# Florida Housing Finance Corporation Board of Directors' Meeting Minutes April 27, 2007

**TIME:** 9:00 a.m.

**LOCATION:** Tallahassee City Hall

300 South Adams Street Tallahassee, Florida

# **BOARD MEMBERS PRESENT:**

Lynn Stultz, Chairman
David Oellerich, Vice Chairman
James F. Banks, Jr.
Tom Pelham
J. Luis Rodriguez
Zully Ruiz
Sandra Terry
Vicki Vargo

# **CORPORATION STAFF PRESENT:**

Stephen P. Auger, Executive Director Hugh Brown Wayne Conner Sheila Freaney Barbara Goltz Nancy Muller Vicki Robinson Stephanie Sgouros David Westcott

# **ADVISORS AND OTHERS PRESENT:**

Junious Brown, Nabors, Giblin & Nickerson Bill Johnston, WLJ Capital Jan Carpenter, Shuffield Loman Chairman Stultz called the Board of Directors' meeting to order at 9:05 a.m., and confirmed that a quorum was present.

Chairman Stultz welcomed Secretary Tom Pelham to his first Board Meeting.

### **MINUTES**

Chairman Stultz asked for a motion to approve the Minutes of the January 26, 2007, Board Meeting.

Motion to approve the Minutes was made by Ms. Vargo with a second by Ms. Terry. Motion passed unanimously.

Chairman Stultz asked for a motion to approve the Minutes of the March 16, 2007, Board Meeting.

Motion to approve the Minutes was made by Mr. Oellerich with a second by Mr. Banks. Motion passed unanimously.

# ELDERLY HOUSING COMMUNITY LOAN PROGRAM (EHCL)

Chairman Stultz recognized Vicki Robinson to brief the Board on Elderly Housing Community Loan Program (EHCL) matters.

Item A, Request Approval of 2007 EHCL Application Cycle Review Committee. Ms. Robinson asked the Board to approve the 2007 EHCL Application Cycle Review Committee to make recommendations to the Board regarding program participation. She stated that the proposed Review Committee consists of Jody Bedgood, Derek Helms, Heather Boyd, Bill Aldinger and Amy Garmon.

Motion to approve staff's recommendation was made by Mr. Banks with a second by Ms. Vargo. Motion passed unanimously.

#### **LEGISLATIVE UPDATE**

Chairman Stultz asked Steve Auger to give the Board an update on Legislative matters.

Mr. Auger stated that in the last few days of the legislative session, House Bill 1375 and Senate Bill 780, which are the housing bills, have been in discussion. He stated that the bills include updates to the Community Workforce Housing Innovation Program and a provision that strengthens the direction to property appraisers when they're evaluating properties that have Florida Housing funding, among other things. He stated that another item under consideration is funding for Florida Housing's budget, and that the governor has come out in support of repealing the cap on the trust funds, and the next fiscal year is when the cap goes into effect, capping the amount of doc stamp revenues that flow into the housing trust funds at \$243 million. He stated that it does not appear there will be movement on repeal of the cap, and the Senate is proposing \$443 million in funding for Florida Housing programs, while the House is at \$343 million. He added that the trust funds would be up for reauthorization next year.

## **LEGAL**

Chairman Stultz recognized Hugh Brown to address the Board regarding Legal matters.

Item A, Creative Choice Homes XXV, Ltd. Mr. Brown stated that in December 2006 Creative Choice Homes responded to the CWHIP RFP seeking \$5 million in funding for a condominium complex in Brevard County known as Villas of Palm Bay, and that in its response, described the development as complete and ready for occupancy. He stated that the Review Committee decided that the application was not eligible because the complex was already built. He stated that Creative Choice protested the decision and filed a formal petition with Florida Housing at the beginning of February 2007, the matter went to hearing in March, and at the beginning of April, Diane Tremor, the Hearing Officer, issued a recommended order finding that Florida Housing correctly disqualified the Creative Choice response to the RFP and recommended that Florida Housing dismiss the petition. He added that subsequently, written arguments were filed by the Petitioner and responded to by Florida Housing. He asked the Board to approve staff's recommendation to adopt the recommended order without change and dismiss the petition.

Motion to approve staff's recommendation was made by Ms. Ruiz with a second by Secretary Pelham. Motion passed unanimously.

Item B, Oviedo Town Center Partners, Ltd. Mr. Brown stated that in 2005 Florida Housing awarded \$3 million in SAIL funds to Oviedo Town Center, and in February 2007, the developer filed a petition for waiver asking for relief to switch out members of the development team and to change the ownership structure of the applicant entity. He stated that public notice was given and no comments were received on the petition. He asked the Board to approve staff's recommendation to grant the request for waiver per the rules to allow the change of name of the applicant to Oviedo Town Center Development Group, LLLP, and the reflected change in the ownership structure, and also a change in the developer to Atlantic Housing Partners, and the corresponding change in the ownership structure. Mr. Auger added that for the 2008 cycle, the rule has been updated to allow these types of changes to be requested without the need for a petition for rule waiver change. He stated that the requested changes would still have to come before the Board for approval, but not through the formal process of a petition for rule waiver.

Motion to approve staff's recommendation was made by Ms. Vargo with a second by Secretary Pelham. Motion passed unanimously.

Item C, Pebble Hill Estates Limited Partnership. Mr. Brown stated that in 2005 Florida Housing awarded Pebble Hill an award of housing credits, making the development's placed in service date, which is the day they have to have at least one unit on line, December 31, 2007. He stated that Pebble Hill will not be able to make that date and is asking to turn in its 2005 housing credit allocation early and receive an allocation of 2007 housing credits. He asked the Board to approved staff's recommendation to grant the request, as the delays encountered by the petitioner were beyond their control.

Motion to approve staff's recommendation was made by Mr. Oellerich with a second by Ms. Terry. Motion passed unanimously.

# **MULTIFAMILY BONDS**

Chairman Stultz recognized Wayne Conner to address the Board regarding Multifamily Bond matters.

<u>Item A, Briarwood Apartments and Heritage Villas Apartments.</u> Mr. Conner asked the Board to approved staff's recommendation to approve the supplemental letter to the credit underwriting reports for Briarwood Apartments and Heritage Villas Apartments, subject to further approval and verification by the credit underwriter, bond counsel, special counsel and Florida Housing staff.

Motion to approve staff's recommendation was made by Secretary Pelham with a second by Ms. Ruiz. Motion passed unanimously.

<u>Item B, Assignment of Bond Underwriters and Structuring Agents</u>. Mr. Conner asked the Board to approve a change to Multifamily Bonds Consent Item I, changing the bond underwriter on North Ridge at Millennium from Morgan Keegan to Merrill Lynch.

Motion to approve staff's recommendation was made by Ms. Vargo with a second by Ms. Ruiz. Motion passed unanimously.

### PREDEVELOPMENT LOAN PROGRAM

Chairman Stultz recognized Nancy Muller to address the Board on Predevelopment Loan Program matters.

Item A, El Capitan Crossings. Ms. Muller stated that on April 21, 2006, the Board approved a Predevelopment Loan in the amount of \$500,000 for El Capitan Crossings. She stated that the PLP loan is in a subordinate position to the first mortgage, which is held by Neighborhood Landings Partners, and they have agreed to increase the first mortgage from \$670,000 to \$1.76 million to finance increased costs and site development. She stated that the developer is asking Florida Housing, as a subordinate lender, to accept the increase in the first mortgage loan. She stated that the credit underwriter recommends approval of the request, but also recommends a change in the repayment of the loan from a ration of 1:1 to 1:1.34, which equates to a full pay down of the loan on a prorated based upon a sale of the first 27 out of 36 total homes. She asked the Board to approve staff's recommendation to approve the developer's request to accept a subordinate position for the PLP loan and instruct staff to amend the loan documents to reflect the change in the amount of the first mortgage and require the prorated repayment of the loan after the sale of the first 27 homes.

Motion to approve staff's recommendation was made by Ms. Ruiz with a second by Ms. Vargo. Motion passed unanimously.

## PROFESSIONAL SERVICES SELECTION (PSS)

Chairman Stultz recognized Wayne Conner to address the Board regarding PSS Item A.

Item A, Bond Counsel Services. Mr. Conner stated that in October 2006 the Board authorized staff to begin the solicitation process to select more than one qualified bond counsel, and six responses were received to the RFP. He stated that a review committee of seven people was selected, with Executive Director Steve Auger and General Counsel Wellington Meffert excluding themselves from involvement, as both of their wives work with Bryant, Miller and Olive, one of the respondents. He asked the Board to approve the review committee's recommendation to enter into contract negotiations with four of the six firms – Bryant, Miller and Olive with Steve Bullock; Greenberg Traurig with Edwards and Associates; Hawkins, Delafield and Wood with Murai Wald Bion; and Moreno and Brochin with Kutak Rock.

Motion to approve the review committee's recommendation was made by Mr. Banks, with a second by Mr. Rodriguez. Motion passed unanimously.

Chairman Stultz recognized Ian Smith to address the Board regarding PSS Item B.

Item B, Specialty Promotional Printing Services. Mr. Smith stated that at the December 15, 2006, Board Meeting, the Board authorized staff to begin the solicitation process to select a pool of vendors that could provide specialty promotional printing services. He stated that the RFQ was issued on March 9, 2007, with responses due April 9, 2007, and responses were received from Awards 4U, Bowman Promotion Specialties, CorpLogo Ware, Office Depot and Promotional and Advertising Products. He asked the Board to approved the review committee's recommendation to select Awards 4U, Bowman Promotional Specialties, CorpLogo Ware and Office Depot to provide specialty promotional printing services.

Motion to approve the review committee's recommendation was made by Mr. Oellerich with a second by Mr. Rodriguez. Motion passed unanimously.

#### SINGLE FAMILY BONDS

Chairman Stultz recognized Barb Goltz to address the Board regarding Single Family Bond fiscal matters.

Item A, Single Family Bonds. Ms. Goltz stated that Florida Housing entered into contracts with Bear Stearns Asset Management on September 18, 2002, and UBS Global Asset Management, Inc., on January 13, 2003, to provide investment management services, and the initial term of both contracts was for three years with two one-year renewals. She stated that Bear Stearns' contract expires September 18, 2007, and UBS Global Asset Management's contract expires January 17, 2008, and there are not additional renewal options. She asked the Board to approve staff's recommendation to begin the solicitation process in order to select one or more qualified offerors to provide investment management services for Florida Housing, and authorize the Executive Director to establish a review committee to make recommendations to the Board.

Motion to approve staff's recommendation was made by Ms. Vargo with a second by Mr. Oellerich. Motion passed unanimously.

# STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Chairman Stultz recognized Vicki Robinson to address the Board on SAIL matters.

Item A, Triple Oaks Phase II, Cycle XII. Ms. Robinson stated that the Developer of Triple Oaks Phase II, a 56-unit development in Gadsden County, was asking for relief of the farmworker set-aside. She stated that since being built, the property has not been able to lease up and stabilize due to the inability to attract farmworkers. She stated that staff has been in communication with USDA Rural Development, the developer and some of the applicant's board members, and came to the conclusion that the only viable option is to give relief of the farmworker set-aside for the property. She stated that the credit underwriter on the project agrees. She asked the Board to approve staff's recommendation to approve the relief of the farmworker set-aside subject to conditions that are stated in the credit underwriter's update letter and subject to the applicant, CEDO Housing Development Corporation, agreeing to a two-year timeout from participating in Florida Housing's programs.

Motion to approve staff's recommendation was made by Mr. Oellerich with a second by Ms. Ruiz.

Ms. Ruiz asked who would be prohibited from participating in Florida Housing's programs. Ms. Robinson stated that any financial beneficiaries of Triple Oaks would be prohibited from participating. Mr. Auger stated staff does not take requests for relief from demographic designations lightly, and that this would only the second time that it has been allowed. He added that these are special needs populations and the Legislature has set aside funding for this population and Florida Housing takes the mission to meet them seriously. He stated that in the competitive funding process, the set-asides have fewer applications and a smaller pot of money, so staff doesn't want to have a dynamic where someone comes in and gets money in a special set-aside and then gets relief, as it was easier to win the funding that way. Mr. Auger stated that the development has been on staff's radar for at least three years and staff first received the request for relief over a year ago. He stated that USDA Rural Development has already given relief, and if Florida Housing didn't do something, the result would probably be foreclosure, so staff negotiated a workout that includes a two-year timeout and more units for extremely low income, since they won't be serving the farmworker population.

Ms. Vargo asked at what point staff goes back to review occupancy levels and to make sure the development is meeting Florida Housing standards. Ms. Robinson stated that they have to report monthly on their occupancy. Mr. Auger added that they would typically receive visits from Florida Housing's compliance monitors every other year, but due to the special circumstances, it will be every year. Ms. Vargo asked what the remedy was if they don't perform. Ms. Robinson stated that it would be the same as any other development that had occupancy problems and couldn't cash flow, which is foreclosure.

Mr. Rodriguez expressed his concerns about letting developers off the hook on farmworker housing, as there is a tremendous shortage all over the state.

Motion passed unanimously.

## **SINGLE FAMILY BONDS**

Chairman Stultz recognized Barb Goltz to address the Board regarding Single Family Bond matters.

Ms. Goltz stated that staff just closed on the 2007 Series 2 bonds for \$175 million, and that she was back to ask for approval for the next phase of 2007 bonds. She stated that there was currently \$18 million in reservations for the week. She stated that it is appropriate to do an amount of bonds that doesn't get too far out ahead of what's going on in the market. She asked the Board to approve another single family bond deal consistent with the normal rotation of bond professionals with UBS Securities serving as senior managing investor banker for the negotiated sale of the 2007 Phase Three bonds; Bryant Miller and Olive and the Law Offices of Steve Bullock serving as bond counsel; and Adorno and Yoss serving as special counsel. She said the amount will not exceed \$250 million and that interim funding not to exceed \$25 million to bridge the current deal with the next deal would be needed. She asked the Board to approve staff's recommendation to approve the necessary funding, including reimbursable amounts, to provide program funding between bond issues, staff actions and the resolution to permit the issuance of the proposed 2007 Phase Three Homeowner Mortgage Revenue Bonds.

Motion to approve staff's recommendation was made by Ms. Ruiz with a second by Mr. Banks. Motion passed unanimously.

# **CONSENT AGENDA**

Chairman Stultz asked for motion to approve everything on the April 27, 2007, Consent Agenda with the exception of Multifamily Bonds Consent Item I, which was pulled for amendment and discussion

Motion to approve all items on the Consent Agenda with the exception of the item mentioned was made by Ms. Vargo with a second by Mr. Oellerich. Motion passed unanimously.

Chairman Stultz recognized Steve Auger. Mr. Auger stated that Florida Housing legislative position is the results of many folks working well together, including homeless folks on a bill relating to updates on the definition of homeless, and developers and stakeholders on funding issues. He stated that the Florida Housing legislative folks speak daily with Secretary Pelham's legislative team and appreciate their support. He also brought the Board's attention to the Universal Cycle item in the Information section of the Board Package. He stated that it was a breakdown of the applications received in the 2007 cycle. He stated that 188 applications were received, which is a historic high, requesting \$300 million in SAIL funds; almost \$200 million in competitive tax credits; over \$500 million in multifamily bonds; over \$50 million in HOME rental funds; and over \$100 million in supplemental funds. He stated that the demand far exceeds supply.

Hearing no further business, Chairman Stultz adjourned the April 27, 2007, Board of Directors' Meeting at 9:50 a.m.