

**Florida Housing Finance Corporation
Board of Directors' Meeting Minutes
September 20, 2013**

TIME: 8:30 a.m.

LOCATION: Hyatt Regency Coral Gables
50 Alhambra Plaza
Miami, FL 33134

BOARD MEMBERS PRESENT:

Len Tylka, Chairman
Ray Dubuque
John Hawthorne
Brian Katz
Bill Killingsworth
Natacha Munilla
Barney Smith

CORPORATION STAFF PRESENT:

Stephen P. Auger
Wayne Conner
Laura Cox
Sheila Freaney
Barbara Goltz
Chris Hirst
Wellington Meffert
Nancy Muller
Ken Reecy
Jacqui Sosa
David Westcott

ADVISORS AND OTHERS PRESENT:

Junious Brown, Nabors, Giblin & Nickerson
Jan Carpenter, Shuffield Lowman
Jason Larson, Creative Choice

Chairman Tylka called the meeting to order at 8:30 a.m.

Steve Auger introduced Chris Hirst, Florida Housing's new Inspector General, and Ken Reecy, former Board Member, and Florida Housing's new Director of Multifamily Programs, and noted that Kevin Tatreau had moved into the role of Director of Development Finance.

MINUTES

Item A, Approval of Minutes of August 9, 2013, Board Meeting. Chairman Tylka asked for a motion to approve the Minutes of the August 9, 2013, Board Meeting.

Motion to approve the Minutes was made by Ms. Munilla with a second by Mr. Hawthorne. Motion passed unanimously.

PRESENTATION

Nancy Muller stated that the Florida SAIL Statute requires Florida Housing to have a rental market study prepared every three years to measure need and assist in setting priorities for use of SAIL funds. She introduced Anne Ray, Manager of the Housing Data Clearinghouse at the University of Florida Shimberg Center for Housing Studies, who presented the 2013 Rental Market Study, which the Shimberg Center prepared.

HARDEST-HIT FUND

Item A, Request Approval to Close on the Term Sheet and File an Amended Rule and Allocate \$350 Million for the Hardest Hit Fund ("HHF") Principal Reduction ("PR") Program. David Westcott stated that the proposed Hardest-Hit Fund Principal Reduction Program will assist severely underwater low to moderate income homeowners who have been consistently current on their mortgage payments by providing Hardest-Hit funds to reduce the amount of the outstanding principal balance on the loan to 100 percent loan to value or as close thereto as allowed with the amount of assistance provided. He stated that it was also designed to reduce the borrower's monthly mortgage payment by having their servicer recast the loan based on the lower principal, or, for government-insured loans (FHA, VA, USDA Rural Development loans), which are unable to be recast due to Ginnie Mae regulations, by undergoing a streamlined refinance.

Mr. Westcott asked the Board to approve staff's recommendation to allocate \$350 million in Hardest-Hit funds to the Principal Reduction Program and authorize staff to close on the term sheet with US Treasury, and to file the amended rule subject to any further approvals and conditions from counsel, US Treasury or the appropriate Florida Housing staff.

Motion to approve staff's recommendation was made by Mr. Hawthorne with a second by Mr. Smith.

Mr. Hawthorne asked if any feedback had been received from the mortgage servicers. Mr. Westcott stated that the servicer community has expressed broad support of the program, but added that several servicers had already chosen not to participate.

Mr. Killingsworth asked why the income limits went up to 140% of AMI, when the program is targeted to low and moderate income borrowers. Mr. Westcott stated that 140% is the highest percentage of AMI that Florida Housing is permitted to serve. Mr. Killingsworth asked why homeowners had to acquire their property prior to January 1, 2010, and how that date was chosen. Mr. Westcott stated that January 1, 2010, was chosen as opposed to January 1, 2009, because while the real estate bubble began to burst at the beginning of 2009, it didn't encompass the entire state until further along in 2009, so in order to be as inclusive as possible, January 1, 2010, was chosen as the cut-off date.

Mr. Hawthorne asked about the requirement that the homeowners not be more than 60 days late on payments in the last two years, in that he feels it will greatly reduce the number of eligible applicants. Mr. Westcott stated that quarterly national delinquency surveys indicate that the vast majority of Floridians are current on their mortgages and staff believes the \$350 million will be able to help approximately 10,000 of those homeowners who meet the program requirements.

Mr. Katz asked about controls to mitigate risk of fraud associated with the program. Mr. Westcott stated that staff has built upon the existing Hardest-Hit Fund program controls and worked with Treasury and Florida Housing's Inspector General's office to ensure that sufficient controls are in place. He stated that homeowners complete an online application that goes directly to local housing counseling agencies that do an initial eligibility determination, and then gets forwarded to Florida Housing for de novo underwriting. He stated that Florida Housing's Inspector General's office set up other fraud controls, including an anonymous reporting mechanism for the public to submit allegations of fraud or abuse regarding applications. Mr. Katz asked if there was independent verification of total household income. Mr. Westcott stated that applicants are required to submit pay stubs and bank statements to prove income. Mr. Katz asked if the submitted information is verified with the IRS. Mr. Westcott stated if there is a reason to believe the information provided is not legitimate, verification would be done, but it would not be done for every application.

Motion passed unanimously.

HOUSING CREDITS

Item A, Request Approval of Transfer of General Partnership Interest for Sailboat Bend Apartments. Ken Reecy asked the Board to approve a transfer of general partnership interest and developer interest in Sailboat Bend Apartments subject to review by Florida Housing staff and underwriters, and to direct staff to proceed with modification activities.

Motion to approve staff's recommendation was made by Mr. Smith with a second by Mr. Dubuque. Motion passed unanimously.

LEGAL

Item A, Woodcreek Apartments, Ltd. Wellington Meffert stated that this item was pulled from the Agenda, as the Petitioner withdrew its Petition.

LEGISLATIVE

Jacqueline Sosa Peters informed the Board that she and Natacha Munilla met with members of the Miami legislative delegation earlier in the week and looked forward to working with other Board Members to meet with their local delegations around the state in preparation for the upcoming legislative session.

Steve Auger drew the Board's attention to the two-page handout prepared by staff in response to questions from the legislature regarding rental housing need and the State Housing Initiatives Partnership Program (SHIP). He stated that these pages, as well as similar ones on other issues, would be used as educational tools for legislators.

MULTIFAMILY ENERGY RETROFIT PROGRAM (MERP). Nancy Muller reminded the Board that at the August 8, 2013, Board Meeting, it approved program parameters to implement the Multifamily Energy Retrofit Program, which will provide loans to older properties in Florida Housing's portfolio to upgrade old, inefficient building components with the resulting savings on energy costs used to repay the loans.

Ms. Muller stated that staff wants to contract for services to obtain utility data from the properties to fulfill the reporting requirements established by the Federal Department of Energy, and to use that high quality data and the analysis of that data to allow better targeting for future retrofits to get the most efficient results.

Ms. Muller stated that Florida Housing already has a working relationship with the University of Florida's Shimberg Center for Affordable Housing Studies, which has a sister center, the Program for Resource Efficient Community Center, or PREC, which does field work and research around energy and water consumption issues, and has a track record of collecting and analyzing energy data.

Ms. Muller stated that staff expects the contract amount to be \$20,000 annually for three years, subject to the satisfactory performance of the University of Florida at the sole discretion of Florida Housing; and if the parties mutually agree, the contract could be renewed twice for an additional one-year period, for a total of five years if it is successful.

Ms. Muller asked the Board to authorize the Executive Director to sign a contract with the University of Florida to provide energy data reporting services for the Multifamily Energy Retrofit Program.

Motion to approve staff's recommendation was made by Mr. Hawthorne with a second by Mr. Smith.

Mr. Hawthorne asked how firm the expected amount of \$20,000 was. Ms. Muller stated that staff believes \$20,000 is very firm; but there may be some additional expenses to be paid to utility companies for their data. She stated that staff definitely expected no more than \$20,000 to go to the University of Florida.

Mr. Hawthorne asked if any other state universities did similar work. Ms. Muller stated that the only one she was aware of was the University of Central Florida that has the Florida Solar Energy Center.

Ms. Munilla asked if there was estimate of what the energy cost savings would be. Laura Cox stated that staff expected maximum loan amounts of \$5,000 per unit, and the savings would have to be greater than the debt service on the loan. She stated that the properties are expected to at least save energy costs at the level of what the loan is, and the savings will also be passed along to the tenants and property owners.

Motion passed unanimously.

MULTIFAMILY PROGRAMS

Item A, Request Authorization to Issue Request for Proposals to Develop Permanent Supportive Housing for Special Needs and Extremely Low Income Households. Nancy Muller stated that the 2012 legislature included proviso language in the state budget to provide up to \$10 million in documentary stamp tax revenue to Florida Housing if the receipts into the state housing trust fund were in excess of the \$35.3 million revenue estimate used by the legislature for 2012, and because the final amount was approximately \$50.2 million, Florida Housing received the entire \$10 million appropriation. She stated that the proviso language specifies that the funding must be used to issue a request for proposals to finance the development of affordable, sustainable and permanent housing for special needs and extremely low income households, and only non-profit housing developers specializing in housing for individuals with special needs and extremely low incomes are eligible to receive the funding.

She stated that as a result of a meeting Florida Housing held with state agencies and the Governor's Office in late 2012, it was agreed that Florida Housing should pursue a pilot program to develop supportive housing to target high needs populations, which are typically either chronically homeless individuals or individuals living in institutions such as nursing homes and congregate settings where the cost of the institution is extremely high to the State of Florida. She stated that a question legislators often ask is what are the cost savings to the state if these individuals are moved to permanent supportive housing where they can get the services they need; thus, the state agencies agreed that creating a strategy to accurately measure the cost/benefit.

Ms. Muller asked the Board to authorize staff to develop and issue a request for proposals (RFP) to finance permanent supportive housing for extremely low income special needs populations that are high users of crisis services and/or are living in more restrictive institutional settings than needed or desired. She also asked that the RFP require applicants for the financing to

commit to the provision of data evaluating the cost benefit of the permanent supportive housing approach and the residents' outcomes. She also asked the Board to authorize the Executive Director to establish a review committee to review the RFP responses and make a recommendation to the Board.

Motion to approve staff's recommendation was made by Ms. Munilla with a second by Mr. Smith. Motion passed unanimously.

PROFESSIONAL SERVICES SELECTION

Item A, Request for Qualifications (RFQ) for Trustee, Registrar, Paying Agent and Dissemination Bond Agent Services. Wayne Conner asked the Board to authorize staff to begin the solicitation process to select a pool of entities to provide trustee, registrar, paying agent and dissemination bond agent services and authorize the Executive Director to establish a review committee.

Motion to approve the review committee's recommendations was made by Mr. Dubuque with a second by Ms. Munilla. Motion passed unanimously.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Item A, Request Denial of Loan Closing Extension Request for Preserve at Oslo f/k/a Woods at Vero Beach. Ken Reecy stated that Creative Choice Homes asked for a loan closing extension for the Preserve at Oslo. He stated that Creative Choice Homes currently has three developments with past due payments totaling more than \$250,000.

Mr. Reecy stated that in December 2011 staff issued a preliminary commitment letter to the Preserve at Oslo and an invitation to enter credit underwriting for SAIL funds for units set aside for ELI households. He stated that in March 2012 staff issued a firm loan commitment in the amount of \$2.6 million with a closing deadline of September 2012. He stated that in November 2012 the Board deferred an extension request to December 2012, at which time it was deferred again to February 2013, and at the February 2013 meeting, the Board approved the request for a loan closing extension to September 1, 2013, subject to payment of a loan closing extension fee, receipt of a firm commitment for the refinancing of the first mortgage loan on Peacock Run, and full restoration of all down units at Tuscan Isle to suitable occupancy status.

Mr. Reecy stated that on August 27, 2013, staff received a request from the developer for another 180-day loan closing extension, but as of September 1, 2013, First Housing had not received a firm commitment for the refinancing of the first mortgage loan on Peacock Run, and full restoration of the down units at Tuscan Isle had not occurred.

Mr. Reecy asked the Board to approve staff's recommendation to deny the request for a 180-day loan closing extension, deobligate the \$2.6 million SAIL ELI award and authorize staff to reallocate the returned funds to the next eligible proposal in the ranking chart for the 2011 RFP.

Motion to approve staff's recommendation was made by Mr. Hawthorne with a second by Mr. Dubuque.

Jason Larson from Creative Choice Homes asked the Board to defer their decision on the loan extension for 90 days.

Barney Smith expressed his desire to deny the request and award the funds to the next developer on the list.

Chairman Tylka asked what effect the decision to deny the request for an extension would have on the Guarantee Fund. Mr. Auger stated staff expects that the Guarantee Fund could handle the two foreclosures if it came to that.

Ms. Munilla asked what the exposure for the two developments is and if they are HUD risk share properties. Ms. Cox stated that Peacock Run and Tuscan Isle are HUD risk share, but Preserve at Oslo and Vista Palms are not. She stated that the gross current balance on Peacock Run is \$7.8 million, Preserve at Oslo is \$6.1 million, Tuscan Isle is \$16.9, and Vista Palms is \$5.7 million.

Motion passed unanimously.

Item B, Request Denial of Loan Closing Extension Request for Peacock Run. Ken Reecy stated that Creative Choice Homes requested a 180-day loan closing extension for Peacock Run and the particulars of the request were the same as the request for an extension previously discussed in regard to the Preserve at Oslo.

Mr. Reecy asked the Board to deny the request for a 180-day loan extension, deobligate the \$3.9 million in SAIL ELI award and authorize staff to reallocate the returned funds to the next eligible proposal on the priority ranking chart for 2011.

Motion to approve staff's recommendation was made by Mr. Smith with a second by Ms. Munilla. Motion passed unanimously.

SINGLE FAMILY BONDS - FINANCE

Item A, Single Family Homeownership Program. Barb Goltz asked the Board to approve staff's recommendation to approve the necessary funding, including reimbursable amounts to provide funding between bond issues, staff actions and the resolution to permit the issuance of the proposed 2014 Phase One Homeowner Mortgage Revenue Bond.

Motion to approve staff's recommendations was made by Mr. Dubuque with a second by Ms. Munilla. Motion passed unanimously.

CONSENT AGENDA

Chairman Tylka asked for a motion to approve staff recommendations on the items on the Consent Agenda.

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

Steve Auger stated that due to the recent heavy turnover of Board Members, staff will plan a two-day Board Meeting in the near future to allow time for educational presentations and discussions. Chairman Tylka and Mr. Hawthorne expressed their support for that plan.

PUBLIC COMMENT

No public comment was offered.

Hearing no further business, Chairman Tylka asked for a motion to adjourn the September 20, 2013, Board of Directors' Meeting.

Motion to adjourn was made by Mr. Dubuque with a second by Ms. Munilla. Motion passed unanimously.

Chairman Tylka adjourned the meeting at 10:25 a.m.