Florida Housing evaluates and selects applications for funding through a competitive process, determines actual loan amounts, and makes and services the loans.

Funding: A statutorily-specified portion of SAIL funding from the State Housing Trust Fund (as noted above, each year, the Legislature determines whether appropriations for housing will be made). EHCL funding is 10% of the SAIL funding targeted to serve elders. In 2013-14, this amount is $2.5 million.

Statutory Requirements Summary:
- Program loans may not exceed $750,000
- Program participants must match at least 5 percent of the loan amount
- Loan interest rates may not exceed 3 percent; loan terms may not exceed 15 years
- Florida Housing must establish, by rule, the procedure and criteria for receiving, evaluating, and competitively ranking all loan applications
- Program participants may not use the proceeds of the loan to pay for administrative costs, routine maintenance, or new construction

Policy Objectives:
- Increase elderly rental housing compliance with federal, state, or local codes
- Improve the security and safety of the elderly tenants

Financial Objectives:
- Offer low interest rates (not to exceed 3%) to spur program participation
- Limit terms of loans to 15 years
- Provide for refinancing of existing loans as needed
- Collect interest per loan documents
- Recapture principal on loans
- Ensure that funds are used only for financially feasible developments
**Program Impacts:**
- 4,352 Active Units in Portfolio, representing $6.8 million in financing

**Multifamily Energy Retrofit Program (MERP)**
Provides energy retrofit financing for aging multifamily properties in Florida Housing’s portfolio.

**Authority/FHFC Function:** Federal (State Energy Program) administered by the U.S. Department of Energy (USDOE). Florida Housing is developing a revolving loan fund.

**Funding:** Federal (American Recovery and Reinvestment Act of 2009), provided through the State Energy Office, Florida Department of Agriculture and Consumer Services. $6.5 million was allocated to the program in September of 2013.

**Statutory Requirements Summary:**
- State Energy Plan must be submitted to USDOE (by Florida’s State Energy Office, not FHFC)
- Program activities must promote the conservation of energy, reduce the rate of energy growth demand, and reduce dependence on imported oil
- Promoting energy efficiency in residential housing is an allowable program activity
- Regular or revolving loan mechanisms may be used to fund program activities
- Loan repayments and any interest on loan funds may only be used on SEP program activities
- State reports quarterly to USDOE on energy savings from implemented programs

**Program Objectives:**
- Update and replace old, inefficient building components with energy efficient upgrades
- Reduce property operating expenses
- Produce energy savings of at least 15% as compared with the property’s current energy costs
- Generate Savings to Investment Ratios of at least 1.0, i.e., retrofit features will pay for themselves over their useful life

**Financial Objectives:**
- Ensure viability of revolving loans for program sustainability
- Utilize loan interest to defray some operational costs
- Ensure that funds are used only for financially feasible developments

**Homeownership Programs**
**First Time Homebuyer Program (FTHB)**
Provides 30-year, fixed-rate, high loan-to-value first mortgage loans to eligible first-time homebuyers. Down payment and closing cost assistance is often paired with these loans, discussed below.

**Authority/FHFC Function:** State (Sections 420.507, 420.5088, 420.509 and 159.8075, F.S.) and Federal (26 U.S.C. § 142). Florida Housing develops and manages the program in conjunction with participating private lenders which provide loans directly to homebuyers.

**Funding:** Primarily private activity bond proceeds. A 2013 state appropriation to the Homeownership Assistance Program (see HAP section below) allows funds to be used to lower the cost of buying a home with the FTHB.
**Statutory Requirements Summary:**

- Borrowers must earn less than 115 percent AMI, except in targeted areas, which is limited to 120 percent AMI.
- The price of a home purchased with a bond-originated mortgage is limited to 90 percent of the average area purchase price.
- The homebuyer must not have owned a home that they have lived in the previous three years. Exceptions to these rules are made for targeted low-income neighborhoods, households with many members, households living in certain high cost areas, and veterans.
- State statute gives Florida Housing the authority to issue single family mortgage revenue bonds to finance the origination of home mortgages.
- Grants Florida Housing the right to purchase mortgage loans from lending institutions and permits Florida Housing to sell, at public or private sale, with or without public bidding, any mortgage or other obligation held by Florida Housing.

**Policy Objectives:**

- Increase opportunities for low-income and moderate-income first time homebuyers to purchase a primary residence.

**Financial Objectives:**

- Ensure participant and program viability via homebuyer credit worthiness testing and education.
- Partner program loans with second mortgage purchase assistance.
- Limit risk to FHFC through use of mortgage backed securities.
- Sell loans at a rate that provides Florida Housing with fee income.

**Program Impacts:**

- 2,187 homes were financed in 2012, totaling $213.7 million in first mortgage volume.
- Approximately 89 percent were existing single family homes.
- Average purchase price during 2012 was $102,250; the average loan amount was $97,757; and the average purchase assistance amount was $7,238.
- 2,164 households received down payment assistance from various sources in 2012, representing $14.7 million.

**Homeownership Assistance Program (HAP)**

Provides up to $10,000 of down payment assistance in the form of a 0% non-amortizing, second mortgage that runs concurrently with the FTHB first mortgage, i.e., the homebuyer does not make any monthly payments on this second mortgage.

**Authority/FHFC Function:** State (Sections 420.507 and 420.5088, F.S.). Florida Housing develops and manages the program in conjunction with participating private lenders, who provide financing directly to homebuyers.

**Funding:** Appropriations have been made previously from the State Housing Trust Fund. $35 million was appropriated from the National Mortgage Settlement Fund in 2013.

**Statutory Requirements Summary:**

- May be used for homebuyer loans, subordinated loans to nonprofit builders for purchase of property, construction or for financing of housing to be offered for sale to eligible borrowers.
- Loans must all be for housing that will serve as primary residence.
- Allows Florida Housing (among other things) to geographically/demographically target loans, defer loan payment for term of first mortgage, establish flexible, non-amortizing loan terms not to exceed three percent and require repayment upon sale, refinancing, or if property does not remain primary residence
- Mortgage loans must be to homebuyers with incomes at or below 120 percent of AMI and may not exceed the lesser of 35 percent of home purchase price or the amount necessary to meet credit underwriting
- In developments financed with HAP
  - preference must be made to fund community-based organizations
  - priority must be given to PLP applicants
  - maximum loan amount may not exceed 33 percent of total development cost
  - At least 30 percent of units must be sold to households with incomes at or below 80 percent of AMI; another 30 percent of the units must be sold to households with incomes at or below 65 percent of AMI

Policy Objectives:
- Provide additional assistance as “gap funding” to make FTHB mortgages more affordable
- Increase opportunities for low-income and moderate-income first time homebuyers to purchase a primary residence
- Reduce the oversupply of for-sale homes currently on the market due to economic conditions

Financial Objectives:
- Ensure participant and program viability via homebuyer credit worthiness testing and education
- Monitor and maintain compliance with statutory program criteria
- Ensure repayment of loans which can then be re-loaned

Program Impacts:
- 2012 assistance is incorporated in the FTHB down payment impact figures above

Mortgage Credit Certificates (MCC)
Provides eligible homebuyers with an annual tax credit that can be applied against their federal tax liability each year as long as they pay mortgage interest and the home remains their primary residence.

Authority/FHFC Function: Federal (Internal Revenue Code, s. 25(f)(4) and State (Section 159.8075, F.S.). Florida Housing develops and manages the program in conjunction with participating private lenders which provide mortgage financing to homebuyers.

Funding: The federal government sets the private activity bond capacity based on state population. Florida Housing sets the credit rate at between 10% – 50%, which determines the volume of MCC’s that may be utilized. $125 million in total credit certificate authority is currently available, which, at a 50% credit rate, can provide assistance for up to $250 million in first mortgage loans. Every $1 of MCCs uses $4 of private activity bond authority.

Statutory Requirements Summary:
- Conversion of private activity bond volume to MCC authority on a four-to-one basis
- Borrower income limits and eligible purchase prices are governed by household size and county location
- Home must be a borrower’s primary residence
• Borrowers may not have owned a home as a primary residence in the past three years; exceptions exist for qualified veterans or if the home is located in a federally designated target area

Policy Objectives:
• Increase opportunities for low-income and moderate-income first time homebuyers to afford the purchase of a primary residence by reducing their federal tax liabilities, thereby providing more capacity to afford monthly house payments
• Reduce the oversupply of for-sale homes currently on the market due to economic conditions

Financial Objectives:
• Ensure participant and program viability via homebuyer credit worthiness testing and education
• Collect application fee from each lender and borrower

Program Impacts:
• In 2013, issued 167 MCCs with an additional 125 pending closing and issuance

HOME Investment Partnerships Program (HOME)
Provides federal non-amortized, low-interest loans to developers to finance the construction and rehabilitation of homes and rental apartments for low income families. HOME also includes the Homeownership Pool (HOP) program and Tenant Based Rental Assistance (TBRA). HOP allows developers to reserve funds for homebuyer purchase assistance (primarily self-help programs) while TBRA provides short term rental relief (up to 24 months) through participating Public Housing Authorities (PHAs).

Authority/FHFC Function: Federal (24 CFR Part 92, HOME Investment Partnerships Act) and State (Section 420.5089, F.S.). Florida Housing develops and manages HOME programs, working with participating private lenders, developers and PHAs.

Funding: Annual federal block grant to all states and larger entitlement cities. $12.5 million allocated to State of Florida in 2013.

Statutory Requirements Summary:
• Provides state and local governments with the discretion to determine the type of housing product in which they will invest, the location of investments, and the segment of population that will be housed through investments
• For rental housing, at least 90 percent of HOME funds must benefit low and very low income families at or below 60 percent of AMI; the remaining ten percent must benefit families at or below 80 percent of AMI
• In rental developments with five or more assisted units, at least 20 percent of the units must be occupied by families with incomes at or below 50 percent of AMI
• Assistance to homeowners and homebuyers must be to families at or below 80 percent of AMI
• HUD-imposed rent limits and home purchase prices are published annually
• Submission to HUD (by DEO) of state consolidated plan every five years which includes HOME; action plan and certifications annually required of Florida Housing
• Loan terms are minimum of 15 years for rental rehabilitations and 20 years for rental or homeownership new construction loans
• Any accrued proceeds remain with the program and do not revert to a general fund
Policy Objectives:
- Target at least 15% of HOME funds to Community Housing Development Organizations, i.e., specialized nonprofit housing providers (federal requirement)
- Provides somewhat flexible financing that allows Florida Housing to use this funding where it is needed over time, e.g., hurricane housing recovery, tenant based assistance, gap financing for self-help homeownership projects, etc.

Financial Objectives:
- (Current) Provide gap financing to make MMRB transactions financially feasible
- Ensure loan interest rates remain low (target 0% to nonprofits and 1.5% to for-profits)
- Maintain favorable loan terms (generally 15 years for rehabilitation and 20 years for new construction)
- Maintain compliance with program requirements to ensure FHFC is not responsible for paying back HUD for a loan
- Ensure payment of interest and repayment of principal which can then be re-loaned

Program Impacts:
- 14,740 Active Rental Units in Portfolio, representing $263 million in financing
- $9.1 million in gap financing for two homeless developments in 2012 which funded a total of 183 affordable set aside units

Hardest-Hit Fund (HHF)
Provides Federal funding to states that were hardest hit by recession-driven foreclosures, housing price declines and unemployment. Florida Housing’s HHF programs provide mortgage payment assistance, mortgage loan reinstatement, modification enabling, principal reduction and elderly mortgage assistance on reverse mortgages for seniors.

Authority/FHFC Function: Federal (Emergency Economic Stabilization Act of 2008 authorized by the Troubled Asset Relief Program (TARP). Florida Housing develops program parameters and manages all phases of program budgeting, disbursement and interfacing with the Treasury Department.

Funding: TARP Allocation of more than $1 Billion, to be expended by the end of 2017.

Statutory Requirements Summary:
- Outcome of funding to homeowner must result in something better than a foreclosure settlement
- Loan limits are the Government Sponsored Enterprise (GSE) maximum
- Program Commitment Agreements must be signed with U.S. Department of Treasury (amended as necessary)
- Program administrative expenses may not exceed 10 percent
- Funds must be utilized by the end of 2017

Policy Objectives:
- The overarching objective is to help homeowners at risk of losing their homes and, more broadly, assist communities in recovering from the recession
- Assist unemployed/underemployed homeowners with their first mortgage until they can resume payments on their own (UMAP)
- Bring a delinquent mortgage current for a homeowner suffering from unemployment/underemployment (MLRP)
• Assist homeowners who are underwater on their mortgage (they owe more than the property is worth) to bring down the principal owed to be more in line with their property values
• Reduce monthly mortgage payments to an affordable level by leveraging private capital and reducing the principal balance and re-amortizing the mortgage as part of a loan modification (MEP)
• Assist senior homeowners with reverse mortgages who face foreclosure due to an inability to pay their ongoing property charges such as homeowners’ insurance, flood insurance and property taxes (ELMORE)

Financial Objectives:
• Efficiently disburse TARP funds

Program Impacts:
• Board allocated $417.3 million to UMAP and MLRP. Of that, $347.3 million has been committed and $188.9 million has been spent to assist 13,103 homeowners
• Board allocated $350 Million to principle reduction. To date, $5.7 million has been spent to assist 138 homeowners
• Board recently allocated $25 million to ELMORE, none has been committed or spent yet
• Board recently allocated $50 million to MEP. Of that, $50,000 has been committed and spent to assist one homeowner.

National Foreclosure Mitigation Counseling Program (NFMC)
Provides at risk homeowners with access to federally approved housing counseling agencies and legal assistance to help them determine available options regarding their homes.

Authority/FHFC Function: Federal (seven rounds of Congressional economic recovery appropriations beginning in 2008; an eighth round just announced). Florida Housing administers and coordinates delivery of services through a network of housing counseling agencies in conjunction with the national NeighborWorks America.

Funding: Federal economic recovery appropriations. Florida Housing received a $1.8 million allocation in the current, seventh round of funding, which will fund approximately 6,800 counseling events.

Statutory Requirements Summary:
• Majority of funds must be used in Areas of Greatest Need defined as areas experiencing a high rate of defaults and/or foreclosures
• Counseling must be provided by agencies that meet HUD standards for housing counseling
• At least 15 percent of funds must go to counseling organizations that target minority or low-income homeowners
• Must be used for counseling services to owner-occupants of the home in danger of foreclosure
• Applicants must provide a 20% match for $500,000 or less in funding. For funding in excess of $500,000 the required match rate drops to 10% (provided by sub-grantee)
• State HFA Applicants must have statutory authority to serve the entire state
• Counseling agencies must certify that they will adhere to the National Industry Standards Code of Ethics and Conduct

Policy Objectives:
• Provide foreclosure counseling assistance such as:
  o interpreting loan documents
  o reviewing case files
advising on foreclosure rights and options  
preparing documents for non-civil litigation purposes

**Financial Objectives:**
- Efficiently disburse funds within the time frame established by each round of funding
- Carry out compliance monitoring activities within the scope of funding provided by Congress

**Program Impacts:**
- Florida Housing has partnered with 37 counseling and legal aid agencies
- The first six rounds of funding totaled $10.3 million to provide more than 35,000 counseling events for homeowners

**Foreclosure Counseling Program (FCP)**
Provides foreclosure counseling services and financial management education delivered by HUD certified Housing Counseling Agencies (HCAs) contracting with Florida Housing.

**Authority/FHFC Function:** State (2013 Legislative Budget Commission). Florida Housing develops and administers service delivery approach that is carried out by HCAs.

**Funding:** $10 million appropriation from the National Mortgage Settlement Fund in 2013.

**Statutory Requirements Summary:**
- 2013 Legislative Budget Commission approved funding based on program description above

**Policy Objectives:**
- Provide at risk homeowners with traditional delinquency resolution support
- Augment standard resolution services with financial management and credit education training
- Enhance counseling efficacy and accountability through technical assistance, improved data collection, monitoring, and reporting

**Financial Objectives:**
- Efficiently disburse FCP funds over the program’s anticipated three to four year lifespan
- Effectively and completely use the administrative money available from the program

**Program Impacts:**
- Vetted and contracted with over 50 HCAs as service providers
- Program launched in September 2013

**Special Programs**

**State Housing Initiatives Partnership (SHIP)**
Provides state-appropriated funds to all counties and eligible larger cities to finance and preserve affordable homes and rental housing for moderate and lower income families. Allocations are made on a population-based formula. Local funding strategies are based on locally adopted housing plans.
Authority/FHFC Function: State (Sections 420.907 - 420.9079, F.S.). Florida Housing coordinates program funding distributions, monitors compliance with statutory provisions, and collects data to report to policy makers. Local governments make actual allocations.

Funding: State appropriation, primarily from the Local Government Housing Trust Fund. Each year, the Legislature determines whether an appropriation will be made and the amount of the appropriation. $40 million was appropriated from the National Mortgage Settlement Fund in 2013.

Statutory Requirements Summary:
- To participate a local government must:
  - establish a Local Housing Assistance Program by ordinance
  - adopt a Local Housing Assistance Plan (LHAP) and submit to the state for approval
  - amend land development regulations or establish local policies to implement the LHAP
  - ensure that rent or mortgage payments within the targeted areas do not exceed 30 percent of the area median income limits
- A minimum of 65 percent of the funds must be spent on eligible homeownership activities
- A minimum of 75 percent of funds must be spent on eligible construction activities
- At least 30 percent of the funds must be reserved for very low income households; an additional 30 percent may be reserved for low income households; the remaining funds may be reserved for moderate income households
- No more than 5 percent of SHIP funds may be used for administrative expenses unless a local government makes a finding of need by resolution; then no more than 10%
- Fund distributions are calculated using a population based formula defined in statute
- SHIP funds may not be pledged to pay debt service on any bonds
- Up to $5 million of the total distribution may be withheld annually to provide funding to counties and eligible municipalities with a declared state of emergency

Policy Objectives:
- Create local housing partnerships
- Expansion or local production and preservation of affordable housing
- Enhance affordable housing components of local government comprehensive plans
- Increase housing-related employment
- Reserve at least 65 percent of the funds for home ownership
- Reserve at least 75 percent of the funds for construction-related purposes

Financial Objectives:
- Efficiently disburse SHIP appropriations to local governments
- Local government financial objectives vary, e.g., revolving loans, grants, etc.

Program Impacts:
- Over the last 3-year reporting period, $381.4 million has assisted more than 22,000 households
- Funds leveraged in this reporting period total over $1 billion

Predevelopment Loan Program (PLP)
Provides “front end” financing to nonprofit organizations, local governments, and housing authorities to develop homeowner and rental housing for lower income households. These predevelopment loans help organizations to access and secure permanent construction financing.
**Authority/FHFC Function**: State (Sections 420.521 – 420.529, F.S.). Florida Housing processes applications, assigns technical assistance to applicants to prepare development plans, evaluates and approves funding, and services program loans.

**Funding**: Revolving loan fund (self-sustaining since 2004). ~$18 million current fund availability with ~$4.5 million committed.

**Statutory Requirements Summary**:
- Funds are made available on a first-come, first-served basis, unless otherwise established by rule
- Funding may be used for such predevelopment activities as site acquisition, site development, fees for services from architects, engineers and other professionals, market studies, and consulting fees;
- Loan interest rates must be set at 0-3 percent per year
- Loan terms must not exceed three years or initiation of permanent financing, whichever occurs first; Florida Housing may extend terms if the extension would not jeopardize security interest
- Loans may exceed the lesser of development and acquisition costs or $750,000

**Policy Objectives**:
- Facilitate housing predevelopment activities such as:
  - site acquisition and development
  - architectural and engineering analysis
  - market and feasibility studies
  - administrative-related services
- Provide technical assistance to program participants
- Maximize participation of mission-based nonprofits serving specialized populations

**Financial Objectives**:
- Leverage additional federal, state, and local public funds and private resources
- Ensure loan interest rates remain low (between 0 and 3 percent)
- Maintain favorable repayment terms for participants (non-amortizing; 3 years or until initiation (whichever is less) of permanent financing with a 1-year extension allowed)
- Sustain the program as a revolving loan fund through principal and interest repayments

**Program Impacts**:
- 2,221 Active Units in Portfolio, representing $14.5 million in PLP financing (either units with current PLP loans that have not received permanent financing and are not yet built, or have repaid PLP loans and are built with FHFC permanent financing)

**Link to Permanent Housing Initiative (Link)**
Provides set-asides for a portion of a development’s extremely low income units for special needs households receiving community-based supportive services that are referred by a recognized supportive services lead agency in the community. This is not a program, but is a strategy that is incorporated into rental program financing when financially feasible.

**Authority/FHFC Function**: 2009 Strategy developed and implemented by Florida Housing. The corporation provides incentives to developers who commit to set aside units for this purpose and monitors compliance with set aside targets.
**Funding:** In 9% Housing Credit developments, Link is required with no additional funding provided. When SAIL ELI is provided, Link units are typically required. The 2013 SAIL appropriation requires no less than 10% of the units will be set aside in a similar fashion to the Link strategy.

**Statutory Requirements Summary:**
- Not statutory, however, the 2013 legislature memorialized support for this approach in SB 1852

**Program Objectives:**
- Enhance the ability of Florida Housing’s programs to serve a lower income resident than would normally be capable of being served through our programs
- Provide more opportunities for ELI households with special needs to access and retain affordable rental housing in their communities
- Target persons requiring short- or long-term community-based services
- Incentivize developer interest in the program
- Ensure that special needs residents are receiving the supports they need from the supportive service agency that refers them to the unit through an MOU with the developer

**Financial Objectives:**
- Provide assistance (typically through forgivable loans) to developers as needed to support reduced income on the property from these units

**Program Impacts:**
- More than 1,300 Link units developed since 2009 when the strategy was implemented

**One Time Recent Financing Initiatives**

**Grants to Develop Rental Housing for Persons with Developmental Disabilities & Homeless Persons**
Provides one-time financing for affordable rental housing developments targeting persons with developmental disabilities as well as homeless persons and families. Developments may include new construction or renovation of existing units. Funding is competitively offered to nonprofit organizations.

**Authority/FHFC Function:** State (Chapter 2013-106, Laws of Florida) Florida Housing develops program parameters, issues RFAs, evaluates and awards funding credits, underwrites and monitors construction, and monitors developments over affordability period.

**Funding:** $20 million appropriation from the National Mortgage Settlement Fund in 2013: $10 million for homeless housing and $10 million for housing to serve persons with developmental disabilities. In both cases, targeted particularly to those with extremely low incomes.

**Statutory Requirements Summary:**
- Funding targeted at housing for persons with developmental disabilities is available to private nonprofit organizations that have a primary mission which includes serving such persons
- Proposal evaluations of above must include the extent of additional funding leverage, employment opportunities and support for potential residents, access to community based services, and partnerships with other supportive agencies
- Funding targeted at housing for homeless persons is available to private nonprofit organizations to purchase and renovate existing houses or to construct or purchase and renovate small specialty housing of 15 units or less
Program Objectives:
- Provide affordable housing combined with access to supportive services (i.e., permanent supportive housing) to improve resident ability to maintain a stable and productive life in the community
- Ensure nonprofit applicants establish partnerships with community-based providers to help identify, assess, and serve the targeted population groups
- Ensure nonprofit applicants will promote access to amenities, general and supportive services, employment, and education/training out in the community

Financial Objectives:
- Provide realistic financing to ensure that developments can be financially feasible even with a high portion of extremely low income residents paying reduced rents

Program Impacts:
- December 2013 award decisions currently in underwriting (not all funding was allocated; RFAs for remaining funds are or will be issued)

Pilot to Evaluate the Cost/Benefit of Permanent Supportive Housing for High Needs/High Cost Chronically Homeless Individuals
Provides one-time financing for affordable rental housing developments targeting persons with special needs with extremely low incomes. Funding is competitively offered to nonprofit organizations with experience in developing and managing housing for these populations.

Authority/FHFC Function: State (2012 proviso). Florida Housing develops program parameters, issues RFP, evaluates and awards funding, credits underwrites and monitors construction, and monitors developments over affordability period.

Statutory Requirements Summary:
- Proviso stipulates that funds must be used for a request for proposals outside the regular cycle to develop affordable sustainable and permanent housing for special needs and extremely low income households
- Funding awards are limited to nonprofit housing developers specializing in such housing

Funding: $10 million appropriation from the State Housing Trust Fund

Program Objectives:
- Financing will be the foundation for a pilot in partnership with state agencies to evaluate the cost/benefit of providing permanent supportive housing for chronically homeless persons who are high utilizers of publicly funded resources – does this housing (and attendant supportive services) really lower local, state and federal costs of supporting these residents if they are stabilized and less likely to use crisis services, as shown in other states/cities?
- Through the provision of permanent supportive housing for high utilizers of publicly funded resources, stabilizing these persons and helping them attain higher quality outcomes

Financial Objectives:
- Provide realistic financing to ensure that developments can be financially feasible even with a high portion of extremely low income residents paying reduced rents
• At the state level, assess program outcomes to determine whether an increase in permanent supportive housing targeted to these persons will in fact reduce public costs

Program Impacts:
• Program award decisions by the Board anticipated in March 2014 (two developments expected to be funded – up to 100 units)
FLORIDA HOUSING FINANCE CORPORATION
Decision Making Process

as of 1/2014

U.S. CONGRESS

GOVERNOR

FLORIDA HOUSING BOARD OF DIRECTORS (9 Members)

PUBLIC

LEGISLATURE

FEDERAL AGENCIES / SROs

FEDERAL REGULATIONS

GOE / GSEs
Financial/investment requirements

RATING AGENCIES

STATE BOARD OF ADMINISTRATION / CABINET (only Bonds)

PROGRAMS

HOMEOWNERS & RENTERS

PROGRAM FUNDING ALLOCATION

STATUTES / APPROPRIATIONS

STAKEHOLDERS

FLORIDA HOUSING STAFF

RULES & DELIVERY SYSTEM (e.g., RFAs, reservation systems)

APPROVING BODY

IMPLEMENTATION

INPUT

POLICY DIRECTION

SRO - Self Regulatory Organization
GOE - Government Owned Enterprise
GSE - Government Sponsored Enterprise
What is important to Board Members?

**Income of beneficiaries**
- Extremely Low Income (ELI – depends on area)
- Very Low Income (up to 50% area median income)
- Low Income – up to 80% AMI
- Moderate Income – up to 120% AMI
- Mixed Income

**Residents**
- Family (general, including one person households)
- Elderly
- Farmworker/fishing worker
- Special needs populations, such as:
  - Developmental, mental and physical disabilities
  - Homeless
  - Youth aging out of foster care
  - Survivors of domestic violence
  - Frail elders
  - Veterans

**Type of housing/use**
- Homeownership
- Self help homeownership
- Rental (building new housing, rehab of existing, other assistance)
- Supportive rental housing types such as transitional housing, a small portion of units for special needs in bigger apartment properties, and specialized properties for special needs groups

**Type of housing assistance for homeowners and/or renters**
- Mortgage assistance
- Foreclosure prevention assistance
- Acquisition
- Rehabilitation
- Preservation of existing, aging affordable housing that needs rehab (focus on maintaining properties w/project based rental assistance?)
- New construction
- High rises, low rises, garden style, duplexes, etc.
- Type of construction (e.g., concrete) for sustainability

**Location**
- Geographically distributed
- Rural
- Urban
- Need based distribution
- Neighborhood stimulus
- TOD
- Location in areas where there are jobs, amenities and services(economically prosperous areas)
- Location in poorer areas where there are fewer jobs/amenities, but housing is in bad shape
- Where investors are participating

**Type of developer**
- For profit
- Non-profit
- Joint venture

**Other goals**
- Total cost per unit
- Leveraging of resources
- Length of affordability set aside
- Requiring specific amenities as condition of funding
- Construction features, such as energy efficiency
- Resident programs, such as after school care
- Developer partnerships with external organizations for supportive services
- Amount of FHFC funding per unit – rental and homeownership

**Effective, efficient operations**

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*Statewide, for two people, ELI annual income = $13,450; Very Low Income = $22,450; Low Income = $35,900. These income amounts go up if there are more people living in the family.

† “Self-help” homeownership refers to models where the homebuyer puts “sweat equity” into building the home. The Habitat for Humanity and USDA Rural Development Self Help programs are examples.
INTRODUCTION

The purpose of this strategic plan is to provide a three to five year framework for policy and operational decisions at Florida Housing Finance Corporation. While Chapter 420, Florida Statutes, outlines Florida Housing’s powers and responsibilities, and explains generally how programs will be implemented, there is an array of choices to be made within that statutory authority.

This plan is Florida Housing’s roadmap of how programs will be targeted over several years. It is not meant to be a comprehensive plan that includes every facet of what Florida Housing does, but provides a big picture view of the Corporation’s most important priorities.

The plan is divided into four components, as follows.

- Guiding Principles — The values the Board and Staff use to do business.
- Current Conditions and Trends — An overview of affordable housing in Florida.
- Priorities — The goals that Florida Housing will focus on in the coming three to five years. The priorities are grouped by external issues (how Florida Housing wants to impact housing opportunities for Floridians) and internal, or operational, issues.
- Strategies — A list of actions that describe the key steps that Florida Housing will take to implement each priority.
**FLORIDA HOUSING’S MISSION STATEMENT**

To help our fellow Floridians obtain safe, decent housing that might otherwise be unavailable to them.

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**GUIDING PRINCIPLES**

- We will perform our duties honestly and ethically, with respect for those we serve and also for each other.
- We will implement policies and procedures to allocate resources in a fair, unbiased and consistent manner that is open and understandable to our stakeholders.
- We will conduct business in the sunshine, both as a matter of law and of spirit.
- We will base program resource decisions on objective data gathered on Florida’s housing needs. We will work with the Governor, Legislature, Department of Community Affairs, local governments and other stakeholders to ensure that our programs respond to these needs.
- We will be innovative and flexible in our programs and funding strategies in order to meet Florida’s ever changing housing needs.
- We will encourage employee proficiency in Florida Housing’s programs and responsiveness to constituents and coworkers.
- We will be accountable stewards of Florida’s public resources, and engender and maintain the public’s confidence and trust.
- We will foster a synergy among current and new partners so that our combined efforts are greater than the sum of our individual works.
- We will foster awareness of affordable housing issues and the importance of affordable housing, in all its forms, in maintaining vibrant, economically strong communities.
OVERVIEW OF CURRENT HOUSING CONDITIONS IN FLORIDA

An adequate supply of affordable housing is the foundation of healthy communities, because people vital to these communities, such as teachers, store clerks and child care workers, are able to live in the same place in which they work. Living in decent housing provides a safe environment and an opportunity for people to hold jobs, excel in school and contribute to their communities. The greatest single housing problem in Florida is the high cost of housing, but substandard housing conditions also exist. Households that rely on income from service sector jobs are the most likely to have housing affordability problems, but other factors may come into play, such as joblessness and low fixed incomes.

The current economic recession has strongly impacted Florida, because it is based in great part on housing foreclosures that have struck this state especially hard. While median housing prices have come down from their 2006 high, incomes have continued to stagnate. Per capita personal income is expected to decline at least through 2009. Job losses are increasing, with unemployment up to 10.7 percent in July of 2009. Because of the oversupply of housing in the market and overall market contraction, construction is down. The recession has decreased tourism to the state, and economists predict that recovery will not begin until 2011 or 2012 at the earliest. There is anecdotal evidence that homelessness is on the rise, although early figures related to the state’s homeless count for 2009 do not show an increase. However, these homeless counts carried out throughout the state do not currently evaluate situations such as the number of people living doubled up with family or friends due to housing or job loss.

The percentage of all residential loans past due is, in some cases, over double what it was in the Year 2000. The table below breaks out 2000, 2007 and 2008 data for all loans, prime loans and subprime loans. In addition to past due loans substantially increasing, note the precipitous rise in the number of subprime loans from 2000 to 2007. While the number of all prime loans rose by about 56 percent over this period, the total of subprime loans rose by 924 percent. The table shows that all types of residential loans have declined between late 2007 and late 2008.

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Year</th>
<th>Number of Loans</th>
<th>% Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Loans</td>
<td>2000</td>
<td>2,216,625</td>
<td>6.10</td>
</tr>
<tr>
<td>All Loans</td>
<td>2007</td>
<td>3,585,614</td>
<td>7.47</td>
</tr>
<tr>
<td>All Loans</td>
<td>2008</td>
<td>3,578,935</td>
<td>11.09</td>
</tr>
<tr>
<td>Prime Loans</td>
<td>2000</td>
<td>1,572,064</td>
<td>3.31</td>
</tr>
<tr>
<td>Prime Loans</td>
<td>2007</td>
<td>2,774,981</td>
<td>4.57</td>
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<tr>
<td>Prime Loans</td>
<td>2008</td>
<td>2,720,470</td>
<td>8.22</td>
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<tr>
<td>Subprime Loans</td>
<td>2000</td>
<td>62,578</td>
<td>13.70</td>
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<tr>
<td>Subprime Loans</td>
<td>2007</td>
<td>573,562</td>
<td>19.76</td>
</tr>
<tr>
<td>Subprime Loans</td>
<td>2008</td>
<td>572,879</td>
<td>23.10</td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Ass'n

Florida is currently among states with the highest foreclosure rates in the nation. In the first quarter of 2009 alone, the total number of foreclosure filings in Florida reached 119,220, and the state’s foreclosure rate ranked fourth in the nation, with one out of every 73 Florida households receiving a filing.¹ This equals a 36 percent increase from a year ago, while the nation as a whole experienced an overall increase of 9 percent.
More than 385,000 properties in Florida received foreclosure filings in 2008, an increase of 133 percent from 2007.

**Housing Need**

In 2007, the latest year for which we have data, an estimated 7.8 million households resided in Florida. As with the rest of the nation, the average size of Florida households has declined to about 2.1. In that year, approximately 1.7 million households in Florida were cost burdened – that is, they paid 40 percent or more of their incomes for housing. Of this total, 80.5 percent were households with incomes at or below 80 percent of area median income (AMI).

To provide perspective, the National Low Income Housing Coalition estimated the average 2009 wage for a Florida renter at $13.58 an hour. This single worker would have to work 58 hours per week, 52 weeks a year, to afford a typical two-bedroom apartment in Florida. While many households include second earners, renter households in particular are comprised of single earners with dependents. While evidence suggests that rents are down in many Florida markets, incomes continue to stagnate as well.

On the homeownership side, the overall decline in housing prices and high number of foreclosed properties on the market has meant that Floridians interested in homeownership have more opportunities now than anytime over the last few years. Statewide housing prices peaked in late 2006 and slowly began to fall over the next year. From a median of approximately $248,000 in March of 2006, existing home sales prices had fallen to $141,300 by March 2009. This latter figure is likely to be artificially low because of the purchase of foreclosed homes at bargain prices. However, it is an accurate measure of actual median sales prices for this time – just 56 percent of what they were at their height in 2006. As foreclosed homes continue to come onto the market over the next few years, sales prices are expected to remain lower.

**Special Needs Households**

Florida Housing has designated five general populations that have special needs: persons with disabilities, homeless households, frail elders, youth aging out of foster care and survivors of domestic violence. Special needs households may chronically or episodically fit into more than one target population. The majority of special needs households have limited incomes, and they need short term or extended financial assistance and/or supportive services to live stable and self-sufficient lives in their communities. Since 2001, Florida Housing has worked with services agencies and others toward the creation of an integrated system of “supportive housing” to meet this goal.

Because of their limited incomes, it is extremely challenging to develop housing that is affordable to these households over the long term. In 2007, 218,236 Florida households had one or more members with at least one disability and also paid 40 percent or more for their housing; 84 percent of these households had incomes at or below 50 percent of AMI. The Social Security Administration reported that in December 2007 there were 332,257 adult Floridians receiving Supplemental Security Income (approximately $700/month) due to blindness or a disability. For many of these households, this is their only income.

The State of Florida provides services to many special needs households each year. The Florida Department of Children and Families (DCF) reports that each year it serves more than 136,000 people who have severe and persistent mental illness. Approximately 8,000 of these people are also considered homeless. Florida’s Agency for Persons with Disabilities has deemed that approximately 47,000 residents with developmental disabilities are eligible for Medicaid funded community based supportive services. Of this group, more than 30,000 are waiting to receive these services in order to live as independently as possible in their communities.

Between 800 and 1,000 youth and young adults age out of Florida’s foster care system every year. Most of them age out at age at 18, with some being emancipated by the court system as young as 16. Annually, approximately 4,600 of these youth receive services from DCF. DCF reports that over a year ending in June 2008 it provided emergency shelter services to about 7,600 households surviving domestic violence, including an estimated 7,000 children.
Housing Condition
By 2007 Florida’s housing stock included over 8.7 million units.² The 2000 Census was the last evaluation of substandard housing, and the data from that time show that over 500,000 housing units were substandard, which is measured by overcrowding and/or units lacking complete kitchens, heat and/or plumbing. By the year 2010, many units will be 30-40 years old, normally the point when rehabilitation and remodeling are required to maintain the life of a unit. The Affordable Housing Study Commission estimates that, by the year 2010, approximately 667,000 single and multifamily units that house lower income families will be 50 or more years old and will require reinvestment to maintain their viability as affordable housing.

Affordable Housing Supply
Since 1980 Florida Housing has financed the construction of or provided funding for mortgage loans to approximately 60,000 units of ownership housing, and local governments participating in the State Housing Initiatives Partnership, or SHIP, Program have provided for approximately 125,000 homeownership units. The Corporation has also financed approximately 183,000 affordable rental units, while the SHIP program has assisted in financing about 28,000 units. Figure 1 shows the breakdown by county of Florida Housing financed rental units funded through December 2008. Combined with affordable rental units financed through HUD, USDA Rural Development and Local Bond programs, the state of Florida currently has approximately 274,000 privately owned affordable rental units and another 38,000 public housing units. In addition, there are over 94,000 tenant based vouchers that residents may use to assist them in paying rent. A portion of these vouchers are used by tenants living in Florida Housing and other affordable housing units.

Economic and Market Conditions and Trends
Florida’s population growth is down since 2008, with the state estimated to add only 37,000 new residents each year from 2008 through 2010.³ This decrease of more than 90 percent from the boom years earlier in the decade is blamed on the recession, particularly the collapse of the housing market and job losses, impacting migration into the state. A number of counties are expected to lose population, and counties in South Florida are harder hit because they expanded more than North Florida counties earlier in the decade. Unless the state is hit by major hurricanes in the next few years, population estimates are that growth will slowly pick up in the next couple of years and return to more normal levels over the decade.

This slowdown has impacted state and local revenues from sales taxes and real estate transactions as well as businesses that are experiencing less demand for goods and services. Combined with lower consumer spending by Floridians, state and local governments have been forced to make large budget cuts, and this will continue for at least the next couple of years. This situation has impacted funding coming into Florida’s two housing trust funds, with revenues down and not projected to be back up to the trust fund cap level of $243 million until Fiscal Year 2013-14. Moreover, the State Legislature continues to sweep most of the funds coming into the trust funds to assist in addressing the state’s overall budget deficit. It is unclear how much longer this will occur. State revenues will remain lower over the next two years and funding of Sadowski Act programs with documentary stamp tax revenues will rebuild slowly through the decade.

The economic forecast is for losses to slow over the next two years and then to reverse over the next decade.

The Future of Florida’s Housing Delivery System
The recession has strongly impacted the market for housing related investments. Investors’ flight to quality and minimization of risk has created an investment environment of limited or no interest in Mortgage Revenue Bonds or Low Income Housing Tax Credits, leading to poor pricing on each. As a result, these two critical financing tools have only limited use right now. This should slowly change over the coming years to a more positive outlook as stability in the financial markets returns to more historic levels.

While federal housing development programs changed very little over the last decade, the recession and resulting housing finance problems have required the federal government to provide alternative financing mechanisms to keep affordable housing production moving forward as part of a stimulus strategy. The American Recovery and Reinvestment Act of 2009, or ARRA, includes a number of housing strategies, from a first time homebuyer tax credit, to funding that subsidizes or replaces Bonds and/or Housing Credits to ensure
TOTAL ACTIVE UNITS FUNDED by FLORIDA HOUSING SINCE 1982

This map is shaded to display a by-county count of all of the active multifamily rental units that have received an allocation of resources through Florida Housing’s rental programs since 1982. These 163,029 units currently provide affordable housing or are in the construction pipeline. A majority of these units serve households earning 80% of area median income (AMI) or less.
that affordable housing continues to be built, to Neighborhood Stabilization Program funding that assists in
acquiring and rehabilitating foreclosed homes for eligible residents. In addition, the federal government’s
strategies to increase liquidity will continue to be important in redeveloping lending and investing interest.

While the nation and Florida have officially experienced an economic recession, homeowner real estate
transactions have increased year over year due to low interest rates and plummeting sales prices, among other
things. Even as state housing funding is reduced in coming years, it will be critical to ensure that lower income
residents who have stable incomes can access financing to take advantage of lower sales prices during this time.
On the rental side, focusing additional resources on preservation of existing affordable multifamily properties will
ensure that new construction is only targeted to strong markets. This will also ensure that Florida Housing is
protecting the properties in its portfolio.

Finally, soon after taking office, Governor Charlie Crist signed three Executive Orders to set a direction for
Florida’s energy future to address global climate change. In addition to a Climate Action Team that was
responsible for creating a climate change action plan for future actions, the Governor’s strategies include
adoption of maximum emission standards for greenhouse gases for electric utilities, vehicle emission standards
and a higher level of energy efficient consumer appliances. As part of the strategy to reduce Florida’s
greenhouse gas emissions, the Governor has called upon state government to be part of this effort. For Florida
Housing, this means considering how to incorporate green building principles into the homes financed through
our programs.
FLORIDA HOUSING’S PRIORITIES

INCREASE AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES

CURRENT CONDITIONS AND TRENDS
The recession has been pegged to the current housing crisis in which bad loans, subprime mortgages and investor overconfidence in the housing market led to a sharp rise in housing prices that far outpaced the increase in household income in Florida. Once the housing “bubble” burst, it set off increasing delinquency and foreclosure rates which have hit the state especially hard. Financial institutions invested in securitized mortgage products which held many of these now “bad” mortgages. These “toxic assets” are responsible for dragging down the performance of financial institutions, and thus have caused credit to businesses and consumers to freeze in many cases. This has severely impacted the performance of the bond market and Florida Housing’s ability to offer competitive rates on first mortgage products.

Increasing foreclosures have led to further devaluation of home prices across the state, especially in areas hardest hit. Many people who bought homes at the height of the housing boom now owe more on their home than it is now worth. People who purchased their homes with adjustable rate mortgages cannot refinance out of the high interest rate resets because they are “upside down” – owing more on their home than what it is currently worth. This has led to an oversupply in the market of existing for sale housing.

Businesses are also being hurt by the recession which has increased the unemployment rate as workers are laid off. The increasing unemployment rate has exacerbated the foreclosure crisis, as even those Floridians who have prime, fixed-rate mortgages are unable to continue to make their payments because they have lost jobs or have had their pay checks decrease.

At the end of 2007, Congress recognized the need for additional housing counseling services for homeowners at risk of foreclosure by providing funding for the National Foreclosure Mitigation Counseling Program. In the first round of funding, a total of 60 counseling providers in Florida received over $4.8 million to assist over 23,000 homeowners during 2008. Florida Housing received $1,015,389 of this amount and served as an intermediary for 19 local housing counseling agencies who have provided foreclosure prevention and intervention services to over 2,500 homeowners in 2008, and 1,000 more during 2009. Congress provided a second round of funding in mid-2008. Intermediaries working in Florida received an additional $9.5 million to serve 39,000 more families at risk of foreclosure. Florida Housing received an additional $2,294,700 for this purpose. These resources have allowed Florida Housing to increase the number of counseling providers from 19 to 26 allowing these housing counselors to serve almost 7,000 families. In addition, Florida Housing and Florida Legal Services received an award of $1.5 million to provide legal assistance to over 2,700 homeowners at risk of foreclosure.

Going forward, as business revenues decrease and consumers, wary of future job loss, are reigning in discretionary spending, State revenues will continue to decline for 1-2 more years. As a result, current and future funding for Florida Housing’s programs will be impacted. One bright light is that it appears that federal resources will continue to be available for additional foreclosure counseling efforts.

Over the next few years, the housing market will slowly stabilize. Home prices will begin to level out as the downward correction of home prices stops and the current housing crisis starts to abate. Foreclosure rates will begin to decrease and housing inventory will return to normal levels. As state and local governments look to
find ways to make up for budget shortfalls, fees and taxes likely will increase while incomes remain flat. In addition, even as the housing market begins to stabilize, there is the possibility that after years of low mortgage rates, inflationary pressures will drive lending rates and consumer prices higher.

As a result of foreclosure, there will be many homes that need rehabilitation due to lack of upkeep and negligence. In addition, years of limited state funds being available for housing may cause a shortage of affordable units, although this may be mitigated by slower population growth over this period. These projections suggest that, going forward, there will be an increased need for Florida Housing to finance affordable housing.

**STRATEGIES**

**First Time Homebuyer Program**
The First Time Homebuyer (FTHB) Program makes fixed-rate first mortgages to homebuyers through a network of participating lenders located throughout Florida. The Program is funded through the issuance of Single-Family Mortgage Revenue Bonds (SFMRB), which often produce interest rates that are lower than those offered in the marketplace. Down payment assistance (DPA), usually in the form of a subordinate mortgage, is also available to homebuyers who qualify for the FTHB Program. Providing DPA is critical, because every dollar of DPA leverages more than ten dollars of federal tax-exempt bond allocation.

- Maintain the “Continuous Lending” model. Continuous Lending is a concept which provides a constant, reliable resource for first mortgages under the FTHB Program and is also important in maintaining lender loyalty and participation in our program.
  - Continue to offer only conservative lending products (e.g., 30-year fixed rate, level-amortization, insurable loans) with inexpensive closing costs.
  - Work with only financially stable, well-established, reputable lending partners and continue to prioritize relationships between program staff and loan officers, Realtors and other real estate professionals.
  - Continue to work with our Master Servicer to improve the delivery and purchase of loans from participating lenders, including options for the electronic delivery of documents.
  - Continue the mortgage backed securities (MBS) lending approach to derive the greatest bond yield advantage (same as AAA-rated bonds due to MBS structure).
  - Maintain sufficient indenture resources to keep at least an AA credit rating, which helps achieve the lowest possible yield on bonds sold within that credit rating (same as AAA-rated bonds due to MBS structure).
  - Achieve stable management of the SFMRB Trust Indenture (the “Indenture”) – both staffing and resources – to maintain current AA credit rating.
  - Use Indenture resources, when market conditions require them, to achieve mortgage rates commensurate with the needs of program participants.
  - Rebuild levels of indenture resources, when market conditions provide the opportunity, to regain strength in the indenture for future economic down turns.
  - Utilize alternative means of pooling and selling loans and mortgage backed securities when market conditions require it, e.g., Fannie Mae cash window and pooling and selling MBS through an investment bank.

- Maintain the availability of DPA in order to provide opportunities to more credit worthy homebuyers.
  - With state resources scarce, explore other sources of DPA such as partnerships with local and federal agencies and non-profit organizations.

- Recruit and retain reputable and trained lending partners.
  - Continue to recruit new lenders and loan officers who are committed to serving first time homebuyers.
  - Continually review and enhance current lender quality (score card, borrower complaints, etc.).
  - Replace lenders (and loan officers) lost through normal attrition with high quality, well-capitalized replacements.
  - Seek lenders for areas of the state that are not adequately covered by current lending partners.
Continue to refine training methods. Offer advanced and continuing lender training after the basic training courses, including training on assisting persons with special needs to access mortgage loans that meet their needs.

- Promote and expand continuing education opportunities for licensed real estate professionals.
  - Continue teaching the approved Realtor continuing education course and target it in areas of the state where we want to expand our programs.
  - Work with the Florida Association of Homebuilders and the Florida Department of Business and Professional Regulation to develop a continuing education course for licensed contractors.

**Single Family Development Programs**

Single Family Development Programs such as the current Homeownership Pool (HOP) Program and the former Homeownership Loan Program (HLP) promote the new construction and rehabilitation of affordable housing through for-profit and non-profit developer partners, including developers who utilize the self-help housing model such as Habitat for Humanity. The State Housing Initiatives Partnership (SHIP) Program is also a critical source of financing for homeownership construction activities.

- Promote affordable housing that incorporates green certification such as Energy Star, Florida Green Building, National Association of Homebuilders’ National Green Building Standard, or LEED.
  - Work with builders to show that green building can be effectively implemented in affordable housing developments.
  - Sponsor trainings for staff, developer partners and local governments on green building techniques.
  - Highlight the substantial savings in energy and utility costs to owners of green affordable units.
  - Work with lenders to promote the use of energy efficiency mortgages.
  - Encourage SHIP-eligible local governments to incentivize green building through their Local Housing Assistance Plans.

- Promote affordable housing that accommodates the physical disabilities, impairments and frailty of household members and their visitors.
  - Adhere to federal and state Fair Housing and accessibility requirements.
  - Continue to incorporate visitability and universal design features in all new construction following Florida Housing guidelines.
  - Work with builders to incorporate visitability and universal design features in rehabilitated units.
  - Sponsor trainings for staff, developer partners and local governments on visitability and universal design principles, features and costs.
  - Encourage SHIP-eligible local governments to incentivize visitability and universal design features through their Local Housing Assistance Plans.

- Learn and incorporate design techniques into housing that will make units functional for different family types including the aging population and multi-generational families.
  - Work with local housing advocates to determine where these types of housing are needed.
  - Explore the use of Accessory Dwelling Units.

- Learn and incorporate design techniques into housing that will make units safer when storms strike Florida.
  - Storm safe design for new construction and home hardening measures for rehabilitation.
  - Highlight both the safety of the home and the property insurance discounts available to homeowners.
  - Work with stakeholders to integrate other resources such as the Florida Safe Homes and Weatherization programs.

- Promote rehabilitation of existing single family housing.
  - Work with local housing providers to acquire and rehabilitate single family homes, including those that have been foreclosed upon, that can then be sold as affordable housing.
  - Continue working with local governments and not-for-profits to identify owner-occupied homes in need of rehabilitation.
- Continue to promote relationships with self-help housing providers.
  - Leverage the construction and mortgage financing provided by the U.S. Department of Agriculture’s Rural Development Mutual Self-Help program and groups such as Habitat for Humanity.

**Homebuyer Education and Counseling**

Both the First Time Homebuyer Program and Single Family Development Programs require that every new first time homebuyer attend a face-to-face 6-8 hour homebuyer education class at a local housing counseling agency that is approved by either the U.S. Department of Housing and Urban Development (HUD) or the local SHIP jurisdiction. Homebuyer Education is important in educating potential homeowners about both the home buying process and the responsibilities that they will face as a homeowner. There are currently not enough local housing counseling agencies to meet the demand for homebuyer education (pre-purchase) counseling throughout the state. Moreover, many agencies are only partially compensated or not compensated at all to provide pre-purchase counseling.

- Florida Housing should look for ways to help local housing counseling agencies increase their capacity to provide pre-purchase counseling.

- Continue to identify ways to stem foreclosures and keep people in their homes.
  - As resources are made available, continue to apply for competitive federal funding to assist in foreclosure counseling and other assistance.
  - Once the capacity for post-purchase counseling exists, post-purchase counseling should be encouraged for homebuyers who have received funds through a Florida Housing program.
  - Help local housing counseling agencies increase their foreclosure mitigation counseling capacity.
  - Work with Florida Housing’s Master Servicer to continue to find ways to help first time homebuyers with Florida Housing loans to avoid foreclosure.

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**ENSURE THAT FLORIDA HOUSING’S RENTAL PROGRAMS ARE WELL MATCHED TO THE HOUSING NEEDS OF FLORIDIANS AND ARE FLEXIBLE ENOUGH TO RESPOND TO CHANGING MARKET CONDITIONS**

**CURRENT CONDITIONS AND TRENDS**

Current market conditions have strongly impacted Florida Housing’s capacity to use its key rental programs. Lower Housing Credit pricing and a loss of investors for both Bonds and Housing Credits means that many developments are not capable of moving forward using these resources in traditional ways. Moreover, the ongoing state budget deficit has led the Legislature to sweep funding from the State Housing Trust Fund, limiting and/or eliminating State Apartment Incentive Loan, or SAIL, Program funding. As indicated earlier, state revenues are not expected to recover for some time, so at best Florida Housing can anticipate a very slow recovery of this funding source in the next five years. Federal stimulus funding through ARRA and any other future appropriations will be critical to Florida Housing’s rental financing strategy over the next few years while state funding levels and the investment markets recover.

On the brighter side for new construction, the end of the housing bubble has brought land and construction costs down, and appreciation of land has slowed and in some cases stopped.

The current market situation has impacted Florida Housing’s rental portfolio of approximately 1,100 properties. Because so much single family stock is currently on the market, many owners have chosen to rent single family homes rather than try to find buyers in this market. These additional rental units are competing with market rate multifamily rental units, and property owners are responding with lowered prices. Apartment rents are lower in key markets around the state, which has impacted the affordable rental stock. As a result, with an excess of
rental housing available in many places, vacancies in Florida Housing’s portfolio are higher than usual in some areas.

It is unclear how long this problem will continue, but a reasonable expectation is that the rental market will slowly tighten over the next 3-5 years as the housing market bottoms out and excess supply is purchased. During this period, Florida Housing must consider the impacts of new construction on the existing portfolio. In particular, properties in the Guarantee Program portfolio, which carry the greatest risk to the state, must be considered as Florida Housing awards funding for new construction.

Aging Affordable Housing Stock
With rapid growth and available land, Florida has been in a perpetual land boom for 30 years; most of the state’s development has occurred over this time. Since 1981, Florida Housing’s primary rental goal has been to finance as many new multifamily units as possible to keep up with the state’s burgeoning population.

However, the state is at the point where many of the housing units financed over the last 30-40 years are aging and in need of rehabilitation. This is especially true of the assisted affordable multifamily stock. Many of the oldest assisted properties have expiring affordability periods, and for a variety of reasons these properties may go to market. Across the board, however, all of these older properties require some level of rehabilitation to maintain them as decent housing for low income renters.

A total of 2,255 privately-owned affordable multifamily developments are found in Florida, with approximately 254,000 units targeted to low-income families. Of these over 173,000 are Florida Housing units targeted to a particular income level. Over 70,000 units have some type of federal project-based rental assistance, making them more affordable to the state’s lowest income renters. In addition, there are over 38,000 public housing units, which generally are the state’s oldest affordable housing stock. While some of these units may be functionally obsolete, many are worth saving but need more rehabilitation funding than is appropriated by the federal government. Public housing units are another important source of funding for extremely low income households.

Over the next six years, precious federal rental assistance subsidies on 43,000 of these units will expire and could be lost to the affordable delivery system. In addition, while over two-thirds of assisted units are no more than 20 years old (many of which are financed by Florida Housing), over 67,000 units are over 20 years old. These oldest units are the ones most likely to have federal rental assistance and be serving Florida’s lowest income renters.

Many of the oldest properties financed into the 1980s through U.S. HUD or USDA Rural Development are particularly critical to preserve, because they serve extremely low income renters with federal “project-based rental assistance.” Florida Housing’s strategic move to target more financing to units for these lowest income populations has resulted in financing fewer affordable rental units each year. In part this is because additional costs to develop units targeted to these residents consumes a greater portion of resources per unit in order to minimize long term debt on these units and make rents more affordable. This means that the federal rental subsidies are precious to maintain.

Furthermore, in the long run it is less costly per unit to rehabilitate older properties than to build new ones. Florida’s affordable housing programs and delivery system currently are positioned to support new construction. However, initial work has been carried out to learn about and support the development of a preservation strategy, and the state is now well positioned to launch a concerted effort in this direction.

Florida Housing has partnered with the Florida Housing Coalition and the Shimberg Center for Housing Studies to win a grant from the national MacArthur Foundation to carry out a multi-year preservation effort aimed at building nonprofit capacity to take on preservation transactions. In addition, the 2008 Legislature appropriated funding for a preservation pilot in three counties. Florida Housing has developed a bridge loan strategy for acquisition of properties that will be preserved, and is contracting with a statewide community development financial institution called the Florida Community Loan Fund to implement the strategy. The 2009 Legislature
adopted statutory revisions to the SAIL Program which in part will allow this funding to be used more flexibly for preservation purposes. With state population growth down and an oversupply of rental housing on the market at this time, Florida Housing has an opportunity to develop its preservation strategy over the next few years without the extraordinary pressure to build new units of years’ past.

In Florida’s proposal to the MacArthur Foundation, we outlined preliminary priorities for preservation, including the following:

- Properties that have a high number of units with project-based rental assistance, because these units generally serve extremely low income residents and those with special needs, including elders and persons with disabilities, and the federal subsidy is a precious resource to continue serving these populations;
- Properties that have a high proportion of units currently serving extremely low income residents and those with special needs as a part of a property owner’s mission;
- Properties that are located in areas where there is very limited affordable housing;
- Properties that were well built originally and have been reasonably well cared for and that, as a result, are reasonable investments for long term preservation;
- Properties that are near to or have access to employment, services and community facilities; and
- Properties that local communities deem important to preserve as part of a broader redevelopment or affordable housing strategy.

In addition, public housing units, which are maintained with federal operational funding, but not at levels that keep the housing from deteriorating, are an important part of the stock that serves extremely low income residents, especially elders and persons with disabilities. While Florida Housing has worked with public housing authorities to ensure that there are opportunities for redevelopment in our rental funding cycles, there has not been a state level discussion about how public housing preservation fits into a broader preservation strategy.

In the next few years Florida must develop systems to assist Florida Housing and local governments in prioritizing which units to preserve. Florida Housing’s financing tools will never be enough to preserve all units, so a triage process must be implemented that considers who is being served, where the housing is located and the local market conditions, proximity to services and employment, and other factors that Florida determines are important. Local government redevelopment priorities will also be important to consider.

The state’s multi-year focus on climate change concerns and energy policy includes implementation of energy efficiency measures and other “green” strategies in building construction. For many years, Florida Housing has included incentives for developers to include energy conservation features in new rental developments, and these options have been updated as increased standards become mainstream.

A 2005 study by New Ecology, Inc. and Tellus Institute evaluated the cost/benefit of green affordable housing. Of the multifamily properties examined, 7 were new construction and 5 were rehabilitation. The increase in initial capital costs for green building, known as the green premium, ranged from 0.62 percent to 9.09 percent with a median green premium of 3.06 percent across twelve case studies. The study also used life-cycle costing to account for the costs of building operations and maintenance over the lifetime of the buildings. Taking into account the green premium, annual operating expenses and future replacement costs, all but one of the multifamily developments in the case study were projected to incur savings over the 30 year lifespan of the buildings.13

**Strategies**

- Refine market and housing need data to assist Florida Housing in targeting its rental programs to those in need.
Incorporate market data and portfolio benchmarks into program funding decisions.
  o Ensure that Florida Housing has data necessary to carry out credit underwriting that considers its existing portfolio, including property financial data, loan performance data and broader portfolio market data.

Evolve the multifamily funding process to respond to current and changing policy, market and financing needs.
  o Redevelop the Universal Application Cycle process and application to ensure that applications for financing are scored and awarded financing based on relevant, meaningful items.
  o Revise the Universal Application Cycle process to make it as clear and understandable as possible.

Develop a strong, comprehensive preservation strategy to save critical aging, assisted rental developments, especially those with expiring affordability periods.
  o Use the MacArthur Foundation grant as a jumping off point to educate local governments, nonprofits and others; build capacity for preservation transactions; and create a statewide, ongoing dialogue about preservation strategies.
  o Develop a more nuanced set of priorities to identify developments that Florida Housing should preserve, and create systems to assist in identification of priority properties.
    ➢ Incorporate risk management issues into preservation priorities, including the likelihood of a property opting out of the affordable system or falling out due to deterioration.
    ➢ Include a discussion of how public housing redevelopment should fit into the state’s preservation strategy.
  o Incorporate local government perspective and priorities into Florida Housing’s preservation funding decisions to assist communities with redevelopment priorities.
    ➢ Consider how local community development strategies (e.g., code enforcement initiatives) to support neighborhoods in which financing is provided to preserve existing affordable housing.
  o Implement the Preservation Bridge Loan Program and evaluate the usefulness of this strategy in assisting preservation transactions.
  o Evaluate how historic preservation can be incorporated into Florida Housing’s regular funding processes.
  o Systematize workouts of expiring and troubled properties in Florida Housing’s portfolio.
    ➢ Develop a strategy(s) and priority system for positioning these properties for additional funding for refinancing and rehabilitation as appropriate.
  o Incorporate Florida Housing asset management/preservation lessons into front-end program requirements/processes.

Enhance opportunities for special needs households to access rental housing financed by Florida Housing.
  o Incentivize the inclusion of units affordable to extremely low income residents into developments financed through Florida Housing’s mainstream rental programs.
  o Set aside a portion of units in Family and Elder developments for households with special needs and facilitate the involvement of supportive service providers to support these households.
  o Attempt to provide predictable funding for smaller, specialized developments that serve households with special needs.
  o Develop and incorporate standardized visitability and universal design requirements into new construction and preservation developments.
  o Facilitate capacity building efforts of nonprofit developers to develop, preserve, operate and sustain affordable and special needs housing.
  o Collaborate with federal, state and local agencies and private organizations to pool affordable housing and supportive services resources to better serve the most vulnerable of Florida’s households.

Incentivize green certification in Florida Housing-financed rental developments.
  o Examine the role of utility allowance requirements as a barrier to encouraging green affordable rental housing.
ENSURE THAT THE GOVERNOR, FLORIDA LEGISLATURE, CONGRESS AND LOCAL ELECTED OFFICIALS UNDERSTAND FLORIDA HOUSING’S ROLE AND THE IMPORTANCE OF AFFORDABLE HOUSING TO COMMUNITIES AND THE STATE

CURRENT CONDITIONS AND TRENDS
It is critical that newly elected and returning state and local officials, as well as Congressional senators and representatives, are provided information about Florida’s affordable housing delivery system, how the State funds affordable housing, Florida Housing’s role in providing affordable housing to Florida residents and who Florida Housing serves. Florida Housing’s Board of Directors can be an important part of this education process. Information provided must include data on the economic activity, including job creation, generated from affordable housing development. This will be particularly important over the next few years while state revenues are limited and the Governor and Legislature have to make difficult budget decisions that are likely to impact affordable housing funding. While larger state budget issues mean that less funding may be available for state housing programs, it is nevertheless critical that Florida Housing works to obtain adequate funding for these programs, especially because these programs are critical in our ability to leverage federal resources.

STRATEGIES
- Educate the Legislature, Congress and their staffs on affordable housing issues and solutions.
  - Involve Board members in education efforts with the Legislature and others.
  - Work with state and national affordable housing stakeholder groups to provide advocacy and education.
- Provide the following types of information for legislators and their staffs:
  - Information on household income levels and occupations that can be served by the available homeownership;
  - District specific information and need data to assist legislators and legislative staff in understanding the affordable housing issues and affordable development successes in their areas;
  - Income and other information to inform elected officials about the need for a range of housing types, including transitional housing, permanent supportive rental housing and homeownership;
  - Information about our rental portfolio and who lives there;
  - Information that shows, by area, the salaries and percentages of area median income of representative, typical employees working in the area compared to the price of rents and home purchase prices;
  - Information that shows, by area, the economic activity generated by Florida Housing’s programs; and
  - Information on taxpayer savings generated by providing permanent supportive housing for persons with special needs that assist in stabilizing them and thus reducing their need for and the cost of public emergency services (e.g., emergency rooms, police), shelters, and more restrictive and expensive housing (e.g., nursing homes and institutions).

ENSURE THAT INFORMATION ABOUT FLORIDA HOUSING’S PROGRAMS IS ACCESSIBLE TO ALL STAKEHOLDERS

CURRENT CONDITIONS AND TRENDS
Florida Housing has a variety of homeownership and rental programs, each with federal and/or state statutory and rule requirements that range from how funding is accessed on the front end, to compliance monitoring for rental developments and first-time homebuyer loans on the back end. Since there is a lot of information available about and required for participation in these programs, stakeholders may find it challenging to
efficiently access this information, make sense of the regulatory requirements, enter the funding process and move through credit underwriting after Florida Housing makes an award of funding.

Florida Housing uses several methods and tools to communicate with and provide stakeholders with information about our programs, including the state Catalyst Program, our Web site and Web boards, rule development and application workshops, trainings for lenders and Realtors, and our First Time Homebuyer toll-free phone number. In addition, staff regularly participates in external meetings, roundtables and workshops to ensure that interested parties have access to information about our programs and have input in application processes.

Even with these efforts, it can be difficult to decipher how to access financing available through our programs because both the process and the requirements are complex.

**Strategies**
- Redevelop the Florida Housing Web site to make it easier for stakeholders and laypeople to find information and access financing through available programs.
- Develop a Web-based, one-stop tool to provide easy access to information about housing assistance and funding provided by all SHIP local governments.
- Develop a new builder assistance strategy for nonprofit and for-profit developers to provide education on key aspects of how Florida Housing’s homeownership and rental programs operate, including the process to access funding, the credit underwriting process, income certification of residents and the compliance monitoring process.

**Develop a Strategic Data Management System to Assist Florida Housing in Setting Program Priorities and Managing its Multifamily Rental Portfolio**

**Current Conditions and Trends**
As Florida Housing’s portfolio of affordable rental housing has expanded throughout many areas of the state, we have incorporated limited information about existing portfolio performance into new construction funding decisions. For instance, Florida Housing has attempted to provide new properties time to lease up and stabilize before additional properties are built nearby. In addition, we now evaluate physical occupancy rates of the portfolio throughout the state to determine where market softness might suggest retargeting program resources to lower incomes or other geographic areas. These actions have been reasonable first steps, but as the size of the portfolio increases and especially in times when the housing market softens, these actions have not been fully successful in meeting our goal of addressing the state’s affordable rental need while protecting Florida Housing’s portfolio.

Florida Housing is also faced with a new set of competing priorities as rental units financed in the early days of Florida Housing’s rental programs are now aging and, in some cases, have expiring affordability periods. In addition to financing the development of new units, we must provide funding to maintain existing units that are deemed to be critical in providing needed housing. Furthermore, properties financed with federal HUD and Rural Development programs, as well as public housing, are aging and expiring, and the owners of these properties are turning to Florida Housing’s programs for refinancing and rehabilitation to preserve this housing for low income residents. As we make refinancing decisions about Florida’s aging affordable housing stock, it is critical that these decisions are made with a full understanding of the physical and financial condition of the units in question and the surrounding affordable market. Florida Housing has arrived at the point where the
needs of our existing portfolio and the rest of the state’s assisted housing impact Florida Housing’s funding priorities.

Florida Housing has not implemented a comprehensive strategy to ensure that we can use data from our existing portfolio to make critical resource decisions related to future funding priorities. We are capable of evaluating properties individually, but our data systems are such that we are unable to carry out more than a simple, broad analysis of properties by categories such as market, developer, funding type or unit mix. However, this capability is now critical to the success of the state’s funding priorities.

Since 2001, Florida Housing has made progress in managing various types of data needed to make policy and program decisions:

- Through the implementation of third party housing data management software, we are able to provide timely, accurate portfolio data to the Legislature and other interested parties, and we use reports from this database for a variety of analytical purposes;
- The annual collection of 6 months of physical occupancy data from most properties in our portfolio for the Universal Cycle “Location A” process has provided a minimal understanding of the submarkets for affordable rental housing throughout the state;
- Automating the submission of annual compliance reports by our servicers provides a more efficient process that allows Florida Housing to have access to additional data from these reports; and
- Electronic storage of many types of documents, such as credit underwriting reports, allows greater access to these records by more staff.

Florida Housing collects a huge amount of data, but there is no cohesive system to manage and turn the data into information that can be available to all. The broad concerns about the data we currently collect are:

- The data are scattered between various databases and spreadsheets and are not integrated together to allow for more flexible analysis of the portfolio;
- Not everyone has access to all of the places where the data are stored (in this case, “storage” encompasses paper reports, scanned documents, electronic spreadsheets and databases). In some cases, we rely on one or two people to be available to run reports from a database, or individuals keep their own databases that others might find useful if they knew the information existed;
- What we collect and how we collect it are not consistently validated and our collection processes are outdated; and
- Our internal culture around the use of information is outmoded. Each department typically collects the data they need for their own use and often makes decisions based solely on the limited information they have. In addition, these departments generally are not expected to share their data. Not only does this discourage development of integrated financing policies, it limits Florida Housing’s ability to manage risks across all programs.

If Florida Housing’s goal is to incorporate the needs of our existing portfolio into our funding priorities, we must change our internal data culture to one that values and is capable of working with data coming to us from all parts of our business – from applications for funding to compliance monitoring reports and audited financials. To make this happen, we must link together our disparate data sources and make the data accessible to all, and reports must be made available to encourage use and analysis of the data. This will allow the staff to incorporate existing portfolio data into all decision points, including program decisions, the credit underwriting process and long term asset management.

To effectively manage our portfolio and make front end program decisions, Florida Housing must be able to access portfolio data across a variety of factors: financial and physical indicators as well as resident characteristics by property, groups of properties in jurisdictions, market and region; and by developer, property manager, financing program, demographic population being served, unit mix, etc. In order to evaluate the existing portfolio’s ability to meet current and changing housing needs, we need our disparate sources of portfolio data integrated so that we have the ability to evaluate the following kinds of concerns:
- Demographic data on tenants being served;
- Market stability by various measures, such as unit mix and targeted incomes;
- Operations costs over time for individual developments and for geographic areas to identify trends and provide for operational benchmarks;
- The preservation needs of the portfolio to help us build responsive programs to ensure the affordable stock doesn’t deteriorate;
- Portfolio concentrations in areas that may increase risk, such as developers, populations served and geographic location; and
- Financial scenarios and portfolio modeling to include individual review and portfolio-wide comparisons.

As we develop integrated systems, Florida Housing must also require property managers to provide additional data in order to strengthen our analytical capabilities. Section 420.507 (45), Florida Statutes, provides Florida Housing with the following power:

To establish by rule requirements for periodic reporting of data, including, but not limited to, financial data, housing market data, detailed economic and physical occupancy on multifamily projects, and demographic data on all housing financed through corporation programs and for participation in a housing locator system.

Florida Housing must take advantage of this provision to collect needed data for analysis.

**GOAL**

Establish business practices and develop a data management system that allows Florida Housing to evaluate the need for multifamily rental housing and the conditions of Florida Housing’s multifamily rental portfolio in order to make thoughtful program funding and asset management decisions.

**STRATEGIES**

- Develop our capacity to use property data from Program Reports and financial statements. To carry out this work, implement four critical courses of action:
  - Determine the minimum and ideal data elements that are necessary for program funding decisions and asset management;
  - Obtain adequate data from all properties (monthly Program Reports and annual financial data as specified by Florida Housing);
  - Develop software/hardware infrastructure to house new and existing data elements; and
  - Develop a reporting system to ensure that Florida Housing has access to data reports for analytical purposes.
- Establish procedures/resources/staff to manage, maintain and update data and provide data reports, and analyze results.
- Continue to streamline business processes to automate the capture of data at the appropriate location and time.
- Modify databases into data “warehouses” that are capable of providing historic data about properties, such as changes in financing due to preservation.
**FULLY DEVELOP FLORIDA HOUSING’S ASSET MANAGEMENT CAPABILITY TO ENSURE THAT THE RENTAL PORTFOLIO REMAINS HEALTHY AND TO INFORM PROGRAM FUNDING DECISIONS**

**CURRENT CONDITIONS AND TRENDS**

Florida Housing has a total portfolio of approximately 1,100 multifamily properties. These properties were developed with financing from Florida Housing and other affordable housing programs. The portfolio is subject to a variety of risks at any time: availability of continued funding resources, financial liability, reputation based on portfolio management, and loss of affordable units due to foreclosure. In addition, Florida is faced with the slow expiration of affordability periods for older units in its portfolio; this means that some properties will be lost if an owner wishes to transfer them to market rate units or sell them as condominiums.

As outlined earlier in this plan, today’s market is stressing rental units in a number of areas of the state. As a result, properties are at greater risk of foreclosure or deferred maintenance as owners and investors struggle to make mortgage payments without the necessary rental income to cover these costs. After several years of high operating costs in an atmosphere of flat incomes, many properties were weakened. The latest economic situation has simply added further stress to struggling properties.

All properties in Florida Housing’s portfolio face these risks to some degree, but properties credit enhanced through the Affordable Housing Guarantee Program incur the most significant financial risk to the state. Because the program guarantees repayment of mortgages in case of default and the Guarantee Fund’s unrestricted corpus to guaranteed obligations can be leveraged at a ratio of 5:1 or less (currently the leverage ratio is approximately 3.70:1), the program has the potential to assume a total financial risk of $1.5 billion (currently there are 100 mortgage guarantees outstanding representing approximately $757 million risk-in-force).

Since its inception in 1993, the Guarantee Program has credit-enhanced 120 transactions, representing $1.4 billion in initial guarantees, and helped facilitate the construction of over 28,000 affordable dwelling units in Florida. Approximately 65 percent of the multifamily portfolio has been underwritten and financed in conjunction with HUD’s risk-sharing program, whereby HUD assumes 50 percent of the mortgage loan risk upon construction completion. In the Program’s 15-year history, losses had been minimal, with no multifamily claims paid and less than $150,000 in total single family claims. Historically, limited partners (equity providers/tax credit syndicators) have helped fund operating deficits to maintain the financial viability of troubled properties and to avoid recapture of the housing tax credits.

Exacerbated by the recent, severe downturn in the economy and shortage of tax credit equity, some limited partners have experienced increased fiscal problems. This has prompted some to weigh the loss of reputation and cost of tax credit recapture against the amounts required to cure loan defaults and fund operating deficits. Some have deemed it economically feasible to “walk” from their properties, cutting off financial support. In November 2008, the Guarantee Program paid its first multifamily claim. To date, seven multifamily risk-sharing claims have been paid totaling approximately $85 million. Recognizing that the financial integrity of the Guarantee Fund is critical to its performance under its continuing mortgage guarantee obligations, the Board authorized a subordinate mortgage initiative utilizing Florida Housing’s unrestricted net assets as the funding source. The initiative provides limited debt service assistance to owners of Guarantee Program developments in order to aid in their ability to remain viable developments during these unprecedented economic conditions.

The Guarantee Program has benefitted from progressive actions taken by the Board and implemented by management to maintain the stability of the fund. The Program maintains an adequate board-determined reserve requirement, asset quality, leverage ratio and liquidity of reserve fund investments. Furthermore, in March 2009 the Board formally confirmed the suspension of issuance of additional guarantees in light of adverse current market conditions.
The Guarantee Program also benefits from ongoing state support through its ability to draw on a portion of future documentary stamp tax allocations made to the State Housing Trust Fund (SHTF) for the following purposes, listed in priority: 1) Replenish the debt service reserve fund (DSRF) to its required minimum balance; and 2) Recapitalize the fund to maintain its insurer financial strength rating at the third highest rating category. Distributions to the SHTF can fluctuate as a result of documentary stamp tax collections. The level of support to the Guarantee Program is limited by the collections amount and the statutory calculation of the amount going into the State Housing Trust Fund.14

As properties in Florida Housing’s portfolio age, there are and will be additional stressors on the entire system as developments have capital and rehabilitation needs. Florida Housing has implemented intensive asset management strategies for the Guarantee Program portfolio because of the risks to the state. This has not been done for the rest of the portfolio, because the private investors involved in these properties, such as Housing Credit syndicators, Bond purchasers and private lenders, have been the key monitors of risk. Now that these properties are aging, Florida Housing will have to decide as part of its preservation strategy which developments are important to refinance, recapitalize and rehabilitate. Additionally, with the maturation of the portfolio in many parts of the state, evaluating the potential impacts on the financial health of existing properties as new ones are constructed will be important. Applying monitoring strategies developed for the Guarantee Program to the rest of Florida Housing’s portfolio will allow us to better evaluate portfolio risks and preservation priorities.

Florida Housing’s operational approach is not set up well to address a portfolio-wide risk evaluation system. In particular, adequate staff resources are not set up or trained to implement such a system. Moreover, data systems for this purpose are nascent. These management changes will be critical facets of moving forward.

**STRATEGIES**

- Expand the Guarantee Program’s early warning system to Florida Housing’s entire portfolio to provide notice for properties that may be becoming financially troubled.
  - Develop data collection and reporting tools to collect benchmarks of property performance, including detailed data on physical and economic occupancy rates, financial data for use internally and by servicers.

- Expand the asset management model used by the Guarantee Program that is included in the servicer and borrower contracts to the broader Florida Housing portfolio.

- Systematize strategies and procedures to prioritize existing properties for preservation funding and refinancing.

- Analyze the portfolio and best practices to determine financial structuring models that promote the maintenance of high functioning properties over the long term.

**GUARANTEE PROGRAM STRATEGIES**

- Continue to examine the financial stress of the developments in the Guarantee Program portfolio and provide limited debt service assistance in order to aid in their ability to remain viable developments during these historically difficult economic conditions.

- Refine and reposition the subordinate mortgage initiative as economic conditions and needs change.

- Maintain the suspension of issuance of additional guarantees.

- Continue to explore opportunities to cede risk from the Guarantee Program considering a variety of factors, including but not limited to providing incentives to borrowers to refinance out of the Guarantee Program portfolio, refinancing and/or restructuring the capitalizing bonds, and pooling and selling portions or all of the Guarantee Program Portfolio.
- Continue to review counterparty risk within the Guarantee Fund’s debt and investment structure, removing weak partners when possible.

- Continue to assess the utility and overall risk of the Guarantee Program in light of evolving market conditions to determine its long term status.

## IMPLEMENT A COMPREHENSIVE ENTERPRISE RISK MANAGEMENT FUNCTION

### CURRENT CONDITIONS AND TRENDS

The year 2000 was a year of significant change for Florida Housing. That year began a comprehensive re-examination of the organization including culture, priorities, staffing, policies and procedures with the purpose of strengthening the integrity, accountability and transparency of its programs and internal and external business processes. This re-examination was in large part due to the audit released by the State Comptroller that was highly critical of Florida Housing’s operations and business practices.

One significant action was to staff the internal audit function. In the ensuing years, Florida Housing added a quality assurance review function and various anonymous reporting mechanisms. Many of the current senior managers at Florida Housing, as well as the current Executive Director, were hired or promoted into senior management in the year or so after the 2000 audit was released. Working with the Board of Directors, management used the audit as a guide to examine and improve operations, business processes, and establish or revise policies and procedures. In this way, Florida Housing restored a culture of integrity, where everyone works in an ethical and transparent manner.

Florida Housing now needs to institutionalize the risk-aware culture built by management and the Board in recent years. Currently, management throughout the organization evaluates, plans for and manages risks and opportunities. Senior managers regularly consider how to improve their programs and/or operational areas. When evaluating new policy or operational areas or risks, the Executive Director is involved to provide input and guidance. Florida Housing’s central goal and challenge for enterprise risk management is improving this capability and coordination, while integrating the output to provide a unified picture of risk for stakeholders and improving the organization’s ability to effectively manage the risks.

Enterprise risk management (ERM) is a function implemented by an organization’s Board of Directors, management and other personnel, and facilitated by its internal audit function. It is applied in a strategy setting across the organization and is designed to identify potential events that may negatively and/or positively affect the entity. ERM ensures that risks are managed in accordance with the entity’s level of risk tolerance and provides assurance that organizational objectives are met. ERM encompasses:

- Aligning risk tolerance and goals;
- Selecting among alternative risk responses;
- Reducing operational surprises and associated costs, response time, etc.;
- Identifying and managing multiple and cross-enterprise risks;
- Identifying and realizing opportunities; and
- Improving resource allocation and needs.

Florida Housing expects its ERM process to provide a formalized mechanism for management to consider such things as competing priorities; new and changing programs; existing and expected capacity, economic conditions, and portfolio-wide risks. This assists management in making timely, well-informed decisions regarding programs, policies, refinancing/refunding, allocation of resources, business processes, etc.
Florida Housing’s objectives for ERM are to:
- Institutionalize a risk-aware culture across the organization;
- Determine levels of risk tolerance;
- Establish a formalized process to identify and address risks and opportunities entity-wide; and
- Implement a process to ensure that risk management and opportunity seizing strategies are followed through.

**STRATEGIES**
- Create a formal ERM committee comprised of executive and senior management to oversee ongoing and newly created risk management activities.
- Create an accountability mechanism to ensure that ERM committee recommendations are implemented and working as intended by management.
- Update Florida Housing’s Board and staff periodically on ongoing ERM efforts and recent accomplishments.

**ENSURE THAT SUFFICIENT TALENT AND SKILL SETS EXIST TO MANAGE ALL BUSINESS FUNCTIONS AT FLORIDA HOUSING**

**CURRENT CONDITIONS AND TRENDS**
Florida Housing’s staff is our most important asset. To meet changing needs over time, staff capabilities must be transformed and, as necessary, new skill sets must be brought into the organization through training or hiring to ensure that changing objectives can be met. In addition to knowledgeable staff, departmental functions and structures must be shifted to meet emerging objectives.

As Florida Housing’s portfolio matures, two critical areas identified in this plan that must be addressed in the next 3-5 years are asset management and data management. Both areas require additional resources.

Retirement and departure of key staff members are important human resource issues. Succession planning is an important strategy to ensure that Florida Housing is prepared for these changes.

Finally, while resources are currently limited and are likely to be for the next few years, training remains an important function to develop staff skills and respond to our changing environment and objectives.

**STRATEGIES**
- Develop staff expertise levels and skill sets to ensure market competitiveness, responsiveness to the housing community and efficient use of resources.
- Evaluate Florida Housing’s capacity to meet emerging objectives, such as asset management and data information management, and implement business changes to meet these objectives.
- Develop and carry out a staff succession plan to ensure that Florida Housing provides continuity of key functions into the future.
- Continue to offer low cost and no cost training opportunities to Florida Housing staff.
- Document and map business processes and procedures of all Florida Housing functions.
Document Notes

1 RealtyTrac, Inc.
2 In 2008, the average household living in rental homes financed by the State Apartment Incentive Loan, or SAIL, Program was 2.4 people.
3 The Shimberg Center for Housing Studies at the University of Florida, 2007.
4 National Low Income Housing Coalition, Out of Reach 2009.
5 The 2007 American Community Survey.
6 The youth are eligible for services through the age of 22.
8 From an interview with Stan Smith, Bureau of Economic and Business Research, for “Recession discouraging people from moving to Florida,” University of Florida News, 23 March 2009.
9 “Visitability” is an affordable, sustainable and inclusive design approach for integrating basic accessibility features into all newly built homes and housing. To be considered visitable, units need such design elements as: one zero-step entrance on an accessible path of travel, doorways that are 32 inches clear throughout the floor plan, and basic access to at least a half bath on the main floor.
10 “Universal design” is an approach that intends to create an environment where accessible features have been integrated into the overall design and that functions appropriately for all persons, regardless of age or physical capacity.
11 An “accessory dwelling unit” is an apartment within a primary residence or an attached or freestanding home on the same lot as a primary residence. It is a complete living unit that may be rented out, creating affordability in two ways: the modest-sized accessory dwelling rents out at an affordable price, while this rental income helps the primary resident owner better afford his or her housing costs.
12 Data for this whole paragraph were obtained from the Florida Housing Data Clearinghouse website, particularly choosing a series of summary reports for Florida at http://flhousingdata.shimberg.ufl.edu/a/ahi_summary.
14 Prior to the end of each fiscal year, Florida Housing is required to certify to the state chief financial officer the amount, if any, of the projected deficiency in the capitalization bonds’ DSRF. Upon receipt of the certification, the chief financial officer is required to transfer to the DSRF from the first available moneys allocated to the SHTF in the ensuing state fiscal year, which begins July 1, the amount necessary to restore the DSRF to its required level. Subject only to the preceding requirement and upon Florida Housing certification, an amount of up to 50 percent of the prior year’s allocation to the SHTF is available, on a priority basis from the first available moneys transferred to the SHTF, for deposit in the Guarantee Fund to avoid any lowering of the Fund’s insurer financial strength rating from the third highest rating category.
15 In 2003, the Casualty Actuarial Society (CAS) defined Enterprise Risk Management as the discipline by which an organization in any industry assesses, controls, exploits, finances, and monitors risks from all sources for the purpose of increasing the organization’s short- and long-term value to its stakeholders.
I. Introduction

Pursuant to Section 420.5099, Florida Statutes, the Florida Housing Finance Corporation (FHFC) is designated as the “housing credit agency” responsible for the allocation and distribution of Low Income Housing Tax Credits (Housing Credits) in Florida. As the allocating agency for the state, FHFC must distribute Housing Credits to Applicants pursuant to a Qualified Allocation Plan (QAP).

Section 42(m) of the Internal Revenue Code (IRC) requires each state allocating agency to adopt an allocation plan that includes certain priorities and selection criteria.

A. Preferences given when allocating Housing Credits:
   - Serving the lowest-income tenants
   - Serving qualified tenants for the longest periods
   - Projects located in qualified census tracts

B. The following selection criteria will be considered when determining the allocation of Housing Credits:
   - Project location
   - Housing needs characteristics
   - Projects characteristics including housing as part of a community revitalization plan
   - Sponsor characteristics
   - Tenant populations with special housing needs
   - Public housing waiting lists
   - Tenant populations of individuals with children
   - Projects intended for eventual tenant ownership
   - Energy efficiency of the projects
   - Historic nature of the project

C. Provides a procedure that the agency will follow in monitoring for noncompliance with the provisions of Section 42, IRC, and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.

Prior to the issuance of a Housing Credit Allocation, a Development must be underwritten in accordance with Rule 67-48.0072, F.A.C., in order to determine the Development’s feasibility, ability to proceed and the appropriate Housing Credit amount, if any. FHFC shall issue Housing Credits in an amount no greater than the amount needed for the financial feasibility and viability of a Development throughout the Housing Credit compliance period. The issuance of Housing Credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by FHFC.
All capitalized terms not otherwise defined herein have the meanings set forth in Rule Chapters 67-21 and 67-48, Florida Administrative Code.

II. Competitive Housing Credits

The portion of the Allocation Authority (annual per capita allocation amount plus any unused Housing Credit carryovers allocated among certain States per Section 42, IRC, (National Pool) minus any applicable binding commitments) designated to be available within each respective competitive solicitation process at the time the Board approves the list of applications to award funding will be awarded in accordance with each competitive solicitation process as approved by the Board. All Developments will be reviewed if eligible pursuant to Rule Chapter 67-48, Florida Administrative Code, and evaluated pursuant to FHFC’s competitive solicitation process.

A. Up to five percent of the Allocation Authority will be reserved for high-priority affordable housing projects, as defined by the Board.

B. Five percent of the Allocation Authority will be reserved for affordable housing projects that target persons who have a disabling condition. Any Housing Credits not allocated because of a lack of eligible projects targeting persons who have a disabling condition shall be distributed for high-priority affordable housing projects.

C. 15 percent of the remaining Allocation Authority will be set aside for those Applicants that select and qualify for the following Development Categories: Preservation or Acquisition and Preservation.

D. 85 percent of the remaining Allocation Authority available will be set aside for those Applicants that select and qualify for the following Development Categories: New Construction, Rehabilitation, Acquisition and Rehabilitation, Redevelopment, or Acquisition and Redevelopment.

The Geographic Set-Aside distributions for Allocation Authority in this section are based on the most recent statewide market study:

- Large County Allocation Authority: 59.0%
- Medium County Allocation Authority: 36.7%
- Small County Allocation Authority: 4.3%

E. FHFC’s goal is to have a diversified rental housing portfolio. Therefore, its 2014 competitive solicitation process targeting goal is to include an allocation of Housing Credits with a minimum of: one (1) affordable housing project in the Florida Keys Area of Critical State Concern and/or the City of Key West Area of Critical State Concern, one (1) affordable housing project located within a SunRail Station Transit Oriented Development area, one (1) Homeless Development, one (1) Family Preservation Development, and one (1) Elderly RD Preservation Development. The targeting will be achieved in accordance with the procedures outlined in any applicable competitive solicitation process.
F. FHFC will endeavor to allocate not less than 15 percent of the Allocation Authority for Developments with Applicants qualified as Non-Profit pursuant to Rule Chapter 67-48, F.A.C., unless the Board approves otherwise. FHFC is required by Section 42, IRC, to allocate no more than 90 percent of the Allocation Authority to Applicants which do not qualify as Non-Profit Applicants.

G. Any Allocation Authority received on or before September 30th from returned Housing Credits from a prior year or from National Pool, will be used, (i) to fully fund any Application that has been partially funded with a binding commitment and then (ii) use will be determined by the Board.

H. Unless the Board approves otherwise, any Allocation Authority received on or after October 1st from returned Housing Credits from a prior year, will be used, (i) to fully fund any Application that has been partially funded with a binding commitment and then (ii) applied to the next annual Allocation Authority.

I. FHFC will retain the authority to designate Developments as a high-cost area through the authority given to FHFC by the Housing and Economic Recovery Act of 2008, enacted July 30, 2008. The criteria for such designation will be that any Person with Special Needs Development or Homeless Development awarded in a competitive solicitation process will be eligible for up to the 30% boost if that Development is not located in a HUD-designated DDA or a QCT.

J. If time constraints preclude the conduct of a competitive solicitation process and Allocation Authority remains available to FHFC after the allocation of Housing Credits to all Developments which (i) applied in a competitive solicitation process, and (ii) were determined to be eligible for funding by the Board, FHFC may allocate Housing Credits to any Development in a manner designated by the Board.

K. Notwithstanding any other provision of this QAP, where a Development has not been placed in service by the date required or it is apparent that a Development will not be placed in service by the date required, and such failure is due to circumstances beyond the Applicant’s control, and the Applicant has returned its Housing Credit Allocation in the last calendar quarter of the year in which it was otherwise required to be placed in service, the Corporation may reserve allocation in an amount not to exceed the amount of Housing Credits returned, and may allocate such Housing Credits to the Applicant for the year after the year in which the Development was otherwise required to be placed in service, provided the following conditions have been met: (i) the sponsor must have provided written notice to the Corporation, describing the circumstances, all remedial measures attempted by the Applicant to mitigate the delay, and any other pertinent information, prior to returning the allocation; and (ii) the Executive Director must find and determine that the delay was caused by circumstances beyond the Applicant’s control, that the sponsor exercised due diligence in seeking to resolve the circumstances causing delay, that the Development in all respects, except time placed in service, still meets the conditions upon which the Housing Credits were originally allocated, and that the Development is still desirable in terms of meeting affordable housing needs.
L. In the event of a disaster declared by the federal or state government, any Allocation Authority not preliminarily allocated, as well as authority remaining after October 1st may be diverted to one or more federally or state declared disaster areas.

M. In the event the Florida Legislature allocates natural disaster recovery funding to FHFC, a portion of the 2014 or 2015 Housing Credit Allocation Authority may be allocated to be used in conjunction with said natural disaster recovery funds. Once it has been determined that the natural disaster recovery funds have been allocated, the process for allocating the 2014 Housing Credits and/or awarding Housing Credits from the 2015 Allocation Authority will be approved by the Board of Directors.

N. Housing Credits will be allocated in accordance with the 2012 Qualified Allocation Plan until the 2014 Qualified Allocation Plan becomes effective.

III. Non-Competitive Housing Credits

Developments financed with tax-exempt bonds subject to volume cap are required to meet FHFC minimum Housing Credit guidelines to qualify and be eligible for a Housing Credit analysis. If 50 percent or more of the aggregate basis of a Development’s building(s) and the land on which such building(s) are located is financed with volume cap tax-exempt bonds, the Housing Credits are issued at the federal level rather than as part of the State's Allocation Authority and these Developments are subject to Rule Chapter 67-21, Florida Administrative Code; however, they must meet the minimum threshold criteria, as follows:

A. Developments that receive tax-exempt bonds issued by FHFC will be deemed to have met the minimum threshold criteria by successfully completing a request for Housing Credits in their bond Application.

B. Developments that receive tax-exempted bonds issued by a County Housing Finance Authority must submit a completed Non-Competitive Application Package by the date specified in Rule Chapter 67-21, Florida Administrative Code, and meet the threshold requirements thereof.

C. Developments that receive tax-exempt bonds issued by any entity other than FHFC or a County Housing Finance Authority must request the non-competitive Housing Credits using the Non-Competitive Application Package, must meet threshold requirements specified in the application instructions and Rule Chapter 67-21, Florida Administrative Code, and must submit the Application by the date specified in Rule Chapter 67-21, Florida Administrative Code.

The non-competitive Housing Credits are subject to applicable provisions of Rule Chapter 67-21, Florida Administrative Code, as outlined in subsection 67-21.027, Florida Administrative Code, including, but not limited to, the compliance monitoring requirements set forth in Part IV of this plan.
IV. Compliance

A. All Developments funded with Housing Credits will be monitored by FHFC or its appointee. Detailed compliance requirements are set forth in Rule Chapter 67-53, Florida Administrative Code, and in 26 CFR Part 1 Section 1.42-5.

B. FHFC shall promptly notify the Internal Revenue Service of any Development non-compliance in relation to Section 42 of the Code and all other related applicable federal regulations.

New: 4-30-90; Amended: 3-25-91; 3-12-92; 3-4-93; 12-16-93, 2-9-95; 1-5-96; 10-21-96, 12-8-97, 9-25-98, 12-16-99, 1-4-01, 2-22-02, 2-28-03, 3-1-04, 1-11-05, 12-22-05, 3-6-07, 3-4-08, 4-29-09, 11-18-10, 6-24-11, 11-1-11, 9-18-13.
Section 420.0006, Florida Statutes
Authority to contract with corporation; contract requirements; nonperformance.—

The executive director of the department shall contract, notwithstanding part I of chapter 287, with the Florida Housing Finance Corporation on a multiyear basis to stimulate, provide, and foster affordable housing in the state. The contract must incorporate the performance measures required by s. 420.511 and be consistent with the corporation’s strategic business plan prepared in accordance with s. 420.511. The contract must provide that if the corporation fails to comply with a performance measure required by s. 420.511, the executive director shall notify the Governor and refer the nonperformance to the department’s inspector general for review and determination as to whether such failure is due to forces beyond the corporation’s control or whether such failure is due to inadequate management of the corporation’s resources. Advances shall continue to be made pursuant to s. 420.0005 during the pendency of the review. If such failure is due to outside forces, it may not be deemed a violation of the contract. If such failure is due to inadequate management, the department’s inspector general shall provide recommendations regarding solutions. The Governor may resolve differences of opinion with respect to performance under the contract and may request that advances continue in the event of a failure under the contract due to inadequate management. The Chief Financial Officer shall approve the request absent a finding by the Chief Financial Officer that continuing such advances would adversely impact the state; however, the Chief Financial Officer shall provide advances sufficient to meet the debt service requirements of the corporation and sufficient to fund contracts committing funds from the State Housing Trust Fund if such contracts are in accordance with the laws of this state.

420.504, Florida Statutes
Public corporation; creation, membership, terms, expenses.—

(1) A public corporation and a public body corporate and politic, to be known as the “Florida Housing Finance Corporation,” is created within the Department of Economic Opportunity. It is declared to be the intent of and constitutional construction by the Legislature that the Florida Housing Finance Corporation constitutes an entrepreneurial public corporation organized to provide and promote the public welfare by administering the governmental function of financing or refinancing housing and related facilities in this state and that the corporation is not a department of the executive branch of state government within the scope and meaning of s. 6, Art. IV of the State Constitution, but is functionally related to the Department of Economic Opportunity in which it is placed. The executive function of state government to be performed by the executive director of the Department of Economic Opportunity in the conduct of the business of the Florida Housing Finance Corporation must be performed pursuant to a contract to monitor and set performance standards for the implementation of the business plan for the provision of housing approved for the corporation as provided in s. 420.0006. This contract must include performance standards for the provision of affordable housing in this state established in the strategic business plan described in s. 420.511.
420.511, Florida Statutes
Strategic business plan; long-range program plan (selected, pertinent sections) —

(1) The corporation shall develop a strategic business plan for the provision of affordable housing for the state. The plan must be consistent with the long-range program plan prepared pursuant to subsection (2) and shall contain performance measures and specific performance targets for the following:
   (a) The ability of low-income and moderate-income Floridians to access housing that is decent and affordable.
   (b) The continued availability and affordability of housing financed by the corporation to target populations.
   (c) The availability of affordable financing programs, including equity and debt products, and programs that reduce gaps in conventional financing in order to increase individual access to housing and stimulate private production of affordable housing.
   (d) The establishment and maintenance of efficiencies in the delivery of affordable housing.
   (e) Such other measures as directed by the corporation’s board of directors.

(2) The corporation, in coordination with the department, shall annually develop a long-range program plan for the provision of affordable housing in this state as required pursuant to chapter 186. In part, the plan must include provisions that maximize the abilities of the corporation to implement the state housing strategy established under s. 420.0003, to respond to federal housing initiatives, and to develop programs in a manner that is more responsive to the needs of public and private partners. The plan shall be developed on a schedule consistent with that established by s. 186.021. For purposes of this section, the executive director or his or her designee shall serve as the corporation’s representative to achieve a coordinated and integrated planning relationship with the department.
April 30, 2013

Mr. Jesse Panuccio, Executive Director
Department of Economic Opportunity
107 East Madison Street
Tallahassee, Florida 32399-4120

Dear Mr. Panuccio:

Enclosed please find the annual performance measures report for 2012 required by the Affordable Housing Services Contract between the Department of Economic Opportunity as successor to the Department of Community Affairs and Florida Housing Finance Corporation. This report includes the Performance Measure and Performance Target reporting form and a detail schedule of the actual performance.

Please advise when the review is complete. Thank you for your prompt attention.

Sincerely,

Stephen P. Auger
Executive Director

SPA:jp
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<td>5(c)</td>
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<td>6</td>
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</table>

* Indicates report is required
√ Indicates requirement is met
Shaded area indicates targets where numerical amount must be filled in

The foregoing report is hereby submitted as of this ___ 30 ___ day of __April__, 2013 for the year ending December 31, 2012.

FLORIDA HOUSING FINANCE CORPORATION

By: ____________________________
   Stephen P. Auger
   Executive Director
## Performance Measures Report Summary

**1/1/2012 through 12/31/2012**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Target</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)(a) Reported quarterly and at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total rental units produced</td>
<td>n/a</td>
<td>5,570</td>
</tr>
<tr>
<td>(1)(b) Reported quarterly and at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total home ownership units produced</td>
<td>n/a</td>
<td>4,262</td>
</tr>
<tr>
<td>(1)(c) Reported only at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAIL</td>
<td># Developments</td>
<td># Units</td>
</tr>
<tr>
<td>Elderly</td>
<td>n/a</td>
<td>0</td>
</tr>
<tr>
<td>Homeless</td>
<td>n/a</td>
<td>0</td>
</tr>
<tr>
<td>Farmworker</td>
<td>n/a</td>
<td>0</td>
</tr>
<tr>
<td>(1)(d) Reported only at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of minimum units set aside, on an aggregate basis</td>
<td>105%</td>
<td>184%</td>
</tr>
<tr>
<td>(2)(a) Reported only at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average initial set aside period in years for units funded in current year</td>
<td>35</td>
<td>47.38</td>
</tr>
<tr>
<td>(2)(b) Reported only at year end.</td>
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</tr>
<tr>
<td>Cumulative number of rental units set aside for targeted populations</td>
<td>N/A</td>
<td>105,922</td>
</tr>
<tr>
<td>3(a) Reported only at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of public or private resources leveraged to Corporation resources</td>
<td>2 : 1</td>
<td>12.72 : 1</td>
</tr>
<tr>
<td>3(b) Reported only at year end.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of funding committed or utilized to amount available</td>
<td>90.00%</td>
<td>98.96%</td>
</tr>
</tbody>
</table>
## Performance Measures Report Summary
### 1/1/2012 through 12/31/2012

<table>
<thead>
<tr>
<th>Measure</th>
<th>Target</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4(a)</td>
<td>Reported only at year end. Annual estimated dollar amount of economic activity created</td>
<td>n/a</td>
</tr>
<tr>
<td>4(b)</td>
<td>Reported only at year end. Annual estimated number of jobs created</td>
<td>n/a</td>
</tr>
<tr>
<td>5(a)</td>
<td>Reported only at year end. Amount of SAIL principal and interest repaid to the Corporation</td>
<td>n/a</td>
</tr>
<tr>
<td>5(b)</td>
<td>Reported only at year end. Amount of recaptured funding (principal) reallocated for new projects</td>
<td>n/a</td>
</tr>
<tr>
<td>5(c)</td>
<td>Reported only at year end. Annual percentage of Corporation's operating budget to program resources administered</td>
<td>7.50%</td>
</tr>
<tr>
<td>6</td>
<td>Reported only at year end. Number of new households assisted in current year</td>
<td>n/a</td>
</tr>
</tbody>
</table>
November 28, 2012

R. Philip Twogood
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street, Room 312
Tallahassee, Fl. 32399-1475

Dear Dr. Twogood:

Thank you for the opportunity to respond to the Office of Program Policy Analysis and Government Accountability November 20, 2012, draft report on Florida Housing Finance Corporation’s governance, decision making and performance. Our comments on the report’s options for enhancing our decision-making processes and performance measures and reporting follow.

Tax Credit Allocation Process

An October 2000 audit performed by the State Comptroller was very critical of Florida Housing’s processes. A key criticism at the time was that the tax credit allocation and application scoring challenge process was unfair. In the ensuing years, we worked hard to rebuild the integrity of Florida Housing’s allocation process for rental financing programs. Our primary focus was to ensure that the resources were allocated around the state in an equitable manner based on need. We focused on several objectives to create a transparent, predictable process: creation of a very open, accessible rule development process for stakeholders; development of objective scoring standards with the ability for applicants to cure non-material problems in their applications; establishment of clearly delineated opportunities for applicants to challenge the scoring of their own applications as well as those of other applications; and adherence to the decisions of independent hearing officers, so Florida Housing’s Board of Directors would no longer be put in the position of re-hearing each challenge at its Board meetings. Maintaining these objectives over the last ten years of dynamic changes in the real estate and financial markets has led Florida Housing down the road of creating an ever more complex allocation process. This has been compounded by our incorporation of standards and incentives into the application in the last few years to address a number of critical issues, particularly the following:

- Ensuring that we are financing the development of various types of rental housing only where needed;
- Providing access to our financing for all kinds of developers to build a variety of housing types as needed to serve a range of populations;

Rick Scott, Governor
Board of Directors: Leonard Tyler, Chairman • Ken Reecy, Florida Department of Economic Opportunity
Marilyn L. Carl • Mary L. Demetree • Lynn Hanflin • Clifford Hardy • Natocha Munilla • Jose "Joe" Sanchez • Bernard "Boney" Smith
Executive Director: Stephen P. Auger
• Containing costs of development while also ensuring that housing is built to be strong and functional over the long term; and
• Making sure resources are as well leveraged as they can be and best aligned with other State and local priorities.

OPPAGA’s report provides Florida Housing with the impetus to streamline our allocation process to be simpler and less prescriptive. Such a process will necessarily have to be more flexible and subjective in order to promote innovation. To these ends, our staff and Board are already in discussion about how to implement changes in the allocation process.

One suggestion in the report that we are unsure will serve the allocation process well is to require a market analysis to be submitted with each application. The report points out that market studies are completed during the credit underwriting process by third party analysts approved by Florida Housing’s underwriters for each application that is awarded financing. Applicants understand that a positive market finding is a non-negotiable requirement for a final award of financing. It is Florida Housing’s experience that market studies which show a positive demand for proposed housing typically do not provide enough differentiation to be useful for scoring purposes in the type of prescriptive, objective system historically employed for delineating applications. Moreover, requiring all applicants to submit a market study at application unnecessarily adds to application costs for applicants that are not awarded financing (175 out of 218 applications submitted in the 2011 cycle were not funded). However, we agree that Florida Housing should develop market study standards to ensure that these analyses are providing consistent, high quality information, and we will consider whether there is a way to utilize this information differently as we implement changes to the scoring process.

Performance Measures

Florida Housing is very interested in working with the Department of Economic Opportunity (DEO), the Governor’s Office of Policy and Budget, and the Legislature to develop more meaningful performance measures. We believe that parts of s. 420.511, Florida Statutes, were useful when Florida Housing transitioned to a corporation in 1998, but are now outdated and ready for revision. Florida Housing has already begun to work with DEO and others to develop benchmarks that will assist the state in measuring progress toward meeting Florida’s economic development plan objectives.

In addition, while Florida Housing staff provides a great deal of written performance data to the Board at each meeting, the information is embedded in many documents and is not in a format that is quickly accessed. We look forward to working with the Board to develop a simpler “dashboard” approach to reporting key performance measures.
Florida Housing appreciates the thoughtful process that the OPPAGA staff used to learn about Florida Housing’s complex financial allocation and asset management processes. We look forward to working with our stakeholders to address the options provided in the report.

Sincerely,

Stephen P. Auger
Executive Director
Florida will have the nation’s top performing economy and be recognized as the world’s best place to live, learn, play, work, and do business.

Lead the nation in global competitiveness as a location for business, investment, talent, innovation, and visitors.

Lead the nation in economic growth and prosperity.

Lead the nation in quality of life.

Improve and sustain employment in Florida.

Foster opportunities for prosperity for all Floridians.

Grow Florida businesses.

Expand Florida’s global commerce.

Increase Florida’s attractiveness to workers, residents, and visitors.

The future for the Sunshine State is brighter than ever as the nation emerges from its most severe recession in post World War II history. Florida is located in the fastest growing part of the United States and at the crossroads of north/south and east/west trade lanes in an increasingly global economy. The state has tremendous assets: a large and diverse consumer and labor market; a tradition of imagination and invention; extensive infrastructure and natural resources; and worldwide appeal to workers, retirees, and visitors.

The Florida Strategic Plan for Economic Development builds on a strong partnership of public, private, and civic organizations. It defines goals, objectives, and strategies to move Florida toward its economic vision. Consistent with Florida Statute 20.60, the Plan was developed by the Florida Department of Economic Opportunity in partnership with Enterprise Florida, Inc., Workforce Florida, Inc., and the Executive Office of the Governor, and with input from more than 3,000 Floridians.
Florida Strategic Plan for Economic Development
(V20.1, www.floridajobs.org/FL5yrPlan)

At-A-Glance

**Vision**
- Florida will have the nation's top performing economy and be recognized as the world's best place to live, learn, play, work, and do business.

**Goals**
- Lead the nation in global competitiveness as a location for business, investment, talent, innovation, and visitors.
- Lead the nation in economic growth and prosperity.
- Lead the nation in quality of life.

**Objectives**
- Improve and sustain employment in Florida.
- Foster opportunities for prosperity.
- Grow businesses.
- Increase Florida's attractiveness to workers, residents, and visitors.
- Expand global commerce.

<table>
<thead>
<tr>
<th>Cross-Cutting Strategies</th>
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<tbody>
<tr>
<td>1. Strengthen collaboration and alignment among state, regional, and local entities toward the state's economic vision.</td>
</tr>
<tr>
<td>2. Develop and implement a statewide strategy to develop regional talent and innovation clusters using global best practices.</td>
</tr>
<tr>
<td>3. Strengthen Florida's economic regions and connect resources across regions to build Florida as a globally competitive meegaregion.</td>
</tr>
<tr>
<td>4. Position Florida as a global hub for trade, visitors, talent, innovation, and investment.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Area-Specific Strategies</th>
<th>Talent Supply &amp; Education</th>
<th>Innovation &amp; Economic Development</th>
<th>Infrastructure &amp; Growth Leadership</th>
<th>Business Climate &amp; Competitiveness</th>
<th>Civic &amp; Governance Systems</th>
<th>Quality of Life &amp; Quality Places</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Align education and workforce development programs to foster employment opportunities and develop and retain talented workers with the skills to meet current and future employer needs.</td>
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<td>6. Develop an integrated pre-K through career education system to prepare students for becoming successful workers or entrepreneurs.</td>
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<td>7. Lead the nation in science, technology, engineering, and mathematics (STEM) research, education, and market-relevant technical skills.</td>
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<td>8. Expand access to education and training programs for talent in distressed markets.</td>
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<tr>
<td>9. Strengthen Florida's leadership in expanding and emerging talent and innovation clusters and transitioning established clusters to serve new markets.</td>
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<tr>
<td>10. Grow, sustain, and integrate efforts related to research and development, technology transfer and commercialization, and capital to create, nurture, and expand innovation businesses.</td>
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<tr>
<td>11. Expand the number of Florida businesses selling goods and services internationally, and diversify the markets they serve.</td>
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<tr>
<td>13. Coordinate decision-making and investments for economic development, land use, transportation, infrastructure, housing, water, energy, natural resources, workforce, and community development at the statewide, regional, and local levels.</td>
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<tr>
<td>14. Develop and maintain multimodal, interconnected trade and transportation systems to support a prosperous, globally competitive economy.</td>
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<td>15. Develop and maintain a cutting-edge telecommunications infrastructure.</td>
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<td>16. Ensure the future supply and quality of water to meet Florida's economic and quality of life goals.</td>
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<tr>
<td>17. Develop and maintain diverse, reliable, and cost effective energy sources and systems to meet Florida's economic and environmental goals.</td>
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<tr>
<td>18. Revise permitting, development, and other regulatory processes to meet changing business needs and provide a predictable legal and regulatory environment.</td>
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<tr>
<td>19. Ensure state, regional, and local agencies provide collaborative, seamless, consistent, and timely customer service to businesses and workers.</td>
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<tr>
<td>20. Reduce barriers to small/minority business and entrepreneurial growth.</td>
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<tr>
<td>21. Expand opportunities for access to capital for businesses throughout their life-cycle.</td>
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<tr>
<td>22. Work with industry to ensure property and health insurance rates are competitive with other large states.</td>
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<tr>
<td>23. Develop a government revenue structure that encourages business growth and development.</td>
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<tr>
<td>24. Support and sustain statewide and regional partnerships to accomplish Florida's economic and quality of life goals.</td>
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<tr>
<td>25. Improve the efficiency and effectiveness of government agencies at all levels.</td>
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<tr>
<td>26. Invest in strategic statewide and regional economic development priorities.</td>
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<tr>
<td>27. Create and sustain vibrant, safe, and healthy communities that attract workers, residents, businesses, and visitors.</td>
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<tr>
<td>28. Ensure Florida's environment and quality of life are sustained and enhanced by future growth plans and development decisions.</td>
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<tr>
<td>29. Promote, develop, protect, and leverage Florida's natural, art, and cultural assets in a sustainable manner.</td>
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</table>
What’s Next?

This plan establishes the strategic framework for coordinated action by statewide agencies and organizations to improve Florida’s economic competitiveness and create jobs for Floridians. The plan also provides direction and support to regional and local partners as they work to strengthen Florida’s economy in each region and community of the state. However, our work together is not done.

To successfully become a national model for business climate, job creation, competitiveness, and quality of life requires that we all commit to reevaluate the way we operate. Cooperation and collaboration are key to making the next five years really count. Here are just a few examples of how that will happen:

- Eleven Regional Planning Councils are aligning their strategic efforts with the Florida Strategic Plan for Economic Development to create one economic vision for Florida.
- Executive agencies are aligning policies, plans, and programs, including annual budget priorities, with this plan.
- State agencies are sharing business-minded perspectives and are looking for opportunities for economic growth throughout the state in alignment with this plan.
- Economic Development Liaisons, high-level representatives from executive and cabinet agencies, public-private partnerships, and other organizations are working together to create seamless customer service, streamline government processes, and improve the efficiency and effectiveness of economic development efforts.
- The Florida Department of Economic Opportunity, the Florida Department of Environmental Protection and the Florida Department of Transportation will initiate a process to develop an integrated statewide vision for addressing economic development, land use, infrastructure, environmental stewardship, talent development, and community development over a 50-year period.

We want to hear from you about how your organization is aligning with this plan. We encourage you to share proven successes and best practices with the Department of Economic Opportunity.

For More Information

The Department of Economic Opportunity is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. TDD/TTY via Florida Relay 711.

Si usted no lea ni no entiende el inglés, sírvase marcar el número de teléfono (850) 245-7105 para obtener una traducción gratuita.