

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
September 21 27, 2007
Information Items



FISCAL
Information

I. FISCAL

A. Operating Budget Analysis for July 2007

- a) The Financial Analysis for July 31, 2007, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending July 31, 2007, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

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II. GUARANTEE PROGRAM

A. Loan Defaults on Sarah’s Place and Nelson Park Apartments

Development Name: Sarah’s Place (“Development”)	Location: Lake County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 1997 Series L HC 1999-502C Guarantee Fund 29 HUD Risk-Sharing	Amounts: MMRB \$14,380,000 HC \$931,004 (annually) GF \$6,967,059 (50% mtg guarantee)
Number of Units: 330	Type: Family
Development Name: Nelson Park (“Development”)	Location: Lake County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2000 Series A HC 2001-522C Guarantee Fund 50 HUD Risk-Sharing	Amounts: MMRB \$16,055,000 HC \$1,084,033 (annually) GF \$7,722,500 (50% mtg guarantee)
Number of Units: 358	Type: Family

1. Background

- a) Worthwhile Development, Inc (“Worthwhile”) was the Developer of both properties, and Riverfront Equities (“Riverfront”), a Developer-related entity, has functioned as property manager. KeyBank Real Estate Capital (“KeyBank”) is the limited partner and tax-credit syndicator on both developments.
- b) Physical condition has been an ongoing concern at both properties for several years. Inspections conducted by staff, HUD and our Servicers evidence deferred maintenance and overall neglect. With specific regard to Sarah’s Place, staff has received letters from a County Commissioner, as well as two local residents, complaining of crime and physical condition. Staff has made numerous requests to Worthwhile and Riverfront for remedial action, and began expressing its concerns to KeyBank in March 2006, but little has been done to date, and the properties remain in unsatisfactory condition.
- c) Occupancy is suffering at Sarah’s Place and Nelson Park, averaging 82% and 88% over the past year, respectively.
- d) Sarah’s Place has been in a persistent “rolling” default status since February, 2007 and remains in default today. The Developer has made partial payments each month, insufficient to cure the default in full monthly.

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- e) On February 15, 2007, KeyBank representatives accompanied staff on inspections of both properties.
- f) On August 20, 2007, Riverfront verbally notified staff of their intent to resign as property manager on both properties effective August 31, 2007. Staff then notified KeyBank, and it's our understanding that KeyBank is attempting to install new management on both properties with a FHFC-approved entity (and will seek HUD approval).
- g) On August 28, 2007, staff received a copy of a letter from Worthwhile advising KeyBank of its resignation as general partner on Sarah's Place and Nelson Park, apparently pursuant to KeyBank's direction. Staff spoke with Worthwhile, who indicated it was no longer the general partner on either property and would not function as such effective immediately. Staff then spoke with KeyBank, who indicated they had not consented to Worthwhile's resignation, thus leaving Worthwhile as general partner. They further reiterated their intent to not assume control of the general partnership, and they were searching for a 3rd-party to assume control.
- h) Staff has verbally advised KeyBank against installing a 3rd-party general partner, not an affiliate of the limited partner, without first undergoing satisfactory credit review/underwriting and obtaining approval by Florida Housing's Board as well as HUD.
- i) On August 30, 2007, staff made a formal request to Worthwhile for the immediate removal of Riverfront on the subject properties.

2. Present Situation

- a) Sarah's Place is in default under the Note and Loan Agreement. The July 1, 2007 and August 1, 2007 loan payments are past due, totaling approximately \$243,114 combined. The development has been in a persistent default status since February 2007.
- b) Nelson Park is in default under the Note and Loan Agreement. Loan payments are past due for the July 1, 2007 and August 1, 2007, totaling approximately \$236,497 combined.
- c) At this juncture, it is the Guarantee Program's position that the general partner has abandoned both properties. Furthermore, the properties are in poor physical condition, both are in monetary default, property management is in flux, and KeyBank has verbally indicated it will not assume control of the general partner.
- d) Under the circumstances, the Guarantee Program's expectation is that KeyBank should immediately assume control of the general partner, despite their expressed intent to the contrary, to ensure the health and safety of the residents as well as the financial and physical integrity of the developments.
- e) The Guarantee Program is reviewing its options, and will take necessary action to protect its interests.

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- f) If necessary, the Guarantee Program, with the assistance of counsel and financial advisor, will take appropriate action, including payment of a full claim, acceleration of the Loan, foreclosure of the collateral, and notification to the Internal Revenue Service that the project is no longer participating in the low-income housing tax credit program resulting in recapture of previously claimed credits and the inability to claim future credits on this Development, to protect its interests. Authority to take such action is specifically delegated to the Executive Director, Chief Financial Officer, Guarantee Program Administrator, and Director of Asset Management pursuant to Board action on December 12, 2003. If the Guarantee Program is required to take such action in the interim, the Board will be updated at the regularly scheduled Board Meeting immediately following.

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B. Updated Status of Event of Default and Event of Intervention of Sunset Bay Apartments (Housing Finance Authority of Miami-Dade County, 2000 Series 5A & 5B) (the “Bonds”)

1. Background

- a) Sunset Bay Apartments (the “Development”) is a 308-unit multifamily rental community located approximately 10 miles north of Homestead, Florida, developed by Triad Housing Partners (“Borrower”) and financed with the issuance of multifamily housing revenue bonds by the Housing Finance Authority of Miami-Dade County (“Issuer”). Equity was provided by syndicating tax credits through Centerline Capital Group (“Centerline”, formerly known as CharterMac Corporation, formerly known as Related Capital Company), the 99.9% limited partner. The Guarantee Program credit-enhanced the transaction by virtue of its 100% guaranty on the underlying mortgage (Local HFA transactions were not eligible for HUD Risk-Sharing in 2000), the current balance of which is approximately \$13.7 million. In connection with its tax credit allocation, 100% of the units in the development are currently set-aside as “affordable.”
- b) In 2002, the Development received a SAIL loan in the amount of \$2,486,611.
- c) Similar informational items were provided at the Board Meetings held June 9, 2006 and October 20, 2006, outlining the history of the Development from November 14, 2005, the date on which the Borrower advised staff that the Development sustained damage from hurricanes Katrina and Wilma. At the time of the October 2006 Board Meeting, an Event of Default and Event of Intervention had been declared by the Trustee and the loan payments due August 15th and September 15th, 2006 were unpaid. Since then, the Development has remained in a “rolling” default status with the Borrower and/or Centerline contributing funds each month equivalent to one loan payment; insufficient to fully cure the default status, but sufficient to avoid the Guarantee Program’s payment of a Claim for Loss and resulting acceleration of the Loan.
- d) Also in May 2006, Centerline provided a brief written proposal outlining its desire to acquire the outstanding Bonds and resell them to a related entity, the proceeds of which would reimburse the Guarantee Program for any requisite draw made on its fund/corpus as a precursor to tendering the Bonds. Staff questioned the feasibility of the proposal within the parameters of the Indenture and Loan Documents, further noting that additional time would be required to review the proposal and seek input from its Financial Advisor and Counsel.
- e) On June 3, 2006, the Guarantee Program was informed that Centerline had effected a change in the property management company, replacing Triad Residential Management, a Borrower-related entity, with CT Associates, a Florida Housing-approved management company.
- f) As of July 31, 2006, occupancy had dropped to 57% due to the ongoing efforts to repair damage resulting from the hurricanes. According to Centerline, the remediation protocol required removal of the tenants and their belongings before repairs were effected, after which testing was performed by a third-party contractor upon completion. The process yielded results roughly 10-15 units repaired units per week.

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- g) On September 26, 2006, Centerline informed Staff that it had assumed control of the General Partner, effective May 16, 2006, replacing it with a special purpose entity affiliate of Centerline, One Oakwood Boulevard LLC. Furthermore, Centerline indicated that it has contributed over \$2 million to the Development to fund operating deficits and ongoing remediation/repairs.
- h) On October 2, 2006, the Guarantee Program expressed its support of Centerline's proposal to acquire the outstanding Bonds by virtue of an Amendment to the Indenture providing for a purchase (of the Bonds) in lieu of foreclosure, further stipulating that the Guarantee Program must be held harmless and fully indemnified by Centerline. The Trustee indicated similar support of the proposal, additionally requesting Bondholder consent as a prerequisite to the proposed Amendment of the Indenture. Centerline had not contemplated bondholder consent, and required additional time to review feasibility of same.
- i) On January 3, 2007, Florida Housing staff, along with counsel and the Guarantee Program's financial advisor, met with Centerline representatives. They expressed desire to explore an alternate proposal to restructure the transaction and cure the default. As a condition of reviewing such proposal, staff required Centerline submit it in writing. Also, they agreed to follow up with staff regarding the disposition of an adjacent 4-acre parcel, previously released (as collateral under the mortgage) for dedication to the County as a park.
- j) On February 9, 2007, the Guarantee Program inspected the Development, finding it aesthetically appealing, with no major deficiencies observed. Management has since indicated that all remediation has been completed, and occupancy has improved to 93% as of June 2007.
- k) On August 8, 2007, Seltzer Management Group inspected the Development. All ratings were satisfactory, with no physical deficiencies noted.

2. Present Situation

- a) At this time, the Development remains in default. The July 15th and August 15th, 2007 loan payments on the 1st mortgage are unpaid in the amount of \$147,811.68 each, or \$295,623.36 combined. Also, the SAIL loan remains past due \$55,797 for the August 31, 2006 interest payment.
- b) Centerline has failed to submit 2006 audited financial statements for the Development, as well as 2006 SAIL Cash Flow Reporting Forms.
- c) Following last January's meeting, Centerline expressed concern for submitting their proposal in writing, and have not submitted same to date. Similarly, they have not provided staff with the status of the adjacent 4-acre parcel.
- d) Despite improved occupancy and satisfactory physical condition, neither of which are characteristic of a troubled property, Sunset Bay remains in default today.

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- e) In recent months, the Guarantee Program has made repeated attempts to initiate discussion with Centerline management regarding the property's persistent default status, but Centerline has been unresponsive in this regard.

- f) If necessary, to protect its interests, the Guarantee Program, with the assistance of counsel and financial advisor, will take appropriate action, including payment of a full claim, acceleration of the Loan, foreclosure of the collateral, and notification to the Internal Revenue Service that the project is no longer participating in the low-income housing tax credit program resulting in recapture of previously claimed credits and the inability to claim future credits on this Development. Authority to take such action is specifically delegated to the Executive Director, Chief Financial Officer, Guarantee Program Administrator, and Director of Asset Management pursuant to Board action on December 12, 2003. If the Guarantee Program is required to take such action in the interim, the Board will be updated at the regularly scheduled Board Meeting immediately following.

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- C. **Guarantee Program Capacity** ([Exhibit A](#))

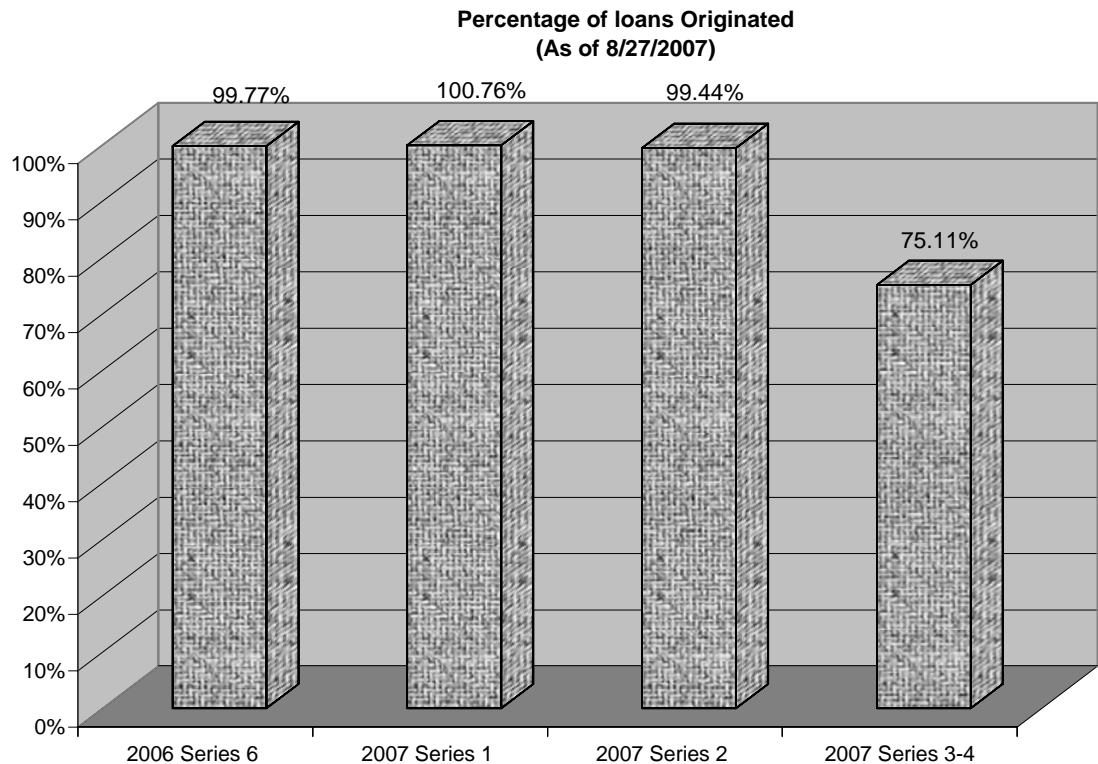
SINGLE FAMILY BONDS

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III. SINGLE FAMILY BONDS

A. SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM

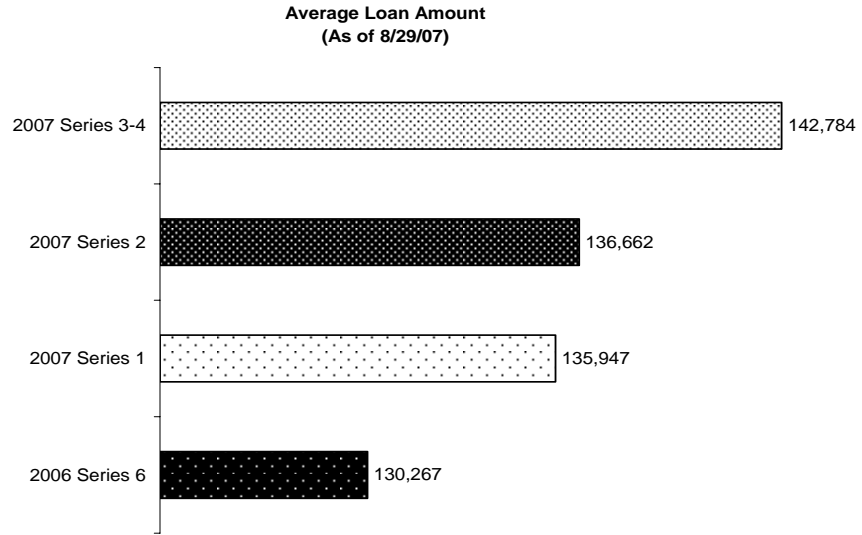
1. Florida Housing currently has four active bond issues with lendable proceeds available for borrowers to use for purchasing a home: 2006 series 6, 2007 series 1, 2007 series 2 and 2007 series 3-4. Florida Housing has assisted over 4,000 borrowers purchase their first homes with these bond issues. The 2006 series 6 issue originally offered lendable proceeds totaling \$125,471,008.66 on November 20, 2006. The 2007 series 1 offered lendable proceeds totaling \$111,578,325 on February 13, 2007. The 2007 series 2 issue offered lendable proceeds totaling \$181,317,735.73 on April 6, 2007. The 2007 series 3 issue offered lendable proceeds totaling \$173,715,000 on June 25, 2007.
2. The participating lenders continue to be enthusiastic about the First Time Homebuyer Program and the level of reservations reflects this. The 2006 series 6, 2007 series 1, and 2007 series 2 bond issue are fully originated. The 2007 series 3-4 bond issue has only been available since June 25th and over 75% of these funds are reserved.



The average loan amount has increased with each bond issue, as shown in the chart below. The increases in the loan amounts are reflective of the cost of housing in the marketplace. Average Loan amount has increased to 10% from the 2006 Series 6 to 2007 Series 3-4, or \$12,517

SINGLE FAMILY BONDS

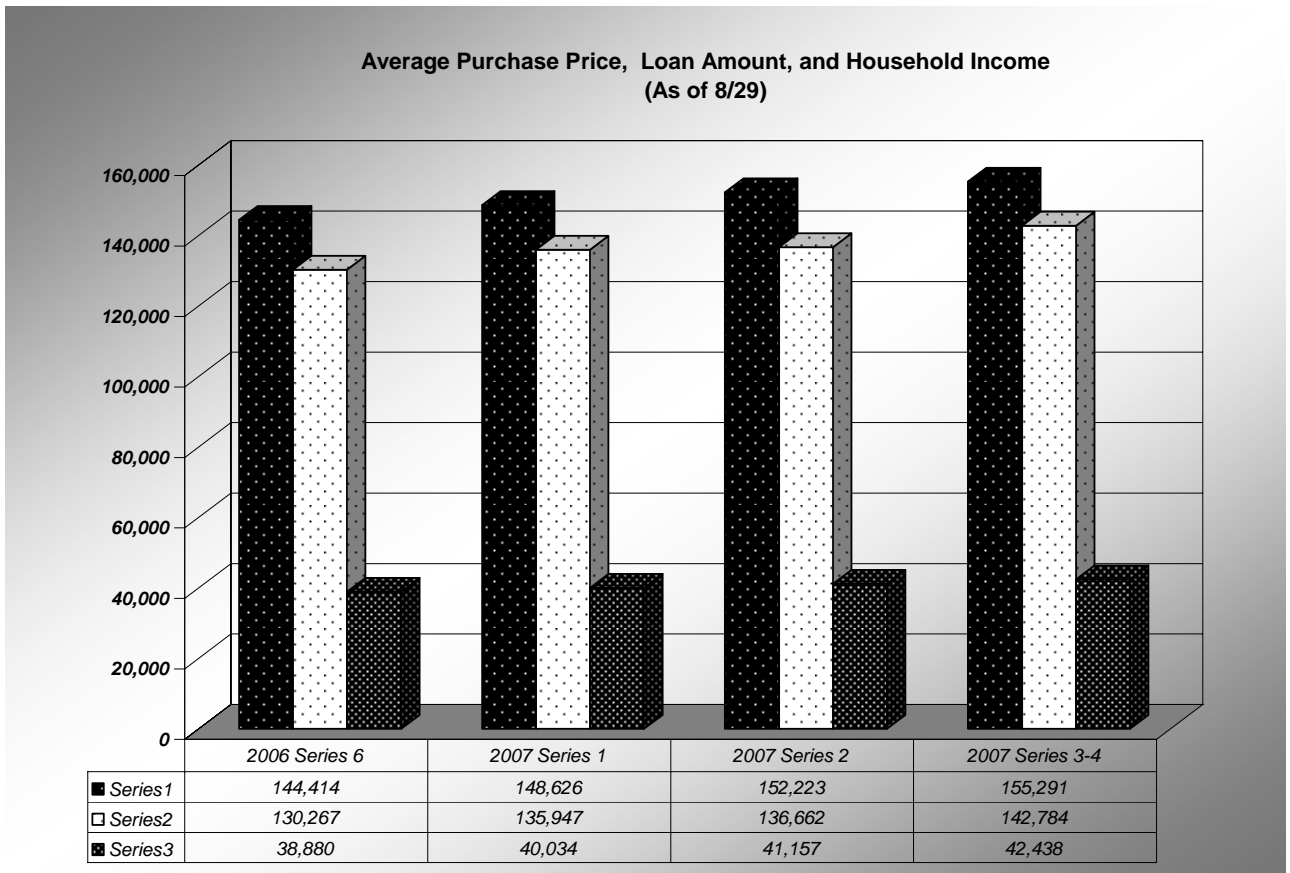
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The increase of the loan amounts is also reflective of the increase in the total amounts borrowers are paying for the homes, which is the purchase price. The purchase price has also increased with each successive bond issue. The increase in the average loan amount correlates with the increase in the purchase price from the 2006 series 6 issue to the 2007 series 3-4 bond issue. The chart below reflects the significant increases in the purchase price and loans amounts shown against the incomes of borrowers being served.

SINGLE FAMILY BONDS

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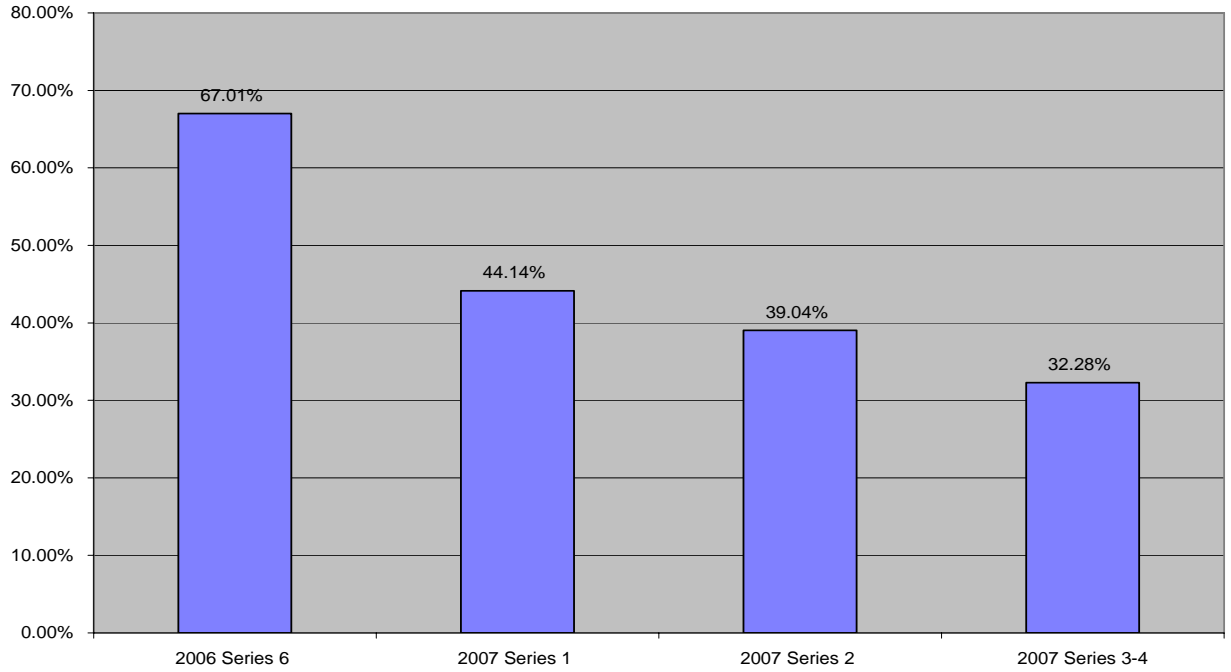


Borrowers continue to use the available down payment assistance programs. However, as the amount of assistance available has decreased from \$14,999 in the 2006 series 6 bond issue to \$10,000 available in the 2007 series 1 and 2 bond issues, the percentage of total borrowers using the down payment programs has decreased, which is shown below:

SINGLE FAMILY BONDS

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**% of Loans with Seconds
(as of 8/29)**



SINGLE FAMILY BONDS

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B. Single Family Marketing and Outreach

1. Partnership Between Florida Housing and Agency for Workforce Innovation (AWI)

- a) In an effort to expand our marketing and communications efforts on our homeownership programs for active military , veterans and their families in Florida, Florida Housing is participating in the *Florida Vets First* strategic planning team. *Florida Vets First* Team will develop ideas for a Strategic Plan of Services for Veterans, including a branding and marketing campaign for serving Florida's veterans. Discussion will also address all services and programs benefiting veterans and military families, Military Family Employment Advocacy Program, Recovery and Employment Assistance Lifelines (REALifelines) initiative, Federal and State Veterans' Preference, Troops to Teachers/Hometown Heroes Teach Programs, Veterans' Workforce Investment Program and Homeless Veterans' Reintegration Program Grants, etc.
- b) Comprehensive Strategic Planning Conference with Florida Vets First team will include representatives of the following agencies and organizations:
 - (1) Agency for Workforce Innovation (AWI)
 - (2) Workforce Florida, Inc. (WFI)
 - (3) Regional Workforce Boards (RWB)
 - (4) Florida Dept. of Veterans' Affairs (FDVA)
 - (5) Office of the Governor
 - (6) Florida Legislature – House and Senate Military and Veterans' Affairs Committees
 - (7) U.S. Dept. of Veterans' Affairs (VA)
 - (8) Florida Defense Alliance
 - (9) Florida Department of Military Affairs/Florida National Guard
 - (10) Veterans' Employment and Training Service (VETS)
 - (11) Office of Federal Contractor Compliance Programs (OFCCP)
 - (12) Florida Departments of Education and Corrections (FDOE/FDOC)
 - (13) Florida Housing Finance Corporation
 - (14) Florida Council of 100/Florida Chamber of Commerce
 - (15) Small Business Administration (SBA), Florida Small Business Development Center (FSBDC) Network
 - (16) Veterans' Service Organizations (America Legion, Veterans' of Foreign Wars, etc.)

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- (17) Florida Commission on Veteran Affairs
 - (18) Community/Faith-Based Organizations (CBO/FBO)
 - (19) Statewide Veterans Planning Group
 - (20) Volunteers of America – Florida (VOA – FLA)
 - (21) County Veteran Service Officers (CVSO) Association
 - (22) Coalition to Salute America’s Heroes
- c) Topics will include the following:
- (1) Housing, Veterans’ Homelessness, Incarcerated Veterans services
 - (2) Financial Assistance
 - (3) Marketing, Web Sites and Internet Capabilities
 - (4) Women Veteran Issues
 - (5) Employment, Education/Training, Grants
 - (6) Veterans’ Healthcare, Florida Seamless Transition Program
 - (7) Veterans Benefits, financial assistance, housing mortgages, educational benefits, etc.
 - (8) Housing, Veterans’ Homelessness
 - (9) Marketing, Communications, Promotional Outreach, Web-Based Information

2. **Ongoing Marketing**

Florida Housing recently participated in the Florida League of Cities Conference in their Grants and Resource Center and Exhibit Hall in Orlando. There were approximately 1,000 local elected officials in attendance. We will also be participating in the Sarasota Housing Fair in September as an exhibitor promoting our First Time Homebuyer and other housing programs to interested homebuyers. We expect more than 500 in attendance.

3. **Realtor Trainings, Partnerships and Marketing**

- a) Communications and Single Family staff will be launching a new marketing tool box for Realtors who have successfully completed Florida Housing’s Realtor training program. Florida Housing is going to start listing all approved Realtors and their contact information on the website.
- b) Our 2007 Realtor CE Course trainings that are held in partnership with state and local Realtor associations are the following:

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- (1) January 20, 2007-Florida Assoc. of Realtors Conference-Orlando
 - (2) March 16, 2007- Chipola Area Board of Realtors-Chipley
 - (3) March 27, 2007- Realtor Assoc. of Greater Miami and the Beaches-Miami
 - (4) March 28, 2007-Realtor Assoc. of the Palm Beaches-Lake Worth
 - (5) March 29, 2007- South Broward Board of Realtors-Ft. Lauderdale
 - (6) April 21, 2007- National Assoc. of Real Estate Brokers-Tallahassee
 - (7) April 25, 2007- Emerald Coast Realtor Assoc.- Ft. Walton Beach
 - (8) June 15, 2007- Orlando Regional Realtors Assoc.- Orlando (during National Homeownership Month)
 - (9) August 28, 2007- Space Coast Assoc. of Realtors-Merritt Island
 - (10) September 14, 2007- Northeast Florida Assoc. of Realtors- Jacksonville
 - (11) September 24, 2007- Realtor Assoc. of Greater Ft. Lauderdale- Ft. Lauderdale
 - (12) October 11, 2007- Realtor Assoc. of the Palm Beaches- Lake Worth
 - (13) November 8, 2007- Realtor Assoc. of Martin County- Stuart
 - (14) November 28, 2007- Orlando Regional Realtors Assoc.- Orlando
- c) We are also starting to schedule trainings for the 2008 calendar year.

4. Call Center

Single Family and Communication's staff recently decided to switch from Patlive to CitiMortgage Inc. to handle our statewide call center. Plans are finalized this month for the implementation and switch to this statewide call center for consumers inquiring about the First Time Homebuyer Program. Consumers would call a toll-free number and their call would be answered by a live operator who would direct them to the appropriate participating lender. The call center should be operational September 4th.

5. Annual Homebuyer Expo

Communications staff is already booking dates and times for our 2008 National Homeownership Month events. Florida Housing's 2008 Homebuyer Expo will be held in Orlando on Saturday June 7 at the Orange County Convention Center, and the Gala will be held on Friday, June 6 at the Peabody Orlando. Florida Housing will begin conducting internal meetings to plan initial outreach efforts in September. The 2008 expo website will be launched in late November 2007.

STATE HOUSING INITIATIVES PARTNERSHIP (SHIP) PROGRAM

Information

IV. STATE HOUSING INITIATIVES PARTNERSHIP (SHIP) PROGRAM

A. Providing Revised Timeline for Rule Development Process for Chapters 67-37 and 67-53.005, Florida Administrative Code governing the State Housing Initiatives Partnership (SHIP) Program

1. Background/Present Situation

At the July 27, 2007 Board meeting, the Board authorized staff to begin the rule development process for the SHIP program. However, the timeline that was included as part of the board package required revision due to changes in dates in the process. The Board was informed that a revised timeline would be presented at the next Board meeting. The revised timeline ([Exhibit A](#)) is included.

UNIVERSAL CYCLE

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V. UNIVERSAL CYCLE

A. 2008 Universal Cycle

1. Background/Present Situation

- a) A public meeting was held following the July 27, 2007 Board meeting to solicit comments concerning Rule Chapters 67-21 and 67-48, F.A.C., and the 2008 Universal funding cycle.
- b) Staff anticipates beginning the rulemaking process by soliciting additional public comments at a rule development workshop scheduled following the September 21, 2007 Board meeting.