FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
December 9, 2011
Action Items

FISCAL

Action

I. FISCAL

A. 2012 Operating Budget

1. **<u>Background</u>**

a) The Florida Housing Finance Operating Budget is created with conservative approach to both revenue and expenses.

b) The 2012 budget, which includes Operating and Hardest Hit Fund, was created using the following approach, as applicable:

- a projection of fee revenue based on the current loan portfolio. No new bond transactions were projected for 2012;
- a projection of revenue from the administration of other federal programs;
- a projection of investment earning based on input from investment managers;
- use of Operating net assets of $368,000 for the following: $150,000 Capital Needs Assessments, $218,000 Consulting Data Management Systems.
- a zero-based budget model for operating expenses, exclusive of salaries and benefits; the 2012 projected work plan for operational units determines the initial expense budget request from each work unit;
- continuous assessment of current and ongoing hardware and software needs to improve efficiency and bring greater depth to our ability to analyze date for decision making purposes;
- benefits information based on final quotes for insurance and other benefits; and
- salaries based on elimination of all full-time vacant positions.

c) Upon implementation of the 2012 Operating Budget, Florida Housing will closely monitor revenues and expenses. Non-discretionary line item budgets, such as program administration, monitoring and workshops, will be fully allocated to work areas; however, we will vigorously monitor all expenditures to assure revenues will support expenditures. Discretionary line items, such as staff development travel and certain outreach travel, will be controlled at the executive level. With these measures in place to control expenditures, Florida Housing expects to maintain a positive trend of revenues exceeding expenses.

2. Present Situation

a) The recommended Operating Budget for 2012 has been compiled, reviewed, and revised and is provided as Exhibit A.

b) An Account Guide describing the budget categories is included with the Operating Budget as Exhibit B.

3. Recommendation

a) Staff recommends that the Board designate $368,000 of Operating net assets as follows:

(1) $150,000 to gather information and conduct a comprehensive property assessment and portfolio analysis to implement the asset management priority in the adopted Strategic Plan.

(2) $218,000 for consulting for data management systems which serve as the back bone of analyses used in business decision making to implement the Data Management System in the adopted Strategic Plan.

b) Staff recommends approval of the 2012 Operating Budget.

II. HARDEST-HIT FUND

A. Request Authorization to Commence the Rule Promulgation Process for the Hardest Hit Fund Program

1. <u>Background</u>

a) On February 19, 2010, President Obama announced $1.5 billion in funding called the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund) to help families in the five states that have been hit the hardest by the combination of housing price declines and unemployment. There are now 18 states and the District of Columbia participating in this $7.6 billion program. Florida's share of these funds totals over $1 billion.

b) Florida Housing Finance Corporation (Florida Housing) entered into a contract with the United States Treasury (Treasury) to create and administer foreclosure prevention assistance programs under the Hardest Hit Fund. Treasury has approved the term sheets submitted by Florida Housing for both the Unemployment Mortgage Assistance Program (UMAP) and the Mortgage Loan Reinstatement Program (MLRP) to provide assistance to eligible homeowners who have experienced an employment related hardship.

2. <u>Present Situation</u>

In order to comply with the rulemaking requirements of Chapter 120, Florida Statutes, Florida Housing must codify the procedures that currently govern the Hardest Hit Fund Program.

3. <u>Recommendation</u>

Authorize staff to commence the rule promulgation process for the Hardest Hit Fund Program.

III. MISCELLANEOUS

A. 2012 Program Funding Application/Proposal Lottery Seed Number Selection

1. <u>Background</u>

The instructions for various Florida Housing programs and competitive solicitations provide that each application or proposal for funding will receive a random lottery number at or prior to the issuance of final scores or ranking and that the lottery numbers will be assigned by Florida Housing's internal auditors using a random number generator program.

2. <u>Present Situation</u>

A seed number must be selected so that the internal auditors will be able to generate random lottery numbers for any Florida Housing program that requires a lottery seed number to be assigned either by rule or competitive solicitation in 2012.

3. <u>Recommendation</u>

From the listing of numbers provided by internal audit, the Chair should select a seed number to be used for competitive applications and requests for proposal for the calendar year 2012.

IV. PROFESSIONAL SERVICES SELECTION (PSS)

A. Invitation to Negotiate for Insurance Brokerage Services

1. Background

Chapter 420.507 Powers of the corporation (11) provides the following: "To insure and procure insurance against any loss in connection with any bonds of the corporation and the corporation's operations or property…" To implement this provision, Florida Housing Finance Corporation (Florida Housing) carries business insurance to cover Commercial General Liabilities, Director and Officers Liability, Employment Practices and Fiduciary Liability.

2. Present Situation

a) At the September 1, 2011 Board meeting, staff was authorized to "issue an Invitation to Negotiate (ITN) to select an insurance provider". The ITN process was initiated and ITN 2011-03 was issued on Friday, October 7, 2011. (Exhibit A). The deadline for receipt of responses was 2:00 p.m., Thursday, November 10, 2011. One (1) proposal was received by the deadline. The response received by the deadline is: Rogers, Gunter, Vaughn Insurance, Inc. (RGVI).

b) The Review Committee members designated by the Executive Director were Barbara Goltz, Chief Financial Officer, Donna Light, Human Resources Director and Matthew Sirmans, Assistant General Counsel.

c) Each member of the Review Committee individually reviewed the proposal prior to convening the Review Committee meeting. The Review Committee meeting was held at 11:00 a.m. Wednesday, November 16, 2011.

d) The current insurance policy for general liability and property insurance expires on January 1, 2012 and the Directors and Officers Liability insurance expires on January 15, 2012. In order to ensure that a lapse in coverage does not occur, Florida Housing must purchase insurance before the expiration dates.

3. Recommendation

a) The Review Committee recommends that Florida Housing appoint RGVI as the insurance broker for Florida Housing Finance Corporation, FHFC II, and FHFC III for three (3) years, 2012, 2013 and 2014 and accept the RGVI schedule of premiums for 2012. The Review Committee further recommends that RGVI and Florida Housing negotiate a premium schedule for the applicable coverage on an annual basis for each year thereafter, 2013 and 2014.

B. Request for Proposals to Assist in Evaluating Capital and Rehabilitation Needs of Older Properties in Florida Housing's Portfolio

1. <u>Background</u>

a) As properties in Florida Housing's portfolio age, there are and will be additional stressors on the entire system as developments have capital and rehabilitation needs. Many of the properties will remain in Florida Housing's portfolio for 30-50 years. As these properties are aging, Florida Housing will have to decide as part of its preservation strategy which developments are important to refinance, recapitalize and rehabilitate with our limited resources.

b) With the exception of Guarantee Program properties, private investors, such as Housing Credit syndicators, Bond purchasers and private lenders are the key monitors of property risk, and in some cases, these properties are refinanced and rehabilitated without having to come to Florida Housing for competitive resources. For example, they may use Bonds and non-competitive 4% Housing Credits for this purpose. However, many properties are not positioned well to use Bonds and 4% Housing Credits (properties may be too small, serve special needs or lower income tenants with rents that are unable to support bond debt). This means that these properties require additional resources, such as gap financing (for example, State Apartment Incentive Loan [SAIL] or HOME funds), or competitive 9% Housing Credits – resources that are in short supply to meet all the affordable rental housing needs in Florida.

c) Florida Housing's strategic plan calls for us to carry out two strategies to refine our preservation priorities and keep our portfolio strong as it ages:

(1) Systematize strategies and procedures to prioritize existing properties for preservation funding and refinancing; and

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

d) As part of a broader comprehensive property assessment and portfolio analysis, the staff received approval from the Board at the June 10, 2011, meeting to procure professional services to perform physical needs assessments on a representative sample of properties in our portfolio that are 15+ years old. This will allow us to understand the physical condition and attendant rehabilitation costs that can be expected in these older properties.

Action

2. Present Situation

a) RFP 2011-04 was issued on Friday, October 21, 2011 (Exhibit B). The deadline for receipt of responses was 2:00 p.m., Friday, November 18, 2011. Six proposals were received by the deadline as follows:

(1) Bessolo Design Group, Inc.

(2) C 3 Consulting Group, Inc.

(3) Dominion Due Diligence Group

(4) EMG

(5) GLE Associates, Inc.

(6) On-Site Insight

b) The Review Committee members designated by the Executive Director are Nancy Muller, Policy Director, Laura Cox, Director of Asset Management and Guarantee Fund and Kevin Tatreau, Director of Multifamily Development Programs. Each member of the Review Committee individually reviewed the Proposals prior to convening for the Review Committee meetings.

c) The Review Committee meeting was held at 2:30 pm Wednesday, November 30, 2011. At the meeting the Committee provided scores and a recommendation to the Board. Final scoring is provided in an insert as Exhibit C.

d) The Review Committee found C3 Consulting Group, Inc. to be non-responsive because the company modified the Certification Statement that was a Threshold item.

3. Recommendation

The Review Committee recommends that Florida Housing enter into contract negotiations with the highest ranked Offeror, which is On-Site Insight, subject to them providing proof of insurance before execution of the contract. If contract negotiations fail then Florida Housing is to begin contract negotiations with the next highest ranked Offeror, which is EMG, subject to them providing proof of insurance before execution of the contract.

V. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. State Apartment Incentive Loan (SAIL) Funding Under RFP 2011-05 For Extremely Low-Income (ELI) Households

1. Background

a) As a result of Florida Housing's utilization of one-time federal funding resources, as well as SAIL payments, SAIL de-obligations, and SAIL investment income, Florida Housing has approximately $41.5 million of uncommitted SAIL funding. Earlier this year, the Legislature passed a bill that the Governor signed into law prohibiting the use of state funding for new construction in the current state fiscal year.

b) At its September 1, 2011 meeting, Florida Housing's Board of Directors authorized staff to award the SAIL funding through a Request for Proposals process to existing Florida Housing developments, giving preference to developments in the Guarantee Fund portfolio, including a preference for those developments that are able to demonstrate the ability to refinance out of the Guarantee Fund portfolio. The primary use of the SAIL funds would be to require the applicants to set-aside a portion of the units currently restricted to households earning 60% or less of AMI to households earning up to the Extremely Low Income AMI in exchange for paying down existing bond debt with the awarded.

2. Present Situation'

a) A Request for Proposals (RFP) process was initiated and RFP 2011-05 was issued on Friday, October 21, 2011. (Exhibit A). The deadline for receipt of responses was 2:00 p.m., Wednesday, November 9, 2011. Thirty-one (31) proposals were received by the deadline as follows:

(1) Bristol Bay

(2) Clipper Bay

(3) Hampton Pointe

(4) Indian Trace

(5) Logan's Pointe

(6) Mariner's Cove

(7) Noah's Landing

(8) Peacock Run

(9) Portofino

(10) Preserve at Oslo

(11) Sabal Chase

Action

(12) San Marco

(13) Spring Harbor

(14) Stratford Point

(15) Sundance Pointe

(16) The Villas at Lake Smart

(17) Trust Lake Park Phase I

(18) Trust Lake Park Phase II

(19) Tuscan Isla

(20) Vista Palms

(21) Walden Park

(22) Waverly

(23) Wentworth II

(24) Westminster Apartments

(25) Westwood

(26) Whispering Woods

(27) Wilmington

(28) Windchase

(29) Woodridge

(30) Worthington

(31) Wyndham

b) The Review Committee members, designated by the Executive Director, were Kevin Pichard, Director, Guarantee Fund, Tamara Alford, Guarantee Program Asset Manager and Karla Brown, Multifamily Loans Manager. Each member of the Review Committee individually reviewed the responses prior to convening for the Review Committee meeting on November 18, 2011.

c) The Review Committee was held at 10:00 a.m. Friday, November 18, 2011. A copy of the ranking spreadsheet is attached as Exhibit B.

Action

3. Recommendation

The Review Committee recommends that the attached ranking for Priority 1 and Priority 2 be adopted. Staff further recommends that Florida Housing issue invitations to enter into credit underwriting for the following developments in ranked order until the currently uncommitted SAIL funding is expended.

(1) Priority 1:

Spring Harbor, Logan's Pointe, Stratford Pointe, Preserve at Oslo, Trust Lake Park II (Venetian Isles II), Wyndham, Villas at Lake Smart, Peacock Run, Noah's Landing and Westwood.

(2) Priority 2:

(a) Wentworth II, Vista Palms Indian Trace, San Marco, Mariner's Cove, Whispering Woods, Wilmington, Clipper Bay, Bristol Bay, Sundance Pointe, Portofino, Woodridge, Worthington, Sabal Chase, Windchase, Waverly, Hampton Pointe, Tuscan Isle, Walden Park, Westminster, and Trust Lake Park I (Venetian Isles).

Action

B. Request Approval of Credit Underwriting Update Letter for Sanders Pines (1989-038S/1999-510C)

Development Name: Sanders Pines (“Development”)	**Location: Collier County**
Developer/Principal: Immokalee Non Profit Housing, Inc. (“Developer”)	**Set-Aside: 80% @ 50% AMI**
Number of Units: 40	**Allocated Amount: $400,000**
Type: Garden Style	**Housing Credit Allocation: $146,441**
Demographics: Farmworker	**MMRB: N/A**

1. <u>Background/Present Situation</u>

a) On March 21, 1990, a SAIL loan in the amount of $400,000 closed for this 40 unit farmworker development in Collier County.

b) On July 10, 2011, staff received correspondence from the Developer requesting temporary relief from the farmworker demographic set-aside requirement (Exhibit C).

c) On November 28, 2011, staff received a credit underwriting update letter with a positive recommendation to temporarily waive the farmworker demographic set-aside requirement for a period of two years (Exhibit D). Staff has reviewed this recommendation and finds that the development meets all of the requirements of Rule Chapter 9I-28, F.A.C.

d) Additionally, the Developer offers a series of tenant services that are not recognized by the Development’s LURA at no cost to the residents that are held at the Carl J. Kuehner Community Center which is in walking distance to the development. These services include voluntary pre-kindergarten for 3 and 4 year olds, after school enrichment programs for school age children including teenagers, tri-lingual computer and adult literacy classes, parenting classes, a community garden and a nutrition program. The Developer has pledged to continue to offer these additional services during the two year period of temporary relief from the farmworker demographic set-aside requirement.

2. <u>Recommendation</u>

Staff recommends that the Board grant temporary relief of the farmworker demographic set-aside requirements for a period of two years and direct staff to proceed with loan document modification activities.

Action

C. Request Approval of Credit Underwriting Update Letter for Timber Ridge (1994S-003/1994L-038)

Development Name: Timber Ridge (“Development”)	**Location: Collier County**
Developer/Principal: Immokalee Non Profit Housing, Inc. (“Developer”)	**Set-Aside: 80% @ 50% AMI**
Number of Units: 34	**Allocated Amount: $500,000**
Type: Garden Style	**Housing Credit Allocation: $247,116**
Demographics: Farmworker	**MMRB: N/A**

1. Background/Present Situation

a) On April10, 1995, a SAIL loan in the amount of $500,000 closed for this 34 unit farmworker development in Collier County.

b) On July 10, 2011, staff received correspondence from the Developer requesting temporary relief from the farmworker demographic set-aside requirement (Exhibit E).

c) On November 28, 2011, staff received a credit underwriting update letter with a positive recommendation to temporarily waive the farmworker demographic set-aside requirement for a period of two years (Exhibit F). Staff has reviewed this recommendation and finds that the development meets all of the requirements of Rule Chapter 9I-35, F.A.C.

d) Additionally, the Developer offers a series of tenant services that are not recognized by the Development’s LURA at no cost to the residents that are held at the Carl J. Kuehner Community Center which is in walking distance to the development. These services include voluntary pre-kindergarten for 3 and 4 year olds, after school enrichment programs for school age children including teenagers, tri-lingual computer and adult literacy classes, parenting classes, a community garden and a nutrition program. The Developer has pledged to continue to offer these additional services during the two year period of temporary relief from the farmworker demographic set-aside requirement.

2. Recommendation

Staff recommends that the Board grant temporary relief of the farmworker demographic set-aside requirements for a period of two years and direct staff to proceed with loan document modification activities.

VI. SINGLE FAMILY BONDS

A. Request Approval to Issue Mortgage Credit Certificates (MCC)

1. <u>Background</u>

a) Florida Housing's Board previously approved Single Family staff's request to create and implement a Mortgage Credit Certificate (MCC) Program on July 30, 2004. The Program rollout date was March 3, 2005 and the Program ended on December 31, 2007.

b) Mortgage Credit Certificates are nonrefundable, federal tax credits that provide a form of housing assistance to persons with low and moderate incomes (see Exhibit A). The holder of an MCC receives an annual tax credit that the holder can apply against his or her federal tax liability in each year the MCC is effective. The tax credit is equal to a specific percentage of the interest paid or accrued by the holder with respect to certain qualifying mortgage loans. The percentage must be at least 10% but may not exceed 50%, but in no instance shall the amount of the annual credit exceed $2,000 (See Exhibit B). The effect of the tax credit is to increase the homebuyer's after-tax pay and thus increase his or her ability to afford a home. To qualify for an MCC, the homebuyer must meet the requirements for FHFC single family bond program. Due to the nature of the tax benefits provided, other state HFAs with MCC programs report that these credits tend to serve beneficiaries with incomes above 80% of area median income (AMI) as those with lower incomes are not as likely to incur a tax liability.

c) Before issuing MCCs, Florida Housing must elect not to issue an amount of qualified mortgage bonds and other private activity bonds it otherwise could issue (including any unused carryforward from previous years). Pursuant to the Internal Revenue Code, MCC's use $4 of bond volume cap for every $1 of MCC issued. Notice to the public regarding the issuance of MCCs, including the eligibility requirements and the method for issuing MCCs, must be published at least 90 days prior to issuing any MCCs.

2. <u>Present Situation</u>

a) Currently, Florida Housing has approximately $1,347,325,925 of private activity bond volume cap earmarked for its single family program. This amount does not include volume cap that we will receive on December 30, 2011, which amount could exceed $1 billion.

b) Florida Housing just completed issuance of the 2011C/2009B5 Bond issue. With this issue we have exhausted our New Issue Bond Program allocation. Due to the unfavorable pricing that exists for housing bonds, we do not anticipate selling mortgage revenue bonds in the near future.

c) Florida Housing proposes to elect to not issue up to $500 million of its single family volume cap and to make such volume cap available for a new MCC Program that will offer up to $125 million of MCCs. Staff plans to begin the MCC Program in the spring of 2012 and will, pursuant to IRS rules, end it on the earlier of the date all MCCs are issued under the new MCC Program or December 31, 2014. The guidelines and parameters for eligibility in the MCC Program will generally follow the same guidelines and parameters applicable to the types of borrowers and types of properties that qualify for Florida Housing's Single Family Program.

d) It is anticipated that operating this program will be at least revenue neutral for Florida Housing.

3. <u>Recommendation</u>

That the Board authorize staff to take all action necessary to create and implement the new MCC Program, subject to further approvals by bond counsel, special counsel, and the appropriate Florida Housing staff.