

**Florida Housing Finance Corporation
Board of Directors' Meeting Minutes
June 13, 2008**

TIME: 9:00 a.m.

LOCATION: Marriott Harbor Beach
3030 Holiday Drive
Fort Lauderdale, FL 33316

BOARD MEMBERS PRESENT:

Lynn Stultz, Chairman
Ken Fairman
Stuart Scharaga
Sandra Terry
Zully Ruiz

CORPORATION STAFF PRESENT:

Stephen P. Auger, Executive Director
Debbie Blinderman
Wayne Conner
Robert Dearduff
Laura Cox
Sheila Freaney
Barbara Goltz
Nancy Muller
David Westcott

ADVISORS AND OTHERS PRESENT:

Mark Mustian, Nabors, Giblin & Nickerson
Jan Carpenter, Shuffield Lowman
Mike Koessel, CitiGroup
Scott Culp, Atlantic Housing
Wade Weeks, Deloitte & Touche

Chairman Stultz began the meeting at 9:10 a.m. by asking Mike Koessel of CitiGroup to update the Board on the national foreclosure situation. Mr. Auger stated that as an investment banker for Florida Housing working with other housing finance authorities around the country, Mr. Koessel can provide perspectives from other states.

Mr. Koessel reminded the Board that he was at the March meeting in Tallahassee and addressed the Board regarding the subprime lending crisis at that time. He expanded on that discussion and shared some responses of other HFAs, such as California, which is in a situation similar to the State of Florida.

After the presentation, Chairman Stultz officially called the meeting to order and confirmed that a quorum was present. She thanked Lloyd Boggio and the Carlisle Group for inviting the Board and staff to the grand opening the previous night and praised the coordination of efforts and funds that went into the development. She then asked if there was anyone who wanted to make public comments to the Board.

Scott Culp, with Atlantic Housing, addressed the Board on the issue of softness in certain areas of the rental market, noting that while that is true, many areas have strong occupancy rates. He stated that in these times of recession, rental housing will continue to be important and it is important to distribute rental funding equitably across the state. Chairman Stultz asked Mr. Culp to elaborate. He stated that there should be reasonable caps on the tax credit amount per unit to discourage any incentive to building the most expensive product; reasonable caps on the developer fee per unit; a reasonable gap calculation that forces each developer to utilize the conventional private resources, to force developers to use what conventional private mortgages are available under an appropriate underwriting process; and to end the lottery system with regard to 9% credits.

FISCAL

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

Item A, Financing Adjustment Factor (FAF) Bond Redemption. Ms. Goltz stated that the Financing Adjustment Factor (FAF) was a tax exempt revenue bond program begun in 1982 for the construction of 11 Section 8 properties. She added that in 1988 HUD set up a program to reduce the interest rate on the bonds and to share that reduction between HUD and Florida Housing. She stated that there is only one loan left from this program and asked the Board to authorize staff to immediately redeem the bonds by using the accumulated assets in the indenture; renegotiate the interest rate on the mortgage; record the negotiated mortgage as an unrestricted asset of Florida Housing; obtain a final arbitrage report on the bond series; accept Section 8 compliance reports on an ongoing basis for compliance monitoring purposes for the development and release the balance of funds from the indenture in order to free up the additional assets and allow for their use in other programs.

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

Item B, Acceptance of the Report by Deloitte & Touche, LLP, on the Audit of the 2007 Financial Statements. Ms. Goltz introduced Wade Weeks, a partner with Deloitte & Touche, to present the Audit of the 2007 Financial Statements to the Board. Mr. Weeks gave a brief synopsis of the Audit. Ms. Goltz asked the Board to accept the Audit as presented.

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

Ms. Goltz stated that the Guarantee Program is tangentially affected by everything else going on in the financial market. She stated that for the Guarantee Program, Florida Housing has taxable weekly set variable rate bonds, and because they are set weekly and the insurers have been downgraded by the rating agencies, that is affecting the interest rate on the Guarantee Fund capitalizing bonds. This causes a higher debt service for the program.

Item C, Reallocation of Prior Documentary Stamp Tax Allocation. Ms. Goltz stated that Florida Housing has approximately \$700 million in tax exempt bond allocation assigned to the Single Family First Time Homebuyer Program. She stated that with the downturn in the real estate and financial markets, investors expect an increased bond interest rate to mitigate the perceived additional risk for housing bond investments. She asked the Board to re-allocate \$60,148,700 of documentary stamp tax appropriations for the HAP program to be used to reduce the first mortgage interest rate and provide down payment assistance to first time homebuyers.

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

MULTIFAMILY BONDS

Chairman Stultz recognized Wayne Conner to brief the Board on Multifamily Bonds matters.

Item A, Request Approval of the Final Credit Underwriting Reports for Cutler Manor Apartments, Cutler Meadows, Middletown Apartments and Oakwood Villas. Mr. Conner stated that Cutler Manor Apartments, Cutler Meadows, Middletown Apartments and Oakwood Villas are four of the Greater Miami Neighborhoods developments that are currently under bankruptcy proceedings. He stated that Preservation of Affordable Housing (POAH) is trying to acquire and rehab the four developments. He asked the Board to approve the recommendations of the credit underwriter outlined in the final credit underwriting reports and authorize \$39,200,000 of tax exempt bonds be used for the acquisition and rehabilitation of the four developments subject to other approvals and verification of the credit underwriter, bond counsel, special counsel and Florida Housing staff.

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

Ms. Ruiz questioned the proposed general contractor's lack of a Florida contractor's license. Doug McCree, of First Housing, the credit underwriter on the developments, stated that one of the conditions listed in the credit underwriting report is the contractor's acquisition of a Florida contractor's license. Ms. Ruiz asked if the contractor's credentials in other states were checked during the credit underwriting process. Mr. McCree assured her that they were. Ms. Ruiz

expressed her concerns about approving a credit underwriting report when the contractor does not yet have a Florida license. Mr. McCree explained that one of the conditions in the report is that the license is acquired. Mr. Auger further explained that timing is an issue in this approval, as there is a pending bankruptcy and if the report was not presented for approval before the next scheduled Board Meeting, the bankruptcy hearing will have already been held.

Motion passed by a vote of four to one, with Zully Ruiz casting the dissenting vote.

Mr. Conner asked the Board to approve the assignment of RBC Dain Rauscher to handle the four deals.

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

Mr. Conner asked the Board to approve staff recommendation to approve the senior financial advisor for the method of sale of the developments.

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

PREDEVELOPMENT LOAN PROGRAM (PLP)

Chairman Stultz asked Ms. Muller to brief the Board on Predevelopment Loan Program matters.

Item A, Request for Release of the Mortgage and Land Use Restriction Agreement for Frenchtown Village (PLP 00-024). Ms. Muller stated that since 2003 the Frenchtown Community Development Corporation has had a PLP loan in the principal amount of \$489,462 which matured in March 2006. She stated that Florida Housing staff has worked with the developer over the last two years to figure out a solution that would meet their needs and also get the loan paid back. She stated that the Frenchtown CDC in conjunction with the City of Tallahassee has requested that Florida Housing accept full repayment of the PLP loan with the City's Community Redevelopment Agency funds with the stipulation that the development be released from the mortgage and land use restriction agreement (LURA). She stated that developer and the City still intend to develop as many units as possible for affordable housing, but due to a variety of market factors, they are not sure all the units can be developed for this purpose. She asked the Board to approve the release of the PLP mortgage and LURA for Frenchtown Village upon full repayment of the PLP loan, so the funds can be used to fund another potential development.

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

Ms. Terry asked why so many PLP projects come back to the Board to be written off. Ms. Muller stated that it was very rare that a request for a loan write off is brought to the Board. She added that staff was not asking to write off the loan in question, rather that the recommendation would result in repayment of the entire principal amount plus \$63,000 in interest. She said that most loans that are brought back to the Board for action are asking for extensions, not write offs, as it's taking longer than three years to obtain permanent financing. She stated that the PLP program is set up so that an entity that does not usually use Florida Housing resources or that does not have a lot of up front capital can come in and borrow money, but then make use of one of Florida Housing's permanent financing resources and then payback the PLP loan.

Before a vote was taken, Chairman Stultz called for a five minute recess.

Chairman Stultz called the meeting back to order and called for a vote on PLP Item A.

Motion passed unanimously.

PROFESSIONAL SERVICES SELECTION

Chairman Stultz asked Wayne Conner to brief the Board on Professional Services Selection Item A.

Item A, Request for Qualifications (RFQ) 2008-01 for Environmental

Engineering/Consulting Services. Mr. Conner reminded the Board that at the May 2, 2008, Board Meeting, it directed staff to issue an RFQ for environmental engineering consulting services and authorized the executive director to establish a review committee to make a recommendation to the Board. He stated that on March 14, 2008, staff issued RFQ 2008-01, on April 18, 2008, seven responses were received, and the review committee recommends that the Board authorize staff to enter into contract negotiations with the top four rated offerors which are Malcom Pirnie, Inc., Professional Services Industry, Florida Planning Group and Genesis Group. He asked the Board to further authorize staff to enter into contract negotiations with the fifth ranked offeror, Environmental Services, should negotiations with the top four offerors fail.

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

Chairman Stultz recognized David Westcott to brief the Board on PSS Item B.

Item B, Request for Proposals (RFP) 2008-03 for Foreclosure Prevention Counseling

Training and/or Technical Assistance Services. Mr. Westcott stated that RFP 2008-03 for foreclosure prevention counseling training and/or technical assistance was issued on April 18, 2008, and responses were received from Florida Housing Coalition, Mortgage and Credit Center and the Paxen Group. Based on the review committee's evaluation, he asked the Board to approve the Florida Housing Coalition for the technical assistance services provision subject to further approval of personnel and method for delivery of the technical assistance and subject further to Florida Housing Coalition providing proof of professional liability errors and omissions insurance and a current certification from the Department of State that they are qualified to do business in the State of Florida. He further asked the Board to authorize staff to enter into negotiations with Mortgage and Credit Center LLC for the training component of the RFP.

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

SPECIAL HOUSING ASSISTANCE AND DEVELOPMENT PROGRAM (SHADP)

Chairman Stultz recognized Nancy Muller to brief the Board on Special Housing Assistance and Development Program matters.

Item A, Request Approval of an Extension of the Loan Closing Date for Tropic Hammock.

Ms. Muller stated that on January 25, 2008, the Board approved a loan from the Special Needs hurricane housing recovery program to the Coalition for the Hungry and Homeless of Brevard County in the amount of \$623,895 for the Tropic Hammock development, and on February 25, 2008, staff sent a commitment letter to the developer with a loan closing date of April 25, 2008. She stated that on May 22, 2008, the developer submitted a request for a loan closing extension due to a series of delays related to rezoning. She stated that the developer had a successful predevelopment conference with the City and believes that site building permits will be issued by the end of May. She asked the Board to approve the developer's request for the SHAD loan extension closing from April 25, 2008, to October 27, 2008.

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

SPECIAL PROGRAMS

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

Item A, Request Approval to Issue a Request for Proposals for the Rehabilitation of Aging Developments in Florida Housing's Portfolio.

Ms. Muller stated that this item involves a demonstration to evaluate how to target funding for the rehabilitation of aging units in Florida Housing's portfolio and is a request for authorization to issue a request for proposals (RFP) using FAF funds. She stated that there are over 1100 units in the portfolio with set-asides that expire in 2010, and many of those properties are in need of rehabilitation. She stated that staff would like to target the funding to the smaller developments that are serving extremely low income persons with disabilities and other special needs. She asked the Board to authorize staff to develop and issue an RFP for the rehabilitation of aging housing units currently in Florida Housing's portfolio that target extremely low income and homeless residents, frail elders, and persons with disabilities with a priority to developments with expiring affordability periods.

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

SPECIAL ASSETS

Chairman Stultz asked Laura Cox to brief the Board on Special Assets matters.

Item A, Request Approval of Workout Proposal for Carlisle Lakes II (SAIL 2001-021S).

Ms. Cox stated that this item involves Carlisle Lakes II, a 149-unit development in Hillsborough County that received a \$950,000 SAIL loan and an allocation of four percent housing credits in 2002. She stated that the development had financial difficulties and a foreclosure complaint was filed on behalf of the Hillsborough County Housing Finance Authority on April 8, 2008. She stated that the principals of the development have requested a workout of the SAIL loan wherein they agree to pay off the loan with interest, which has already been done, and asked that the funds be held in escrow for 30 days to allow the borrower time to renegotiate with the bond holder to get the foreclosure complaint dismissed and to get a workout done. She stated that the principals

have agreed to pay interest at the note rate to be offset by any interest earned on the escrow funds over the 30-day period. She stated that if negotiations are successful by July 11, 2008, the principals have requested that Florida Housing return the principal and interest earned or interest paid to them and the SAIL loan will go on, but if negotiations are unsuccessful, staff asks that the funds be used to pay off the loan.

She asked the Board to approve the workout proposal to hold the funds for payment of principal and interest on the SAIL loan in an escrow account until July 11, 2008, to allow time for the borrower to further negotiate with the bond holders, and if negotiations are successful on or before July 11, 2008, direct staff to return the principal and interest to the borrower so long as the development is in compliance with loan document requirements. She stated that if negotiations are not successful by July 11, 2008, she asked the Board to direct staff to use the funds to pay off the SAIL loan and bill for any remaining unpaid interest.

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

UNIVERSAL CYCLE

Chairman Stultz asked Steve Auger to brief the Board on Universal Cycle matters.

Item A, Rule Governing Returned Awards of Funding, Mr. Auger stated that staff is working on rules governing the return of awarded funds, as was discussed at the May 2 meeting in Tallahassee. He stated that staff is working to ensure that before the point of final ranking all the applications that are part of the ranking process are ready to proceed at that time, and if they are awarded funds in the ranking process, and then return the funds, there will be consequences to their actions. He stated that the proposed first penalty is that they cannot benefit directly from the return of the funding, for example, benefitting from another application they are involved in that is further down the ranking list getting returned the funding. He stated that the other proposed penalty is that for every returned award of funding, in the next Universal Application Cycle, an equal number of applications from that developer will be skipped in the ranking process. He stated that if there are legitimate reasons for a deal not going forward after ranking, the developer can submit a petition for rule waiver stating their legitimate reasons and the Board can consider each case individually. He stated that the change would also allow a developer who thought they had a viable application when it was submitted, but subsequently discovers that it is not viable, to withdraw that application prior to ranking with no penalty.

He asked the Board to approve the proposed revisions and authorize staff to file the rules for adoption and if further revision is deemed necessary prior to filing, authorize the Chair to approve the Notice of Proposed Rulemaking without the requirement of another Board Meeting so that staff may proceed with the required filing, the rules for publication, the Florida Administrative Weekly, and review by the Joint Administrative Procedures Committee so those can be in effect before filing.

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

CONSENT AGENDA

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

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

Mr. Auger thanked Florida Housing Board Members and staff, as well as the credit underwriters and special counsel for their preparation efforts for the retreat.

Mr. Auger told the Board that in conjunction with the August Board Meeting in Jacksonville, LISC in Jacksonville, in coordination with the Alliance of CDCs and the City of Jacksonville has invited the Board and staff on a tour of some properties in Jacksonville and to a reception afterwards and asked them to save the date and make their travel plans accordingly.

Hearing no further business, the June 13, 2008, Board of Directors' Meeting was adjourned at 11:40 a.m.