

**Florida Housing Finance Corporation
Board of Directors' Meeting Minutes
August 8, 2008**

TIME: 8:30 a.m.

LOCATION: Jacksonville Hyatt Regency
225 East Coast Line Drive
Jacksonville, Florida

BOARD MEMBERS PRESENT:

Lynn Stultz, Chairman
David Oellerich, Vice Chairman
Ken Fairman
Stuart Scharaga
Marilyn Seroyer
Sandra Terry
Zully Ruiz

CORPORATION STAFF PRESENT:

Stephen P. Auger, Executive Director
Debbie Blinderman
Wayne Conner
Laura Cox
Rebecca DeLaRosa
Sheila Freaney
Barbara Goltz
Wellington Meffert
Nancy Muller
Stephanie Sgouros
David Westcott

ADVISORS AND OTHERS PRESENT:

Junious Brown, Nabors, Giblin & Nickerson
Jan Carpenter, Shuffield Lowman
Tom Crawford, Housing Finance Authority for St. John's County
Steve Pike, Jeff Shardin

Chairman Stultz called the meeting to order at 8:40 a.m. She welcomed new Board Member Marilyn Seroyer, who is filling the Banking Representative slot on the Board. She then turned the meeting over to Steve Auger.

Mr. Auger introduced Barney Smith, the Chairman of the Jacksonville Housing Finance Authority, who welcomed Florida Housing Board Members and staff to the City of Jacksonville. He spoke about the need for affordable housing in Duval County and the willingness of the Jacksonville Housing Commission and the Jacksonville Housing Finance Authority to work to make financing deals work to continue to build new housing in the county.

Chairman Stultz thanked Mr. Smith for welcoming the Board and briefing the Board on the need for affordable housing in Duval County.

Mr. Auger stated that due to the softness of the rental market in some areas of the state, one of the challenges in the rule development process for the 2009 application is targeting resources so areas are getting what they need and not devoting resources to an area that doesn't have a need.

MINUTES

Chairman Stultz asked for a motion to approve the Minutes of the May 2, 2008, Board Meeting.

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

Chairman Stultz asked Debbie Blinderman to brief the Board on Elderly Housing Community Loan Program (EHCL) matters.

Item A, Request Approval to De-Obligate EHCL Funds for Episcopal Catholic Apartments.

Ms. Blinderman stated that in June 2004, Episcopal Catholic Apartments closed on a loan for a 199-unit elderly development in Polk County, and all but \$3,303 of the funds were drawn down, so she asked the Board to de-obligate the \$3,303, and make the funds available for other programs and authorize modification of the loan documents.

Motion to approve staff recommendation was made by Mr. Scharaga with a second by Ms. Seroyer. Motion passed unanimously.

FISCAL

Chairman Stultz recognized Barb Goltz to brief the Board on Fiscal matters.

Item A, Fiscal Update – June 30, 2008. Ms. Goltz stated that compared to this point in 2007, Florida Housing is doing very well, as revenue has been greater than anticipated and expenses have been held in check, and she expects that to continue through the end of the year.

GUARANTEE

Chairman Stultz asked Barb Goltz to brief the Board on Guarantee matters.

Item A, Request for Approval for Staff to Pursue Actions for Restructuring the Debt of the Guarantee Fund to Ensure its Continued Soundness and Financial Performance in Light of Current Adverse Market Conditions. Ms. Goltz described recent financial market volatility and its impact on the Guarantee Fund bonds and the associated guaranteed investment and liquidity facility contracts. She also described the negative impact third party relationships (primarily bond insurers) have had on the sale of variable rate debt. These factors have disrupted the bond sale transactions to the extent that the Guarantee Fund experienced interest expense greater than interest revenue in June and that the majority of the Guarantee Fund capitalizing bonds issued were tendered to the liquidity facility provider. After examining these conditions and considering the capacity need of the Guarantee Fund, FHFC reached the conclusion that the capitalizing structure of the Guarantee Fund would benefit from a revision.

She asked the Board to approve the immediate redemption of up to \$125 million in bonds, specifically, the 2002 series and in part the 2000 series, with funds currently on hand in the fund, which will significantly reduce any arbitrage currently experienced by the fund due to adverse market conditions while preserving approximately \$245 million in fund capacity for future business. She also asked the Board to authorize staff, along with financial advisor TIBOR Partners, to actively pursue options as described in Item 2d, or any combination thereof, to ensure the fund's integrity and continued financial solvency, and delegate authority to the Board and Chair to approve the final plan of action.

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

Mr. Oellerich asked about the timing on the recommendation. Ms. Goltz stated that as the markets continue to be volatile, she will continue to watch to make sure to make the best decision at the right time, but added that she anticipates it would not be any greater than 60 to 90 days, depending on how quickly contractual arrangements can be made.

Chairman Stultz asked about the current rating of the Guarantee Fund. Ms. Goltz stated that it is A+.

Mr. Auger asked how redeeming some of the bonds would affect the annual payment on the debt service coverage. Ms. Goltz stated that it would be reduced. Florida Housing would pay less interest on bonds, but additionally, it would eliminate the use of doc stamps for that interest. She stated that much caution has been used when redeeming bonds because it diminishes the capacity of the fund. Given the review of the capacity needed, it was determined that over the course of the foreseeable future the capacity of the fund would be materially acceptable. She stated that statutorily another \$100 million of capitalizing bonds could be issued should the need arise. There has not been a new Guarantee Fund deal in the last two or three years. Mr. Auger stated that there have been no new deals in the last several years because there has been other credit enhancement available. He stated that as older deals in the portfolio have changed ownership, they have changed to other credit enhancement resulting in a reduction in risk and increased available capacity for the Guarantee Fund. He asked the Board for their approval in determining whether bonds need to be redeemed, as there is plenty of capacity available, even if some of the bonds are redeemed.

Motion passed unanimously.

LEGAL

Chairman Stultz asked Wellington Meffert to brief the Board on Legal matters.

Item A, Savannah Springs Apartments II, Ltd., and Emerson Oaks Apartments, Ltd., et al. v. Florida Housing Finance Corporation. Mr. Meffert asked the Board to adopt the findings of fact and conclusions of law of the recommended order as their own, including the final order, and adopt the recommendations of the hearing officer, which is that the five projects that were left as petitioners at the end will be funded.

Motion to approve staff recommendation was made by Mr. Scharaga with a second by Ms. Seroyer.

Mr. Auger stated that Florida Housing has some unique rules in the allocation of resources. He stated that once tax credits are awarded to someone, they have two years to place that unit in service, so they have to get that completed before the credits are lost. He stated that often there are legal challenges to deal with before any money goes out the door, but staff wants to resolve conflicts and keep things moving with the mainstream programs, so a rule was created to address the issue. He stated that in the allocation process there are a lot of opportunities for applicants to challenge scores, and that the 2008 allocation process is currently at the point where folks have submitted scores and they've been scored. He stated that folks then have an opportunity to file a petition against Florida Housing saying Florida Housing scored their application incorrectly, and four petitions were received. He stated that hearings would be held on those petitions, and based on how the orders from those hearings come out, there will be a final ranking of all applications. He stated that after the final ranking, folks get another opportunity to challenge the scores by saying that if other applications had been scored correctly, their application would have been funded. He stated that typically folks that got funded last year keep their funding and those units are being built now. He stated that if the Board adopts this order, there are five applications to fund, and that will come off the top of the 2008 pot, as is required by the rule for the 2007 cycle. He stated that much work has been done to make sure the process is fair and transparent and then as long as the hearing officer hasn't given a recommendation that is harmful for the process, we adopt it and move on. He stated that in this case, the hearing officer said that Florida Housing did not get the scoring right. He stated that staff would look back at the rule and work on tweaking it after the petition process to enhance the rule.

Mr. Meffert stated that procedurally there is an opportunity after the recommended order for the other side or for Florida Housing to file written argument in opposition to the recommended order, but there has been nothing filed in opposition to this recommended order.

Mr. Auger explained the SAIL funding in context with the broader state funding Florida Housing administers, pointing out that over the last ten years, Florida Housing always got the State Housing Trust Fund chunk of money in a lump sum and the Board was given the discretion to allocate it as it saw fit, and historically most of it has gone to the SAIL program, but in 2007-2008, that trend changed when the Legislature began to earmark the Trust Fund dollars, especially for SAIL. He stated that he expects that trend to continue. He stated that some people think that if the order is approved, it means that \$25 million in SAIL funds would be lost from the current year's cycle, but in reality, SAIL funds would be spent to fund SAIL applications to build SAIL units. He stated that the rules were agreed upon up front, and any party can challenge the rules when they are in the process of being adopted, but nobody challenged this rule. He stated that if

the order is approved, it will still leave a higher SAIL number than in almost every year of the SAIL program.

Mr. Oellerich asked what basis was used to not appeal the decision. Mr. Meffert stated that the rule in question says you can't change the identity of the developer, but it doesn't say anything about the general partner of the developer. He stated that to know the "who" of the people behind it, do they have the capacity to complete the developments. He stated that this group was undergoing a major change, a long-time partner was leaving the group and they were restructuring, renaming most all of the entities. He stated that every development has a single purpose entity that's formed through the developer. He stated the rule makes it clear that Florida Housing looks beyond the individual entity to affiliates, which is parents, subsidiaries, all related entities, financial beneficiaries, those who will profit from the development.

Mr. Auger stated that there are a very small number of things that must be right as of the application deadline, but everything else is curable. He stated the reason for this is so no one can play games after they've seen everybody else's application and change their application to give them some sort of competitive advantage. He stated that one of the things that cannot be changed are the players, as they are scored on experience.

Motion passed unanimously.

PROFESSIONAL SERVICES SELECTION (PSS)

Chairman Stultz asked Ms. Goltz to brief the Board on PSS Item A.

Item A, Investment Banking Services. Ms. Goltz stated that the changes in the financial markets prompted staff to re-examine Florida Housing's investment banking firms. She stated that Bear Stearns and Company was on Florida Housing's previous list of banking firms, but is no longer in business; and UBS, but that segment of UBS business has disappeared, so changes were needed. She stated that the current contracts expire on various dates in October, November and December 2008, at which time they can be renewed, but staff would like to go out with an RFP to bring others in. She asked the Board to authorize staff to begin the solicitation process to select one or more investment banking firms to provide investment banking services for the Single Family, Multifamily and Guarantee Programs, and authorize the Executive Director to establish a review committee for the solicitation.

Motion to approve staff recommendation was made by Mr. Scharaga with a second by Mr. Fairman. Motion passed unanimously.

Chairman Stultz asked Debbie Blinderman to brief the Board on PSS Item B.

Item B, Development and Substantial Rehabilitation of Special Needs Housing. Ms. Blinderman stated that on April 11, 2008, an RFP was issued for the development and rehabilitation of special needs housing and 12 proposals were received. She asked the Board to approve the review committee's ranking which puts seven developments within funding range.

Motion to approve staff recommendation was made by Ms. Terry with a second by Mr. Fairman.

Mr. Scharaga asked if smaller developers were notified when this type of RFP is issued. Ms. Muller stated that the information is disseminated in many ways, including a web board that folks can sign up for.

Motion passed unanimously.

Chairman Stultz recognized Wayne Conner to brief the Board on PSS Items C and D.

Item C, Request for Qualifications (RFQ) 2008-02 for Trustee, Registrar, Paying Agent and Dissemination Bond Agent Services. Mr. Conner reminded the Board that at the May 2, 2008, Board Meeting, it directed staff to begin the solicitation process to select a pool of entities to provide trustee services. He stated that an RFQ was issued on June 27, 2008, and seven proposals were received. He asked the Board to authorize staff to enter into contract negotiations with Wells Fargo, Bank of New York and U.S. Bank, the top three rated entities.

Motion to approve staff recommendation was made by Mr. Fairman with a second by Ms. Terry. Ms. Seroyer recused herself from the vote. Motion passed unanimously.

Item D, Request for Qualifications (RFQ) 2008-03 for Structuring Agent Services. Mr. Conner reminded the Board that at the May 2, 2008, Board Meeting, it directed staff to begin the solicitation process to select a pool of entities to provide structuring agent services. He stated that an RFQ was issued on July 18, 2008, and four proposals were received. He asked the Board to authorize staff to enter into contract negotiations with all four entities that submitted proposals.

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

RENTAL RECOVERY LOAN PROGRAM (RRLP)

Chairman Stultz recognized Debbie Blinderman to brief the Board on Rental Recovery Loan Program matters.

Item A, Request Approval to Use Unallocated RRLP Funds. Ms. Blinderman stated that on October 20, 2006, the Board approved the final rankings for the 2006 RRLP cycle and awarded \$94,170,000 in funds. She stated that the RRLP rule requires that funds available 18 months or more after the 2006 RRLP application deadline of August 3, 2006, be used to assist in the buy down of 60 percent units to extremely low income levels for developments funded by other corporation programs through a request for proposal process. She asked the Board to approve staff's recommendation to use \$2.3 million in unallocated RRLP funds to assist in the buy down of 60 percent units to ELI levels for developments funded with other corporation programs through a competitive request for proposals process.

Motion to approve staff recommendation was made by Mr. Scharaga with a second by Mr. Fairman.

Ms. Stultz asked if this would come back to the Board as an RFP. Mr. Auger stated that it would. He reminded the Board the RRLP program was the SAIL-like program created by the Legislature in the wake of the 2004 hurricanes. He stated that the decision was made during rulemaking to use any funds returned after 18 months would be offered in a request for proposals to buy down the rents on existing 60 percent units. He stated the funds would still have to be used in Tier One and Tier Two counties as outlined in the Hurricane Housing Work Group Report. He stated that

currently market softness tends to be in the units set aside at 60 percent area median income, so awarding some money to finance the conversion of existing developments with vacant 60 percent units to serve lower income turns into a win-win situation.

Motion passed unanimously.

SINGLE FAMILY HOMEOWNER PROGRAM

Chairman Stultz asked Barb Goltz to brief the Board on Single Family Homeowner Program matters.

Item A, Single Family Homeowner Program.

Ms. Goltz provided the Board with reservation and bond proceeds information of the Single Family Homeowner Revenue Mortgage Bond program supporting the need to authorize another resolution. Additionally, this resolution provides FHFC with the authority to select one team of professionals for one transaction under the resolution and should a second bond sale under the resolution occur, FHFC would have the authority to appoint a different team of professionals for the second transaction under the resolution.

Ms. Goltz asked the Board to authorize a resolution to: sell up to \$250 million of Single Family Homeowner Revenue Mortgage Bonds; if savings can be achieved, refund all or a portion of various series of currently outstanding bonds; cover interim funding not to exceed \$50 million; and cover issuance costs and capitalized interest not to exceed \$15 million.

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

SPECIAL PROGRAMS

Chairman Stultz asked Nancy Muller Cox to brief the Board on Special Program matters.

Item A, Request Approval to Begin a Process to Solicit for the Administration of a Preservation Rehabilitation Pilot Program. Ms. Muller stated the during the last legislative session, the Legislature appropriated \$10 million to fund a Preservation Rehabilitation Pilot Program. She stated that the appropriation calls for the program to be targeted to rental housing that has received or is currently receiving federal or state funds that is deteriorating in some way or has an upcoming expiring affordability period in Pasco, Orange or Palm Beach Counties. She stated that the appropriation calls for Florida Housing to leverage those monies four to one with intermediaries. She asked the Board to approve staff's request to conduct one or more public meetings to discuss the implementation of a preservation pilot program and to subsequently develop a solicitation to administer funding for preservation of rental housing in Pasco, Orange and Palm Beach Counties that receives or has received funding from any federal or state housing funding program.

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

Ms. Stultz asked how intermediaries will be involved. Ms. Muller stated that there is no statutory definition of intermediary, and therefore, it is very broad. She stated that Florida Housing or local governments could be considered intermediaries, but when administering funds, generally a loan consortium is the intermediary. She stated that what the best type of intermediary is would be discussed at the public meetings. She stated that there is a lot of flexibility in the program.

Motion passed unanimously.

Item B, Demonstration Loan/Special Needs Program Update. Ms. Muller updated the Board on the status of demonstration loans. She stated that Florida Housing started offering demonstration funding in 2001 to experiment and learn from the front-end funding piece through the award to credit underwriting to construction and the management to see what was needed to serve populations Florida Housing has not traditionally served. She stated that the number of persons with special needs that Florida Housing had financed housing for was very limited compared to today. She stated that a total of 1,280 rental units have been funded using demonstration funds. She stated that staff has found that predevelopment, underwriting and construction tends to take longer in these projects because they are all non-profit developers, some of whom are emerging in terms of experience. She stated that on the community land trust side, Florida Housing used Home funds to offer through two RFPs \$10 million. She stated that the funding was awarded to build 91 units. She stated that demonstration project was important to move the state in a new direction in a time when housing prices and land were soaring and it was harder for folks at the income levels Florida Housing typically serves to afford homeownership.

Ms. Ruiz asked if the units were occupied. Mr. Auger stated that staff would get that information for her. She also asked about the status of completion of the units. Ms. Muller stated that she would provide that information.

Ms. Muller stated that one of the things that has made the program successful is the technical assistance provided to them through Florida Housing's contract with the Florida Housing Coalition.

Ms. Terry asked what happens to the money when CLTs go halfway and don't go all the way. Mr. Auger stated that it depends on the source of the funding, and in some cases, the funding allows Florida Housing to hang in there with a development longer than it might with some other state and federal resources that have more restrictions and time clocks. Ms. Terry asked if the money is spent, how Florida Housing gets it back. Mr. Auger stated that it depends on the program and the demonstration. He stated that some funding is forgivable and some is de-obligated if the project does not move forward. Ms. Terry asked if the non-profits take half the risk and Florida Housing takes the other half. Mr. Auger stated that also depended on the source of the funding, and if it's just Florida Housing funds, there is more flexibility.

Ms. Ruiz asked if there was a time period to look at the projects after completion. Ms. Muller state that they are reviewed yearly over the life of the affordability period.

Mr. Scharaga asked if a community land trust retains the ownership of the properties. Mr. Westcott said that they did. Mr. Scharaga asked when happens to Florida Housing money. Mr. Westcott stated that under the terms of the RFPs for community land trust, the funds were forgivable. Mr. Scharaga asked how the community land trusts survive if there is no income stream. Mr. Westcott stated that there is usually a fee paid each month to the community land trust for lease of the land. Mr. Scharaga asked what happens if the land trust doesn't follow

through with the money they've been given. Mr. Westcott stated that it is forgivable, but it is still a loan, so they have to meet all the requirements for the loan for it to be forgiven, and if they do not, Florida Housing has mechanisms through the loan documents to go in and take over the land.

Chairman Stultz called a five minute break.

Chairman Stultz reconvened the meeting.

UNIVERSAL CYCLE

Chairman Stultz asked Debbie Blinderman to brief the Board on Universal Cycle matters.

Item A, 2009 Universal Cycle, Ms. Blinderman stated that a public meeting would be held after the Board Meeting to solicit comments on Rule Chapter 67-21 and 67-48 in connection with the Universal Application Cycle. She asked the Board to authorize staff to proceed with the 2009 Rule Development process.

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

CONSENT AGENDA

Chairman Stultz asked Steve Auger to brief the Board on CWHIP Consent Item A, which was pulled from the Consent Agenda for discussion.

CWHIP Consent Item A, Credit Underwriting Extensions. Mr. Auger reminded the Board that the Community Workforce Housing Innovation Pilot Program was created by the Legislature in 2006 in large part through the efforts of the late Representative Mike Davis. The purpose of the program was to use innovative public/private partnerships, innovative land use regulations, innovative financing mechanisms and innovative designs to produce workforce housing throughout the state. He stated that the program was first funded in 2006 and again in 2007. He stated the because of the innovation aspect of the program, staff anticipated that developers would likely need to come back and ask for extensions, so that allowance was built into the rule. He stated that due to the current market situation, many of the projects are in need of extensions. He stated that a one percent extension fee was also built into the rule to motivate developers to move forward on the projects by assessing a fee if they need to tie up the money longer. He stated that the deals that have asked for extensions have needed them due to the changing market conditions, not because of something the developers have failed to do or have done wrong, so staff contemplated a waiver of the extension fee, which is what was recommended in the original Consent item. However, he stated that the Governor and his staff subsequently directed all state agencies to do whatever they can to get money moving in an effort to stimulate the economy. Accordingly, Mr. Auger stated that the recommendation was amended. He asked David Westcott to present the recommendation to the Board.

Mr. Westcott asked the Board to approve staff's amended recommendation to grant the requested credit underwriting extensions until May 9, 2009, provided that the applicants pay the one percent extension fee within 30 days, but a failure to pay the fee within the 30-day period would result in the de-obligation of the funds awarded to the applicant. He asked the Board to further approve staff's recommendation to refund the one percent extension fee to the applicants at closing should the applicants complete credit underwriting by the May 9, 2009, extended deadline.

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

Ms. Ruiz asked how much more time these developments would take. Mr. Auger stated that at longest, the credit underwriting reports would be approved by May of 2009, and then they would have 90 days to close.

Tom Crawford, Director of the Housing Finance Authority for St. John's County, one of the applicants asking for the extension, asked that the term or time frame be 60 days rather than 90 days. He stated that they are making progress. Mr. Auger clarified that he was asking to amend it to allow 60 days so that the local government folks would have to go back to the County Commission to get approval. Mr. Crawford said yes.

Steve Pike stated that a lot of people who were not at the meeting were not expecting to pay the extension fee. Mr. Auger stated that Governor Crist issued a directive to agencies to move money. Mr. Pike stated that \$50,000 was a lot of money to come up with for some of the groups. Mr. Auger stated that is why the Board is giving 60 days for that extension fee.

Ms. Ruiz stated that some applicants did not request the one percent fee waiver. Mr. Auger said that was true and those applicants were expecting to pay the fee. Ms. Ruiz asked if applicants asked for a second extension would they have to pay a second fee. Mr. Westcott state that was the case.

Motion passed unanimously.

Mr. Auger stated that Multifamily Bonds Consent Item D, Willow Lakes; Legal Consent Item A, Pine Grove Apartments; Housing Credits Consent Item A, Silver Sands; and Special Assets Consent Item J, Wood Park Point, were being pulled from consideration.

Chairman Stultz asked for a motion to approve the remaining items on the Consent Agenda.

Motion to approve the remaining items on the Consent Agenda was made by Mr. Scharaga with a second by Mr. Fairman. Motion passed unanimously.

Chairman Stultz asked Steve Auger to brief the Board on the timing of credit underwriting.

Mr. Auger stated that staff has received public comments on the timing of bringing deals back to the Board when things change after a credit underwriting report has already been approved and the difficulty that poses due to the timing of the Board Meetings. He stated that waiting for a regularly scheduled Board Meeting sometimes delays the closing of the loan and staff has been discussing ways to address that issue. He stated that one idea was to do telephonic Board Meetings when the situation arose, but the legalities of that have not been worked out, so staff is still discussing ways to keep the process moving and not hold up closings due to the timing of regularly scheduled Board Meetings.

Ms. Ruiz asked to discuss the Special Assets Information Item regarding Nia Terrace Apartments' foreclosure and the write-off of the SAIL loan and termination of the LURA. She asked if that happened in every foreclosure situation Mr. Auger asked Junious Brown to address Ms. Ruiz's concerns. Mr. Brown stated that the provisions of the LURA provide that upon foreclosure the obligations to the borrower under the agreement are terminated.

Mr. Meffert questioned if a vote was taken on the remaining items on the Consent Agenda, so another vote was taken.

Motion to approve the remaining items on the Consent Agenda was made by Ms. Seroyer with a second by Ms. Ruiz. Motion passed unanimously.

Hearing no further business, the June 13, 2008, Board of Directors' Meeting was adjourned and the Board then took public comment.