FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
January 23, 2009
Information Items

COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Corporate Marketing and Outreach

1. Background/Present Situation

a) During December, representatives from Florida Housing spoke at the Tallahassee Lenders' Consortium's (TLC) ribbon-cutting ceremony. The event, held on December 8, highlighted the construction of TLC's 49th and 50th houses, both of which used funding from Florida Housing. Other speakers included: Tallahassee City Commissioner Debbie Lightsey; TLC Executive Director Libby Lane; Florida Housing's top-producing lender Pat Gaver, of BB&T; and many more. Those present also had the opportunity to meet the new homeowners and hear their success stories.

b) Communications staff is currently working on a "Going Green" website for Florida Housing. This website will serve as a resource to help homebuyers, housing providers and advocates throughout the state "go green" in their affordable homes or rental properties. The site should be live early in 2009.

c) Florida Housing staff also is working on the 2008 Annual Report, which is scheduled to be ready for the Governor, Senate President and House Speaker by February 28; members of the Legislature will receive copies, as well.

d) Florida Housing recently updated its Corporate Packet, which is used to provide basic information on the Corporation and its programs to the public. Copies of the new packet are now available.

e) Finally, Florida Housing staff will start conducting internal meetings to plan the 2009 Lenders Appreciation Awards Gala, which is scheduled to be held on Friday, June 12, 2009, at the Peabody Hotel Orlando. Formal invitations will follow in the coming months.

II. FISCAL

A. Operating Budget Analysis for November 2008

a) The Financial Analysis for November 30, 2008, is attached as Exhibit A.

b) The Operating Budget for the period ending November 30, 2008, is attached as Exhibit B.

III. GUARANTEE

A. Claim Payment and Pending Foreclosure of Riverfront Apartments

Development Name: Riverfront	**Location: Orange County**
Developer: Worthwhile Development ("Developer")	**Set-Aside: MMRB 40%@60% AMI** **HC 100%@60% AMI**
Funding Sources: MMRB 1997 Series A **HC 97L-503** **Guarantee Fund #21** **HUD Risk-Sharing 067-98010**	**Amounts: MMRB $14,435,000** **HC $921,304 (annually)** **GF $6,984,343 (50% mtg guarantee)**
Number of Units: 356	**Type: Family**

1. <u>Background</u>

a) Riverfront Apartments is located approximately 12 miles east of downtown Orlando, near Union Park. Worthwhile Development, whose principal is H.J. "Jay" Royall, built the development in 1997, making it one of the earlier deals in our portfolio. Originally, Mr. Royall was the general partner (1% owner) and MMA Financial was the limited partner (99% owner and tax-credit syndicator). However, earlier this year MMA assumed control of the general partner, removing Mr. Royall in light of ongoing deferred maintenance and continued "rolling" defaults on the mortgage. Thereafter, MMA funded mortgage payments for several months, but never cured the default and, at this juncture, has discontinued funding entirely.

b) The property was financed with FHFC bonds, 1997 Series A, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guarantee the first mortgage. To our knowledge there is no subordinate debt, however, we have ordered a title insurance update. The development is comprised of 356 units (32 x 1BR, 140 x 2BR, 184 x 3BR), with set-asides at 100% @ 60% of area median income by virtue of the housing credit use restriction agreement. As of 10/31/08, physical occupancy was approximately 75%.

c) In recent years, Riverfront, as well as its sister developments, Sarah's Place, Nelson Park and Heritage (all Worthwhile Development transactions) have been problem assets in the Guarantee Program portfolio due to unsatisfactory oversight by the general partner (Mr. Royall) and/or the developer-owned management company, Riverfront Equities. The management agent on Riverfront was replaced in June 2007 with an FHFC/HUD-approved agent. In our opinion, the new agent has performed well, but his efforts have been stifled by MMA's unwillingness to provide adequate financial support. Consequently, the defaults on the mortgage persisted, and many of the deferred maintenance items have not been corrected. The property will likely require financial resources (from the Guarantee Program) in the near term to correct financial and physical deficiencies.

d) In considering the contributing factors for the default, from a historical perspective, we attribute the property's problems to unsatisfactory oversight by the Borrower/Developer and related management company. More recently, despite MMA's assumption of control of the general partner and the insertion of new management, the property's downfall is the result of MMA's unwillingness to provide financial support coupled with the adverse economic climate. Generally speaking, with respect to troubled properties, the Guarantee Program expects limited partners (equity providers/tax-credit syndicators) to assist in keeping properties financially viable by helping fund operating deficits.

2. <u>Present Situation</u>

a) On Friday, December 12, 2008, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Riverfront Apartments.

b) The claim amount of $14,205,415 represents the mortgage balance of $13,993,012 plus approximately $212,000 in accrued interest (note: the claim amount equates to approximately $39,900/unit). The amount received from HUD was paid to the Trustee to be used to redeem the outstanding bonds. As a Risk-Sharing property, HUD shares in the mortgage guarantee 50/50 with the Guarantee Program. As such, our half will be approximately $7.1 million plus costs. HUD pays the entire sum upfront to the Trustee. Typically, an HFA must provide a debenture to HUD evidencing its indebtedness for its half of the mortgage exposure. In our case, in lieu of a debenture, we are allowed to segregate funds within the Guarantee Program corpus for such purpose, evidenced by an enforceable certificate (the "certificate"). HUD provides a five (5) year term for repayment; a balloon payment, allowing time for Florida Housing to settle the matter and dispose of the property. During that term, interest accrues on the certificate at HUD's debenture rate (6.125%, based on the date HUD endorsed the Note following construction completion), which is payable annually.

c) MMA Financial has indicated its willingness to offer a deed-in-lieu of foreclosure, but negotiations in this regard are preliminary at this time.

d) We instructed our counsel to immediately pursue all appropriate legal and equitable remedies under the note, the mortgage and other loan documents to obtain control of the monthly net operating income, prevent any deterioration of the property, and to obtain control of Riverfront. We obtained current financials, including rent rolls and payables aging (note: payables include $230K in 90+ day category), and staff will be making a follow-up inspection soon. We will be ordering a Phase I environmental site assessment and a physical needs assessment, and an appraisal may be ordered at a future date. The property's current tax assessed value is $10,736,541.

e) The Trustee has issued a redemption notice to bondholders and a full redemption of the bonds will occur on January 15, 2009.

B. Claim Payment and Pending Foreclosure of Riley Chase Apartments

Development Name: Riley Chase	**Location: Sarasota County**
Developer: Vestcor Development Corporation, Inc.	**Set-Aside: MMRB 50%@60% AMI** **HC 100%@60% AMI**
Funding Sources: MMRB 1999 Series L-1 **and 1999 Series L-2** **HC 2000-510C** **Guarantee Fund #49** **HUD Risk-Sharing 067-98017**	**Amounts: MMRB $12,680,000** **HC $1,009,053 (annually)** **GF $6,340,000 (50% mtg guarantee)**
Number of Units: 312	**Type: Family**

1. Background

a) Riley Chase Apartments is located in North Port, Florida, near the south end of Sarasota County. Vestcor Development Corporation, Inc., whose principals include Ambassador John D. Rood and Steve Frick, built the development in 2000. Vestcor Partners XVII, Inc. is the general partner (.01% owner), Centerline Housing Partnership I, LP (99.98 % owner) is the Limited Partner (tax credit syndicator) and RCHP SLP I, LP (.01% owner) is the Special Limited Partner.

b) The property was financed with FHFC bonds; 1999 Series L1 & L2, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guarantee the first mortgage. To our knowledge there is no subordinate debt, however, we have ordered a title insurance update. The development is comprised of 312 units (72 x 1BR, 156x 2BR, 84x3BR), with set-asides at 100% @ 60% of area median income by virtue of the housing credit use restriction agreement. As of 12/17/08, physical occupancy was approximately 62%.

c) In considering the contributing factors for the default, Riley Chase has struggled since inception due primarily to location issues. The property exhibited healthy lease-up following construction, but thereafter found it difficult to retain residents and attract new ones sufficient to sustain occupancy. The statewide economic slowdown has exacerbated the problem.

d) Over the past year, the partners have apparently labored over who should be responsible for funding operating deficits. It is our understanding that the Operating Deficit Guaranty; an open-ended guaranty executed by the borrower entity and Ambassador John D. Rood, individually, remains in force.

e) Generally speaking, with respect to troubled properties, the Guarantee Program expects limited partners (equity providers/tax-credit syndicators) to assist in keeping properties financially viable by helping fund operating deficits. Through correspondence addressed to Stephen P. Auger, and received by Florida Housing Finance Corporation on December 12, 2008, the Limited Partner indicates that to date the partners have contributed over $2 million to property operations, $885,000 of which was paid by the Limited Partners in 2008 alone. In addition the letter states that they have explored avenues to address the challenges of operating the property profitably in this soft market however, these efforts have not been successful and the property continues to suffer monthly operating deficits of over $60,000. At this juncture the Limited Partners have deemed it economically desirable to effectively walk away from this property.

2. <u>Present Situation</u>

a) On Friday, December 12, 2008, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Riley Chase Apartments.

b) The claim amount of $12,348,670 represents the $12.2 million mortgage balance plus approximately $152k in accrued interest (note: the claim amount equates to approximately $39,000/unit). The amount received from HUD was paid to the Trustee to be used to redeem the outstanding bonds. As a Risk-Sharing property, HUD shares in the mortgage guarantee 50/50 with the Guarantee Program. As such, our half will be approximately $6.3 million plus costs. HUD pays the entire sum upfront to the Trustee. Typically, an HFA must provide a debenture to HUD evidencing its indebtedness for its half of the mortgage exposure. In our case, in lieu of a debenture, we are allowed to segregate funds within the Guarantee Program corpus for such purpose, evidenced by an enforceable certificate (the "certificate"). HUD provides a five (5) year term for repayment; a balloon payment, allowing time for Florida Housing to settle the matter and dispose of the property. During that term, interest accrues on the certificate at HUD's debenture rate (6.00%, based on the date HUD endorsed the Note following construction completion), which is payable annually.

c) Vestcor has indicated its willingness to offer a deed-in-lieu of foreclosure, but negotiations in this regard are preliminary at this time.

d) We have instructed our counsel to immediately pursue all appropriate legal and equitable remedies under the note, mortgage and other loan documents to attain direction over monthly net operating income, prevent any deterioration of the property, and to obtain total control of Riley Chase. Furthermore, we have begun discussions with management companies for assumption of management duties. We have also requested the current rent roll, most recent income statement and an accounts payable aging list. An environmental site assessment and physical needs assessment have been ordered, and an appraisal may be ordered at a future date. The property's current tax-assessed value is $6,936,000.

e) On December 16, 2008, the Trustee issued a redemption notice to bondholders calling for full redemption of the bonds on January 15, 2009.

C. The Guarantee Program and HUD Risk-Sharing

1. Background

a) In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program. Over the past 14 years, the Guarantee Program and HUD have closed 76 multifamily bond-financed transactions, representing approximately $940 million of combined risk in force, facilitating the construction of over 19,400 units in Florida. Of the 101 multifamily developments in the Guarantee Program portfolio today, 67 are Risk-Sharing transactions.

b) November's claim on Turtle Creek, as reported to the Board on December 12, 2008, plus the two claims filed in December on Riverfront and Riley Chase represent the only multifamily claims incurred the Guarantee Program's history.

c) As of January 5, 2009, there are eight (8) developments in the portfolio in various stages of monetary default as a result of the borrower's failure to make timely payments on the note. Of those, six (6) are Risk-Sharing transactions and two (2) are not, as outlined below:

Development	Location	Closing Date	Total units	Mtg. bal.	Risk-share	Gen Ptr	Ltd Ptr	Status
Turtle Creek	Naples	4/30/1996	268	12,005,006	Yes	C.J. Communities	KeyBank	***Claim paid, foreclosure pending***
Riverfront	Orlando	4/10/1997	356	13,993,012	Yes	MMA Financial	Same	***Claim paid, foreclosure pending.***
Riley Chase	North Port	2/29/1999	312	12,185,406	Yes	Vestcor	Centerline Capital	***Claim paid, foreclosure pending***
Woods of Vero Beach	Vero Beach	9/21/1999	176	7,144,774	No	Creative Choice	Alliant Capital	Past due: 12/1/08 & 1/1/09 pmts
Walker Avenue Club	Kissimmee	11/16/2000	172	8,309,550	Yes	Benchmark	PNC Capital	Past due: 11/1/08 & 12/1/08 pmts
Andros Isle	Lehigh Acres	6/20/2001	229	9,509,167	No	Creative Choice	Alliant Capital	Past due: 11/15/08 & 12/15/08 pmts
Noah's Landing	Naples	11/14/2001	264	8,190,483	Yes	Vestcor	Centerline Capital	Past due: Dec. 12/15/08 pmt
Tuscan Isle	Naples	12/4/2002	298	17,879,708	Yes	Creative Choice	Capmark Capital	Past due: 11/15/08 & 12/15/08 pmts

d) Over the past 7 years, the Guarantee Program has had a handful of transactions (3 to 5) in default at any given time, usually in "rolling default" for an extended period. While the eight properties highlighted above, as a whole, represent an increase in defaults, and the three claims filed unprecedented, it is not extraordinary in relation to the portfolio's historical performance and overall financial capacity.

e) The three (3) pending foreclosures, as well as any loss incurred upon settlement/disposition, are not expected to have a detrimental impact on the Guarantee Fund, as the corpus is currently over-collateralized by approximately $130 million. Nevertheless, the Guarantee Program will continue its monitoring efforts and exercise the same sound risk management that has contributed to our success to date, particularly in the current extraordinarily challenging economic environment.

D. Guarantee Program Capacity (Exhibit A)

IV. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

a) Single Family Programs staff has been teaching a three hour DBPR approved continuing education course offered through local Realtor Boards since 2003. We have three such classes scheduled for the month of January. The January 21st class will be held in Plantation, Florida for the Realtor Association of Miami-Dade County. We generally conduct 3 to 4 classes per year in this area of the state. The January 12th class in Panama City and the January 27th class in Key West are both first time events for the Realtors in these areas. While we have adequate lender coverage in Bay County, it wasn't until 2008 that we were able to sign up a participating lender in Monroe County: First State Bank of the Florida Keys.

b) Chip White, Single Family Programs Administrator, will be attending the annual NCSHA HFA Institute in Washington D.C. January 14th-16th. This event offers staff in-depth education and advice from key federal officials, leading trainers, consultants, industry experts, and experienced HFA practitioners.

c) Florida Housing sponsors a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. Since 2007, the line has been manned by employees of CITI Mortgage, who provided this service to Florida Housing at an extremely reasonable rate. However, due to cutbacks at CITI, they discontinued this service on December 26, 2008. Due to short notice, these calls (estimated at between 300-400 per month) are now being answered by Single Family Programs staff. We will continue to monitor these calls and evaluate the best way to handle them in the long term.

B. Single Family Bonds Information (Exhibit A)

SPECIAL ASSETS

Information

V. SPECIAL ASSETS

A. In Re: POAH's Acquisition of Four GMN Developments

Development Name: Cutler Glen ("Development")	**Location: Miami-Dade**
Developer/Principal: GMN ("Developer")	**Set-Aside: 20% @ 50% & 55%@ 80% AMI**
Funding Sources: MMRB 2003 Series U EHCL 2003-005E	**Amounts: MMRB $8,100,000 (w/Cutler Meadows) EHCL $200,000**
Number of Units: 123	**Type: Elderly**
Development Name: Cutler Meadows ("Development")	**Location: Miami-Dade**
Developer/Principal: GMN ("Developer")	**Set-Aside: 20% @ 50% & 55% @ 80% AMI**
Funding Sources: MMRB 2003 Series U EHCL 2003-006E	**Amounts: MMRB $8,100,000 (w/Cutler Glen) EHCL $200,000**
Number of Units: 150	**Type: Elderly**
Development Name: Cutler Manor ("Development")	**Location: Miami-Dade**
Developer/Principal: GMN ("Developer")	**Set-Aside: 15% @ 33%, 5% @ 50%, & 80% @ 60% AMI**
Funding Sources: SAIL 2001-036S	**Amounts: SAIL $1,900,000**
Number of Units: 220	**Type: Family**
Development Name: Middletowne ("Development")	**Location: Clay**
Developer/Principal: GMN ("Developer")	**Set-Aside: 15% @ 28%, 5% @ 50%, & 80% @ 60% AMI**
Funding Sources: SAIL 2000-030S	**Amounts: SAIL $495,398**
Number of Units: 100	**Type: Large Family**

1. <u>Background</u>

a) Greater Miami Neighborhoods (GMN) received funding from FHFC for development of 27 affordable housing properties from 1990 to 2006. Funding sources from FHFC have included HOME, Housing Credits, EHCL, Bonds and SAIL.

b) At the December 12, 2007 FHFC Board meeting, the Board provided conditional approval to Preservation of Affordable Housing, Inc. (POAH) conceptual plan of acquisition of six GMN developments, which Florida Housing has at least partially funded and authorized staff to negotiate with POAH to acquire and refinance the listed GMN developments and delegated authority to the Board Chair to approve the final plan of acquisition.

c) The conceptual plan promotes the preservation of the affordable set-asides. Island Place and Oakwood, two of the six developments from the conceptual plan, were not included in the current acquisition as these two developments are being acquired by other entities.

d) In accordance with the conceptual plan, POAH applied for bond financing from FHFC and requested to assume the outstanding loans on these developments with terms as provided in the plan and the applicable credit underwriting report. The Board approved the FHFC MMRB funding and transfer of the developments and loans with the new terms at its June 13, 2008 meeting.

e) POAH was not able to acquire favorable bond pricing and decided to use conventional financing for new first mortgage loans on the properties. The terms for the SAIL and EHCL loans remained substantially as outlined in the initial conceptual plan.

f) The Cutler Manor and Cutler Glen EHCL loans combined into one loan, being secured by both properties. The new POAH entity assumed the two existing bond Land Use Restriction Agreements that are currently on the Cutler Manor and Cutler Glen developments. The current bond mortgages were satisfied by the new conventional loans. POAH’s new entity also assumed compliance and other obligations related to the LURA as appropriate. The only other significant change was that the FHFC loans are not to be part of the proposed “Creditor’s Trust” in the bankruptcy; however, the repayment/assumption terms did not changed.

g) Staff received a positive recommendation letter from the credit underwriter stating the new terms would not adversely affect the financing of the developments.

2. <u>Present Situation</u>

The Board Chair approved the final plan of acquisition and POAH acquired the four developments as of December 2008.

SPECIAL ASSETS

Information

B. In Re: Island Place

1. <u>Background</u>

a) Island Place Apartments d/b/a Island Place Apartments, LLC ("Island Place") is a 199 unit multifamily project in Miami-Dade County, financed with $2,800,000 of funds from the State Apartment Loan Incentive Program. A Land Use Restriction Agreement ("LURA), dated October 24, 2002, restricts the occupancy and Area Median Income levels at 15.15% @ 33% (30 units minimum); 5.05% @ 50% (10 units minimum); 50.00% @ 60% (99 units minimum) and 29.80% @ 80% (remaining units).

b) Island Place is also financed with Miami-Dade County Housing Finance Authority bonds with a mortgage note assigned to US Bank, as Trustee and, Federal National Mortgage Association (FNMA) securing repayment of the original principal amount of $6,200,000.

c) On March 19, 2007, Century/AAA, Ltd. d/b/a AAA Supply ("Century") filed a Claim of Lien against Island Place for labor, materials and services consisting of air conditioning, appliance and refrigeration equipment and supplies in the amount of $12,421.96.

d) The lien amount was not paid by Island Place. By Case No. 07-13233 CC 05 Century/AAA, Ltd. d/b/a AAA Supply vs. Island Place Apartments, LLC, Century instituted a foreclosure action against Island Place in the County Court of Miami-Dade, FL for the outstanding lien without joining senior lienors in the foreclosure action.

e) Island Place did not defend the foreclosure case. On September 20, 2007, Final Default Judgment was entered in favor of Century for the total amount of $18,844.73.

f) On October 31, 2007, there was a foreclosure sale and the Development was sold to First Home View Corporation in the amount of $19,168.00, subject to the senior mortgages not joined in the foreclosure action.

2. <u>Present Situation</u>

a) In January 2008, US Bank instituted legal proceedings to foreclose on their lien and the Court appointed a Receiver. FHFC counsel sent a Notice of Default to Island Place. US Bank will be filing a Motion for Summary Judgment, seeking to get a judgment of foreclosure by early 2009.

b) If US Bank is granted summary judgment in their foreclosure action, FHFC's inferior lien will be foreclosed. FHFC will be entitled to a disbursement of any surplus funds remaining after the foreclosure sale in accordance with the priority of our lien.

Information

C. In Re: Purchase of First Mortgage of Two Properties Owned by United Development Communities, Inc.

Development Name: UDC AHRP (“Development”)	**Location: Miami-Dade County**
Developer/Principal: United Development Communities, Inc. (“Developer”)	**Set-Aside: PLP 100% @ 80% AMI**
Number of Units: 7 Homes	**Allocated Amount: PLP $500,000**
Demographics: Home Ownership	**Servicer: N/A**

1. Background

a) United Development Communities, Inc. applied for Pre-Development Loan Program (PLP) funds in 2004 and was awarded a PLP loan in the amount of $500,000 for acquisition and rehabilitation of seven properties in Miami-Dade County. The PLP loan closed on September 16, 2004. As of June 30, 2006 the Borrower has acquired and rehabilitated seven properties and of the seven, five have been sold to affordable home buyers and the proportionate amount of the PLP loan was repaid from the sales of each property.

b) The Borrower was unable to sell the two remaining properties. In a letter dated July 20, 2007 the Borrower requested that Florida Housing purchase the first mortgage on the two remaining properties to allow time for the properties to be sold and repay the PLP loan. On November 21, 2007 the first lien holder filed a motion for summary judgment of foreclosure.

c) At the December 2007 Florida Housing Board meeting the Board approved the use of Florida Housing funds to purchase the first mortgage and maintain the two properties until qualified affordable buyers could be found.

2. Present Situation

On December 12, 2008 one of the properties was sold. All expenses associated with the purchase of the first mortgage were recovered and the excess funds were applied to the outstanding PLP loan. The borrower continues to maintain and market the remaining property for sale.