



Strategic Plan Update, April 2013

This status report is provided to the Board of Directors as part of the staff's effort to keep the Board apprised of Florida Housing's implementation of the adopted strategic plan (adopted by the Board on December 4, 2009). Florida Housing is three years into the implementation of this plan, which has a 3-5 year horizon. This update summarizes work completed since the September 2012 update and anticipated next steps. This update is divided into the strategic plan priorities, with an update under each strategy. [An electronic version of the plan can be found by clicking here.](#)

INCREASE AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES

Strategies

First Time Homebuyer Program (FTHB) [Team Leaders: David Westcott and Barbara Goltz]

Maintain the "Continuous Lending" model. Continuous Lending is a concept which provides a constant, reliable resource for first mortgages under the FTHB Program and is also important in maintaining lender loyalty and participation in the program.

- We have been able to maintain the Program's "Continuous Lending" model through issuance of tax exempt bonds while offering only conservative, insurable loans. We are currently able to maintain a competitive interest rate for our borrowers based on two primary factors: the Treasury's New Issue Bond Program (NIBP) initiative and the sale of mortgage backed securities (MBS) into the open market via the specified pool market. On November 3, 2011, Florida Housing issued its final NIBP bond issue in the amount of \$137,050,000 of which \$58,000,000 remains in the program account for the purchase of MBS.
- Current market conditions are not favorable for selling tax exempt bonds in the competitive market and obtaining a mortgage rate that is comparable to conventional mortgage rate financing. Current market indications, now that the NIBP program has expired, are that selling tax exempt bonds would generate a mortgage rate that is at least 100 basis points above the Freddie Mac Southeast Weekly Survey rate. In anticipation of the possibility of unfavorable market conditions and to have various loan sale options available to us, the staff requested Board approval to implement an alternative financing strategy. That strategy, which the Board authorized at its March 13, 2009, meeting, and again at the June 8, 2012, meeting, is to sell loans pooled into MBS in the secondary market. In determining the best settlement option for the loans, either the specified pool market or using bond

proceeds, Florida Housing staff balances the needs to meet the mission of providing loans through the FTHB program, using the bond proceeds within the required time frames, and selling the loans in the secondary market at a rate that will increase the net assets of the indenture.

- Staff is currently discussing two additional ideas for its continuous lending model. The first is a pass through bond issue. This structure takes the place of a traditional 30-year housing bond with semi-annual principal and interest payments. Instead, as principal and interest are paid on the underlying MBS, they are passed through monthly to the bond investor. This type of transaction has the potential for interest rate risk, as the bulk of the MBS must be pre-originated prior to the pass through bond sale. The second is entering into To Be Announced trades (TBA). A TBA trade is a contract for the purchase/sale of MBS to be delivered at a future agreed upon date. Florida Housing is carefully studying all the risks of this type of transaction (market, pipeline fall-out risk and counterparty risk).
- Staff regularly meets with our investment bankers, the Federal Home Loan Bank and other professionals to review new lending strategies that are being developed.
- In the past, Florida Housing has been able to rely on the payment of Servicing Release Premium (SRP) from our Master Servicer to help compensate our lenders and pay certain costs of the FTHB Program. However, the value of servicing rights has fallen and there is no longer any competition in the market. Bank of America exited the master servicing business, leaving US Bank as the only choice for us and many other housing finance agencies. Therefore, we are actively seeking other entities that can provide master servicing of mortgage loans.
- We continue to work on ways to simplify and speed up the loan delivery and purchase process and help us identify and work only with well capitalized banks, mortgage companies and other lenders. Quarterly score cards on each participating lender, supplied by our Master Servicer, help identify lenders who are having difficulties delivering quality loans in a timely fashion. We then reach out to those lenders offering guidance and additional training if needed.

Maintain the availability of down payment assistance (DPA) in order to provide opportunities to more credit worthy homebuyers.

- In January 2013, the program received \$35 million through action by the Legislative Budget Commission. These funds are the direct result of the State Attorney General's mortgage settlement agreement with large national banks accused of improper foreclosure processes and procedures. The funds will be used with our Florida Assist DPA program to provide down payment and closing cost assistance to income qualified homebuyers. The funds can also be used to buy down our program's first mortgage interest rate to reduce our borrower's monthly mortgage payments. Using these funds along with repayments and reallocated funds will enable us to continue to offer this DPA program. We continue to maintain sufficient assets to fund the Homeowner Assistance for

Moderate Income (HAMI) DPA program. Currently 99 percent of our first mortgage loans utilize one of these DPA programs.

Recruit and retain reputable and trained lending partners.

- With the constant change and consolidation that has occurred in the mortgage lending industry over the last few years, we not only seek strong, financially viable lending partners throughout the state, but also have focused on retaining the lending partners that we have. Our Master Servicer aids us in evaluating each new applicant's financial strength and viability. Due to the aforementioned consolidation combined with a number of lenders going out of business, we continue to experience fewer participating lenders taking part in our program than in past years. Recently two major lending institutions, Bank of America and Fifth Third Bank, exited FTHB Programs across the nation because of concerns over the profitability of this segment of their business.

Promote and expand continuing education opportunities for licensed real estate professionals.

- We continue to provide local Realtor boards throughout the state a three hour continuing education class which introduces Realtors to affordable housing programs and has an emphasis on our FTHB and Mortgage Credit Certificate Programs. We conduct numerous training classes around the state annually. Just as we have experienced consolidation in our lender base, we have also seen a dramatic reduction in the number of Realtors around the state. As the housing market rebounds, we expect to see a resurgence in their numbers.

New Initiatives

- It has been slightly over a year since the Board approved the renewal of the Mortgage Credit Certificate (MCC) Program. This program provides qualifying first time homebuyers an ongoing annual tax credit that reduces the amount of taxes owed. This increases disposable income and provides the homeowner with additional income that can be applied towards their mortgage payment. MCC's are offered through approved participating lenders and are issued in connection with the lender's in-house fixed rate mortgage product. As we anticipated, MCC's are assisting borrowers with higher incomes than those who currently use the FTHB Program. We are seeing an average household income of \$110,000 from our MCC borrowers. In addition, the average purchase price is almost \$50,000 higher on MCC backed loans. This program was made available to lenders beginning June 1, 2012, and we continue to recruit and sign new lenders who pay a \$750 participation fee to enroll in the program. The program is already showing a positive return on equity invested.

Single Family Development Programs [Team Leader: David Westcott]

Note: There is still a tremendous amount of unsold housing inventory in many parts of Florida, together with a "shadow" inventory of homes working their way through Florida's lengthy foreclosure process. Because of this inventory, there is little current need to incentivize the creation of new single family homes. When the unsold inventory of homes in Florida begins to retract to more stable numbers and the state legislature appropriates more funding for housing, items under this strategy that are geared to the

construction of units will begin to be implemented, including working with and training various affordable single family construction stakeholders.

Promote affordable housing that incorporates green certification such as EnergyStar, Florida Green Building Coalition, National Association of Homebuilders' National Green Building Standard or Leadership in Energy & Environmental Design (LEED).

- Since January 1, 2009, all homes assisted under Florida Housing's HOP program, excluding homes constructed utilizing self-help housing programs (e.g., Habitat for Humanity), have been required to be certified to one of the following green building practices: EnergyStar, Florida Green Building Coalition or LEED. Florida Housing staff will add the National Association of Homebuilders' National Green Building Standard to the list of approved green housing certification options in the next HOP rule revision.
- Florida Housing's "Go Green" section on our Website, <http://www.floridahousing.org/GreenBuilding/>, continues to provide information about green building, including Florida Housing programs that promote green building, the different certification programs available in Florida, costs of implementation, where builders can find assistance on green building and additional resources.

Promote affordable housing that accommodates the physical disabilities, impairments and frailty of household members and their visitors.

- Since its inception in 2006, the HOP program has included design features geared towards visitability, universal design and aging in place.
- Florida Housing staff regularly collaborates with state agencies, supportive services providers, advocates and consumers at statewide meetings as well as on workgroups and councils that focus on identifying and addressing the housing needs and preferences of persons with physical disabilities and/or frail elders. Florida Housing also uses these opportunities to inform and educate stakeholders and their consumers about Florida Housing's homeownership program resources. Florida Housing completed its task of serving on an advisory committee for the Florida Developmental Disabilities Council and Florida Housing Coalition to assist the Coalition to update the Council's housing resources information for persons with disabilities.
- Florida Housing updates its [Special Needs Housing web pages](#) at least monthly to keep the public and stakeholders aware of Florida Housing's homeownership assistance resources, as well as other homeownership related information that may be helpful to households with members with physical impairments or disabilities.

Learn and incorporate design techniques into housing that will make units functional for different family types including the aging population and multi-generational families.

- Florida Housing staff developed and established a list of required and recommended universal design and visitability features for single family and multifamily dwelling units that assist persons

with disabilities, the elderly and other household members to perform activities of daily living with greater ease and independence. The features have been published in Florida Housing's Universal Design and Visitability Guide available on Florida Housing's website. We have taken a phased approach to this strategy, with some of these features are now part of the HOP program requirements. Additional features may be considered during the next HOP rule development phase.

Learn and incorporate design techniques into housing that will make units safer when storms strike Florida.

- This strategy has not yet been addressed. At the point when Florida Housing takes a more active role in single family new construction, this will be addressed.

Promote rehabilitation of existing single family housing.

- The federal Neighborhood Stabilization Program (NSP) has made significant funding available through local entities for the rehabilitation of foreclosed homes in Florida, and this funding is strongly pushing rehabilitation throughout the state. This funding remains available at least through February 2014.
- The State Housing Initiatives Partnership (SHIP) program is the primary source for rehabilitation under normal funding conditions. Local governments allocate approximately one-third of their SHIP funds to local rehabilitation strategies in years when SHIP is fully funded. Because of the current reduced funding (\$30 million statewide in FY 2011-12, \$0 statewide in FY 2012-2013), the level of overall rehabilitation is reduced. If funding of the SHIP program returns to normal funding levels, rehabilitation of single family housing will again be a staple of the program.

Continue to promote relationships with Self-Help housing providers.

- Florida Housing values the relationships built with the providers of Self-Help housing and the missions of these organizations. Not only do these organizations build homes, but they foster a sense of community, especially the USDA-RD Mutual Self-Help Model where groups of homeowners work through the building process together and no one closes on their homes until the last home in the group is finished. Currently, the HOP program only supports this type of single family new construction.

Homebuyer Education and Counseling [Team Leader: David Westcott]

Florida Housing should look for ways to help local housing counseling agencies increase their capacity to provide pre-purchase counseling.

- Because of the foreclosure crisis in Florida, a significant amount of the capacity at local housing counseling agencies has been moved to foreclosure mitigation counseling. This includes these agencies' involvement in Florida's Hardest-Hit Program and the National Foreclosure Mitigation Counseling grants. Once the market and foreclosures stabilize, Florida Housing can begin to look for ways to help increase capacity to provide pre-purchase counseling. In the meantime, we are

exploring better online alternatives in areas of the state where face-to-face pre-purchase counseling is no longer available.

Continue to identify ways to stem foreclosures and keep people in their homes.

- Florida Housing has successfully secured over \$9 million through six different rounds of funding under the National Foreclosure Mitigation Counseling (NFMC) Program over the last four years. These grants help fund the efforts of dozens of local housing counseling agencies throughout the state that work tirelessly with homeowners who are struggling to stay in their homes.
- Florida Housing has been allocated \$10 million in funding from the National Mortgage Settlement to administer a foreclosure counseling program. This program is anticipated to assist more than 13,000 homeowners in Florida to pursue loan modifications and to educate these homeowners in budgeting issues that will help them achieve financial stability long term. This program will enhance the work already being done through the NFMC program.
- Florida Housing is one of 19 housing finance agencies to receive funding from the U.S. Treasury under the Housing Finance Agency Hardest-Hit Fund. A main focus of this initiative is to assist homeowners who are unemployed or underemployed to stay in their homes by making mortgage payments on their behalf while they try to secure employment or better employment. Staff is now working to implement the Modification Enabling Pilot Program, which the Board approved at its March 2013 meeting.

ENSURE THAT FLORIDA HOUSING’S RENTAL PROGRAMS ARE WELL MATCHED TO THE HOUSING NEEDS OF FLORIDIANS AND ARE FLEXIBLE ENOUGH TO RESPOND TO CHANGING MARKET CONDITIONS

Strategies

Refine market and housing need data to assist Florida Housing in targeting its rental programs to those in need. [Team Leaders: Kevin Tatreau, Laura Cox, Susan Parks, Linda Arredondo and Nancy Muller]

- See below – the staff is working on both strategies together.

Incorporate market data and portfolio benchmarks into program funding decisions. [Team Leaders: Kevin Tatreau, Laura Cox, Susan Parks, Linda Arredondo and Nancy Muller]

- Benchmarks are now used by our credit underwriters to evaluate a development team’s experience, financial capacity and track record, including foreclosure history. Florida Housing requires a certain level of market strength before a development can be approved, and we state that selection of an applicant for funding in the competitive process is not an indication that a developer will receive a positive recommendation from the credit underwriter or from Florida Housing staff.

- We now require projected development cost information to be submitted electronically at credit underwriting, allowing us to load the data into our multifamily portfolio data warehouse. We will develop a similar process to collect final development cost information electronically, allowing us to more easily analyze actual development costs by location, development type and developer to better set parameters in future funding cycles. The analysis of this information will assist Florida Housing and our credit underwriters to assess how actual costs compare with costs projected at credit underwriting. Operating pro forma data projected at credit underwriting is also uploaded into Florida Housing’s data warehouse. Over time, we will be able to compare this information with actual income and expenses from audited financial data.
- Staff has used information on occupancy rates by unit mix aggregated from tenant data submitted by property managers to assist us in determining parameters for the SAIL ELI funding recently provided to Guarantee Program properties. Another report, “Achievable Property Rents versus Maximum Rents Allowable,” which compares rents reported to maximum rents allowable, is awaiting evaluation. The team identified the need to educate staff and servicers about how to use the reports, but staff has not been able to set aside the time to learn about the report’s possible uses. Property managers and developers have been informed about data quality issues with monthly tenant data submissions from properties, and our quarterly compliance training workshops have been modified to emphasize the importance of submitting accurate data.
- We are working with the Shimberg Center for Housing Studies and state agencies to begin development of rental housing need information related to persons with special needs. In particular, we want to focus on households receiving supportive services who need affordable rental housing. While state agencies that serve these consumers tell us that one of the critical issues faced by them is lack of access to affordable housing (particularly units with rents that serve extremely low income residents), they currently collect very little information related to the housing situations and needs of their consumers. While this project will be ongoing, an initial data assessment by the Shimberg Center using Census data will allow Florida Housing to target financing for special needs housing.
- As part of Florida Housing’s strategy to preserve again affordable housing in need of rehabilitation, the staff is working on modifications to Florida Housing’s rental property data warehouse to be able to report on preserved properties. Using information prepared by the Shimberg Center, information management and policy staff developed a preliminary approach and parameters to identify multifamily properties in Florida Housing’s portfolio that have been rehabilitated and preserved. After completion of these parameters, the next step is to show the results to program and asset management staff and come to final agreement on an approach. Once we are satisfied that the preliminary indicators meet Florida Housing’s needs, we will begin producing the report.
- We are in the middle of implementing a comprehensive property assessment and portfolio analysis to understand the condition of Florida Housing’s portfolio and to better inform funding policies.

This is further explained under the Preservation Strategy below. Florida Housing has also begun requiring capital needs assessments (CNAs) for all multifamily properties receiving financing for preservation/rehabilitation. In addition, as part of a more comprehensive asset management approach, Florida Housing's rules have been revised to ensure a consistent approach to require newly financed properties to have CNAs prepared in the tenth year after a property is built and on a regular schedule after that. The purpose of these assessments is twofold: they will allow Florida Housing to better determine the appropriate level of replacement reserves, and they should provide a clearer picture of how properties are aging. When the comprehensive property assessment and portfolio analysis and Multifamily Portfolio Suite software are complete, staff anticipates comparing the underwriting of properties to their actual performance to determine the accuracy of income and expense projections to provide insights to further improve strategies to predictably develop successful properties.

- The Limited Development Area (LDA) geographical mapping process aids Florida Housing in financing developments outside of areas of the state where soft or saturated markets exist. We used a preliminary test system last summer, and we are currently refining and enhancing that system. Information collected through this system, which aggregates tenant data from monthly property program reports, is now able to be analyzed by Developer, Owner and Management Agent. The staff has had its first opportunity to review this tool and is currently evaluating the reports and outlier identification methodology. After we finish the draft maps/boundaries for the 2014 funding cycle, we expect to begin development of an ongoing automated process to be used in future cycles. The new process provides higher quality data, more quickly. The development community has continued to cooperate in providing occupancy and other tenant data more often. More than 87 percent of properties are providing monthly occupancy data to Florida Housing.
- We completed key parts of our multifamily portfolio data warehouse by the end of 2012, allowing staff to access application, credit underwriting and carryover information. In 2013 we will complete work on the loan closing, final development cost and asset management components of the data warehouse, with servicers to have access in 2014.

Evolve the multifamily funding process to respond to current and changing policy, market and financing needs. [Team Leaders: Kevin Tatreau and Wayne Conner]

- Florida Housing has been in communication with Florida stakeholders and other state housing finance agencies in an effort to understand current influences on the delivery of affordable rental housing. On the national level, there are discussions around the efficient delivery of safe, decent affordable rental housing that can maintain its financial feasibility over the compliance period. In addition, the legislative Office of Program Policy Analysis & Government Accountability (OPPAGA) completed an audit in November 2012 that in part addressed Florida Housing's Universal Application Cycle process, including suggestions for improving the delivery and competitive nature of the application process. With the variety of stakeholders involved, Florida Housing works hard to balance the varied, sometimes competing, perspectives to achieve desired results.

- The Shimberg Center will deliver an updated Rental Market Study during the first half of 2013. The study will assist in developing geographic and demographic funding distribution goals, including housing for homeless people and persons with special needs, for the 2014 Qualified Allocation Plan.
- Nationally, state housing finance agencies agree that the greatest concern for affordable rental housing resources is to have an allocation system that distributes financial resources efficiently and delivers properties at a reasonable cost. To address this issue, Florida Housing will be implementing maximum development costs for specific property types and locations, and provide additional financial tests to verify that a development is not being under-leveraged from housing credit equity and loan resources.
- The OPPAGA audit offered a number of suggestions for changes to Florida Housing’s funding process, including reducing the number of rule development workshops; streamlining the scoring process, in part by reducing the involvement of applicants in reviewing and commenting on other applications; determining the effectiveness of various application components; and providing a less prescriptive scoring system to enhance innovation. In response to these suggestions and to address Florida Housing’s own concerns, we are replacing the Universal Application Cycle with a series of requests for proposals, each which will target a certain geographic area of the state or demographic target(s). The staff is working to balance the need to streamline scoring and with requiring applicants to provide information up front in order to select the best development proposals to meet the targeted need. By changing some traditionally used scoring items to threshold status or relegating them to credit underwriting, we anticipate that applications could become simpler to fill out and score.
- Timelines for the expected delivery of rules and requests for proposals/applications are as follows:
 - Open two high-priority Requests for Proposals for 10% of the 2013 annual allocation of competitive housing credits, one for Public Housing Authorities in medium and small counties that have a high level of local government leveraging and the other for persons with special needs with a preference for assisting veterans with special needs.
 - Request approval of Rule Chapter 67-21, F.A.C., at the April 2013 Board meeting. This rule creates the Non-Competitive Affordable Multifamily Rental Housing Program by incorporating non-competitive 4% housing credits with mortgage revenue bonds.
 - Finalizing Rule Chapter 67-48, F.A.C., (Competitive Affordable Multifamily Rental Housing Programs) and the 2014 Qualified Allocation Plan, to be presented for approval to the Board no later than the June 2013 meeting.
 - Preparation of a Request for Application process to allocate 2014 competitive housing credits beginning in July 2013 that may include up to five RFAs to better match the market needs and policies for targeted populations and/or geographic areas. The intent is to have all five RFAs completed by early 2014.

Develop a strong, comprehensive preservation strategy to save critical aging, assisted rental developments, especially those with expiring affordability periods. [Team Leaders: Kevin Tatreau, Wayne Conner and Nancy Muller]

- In the most recent rental funding cycle, the preservation strategy focused on aging HUD and USDA RD properties with project based rental assistance (i.e., properties that are affordable to extremely low income residents), with 35 percent of the LIHTC allocation set aside for this purpose.
- While we encourage funding applications for the types of aging properties described above, Florida Housing's competitive programs currently do not allow aging properties already in our portfolio to be submitted for additional funding for rehabilitation and recapitalization. An outside firm was engaged to perform capital needs assessments (CNAs) on a sample of aging properties in Florida Housing's portfolio to begin to identify the preservation needs of these properties. The first draft CNAs have been completed by the contractor and reviewed by Florida Housing staff. After the final CNAs are issued, Florida Housing will receive a summary of findings which we expect to inform policy decisions regarding future funding for a portfolio-focused preservation strategy and aid in determining the adequacy of resources to meet the capital needs requirements of existing (and aging) assets, including escrows, refinancing potential and operating cash flow.
- We have also received a promising funding opportunity that will allow us to target preservation through a different strategy. Florida Housing has been approached by the State Energy Office with a proposal to provide the corporation with a preliminary amount of approximately \$2 million to be used for energy retrofits in multifamily housing. We are in the process of learning more about the program requirements of the two programs, but it looks like we could use the funds to seed a revolving loan fund to carry out multifamily energy retrofits on aging properties in Florida Housing's portfolio. While this funding will not pay for a complete rehabilitation of a property, it will be an important strategy to assist properties in keeping operating costs in check.

Enhance opportunities for special needs households to access rental housing financed by Florida Housing [Team Leader: Kevin Tatreau]

- Since 2009, Florida Housing has incentivized developers to reserve a portion of a development's extremely low income (ELI) units for special needs households that are referred by participating community based supportive services agencies recognized by Florida Housing and its state-level partners – this is called the Link Initiative. With the funding of the most recent application process, a total of 1,282 Link units have been committed for this purpose. During 2013, Florida Housing continues to monitor how well Link is serving these households and how well the service providers and developers are working together to this end.
- The second initiative is the incorporation of universal design and visitability features into Florida Housing financed rental developments starting with the 2011 funding cycle. Florida Housing staff worked with the Coalition of Affordable Housing Developers and disability stakeholders to address issues and clarify language related to these required and optional features for the upcoming funding

opportunities. The second version of the manual is posted on our website. The Florida Department of Elder Affairs has adopted Florida Housing's universal design and visitability guidelines as a best practice for its Communities for A Lifetime Initiative, which operates in over 100 communities across Florida. A number of UD and visitability features already required or incentivized by Florida Housing in rental developments were incorporated into the 2012 Florida Building Code Accessibility Standards, suggesting that Florida Housing's approach, while slightly ahead of Florida's general building process, is on par with what many in the building industry think are appropriate residential standards in today's new buildings.

- Last July, in conjunction with the State's Medicaid Office and Department of Children and Families, Florida Housing applied for competitive Section 811 funding from US HUD that would provide long-term project based rental assistance tied to units funded through housing finance agency programs. The target population was ELI adults with disabilities that are able to live independently with stable housing and long-term supportive services. The objective of the rental assistance is to provide greater access to integrated affordable housing in the community. Thirty-six states applied for the funding. Florida Housing was notified in February, that it was not one of the 13 states selected in the first round of funding. HUD is expected to issue another RFP for the same purpose in 2013, and Florida Housing expects to apply once again.
- Florida Housing recognizes the ongoing benefits of participating in outreach and related activities with special needs households and those organizations that serve them. It has proved extremely helpful in disseminating information about Florida Housing's programs and other affordable housing resources, as well as better understanding these households' housing needs. Since the last update:
 - Last fall, Florida Housing staff completed its commitment to serve on Florida Developmental Disabilities Council on an advisory committee assisting the Council with updating its housing resources information for persons with developmental disabilities and their families, as well as enhancing its approach to disseminating housing information.
 - In December, 2012, Florida Housing coordinated and hosted the State of Florida Supportive Housing Forum that brought together key state agencies, supportive housing and services providers and advocates, as well as supportive housing experts from around the U.S. to address issues, challenges, opportunities and benefits of statewide collaboration among public and private entities serving chronically homeless households and persons with significant special needs.

Incentivize green certification in Florida Housing-financed rental developments. [Team Leaders: Kevin Tatreau and Wayne Conner]

- All new construction properties awarded financing in the 2011 Universal Application Cycle committed to achieve green building certification. Certification requires verification by a third party that green and energy efficient building components have been adequately addressed on a development. Florida Housing is working with our servicers to ensure that they understand the key implementation points during construction. At key times during construction, underwriting and

post-construction third party certifiers must provide certification forms to show that developers are going through the appropriate steps to achieve certification.

- In 2013, the competitive housing credit RFAs will include baseline requirements for energy efficiency and green building. Beyond the required features, Florida Housing will encourage innovative green building practices and the use of best practices as a basis for distinguishing and scoring proposals.
- As noted above, Florida Housing has begun to work in partnership with the State Energy Office to develop a revolving loan fund program for older properties in our portfolio. The goal of the program is to improve the energy performance of these properties to reduce operating costs to owners and utility costs to tenants, as well as conserve natural resources.

ENSURE THAT THE GOVERNOR, FLORIDA LEGISLATURE, CONGRESS AND LOCAL ELECTED OFFICIALS UNDERSTAND FLORIDA HOUSING'S ROLE AND THE IMPORTANCE OF AFFORDABLE HOUSING TO COMMUNITIES AND THE STATE

[Team Leaders: Jacqui Sosa and Cecka Rose Green]

Strategies

Educate the Legislature, Congress and their staffs on affordable housing issues and solutions.

- **September 2012:** Legislative/Legal staff met with newly elected senators in the Tampa Bay region prior to the September board meeting. Congressional and state elected official staffs joined Florida Housing staff and board members in a tour of funded properties.
- **October – December 2012:** Florida Housing worked with stakeholders and the Governor's Office on educating and providing a formal response to Federal Housing Finance Agency's proposal to increase the guarantee fee and its impact on homebuyers. Florida Housing's Legislative Office met with several elected officials to discuss the OPPAGA and Auditor General reports, and began developing a legislative proposal and securing sponsors for the proposal. During this process we have kept the Board engaged and included in communication with lawmakers.
- **January – February 2013:** During the January Legislative Budget Commission, Florida Housing received \$35 million for Homeownership Assistance and \$10 million for Foreclosure Counseling from the National Mortgage Settlement Fund. Florida Housing has been in communication with House and Senate staff on the possible uses of the remaining \$200 million in mortgage settlement funds. Florida Housing's Legislative proposals were filed, and weekly updates on these bills are provided to the Board, providing information and data as requested.
- **March 2013:** Florida Housing staff attended the NCSHA Legislative Conference in Washington, DC, where meetings were held with Congressional members/staff and the Governor's DC office. Each

Congressional office was provided district specific information regarding Florida Housing activities in their district.

Provide . . . information for legislators and their staffs [types of information are listed in the plan].

Throughout this process, Florida Housing staff has provided data and informational reports and materials consistent with those outlined in the strategic plan to elected officials and committee staff.

ENSURE THAT INFORMATION ABOUT FLORIDA HOUSING'S PROGRAMS IS ACCESSIBLE TO ALL STAKEHOLDERS [Team Leader: Cecka Rose Green]

Strategies

Redevelop Florida Housing's website to make it easier for stakeholders and laypeople to find information and access financing through available programs.

- The Web Content Advisory Committee developed oversight and maintenance procedures for content posted to the public website. The draft procedures were piloted and evaluated in August 2012; procedures were revised accordingly. Deployment of the new procedures has been rescheduled to begin during second quarter 2013.
- We expect to have a committee charged with overseeing the redesign of the public website appointed and a charter developed by second quarter 2013.

Develop a web-based, one-stop tool to provide easy access to information about housing assistance and funding provided by all SHIP local governments.

- No update: this tool is completed and operational. Florida Housing staff continues to work with local governments to add and update information from local programs via this web-based tool.

Develop a new builder assistance strategy for non-profit and for-profit developers to provide education on key aspects of how Florida Housing's homeownership and rental programs operate, including the process to access funding, the credit underwriting process, income certification of residents and the compliance monitoring process.

- The Communications unit created an outline for a comprehensive public information plan/program to educate developers statewide on Florida Housing and how to access funding for affordable housing development; actual plan development will occur in second/third quarter 2013.

HOUSING IN SETTING PROGRAM PRIORITIES AND MANAGING ITS MULTIFAMILY RENTAL PORTFOLIO [Team Leaders: Susan Parks, Linda Arredondo and Nancy Muller]

Strategies

Develop our capacity to use property data from Program Reports and financial statements.

- Tenant Data Reporting System – Florida Housing’s system to collect and aggregate tenant data from occupancy reports has been in place for over three years. During that time:
 - The number of occupancy reports submitted electronically by property managers continues to increase - currently, we receive monthly information from approximately 87 percent of the portfolio; and
 - Occupancy and other data are being used to determine “Limited Development Areas” (formerly known as Location A) for the 2014 Housing Credit funding process.
- Financial Reporting System – Per staff request, modifications are in process for both the tool for collecting audited financial data electronically and the Property Finances by Year report which aggregates that information.

Establish procedures/resources/staff to manage, maintain and update data and provide data reports, and analyze results.

- We have made the first portion of our internally developed software, called “Multifamily Portfolio Suite,” available to Florida Housing staff, enabling them to access real-time data and documents about applications, carryover agreements and credit underwriting reports. The project team is now working on systems to collect information regarding closing, final cost certification, and date tracking which will be included in our June release. The December release will include the Asset Management portion which tracks recurring Compliance and Finance processes, as well as contact information. We are currently on track to complete the closing, final cost certification and asset management portions this year.
- Procedures are now in place to ensure that as new development applications are submitted, carryover agreements for properties are received, and as proposed developments are underwritten and closed, the data and documents associated with those processes are made available in real time within Multifamily Portfolio Suite.

Continue to streamline business processes to automate the capture of data at the appropriate location and time. See above.

Modify databases into data “warehouses” that are capable of providing historic data about properties, such as changes in financing due to preservation.

- As Florida Housing’s portfolio ages, we must be able to track and report on changes to multiple property conditions over time, such as funding, noncompliance, past due status and contact changes in order to guide policy decisions. Going forward, as events that impact properties within the

portfolio occur, we will be better able to anticipate outcomes and make policy recommendations based on data. We are beginning to plan for this, but we have not yet started on this strategy.

- As existing properties require additional financial assistance to preserve affordable units, it is essential that Florida Housing has a data warehouse that is capable of providing historic perspective about a properties' condition and funding. During 2013, we will develop reports to improve our ability to track preservation efforts based on recommendations provided by the Shimberg Center for Housing Studies.

FULLY DEVELOP FLORIDA HOUSING'S ASSET MANAGEMENT CAPABILITY TO ENSURE THAT THE RENTAL PORTFOLIO REMAINS HEALTHY AND TO INFORM PROGRAM FUNDING DECISIONS [Team Leaders: Barbara Goltz and Laura Cox]

Strategies

Expand the Guarantee Program's early warning system to Florida Housing's entire portfolio to provide notice for properties that may be becoming financially troubled.

- The expansion of the Guarantee Program's early warning system to Florida Housing's entire portfolio remains dependent upon the data warehouse and reporting functions carried out through the work of our data initiative to develop property data on tenant characteristics and audited financial statements. Information collected through the Tenant Data Reporting System, which aggregates tenant data from property program reports, is now available to be analyzed by developer, owner and management agent. Staff is reviewing this tool and evaluating the reports.
- The Financial Reporting System has been modified to incorporate changes requested by users of the system. The modifications must be reviewed and tested by users. The Strategic Data Initiative team's next phase for this system is to identify additional reports required by users.

Expand the asset management model used by the Guarantee Program that is included in the servicer and borrower contracts to the broader Florida Housing portfolio.

- The work group for this strategy reviewed industry standard property inspection review forms and guidelines and drafted enhanced versions of Florida Housing's Site Inspection/Annual Review forms. The drafts were circulated internally for review and comment. After review by the servicers, the workgroup intended to incorporate the final version into the new servicing contracts executed December 2011.
- In the meantime the White House Domestic Policy Council established the Rental Policy Working Group to explore ways to improve existing federal rental policies. One of the areas the group identified where administrative changes could increase programmatic efficiency and reduce burdens on the public was the area of physical inspections. Many affordable housing developments benefit

from more than one federal funding source, such as low income housing tax credits and HUD funding. The rules associated with different programs result in multiple physical inspections of the same project using different inspection protocols (e.g., servicer performed annual reviews on all properties, GF staff inspections on GF properties, HUD REAC inspection on anything HUD funded), resulting in affordable housing property owners and managers spending significant time preparing for, and responding to, multiple physical inspection visits for the same property.

- A physical inspection pilot program was launched in six states in November 2011 with the goal of testing methods for developing a single, periodically scheduled physical inspection for jointly subsidized multifamily housing that can be performed by one housing agency but which will satisfy all other agencies' inspection requirements. HUD expects to use the results from the pilot to inform an expansion of the pilots in 2013, to develop a comprehensive solution to duplicative and burdensome administrative overlap in the areas of physical inspection and subsidy layering review to support and sustain affordable housing efforts. Florida Housing again expressed its interest in participating in the expansion of the physical inspection pilot.

Systematize strategies and procedures to prioritize existing properties for preservation funding and refinancing.

- The Multifamily Data Strategies team and the Multifamily Development Financing team are assisting this working group to systematize strategies to prioritize existing properties in Florida Housing's portfolio for preservation funding and refinancing. This is further explained under the strategy, "Incorporate market data and portfolio benchmarks into program funding decisions," on page 6.

Analyze the portfolio and best practices to determine financing structuring models that promote the maintenance of high functioning properties over the long term.

- This work group is dependent upon the work of the Multifamily Data Strategies team. Both teams are testing the developed systems and continue working to identify necessary data elements and reporting requirements for the next phase.
- We are in the middle of implementing the comprehensive property assessment and portfolio analysis to understand the condition of Florida Housing's portfolio and to better inform funding policies. An outside firm was engaged to perform capital needs assessments (CNAs) on a sample of aging properties in Florida Housing's portfolio. After the final CNAs are issued, Florida Housing will receive a summary of findings that we expect to inform policy decisions regarding future funding for a portfolio-focused preservation strategy and to aid in determining the adequacy of resources to meet the capital needs requirements of existing (and aging) assets, including escrows, refinancing potential and operating cash flow.

Guarantee Program Strategies

Continue to examine the financial stress of the developments in the Guarantee Program portfolio and conclude the funding of debt service assistance under the subordinate mortgage initiative (SMI) in order to assess and aid their ability to remain viable developments during these historically difficult economic conditions.

- Through ongoing monitoring of the portfolio, Guarantee Program (GP) staff continuously addresses this strategy. As of March 1, 2013, there are no foreclosures in inventory in the Guarantee Fund (GF). There is one default in the portfolio as of March 1, 2013, Colony Park. The borrower continues to make mortgage payments in a manner that avoids making a claim on the GF.

- The 30 SMI loans closed have assisted with keeping the properties up to date on their mortgage payments through the worst of the financial crisis, with the intent being that the loans be repaid in full when the properties are refinanced out of the GF portfolio. As of March 1, 2013, six loans have been repaid, none have defaulted. Based on the favorable condition of the SMI loans to date, no additional restructuring of the initiative is needed. SMI Details:
 - 30 loans closed with commitments totaling \$17,834,309.
 - The total amount disbursed as of March 1, 2013, is \$17,108,284.
 - 27 loans received their final disbursement as of March 1, 2013.
 - 6 of the 30 loans have been repaid in full.

- While there has been a positive impact on the GF resulting from the short term debt service relief provided to these properties, the overall economy of the state is still recovering. The February 5, 2013, Florida Legislature, Office of Economic and Demographic Research report “Florida: An Economic Overview” states: “Florida growth rates are gradually returning to more typical levels. But, drags are more persistent than past events, and it will take a few more years to climb completely out of the hole left by the recession.”

Maintain the suspension of issuance of additional guarantees.

- The Board directive to suspend guarantees remains in place.

Continue to explore opportunities to cede risk from the Guarantee Program considering a variety of factors, including but not limited to providing incentives to borrowers to refinance out of the Guarantee Program portfolio, refinancing and/or restructuring the capitalizing bonds, and pooling and selling portions or all of the Guarantee Program portfolio.

- Through three requests for proposals, SAIL funding was awarded to properties that committed to provide set-aside units for ELI households. This funding was for the purpose of paying off part of the outstanding guaranteed first mortgage debt in return for renting a specified portion of units to ELI households for a 15-year period. In aggregate, 30 GF developments have been awarded approximately \$112.1 million in return for setting aside 1,494 units for ELI households. Subject to credit underwriting and approval by the Board, the SAIL ELI funding and resulting debt reduction will eventually reduce GF portfolio risk while the re-amortization of the properties’ mortgages will

improve the financial strength of the properties and better situate the developments to pursue refinancing at current interest rates.

- The SAIL ELI RFPs articulated the GF's interest in having funding recipients make their best efforts to refinance out of the GP portfolio. As of March 1, 2013, nine of these properties have refinanced out of the portfolio, representing approximately \$62.9 million in risk reduction. Furthermore, seven more properties are on track to refinance out by year end, representing approximately \$47.2 million in additional risk reduction.
- Portfolio risk has also been reduced by refinancings initiated by the owners of developments. From 2010 through 2012, 18 properties left the portfolio, 17 through refinancing and one through maturity, representing a reduction in risk of approximately \$185.3 million. As of March 1, 2013, two properties refinanced out of the portfolio, ceding approximately \$9.7 million of risk.
- As a result of the legal review of the program, ceding risk through "selling portions or all of the Guarantee Program Portfolio" will not legally release FHFC's obligation under the guarantees; therefore, this is not an option for ceding risk.
- On December 21, 2012, the GF capitalizing bond was paid in full.
- The work group continues to meet periodically primarily focusing on the financial condition of the GF. As revised fund projections are made which incorporate new conditions, the working group reviews the results. A current review of the GF's first quarter 2013 projections, with stressors applied (including the possibility of additional property foreclosures and refinancings), confirms the GF's ability to stay within the mandated maximum 5:1 risk-to-capital ratio. However, an inherent continuing risk remains in the GF ratings by S&P and Fitch, A+/stable and A-/stable, respectively. The Fitch rating is the lowest rating statutorily allowed for the GF; a downgrade would lead to a statutorily mandated draw on the documentary stamps.

Continue to review counter party risk within the Guarantee Fund's debt and investment structure, removing weak partners when possible.

- The fund had one primary contractual relationship – Citibank for the GP capitalizing debt. Any related counterparty risk was eliminated when the capitalizing debt was paid in full on December 21, 2012.
- The investment counterparty risk was with Trinity, a guaranteed investment contract provider. In April 2012, Trinity's credit rating was downgraded by Moody's, prompting Florida Housing to exercise its contractual option to terminate the contract. Subsequently, Florida Housing invested those funds (approximately \$165 million) in the Florida Treasury Special Purpose Investment Account (SPIA), significantly increasing earnings thereon.

Continue to assess the utility and overall risk of the Guarantee Program in light of evolving market conditions to determine its long term value.

- The economic downturn underscored the value of having the Guarantee Program staff and Asset Management staff more actively involved in overall multifamily policy discussions and decision making on the front end of financing programs. Through ongoing monitoring of the Fund condition, greater and earlier involvement in multifamily policy decisions, the slowly improving overall economic and real estate climate of Florida, the resources awarded to properties in the GF portfolio, and the analysis resulting from the above strategy on refinancing the fund, the long term status of the fund has improved but will continue to be closely monitored.

IMPLEMENT A COMPREHENSIVE ENTERPRISE RISK MANAGEMENT FUNCTION

[Team Leaders: Steve Auger and Stephanie Sgouros]

Strategies

Create a formal ERM committee comprised of executive and senior management to oversee ongoing and newly created risk management activities.

Create an accountability mechanism to ensure that ERM committee recommendations are implemented and working as intended by management.

Update Florida Housing's Board and staff periodically on ongoing ERM efforts and recent accomplishments.

- Florida Housing continuously manages risk across multiple programs and processes (internal controls and procedures, Inspector General's office, and the Guarantee Fund working group are just a few examples). The Executive Director's approved an Enterprise Risk Management Governance, Risk and Compliance Steering Committee Charter. As an important step for this strategy, staff is documenting the current elements of governance, risk and compliance management used by Florida Housing. Documenting the current framework will provide the basis for the additional work needed to implement the strategy.

ENSURE THAT SUFFICIENT TALENT AND SKILL SETS EXIST TO MANAGE ALL BUSINESS FUNCTIONS AT FLORIDA HOUSING

[Team Leaders: Angie Sellers and Rene Knight]

Strategies

Develop staff expertise levels and skill sets to ensure market competitiveness, responsiveness to the housing community and efficient use of resources.

- We have developed the first phase of our Organizational Development Plan mentioned in the September 2012 strategic plan update. This is a multi-year plan with an overarching goal of building a strong, agile human resource program that supports employee growth and development. We expect that employee skill level and knowledge base will increase as a result.
- Our top priorities in phase one of the Organizational Development Plan are (in priority order):
 1. **Performance Evaluation:** Develop a performance evaluation system that links job tasks to performance expectations;
 2. **Job Classification:** Conduct job task analyses to identify tasks performed in key positions and identify the knowledge, skills, abilities, and experience needed for optimal performance in that position; and
 3. **Training and Development:** Assess training needs, identify skill gaps, develop and deliver training programs to increase knowledge, skill and ability of Florida Housing employees.
- After completing these three priorities, we will have a strong foundation of information and understanding of our talent pool strengths and areas for growth and what steps are necessary to further develop capacity.
- A preliminary assessment of the timeframe needed to complete these three items is at least through the end of 2013. In mid-April we hired a Human Resources Senior Analyst with deep human resources experience and knowledge to work with the Human Resources Director on these priorities.

Evaluate Florida Housing’s capacity to meet emerging objectives, such as asset management and data information management, and implement business changes to meet these objectives.

- In 2013, the Human Resources unit will initiate job task analyses as described above. As part of the analyses, we will talk with business units about currently identified skill and knowledge gaps and plan for necessary training, hiring, and other actions to fill those needs. Also in 2013, the senior leadership team will participate in a workshop designed to identify emerging issues and plan for necessary business changes.

Develop and carry out a staff succession plan to ensure that Florida Housing provides continuity of key functions into the future.

- In November 2012, we initiated our succession planning process by participating in Florida State University’s Certified Professional Manager Program. This is a nationally recognized program with a rigorous experiential curriculum that takes about a year and a half to complete.
- There are eight levels in the program and each level consists of a four-day training program. Levels 1 through 4 focus on the fundamentals of leadership and management, with an emphasis on improving one’s people skills, team leadership, and improving organizational effectiveness. Levels 5-8 are designed to improve a manager’s understanding of complex organizations, large systems, and policy formation.

- We used a competitive process to select the first six participants in this program and they have completed two levels of the program as of February 2013. We will select the next participants in early fall 2013.

Continue to offer low cost and no cost training opportunities to Florida Housing Staff.

- During the employee meetings held by the executive director in late summer 2012, our employees sent a very clear message that they wanted, and needed, training to develop their work and personal skills. Between August 2012 and March 2013, by collaborating with our Employee Assistance Program provider and other low-cost sources, we were able to bring 18 programs to our employees. Topics for these programs included communication skills, stress management, productivity, employment law, conflict management, managerial skills, and public speaking, to name a few.
- We will continue to offer programs to employees on a wide range of topics. Our goal is to provide at least two programs each month on work/life balance, health, wellness, work skill development, retirement planning, debt reduction, and others.

Document and map business processes and procedures of all Florida Housing functions.

- The Business Continuity unit has documented Florida Housing's business processes. This item is complete.