

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
May 2, 2008
Information Items



FISCAL
Information

I. FISCAL

A. Operating Budget Analysis for March 2008

- a) The Financial Analysis for March 31, 2008, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending March 31, 2008, is attached as [Exhibit B](#).

GUARANTEE

Information

II. GUARANTEE

A. Loan Defaults on Riverfront, Sarah’s Place, Nelson Park, and Heritage Apartments

Development Name: Riverfront	Location: Orange County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 1997 Series A HC 1997-503L Guarantee Fund 21 HUD Risk-Sharing	Amounts: MMRB \$15,625,000 HC \$921,304 (annually) GF \$7,032,122 (50% mtg guarantee)
Number of Units: 356	Type: Family

Development Name: Sarah’s Place	Location: Lake County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 1997 Series L HC 1999-502C Guarantee Fund 29 HUD Risk-Sharing	Amounts: MMRB \$14,380,000 HC \$931,004 (annually) GF \$6,967,059 (50% mtg guarantee)
Number of Units: 330	Type: Family

Development Name: Nelson Park	Location: Lake County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2000 Series A HC 2001-522C Guarantee Fund 50 HUD Risk-Sharing	Amounts: MMRB \$16,055,000 HC \$1,084,033 (annually) GF \$7,722,500 (50% mtg guarantee)
Number of Units: 358	Type: Family

Development Name: Heritage	Location: Collier County
Developer: Worthwhile Development (“Developer”)	Set –Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2001 Series E1 & E2 HC 2001-518C Guarantee Fund 72 HUD Risk-Sharing	Amounts: MMRB \$19,710,000 HC \$1,264,815 (annually) GF \$9,237,786 (50% mtg guarantee)
Number of Units: 320	Type: Family

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1. Background

- a) The subject properties have been in persistent “rolling” default for at least eight (8) months, and all have been considered troubled properties for several years, showing signs of neglect and physical deficiencies after years of deferred maintenance by the Developer and the Developer-related management company.
- b) Riverfront Equities, a Developer-related entity, functioned as property manager until September 2007 when, upon demand by the Guarantee Program, they were removed and replaced by Interstate Realty Management (“IRM”) at Sarah’s Place and Nelson Park, and Services Taylor Made (“STM”) at Riverfront and Heritage. Recent inspections by Guarantee Program staff suggest that new management at the properties is having a positive impact, with observed improvement in physical condition. Nevertheless, there remains much to be done at the properties, and continued progress will depend largely on financial assistance from the Developer and/or limited partners.
- c) KeyBank Real Estate Capital (“KeyBank”) is the limited partner and tax-credit syndicator for Sarah’s Place, Nelson Park, and Heritage. MMA Financial (“MMA”) is the limited partner and tax-credit syndicator for Riverfront.
- d) On August 28, 2007, staff received a copy of a letter from the Developer notifying KeyBank of its resignation as general partner at Sarah’s Place and Nelson Park, effective immediately. In response, the Guarantee Program reiterated its request that KeyBank, as limited partner, immediately assume control of the general partner. KeyBank has refused to do so, citing among other things an informal mandate from the Office of the Comptroller of the Currency (OCC) that precludes them from taking such action, although no evidence has been provided to date to substantiate this.
- e) Staff has since learned that in November 2007, KeyBank facilitated the creation and insertion of new general partner entities at both Sarah’s Place and Nelson Park; it is assumed, in an effort to avoid potential statutory dissolution of the partnerships in the wake of the general partner’s resignation. KeyBank took such action without notice to or prior consent of the Guarantee Program or the Department of Housing and Urban Development (“HUD”), thereby violating the Loan Documents, Florida Administrative Code and the Code of Federal Regulations, and to date have not obtained requisite approvals.
- f) Sarah’s Place has been in a persistent “rolling” default status since February 2007; Nelson Park, since June 2007; Riverfront, since July 2007, and Heritage, since August 2007. All four properties remain in default today. Partial payments have been made each month toward outstanding arrearages, but have been insufficient to cure the defaults.
- g) At this time, the Developer remains in control of the general partner of Riverfront and Heritage despite the limited partners’ claims that they are taking action to effect change.
- h) Historically, there has been little written correspondence from the general partner and limited partners regarding their commitment to the properties and their intentions to fund operating deficits and cure the “rolling” defaults. Over the past 6-8 months, almost all staff communication has been with the limited partners.

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2. Present Situation

- a) Sarah's Place remains in default under the Note and Loan Agreement stemming from delinquent March 1 and April 1, 2008 mortgage payments totaling approximately \$228,084.
- b) Nelson Park is now current. On April 9, 2008, KeyBank facilitated a \$466,764 payment to the Trustee, representing the February, March and April mortgage payments, thus curing the outstanding monetary default.
- c) Heritage remains in default under the Note and Loan Agreement stemming from delinquent March 1 and April 1, 2008 mortgage payments totaling approximately \$342,372.
- d) Riverfront remains in default under the Note and Loan Agreement stemming from delinquent March 1 and April 1, 2008 mortgage payments totaling approximately \$251,481.
- e) Staff continues to monitor the properties closely, maintaining open communication with on-site management agents as well as the limited partners; KeyBank and MMA. In light of the circumstances, the Guarantee Program is reviewing its options to protect its interests.
- f) If necessary, the Guarantee Program, with the assistance of counsel and financial advisor, will take appropriate action, including payment of a full claim, acceleration of the Loan, foreclosure of the collateral, and notification to the Internal Revenue Service that the project is no longer participating in the low-income housing tax credit program resulting in recapture of previously claimed credits and the inability to claim future credits on these Developments, to protect its interests. Authority to take such action is specifically delegated to the Executive Director, Chief Financial Officer, Guarantee Program Administrator, and Director of Asset Management pursuant to Board action on December 12, 2003. If the Guarantee Program is required to take such action in the interim, the Board will be updated at the regularly scheduled Board Meeting immediately following.

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B. Loan Default on Riley Chase Apartments

Development Name: Riley Chase (“Development”)	Location: Sarasota County
Developer: Vestcor Development Corp (“Developer”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 1999 Series L HC 2000-510C Guarantee Fund 49 HUD Risk-Sharing	Amounts: MMRB \$13,460,000 HC \$1,009,053 (annually) GF \$6,730,000 (50% mtg guarantee)
Number of Units: 312	Type: Family

1. Background

- a) While the physical condition of Riley Chase remains satisfactory at this juncture, the property has struggled financially for the past three years. To that extent, occupancy averaged 97% in early 2005, but has since steadily decreased to 60% based on recent in-house data.
- b) In a letter dated December 14, 2007 ([Exhibit A](#)), the Developer notified Florida Housing that, among other things, it had funded approximately \$900,000 in operating deficits to date and did not intend to pay the December mortgage payment.
- c) The resulting mortgage default has prompted increased monitoring efforts on the part of the Guarantee Program, and staff has maintained communication with the Developer and Centerline Capital (f/k/a CharterMac, f/k/a Related Capital), the limited partner and tax credit syndicator.
- d) WRH Realty Services functions as property manager. At this juncture, the physical condition of the property is satisfactorily maintained and there are no significant compliance issues outstanding.
- e) Monies received by the Trustee in recent months for payment of mortgage arrearages represent combined proceeds from the Developer and limited partner, with the limited partner’s contribution comprised of its unpaid, final equity payment. Such monthly funding has been insufficient to cure the continued “rolling” default, but has avoided claim payment by the Guarantee Program and subsequent acceleration of the Note.

2. Present Situation

- a) Riley Chase is currently in default under the Note and Loan Agreement for nonpayment of the March 1, 2008 and April 1, 2008 mortgage payments totaling approximately \$232,802.
- b) Negotiations between the Developer and limited partner are ongoing, particularly as it relates to continued funding of operating deficits and mortgage payments.
- c) The Guarantee Program continues to closely monitor the situation and review its options, and will take necessary action to protect its interests.

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- d) If necessary, the Guarantee Program, with the assistance of counsel and financial advisor, will take appropriate action, including payment of a full claim, acceleration of the Loan, foreclosure of the collateral, and notification to the Internal Revenue Service that the project is no longer participating in the low-income housing tax credit program resulting in recapture of previously claimed credits and the inability to claim future credits on this Development, to protect its interests. Authority to take such action is specifically delegated to the Executive Director, Chief Financial Officer, Guarantee Program Administrator, and Director of Asset Management pursuant to Board action on December 12, 2003. If the Guarantee Program is required to take such action in the interim, the Board will be updated at the regularly scheduled Board Meeting immediately following.

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C. Loan Default on Walker Avenue Club Apartments

Development Name: Walker Avenue Club (“Development”)	Location: Indian River County
Owner: Benchmark Group (“Benchmark”)	Set-Aside: MMRB 40% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2000 Series L HC 2000-533C Guarantee Fund 55 HUD Risk-Sharing	Amounts: MMRB \$8,945,000 HC \$571,524 (annually) GF \$4,472,500 (50% mtg guarantee)
Number of Units: 172	Type: Family

1. Background

- a) The property was originally developed by Coronado Construction, and experienced no documented history of mortgage defaults or major physical deficiencies.
- b) In February 2006, the general partner was sold to The Benchmark Group, with management responsibilities assumed by Benchmark Management of Florida, a related entity.
- c) The Development’s physical condition remains satisfactory to date with the exception of minor observations cited in the most recent Guarantee Program inspection. However, financially speaking, the property has struggled since being acquired by Benchmark.
- d) Occupancy peaked at 98% the month following acquisition, but has since steadily declined to 52% based on recent data. Benchmark attributes the decline to deteriorating local market conditions.
- e) In a letter dated March 8, 2008 ([Exhibit B](#)), Benchmark outlined its efforts to date to improve occupancy, as well as projected operating deficits of over \$400,000 through the remainder of 2008 and, importantly, its inability to fund projected deficits. They have communicated same to the limited partner and tax-credit syndicator, PNC Multifamily Capital (“PNC”).
- f) Over the past four months, the Guarantee Program has increased monitoring efforts on the property, with the majority of communication to date being with PNC.

2. Present Situation

- a) Walker Avenue Club is currently in default under the Note and Loan Agreement for nonpayment of the March 1, 2008 and April 1, 2008 mortgage payments totaling approximately \$174,088.
- b) Based on communication with PNC, negotiations with the general partner are ongoing as it relates to curing the default and funding future operating deficits.

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- c) Despite verbal commitments to fund mortgage arrearages by the end of last month, and most recently the end of last week, the property remains in monetary default.
- d) The Guarantee Program is reviewing its options, and will take necessary action to protect its interests.
- e) If necessary, the Guarantee Program, with the assistance of counsel and financial advisor, will take appropriate action, including payment of a full claim, acceleration of the Loan, foreclosure of the collateral, and notification to the Internal Revenue Service that the project is no longer participating in the low-income housing tax credit program resulting in recapture of previously claimed credits and the inability to claim future credits on this Development, to protect its interests. Authority to take such action is specifically delegated to the Executive Director, Chief Financial Officer, Guarantee Program Administrator, and Director of Asset Management pursuant to Board action on December 12, 2003. If the Guarantee Program is required to take such action in the interim, the Board will be updated at the regularly scheduled Board Meeting immediately following.

D. Guarantee Program Capacity ([Exhibit C](#))

SINGLE FAMILY BONDS – FINANCE

Information

III. SINGLE FAMILY BONDS – FINANCE

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

SINGLE FAMILY BONDS

Information

IV. SINGLE FAMILY BONDS

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

UNIVERSAL CYCLE

Information

V. UNIVERSAL CYCLE

A. 2008 Universal Cycle Update

1. Background/Present Situation

- a) The 2008 Universal Cycle opened on March 7, 2008 and closed on April 7, 2008.
- b) A report of the Applications submitted, describing such information as number of applications received, demographic commitments, designation selections, etc., is provided as [Exhibit A](#).
- c) Staff anticipates issuing preliminary scores on May 7, 2008.