



FLORIDA HOUSING CORPORATION

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## **Office of Inspector General**

**Management Review**

**140707-01**

**December 5, 2014**

**Chris Hirst, Inspector General**

Enhancing Public Trust in Florida's Affordable Housing

**Office of Inspector General  
Review 140707-01  
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**INTRODUCTION**

Cleve and Leah Godwin entered into a Mediated Marital Settlement Agreement (MMSA) on August 5, 2013. According to the MMSA, Ms. Godwin was granted exclusive use and possession of the property located on Ace High Stables Road, Wakulla County, Florida. However, Mr. Godwin's name remained on the property deed and mortgage. In February 2014, Ms. Godwin was approved for State Housing Initiatives Partnership (SHIP) funding through the Wakulla County SHIP program. The project involved the demolition and reconstruction of the above housing structure which subsequently raised concerns regarding Mr. Godwin's vested interest in the property.

**STATE HOUSING INITIATIVES PARTNERSHIP**

The Florida Housing Finance Corporation (Florida Housing) Special Programs Administrator provided the following overview in substance:

The SHIP program is governed by Sections 420.907-9079, Florida Statutes (F.S.) and Chapter 67-37, Florida Administrative Code.

The purpose of the program as stated in Section 420.9072, F.S. is:

*The State Housing Initiatives Partnership Program is created for the purpose of providing funds to counties and eligible municipalities as an incentive for the creation of local housing partnerships, to expand production of and preserve affordable housing, to further the housing element of the local government comprehensive plan specific to affordable housing, and to increase housing-related employment.*

Florida Housing, as the agency tasked with overseeing the SHIP program, has among its duties:

1. Review and approval of each participating local governments local housing assistance plan (LHAP). The LHAP details what activities (strategies) the local government will undertake in expending allocated SHIP funds. The LHAP also details program procedure, requirements and repayment/recapture terms. In the review/approval process, Florida Housing advises the local government on the LHAP and recommends changes. However, if the LHAP is within statutory and rule guidelines, it is approved.
2. Distribute funds to all eligible counties and municipalities (which are required to be Community Development Block Grant-eligible). The funds are allocated on a statutorily determined population formula with each county guaranteed no less than \$350,000 in a fiscal year in which funds are allocated.
3. Review and approval of annual reports from local governments. Local governments are required to submit an annual report each September 15 detailing the activities they have taken under the SHIP program for the three funding years (1 closeout, 2 interim) for which they have funding.
4. Review of local government Comprehensive Annual Financial Reports related to any "findings" noted for the SHIP program.
5. Compliance monitoring to ensure that local governments are operating within the bounds of the statute, rule, LHAP and local policies.

## ALLEGATION/COMPLAINT

Cleve Godwin and Ravyn Fears (an interested party) submitted complaints to the Executive Office of the Governor (EOG) and Florida Housing alleging the Wakulla County SHIP program did not act on proper authority to demolish the housing structure (mobile home) located at Ace High Stables Road. It was also alleged that mobile homes did not conform to Wakulla County's LHAP.

Subsequently, the EOG and Florida Housing forwarded Ms. Fears' complaints to the Florida Housing Office of Inspector General (OIG) for review and handling.

The OIG initiated a review based on the information provided.

## EXECUTIVE SUMMARY

On October 12, 2014, the OIG requested a chronological overview from the Wakulla County SHIP Administrator regarding the Leah Godwin's SHIP application, award and subsequent actions taken. Additionally, a request was made by the OIG to Florida Housing's Special Programs Administrator to provide a review of the Wakulla County SHIP Administrator's file regarding the Godwin property to determine if Wakulla County had followed the County's LHAP.

The Office of Inspector General reviewed documentation/records provided by Wakulla County, Florida Housing Special Programs Administrator and the complainants pertaining to the handling of the Godwin project. Based on the information provided, the OIG staff determined that the project approved for SHIP funding (including the demolition and reconstruction of the housing structure on Ace High Stables Road) was an eligible strategy under Wakulla County's LHAP as approved by Florida Housing.

As a result of the property ownership concerns raised during this project, Wakulla County made the decision to strengthen its existing LHAP by adding the following steps:

- Title searches for all properties;
- Notification and approval received from all listed owners; and
- Notification and approval received from all mortgage holders.

## WAKULLA COUNTY CHRONOLOGICAL OVERVIEW

The following synopsis was provided to the Florida Housing OIG by Wakulla County:

A total of 18 SHIP applications for Rehabilitation Assistance were accepted between December 16 and 18 of 2013. All of the Applications were reviewed and scored based on the provisions listed in the LHAP as follows:

- Priority 1 – Elderly and Disabled
- Priority 2 – Elderly or Disabled
- Priority 3 – Single Parent Household
- Priority 4 – Lower Income Household
- Priority 5 – Time Application was submitted

In January 2014, all applicants were notified of the required additional information needed relevant to their individual applications.

Ms. Godwin's Application process:

- Based on the LHAP provisions, Ms. Godwin was noted as a Priority 2 due to her disability
- Based on that status it was determined that there was sufficient funds available to provide assistance
- Ms. Godwin provided her Income Documentation (Supplemental Security Income), Ownership Documentation (Deed, Property Tax Receipt) and pertinent sections of her Divorce Decree
- She met with Esrone McDaniels to review and discuss her application and Documentation and was deemed eligible due to the following factors:
- She was determined to have an income below the threshold for providing assistance (\$21,108, less than 50% AMI [Average Median Income])
- She was determined to have ownership of the property due to her divorce decree, her name on the deed, and her property taxes paid up to date

Additionally, all applications were screened to determine if they owed money to Wakulla County, to make sure a Lis Pen dens had not been filed, and Tax Certificates had not been sold to 3<sup>rd</sup> parties.

- On February 19, her income was certified as being \$21,108 per year, which is below 50% AMI and deemed eligible to participate in the SHIP program.
- On February 20, an inspection was done on her 1989 Mobile Home and it was deemed to be not repairable due to deterioration – it was also determined that providing repairs on a pre-1994 Mobile Home would not be in compliance with SHIP rules.
- On February 20, an Invitation to Bid was published advertising for approximately 8-10 Single Family Homes for repairs or replacement.
- On March 13, bids were received for the replacement of 5 homes and rehabilitation of 4 homes in Wakulla County.
- On March 17, 2014 – Bids were awarded for all 9 houses.
- Ms. Godwin's home was awarded to J.G. Parker Enterprises, Inc. for \$69,119 and contracts were signed on March 25, 2014.
- On June 13, due to subsurface conditions and septic system requirements, a proposed change order was submitted requesting an additional \$15,375. This was reviewed at the Commission meeting on August 4, 2014. The change order approval is still pending.

Due to concerns raised during the review of the change order, the County determined it would be beneficial to strengthen the requirements of the LHAP to include the following items before bidding and construction:

- Title Searches for all Properties
- Notification and Approval received from all listed owners
- Notification and Approval received from all Mortgage Holders.

Due to questions regarding SHIP participation, Michael Chaney [Technical Assistance Provider for the Florida Housing Coalition] was asked the following question on July 24:

*This is a situation we ran into recently and would appreciate your feedback:*

*This is for a replacement house for a divorced mother of two. Both she and the ex-husband are on the deed, but he is no longer living in the house. I know this because the divorce decree forbids him from being on the property except for picking up and dropping off the kids. So I know I don't have to count him as a resident nor do I have to count his income. The divorce was finalized sometime in the fall of 2013.*

*The divorce decree states the following language: "the property shall be the property of the wife who shall have exclusive use and possession of same."*

*Is the deed and divorce decree satisfactory evidence documenting ownership? She is on the deed, and the judge gave her the property. I would just appreciate your input.*

*Thanks,  
Jay*

Below is the response received on July 25<sup>th</sup> from Michael Chaney to Jay Moseley, [SHIP] Program Administrator:

*Hello Jay,*

*I agree that the deed and the divorce decree are satisfactory evidence documenting ownership. Check with the county attorney to see if he or she agrees.*

*Michael Chaney*

Revisions to the LHAP were approved by the Wakulla County Board of County Commissioners at their September 8, 2014 public hearing to incorporate the aforementioned amendments.

Ms. Fears also asserts that assistance should not have been awarded since the existing structure at the time was a mobile home and the LHAP prohibits work being done on mobile homes. This interpretation is incorrect in that the mobile home was set for demolition and replacement by a site built home which is eligible under the strategy.

## FLORIDA HOUSING PROGRAM REVIEW

The following synopsis was provided to the Florida Housing OIG by the Florida Housing Special Programs Administrator, Robert Dearduff:

**Local Government Communication:** Prior to FHFC [Florida Housing] receiving the materials from Ms. Fears, Mr. Moseley had already been in contact with Robert Dearduff and Michael Chaney, Technical Assistance Provider for the Florida Housing Coalition which is under contract to FHFC to provide these services.

On July 17, 2014, Mr. Dearduff received an email from Mr. Moseley with the following text. There was no indication at the time that this involved the parties named herein, but was asked as a set programmatic procedural questions:

*Rob,*

*Thanks for talking with me this morning regarding my SHIP questions, I just need some follow up in order to document our files.*

*In the scenario we discussed where the wife was given the property in the divorce, but the husband is still on the deed and the mortgage. I know we don't have to include his income as he is not a resident, and is specifically prohibited to even be on the property. Here are my questions:*

*Is there any specific SHIP requirement to involve him in the SHIP process?*

*Are there any SHIP requirements that we have to notify him of any upcoming construction?*

*Are there any SHIP requirements that he has to approve the construction?*

*Are there any SHIP requirements that we have to notify any mortgage holders of any upcoming construction activity?*

*Your assistance in this matter is greatly appreciated.*

On July 18, 2014, Mr. Dearduff responded with the following email:

*After checking with staff, they agree that this is a legal question for your attorney as our legal staff does not provide counsel to local governments. I would urge you to proceed with caution before spending money in a case where the ownership is in question.*

On July 25, 2014, Mr. Moseley also emailed Mr. Chaney with the following text (partial):

*This is a situation we ran into recently and would appreciate your feedback:  
This is for a replacement house for a divorced mother of two. Both she and the ex-husband are on the deed, but he is no longer living in the house. I know this because the divorce decree forbids him from being on the property except for picking up and dropping off the kids. So I know I don't have to count him as a resident nor do I have to count his income. The divorce was finalized sometime in the fall of 2013.*

*The divorce decree states the following language: "the property shall be the property of the wife who shall have exclusive use and possession of same."*

*Is the deed and divorce decree satisfactory evidence documenting ownership? She is on the deed, and the judge gave her the property. I would just appreciate your input.*

Mr. Chaney responded with the following:

*I agree that the deed and the divorce decree are satisfactory evidence documenting ownership. Check with the county attorney to see if he or she agrees.*

On August 5, 2014, Mr. Moseley emailed Mr. Dearduff for confirmation of Mr. Chaney's opinion:

*We have discussed this and I also sent it to Michael to get his input, but the County has asked me to see if you concur with Michael's opinion that the below applicant has submitted satisfactory documentation of ownership in order to qualify for SHIP assistance.*

*Please review and let me know your opinion. I look forward to hearing from you and thank you for your assistance*

Mr. Dearduff responded:

*There is no minimum standard in statute or rule regarding this issue. If the county has done its due diligence and is satisfied, then I believe it is ok.*

**FHFC Review Process:** Once the complaint was received, the SHIP staff requested copies of documents from the applicant file. Specifically, the deed, mortgage and divorce decree were requested. The initial copy of the divorce decree was not provided in entirety and was requested again and provided by the county's consultant. Internal review was conducted by the Inspector General's Office with input from SHIP program staff and the General Counsel's Office.

**Conclusions:** After reviewing documents that have been provided to FHFC, it is the conclusion that:

1. The county and its' consultant performed reasonable due diligence in determining that Ms. Godwin was a rightful owner of the property and entitled to encumber her interest in such.
2. The divorce decree was interpreted by county staff and determined to be sufficient evidence of ownership by Ms. Godwin. Any challenge to the interpretation would be a matter for the court and outside of FHFC's purview.
3. The SHIP lien (deferred mortgage with 0% interest forgiven at a rate of 5% per year) was executed between the county and Ms. Godwin. FHFC is not a party to the lien agreement.

4. While it is prudent for a local government to make every effort to determine the ownership (title) of the property, the SHIP statute and rule are silent as to the method for determining this. In fact, SHIP funds are eligible to be used for homeowners, renters and developers of affordable housing. The basis of funding is mostly based on income qualification that determines that an applicant is within an income range that makes them eligible for assistance or, in the case of a developer, that they will provide housing units at an affordable rate to eligible applicants.
5. The determination of whether or not Mr. Godwin is liable for the SHIP mortgage in the event of death, default, or transfer of ownership on the part of Ms. Godwin is a legal matter and should be referred to the county attorney for resolution.
6. While the county has revised its policy on determining ownership of property to be assisted through SHIP, it was not done based on a recommendation from FHFC.
7. Florida Housing believes, based on evidence provided to date, that the county acted within the bounds of statute, rule, and the county's LHAP and that no further action is required at this time by FHFC.

## CONCLUSION

The Office of Inspector General reviewed documentation/records provided by Wakulla County, Florida Housing Special Programs Administrator and the complainants pertaining to the handling of the Godwin project. Based on the information provided, the OIG staff determined that the project approved for SHIP funding (including the demolition and reconstruction of the housing structure on Ace High Stables Road) was an eligible strategy under Wakulla County's LHAP as approved by Florida Housing.

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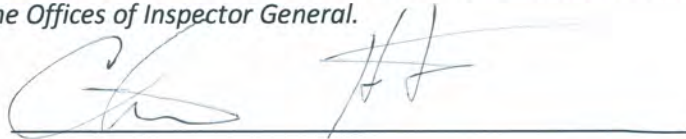
## INSPECTOR GENERAL COMMENTS/RECOMMENDATIONS

The OIG recommends that the Florida Housing Special Programs Office issue an advisory and/or conduct training with all of the SHIP Administrators throughout the State, pertaining to the issues addressed in this report. The advisory and/or training should include and emphasize the need for legal review any time property ownership is in question.

A copy of this report will be available on Florida Housing's website.

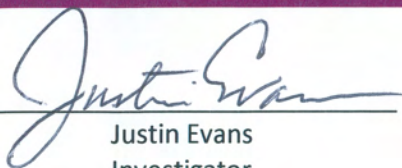
## CERTIFICATIONS

This review was completed in compliance with the "Quality Standards for Inspections, Evaluations, and Reviews" found within the *Principles and Standards for the Offices of Inspector General*.



Chris Hirst, Inspector General, Office of Inspector General

APPROVALS

  
Justin Evans  
Investigator

12/5/14  
Date

  
Chris Hirst  
Inspector General

12/5/14  
Date