

FLORIDA HOUSING FINANCE CORPORATION

Board Meeting

March 7, 2003

Action Items



FISCAL

Action

I. FISCAL

A. Approval of the Fiscal Committee Minutes for January 24, 2003.

The January 24, 2003, Fiscal Committee minutes are included with the [Board Meeting Minutes](#) in the Board Package.

FISCAL

Action

GUARANTEE PROGRAM

Action

II. GUARANTEE PROGRAM

Consider Approval of the December 6, 2002 Guarantee Program Committee Minute

MINUTES

Action

III. MINUTES

- A. Consider Approval of the January 24, 2003, Board of Directors' Meeting Minutes.
- B. [Board of Directors' Meeting Minutes – January 24, 2003.](#)

HOMEOWNERSHIP LOAN PROGRAM

Action

IV. HOMEOWNERSHIP LOAN PROGRAM

A. Request Approval of the Scores/Rankings of Applications Submitted during Round Two of the Homeownership Loan Program

1. Background

- a) The Homeownership Loan Program, consisting of the HOME and HAP programs, had excess HAP funding remaining from the first round of Applications, totaling approximately \$8,400,000 for permanent financing and \$4,500,000 for construction financing.
- b) Staff opened a second round commencing on December 16, 2002 and ending on January 30, 2003.

2. Present Situation

- a) Staff received 17 Applications requesting HAP construction and permanent financing in the amounts of \$2,523,151 and \$13,504,141, respectively.
- b) The homeownership staff scored and ranked the Applications pursuant to Rule 67-50.070, Florida Administrative Code.
- c) The ranking of the Applications will be provided as an addendum at the March 7, 2003 Board meeting.

3. Recommendation

- a) Approve the scores/rankings of those Applicants who submitted Applications during round two of the Homeownership Loan Program and invite those Applicants who scored above the funding line into credit underwriting.
- b) Authorize Staff to issue a Preliminary Commitment Letter to those successful Applicants in the amount requested in their original Application.

B. Approval of Amended Rule Chapter 67-50, Florida Administrative Code, Notice of Change (NOC) and Notice of Funding Availability (NOFA) for the 2003 Homeownership Loan Program Application Cycle

1. Background/Present Situation

- a) Staff commenced the Rule Development process in January 2003 for the Homeownership Loan Program.
- b) Rule Development Workshops were held on January 6 & 7, 2003, in Tallahassee and Maitland, Florida, respectively.
- c) The proposed Rule 67-50, F.A.C., was forwarded to the Joint Administrative Procedures Committee (JAPC) for review and further comments.
- d) A Rule Hearing was held on February 18, 2003, in Tallahassee, with public comments being accepted until February 25, 2003.

HOMEOWNERSHIP LOAN PROGRAM

Action

- e) Staff is in the process of preparing a Notice of Change (NOC) which incorporates additional changes as deemed necessary. The NOC and NOFA are scheduled to be published in the *Florida Administrative Weekly* (FAW) on March 21, 2003. Supplemental information will be provided at the Board meeting.
- f) The Rule is scheduled to be filed for adoption on April 11, 2003, becoming effective on May 1, 2003.
- g) It is anticipated that Round One of the Application Period will commence on May 1, 2003, and end on June 14, 2003. Subsequent rounds will follow as Applications are evaluated and funds are available, which will be noticed on the Corporation's website at www.floridahousing.org.

2. **Recommendation**

- a) Approve the Amended Rule 67-50, F.A.C., the Notice of Change (NOC) for Rule Chapter 67-50, F.A.C., and the Notice of Funding Availability (NOFA).
- b) Direct Staff to file the Rule for adoption and begin preparations for the 2003 Application Cycle.

LEGAL

Action

V. LEGAL

In Re: 2002 Homeownership Program Petitions - HOME and HAP

1. **Background**

All of the Applicants timely submitted applications to Florida Housing for the award of HOME/HAP funds in the 2002 Homeownership program. Florida Housing notified all applicants of its score, provided all applicants with a Notice of Rights pursuant to Sections 120.569 and 120.57, Florida Statutes. All applicants had until November 21, 2002 to file a petition contesting the application scores. Joint Proposed Recommended Orders were issued with regard to three (3) of the Applicants. An Informal hearing was held on January 23, 2003 for (1) Applicant.

2. **Present Situation**

On February 12, 2003, the Hearing Officer issued his Recommended Orders for the hearings held on January 23, 2003. A copy of the Recommended Orders is attached as [Exhibit A](#).

3. **Recommendation**

Board may decide to accept or reject the Recommended Orders and enter Final Orders according!

MISCELLANEOUS

Action

VI. MISCELLANEOUS

A. Building Lease

1. Background Information

- a) Florida Housing's staff has grown significantly since we last acquired new building space in March 2001. The growth in staff and the lack of space has created logistical difficulties for both the Loan Servicing and Bond Fund Accounting units. Space on the 6th floor of our building recently became vacant and Mark Kaplan, in consultation with incoming Executive Director Orlando Cabrera, initiated plans to take over and renovate that 6th floor space. Plans were also initiated to expand our 6th floor Seltzer Conference room to accommodate Florida Housing's staff for Corporation staff meetings.
- b) Renovations to the new 6th floor space began in February 2003 with an estimated completion date of early March for the new office space, and early April for the conference room expansion. The total estimated cost of renovating all 5,433 square feet (new office space plus conference room expansion) is \$66,765 or an average of \$12.76 per square foot.
- c) The building owner made two proposals. Under one proposal, Florida Housing would pay the total cost of the renovation. The second alternative proposal is that the building owner will pick up the cost of the entire renovation if Florida Housing exercises its option on the current lease to extend the term. The current lease term expires on 5/31/05. Rent escalations are 3% yearly (we'll pay rent of \$16.52 per square foot for the year 6/1/04-5/31/05). There are 2 two-year extensions in the lease that, if exercised, would keep Florida Housing here until 5/31/09 paying rent of \$17.53 per square foot that last year.

2. Present Situation

- a) Private sector office space in the downtown Tallahassee area is currently leasing at rental rates that range from \$18 to \$23 per square foot.
- b) Two new privately-owned office buildings that are outside of the Tallahassee city limits but still in Leon County offering 50,000 or more square feet are currently leasing at \$18 per square foot.
- c) There is no state office space currently available that is large enough to hold Florida Housing. The 12 other state agencies that lease 50,000 square feet or more of office space in Leon County currently pay rent that average \$17.02 per square foot.

3. Recommendation

Direct legal staff to finalize negotiations of the lease extension with the building owner and execute the lease extension pursuant to either of the aforementioned options.

MISCELLANEOUS

Action Supplement

I. MISCELLANEOUS

A. Reimbursement of Relocation Expenses for Orlando Cabrera

1. Background Information

At the January 24, 2003, Board Meeting, the Board of Directors approved Secretary Castille's appointment of Orlando Cabrera as the new Executive Director of Florida Housing Finance Corporation.

2. Present Situation

Mr. Cabrera is relocating from Miami to Tallahassee and is requesting that his relocation expenses be paid by Florida Housing.

3. Recommendation

Authorize the payment of Mr. Cabrera's relocation and travel expenses.

MULTIFAMILY BONDS

Action Supplement

I. MULTIFAMILY BONDS

A. Approve the Replacement of Remarketing Agent for Lake Carlton Arms II, 1985 Series EEE, \$12,000,000, Tax-Exempt Bonds, 396 Units, Lutz, Hillsborough County, Florida.

1. Background

- a) In 1985, Florida Housing issued \$12,000,000 in tax-exempt bonds to finance Lake Carlton Arms, II Apartments, 396 units located in Lutz, Hillsborough County, Florida.
- b) The Development is owned by the Mahaffey Company and is currently in compliance.

2. Present Situation

- a) On February 11, 2003, Florida Housing received a letter from Lehman Brothers notifying it of their intent to resign as the current remarketing agent and their recommendation of Stern Brothers & Company as successor remarketing agent. This letter is attached as Exhibit K. Suzanne Gray with the Mahaffey Company has consented to this substitution.
- b) Stern Brothers & Company (“Stern Brothers”) is currently on the approved bond underwriters list with Florida Housing. Stern Brothers does not have a capitalization of at least \$20,000,000 as required for successor remarketing agents in the 1984 Trust Indenture, however, this requirement is no longer included in current Trust Indentures and is no longer used as a benchmark in approving Bond Underwriters, Structuring Agents or Remarketing Agents. The Mahaffey Company has requested that this requirement in the Trust Indenture be amended or waived.

3. Recommendation

Approve the request from Lehman Brothers to resign as remarketing agent and for the Board to appoint Stern Brothers & Company as the successor remarketing agent and allow an amendment of or waiver to the Trust Indenture and other necessary documents regarding the capitalization requirement, subject to approval from the Credit Underwriter, Bond Counsel, Special Counsel and the appropriate Florida Housing Staff.

PREDEVELOPMENT LOAN PROGRAM

Action

VII. PREDEVELOPMENT LOAN PROGRAM

A. Request for Forgiveness of Outstanding 1998 PLP Funds

1. Background

- a) After successfully competing in the 1998 Application Cycle, staff issued Invitations to Participate (ITP) in the Program to the developers listed below. The developers accepted the invitations. The acceptance to participate included a provision that the borrower may receive an advance of funds to pay for certain expenses including a market and feasibility analysis (MFA). Florida Housing advanced the cost of completing the MFAs for the developments. The MFAs were completed and demonstrated that conditions were favorable for the proposed developments.
- b) The 1998 Predevelopment Loan Program (PLP) Rule provided for forgiveness of the advance if the market study is unfavorable. The Rule did not address the issue of forgiveness when the market study is favorable.
- c) Son's Oak Apartments (National Development Foundation, Inc.) previously sought and received forgiveness from the Board for the cost of the MFA despite receiving a positive MFA ([Exhibit A](#)).

2. Present Situation

- a) The developers listed below notified Florida Housing that they would not proceed with their developments and requested that Florida Housing forgive repayment of the advance.

PLP #	Development Name	Developer	Funds Drawn	Date of Withdrawal	Exhibit
98-044	Senior Plaza II	Key West HA	\$4,500	1/6/2003	B
98-045	Bahama	Key West HA	\$4,500	1/6/2003	B
98-046	Poinciana	Key West HA	\$4,500	1/6/2003	B
98-042	Monroe County	Monroe County HA	\$4,500	1/6/2003	C
98-015	La Barron	Monroe County HA	\$6,000	1/6/2003	C
98-040	Crosstown Apartments	Affordable Housing Foundation	\$5,000	9/24/2002	D

- b) The 1998 Predevelopment Loan Program (PLP) provided for forgiveness of the advance if the market study is unfavorable. The Rule did not address the issue of forgiveness when the market study is favorable. However, Florida Housing repealed Section 67.38006, and there is no current rule governing this issue. This original IPP was issued in 1998 and awarded that same year.
- c) Staff believes that it is in the best interests of PLP to encourage and facilitate the withdrawal of Applicants funded under the old PLP program in order to fund new program participants.

PREDEVELOPMENT LOAN PROGRAM

Action

3. **Recommendation**

Grant forgiveness of the respective funds to the seven developments listed above.

B. Revision of Predevelopment Loan Program Rule Chapter 67-38, F.A.C.

1. **Background**

- a) In order to solicit comments on possible changes to Rule Chapter 67-38, F.A.C., Florida Housing held a rule development workshop on July 2, 2002
- b) As a result of the meeting and subsequent comments from staff and other interested parties, staff has revised the Predevelopment Loan Program rule ([Exhibit E](#)) and application ([Exhibit F](#)).

2. **Present Situation**

- a) After Board approval, staff will file a Notice of Proposed Rulemaking (NOPR) with the Florida Administrative Weekly for publication. The NOPR will announce the rule hearing.
- b) Following the review of public comments received after the rule hearing and receipt of comments from the Joint Administrative Procedures Committee, staff will file a Notice of Change, if necessary, to incorporate modifications.
- c) If a Notice of Change (NOC) is required, staff will present it to the Board for approval.

3. **Recommendation**

Approve the proposed underline/strikethrough version of Rule Chapter 67-38, F.A.C. and the PLP application.

PREDEVELOPMENT LOAN PROGRAM

Action Supplement

I. PREDEVELOPMENT LOAN PROGRAM

A. Additional Revisions to Rule 67-38

1. Background/Present Situation

- a) The Board package includes a strikethrough version of proposed changes to rule 67-38
- b) Legal counsel has recommended two additional revisions to rule 67-38. The version of the rule included in the Board package did not include these revisions.
- c) The two revisions are:

- (1) Revision of the definition of "Affiliate" [67-38.002(2)] to conform to the definition used in rules governing other Florida Housing programs. The revision is:

~~(2)(3)~~ "Affiliate" means any person or entity that:

~~(a)(i)~~ Directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Applicant;

~~(b)(ii)~~ Serves as an officer, or director, agent, employee or any business person associated with or the Applicant in the furtherance of a business venture for which the Applicant is applying for assistance from the Corporation, or

~~(c)(iii)~~ Is the spouse, parent, child, sibling, or relative by marriage of a person or entity described in ~~(a) (i)~~ or ~~(b) (ii)~~ above.

- (2) Revision of language in section 67-38.003(3) eliminating language which could allow an applicant to circumvent Threshold Requirements. The revision is:

(3) Applications ~~that which~~ do not contain the required information and documentation items and do not provide adequate justification for ~~omitting these items~~ shall not be determined to have not met Threshold Requirements reviewed by the Loan Committee until they are complete.

2. Recommendation

Approve the proposed underline/strikethrough version of Rule Chapter 67-38, F.A.C. incorporating the two revisions listed herein.

PROFESSIONAL SERVICES SELECTION

Action

VIII. PROFESSIONAL SERVICES SELECTION

A. Request for Proposals (RFP) for New Construction/Rehabilitation of Transitional Housing for Victims of Domestic Violence and Their Children

1. Background

There is a unique need in the state of Florida for transitional housing for victims of domestic violence and their families leaving emergency refuge shelters.

2. Present Situation

Florida Housing has little experience in providing this type of housing. However, Florida Housing has approximately \$2.5 million available for demonstration loans for the purpose of working with developers and service providers of special needs housing to increase Florida Housing's knowledge base about these types of developments.

3. Recommendation

Staff recommends the Board direct staff to draft and issue an RFP to solicit proposals for the new construction and/or rehabilitation of transitional housing for victims of domestic violence and their children.

B. Request for Proposals (RFP) for Securitization

1. Background

- a) Florida Housing has nine homeowner mortgage loan programs under the 1995 Master Indenture backed by almost 8,000 whole loans totaling \$535,226,075 as of December 31, 2002. Whole loans are loans that are made to mortgagors with principal and interest still packaged as one loan.
- b) Florida Housing bears the administrative and financial responsibility for foreclosures of whole loans.
- c) Florida Housing pays premiums for bond insurance, pool insurance and special hazard insurance.

2. Present Situation

- a) Florida Housing staff would like to invite qualified entities to quantify the benefits of securitizing the loan portfolio under the 1995 Master Indenture. (Florida Housing's trustee would sell the mortgage loans originated under the program and would receive Fannie Mae or Freddie Mac mortgage-backed securities, the payment of principal and interest on which would be guaranteed by Fannie Mae or Freddie Mac, as applicable.) Fannie Mae and Freddie Mac would thereafter be responsible for servicing the individual mortgage loans and financially responsible for any home-owner defaults.
- b) Florida Housing staff seeks to have RFP respondents quantify the benefits of selling the whole loans that cannot be securitized.

PROFESSIONAL SERVICES SELECTION

Action

3. **Recommendation**

- a) Authorize Staff to issue an RFP to select one entity to securitize the whole loan portfolio under the 1995 Master Indenture and otherwise sell whole loans that do not qualify for securitization should the responses show it to be financially beneficial.

C. **Request For Proposals (RFP) for Court Reporting Services**

1. **Background**

- a) In the past Florida Housing staff has acquired court reporting services for meetings, rule hearings, workshops, etc. on an ad hoc basis for the different program areas. The estimated price of these services in the last twelve (12) month period, including delivery, administrative and travel costs, has exceeded \$24,000.
- b) Pursuant to Fla. Admin. Code, Rule 67-49.002(b), when the purchase price of services exceeds, or is estimated to exceed, \$25,000 in any twelve month period, the purchase of these services must be made through an Invitation to Bid, Invitation to Negotiate, RFP or Request for Qualifications.

2. **Present Situation**

Florida Housing expects to exceed \$25,000 in the next twelve (12) month period for these services. For the purposes of economy and efficiency Florida Housing staff requests authority to issue an RFP for statewide court reporting services.

3. **Recommendation**

Authorize staff to issue an RFP to select one or more entities to provide statewide court reporting services.

PROFESSIONAL SERVICES SELECTION (PSS)

Action Supplement

I. PROFESSIONAL SERVICES SELECTION (PSS)

A. Structuring Agent Service Provider

1. Background

- a) A contract was signed in August 1999 with Dain Rauscher, Inc. to provide Structuring Agent services.
- b) Contracts were signed in May 2000 with Morgan Keegan & Company, Stern Brothers & Co., and The Flood Company, Inc. and Marianne Edmonds, Inc.
- c) Each contract contains a provision for up to two one-year renewals.
- d) At the March 8, 2001 Board meeting, Florida Housing's Board directed staff to renew the current structuring agent's contracts for a one-year renewal period and to change the terms of the contracts to include the reimbursement of travel expenses in accordance with the Florida Housing Finance Corporation's Travel Policy, effective February 7, 2001, rather than s. 112.061, Fla. Stat.
- e) At the March 7, 2002 Board meeting, Florida Housing's Board directed staff to renew the current structuring agent's contracts for an additional one-year period.
- f) At the January 24, 2003 Board meeting, Florida Housing's Board directed staff to begin the Request For Qualifications (RFQ) process to select a pool of structuring agent service providers.

2. Present Situation

- a) RFQ 2003/02 for Structuring Agent Services will be published on February 28, 2003. Florida Housing is expecting responses on April 4, 2003. Staff expects to present scoring of the proposals submitted, provide additional information of potential structuring agents at the May 2, 2003 meeting of the Board.
- b) On April 1, 2003, all of the structuring agent contracts are currently scheduled to expire.
- c) Staff believes that it would be in the best interests of Florida Housing to extend each of the above structuring agent contracts through the earlier of July 1, 2003, or the effective date of any new contracts with structuring agents.

3. Recommendation

- a) Staff recommends that the Board extend each of the above structuring agent contracts through the earlier of July 1, 2003, or the effective date of any new contracts with structuring agents.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action Supplement

I. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Request Approval of Loan Closing Extension for St. Andrews Pointe Apartments Cycle XIV (2002-079BS)

1. Background/Present Situation

- a) On December 6, 2002, the Board approved the final credit underwriting report for this 184-unit family development in St. Lucie County and directed staff to proceed with issuing a firm loan commitment and loan closing activities.
- b) On January 7, 2003, staff issued a firm commitment letter for a second mortgage in an amount of \$1,500,000. Typically, the SAIL staff issues firm commitment letters on the first business day following the board meeting; however, staff waited to issue this letter at the developer's request. Under the applicable rules, the SAIL loan closing must occur within 60 days from the date that the firm loan commitment is issued unless an extension is approved by the Board and the applicant pays an extension fee of one-half of one percent of the SAIL loan amount. Rule 67.48, F.A.C.
- c) Due to delays in obtaining evidence of permits, the developer cannot close within the required 60 days and has requested a 60-day extension, with a closing deadline of May 9, 2003 ([Exhibit A](#)). If the extension is approved, the developer has agreed to pay the extension fee.

2. Recommendation

Approve the developer's request to extend the loan closing deadline for 60 days, subject to payment of the extension fee.

B. Request Approval of Loan Closing Extension for Horizon House Sunset Apartments Cycle XII (2000-066S)

1. Background/Present Situation

- a) On January 24, 2003, the Board approved the final credit underwriting report for the 80-unit family development and directed staff to proceed with issuance of a firm loan commitment and loan closing activities.
- b) On January 28, 2003, staff issued a firm commitment letter for a second mortgage in an amount of \$2,000,000 for this 80-unit family development in Alachua County. Under the applicable rules, the SAIL loan closing must occur within 60 days from the date that the firm loan commitment is issued unless an extension is approved by the Board and the applicant pays an extension fee of one-half of one percent of the SAIL loan amount. Rule 67.48, F.A.C.
- c) Several issues have recently arisen that prompted the developer to request that the loan closing deadline be extended for 120 days, resulting in a closing deadline of July 8, 2003 ([Exhibit B](#)). The third-party consulting architect that has been engaged to complete the required plans and specifications for submission to the City of Gainesville will not be able to complete this work until late March.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action Supplement

- d) The general contractor advised that due to the renovation work, it will be necessary to consider additional temporary relocation of some residents beyond the original estimates.
- e) Additionally, the developer has been made aware of potential issues with the roofs at the properties. They are engaging an engineer to test the roof structure and obtain data on the possible presence of asbestos.
- f) Based on continued pressure from the adjoining neighborhood, the City of Gainesville has indicated that the developer must consider installing a fence at the property. This fence was not budgeted in the rehabilitation proposal. The developer is negotiating with the City of Gainesville to determine if there can be some relief from the "sidewalk" requirements in order to free some funds for the cost of the fence.
- g) Finally, several new construction projects have been constructed recently in Gainesville and the availability of these units has impacted leasing at Horizon House Sunset Apartments. In order to maximize the occupancy, the developer needs sufficient time to review the scope of work and to examine potential alternatives that will maximize the appeal of the units and the complex for potential tenants.

2. **Recommendation**

Approve the developer's request to extend the loan closing deadline for 120 days, subject to payment of the extension fee.

C. **Request Approval of Credit Underwriting Report for Hibiscus Pointe Apartments, Cycle XIV (2002-108BS)**

1. **Background/Present Situation**

- a) On October 10, 2002, the Board approved the final scores and ranking for the 2002 Universal Cycle and directed staff to proceed with all necessary credit underwriting activities.
- b) On October 23, 2002, staff issued a preliminary commitment letter and invitation to credit underwriting for a SAIL second mortgage loan in an amount up to \$2,000,000 for this 212-unit family development located in Miami-Dade County.
- c) On March 5, 2003, staff received a credit underwriting report with a positive recommendation for a SAIL loan in the amount of \$2,000,000, with a portion held in reserve as more fully described below ([Exhibit C](#)). In addition, this Applicant was tentatively awarded \$8,000,000 in Florida Housing's Multifamily Mortgage Revenue Bonds (MMRB).
- d) During the credit underwriting process, the developer withdrew its request for MMRB and advised that it would be substituting this funding with local government tax-exempt bonds in a greater amount (\$8,990,000). Although the additional tax-exempt bond amount may benefit the financial structure of the development, Florida Housing is also required to consider any impact the proposed change may have on the competitive application process.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action Supplement

- e) For the first time in 2002, Florida Housing included MMRB in the Universal Application and attempted to improve parity among all SAIL applicants regardless of whether the applicants requested Florida Housing tax-exempt bonds or local government tax-exempt bonds. For this reason, the ranking process deemed local government tax-exempt bonds to be FHFC funding for purposes of calculating leveraging. Leveraging is the first tie-breaker in the ranking process and is calculated by multiplying the amount of FHFC funding requested by the total number of set-aside units committed to in the Application. Applicants generally strive to be in the preferred “Group A” by competing against other applicants to have a lower FHFC funding request amount per set-aside unit. Accordingly, any increase in tax-exempt bonds affects the leveraging calculation such that the applicant would have had a better leveraging calculation with the lower bond amount used during scoring and ranking.
- f) To avoid any impact on the competitive process, staff advised that the SAIL loan amount would need to be reduced by the amount of the proposed increase in the tax-exempt bond amount so that the total funding request amount would be equivalent to the amount indicated in the application. The developer expressed concern that the increased tax-exempt bond amount was needed to meet the “50% test.” The 50% test must be satisfied for the developer to qualify for non-competitive 4% housing credits—which is necessary for the viability of the development. The 50% test must be satisfied after construction is completed and the final cost certification is submitted.
- g) In an effort to respond in a economically reasonable fashion while at the same time avoiding any impact on the competitive process, staff formulated a proposed policy to be applied to this situation and others like it as follows:

An increase in the local bond amount could be allowed if (1) justifiable increases development costs caused a need for a corresponding increase in the tax-exempt bond amount in order to meet the 50% test; (2) any increase in development cost would be subject verification by the credit underwriter for reasonableness and could not include an increase in developer fee; (3) if the original application required a reduction in developer fee to meet the 50% test, the increased development cost would be adjusted down by this amount; (4) the new financing structure must meet all existing credit underwriting standards, including loan-to-value limits and debt service coverage ration limits; (5) an amount of the SAIL loan equal to the increase in tax-exempt bonds will be held in reserve by Florida Housing until final cost certifications are issued and then these funds must be used to repay the increase in tax-exempt bonds down to the level indicated in the Universal Application; (6) the early repayment of tax-exempt bonds must be acceptable under the bond issuance; and (7) in the event that the tax-exempt bonds cannot be repaid, the developer’s SAIL loan will be reduced by the amount of increase in the local tax-exempt bonds and these funds will retained by Florida Housing
- h) Staff considers this solution to be an appropriate balance, as it protects the integrity of the competitive process while at the same time allows a reasonable adjustment in the financing structure in a way that serves the ultimate goal of providing affordable housing.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action Supplement

- i) In applying this proposed policy to the developer's request in this situation, the credit underwriter and staff determined that the local bonds could be increased to \$8,055,000 (rather than the \$8,990,000 requested by the developer), and that \$55,000 of the SAIL loan would be held by Florida Housing until final cost certification and then would be used to repay the increase in the tax-exempt bonds.
- j) Other issues raised in the credit underwriting report are: (1) an increase in the development site area from 8.60 acres 9.313 acres as a result of the purchase of an additional parcel; (2) the total number of buildings changed from 9 to 8; and (3) the unit mix changed from 48-one bedroom, 92 two-bedroom and 72-three bedroom to 66 one-bedroom, 80 two-bedroom and 66 three-bedroom. The total number of units remained the same. The appraiser and market study consultant found no material impact on the proposed development due to these changes.

2. **Recommendation**

If the proposed policy described above is approved by the board, staff recommends approval of the credit underwriting report which includes a \$55,000 increase in tax-exempt bonds subject to Florida Housing reserving this amount from the SAIL loan to be used to repay the bonds after final cost certification. If the proposed policy is not approved, staff recommends that the SAIL loan be reduced by the amount of increase in tax-exempt bonds.

D. **Request Approval of Credit Underwriting Report for Allapattah Garden Apartments, Cycle XIV (2002-060S)**

1. **Background/Present Situation**

- a) On October 10, 2002, the Board approved the final scores and ranking for the 2002 Universal Application Cycle and directed staff to proceed with all necessary credit underwriting activities.
- b) On October 22, 2002, staff issued a preliminary commitment letter and invitation to credit underwriting for a SAIL second mortgage loan in an amount up to \$1,500,000 for this 128-unit apartment targeted as an Urban In-Fill development located in Miami-Dade County. During the 2002 Universal Cycle, this Applicant indicated financing in the amount of \$4,850,000 in local government tax-exempt bonds.
- c) On March 4, 2003, staff received a credit underwriting report with a positive recommendation for a SAIL loan in the amount of \$1,500,000, with a portion held in reserve as more fully described below ([Exhibit D](#)).
- d) During the credit underwriting process, the developer advised that due to an increase in construction costs (\$700,000), the local government tax-exempt bonds were increased by \$350,000 to assist with meeting the 50% test. The credit underwriter and staff applied the proposed policy discussed above (previous board item) when formulating the following recommendation.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Action Supplement

2. **Recommendation**

If the proposed policy described above is approved by the board, staff recommends approval of the credit underwriting report which includes approval of the \$350,000 increase in tax-exempt bonds subject to Florida Housing reserving this amount from the SAIL loan to be used to repay the bonds after final cost certification. If the proposed policy is not approved, staff recommends that the SAIL loan be reduced by \$350,000.

UNIVERSAL CYCLE

Action

IX. UNIVERSAL CYCLE

A. 2003 Universal Cycle – Review Committee

1. Background/Present Situation

Chapter 420, Florida Statutes, and Rule Chapter 67-48, F.A.C., provide for a review committee to be comprised of FHFC staff persons and at least one DCA staff person. The review committee will make recommendations to the Board regarding program participation.

2. Recommendation

Staff recommends and requests Board approval for a review committee for the 2003 Universal Application cycle to be comprised of the following FHFC staff: Kerey Carpenter, Wayne Conner, Barb Goltz, and Steve Auger, with Libby Lane as the DCA representative.

B. 2003 Universal Cycle – Lottery Seed Number

1. Background

The Universal Application Instructions provide that each Application that is assigned an Application number will receive a random lottery number at or prior to the issuance of final scores and that the lottery numbers will be assigned by having Florida Housing's internal auditors run the total number of assigned Application numbers through a random number generator program.

2. Present Situation

The seed number must be selected so that staff will be able to assign the lottery numbers at the appropriate time.

3. Recommendation

Select the seed number from the listing of seed numbers provided by staff.

UNIVERSAL CYCLE

Action Supplement

I. UNIVERSAL CYCLE

A. Rule Chapter 67-48 Notice of Change (NOC)

1. Background

Subsequent to the Application workshops held on February 13 and 14, 2003, staff determined that a second Notice of Change (NOC) for Rule Chapter 67-48, F.A.C., was necessary to clarify the definition of a SAIL Development. At its meeting on January 24, 2003, the Board authorized the Chair to approve a second NOC, if necessary, without the requirement of another Board meeting, provided that the Chair determined that the second NOC did not make material, substantive changes to the rule.

2. Present Situation

- a) In order to minimize the delay in opening the 2003 Universal Application cycle, staff prepared a second NOC which was published in the Florida Administrative Weekly on February 21, 2003. The NOC was also filed with the Joint Administrative Procedures Committee (JAPC) for its review. A copy of the NOC is provided as [Exhibit A](#).
- b) In view of the second NOC, the filing of Rule Chapter 67-21 and 67-48, F.A.C., has been delayed until March 17, 2003. The 2003 Universal Application cycle will now open on March 7, 2003, and is scheduled to close on April 8, 2003.

3. Recommendation

Approve staff's filing of the second NOC and authorize the filing of Rule Chapter 67-21, F.A.C. and Rule Chapter 67-48, F.A.C., as revised, for adoption.