FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
June 21, 2019
Information Items

we make housing affordable™
Florida Housing
Finance Corporation

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For Immediate Release:
Tuesday, April 30, 2019

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Florida Housing Announces Wind Down of Federal Reverse Mortgage Assistance Program for Florida Seniors

TALLAHASSEE— Florida Housing Finance Corporation (Florida Housing) is announcing that the Elderly Mortgage Assistance Program (ELMORE), which assists seniors who are in default of their reverse mortgage, will close the program to new applications on June 30, 2019.

Launched in 2013, ELMORE has spent more than $52 million in federal funding and has assisted more than 2,600 Florida seniors with keeping their homes. Homeowners who meet specific qualifications may be eligible for a two-year forgivable loan of up to $50,000. The funds will be distributed to the mortgage servicer, on the homeowner's behalf, in a lump sum to repay property-related expenses paid by the servicer (e.g., property taxes, homeowner's insurance, flood insurance and association fees) plus upcoming property-related expenses for up to 12 months.

ELMORE assists elder homeowners with reverse mortgages—who, because of a hardship, are having difficulty making property tax and homeowner's insurance payments. As a result, these homeowners are facing foreclosure for non-payment of these required costs.

"Florida Housing implemented this program to help seniors in Florida sustain their homes," said Trey Price executive director for Florida Housing. "We are pleased to have met the needs of so many seniors who were struggling to avoid foreclosure."

Florida homeowners with reverse mortgages who want to see if they qualify for the ELMORE program should contact the toll-free ELMORE Application and Information Line at **1 (800) 601-3534** to apply and/or receive more information on the program. Additionally, you may visit the ELMORE program website at www.FloridaELMORE.org for more information. Florida Housing will also be hosting ELMORE events throughout the state. For more information on the event dates and to set an appointment, call the toll-free number. There is no cost to apply for this program.

Florida Housing is the state's housing finance agency (HFA) that administers state and federal resources to help provide affordable homeownership and rental housing options for our hardworking and vulnerable Floridians across the State. For more information, please visit www.floridahousing.org.

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Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
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For Immediate Release:
Friday, May 10, 2019

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Florida Housing Board Approves New Rental Housing Funding for Hurricane Michael Impacted Counties

TALLAHASSEE, FL— The Florida Housing Finance Corporation (Florida Housing) Board of Directors approved the funding of seven newly-constructed rental developments that will provide over 200 units of affordable housing in counties ravaged by the storm. The more than $30 million investment will be made using federal Home Investment Partnerships Program (HOME) funding and include developments in Bay (3), Gulf (2), Jackson and Wakulla counties.

Administered by Florida Housing, this program will provide additional affordable housing resources for those Floridians who were impacted by Hurricane Michael. In February, Florida Housing issued RFA 2019-109 offering $30 million of HOME funding to Applicants proposing the construction of affordable, multifamily housing in Hurricane Michael impacted counties and in Rural Areas. A total of 20 applications were received.

"We continue to see a basic lack of housing units in the area," said Trey Price, executive director for Florida Housing. "These new affordable rental units will be a welcome addition and represent the first new, permanent rental housing that has been government financed."

The HOME Investment Partnerships Program provides non-amortized, low interest loans to developers for acquisition and/or new construction or rehabilitation of affordable rental housing to low income families. Loans are offered for the financing of first or subordinate mortgages with a simple interest rate of zero percent to nonprofit applicants and 1.5% per annum interest rate to for-profit applicants.

Click here to view the list of all applicants selected for funding.

*Florida Housing was created by the Legislature more than 35 years ago. We are the state's housing finance agency (HFA) that administers state and federal resources to help provide affordable homeownership and rental housing options for the citizens of Florida. For more information, please visit **www.floridahousing.org**.*

FROM THE OFFICE OF
GOVERNOR
RON DESANTIS

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For Immediate Release
May 21, 2019

Contact: Governor's Press Office
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Governor Ron DeSantis Announces Additional Hurricane Michael Housing Relief

New Programs to Focus Dollars on Homebuyers

Tallahassee, Fla. – Today, Governor Ron DeSantis announced the availability of two new homeownership loan programs that will provide additional affordable housing resources for those Floridians who were impacted by Hurricane Michael. The Florida Housing Finance Corporation (Florida Housing) officially began the rollout of the programs today.

"When I first took office, I asked the Florida Housing Finance Corporation to come up with additional ways to assist counties devastated by recent hurricanes," **said Governor DeSantis.** "I'm pleased to report that the Florida Housing Finance Corporation is moving ahead with two new loan programs that will assist impacted counties and the victims who have been displaced by Hurricane Michael. Housing remains among the most serious concerns as Northwest Florida continues to rebuild and recover and my administration remains committed to the full recovery of these communities."

"Florida Housing is proud to work alongside Governor DeSantis, state, and local officials to provide safe, decent affordable housing for Floridians," **said Trey Price, Executive Director of the Florida Housing Finance Corporation**. "These homeownership and down payment assistance programs will help the rebuilding of these Panhandle communities and for families to achieve the American Dream affordably."

Expected to launch in early June, the Homeownership Loan Program (HLP) will offer a favorable 30-year fixed rate first mortgage coupled with up to $15,000 in down payment (DPA) and closing cost assistance for qualifying homebuyers up to 140 percent AMI. DPA loans will be at zero percent interest, non-amortizing and forgivable at 20 percent per year over five years. The DPA loan is fully forgivable if an active duty serviceperson is officially reassigned and must sell the home. A total of up to $5 million in DPA will be available and may be used in conjunction with a variety of first mortgage products, including Veterans Affairs (VA) loans. Those eligible do not have to be a first-time homebuyer to qualify for this program, though the home must be owner-occupied.

The Homeownership Pool (HOP) Program will also launch in June and will create a $1 million pool of federal (HOME) funds to be made available to Hurricane Michael impacted counties for new single-family housing. Homebuilders who participate in this program can use up to $35,000 in down payment and closing cost assistance loans (DPA) to assist homebuyers in qualifying to purchase these new homes. The DPA loans assist borrowers at 80 percent area median income (AMI) and below and are zero percent interest, non-amortizing and due on sale, refinance or non-owner occupancy.

Also, Florida Housing's Board of Directors recently voted to approve funding to construct seven newly-constructed rental developments providing over 200 units of affordable housing. The more than $30 million investment will be made using federal Home Investment Partnerships Program (HOME) funding and include developments in Bay (3), Gulf (2), (1) Jackson and (1) Wakulla counties.

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II. FISCAL

A. Operating Budget Analysis for April 30, 2019.

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

a) The Financial Analysis for April 30, 2019, is attached as Exhibit A.

b) The Operating Budget for the period ending April 30, 2019, is attached as Exhibit B.

III. GUARANTEE PROGRAM

A. Status of the Guarantee Program portfolio

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

a) Since the implementation of the Guarantee Program in 1993, 120 transactions facilitating the construction of over 28,000 housing units in Florida were guaranteed. 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. As of 5/31/19, two (2) multifamily developments remain in the Guarantee Program portfolio.

b) Between November 2008 and April 2010, eight (8) multifamily claims were filed on the Guarantee Program portfolio, representing the total (and only) multifamily claims incurred in its 24-year history. The Guarantee Program experienced a strong 87% foreclosure recovery rate, compared to the 64% national average at that time.[1] Currently, there are no foreclosures in inventory and no developments in monetary default in the portfolio.

B. Corpus and Portfolio Risk Exposure

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

a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately $89 million and refinancing the remaining $156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.

b) At that time, the Guarantee Program's total risk exposure was $754.5 million. Since then, in keeping with the Board's mandate to cede risk from the portfolio, total risk exposure has been reduced over 97%, as reflected below:

Portfolio Risk Exposure

As of 05/31/19	**12/31/18**	**12/31/17**	**12/31/16**	**12/31/15**	**12/31/14**	**12/31/13**	**12/31/12**	**12/31/11**	**12/31/10**
$15.3M	**$19.9M**	**$20.4**	**$30.9M**	**$59.4M**	**$158.9 M**	**$306.5 M**	**$468.5 M**	**$578.8 M**	$728.3 M

c) The continued low interest rate environment has prompted many Developers to refinance their properties, paying-off their guaranteed mortgages and removing them from the Guarantee Program portfolio, representing the primary driver behind the reduction in Total Commitments reflected above. Refinancing activity is reflected in the following chart:

[1] Real Capital Analytics, April 2011

Information

Refinancing Activity

	As of 5/31/19	2018	2017	2016	2015	2014	2013	2012	2011	2010
Loans (#):	**1**	**0**	**1**	**5**	**17**	**22**	**22**	**9**	**12**	**2**
Risk ceded ($):	**$4.4M**	**n/a**	**$10.2M**	**$27.6M**	**$100M**	**$136.8M**	**$149.4M**	**$84M**	**$117.9M**	**$9.9M**

d) Contributing to the reduction in Total Commitments was approximately $115 million in partial prepayments (of mortgages) from SAIL ELI proceeds, funded prior to or at the time of closing, helping facilitate refinancing activity.

e) Furthermore, Management aggressively reduced the Guarantee Program capitalizing debt, paying off $90.2 million on April 20, 2011, another $15 million on July 29, 2011, and the remaining $51.0 million on December 21, 2012, reducing the Guarantee Fund's capitalizing debt to zero ($0).

f) The Guarantee Fund corpus contains approximately $136.6 million in capital invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "A+f" by Standard & Poor's as of September 30, 2017.

C. Current Ratings (Insurer Financial Strength)

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

a) Standard & Poor's: April 2017 A+ / Stable outlook
Cited strengths: "Strong state financial support…Strong asset quality…Strong asset management policies"[1]

b) Fitch: March 2018 A+ / Stable outlook
Cited strengths: "Low Risk-to-Capital Ratio… Limited State support …Minimal Multifamily Losses"[2]

D. Risk-to-Capital Ratio

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

a) Authorized Maximum Ratio = 5:1. Peaking in 1999 at 4.95:1, subsequent management efforts resulted in a more conservative downward trend to the vastly improved ratio of .11:1 as of 5/31/19. Capital not needed to support the outstanding Guarantees has been made available to the SAIL program for use in the 2016-2018 competitive solicitations. Specifically, $40 million was made available to workforce housing and the remaining $73 million to SAIL.

E. Guarantee Program Portfolio (<u>Exhibit A</u>)

[1] Standard & Poor's, "Florida Affordable Housing Guarantee Fund", April 11, 2017, www.standardandpoors.com/ratingsdirect.
[2] Fitch Ratings, "Fitch Affirms Florida Housing Finance Corp's Guarantee Fund at 'A+'; Outlook Stable", March 28, 2018, www.fitchratings.com.

IV. HOUSING CREDITS

A. The developments listed below have requested changes to the Extended Use Agreement

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

a) Dean Woods Place (2013-518C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Orange County on March 12, 2015.

On April 18, 2019, staff received a letter from the Applicant requesting a revision to the unit mix to correctly represent that all units have two bathrooms within Section 2(e) of the executed Extended Low-Income Housing Agreement (EUA).

Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

b) Hadley Gardens (2016-519C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Miami-Dade County on January 10, 2018.

On May 28, 2019, staff received a letter from the Applicant requesting to amend the Extended Low-Income Housing Agreement to include the unit mix within Section 2(e), which had previously been omitted.

Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

c) New Arena Square (2000-004C) is a 9% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Miami-Dade County on March 5, 2004.

On July 18, 2018, staff received a letter from the Owner requesting a revision to the unit mix, to correct a scrivener's error, provided within Section 2(e)(1) of the executed Extended Low-Income Housing Agreement (EUA).

The Owner also requested an amenity swap to replace the exercise room with appropriate equipment and lockable exterior storage space with public transportation available within one-half mile; a child care facility available within one-half mile of the property; a library consisting of a minimum of 100 books and 5 current magazine subscriptions; and laundry facilities with full-size dryers, and Energy Star qualified washers available in at least one common area on site (minimum 1 washer and 1 dryer for every 12 units), as provided within Section 2(e)(3) of the executed Extended Low-Income Housing Agreement (EUA).

As part of the feature and amenity swaps, the Owner agreed to provide the following in Section 2(e)(2):

> Ceramic tile bathroom floors; marble window sills; steel exterior door frames; new kitchen cabinets in all rehabilitation units; and new plumbing fixtures in kitchen and bathrooms in all rehabilitation units.

The Owner also requested a change to the Tenant Programs to replace financial incentives (home ownership); job training not less often than once each quarter in typing, computer literacy, secretarial skills or other useful job skills; and a computer lab with one computer per 50 units along with basic word processing, spreadsheets and assorted educational software programs with first time homebuyer seminars; employment assistance program; and health and nutrition classes as provided in Section 2(f):

d) Williams Landing Villas (2001-107C) is a 9% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Hillsborough County on January 25, 2003.

On March 29, 2019, staff received a letter from the Owner requesting to replace the carpet flooring in all units with vinyl plank flooring upon unit turnover. However, staff approved this selection to be removed as it was not part of their application and no points were awarded.

Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

V. HOME RENTAL

A. Changes to Amenities and/or Residential Programs

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

a) The following development has requested (Exhibit A) and staff has approved the following changes to the LURA from their Application since the last Board meeting:

(1) The St. John Paul II Villas (2016-319H) LURA language "Energy Star water heaters" should be changed to "water heaters with a minimum energy factor of .95". The reason for the change is the water heaters in St. John Paul II Villas were less than 55 gallons and therefore should have met the minimum energy factor of .95 as allowed for in RFA 2016-101. The scoring of the Application remains unaffected.

b) The LURA will be amended subject to further approvals and verifications by the Special Counsel and the appropriate Florida Housing Staff.

B. Changes to Amenities and/or Resident Programs

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

a) The following development has requested (Exhibit B) and staff has approved the following changes to the LURA from their Application since the last Board meeting:

(1) The St. John Paul II Villas II (2017-262H) LURA language "Energy Star water heaters" should be changed to "water heaters with a minimum energy factor of .95". The reason for the change is the water heaters in St. John Paul II Villas II were less than 55 gallons and therefore should have met the minimum energy factor of .95 as allowed for in RFA 2016-101. The scoring of the Application remains unaffected.

b) The LURA will be amended subject to further approvals and verifications by the Special Counsel and the appropriate Florida Housing Staff.

C. Changes to Amenities and/or Resident Programs

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

a) The following development has requested (Exhibit C) and staff has approved the following changes to the LURA from their Application since the last Board meeting:

b) The Sunset Pointe (2016-107H) LURA language “Energy Star water heaters” should be changed to “water heaters with a minimum energy factor of .98”. RFA 2015-110 and RFA 2017-109 both allowed waters heaters with a minimum energy factor of .95, therefore the developer is requesting that they be allowed to use a reasonable factor that is higher for Sunset Pointe. The scoring of the Application remains unaffected.

c) The LURA will be amended subject to further approvals and verifications by the Special Counsel and the appropriate Florida Housing Staff.

VI. HURRICANE MICHAEL UPDATE

A. Multifamily Rental Portfolio Hurricane Michael Recovery Update

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

a) Florida Housing has 68 developments comprised of 597 buildings with 6,134 units in its portfolio located in the twelve counties declared a major disaster due to Hurricane Michael.

b) From the damage assessments, nine developments reported damage extensive enough to require displacement of some or all households. In total, 652 households have been displaced due to direct damage, unhealthy moisture content and/or the discovery of mold in the housing units. An additional 15 properties reported moderate damage, 17 reported limited damage because of the hurricane. Hatton House, a Jackson County development, was able to return all 76 households to their units once power was restored and the elevator operational. See Damage Report attached as <u>Exhibit A</u>.

c) The status of displaced households typically falls into one of four categories:

(1) Those that received FEMA rental assistance despite having to move 30 miles or more to find affordable housing. Many displaced from Bay County had to find housing in Destin, Fort Walton or as far west as Pensacola. FEMA was able to relocate many Jackson County families to Dothan, Alabama;

(2) Those that are staying with family or friends in the immediate area to be closer to jobs and schools;

(3) Those that were transferred to another property owned by the same landlord; and

(4) Those, especially in Bay County, that have permanently relocated due to loss of employment.

d) Florida Housing continues to monitor the damaged properties for regular updates on reconstruction, damage mitigation efforts and rehousing of the displaced households. Initially, 40 units were projected to be ready for occupancy by the end of the first quarter with all units projected to be ready by year-end. As of May 31, 2019, 140 displaced households, nearly 22 percent of the total 652 households, have returned to their units. Those developments with previously uninhabitable units now ready for occupancy are:

(1) Andrews Place (Bay County) 19 units

(2) Foxwood (Bay County) 86 units

(3) Orchard Pointe (Jackson County) 31 units

(4) Reserve at Northshore (Bay County) 4 units

Information

e) Twenty-one developments have completed all work and debris removal. The attached table summarizes the status of developments within Florida Housing's portfolio that sustained damage from Hurricane Michael.

VII. MULTIFAMILY PROGRAMS

A. The developments listed below have requested changes to the Extended Use Agreement

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

a) Regency Palms f/k/a Park Richey Apartments (1998-527C / 1999-079S) is a 4% Housing Credit Development utilized in conjunction with SAIL funding. The SAIL Land Use Restriction Agreement (SAIL LURA) was recorded in Pasco County on March 23, 2000. Subsequently, the First Amendment to Land Use Restriction Agreement (SAIL First Amendment) was recorded on September 7, 2016, and the Second Amendment to Land Use Restriction Agreement (SAIL Second Amendment) was recorded on May 23, 2018. The Extended Low-Income Housing Agreement (EUA) was recorded on December 6, 1999. Subsequently, the First Amendment to Extended Low-Income Housing Agreement (HC First Amendment) was recorded on November 13, 2001, and the First Global Modification and Amendment to and Subordination of Florida Housing Finance Corporation Mortgage and Loan Documents and Extended Low-Income Housing Agreement (Global Modification) was recorded on September 7, 2016.

b) On April 30, 2019, staff received a letter from the Owner requesting an amenity swap to replace the exercise room with appropriate equipment with a child care facility available within one-half mile of the property.

c) The above-referenced SAIL Land Use Restriction Agreement (SAIL First Amendment) had previously accommodated this amenity swap. Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

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VIII. MULTIFAMILY PROGRAMS – ALLOCATIONS

A. Present Situation of Multifamily Allocations

1. Rule Updates

a) A Rule Hearing for Rule Chapters 67-21 and 67-48, F.A.C. was held on June 6, 2019.

2. Workshops

a) The Corporation held a 2^{nd} general workshop regarding the 2019/2020 RFA cycle on June 5, 2019, in Orlando.

b) The Corporation held a workshop regarding the three upcoming CDBG RFAs on June 13, 2019.

c) The Corporation will hold a workshop regarding the Rental Recovery Loan Program on June 24, 2019 in Tallahassee.

IX. POLICY

A. Status of Florida Housing Finance Corporation's Implementation of Affordable Housing Workgroup Recommendations

1. Background

a) Chapter 2017-071, Laws of Florida, created the Affordable Housing Workgroup with a charge to develop recommendations to address the state's affordable housing needs and to develop strategies and pathways for low income housing in the state. The 14-member body convened and deliberated during the fall of 2017. Meetings were held throughout the state and featured numerous opportunities for public input, including livestreaming access to all discussions. Final Workgroup recommendations were presented to and approved by the Board of Directors of Florida Housing on December 8, 2017, before being submitted to the Governor and Legislature.

2. Present Situation

a) Many of the approved Workgroup recommendations are administrative and require Florida Housing to evaluate and consider implementation. A summary of the status of these implementation actions and their projected completion is attached as Exhibit A.

PRESERVATION ACTION PLAN UPDATE

Information

X. PRESERVATION ACTION PLAN UPDATE

A. Status of Implementation of Florida Housing Finance Corporation Portfolio Preservation Action Plan

As a refresher, strategies 1-3 are immediate strategies structured to use resources that are currently freely available to Florida Housing for use, while strategies 4-6 are strategies that may be implemented in the future as needs dictate. This update covers the status of strategies 1-3.

SAIL Program Changes to Allow First Mortgage Refinancing for Recapitalization

A "term sheet" to implement this approach was developed, workshopped with the development community and presented to the Board. The Pilot is currently available via rule waiver.

Florida Housing has not received any requests or petitions for rule waiver for this strategy.

Use of 4% Housing Credits/Bonds to Recapitalize Properties at or after 15 Years

Noncompetitive financing strategy available to owners to rehabilitate and recapitalize their own properties or buy older properties and rehabilitate them.

Staff continues to hold discussions with appropriate servicer(s)/stakeholders to discuss issues and develop solutions to identified barriers in the way stakeholders would like to use these programs for this purpose. In 2019, two owners have submitted applications to use bonds and 4% housing credits to recapitalize their properties and eight applications have been submitted for acquisition/rehabilitation of older properties.

Viability Analysis to Determine How to Provide Recapitalization/Rehabilitation Financing after Year 30

Financing strategy to assist Housing Credit properties reaching Year 30 to remain financially viable and in good physical condition. This approach included two options for properties post-Year 30:

Option 1: Allow properties to use income averaging for new developments through the Housing Credit program, which would allow a range of incomes up to 80% AMI to be served as long as the average income served does not exceed 60% AMI. While providing additional operating income, this approach would allow the property to come back in for Housing Credits for recapitalization. This approach is available to any Housing Credit property reaching Year 30 that undertakes recapitalization.

Florida Housing has not received any applications from post-year 30 properties for this strategy.

Option 2: A viability analysis may be requested by the property owner or initiated by Florida Housing starting at Year 28. This analysis will include a capital needs assessment, market study/review and analysis of other information as required by FHFC, as well as underwriting operations for the final 20 years of the affordability period. The purpose of this analysis will be to evaluate the viability of completing rehabilitation and recapitalization of the property for the next 20 years with new financing. If the analysis shows that the property is unable to remain viable for the remainder of the restricted use period, Florida Housing may amend the set-aside restrictions to include a portion of total units, not to exceed 80 percent, to increase to 80% of AMI, as required by the needs identified in the analysis. In any case, a minimum of 10 percent of the units shall be affordable at extremely low-income AMI levels, and the other 10 percent must be restricted to at or below 60% of AMI. This approach was only made available to Family or Elderly 9% Housing Credit properties that undertake recapitalization. It was noted that, even if the extended use agreements are modified to allow a portion of set-aside units to be increased from 60% of AMI to 80% of AMI at Year 30, a qualified low-income person has rights as third party beneficiaries to enforce the extended use restrictions within the original extended low-income housing commitment.[2]

Florida Housing has not received any applications from properties in their 28th year or beyond for this strategy.

The Board requested staff research policies providing tenant protections including acceptable notice periods for tenants before rent increases and the appropriate manner of tenant notification for properties that have their set-aside restrictions amended via Option 2.

Since Florida is on the forefront of preservation plans, we did not find any sister housing finance agencies with similar policies, however, the qualified contract options in several states contain comparable provisions. For example, California, Massachusetts and Wisconsin have required lease riders informing all tenants of their rights against no cause evictions (which are essentially non-renewals) or have much more strongly worded regulatory agreements prohibiting no cause evictions.

The Home Investments Partnerships program (HOME) regulations prohibit an owner from terminating a tenancy or refusing to renew a lease of a tenant of rental housing assisted with HOME funds, except good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

This topic was an agenda item on the June 5, 2019 workshop and staff solicited comments/feedback from stakeholders.

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[2] The Internal Revenue Code provides independent enforcement rights to third parties. Specifically, 26 U.S.C. (42(h)(6)(B)(ii)) requires the extended low-income housing commitment contain an agreement "which allows individuals who meet the income limitation ... the right to enforce in any State court ..." Furthermore, the court in Nordbye v. BRCP/GM Ellington, 266 P.3d 92 (Or. Ct. App. 2011) affirmed this position when stating that the “release agreement” did not override a qualified low-income person's right to enforce the extended use agreement as created under Section 42(h)(6)(B)(ii) of the Code. The appeals court also rejected an argument that a Chevron deference (see below) should apply to the Oregon agency’s interpretation of federal statutory requirements. The court said such deference only applies to a federal agency’s administrative interpretation of federal laws, not to interpretation by a state agency. Several circuits have held either that state agency interpretations are not entitled to Chevron deference, or that they are only entitled to Chevron deference if the interpretation is expressly approved by a federal agency. (Chevron, USA, Inc v Natural Resources Defense Council, Inc, 467 US 837 (1984) – holding that where Congress’s intent is not unambiguously expressed in a statute in light of common canons of construction, courts should give deference to a reasonable interpretation of the statute by the federal agency in charge of administrating the statute at issue).

XI. PROFESSIONAL SERVICES SELECTION (PSS)

A. Contract for IT Research and Advisory Services

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

a) Florida Housing has a need to implement a modern case management system that allows IT and project management staff to serve their customers and deliver timely, accurate information.

b) The Florida Department of Management Services has designated Gartner, Inc., as the approved vendor for IT Research and Advisory Services through an approved Alternate Contract Source, Contract #81141902-VITA-18-ACS. This is a general IT best practices advisory service utilized by most state agencies, and it will be used at Florida Housing in the first year to review and update current IT Strategic Planning and advise in planning future digital transformation efforts and projects.

c) Staff are working to enter into a contract with Gartner, Inc., beginning July 1, 2019, to assist Florida Housing with implementing the new Prolink Multifamily case management system by providing staff with a one-year subscription to their Executive Service program. This subscription will provide access to on-demand evaluation tools, Maturity Assessments (IT Score), Gartner's IT Budget tool, as well as support for workforce decision making and organizational changes. Staffing size, job descriptions, roles and responsibilities, and benchmark data that help justify headcounts will be provided through IT Key Metrics Data, Salary Survey Reports, and industry expert analysis, as well as input and support from an executive services delivery team who will coordinate all of these resources.

XII. SINGLE FAMILY BONDS

A. Single Family Bonds

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

a) Florida Housing continues to have funds continuously available for qualifying homebuyers through FHFC Homebuyer Loan Programs. Florida Housing's Programs provide assistance to eligible homebuyers by offering low-cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance (DPA). Currently, we have two Homebuyer Loan Programs; the Florida First Government Loan Program (Government Loan Program) and the Florida HFA Preferred Conventional Loan Program (HFA Preferred). We also offer a Mortgage Credit Certificate Program for qualified homebuyers who may benefit from additional annual federal tax savings offered through this program.

b) The Government Loan Program offers borrowers a 30-year, fixed-rate mortgage using all approved government-insured loan types. These include Federal Housing Administration (FHA) loans, U.S. Department of Veteran Affairs (VA) loans, and United States Department of Agriculture-Rural Development (RD) loans. This program is funded through both traditional mortgage revenue bond sales as well as by the sale of Mortgage Backed Securities (MBS) into the secondary markets. Included in this program is the Military Heroes Program, which offers both honorably discharged veterans and active duty military personnel the benefit of a lower first mortgage interest rate.

c) The HFA Preferred Conventional Loan Program offers a loan product developed by Fannie Mae specifically for state housing finance agencies. This program is offered both as a bond-financed product as well as a forward delivery "To Be Announced" (TBA) Program in conjunction with one of our contracted investment bankers, Raymond James. Single Family Program staff sets a daily mortgage rate for the TBA loans based upon prevailing market rates and predetermined profitability goals. The conventional loans, originated by participating lenders, offer borrowers a 30-year, fixed-rate mortgage. Borrowers benefit from lower mortgage insurance costs on these loans when compared to other Fannie Mae mortgage products, as well as similar government-insured loans such as FHA.

d) Florida Housing primarily offers qualified homebuyers DPA in the form of a second mortgage loan on both the Government Loan Program and HFA Preferred loans. Our Florida Assist loan is a 0% deferred payment loan of $7,500. This second mortgage program serves homebuyers with an area median income (AMI) of up to 120%, adjusted for household size. It is repayable upon sale of the property, refinance of the first mortgage, at the end of the first mortgage term, or if the homeowner no longer occupies the property as his/her primary residence.

e) We also offer a 3% or 4% grant program as part of the HFA Preferred PLUS Conventional Loan Program. The grant program offers borrowers either 3% or 4% of the purchase price in non-repayable assistance to help with down payment and closing costs. The HFA Preferred PLUS, like the HFA Preferred, offers daily pricing. Our HFA Preferred PLUS grant provides assistance to borrowers with an area median income (AMI) of up to 140%, adjusted for household size.

f) We have reintroduced an amortizing second mortgage product, the Homebuyer Loan Program (HLP) Second Mortgage. This is offered across all of our first mortgage programs and provides up to $10,000 of assistance at a 3% fixed rate and is repaid in monthly payments over 15 years.

g) On March 4, 2019, we relaunched the Hardest Hit Fund (HHF) DPA Program utilizing repayments collected from previous HHF-funded Programs. We made approximately $22 million available under this DPA Program in five eligible counties. They were; Clay, Duval, Osceola, Hillsborough and Pasco Counties. These funds were completely reserved on May 10, 2019.

h) On June 3, 2019, we launched our new Hurricane Michael Recovery Loan Program. Using $5 million dollars of Florida Housing's own funds, we are offering a $15,000 second mortgage down payment and closing cost assistance product that closely resembles the HHF DPA product. It has the same 0%, 5 year forgivability feature, at 20% each year, but we added a special feature for active duty military personnel who are reassigned and therefore are forced to sell their homes. If the transfer is for more than 6 months and over 250 miles away from their current base, we will forgive any unpaid principal balance that remains on the second mortgage at closing. The second mortgages will be originated with Florida Housing first mortgage loans which will carry a substantially lower interest rate than our current loan products. Additionally, there will be no first time homebuyer requirement as we are targeting previous homeowners who lost their homes completely in Hurricane Michael or were damaged beyond repair. The 11 targeted counties are: Bay, Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Taylor, Wakulla, and Washington Counties.

i) Our Mortgage Credit Certificate ("MCC") Program provides qualified first-time homebuyers with a non-refundable federal tax credit used to offset a portion of their federal tax liability. The homeowner can claim this credit each year they occupy the home as a primary residence, pay mortgage interest, and have a tax liability to offset. We currently have 182 approved Participating Lenders in the MCC Program compared with 250 in our Homebuyer Loan Program. The current 2018 MCC Program utilizes a multi-credit structure, ranging from a 10% to 30% credit rate, which is dependent upon the dollar amount of the underlying first mortgage. Homeowners receiving a credit in excess of 20% may claim a credit up to $2000 annually while those at 20% and below are not capped. By adopting this structure, we have been able to extend the life of the program while also providing the federal tax credit benefit to more borrowers. The outsourcing of Compliance Administration duties to Hilltop Securities, Inc. was completed on November 1, 2018. As part of the negotiated services provided, Hilltop has made available a new reservation system for our MCC Program that allows for the electronic upload of files. This is saving Participating Lenders the cost of overnighting paper files and makes compliance review by Hilltop more efficient. Because of this and other efficiencies, the cost of compliance review was reduced from $500 to $450 for our MCC borrowers.

j) Single Family Program Staff continually offers a three-hour, Department of Business and Professional Regulation (DBPR)-approved continuing education ("CE") course for Realtors, which is coordinated through local Realtor boards throughout the state. Realtors who attend these classes receive a general 3-hour CE credit while learning about our Homebuyer Loan Programs, our Mortgage Credit Certificate Program, and other affordable housing programs available to their potential homebuyers. We strive to market to large groups such as Realtors and lenders statewide to maximize the benefit of our time and travel and to help others learn about the resources available through our programs. Classes were held on May 22 in Kissimmee, FL and another in Jacksonville on May 24. A total of over 100 Realtors attended these classes.

k) Single Family Program Staff also conducts telephonic, webinar and face-to-face trainings for lender partners throughout the state. Training consists of program requirements and recent updates, system training offered in conjunction with eHousing and first mortgage and servicer requirements and updates offered in conjunction with US Bank Home Mortgage. Together, Florida Housing, eHousing and US Bank Home Mortgage provide lenders with information to better assist with the origination, delivery and purchase of first and second mortgages originated through our Homebuyer Loan Program. Homeownership Staff recently conducted two training calls with over 1500 registered participants for the relaunch of the HHF DPA Program.

l) Florida Housing sponsors a toll-free telephone line (800-814-HOME), for first time homebuyers to call for information about our program. Callers are able to receive information through pre-recorded information that directs them to our Homebuyer Loan Program Wizard tool, which is located on our website. Those callers that have additional questions are transferred to Single Family Staff for assistance.

SINGLE FAMILY BONDS

Information

HOMEBUYER LOAN PROGRAMS SUMMARY

	2018 HLP Program Totals	2019 YTD HLP Totals	2019 YTD Government Loan Programs	2019 YTD HFA Preferred Conventional Loan Program	2019 Mortgage Credit Certificate (MCC) Program
Average 1st Mortgage Loan Amount	**$152,242**	**$154,702**	**$154,077**	**$155,165**	**$182,234**
Average Acquisition Price	**$159,500**	**$161,554**	**$159,098**	**$163,375**	**$190,720**
Average Compliance Income	**$48,696**	**$51,042**	**$51,092**	**$51,005**	**$49,281**
County Area Median Income %	**65%**	**66%**	**71%**	**62%**	***76%**
Total Purchased 1st Mortgage Loan Amounts	**$944,971,833**	**$342,093,230**	**$144,930,102**	**$197,163,128**	**NA**
Total # of Units	**6,207**	**2,218**	**944**	**1,274**	**1003**

*uses 2019 statewide AMI of $65,100

2019 YTD TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

County	Loan Count	Loan Amount	Downpayment Assistance
Duval	478	$70,547,965.02	$5,650,000.00
Hillsborough	333	$53,394,870.17	$3,863,500.00
Pasco	182	$24,627,459.18	$2,255,000.00
Polk	127	$19,965,151.72	$924,940.00
Pinellas	115	$16,984,894.00	$752,500.00
Volusia	93	$14,232,182.09	$686,400.00
Orange	89	$14,886,596.69	$562,500.00
Brevard	79	$11,582,884.24	$489,940.00
Clay	78	$12,361,708.48	$956,500.00
Osceola	71	$13,168,167.49	$810,000.00

Information

XIII. STRATEGIC PLAN AND PERFORMANCE MEASURES

A. Strategic Plan Performance Measures and Informational Indicators

1. Background

a) Sections 420.0006 and 420.504(1), Florida Statutes, direct the Executive Director of the Department of Economic Opportunity (DEO) to contract with Florida Housing on a multi-year basis to address the affordable housing needs of the state. The contract must include the performance measures adopted by the Board as part of and consistent with Florida Housing's Strategic Plan, pursuant to section 420.511(1), F.S.

b) The Affordable Housing Services contract requires Florida Housing to report to DEO quarterly on the performance measures and targets. Section 420.0005, F.S., requires the DEO Director to certify to the state's Chief Financial Officer that Florida Housing is in compliance with the performance measure targets. This is required to give Florida Housing access to appropriated state funding. These reports are provided to DEO within 30 days of the end of each quarter.

2. Present Situation

a) Quarterly Performance Measures and Targets for Quarter 1 – 2019 are attached as Exhibit A. Quarterly Informational Indicators for Quarter 1 – 2019 are attached as Exhibit B. The Quarterly Hardest Hit Fund Measure for Quarter 1 – 2019 is attached as Exhibit C.

FHFC Performance Dashboard

Quarter 1 2019

Green = Good to Go
Orange = Merits additional Monitoring
Red = A Concern to Address

HOMEOWNERSHIP

Performance Measures	Data		Informational Indicators	Data
Number of Participating First Mortgage Lenders*	**End of Q1/2019** 284 active and approved lenders. (Target: 50)		**Homebuyer Loan Programs:** Average Acquisition Price Average Homebuyer Income	**Q1/2019** Price: $159,896 Homebuyer Income: $50,646
Hardest Hit Fund (HHF): Total Quarterly Funding Assistance Disbursed	**Q1/2019: Most Recent Treasury Report** $5.4 million		**Mortgage Credit Certificate:** Average Acquisition Price Average Homebuyer Income	**Q1/2019** Price: $187,732 Homebuyer Income: $49,442
Homebuyer Loan Programs First Mortgage Loan and Down Payment Assistance (DPA): Purchase Totals	**First Mortgages** Q1/2019: $161,901,229 **DPA** Q1/2019: $7,193,167		**Homebuyer Loan Programs Top 5 Counties for Originations** (*county with access to HHF DPA program introduced in July 2015)	**2019 YTD (# of Loans: $ Total)** **Duval*** (180 Loans: $26,451,185) **Hillsborough*** (131 Loans: $20,699,898) **Polk*** (87 Loans: $13,501,509) **Pinellas*** (63 Loans: $9,203,902) **Orange*** (62 Loans: $10,377,858)
Foreclosure Counseling Program Funding Reserved	**End of Q1/2019:** $1,427,400 **Since Inception:** $11,145,600 (estimated)			
HOME Allocation and Commitment Status	On pace for all commitments and disbursements			
Number of Hardest Hit Fund Mortgage Loan Servicers	**End of Q1/2019** 484 active and approved servicers			

RENTAL

Performance Measures	Data		Informational Indicators	Data
Guarantee Fund Risk-to-Capital Ratio	**End of Q1/2019** .15:1 (Maintain no more than a 5.00:1 leverage ratio)		**FHFC Rental Portfolio Occupancy Rate Statewide**	**Q1/2019:** 96.60% (as of 02/28/19) (Target 93%-95%)
Guarantee Fund Insurer Ratings	**Standard & Poor's:** A+/Stable (as of 04/11/17) **Fitch:** A+/Stable (as of 03/28/18) (Rating of not less than third-highest to safeguard State Housing Trust Fund)		**Average Tenant Income in Florida Rental Properties**	**Most recent annual figures (2019)** Public Housing: $13,743 HUD Properties: $11,207 USDA RD Properties: $16,833 FHFC Properties: $24,971 All Florida Renters: $47,096
Amount of State Appropriated Rental Funding Awarded*	**Q1/2019** Ten funding opportuniities (RFAs) issued by the end of the Quarter. (Q1 Target: Issue at least one funding opportunity (RFA) related to current FY funding)		**Average Tenant-Paid Gross Rent at Florida Rental Properties**	**Most recent annual figures (2019)** Public Housing: $312 HUD Properties: $259 USDA RD Properties: Unavailable FHFC Properties (All): $744 FHFC Properties (w/Rental Assist): $307 FHFC Properties (w/o Rental Assist): $859 All Florida Renters: $1,208
Eligibility for National Pool of Low Income Housing Tax Credits	**Most recent eligibility period** Received 2018 National Pool Housing Credits		**Maturing Loans Data**	**2019** 7 SAIL Loans: 736 Units 5 HOME Loan: 368 Units **2020 Anticipated** 5 SAIL Loans: 556 Units 1 HOME Loans: 33 Units
Percentage of SAIL Funds Awarded across each Demographic Group Compared to Reserved Allocation Percentages	**FY 2018-19 Funds Allocation Reserved compared to Actual Awarded (End of Q1/2019)** Farm/fishworkers (5% - 0%) Homeless (10% - 12.39%) Special Needs (14% - 8.54%) Elderly (21% - 20.23%) Families (50% - 58.84%)		**Searches for Affordable Rentals on Housing Locator Website**	**Q1/2019:** 183,461 searches conducted
Percentage of SAIL Funds Awarded across Small, Medium and Large Counties	**FY 2018-19 Funds Allocation Reserved compared to Actual Awarded (End of Q1/2019)** Small Counties (10% - 0%) Medium Counties (37.97% - 37%) Large Counties (53% - 62.03%)			
Total/Affordable Units in FHFC Portfolio	**End of Q1/2019** Total: 203,952 Affordable: 175,323 ELI: 15,617 Homeless/Special Needs: 6,981 (includes 2,759 Link units)			

OPERATIONS

Performance Measures	Data		Informational Indicators	Data
Budgeted Total Operating Expenses to Actual Total Operating Expenses*	**Period Ending 01/31/19** Under budget (Target: Not to exceed budget by more than 10%)			
Board Engagement: Attendance & Attainment of Quorum*	**Q1/2019 Board Meetings** February: 5 of 8 seated members present March: 7 of 8 seated members present (Target: Quorum - five members present)			

***DEO/FHFC Contract Measure**