

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



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Corporate Marketing and Outreach

1. Background/Present Situation

- a) Communications staff submitted Tax Credit Assistance Program (TCAP) and 1602 Exchange Program (Exchange) funding information for Florida to The TheoPRO Group—a consulting firm that produces seminars and workshops for affordable housing professionals and organizations throughout the country. TheoPRO is spearheading the campaign “*What’s Right with Affordable Housing,*” which is designed to inform and educate Congress on the successes of the TCAP and Exchange programs in our state, and nationwide. The public service announcement for this campaign will air soon.
- b) Staff also has just completed the latest *What’s Developing* newsletter, which will be printed and mailed, as well as be made available online at www.floridahousing.org.
- c) Finally, Communications staff recently participated as an exhibitor and sponsor at the Florida Housing Coalition (FHC) Annual Conference in Orlando. Approximately 800 housing providers and advocates attended, and Florida Housing donated reusable tote bags for each attendee.
- d) In early October, the communications director served as a workshop moderator at the NCSHA Annual Conference held in San Antonio, Texas.

FISCAL
Information

II. FISCAL

A. Operating Budget Analysis for August 2009

- a) The Financial Analysis for August 31, 2009, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending August 31, 2009, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

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III. GUARANTEE

A. Status of Defaults Within the Guarantee Program Portfolio

1. Background/Present Situation

- a) In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. Since then, the Guarantee Program alone and/or in conjunction with HUD has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. Of the 94 multifamily developments in the Guarantee Program portfolio today, 60 are Risk-Sharing transactions.
- b) The seven (7) claims filed between November 2008 and September 2009 represented the only multifamily claims incurred in the 15-year history of the Guarantee Program.
- c) As of October 2, 2009, there were three (3) developments in the portfolio in various stages of monetary default due to the borrower's failure to make timely payments on the note. Of those, one (1) is a Risk-Sharing transaction and two (2) are not, as outlined below:

<u>Development</u>	<u>Location</u>	<u>Closing Date</u>	<u>Total units</u>	<u>Mtg. bal.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Woods of Vero Beach	Vero Beach	9/21/1999	176	7,144,774	No	Creative Choice	Alliant Capital	Past due: 9/1/09 pmt
Andros Isle	Lehigh Acres	6/20/2001	229	9,509,167	No	Creative Choice	Alliant Capital	Past due: 8/15/09 & 9/15/09 pmts
Tuscan Isle	Naples	12/4/2000	298	17,879,708	Yes	Creative Choice	Capmark Capital	Past due: 8/15/09 & 9/15/09 pmts

- d) At any given time over the past 7 years, the Guarantee Program has had a handful of transactions (3 to 5) in default, usually in "rolling default" for an extended period. The current level of defaults is not extraordinary in relation to the portfolio's historical performance and overall financial capacity. However, the seven (7) claims filed to date are unprecedented.
- e) Of the three transactions highlighted in the above chart, three are with Creative Choice Homes (Dilip Barot), each of which has been in a "rolling" default status for nearly a year. In March 2009, the general partner and limited partners reached agreements to share in the funding of operating deficits and, according to the general partner, cure the monetary defaults within a month. The latter obviously never came into fruition.

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B. Claim Payment and Pending Foreclosure of Sarah’s Place and Nelson Park Apartments

Development Name: Sarah’s Place Apartments	Location: Lake County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 50% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 1997 Series L HC 1999-502C Guarantee Fund #29 HUD Risk-Sharing #067-98012	Amounts: MMRB \$12,488,135 (current balance) HC \$931,004 (annually) GF \$6,244,068 (50% mtg guarantee)
Number of Units: 330	Type: Family
Development Name: Nelson Park Apartments	Location: Lake County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 50% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2000 Series A HC 2001-522C Guarantee Fund #50 HUD Risk-Sharing #067-98019	Amounts: MMRB \$ 14,665,826 (current balance) HC \$1,084,030 (annually) GF \$7,332,913 (50% mtg guarantee)
Number of Units: 358	Type: Family

1. Background

- a) Sarah's Place and Nelson Park Apartments are located in Lake County, approximately 7 miles west of Walt Disney World. Worthwhile Development, whose principal is H.J. “Jay” Royall, built the developments in 1997 and 2000, respectively. Originally, Mr. Royall was the general partner (1% owner) and KeyBank Real Estate Capital was the limited partner (99% owner and tax-credit syndicator).
- b) The property was financed with FHFC bonds and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgages. A title insurance update will be obtained to identify any additional debt/liens.
- c) The developments are comprised of 330 units (48 x 1BR, 140 x 2BR, 142 x 3BR) and 358 units (48 x 1BR, 154 x 2BR, 156 x 3BR) respectively, with set-asides at 100% @ 60% of area median income by virtue of the housing credit use restriction agreement. As of 08/31/09, physical occupancy was 79% and 80%, respectively.

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- d) In recent years, Sarah's Place and Nelson Park Apartments were deemed problem assets in the Guarantee Program portfolio due to unsatisfactory oversight by prior management. After numerous requests by staff to Worthwhile for remedial action to cure the ongoing deferred maintenance and continued "rolling" defaults on the mortgages, Mr. Royall resigned as general partner on both developments in August 2007. KeyBank, however, indicated they had not consented to Worthwhile's resignation and reiterated their intent not to assume control of the general partnerships as they were searching for a 3rd-party to assume control. To avoid dissolution of the partnerships, in November 2007, KeyBank inserted two non-approved, newly created limited liability companies as general partner for both developments whose principal is identified as Bryan Townsend.
- e) In December, 2008, a claim was filed on Riverfront, a sister development to Sarah's Place and Nelson Park (all Worthwhile Development transactions). A fourth property, Heritage (also a Worthwhile Development transaction) with Mr. Royall's entity still serving as general partner and KeyBank as limited partner, continues to be an asset we closely monitor. However, it is not currently in default status, and has applied for funding under the subordinate mortgage initiative.
- f) In considering the contributing factors for the default, from a historical perspective, we attribute the property's problems to mismanagement by the Borrower/Developer and related management company. In addition, KeyBank's refusal to assume control of the general partner, their insertion of a non-approved general partner and their unwillingness to provide continued financial support coupled with the adverse economic climate contributed to the properties' ultimate demise. Generally speaking, with respect to troubled properties, the Guarantee Program expects limited partners (equity providers/tax-credit syndicators) to assist in keeping them operationally viable by funding operating deficits. This has been our expectation to date.

2. Present Situation

- a) On September 11, 2009, the Guarantee Program filed two (2) Applications for Initial Claim payment with HUD. The claim amounts totaled \$27,511,688 based on the combined current mortgage balances of \$27.2 million plus 75 days of accrued interest (note: the estimated claim amount equates to approximately \$37,800/unit and \$41,000/unit, respectively). Claim funds received from HUD were paid to the Trustee. The Trustee has issued a redemption notice to bondholders and a full redemption of the bonds will occur on October 15, 2009. As a Risk-Sharing property, HUD shares in the mortgage guarantee 50/50 with the Guarantee Program (i.e., our half of the two claims will be approximately \$13.8 million plus costs). HUD pays the entire claim amount 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 enforceable certificates (the "certificates"). 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 based on the date HUD endorsed the Note following construction completion.

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- b) KeyBank has indicated their willingness to cooperate with the foreclosure process, but negotiations in this regard are still ensuing at this time.

- c) We have advised our counsel to immediately pursue all appropriate legal and equitable remedies under the note, mortgage and other loan documents to obtain direction over monthly net operating income, prevent any deterioration of the property, and to obtain total control of Sarah's Place and Nelson Park. KeyBank facilitated a management change on both properties effective September 1, 2009 to a management company that currently serves as management agent on Riverfront, the development now owned by FHFC II, Inc. We have begun discussions to assume the management company contracts with the newly inserted management company. An updated physical needs assessment, as well as an environmental site assessment and appraisal, will be ordered soon. The property's current tax assessed values are \$ 9,619,260 for Sarah's Place and \$10,987,617 for Nelson Park.

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C. Disposition of Riley Chase

1. Background

- a) Vestcor Fund XVII, Ltd. d/b/a Riley Chase Apartments (“Riley Chase”) is a 312 unit multifamily development located in North Port, Florida, near the south end of Sarasota County. 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) guaranteed the first mortgage.
- b) On December 12, 2008, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Riley Chase Apartments and on June 18, 2009, filed for foreclosure in the 12th Circuit Court in Sarasota County, case number 2009-CA-010251-NC.
- c) On July 20, 2009, Riley Chase filed their consent to summary judgment and final summary judgment was granted on August 28, 2009. A foreclosure sale date was set for September 28, 2009. FHFC was the winning bidder at the foreclosure sale and a certificate of title was issued to FHFC II, Inc. on September 29, 2009.

2. Present Situation

The property will soon be listed for sale via a competitive bid process with Marcus & Millichap.

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D. Disposition of Landings at Boot Ranch

1. Background

- a) Boot Ranch West, Ltd. d/b/a Landings at Boot Ranch Apartments (“Boot Ranch”) is a 232 unit multifamily development located in Palm Harbor, approximately 20 miles northwest of Tampa in Pinellas County. The property was financed with FHFC bonds; 1995 Series K, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgage.
- b) On March 16, 2009, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Boot Ranch and on May 7, 2009, filed for foreclosure in the 6th Circuit Court in Pinellas County, case number 2009-008285-CI-007.
- c) On August 27, 2009, Boot Ranch filed their consent to summary judgment and final summary judgment was granted on September 4, 2009. A foreclosure sale date was set for October 6, 2009. FHFC was the winning bidder at the foreclosure sale and a certificate of title should be issued within the next 10 days in the name of FHFC III, Inc.

2. Present Situation

The property will soon be listed for sale via a competitive bid process with a real estate broker from the pool of brokers approved by the Board and selected through the issuance of a Request for Proposals.

E. Guarantee Program Capacity ([Exhibit A](#))

SINGLE FAMILY BONDS

Information

IV. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

- a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying first time homebuyers through our First Time Homebuyer Program. In our uncertain housing market, Florida Housing's program provides needed assistance to help eligible homebuyers achieve the "American Dream" of homeownership by offering low cost 30-year, fixed rate mortgages together with down payment and closing cost assistance.
- b) To help ensure that we are providing this assistance to homebuyers who can not only complete the purchase process but also maintain homeownership after the home is purchased, we have recently implemented a minimum FICO score requirement for our program. Rather than increasing the FICO requirement to 620 or higher as many lenders have done with their own programs, we have established a modest 600 (mid-score) FICO requirement for our borrowers. Our delinquency data analysis showed that borrowers below this threshold show a high rate of serious delinquency. We want to make sure our program is targeted at those responsible homebuyers who can not only purchase a home but can actually maintain ownership after the purchase. Lenders may still continue to manually underwrite loans for borrowers with no FICO score based upon Agency underwriting guidelines. Because of the scrutiny of a loan being manually underwritten, this group of borrowers performs very well in terms of maintaining homeownership. We will continue to monitor loan performance and make necessary program adjustments as needed.
- c) Single Family Programs staff continues to teach a three hour DBPR approved continuing education course offered through local Realtor Boards since 2003. We contract through the local Board of Realtors in the various counties to guarantee a minimum attendance of 20 Realtors per class. Florida Housing charges \$25 per attendee to help defray our travel and other costs. Program staff has been reaching out to local Board of Realtor offices in smaller, rural counties in an effort to increase our network of lending partners in these often overlooked areas. For calendar year 2009 we have conducted 16 individual trainings with a total of 492 Realtors in attendance.
- d) The Single Family program staff, along with our Master Servicer, US Bank, and the program compliance team eHousing, conducted new lender training on September 10, 2009. These quarterly training sessions are conducted via a teleconference format called WebEx. The WebEx format allows lenders from offices around the state along with some out of state support centers to dial in via conference call and participate in an interactive computer based training session. We conduct two 3 hour classes which allows up to 300 registered participants in each session. The morning session is for loan officers and processors while the afternoon session is for underwriters, closers, shippers, and funders. By tailoring each class to the intended target group we find that we are able to provide useful more detailed information that is group specific.

SINGLE FAMILY BONDS

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- e) Florida Housing sponsors a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. For the month of September we received 628 total calls from first time homebuyers, Realtors, and lenders via the first time homebuyer line; of which 371 were transferred to the single family staff. The remaining callers were able to receive the information they were looking for online using the First Time Homebuyer Wizard tool. We will continue to monitor these calls and evaluate the best way to handle the call volume in the long term.

B. Single Family Bonds Information ([Exhibit A](#)).

UNIVERSAL CYCLE

Information

V. UNIVERSAL CYCLE

A. 2009 Universal Cycle Update

1. Background

- a) Preliminary scores for the 2009 Universal Cycle Applications were issued to Applicants on September 23, 2009.
- b) Applicants had until 5:00 p.m., Eastern Time, on October 1, 2009, to file a written Notice of Possible Scoring Error (NOPSE) relative to the preliminary scoring of another Applicant's Application. A total of 244 NOPSEs were received for evaluation by staff. Most NOPSEs addressed multiple issues. The NOPSE scores (reflecting either a change or no change to the preliminary score) were issued to the Applicants on October 23, 2009.

2. Present Situation

Applicants have until 5:00 p.m., Eastern Time, on November 3, 2009, to file cures on curable items. After expiration of the cure period, Applicants may submit Notices of Alleged Deficiencies (NOADs) relative to another Applicant's cures.