

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
January 22, 2010
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Corporate Marketing and Outreach

1. Background/Present Situation

- a) Communications and IT staffs are working together to redevelop Florida Housing's Web site during the 2010 calendar year. This redevelopment is in line with the newly adopted strategic plan, titled "*Ensure that Information about Florida Housing's Programs is Accessible to All Stakeholders.*"
- b) The "Going Green" pages of the Florida Housing Web site debuted in December 2009. A press release and articles on the Corporation's green efforts were submitted to the Florida Green Building Coalition, Supportive Housing Coalition, Florida Department of Veterans Affairs, Florida Department of Elder Affairs and other stakeholder groups for publication in their newsletters and online. The purpose of this initiative is to establish Florida Housing as a resource to help homebuyers, housing providers and advocates throughout the state *go green* in their affordable homes or rental properties.
- c) The Seventh Annual Lenders Appreciation & Awards Dinner will be held on Friday, June 11, 2010 at The Peabody Hotel in Orlando, Florida. In addition, Communications staff is currently reviewing proposals for the 2011 Lenders Dinner.

FISCAL
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II. FISCAL

A. Operating Budget Analysis for November 2009

- a) The Financial Analysis for November 30, 2009, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending November 30, 2009, is attached as [Exhibit B](#).

GUARANTEE

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III. GUARANTEE

A. Status of Defaults Within the Guarantee Program Portfolio

1. Background/Present Situation

- a) In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. Since then, the Guarantee Program alone and/or in conjunction with HUD has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. Of the 94 multifamily developments in the Guarantee Program portfolio today, 60 are Risk-Sharing transactions.
- b) The seven (7) claims filed since November 2008 represent the only multifamily claims incurred in the 15-year history of the Guarantee Program. As of December 31, 2009, the following developments have been foreclosed or are in the process of foreclosure:

<u>Development</u>	<u>Location</u>	<u>Year Built</u>	<u>Units</u>	<u>Claim Amt.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Turtle Creek	Naples	1996	268	11,798,177	Yes	C.J. Communities	KeyBank	Claim filed 11/08, in receivership, Foreclosure in process
Riverfront	Orlando	1997	356	13,322,340	Yes	MMA *	MMA	Foreclosed 7/09. Sold 12/09.
Riley Chase	North Port	1999	312	12,135,769	Yes	Vestcor	Centerline Capital	Foreclosed 11/09. Under contract 12/09.
Walker Ave Club	Vero Beach	2000	172	8,163,931	Yes	Benchmark	PNC Capital	Foreclosed 11/09.
Landings at Boot Ranch	Palm Harbor	1995	232	10,028,319	Yes	Gulf Landings Dev. Corp.	Centerline Capital	Foreclosed 10/09.
Sarah's Place	Clermont	1997	330	12,369,280	Yes	Sarah's Place LLC *	Key Bank	Claim filed 9/09, Foreclosure in process
Nelson Park	Clermont	2000	358	14,409,565	Yes	Nelson Park LLC *	Key Bank	Claim filed 9/09, Foreclosure in process

*The original general partner was Worthwhile Development (H.J. "Jay" Royall, principal), who was either removed by the limited partner or resigned and was subsequently replaced by a limited partner related entity.

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- c) As of December 31, 2009, there were two (2) developments in the portfolio in monetary default due to the borrower's failure to make timely payments on the note. Both are Risk-Sharing transactions, as outlined below:

<u>Development</u>	<u>Location</u>	<u>Closing Date</u>	<u>Total units</u>	<u>Mtg. bal.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Leigh Meadows	Jacksonville	9/26/1996	304	9,426,496	Yes	Vestcor Development	Wachovia	Past due: 12/1/09 & 1/1/10 pmts
Heritage Apartments	Naples	7/11/2001	320	18,236,346	Yes	Worthwhile Development	KeyBank	Past due: 12/1/09 & 1/1/10 pmts

- d) The owner/borrower for Leigh Meadows has been approved for funding under the subordinate mortgage initiative (SMI), but they have not yet proceeded with closing the transaction due to their inability to obtain investor approval citing insufficiency of SMI funding. Heritage Apartments is the fourth and final Worthwhile Development in the Guarantee Program's portfolio. H.J. "Jay" Royall is the principal of Worthwhile Development and also built Riverfront (claim filed December 2008), Sarah's Place and Nelson Park Apartments (claims filed September 2009). We have been closely monitoring Heritage and anticipate it may become our eighth (8th) claim.

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B. Disposition of Riverfront

1. Background

- a) Worthwhile Development, Ltd. d/b/a Riverfront Apartments (“Riverfront”) is a 356 unit multifamily development located approximately 12 miles east of downtown Orlando, near Union Park in Orange County, Florida. The property was financed with FHFC bonds, 1997 Series A, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgage.
- b) On December 12, 2008, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Riverfront Apartments and on February 10, 2009, filed for foreclosure in the 9th Circuit Court in Orange County, case number 2009-CA-004089-O.
- c) On April 20, 2009, Worthwhile Development, Ltd. filed an amended answer to the foreclosure complaint essentially consenting to summary judgment. On May 26th, summary judgment was granted and a foreclosure sale date was set for June 26th. FHFC was the winning bidder at the foreclosure sale and a certificate of title was issued to FHFC II, Inc. on July 24, 2009.
- d) Following established protocol, Riverfront Apartments was listed for sale via competitive bid process with Marcus & Millichap. A total of 37 bids were received. On October 7, 2009, FHFC received the best and final offers from seven (7) bidders.
- e) Staff met October 9, 2009 to select top bidders. On October 23, 2009, the Board approved staff recommendations to proceed with the activities required for the sale of Riverfront to JLC Southeast, and should the sale to JLC Southeast fail to close, engage Stoneleigh Companies.
- f) FHFC II and JLC Southeast entered into a Purchase and Sale Agreement, as amended by a First Amendment dated October 23, 2009 and a Second Amendment dated November 10, 2009. As part of the purchaser’s due diligence, invasive boring/testing was conducted on building exterior walls, which revealed extensive moisture intrusion and related damage.
- g) JLC’s capital partner, Eola Capital, apparently became apprehensive about the extensive moisture intrusion and related damage and withdrew their capital commitment. Although JLC previously provided confirmation of cash on hand to close the transaction without financing, JLC then sought capital from Real Estate Capital Partners without disclosure to Florida Housing even though JLC was aware of Florida Housing’s preference for a bid that did not include financing contingencies.
- h) On November 11, 2009, JLC Southeast exercised its right to terminate the contract due to complications accessing the capital necessary to close. Staff received a request from JLC to reinstate the purchase and sale agreement with closing on or before December 11, 2009.

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2. Present Situation

On November, 20, 2009, the purchase and sale agreement was reinstated and closing occurred on December 11, 2009. Staff is currently preparing required schedules and forms for inclusion in the final claim settlement with HUD, and anticipates that our portion of the loss will be approximately \$2.5 million.

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C. Status of Foreclosure of Turtle Creek Apartments

1. Background

- a) Turtle Creek is a 268-unit development located in Naples, Florida, near the north end of Collier County. C.J. Communities, a relatively small developer, built the development in 1996. KeyBank is the limited partner (99% owner, tax-credit syndicator). The property was financed with FHFC bonds; 1996 Series C1 & C2, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guarantee the first mortgage.
- b) On November 14, 2008, the Guarantee Program filed an Application for Initial Claim Payment with HUD, the first in its 15-year history, on Turtle Creek, and on December 19, 2008, filed for foreclosure in the 20th Circuit Court in Collier County, case number 08-9754-CA.
- c) On December 22, 2008, Guarantee Program counsel petitioned the court for appointment of a receiver due to the owner/borrower's refusal to relinquish control of operations to a 3rd-party FHFC-approved management company. The court denied FHFC motion for receivership, leaving the Turtle Creek under the control of the owner/borrower. Following this ruling, the owner/borrower admitted in writing to withdrawing approximately \$125,000 capital from the property. HUD initiated an inquiry into this matter, as possible "equity skimming", but staff has not received updated status of HUD's inquiry.
- d) On April 29, 2009, one day prior to the scheduled hearing for motion for summary judgment of foreclosure, the owner/borrower filed Chapter 11 bankruptcy.
- e) On June 22, 2009, the court granted an Interim Agreed Order granting Debtor authority to use Cash Collateral (i.e. revenues). The order provided the owner/borrower authority to pay monthly operating expenses, but required it to deposit net cash flow into a designated account opened by FHFC; the accumulated balance is approximately \$56,000.
- f) On November 5, 2009, the debtor's counsel made an oral motion to dismiss the case after FHFC was granted a relief from stay from bankruptcy protection. The motion to dismiss was granted, thus allowing FHFC to proceed against the debtor.

2. Present Situation

A hearing was held on January 4th for FHFC's Renewed Motion for Appointment of Receiver, which was granted. The Amended Motion for Summary Judgment of Foreclosure will be heard at a hearing on March 9, 2010.

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D. Removal of \$10 Million Surety from the Debt Service Reserve Fund

1. Background

The Debt Service Reserve Fund (DSRF) included a \$10 million surety bond from Ambac, expiring in 2013. Ambac is currently rated below investment grade by the rating agencies Moody's and Standard & Poor's (S&P). Fitch withdrew its rating in 2008. Ambac has not been deemed insolvent or failed to pay claims to date, and there are no Indenture provisions requiring the surety's replacement. Nevertheless, Fitch Ratings (Fitch), in its most recent annual review of the Fund, assigned zero value to the surety, citing it as a point of concern in supporting its decision to downgrade the Fund's insurer financial strength rating.

2. Present Situation

Pursuant to Board approval granted at the October 23, 2009 meeting, staff, with the advice of the Guarantee Fund's counsel and financial advisor, determined it would be in the best interest of the Fund to terminate the \$10 million Ambac surety, replacing it with cash from the Guarantee Fund. The termination was effective December 31, 2009.

E. Guarantee Program Capacity ([Exhibit A](#))

SINGLE FAMILY BONDS

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IV. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. Background/Present Situation

- a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying first time homebuyers through our First Time Homebuyer Program. In our uncertain housing market, Florida Housing's program provides needed assistance to eligible homebuyers by offering low cost 30-year, fixed rate mortgages together with down payment and closing cost assistance.
- b) In late October, the U.S. Treasury, the Federal Housing Finance Administration, Fannie Mae and Freddie Mac announced the HFA Initiative/New Issue Bond Purchase (NIBP) program. The program was created based on authority granted under the Housing and Economic Recovery Act of 2008 (HERA) and is designed to maintain the viability of Housing Finance Agency (HFA) lending programs on a temporary basis by allowing HFAs to issue debt that is purchased by the U.S. Treasury. NIBP has two components: the Single Family New Issue Bond Program and the Multifamily New Issue Bond Program. The single family program provides temporary financing for HFAs to issue new housing bonds to fund new mortgages to qualified first time homebuyers. The purchase by Treasury of Florida Housing's long term bonds should help lower the mortgage rates offered to borrowers through the state's First Time Homebuyer Program. As part of this initiative, will introduce the new 2009 series A1/A2 bond program on January 12, 2010. For the first time in over a year and a half we will be able to offer a competitive interest rate on our first mortgage programs. We would expect to see a noticeable increase in loan originations throughout 2010 as a result of this program.
- c) Single Family Programs staff continues to teach a three hour DBPR approved continuing education course offered through local Realtor Boards since 2003. We contract through the local Board of Realtors in the various counties to guarantee a minimum attendance of 20 Realtors per class. Florida Housing charges \$25 per attendee to help defray our travel and other costs. Program staff has been reaching out to local Board of Realtor offices in smaller, rural counties in an effort to increase our network of lending partners in these often overlooked areas. Our 2010 realtor training calendar has been distributed to local Realtor associations throughout the state and we have already booked 11 classes for 2010.
- d) The Single Family program staff, in conjunction with our Master Servicer, US Bank, and the program compliance team at eHousing, has begun planning for new lender trainings in 2010. These quarterly training sessions are conducted via a teleconference format called WebEx. The WebEx format allows lenders from offices around the state along with some out of state support centers to dial in via conference call and participate in an interactive computer based training session. We conduct two 3 hour classes which allows up to 300 registered participants in each session. The morning session is for loan officers and processors while the afternoon session is for underwriters, closers, shippers, and funders. By tailoring each class to the intended target group we find that we are

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able to provide more detailed and useful information that is group specific. Our next training is scheduled for mid January.

- e) Florida Housing sponsors a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. For the months of November and December we received 670 total calls from first time homebuyers, Realtors, and lenders via the first time homebuyer line; of which 395 were transferred to the single family staff. The remaining callers were able to receive the information they were looking for online using the First Time Homebuyer Wizard tool. We will continue to monitor these calls and evaluate the best way to handle the call volume in the long term.

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

V. SPECIAL ASSETS

A. Summary of Foreclosures of Florida Housing Developments with Housing Credits Only

Development Name: Mystic Pointe (“Development”)	Location: Orange
Developer/Principal: Davis & Sons Construction (“Developer”)	Set-Aside: HC 100% @ 60% AMI, 30 Years
Number of Units: 373	Allocated Amount: HC \$1,870,700
Demographics: Family	New Owner: Certificate of Title dated 8/25/2009 was issued to MP-Apts, LLC
Development Name: Oaks at Omni (“Development”)	Location: Lee
Developer/Principal: Carlisle Group (“Developer”)	Set-Aside: HC 15% @ 30%; 85% @ 60% AMI, 50 Years
Number of Units: 300	Allocated Amount: HC \$1,200,000
Demographics: Family	New Owner: Certificate of Title dated 8/7/2009 was issued to Blue Valley Apts.
Development Name: Spring Glade (“Development”)	Location: Hillsborough
Developer/Principal: Heritage Affordable Development, Inc. (“Developer”)	Set-Aside: HC 10% @ 45%; 90% @ 60% AMI, 30 Years
Number of Units: 78	Allocated Amount: HC \$95,496
Demographics: Family	New Owner: Certificate of Title dated 10/19/2009 was issued to Elster/Rocatica, LLC
Development Name: Westport Commons aka Oak Village (“Development”)	Location: Hillsborough
Developer/Principal: Madrid, Inc. (“Developer”)	Set-Aside: HC 60% @ 60% AMI, 30 Years
Number of Units: 135	Allocated Amount: HC \$110,636
Demographics: Family	New Owner: Certificate of Title dated 11/23/2009 was issued to BACM 2001-1 Spruce Terrace, LLC
Development Name: Whispering Oaks f/k/a Atlantic Oaks (“Development”)	Location: Duval

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Developer/Principal: CED (“Developer”)	Set-Aside: HC 20% @ 40%; 80% @ 60% AML, 50 Years
Number of Units: 128	Allocated Amount: HC \$2,602,130
Demographics: Family	New Owner: Certificate of Title dated 11/24/2009 was issued to JP Morgan

1. Background

a) **Mystic Pointe (93L-073)**

This development was placed in service on 9/28/1995. Foreclosure proceedings were instituted by Massachusetts Mutual Life Insurance Company, an affiliate of MP-Apts, LLC. The Complaint and Lis Pendens were filed on 4/6/2009 and 4/9/2009 respectively. FHFC was not served. In May 2009, FHFC was informed that the development was placed in receivership on 4/24/2009. A Motion for Summary Judgment was heard on 6/12/2009. Final Judgment was granted on 8/7/2009. The foreclosure sale was scheduled on 8/10/2009. There were no bids or objections, and the Certificate of Title was issued to MP-Apts, LLC on 8/25/2009. On 9/8/2009, FHFC received notification that the new owner of the development was MP-Apts, LLC, a Delaware limited liability company.

b) **Oaks at Omni (2001-025C)**

This development was placed in service on 6/13/2003. In February 2009, the owner entity, The Oaks at Omni, Ltd., was sent a default letter from the attorneys of Fannie Mae for non-payment of principal and interest on the first mortgage. Fannie Mae instituted foreclosure proceedings against the borrower for being in default of the first mortgage. The matter was filed in court on 3/12/2009. FHFC did not receive notice of the Complaint or Lis Pendens in relation to the foreclosure proceedings. FHFC received no further information about the development until August 2009 when staff was notified that foreclosure of the development was completed. Final Judgment of Foreclosure was granted on 6/22/2009. The foreclosure sale was scheduled for 7/27/2009. There were no bids or objections, and title was transferred on 8/7/2009 to Blue Valley Apts, Inc, an affiliate of Fannie Mae.

c) **Spring Glade (94L-147)**

This development was placed in service on 4/30/1996. The Complaint and Notice of Lis Pendens were served on FHFC on 6/26/2009. The foreclosure proceedings were instituted by CW Capital Asset Management, LLC against the owner entity Spring Glade Affordable Housing Ltd. for a mortgage lien held on the development for \$927,749.87 of outstanding principal, interest, other fees, and costs. CW Capital Asset Management, LLC was acting as servicer for Bank of America, Trustee for the bondholders. Final Judgment of Foreclosure was entered on 9/1/2009. The foreclosure sale was scheduled for 10/6/2009. There were no objections, and the Certificate of Title was issued to Elster/Rocatica, LLC of Deerfield Beach, FL as the highest bidder.

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d) Westport Commons (90L-026)

This development was placed in service on 12/31/1990. The Complaint and Notice of Lis Pendens were served on FHFC on 3/12/2009. The foreclosure proceedings were instituted by BACM 2001-1 Spruce Terrace, LLC against the owner entity Westport Commons Apartments, LLC for a mortgage lien held on the development for \$4,542,136.64 including outstanding charges, expenses, and fees. The owner entity was in default for non-payment of principal and interest on the said mortgage. Motion for Final Summary Judgment of Foreclosure was heard on 4/13/2009, and the Order entered on said date. The initial foreclosure sale was set for 5/19/2009, but was rescheduled to 11/10/2009. There were no bids or objections, and the Certificate of Title was issued to BACM 2001-1 Spruce Terrace, LLC on 11/10/2009.

e) Whispering Oaks (90L-079)

This development was placed in service on 4/10/1991. The Complaint and Notice of Lis Pendens were served on FHFC on 3/23/2009. The foreclosure proceedings were instituted by JP Morgan Chase against the owner entity, Atlantic Oaks Partners, Ltd. for non-payment of principal, interest, and other outstanding fees and advances of \$1,664,285.79 on the first mortgage. JP Morgan was acting as Trustee for the bondholders of the Mortgage Capital One, multifamily mortgage bonds. Order for Final Summary Judgment of Foreclosure was entered on 9/22/2009. The foreclosure sale occurred on 11/9/2009 and there were no bids or objections made. The Certificate of Title was issued to JP Morgan Chase on 11/24/2009.

This development was placed in service on 4/10/1991. The Complaint and Notice of Lis Pendens were served on FHFC on 3/23/2009. The foreclosure proceedings were instituted by JP Morgan Chase against the owner entity, Atlantic Oaks Partners, Ltd. for non-payment of principal, interest, and other outstanding fees and advances of \$1,664,285.79 on the first mortgage. JP Morgan was acting as Trustee for the bondholders of the Mortgage Capital One, multifamily mortgage bonds. Order for Final Summary Judgment of Foreclosure was entered on 9/22/2009. The foreclosure sale occurred on 11/9/2009 and there were no bids or objections made. The Certificate of Title was issued to JP Morgan Chase on 11/24/2009.