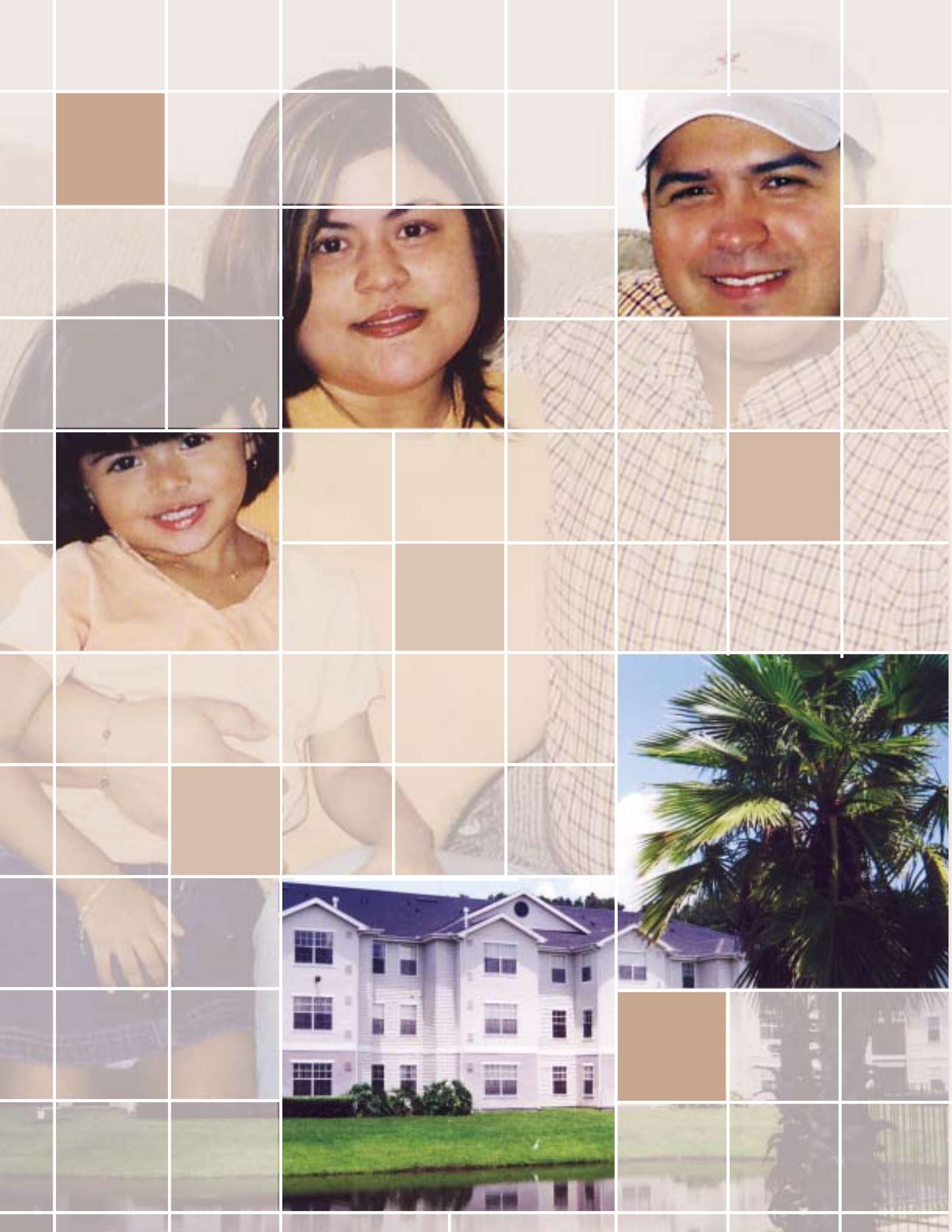




**F L O R I D A  
H O U S I N G  
F I N A N C E  
C o r p o r a t i o n**

**S T R A T E G I C P L A N**

Adopted by the Board of Directors August 23, 2002



## Introduction

The purpose of this strategic plan is to provide a three to five year framework for policy and operational decisions at Florida Housing Finance Corporation. While Chapter 420, Florida Statutes, outlines Florida Housing's powers and responsibilities, and explains generally how programs will be implemented, there is an array of choices to be made within that statutory authority.

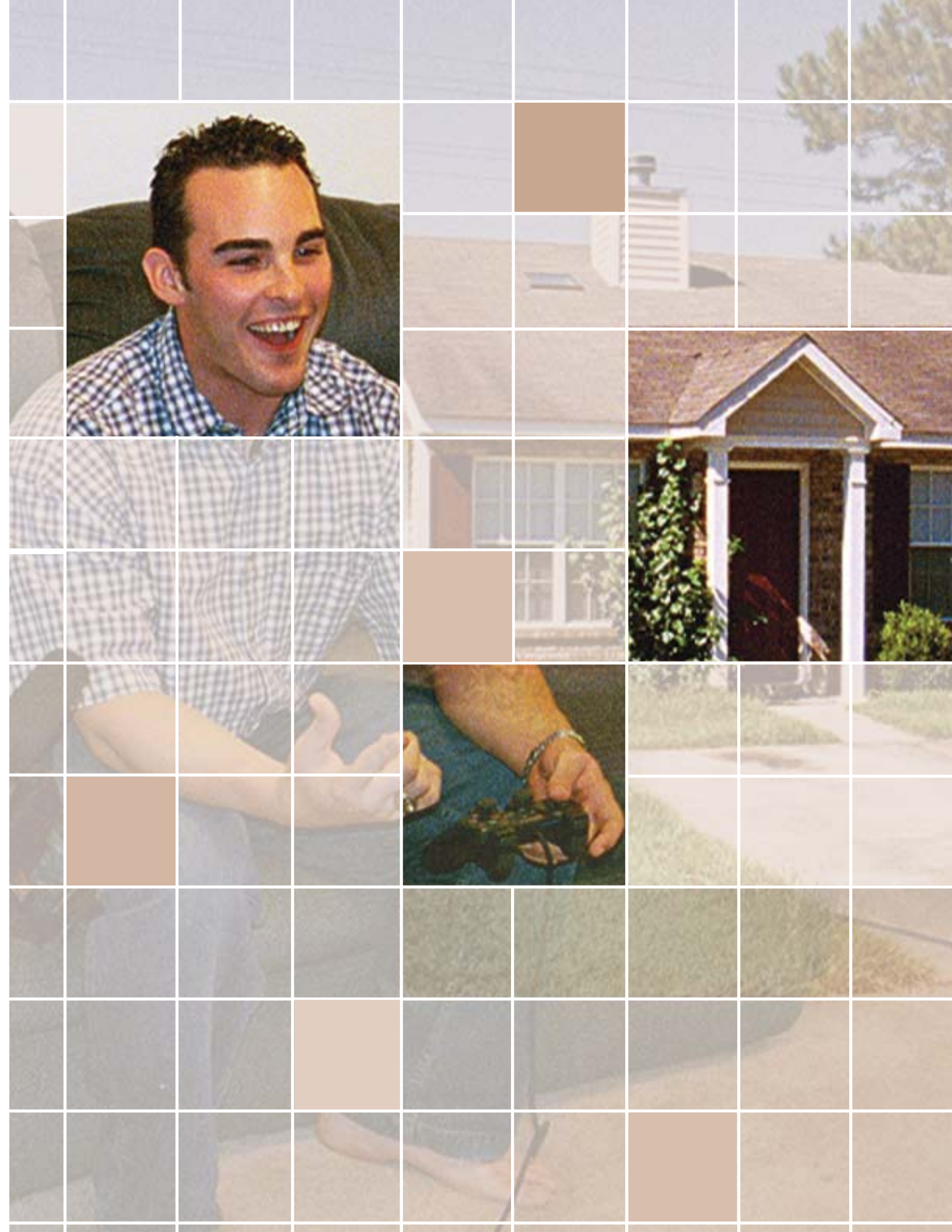
This plan is Florida Housing's road map of how programs will be targeted over several years. It is not meant to be a comprehensive plan that includes every facet of what Florida Housing does, but provides a big picture view of the Corporation's most important priorities.

The plan is divided into four components, as follows.

- Guiding Principles %The values the Board and Staff use to do business.
- Conditions and Trends %An overview of affordable housing in Florida.
- Priorities %The goals that Florida Housing will focus on in the coming three to five years. The priorities are grouped by external issues (how Florida Housing wants to impact housing opportunities for Floridians) and internal, or operational, issues.
- Strategies %A list of actions that describe the steps that Florida Housing will take to implement each priority.

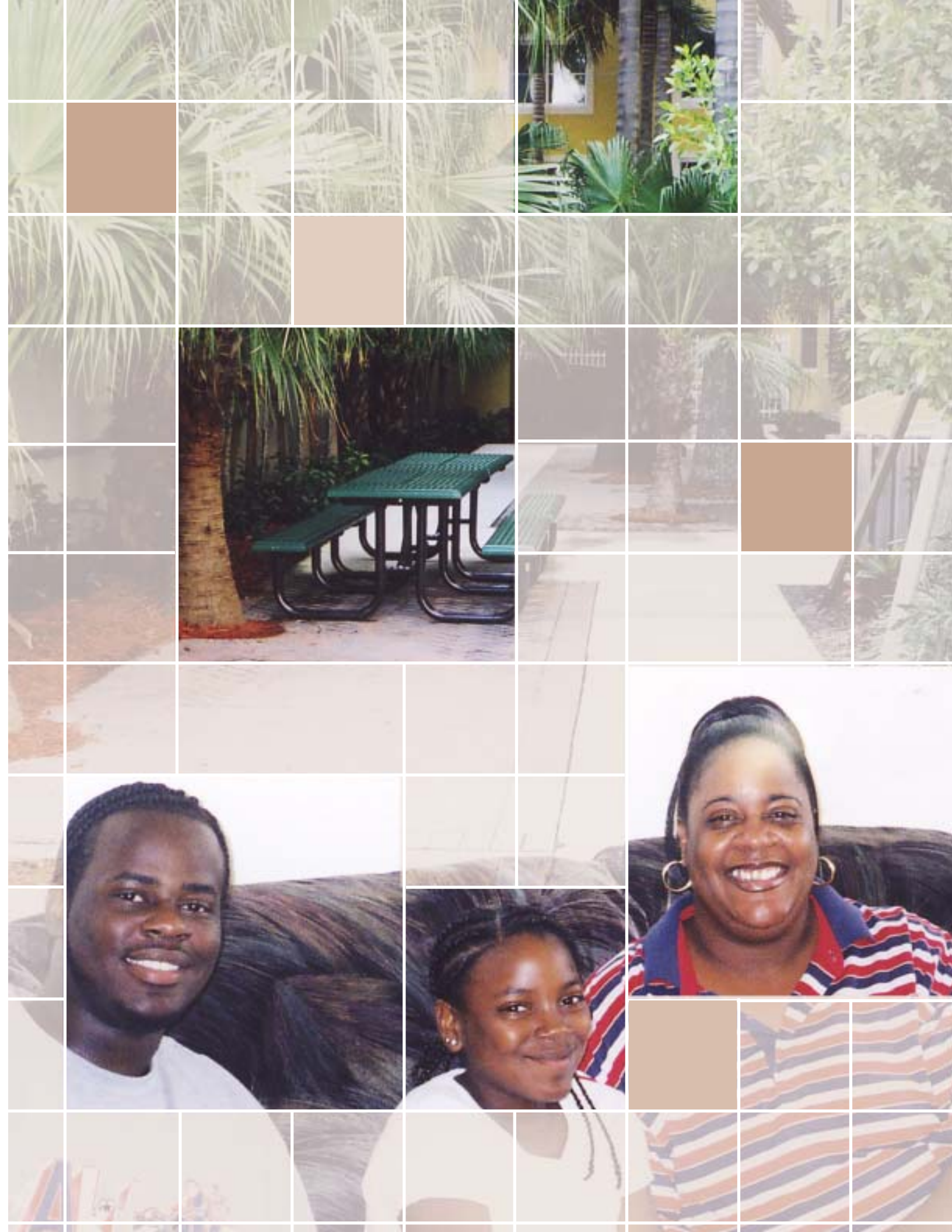
## Florida Housing's Mission Statement

To help our fellow Floridians obtain safe, decent housing that might otherwise be unavailable to them.



# Guiding Principles

- We will perform our duties honestly and ethically, with respect for those we serve and also for each other.
- We will implement policies and procedures to allocate resources in a fair, unbiased and consistent manner that is open and understandable to our stakeholders.
- We will conduct business in the sunshine, both as a matter of law and of spirit.
- We will base program resource decisions on objective data gathered on Florida's housing needs. We will work with the Governor, Legislature, Department of Community Affairs, local governments and other stakeholders to ensure that our programs respond to these needs.
- We will be innovative and flexible in our programs and funding strategies in order to meet Florida's ever changing housing needs.
- We will encourage employee proficiency in Florida Housing's programs and responsiveness to constituents and coworkers.
- We will be accountable stewards of Florida's public resources, and engender and maintain the public's confidence and trust.
- We will foster a synergy among current and new partners so that our combined efforts are greater than the sum of our individual works.
- We will foster awareness of affordable housing issues and the importance of affordable housing, in all its forms, in maintaining vibrant, economically strong communities.



# Overview of Current Housing Conditions

An adequate supply of affordable housing is the foundation of healthy communities, because people vital to that community, like teachers, nurses and fire fighters, are able to live in the same place in which they work. Living in decent housing provides a safe environment and an opportunity for people to hold jobs, excel in school and contribute to their communities.

## Affordability

Millions of low-income households in the United States lack decent and affordable housing. More households are plagued by the high cost of housing, but substandard housing conditions also exist. Households that rely in income from service sector jobs are the most likely to have housing affordability problems, but other factors may come into play, such as joblessness, low fixed incomes, and social impediments such as substance abuse problems.

In 2000, 6.34 million households resided in Florida. The Shimberg Center for Affordable Housing at the University of Florida estimated the number of households with affordability problems by measuring how many pay 50 percent or more of their incomes for housing. In 2001, 334,000 renter households with incomes between 0 and 60 percent of an area's median income had this severe cost burden.

To provide perspective, Out of Reach 2001, prepared by the National Low Income Housing Coalition, reports that an extremely low-income household in Florida earning an annual \$15,210, or 30 percent of the state's median of \$50,700, can afford a monthly rent of no more than \$380, while the average fair market rent for a two-bedroom unit is \$694. Even two minimum wage earners each making \$5.15 per hour would together have to work an extra 24 hours per week to afford this rent. The current "housing wage" in Florida is \$13.35, which is the hourly wage a person would have to make in order to be able to work 40 hours per week and afford a two-bedroom unit at the state's fair market rent.

## Housing Condition

By 2000 Florida's housing stock included over 7.3 million units, with about 70 percent of those built in the last thirty years. By the year 2010, many units will be 30-40 years old, normally the point when rehabilitation and remodeling are required to maintain the life of a unit. The Affordable Housing Study Commission estimates that, by the year 2010, approximately 667,000 single and multifamily units that house lower income families will be 50 or more years old and will require reinvestment to maintain their availability as affordable housing.

## **Affordable Housing Supply**

Since 1980 Florida Housing has financed the construction of or provided funding for mortgage loans to approximately 43,300 units of ownership housing. The Corporation has also financed approximately 140,000 affordable rental units. In the 2001 market study, Rental Housing in Florida, the Shimberg Center estimated that over 14 percent of the state's households with incomes of 20-60 percent of AMI live in these units. The Center concluded that Florida Housing supported rental units serving incomes between 20 and 60 percent of AMI comprise almost five percent of the state's total rental housing supply and about eleven percent of the state's multifamily rental stock. Figure 1 shows the breakdown by county of rental units funded through December 2001 for households up to 60 percent of area median income.

## **The Future of Florida's Housing Delivery System**

During the 1990s, the buzzword used to describe the federal government's role in housing was "devolution," as decision making for many housing and community development programs was pushed down to states and local governments. The federal response to housing needs has been focused on increased support of the Multifamily Mortgage Revenue Bond and Low Income Housing Tax Credit programs on one hand, and a continued provision of Section 8 Vouchers that tenants use to lower the cost of their rent on the other hand.

Overall, most of the federal housing development programs are predicted to change very little during this decade, with funding remaining stable. However, funds for maintaining public housing and Section 8 vouchers will probably decline slowly, causing a slow drain of units from the nation's affordable housing stock.

While the nation and Florida have officially experienced an economic recession, real estate transactions have remained brisk due to low interest rates. As a result, state revenue projections suggest that funding of programs through Sadowski Act documentary stamp tax revenues will continue to slowly increase through the decade.

## **Florida Housing's Priorities**

### **Increase Affordable Homeownership Opportunities**

Florida Housing has had encouraging success in using homeownership resources in HOPE VI and Front Porch communities. However, we have not maximized the use of these resources outside of those areas in recent years. In part this is due to the current economic environment in which the interest rates offered through Florida Housing's programs are no longer

significantly lower than rates offered by traditional lenders. The problem has been compounded by Florida Housing's difficulty in making our loan program attractive and accessible to lenders, who are important partners in marketing our mortgage programs. Recent discussions with other state housing finance agencies suggest that successful homeownership programs require ongoing marketing to potential buyers, realtors and lenders. Florida Housing must identify the type of borrowers for whom our products are useful in serving, develop effective marketing strategies to ensure that our resources are widely known in those markets and remove barriers that prevent lenders from making loans under our programs.

One possible target population may be those Floridians with impaired credit histories. Currently, our credit requirements are similar to those of most traditional lenders. While we must work within the constructs of the expectations of our bond holders in the capital markets, perhaps there are more creative ways to partner with lenders that can reach out to Floridians with poor credit histories.

Florida Housing can also maximize its homeownership resources by building and enhancing relationships with local and regional partners. By engaging in discussions with local governments, nonprofits including Community Housing Development Organizations (CHDOs), and people working on initiatives such as Front Porch, Florida Housing will gain a better understanding of how Floridians can best be served by our homeownership programs.

Manufactured housing makes up 15 to 20 percent of new home sales in Florida each year, mostly to lower income homeowners. Most of this type of housing is sold and financed through the automobile model, which was originally used to sell manufactured homes. Many older homes have structural problems, including inadequate fastening systems, leading to the image of these homes as tornado and hurricane traps. In addition, many people find these homes to be visually unappealing, leading to land use NIMBY problems in some communities.

As a result of these images and historically different financing mechanisms, traditional affordable housing programs often shun the use of manufactured housing to meet affordable housing needs. Consequently, manufactured housing has not been included in Florida Housing's programs. However, in many areas of Florida it is an invaluable option, and sometimes the only source, of affordable housing. Considering that significant design and structural improvements have occurred in manufactured housing over the last 25 years, it is important that Florida Housing explore what role, if any, manufactured housing may play in easing the affordable housing crisis experienced by many Floridians.

## Strategies

- Identify and eliminate barriers that keep Florida Housing's homeownership resources from being used most effectively.
- Work with local governments to provide aid to people with impaired credit histories in order to help those Floridians attain homeownership.
- Examine the role of manufactured housing in addressing Florida's affordable housing needs.

## **Ensure that Florida Housing's Programs are Well Matched to the Housing Needs of Floridians**

Florida Housing worked throughout 2001 to rebuild and streamline access to our multifamily programs. However, two major populations are still not easily served by our programs: those needing supportive housing and Florida's extremely low-income population. Through our work with other agencies on housing homeless and frail elder residents, we have become aware that developers who attempt to serve special needs populations still experience barriers in accessing Florida Housing's funds.

As a result of the U.S. Supreme Court's 1999 Olmstead decision<sup>1</sup> and the continued growth of Florida's elderly and other special needs populations, we need to ensure that Florida Housing's programs allow appropriate access to funding for developments serving these low income residents. Even though our application process now includes incentives for developers to provide services in all funded developments, Florida is in its infancy in understanding how to coordinate housing and supportive services.

The state's cost burdened households are concentrated at the lowest income levels. Of the total cost burdened households with incomes between 0 and 60 percent of AMI, 64 percent of those households fall in the 0-30 percent AMI category. Traditionally, Florida Housing's multifamily programs have focused on serving the 40-60 percent AMI categories. However, with less federal support of lower income households through public housing and vouchers over the past decade, we must determine the extent to which Florida Housing's programs can help to meet this need.

Florida Housing must also consider resource allocation to the geographic areas of greatest need. In some of Florida's housing markets, occupancy rates for units targeted to residents at 60 percent AMI markets are lower than what is generally desirable, leading many to believe these areas have reached the point of equilibrium or saturation. This suggests sub-markets may go through short periods when it is inappropriate to invest more affordable housing resources that target certain income bands. In order to ensure that adequate demand for affordable housing exists in a given market, and that markets with great need are able to access resources, Florida Housing must obtain specific affordable housing information on sub-markets within counties and metropolitan statistical areas.

Finally, many multifamily developments funded by Florida Housing during the 1980s have affordability periods of fifteen years. While affordability periods have increased over time, Florida has reached a point at which expiring affordable units will be an ongoing issue. Between 2002 and 2007, affordability periods will expire for over 12,000 units. Preserving the affordability of many of these units will be an important aspect of continuing to meet Florida's growing housing needs.

### Strategies

- Use a comprehensive analysis of available subsidies to determine which government programs (Florida Housing's and otherwise) might be used to target extremely low-income households.

- Identify and eliminate barriers that keep developments for special needs populations, extremely low-income populations and rehabilitation developments from adequately competing in Florida Housing’s application process.
- Obtain information on sub-markets within counties or metropolitan statistical areas that will enable Florida Housing to ensure that resources are allocated to areas of greatest need.
- Continue to monitor the financial performance of properties and develop better tools to prevent having properties become financially troubled.
- Preserve or replace housing units with expiring affordability periods when doing so is appropriate to maintain a strong supply of quality affordable housing in a community.

## **Communicate the Importance of Affordable Housing to Florida Communities**

A continuing impediment to the development of affordable housing has been public opposition to these developments being built in or near a community or neighborhood. Also called the “NIMBY,” or Not In My Back Yard, response, this opposition is usually based on misconceptions about the people who need affordable housing. Public concerns include fear of lowered property values, crime, drugs and physical deterioration of the neighborhood. NIMBYism may occur when citizens protest to local elected officials or through decisions made by local officials themselves.

In some cases strong local government support for affordable housing overrides citizen protests, but in other cases a proposed development may not receive the necessary rezoning, permits or the local government contribution needed to obtain financing resources. NIMBYism has been directed at all types of affordable housing, from single family, detached homes to apartments.

NIMBYism does not prevent Florida Housing from allocating all of its program resources to develop affordable housing. However, public opposition does increase the cost of building such housing, and this means that some builders are not in the business because they cannot afford these costs and delays. In many cases, affordable housing may not be built where it is needed most – near jobs and services such as health care, day care and public transportation.

Developer experience tells us that initial fears and perceptions of affordable housing are usually shattered once the housing has been completed. This suggests that greater public awareness through education could reduce initial opposition. Such education must focus on the quality of affordable housing being funded in Florida today, and most importantly, it must depict the people who live in affordable housing – bank tellers, teachers, police officers and childcare workers, to name a few. It is also important to relay Florida Housing’s own funding success stories to local and state officials to ensure that they continue to support state funding of affordable housing programs.

On another front, public resources for affordable housing are being increasingly scrutinized as a potential source to help balance tightening government budgets. The nationwide pressures on federal, state and local government budgets have been well documented. In Florida, we have seen that government resources have not grown as quickly as government spending on indigent health care, public education, and environmental initiatives. To pay for those additional expenses, policy makers often look to other government programs as potential funding sources. Affordable housing programs have not been exempt from that review.

Florida Housing must step up its efforts to educate policy makers on the importance of affordable housing to our state and our communities. An education effort would provide information about the economic stimulus from and jobs created by the construction activity that we fund. In addition, information would be provided about how affordable housing can stimulate the revitalization of downtowns, strengthen rural communities, and attract economic activity. Finally policy makers must be told about the importance of serving the most vulnerable among us, including frail elders, the developmentally disabled, migrant and seasonal farmworkers, and families with children who are near homelessness.

### Strategies

- Develop information that shows, county by county, the salaries and percentages of area median income of representative, typical employees working in the area (e.g., a second year elementary school teacher, a sheriff's deputy who has been on the job five years, a starting licensed practical nurse, and others).
- Develop information that shows, county by county, the economic activity generated by Florida Housing's programs.
- Create updated materials that address NIMBYism and its effect on the production of affordable housing.
- Develop presentations for state and local government officials to educate them on the various components of quality affordable housing and how it affects their communities.
- Develop case study stories on the benefits of affordable home ownership and rental housing inventories in various communities.
- Work with developers of affordable housing to showcase affordable housing in communities throughout the state and organize site visits by legislators, legislative staff, and others.

## **Use Data to Define and Prioritize Housing Need**

To date, Florida Housing's decisions on how to target scarce federal and state resources have been based on very general data on housing need. This has not included any regular analysis of how the affordable housing supply is impacting communities or how well federal, state and local programs together are meeting housing need across the spectrum of lower income households. A recent staff survey identified the lack of meaningful data as the most important impediment to effective program implementation.

Florida Housing faces many barriers in obtaining this information. On the affordable housing supply side, federal data is often difficult to obtain, because data is maintained separately across program areas. For example, there are no centralized sources reporting the results of funding to entitlement communities through the Community Development Block Grant, HOME and other programs. Local housing finance authorities do not maintain data on units developed through their bond programs in a consistent manner. Taking a step to address these issues, the newly created statewide Housing Data Clearinghouse will provide a central database of housing need and supply across federal, state and local programs that will be accessible to the public when it becomes operational later in 2002.

To measure housing need, Florida Housing has used statewide market study information, as required by law, to tell this story. However, market studies are not useful at a macro level; their true value lies in assessing local housing markets. Statewide housing needs assessments can show the magnitude of the affordable housing problem as long as they are comprehensive and provide information on all of the state's lower income households, regardless of how current programs are structured. However, assessments do not provide information about the dynamics of local housing markets.

To be useful, local market studies and statewide needs assessments must be used together to determine whether current program criteria can adequately meet these needs. The addition of small area data, including tenant characteristics, may provide us with further insight into affordable housing need in local areas. Through this type of data collection, Florida Housing may learn much more about the Floridians we actually serve with our programs and, in doing so, gain a deeper sense of the local market influences affecting those tenants. This information will ultimately lead to better program development and implementation.

As program goals are revised over time, local and regional market studies must be used to assist in targeting programs to counties and parts of counties where the demand is strong to ensure program effectiveness.

Equally important is the condition of data kept by Florida Housing on the programs we administer. This information has been maintained in varying formats by different program areas, making it difficult to access an accurate overall picture of our performance. Data duplication is another significant hurdle in accessing accurate data. Many affordable developments have been funded through more than one program, and these units were often counted more than once. Florida Housing now employs a simple duplication formula to mitigate this problem, but this strategy does not address the thousands of units built or rehabilitated with other local and federal monies.

Florida Housing's internal databases will also undergo major changes in the next few years, mainly through the implementation of software that should provide the infrastructure for many of our housing development programs. Additional work will be done to create a coordinated database system that all parts of the organization will regularly use to eliminate separate program information systems.

## Strategies

- Systematize the use of needs assessment data to set program goals.
- Integrate local market study data and/or small area data into program implementation decisions.
- Examine how multifamily tenant data can be used to understand local market patterns.
- Identify areas where demand for units is being adequately met.
- Internal data system development at Florida Housing.
- Examine, collect, and validate data maintained in various program spreadsheets to ready for conversion to a database format.
- Standardize how information is recorded/accounted for across programs. This includes naming standards.
- Complete conversion of data into the new database system.
- Assign responsibility to program areas for ongoing data entry, and ensure that training is available for these staff and ensure that appropriate controls are in place to protect the integrity of the data.

## **Enhance Portfolio Risk Management Techniques**

Florida Housing has a total portfolio of over 1,000 properties. These properties were developed with assistance from the Multifamily Mortgage Revenue Bond program, the Housing Credit program, the State Apartment Incentive Loan program, the HOME Investment Partnerships program and the Affordable Housing Guarantee Program. The portfolio is subject to a variety of risks at any time: availability of continued funding resources, financial liability, reputation based on portfolio management, and loss of affordable units due to foreclosure.

All of Florida Housing's programs face these risks to some degree, but the Affordable Housing Guarantee Program currently faces the most significant financial risk. Because the program guarantees repayment of mortgages in case of default and program funds are leveraged 5:1, the program has the potential to assume a total financial risk of \$1.4 billion (currently approximately \$875 million). Both state and locally financed affordable housing developments may use the program.

There are many decisions and steps at the application and credit underwriting stages to provide risk reduction and measures of assurance that a property will be successfully constructed, stabilized, and operated. This is true for properties funded by all of Florida Housing's programs. As part of our portfolio management, we monitor a variety of issues throughout the life-span of each property, contracting with servicers for credit underwriting, construction and permanent loan processing, and financial and compliance monitoring. In-house staff augments our outsourcing of these services.

In recent efforts to manage the enormity of this function, Florida Housing has hired portfolio management staff in the Guarantee Program and Loan Servicing departments; expanded the scope of the servicing contracts to highlight the portfolio management function; established a quality assurance function to regularly review the performance quality of servicers under contract; and established a risk model for use in selecting programs and developments for monitoring activities. Further work is still required to ensure that Florida Housing's portfolio is adequately managed. However, no process can provide a 100 percent guarantee that all properties will remain viable. Therefore it is prudent to prepare a plan of action to address future defaults that may occur. As Florida Housing continues to refine its risk management policies, we must continuously balance our responsibility to be good stewards of a scarce resource with our charge as a public entity to finance the creation affordable housing units.

### Strategies

- Continue to monitor the financial performance of individual properties, and develop tools to monitor overall financial stability in affordable housing submarkets throughout the state.
- Continue to refine the asset management model used by the Guarantee Program staff and included in the servicer and borrower contracts.
- Integrate benchmarks of property performance for use internally and by servicers to provide warnings that properties may be becoming financially troubled.
- Fully implement the quality assurance review process with a year-round calendar of reviews covering all servicing activities under contract.
- Complete and implement the risk model for selection of properties for compliance and monitoring activities.
- Complete and implement a plan of action to address troubled properties and future defaults that may occur.

## **Implement Accounting and Financial Analysis Models to Evaluate Programs and Prepare for Potential Changing Market Conditions**

Florida Housing is a financial organization with billions of dollars in outstanding bond issues, millions of dollars in investments, and billions of dollars in its loan portfolio. The basis for adequate asset management, efficient use of resources, and establishment of fees commensurate with expenses is through ongoing, thorough analyses of financial data. The impact of today's financial decisions for both current and future periods must be analyzed to ensure the continued economic viability of the Corporation to accomplish the mission of financing affordable housing.

### Strategies

- Develop a new cost accounting analysis to better evaluate programs' fees and expenses.

- Enhance our economic forecast capability to estimate program revenues over intermediate and longer term periods.
- Implement economic and financial goals that impact favorably on rating agency outcomes.
- Establish a “doomsday” model of revenue and expenses.
- Develop a consistent methodology to determine how many people are served per Florida Housing provided dollar.
- Benchmark our own financial ratios and results and against rating agencies’ evaluations of other state housing finance authorities to provide a basis for future strategies.

## **Implement a Comprehensive Business Continuity Plan**

A business continuity plan (BCP) provides the blueprint for how an organization will continue to operate in the event of a disaster. It is an integral part of an organization’s efforts to ensure that the provision of its goods and services to its customers is uninterrupted, even if offices are destroyed and the organization must move and rebuild its infrastructure. This type of plan is useful in case of a hurricane or other natural disaster, financial crisis or any catastrophic event.

A BCP should be developed using a sound methodology that:

- Identifies and prioritizes the essential activities to continue functioning;
- Is based on a business impact analysis that considers the impact of the loss of essential functions;
- Is developed with participation from operations managers and key employees;
- Identifies the resources and facilities that will likely be needed for recovery, and their location and availability; and
- Contains information backup procedures sufficient to allow for recovery of critical data.

Such a plan must be realistic in its assumptions, and be simple and easily understood. It must be tested, made available to employees and the Board, and safeguarded. Finally, adequate resources must be made available to maintain and keep it current.

Strategies

- Complete a business continuity plan by September of 2003.

## **Improve, Document and Implement Consistent Procedures Throughout Florida Housing**

It is good business practice to implement and document consistent procedures and processes throughout an organization. Numerous similarities exist in Florida Housing’s various program and support areas where efficiencies and economies of scale could be realized through implementation of consistent procedures. This includes the identification and revision or elimination of procedures that impede our ability to produce affordable housing most efficiently and the use of technology and automation to assist in implementing consistent procedures.

The objectives of implementing consistent procedures at Florida Housing are:

- To ensure uniformity and completeness, appropriate levels of quality, and compliance with applicable laws, rules, regulations and Board policies;
- To aid the public in obtaining information about Florida Housing's programs;
- To strengthen internal control and reduce the risk of errors and omissions;
- To facilitate the orientation of new and temporary employees, the transfer or promotion of employees to different areas, and to ease transition when long time employees leave Florida Housing;
- To assist in the timely completion of audits and consulting projects, and the implementation of new and revised standards; and
- To automate systems to expedite and streamline Florida Housing's processes wherever possible.

#### Strategies

- Map current business processes and procedures of the different program areas by meeting with appropriate staff. Reconcile and update analyses.
- Examine the current mapped processes and procedures, and streamline and standardize where possible.
- Centralize as many functions as possible (e.g., letters of invitation into credit underwriting).
- Develop consistent procedures to provide data and information to those making public requests.

## **Continue to Enhance the Professionalism and Expertise of Florida Housing's Employees**

All organizations are only as good as their employees. A well trained, professional staff is essential for Florida Housing to advise the Governor, Legislature and Board, be responsive to the changing housing needs of Floridians and creatively implement our business priorities.

#### Strategies

- Continuously evaluate staffing and expertise levels to ensure market competitiveness, responsiveness to the housing community, and efficient use of resources.
- Increase professional, substantive training on affordable housing finance and land development issues.
- Continue to provide training opportunities on management and supervision.
- Conduct a survey of employees' professional development interests, and develop an agency training plan.

(Footnotes)

1 The decision said that the unnecessary institutionalization of individuals with disabilities just because there is no available integrated housing and services is a form of discrimination that is expressly prohibited by the Americans with Disabilities Act.



