

FLORIDA HOUSING FINANCE CORPORATION

Board Meeting

January 27, 2023

Information Items



ASSET MANAGEMENT

Information

I. ASSET MANAGEMENT

A. Hilltop Village

DEVELOPMENT NAME (“Development”):	Hilltop Village Apartments
DEVELOPER/PRINCIPAL (“Applicant”):	SP Hilltop Village LP/SP Hilltop Village GP, Inc./Southport Financial Services, Inc./J. David Page, individually
NUMBER OF UNITS:	200
LOCATION (“County”):	Duval
TYPE (Rental, Homeownership):	Rental/Family (Multifamily Mortgage Revenue Bond (“MMRB”)/Low Income Housing Tax Credits (“HC”))
SET ASIDE:	85% @ 60% (MMRB) 100% @ 60% (HC) 25% @ 40% (SAIL) 25% @ 45% (SAIL) 50% @ 50% (SAIL)
ALLOCATED AMOUNT:	\$7,000,000 of Tax Exempt Bonds \$504,385 4% HC allocation and \$1,503,237 SAIL Loan Extension

1. Background

- a) Prior to the IRS suspension of compliance monitoring due to COVID, Florida Housing’s contracted monitor First Housing Development Corporation (“First Housing”) visited the Hilltop Village property on 12/9/2019. The property received an unsatisfactory physical inspection primarily due to missing tub and sink stoppers in 7 units. One unit was found to have a deteriorated seal and a faulty lock on a bathroom door. Two units had soiled AC filters. The 2019 review was successfully closed out on 2/21/20.
- b) Florida Housing became aware of a news article on May 5, 2021, regarding code enforcement and the rodent infestation. We immediately reached out to ownership and management of Hilltop Village for their response and action plan. We were able to discern from Southport's response that they received local government code violations on 9/5/2020 and 9/10/2020 citing required repairs as well as "extermination needed". A code enforcement hearing was held 1/25/21 where Southport stated all violations were cleared except for the rodent issue. Southport signed their first contract with Massey Services for vermin exclusion on 4/21/21.
- c) On 5/18/21, Sen. Rubio wrote HUD's Secretary Fudge with his concerns regarding HUD's lack of oversight of Hilltop Village as HUD had not inspected the development since December 2015. HUD had already scheduled a REAC inspection of 100% of the units for 5/11/21. The REAC inspection resulted with a score of 61c/100. (The “c” indicates potentially life-threatening conditions were witnessed during the inspection.) The 61 in the score is considered passing (below 60 is failing). The REAC inspection found while the structural integrity of Hilltop Village meets federal standards, the deductions come from health and safety issues, namely the pest and rodent infestations,

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chronic mold, and disrepair of the units. Four units were declared uninhabitable, and ownership and management were subjected to more than \$160,000 in civil fines. In August, Sen. Rubio wrote Sec. Fudge again asking for affected residents to be relocated.

- d) The Department of Business and Professional Regulation (DBPR) inspected Hilltop on 5/20/21. DBPR has jurisdiction over safety and sanitation for apartments and hotels, among other industries. Hilltop met DBPR's inspection standards during that visit.
- e) First Housing visited the property on 6/3/21, 7/19/21, 8/27/21 and most recently 12/6/21.
- f) On 8/13/21, after viewing another News4jax report, we requested an updated action plan and timeline to remedy the problems since it was apparent the initial plan was not sufficient. Southport engaged another vendor to assist with exclusion of the vermin.
- g) Due to these ongoing issues, in September 2021, the following closing condition was added to Southport's three upcoming new construction transactions:
 - (1) All repairs have been made to resolve outstanding noncompliance issues identified by monitor(s) in their monitoring reports by closing and rodent infestation has been resolved prior to Cambridge Management, Inc. leasing any units in the development. If unresolved prior to leasing, we will require replacement of Cambridge Management, Inc. with an alternate management company, pursuant to requirements of 67-53, F.A.C., that does not share any common Principals, executive directors, board members, officers, guarantors or employees of the Applicant entity or Cambridge Management, Inc.
- h) At the December 2021 Board meeting, the Executive Director informed the Board that staff would review the facts and circumstances relating to the management of Hilltop Village, along with the 12/6/2021 compliance review and determine whether further administrative action should be pursued in accordance with Florida Statutes.
- i) On 12/6/2021, First Housing performed their compliance review and inspected 26 units. All 26 failed the inspection for a variety of reasons. There were towel bars broken off, holes in the walls, and sink and tub stoppers missing. Southport's management agent timely submitted their response. All noncompliance issues cited in the 12/6/2021 compliance review have now been rectified and cured with the exception of the following:
 - (1) Two units remain in noncompliance due to resident housekeeping issues. The units were not cleaned upon Management's re-inspection. Management had scheduled follow-up inspections; however, the inspections were postponed until COVID quarantine restrictions were lifted. Once the quarantine restrictions were lifted, management would conduct follow-up inspections. If the units were not cleaned, Management stated they would initiate eviction procedures.

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- j) While the monitor did not observe any rodents, there continues to be a rodent problem. On the day of the monitoring visit, Terminix, who is now the current rodent pest control company under contract, trapped 35 mice. Property management reported Terminix is on site daily, except for weekends. Based on this, there continues to be a rodent problem.
- k) Staff informed the Board a follow up review would be scheduled to assess the progress on eradication of the rodent issue.
- l) On February 16, 2022, Jacksonville city councilwoman Ju'Coby Pittman met with José Alvarez, HUD Regional Administrator for the Southeast, representatives from Cambridge Management and residents of Hilltop Village apartments to hear their concerns regarding the ongoing rodent problem.
- m) Florida Housing requested an updated action plan. Southport's representatives responded that they are down to 10 units with code violations that have been remedied and are awaiting reinspection. Additionally, Southport has represented that they have been doing weekly contracts with Terminix and will continue until they have met Terminix's definition of eradication.
- n) At the deadline for submitting Board items for the March meeting, First Housing had not received documentation regarding the two noncompliant units from the 12/6/2021 review and sent a follow up inquiry to Hilltop Village for response. Shortly thereafter, documentation was submitted curing one unit however, the other unit failed their reinspection and management advised that a notice to vacate had been issued. First Housing requested documentation when that unit is ready for occupancy.
- o) First Housing conducted a follow up review on 4/5/2022 to reinspect units with prior noncompliance issues and assess progress on eradication of the rodent issue. The report is currently in draft form and will be finalized and issued by the first week of May. Preliminarily, noncompliance issues were found in 14 of the 31 units inspected ranging from broken door locks, inoperable appliances and moldlike substances, however, none of the units showed signs of rodent infestation. Southport management advised that the unit was not able to be inspected on 4/5 due to the resident changing the locks without permission. Since that time, Arco Management, the new management company for Hilltop Village, gained access to the unit, noted open items from the 12/6/21 review and has committed to curing the open issues for this unit by 5/2/2022. In addition, management reported they had experienced their first week, beginning April 11th, without any rodent captures.
- p) On 5/4/2022, First Housing issued the report of their 4/5/2022 follow-up inspection. Noncompliance issues were found in 14 of the 31 units inspected. The units selected for inspection included 21 that had deficiencies noted during the 12/6/21 review. Of those, 9 units still had not been corrected. Noncompliance issues ranged from broken door locks, inoperable appliances and moldlike substances, however, none of the units showed signs of rodent infestation. Roaches were observed in one unit. In addition, the laundry facility had 3 damaged windows, an inoperable washer and was in need of housekeeping. All buildings were in need of power washing, excess litter was present throughout the property, the trash collection area was overflowing and not properly maintained. Since the 4/5 review, Arco Management, the new

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management company for Hilltop Village, noted the open items from the 12/6/21 review and committed to curing the open issues.

- q) Management submitted their response to the 4/5/2022 review on 6/2/2022, however, First Housing was still following up on outstanding issues related to 10 units, the laundry facility and trash collection. First Housing received and evaluated management's response and documentation regarding the outstanding noncompliance issues. All issues noted in the management reviews have been cured, with the exception of one unit. The household has vacated the unit and management has engaged a contractor to make repairs to the unit so that it is ready for occupancy.
- r) First Housing performed a follow-up review on 8/17/2022 and inspected 12 units. The report was issued 9/14/2022. The issued report noted noncompliance in 8 units, with comments regarding other issues in 3 units. One unit was reported as vacant and being turned. The noncompliance included, but was not limited to, broken faucets, missing sink stopper, blocked egress, damaged electrical outlet covers, damaged light switch covers, missing screens, missing and broken bedroom door, damaged baseboards, mold-like substances and verified mold, missing/inoperable smoke detectors, missing fire alarm, missing refrigerator door handle, peeling paint, missing/damaged window blinds, etc. Noncompliance with respect to exterior items included, corroded stair stringers, treads and handrails, damaged/missing downspouts, broken and boarded up windows, damaged access lighting, missing/damaged dryer vents, etc. First Housing received management's response by the 10/14/22 due date. First Housing is following up on the outstanding items.
- s) Management's response was received and evaluated by First Housing, however, not all outstanding issues were cured. First Housing sent a follow-up request 11/10/2022 and as of 11/21/2022, had not received a response.

2. **Present Situation**

- a) First Housing received a follow-up response from the management company on 1/1/2023. After review, First Housing determined all outstanding issues noted in the Hilltop Village site inspections have been resolved.

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B. Silver Oaks

DEVELOPMENT NAME (“Development”):	Silver Oaks
DEVELOPER/PRINCIPAL (“Applicant”):	SP Johnson Kenneth Court LP/SP Johnson Kenneth Court GP, Inc./Southport Financial Services, Inc./J. David Page, individually
NUMBER OF UNITS:	200
LOCATION (“County”):	Hillsborough
TYPE (Rental, Homeownership):	Rental/Family (Low Income Housing Tax Credits (“HC”) Tax Credit Exchange Program (“TCEP”))
SET ASIDE:	20% @ 25% (HC) 80% @ 60% (HC) 20% @ 35% (TCEP) 80% @ 60% (TCEP)
ALLOCATED AMOUNT:	\$1,734,259 9% HC allocation and \$6,650,000 TCEP allocation

1. Background

- a) Prior to the IRS suspension of compliance monitoring due to COVID, Florida Housing’s contracted monitor First Housing Development Corporation (“First Housing”) visited the Silver Oaks on 8/25/2017. The property failed its records and physical reviews, but all items were subsequently cured. The 2020 review was cancelled due to COVID.
- b) Florida Housing became aware of a news article describing residents’ concerns alleging black mold and a “rodent nightmare.” We immediately reached out to ownership and management of Silver Oaks for their response, action plan and timetable for remediation. First Housing will be on-site to conduct a review of Silver Oaks on 5/3/2021.
- c) Southport’s initial response addressed the actions that have been taken thus far to address sewage leaks and sewer/sanitary backups. Management has reported that all residential building sanitary lines have been scoped and jetted over the last few months. This process identified some areas with foreign objects in the pipes and some areas with sagging pipes and tree root intrusion. Management solicited bids and reports that repair work is in progress.
- d) Management also advised that Cambridge Management had been performing quarterly housekeeping inspections until they were suspended due to COVID. Their first inspection this year was noticed 4/15/2022 and would occur 4/19 – 4/21. Southport’s response did not address remediation for the reported “mold” and rodent issues. Florida Housing requested clarification regarding Cambridge’s policy to only inspect units quarterly, rather than monthly. In addition, Florida Housing requested Southport address plans for mold remediation/air quality as well as their plan for vermin exclusion.

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- e) In Southport's subsequent response received 4/21/2022, management shared:
- (1) Cambridge has two pest control companies working on inspections, and bids for preventative maintenance/measures. Preventative measures would include building exclusion if needed, exterior bait stations, and additional interior treatments if recommended. Pest control will be doing a full spread for insects next week with a clean out. Additionally, tree and shrub work will commence immediately to trim trees and other vegetation away from the buildings.
- f) During the inspections units are also being inspected for organic growth. Organic growth that appears to be more than surface are immediately inspected, verify all leaks or moisture sources are remedied prior to repairing the area. Once repairs are made management will inspect after to ensure repairs holding and there are no further moisture issues. We will initiate an air quality control test if we feel we cannot remedy the situation in household. If a resident requests an air quality control test after the repair is remedied, we will request one from a certified vendor. However, we advise the resident that if there are no findings, they are responsible for the cost of the test. If any adverse findings are reported in the test results, management will pay for the test. Many times, if surface mildew or organic growth are found it can be remedied with a clean up using authorized mildew/growth cleaners. (Clorox wipes, etc.) Some may be a resident issue, and some may be a unit issue. We review and determine how to handle each issue based on the situation itself. For surface issues for example, are the residents running the HVAC, oven vent fan while cooking, exhaust fan during and after showering, running HVAC while windows and doors are open. Residents are counseled on best practices, including insuring they know how to operate thermostats, vents, etc. Residents are encouraged to report any organic growth concerns immediately to management. Organic growth concerns and reports are deemed immediate needs and processed as fast as possible. Each property is governed by a MMP (moisture management plan). The property staff abide by that as well as Cambridge Management policies and procedures on remediation.”
- g) On 5/25/2022, First Housing issued the report of their 5/3/2022 special site inspection requested by Florida Housing. Noncompliance issues were found in all 16 of the occupied units inspected and 3 of the 4 vacant units inspected. Unit noncompliance included inoperable and/or missing smoke detectors, drywall damage and holes in walls, missing stove drip pan, missing stove knobs, broken blinds, broken closet, missing or broken cabinet doors, toilet in need of repair, fire extinguishers expired or missing, refrigerator not working properly, inoperable dishwasher, dishwasher needing repairs, lights not working properly, broken door locks, broken door frames, boarded windows, ripped screens, roaches observed in one unit, poor housekeeping observed in 3 units as well as other issues. Management's response was due no later than 6/24/2022.
- h) Management reported they had contracted with a pest control company for rodent control throughout the exterior of the property. Rodent baits and exclusions were reportedly completed on 4/25/2022. In addition, management reported that a cleanout pest control service for all residential units occurred on April 26-29, 2022 and would be continued with a routine bi-monthly service. Management also reported they had contracted with a plumbing company to drain and clean drain lines in 7 buildings and in specific units to restore proper flow. The plumbing contractor was working to replace the drain in Building D's

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breezeway on the day of the review. Management estimated the plumbing project would take a few weeks to complete.

- i) First Housing received and evaluated management's response and documentation regarding the outstanding noncompliance issues and has noted that the only remaining issue is the work that is continuing the drain lines to restore proper flow. This work is being conducted on a building-by-building basis. Management reported that half of the repairs/building have been completed and the other half would start the first week of August. Management estimated this project will be complete by the end of September.
- j) First Housing performed a follow-up review on 8/31/2022 and inspected 20 units (16 occupied and 4 vacant). The report was issued 9/26/2022. The issued report noted noncompliance in 17 units. Three of the four vacant units were reported as down due to mold, missing appliances, and strong odors. The unit noncompliance included, but was not limited to, exposed electrical outlets, pest infestation (German and American cockroaches) missing window covering, cabinet doors, damage to walls, door knobs missing, blocked egress, inoperable stove range, missing smoke detectors, organic substance present, damaged appliances, drawers and doors, soiled a/c filters, missing/expired fire extinguishers, inoperable bathroom exhaust fans, black substance in bathrooms, broken toilet lid, missing light globes, missing sink stoppers, missing blinds, etc. Noncompliance with respect to exterior items included, graffiti and peeling paint, exterior doors in need of paint throughout property, stairs throughout property are in need of pressure washing, broken blinds throughout the property, and exposed wires on 2 buildings' exteriors. Management's response was not due until 10/26/22, after the deadline for October's board package.
- k) Management's response was received on 11/17/2022 and evaluated by First Housing, however, not all outstanding issues were cured. First Housing sent a follow-up request and as of 11/21/2022, had not received a response.

2. Present Situation

- a) First Housing received a follow-up response from the management company on 1/1/2023. After review, First Housing determined all outstanding issues noted in the Silver Oaks site inspections have been resolved.

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C. Florida Housing Multifamily Rental Portfolio Compliance Dashboard

1. Background/Present Situation

- a) Florida Housing's Management Review and Physical Inspection (MRPI) includes a review of records such as application for residency, tenant income certification/recertification and income verification documents, leases, rent rolls and regulatory agreements (Land Use Restriction Agreement and/or Extended Low-Income Housing Agreement). Physical Inspections include the interior/exterior of residential building and common areas, and a review of general site conditions- landscape, sidewalks, and pave areas.
- b) To arrive at the information presented below, data on all reviews conducted from 1/1/2018 through 12/31/2022 was analyzed. It is important to note, that from 4/1/2020 to 9/30/2021, Florida Housing conducted no on-site, physical inspections due health and safety risks associated with COVID-19; only desk-top reviews of tenant files were completed during this period.
- c) During the study period, Florida Housing conducted, 3,661 MRPI Reports of 1,425 different developments. 88% of all MRPIs conducted during the study period were successfully closed. Of the 429 open reviews from the study period:
 - (1) 47% of developments and 41% of owners have unsatisfactory ratings for examination of records;
 - (2) 44% of developments and 26% of owners have unsatisfactory rating(s) regarding physical condition of the development; and
 - (3) 31% of development have deficiencies in both the examination of record and physical inspection categories.

FISCAL
Information

I. FISCAL

A. Operating Budget Analysis for November 30, 2022.

1. Background/Present Situation

- a) The Financial Analysis for November 30, 2022, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending November 30, 2022, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

Information

I. GUARANTEE PROGRAM

A. Status of the Guarantee Program portfolio

1. Background/Present Situation

- a) Since the implementation of the Guarantee Program in 1993, 120 transactions facilitating the construction of over 28,000 housing units in Florida were guaranteed. 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. As of 12/31/22, one (1) multifamily development remains in the Guarantee Program portfolio.
- b) Between November 2008 and April 2010, eight (8) multifamily claims were filed on the Guarantee Program portfolio, representing the total (and only) multifamily claims incurred in its 24-year history. The Guarantee Program experienced a strong 87% foreclosure recovery rate, compared to the 64% national average at that time.¹ Currently, there are no foreclosures in inventory and no developments in monetary default in the portfolio.

B. Corpus and Portfolio Risk Exposure

1. Background/Present Situation

- a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately \$89 million and refinancing the remaining \$156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.
- b) At that time, the Guarantee Program's total risk exposure was \$754.5 million. Since then, in keeping with the Board's mandate to cede risk from the portfolio, total risk exposure has been reduced over 99%, as reflected below:

Portfolio Risk Exposure

As of 12/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
\$4.9M	\$5.0M	\$5.1M	\$5.2M	\$19.9M	\$20.4	\$30.9M	\$59.4M	\$158.9M	\$306.5M	\$468.5M

- c) The continued low interest rate environment has prompted many Developers to refinance their properties, paying-off their guaranteed mortgages and removing them from the Guarantee Program portfolio, representing the primary driver behind the reduction in Total Commitments reflected above. Refinancing activity is reflected in the following chart:

¹ Real Capital Analytics, April 2011

GUARANTEE PROGRAM

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Refinancing Activity

	As of 12/31/22	2021		2020	2019	2018	2017	2016	2015	2014	2013	2012
Loans (#):	0	0		0	2	0	1	5	17	22	22	9
Risk ceded (\$):	n/a	n/a		n/a	\$14.4M	n/a	\$10.2M	\$27.6M	\$100M	\$136.8M	\$149.4M	\$84M

- d) Contributing to the reduction in Total Commitments was approximately \$115 million in partial prepayments (of mortgages) from SAIL ELI proceeds, funded prior to or at the time of closing, helping facilitate refinancing activity.
- e) Furthermore, Management aggressively reduced the Guarantee Program capitalizing debt, paying off \$90.2 million on April 20, 2011, another \$15 million on July 29, 2011, and the remaining \$51.0 million on December 21, 2012, reducing the Guarantee Fund's capitalizing debt to zero (\$0).
- f) The Guarantee Fund corpus contains approximately \$145 million in capital invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "AA-f" by Standard & Poor's as of March 31, 2022.

C. Current Ratings (Insurer Financial Strength)

1. Background/Present Situation

Standard & Poor's: May 2020 A+ / Stable outlook
 Cited strengths: "Strong state financial support...Strong asset quality...Strong asset management policies"^[1]

Fitch: March 2018 A+ / Stable outlook
 Cited strengths: "Low Risk-to-Capital Ratio... Limited State support ...Minimal Multifamily Losses"^[2]

D. Risk-to-Capital Ratio

1. Background/Present Situation

- a) Authorized Maximum Ratio = 5:1. Peaking in 1999 at 4.95:1, subsequent management efforts resulted in a more conservative downward trend to the vastly improved ratio of 0.03:1 as of 12/31/22. Capital not needed to support the outstanding Guarantees has been made available to the SAIL program for use in the 2016-2018 and 2019 competitive solicitations. Specifically, \$40 million was made available to workforce housing and the remaining \$78 million to SAIL.

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

^[1] Standard & Poor's, "Florida Affordable Housing Guarantee Fund," May 21, 2020, www.standardandpoors.com/ratingsdirect.

^[2] Fitch Ratings, "Fitch Affirms Florida Housing Finance Corp's Guarantee Fund at 'A+'; Outlook Stable," March 28, 2018, www.fitchratings.com. Fitch Ratings 2022 surveillance was concluded on July 21, 2022 and resulted in Review-No Action of the rating.

HOME RENTAL

Information

I. HOME RENTAL

A. General Home Development Co-Developer Deals - Willie Downs Villas and Village Springs

1. Background/Present Situation

a) Willie Downs Villas

- Willie Downs Villas was awarded Federal HOME Investment Partnership Program (HOME) funds in RFA 2016-101 HOME Financing to be used for Rental Developments Located in Rural Areas. Willie Downs Villas was preliminarily awarded \$4,531,000 in HOME funds for 50 units located in Highlands County. Willie Downs Credit Underwriting report was approved at the December 8, 2017, Board Meeting, against staff recommendation, and the loan closed on August 8, 2018. General Home Development (GHD), together with the Highlands County Housing Authority each acted as Co-Developers and GHD was the General Contractor on the development. Progress on Willie Downs continued on a normal schedule through 2019. Florida Housing received regular construction draw requests. In 2020, a slowdown started to occur in the draw requests with one submitted in 2020 and one in 2021. This slowdown at first was due to the COVID-19 pandemic which greatly affected all projects ability to complete construction timely. As of the last draw request received, Willie Downs was 87% complete. Since 2021, very little progress on the development was accomplished and construction progress is estimated to be 95% complete. Because of this, Highlands County Housing Authority officially terminated GHD's construction contract due to default on August 12, 2022, and asked Frankenmuth Surety to perform under their Performance Bond. Frankenmuth Surety responded on December 21, 2022, stating that "in order to mitigate costs, the Housing Authority should proceed with completing GHD's contract." On January 12, 2023, staff authorized Seltzer Management Group to order an appraisal and capital needs assessment to determine what work is needed to complete construction and achieve a certificate of occupancy. Staff has been in contact with the first mortgage lender who has stated that it is willing to see the development through to completion.

b) Village Springs

- Village Springs was awarded Federal HOME funds in RFA 2017-105 HOME Financing to be used for Rental Developments Located in Rural Areas. Village Springs was preliminarily awarded \$4,686,300 in HOME funds for 50 units located in Walton County. Village Springs Credit Underwriting report was approved at the July 27, 2018, Board meeting and the loan closed on October 31, 2018. GHD, together with Workforce Housing Ventures, a non-for-profit corporation, each acted as Co-Developers and GHD was the General Contractor on the development. The development, from the beginning, had challenges including the inability to mobilize and retain subcontractors and problems with Davis-Bacon Compliance which caused delays in processing and approving draw requests. Construction as of August 2019 was substantially behind schedule at 37% complete. Site design

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and the work completed during the summer of 2019 did not ensure proper drainage on the site. Thunderstorms during this period caused damage to the existing structures including flooding in the units under construction and voids under a few of the foundations, potentially affecting the structural integrity some of the buildings.

- In February 2020, the City of DeFuniak Springs Code Enforcement issued a Stop Work Order requiring the General Contractor to cease and desist all construction related activities on the site of the development. Their order identified multiple deficiencies including incorrect installation of silt fencing, insufficient erosion control and incorrect stormwater retention. Continued negotiations with the city allowed for the Stop Work Order to be lifted to conduct construction activities sufficient to resolve the issues noted in the order. However, the City was unable to observe sufficient progress and reaffirmed the Stop Work Order in April 2020, in October 2020 and again in April 2021. GHD was given relief from the Stop Work Order in July 2021 to install silt fencing, complete road work to provide the City access to the lift station, complete design and site work to ensure sufficient capacity in the retention pond, stabilize the site to reduce runoff, complete any work directed and approved by Northwest Florida Water Management (NWFWM) and the Florida Department of Environmental Protection to remediate any damage to the wetlands and complete work necessary to remain in good standings with those agencies.
- On April 8, 2021, NWFWM filed a Petition for Enforcement in the Circuit Court of Walton County. The petition is asking for an injunction against GHD "temporarily and permanently enjoining Defendant from all construction activities on the Property until it and those operating on its behalf have brought all activities fully and completely in compliance with applicable Florida Law and permit number 0368149-001-EG." Additionally, the petition is seeking a monetary penalty upwards of \$25,000 per day from GHD for violations outlined in the petition. This case against GHD is still ongoing.
- With no progress by GHD, Workforce Housing Ventures submitted a Notice of Intent to Declare Contractor Default dated October 1, 2021, to the Surety Company backing the Payment and Performance Bond, Frankenmuth Mutual Insurance Company (Frankenmuth). On January 21, 2022, Frankenmuth notified the borrower of their findings and concluded "that there is a Stop Work Order in place until such time as the Developer(s) provide an acceptable design in response to the various issues that were noted. Based upon our review of the documentation provided, GHD in its capacity as co-developer, along with the Owner, have not produced an acceptable, approved and complete design of the project and has not produced the complete contract documents to allow the work to proceed, as requested by the local municipalities." Additionally, Frankenmuth concluded "at this time, because the project has not been fully designed, Frankenmuth is unable to determine what obligations, if any, GHD in its capacity as the

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contractor and is unable to determine what obligations, if any, exist on the Performance Bond.”

- Workforce Housing Ventures hired an engineering firm to complete the design work and in December 2022 NWFWM approved the plans and a permit was issued for the site work related to site drainage and the retention pond capacity. Florida Housing authorized AmeriNat Community Services to order an appraisal on Village Springs, which was received on November 29, 2022. Staff has been in contact with the first mortgage lender, PNB Community Bank, who is evaluating its options on how to proceed.

HOUSING CREDITS

Information

I. HOUSING CREDITS

A. The developments listed below have requested changes to the Extended Use Agreement

1. Background/Present Situation

- a) Magnolia Terrace Apartments (2019-511C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Leon County on September 9, 2021.
- b) On November 28, 2022, staff received a letter from the Owner requesting a revision to Section 2(e) of the EUA to correct the number of bathrooms in the four-bedroom units.
- c) Staff will amend the EUA as appropriate.

MULTIFAMILY BONDS

Information

I. MULTIFAMILY BONDS

A. Changes to Unit Mix and/or Construction Features and Amenities

1. Background/Present Situation

a) The following development has requested, and staff approved, changes to the Unit Mix in their Application since the last Board Meeting:

(1) Ambar Trail (RFA 2019-116 / 2020-436BS / 2019-545C) The Land Use Restriction Agreements are being amended to revise the Unit Mix as follows:

(a) Original

59 One Bedroom/One Bath
118 Two Bedroom/Two Bath
33 Three Bedroom/Two Bath

(b) Revised

60 One Bedroom/One Bath
117 Two Bedroom/Two Bath
33 Three Bedroom/Two Bath

b) Scoring of the Application remains unaffected.

c) Staff will amend the Land Use Restriction Agreement(s) and/or Extended Use Agreement(s) for the development as appropriate.

MULTIFAMILY PROGRAMS - ALLOCATIONS

Information

I. MULTIFAMILY PROGRAMS – ALLOCATIONS

A. RFA Updates

1. Background/Present Situation

- a) RFA 2023-103 “Housing Credit and SAIL Financing to Develop Housing for Homeless Persons” was issued on November 1, 2022 with an Application Deadline of January 26, 2023.
- b) RFA 2023-106 “Financing to Develop Housing for Persons with Disabling Conditions / Developmental Disabilities” was issued on November 3, 2022 with an Application Deadline of January 31, 2023.
- c) RFA 2022-206 “HOME Financing To Be Used For Rental Developments In Certain Hurricane Ian Impacted Counties” was issued on December 15, 2022 with an Application Deadline of January 25, 2023.
- d) RFA 2023-102 “SAIL Financing For Smaller Permanent Supportive Housing Developments For Persons With Special Needs” was issued on December 6, 2022 with an Application Deadline of March 21, 2023.
- e) A general 2023/2024 RFA cycle workshop was held on January 26, 2023.

MULTIFAMILY PROGRAMS

Information

I. MULTIFAMILY PROGRAMS

A. The developments listed below have requested approval to allow one subcontractor to exceed the 20%/31% limitation

1. Background/Present Situation

- a) On March 12, 2021, the Board delegated authority to staff to approve the 20%/31% subcontractor limitation set forth in Rule Chapters 67-48.0072(17)(g) (2017) and 67-21.026(13)(g) (2020) and as stated below, respectively:

- (1) *(13) The General Contractor must meet the following conditions;*

(g) Ensure that not more than 20 percent of the construction cost is subcontracted to any one entity, with the exception of a subcontractor contracted to deliver the building shell of a building of at least five (5) stories which may not have more than 31 percent of the construction cost in a subcontract, unless otherwise approved by the Corporation for a specific Development. With regard to said approval, the Corporation shall consider the facts and circumstances of each Applicant's request, inclusive of construction costs and the General Contractor's fees;

- (2) *(13) The General Contractor must meet the following conditions:*

(g) For Developments with a Development category of Rehabilitation or Substantial Rehabilitation, unless otherwise approved by the Board for a specific Development, ensure that not more than 20 percent of the construction cost, not to include the General Contractor fee or pass-through fees paid by the General Contractor, is subcontracted to any one entity or any group of entities that have common ownership or are Affiliates of any other subcontractor, with the exception of a subcontractor (or any group of entities that have common ownership or are Affiliates of any other subcontractor) contracted to perform work on both the HVAC and electrical components of a building of at least seven (7) stories which may not have more than 31 percent of the construction cost in a subcontract, unless otherwise approved by the Board for a specific Development. With regard to said approval, the Board shall require an analysis from the Credit Underwriter and consider the facts and circumstances of each Applicant's request, inclusive of construction costs and the General Contractor's fees. For purposes of this paragraph, "Affiliate" has the meaning given in subsection 67-21.002(5), F.A.C., except that the term "Applicant" therein shall mean "subcontractor";

- b) Staff, in conjunction with review by the credit underwriters and construction consultants, and receipt of positive recommendations from the credit underwriters, has approved the below requests to allow one subcontractor to exceed the 20% limitation. Because FHFC became aware of the excess through the cost certification review, after the work had been completed, no General Contractor Fee or Developer Fee will be allowed on the subcontract amounts that surpass the maximum contract amount allowed under Rules 67-

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48.0072(17)(g) and 67-21.026(13)(g), F.A.C. If the General Contractor Fee on this amount has already been paid to the General Contractor, it will be paid out of the Developer's profit and reflected as a subset of the Developer Fee on the Development Final Cost Certification.

Development	Application Number	Dollar Amount of Contract	Percentage of Contract
Tropical Manor Apartments	2020-518C	\$496,870	23.13%
Northside Commons*	2018-348CS/2020-498CS	\$15,570,487	32.13%

**Subcontractor contracted to deliver the building shell of a building of at least five (5) stories*

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B. The development listed below has requested an approval to increase their hard cost contingency during credit underwriting

1. Background/Present Situation

- a) On April 1, 2022, via a Telephonic Board Meeting, staff recommended and the Board granted staff ability to approve contingency reserve increases upon recommendation by the Credit Underwriter. This action was ratified by the Board at the April 29, 2022 Board Meeting.
- b) Under the rule in place at the time of the below Application, Rule Chapter 67-48.0072(19), F.A.C. (effective May 18, 2021) stated:
- (1) *(19) Contingency reserves which total no more than 5 percent of total actual construction costs (hard costs) and total general development costs (soft costs) for Redevelopment and Developments where 50 percent or more of the units are new construction may be included within the Total Development Cost for Application and underwriting purposes. Contingency reserves which total no more than 15 percent of total actual construction costs (hard costs) and no more than 5 percent of total general development costs (soft costs) for Rehabilitation, Moderate Rehabilitation, Substantial Rehabilitation, and Preservation may be included within the Total Development Cost for Application and underwriting purposes; however, in the event financing is obtained through a federal government rehabilitation program, a contingency reserve up to 20 percent may be utilized if required by the program. Contingency reserves shall not be paid from SAIL or HOME funds.*
- c) Staff has approved the below request to increase the hard cost contingency reserve at the recommendation of the Credit Underwriter.

Development	Application Number	From	To
Arcadia Landings	2022-046C	5%	8%

MULTIFAMILY PROGRAMS

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C. The following development has requested, and staff approved, changes to the Construction Features & Amenities and/or Resident Programs

1. Background/Present Situation

- a) The Quarry III / RFA 2019-110 / 2019-395CS: The borrower has requested to change the Green Building Feature from "Energy efficient windows in each unit" to "Energy Star certified roofing materials (metal, shingles, thermoplastic polyolefin (TPO), or tiles)" The scoring of the application will remain unaffected.
- b) Staff will amend the Land Use Restriction Agreement for the development as appropriate.

NATURAL DISASTERS UPDATE

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I. NATURAL DISASTERS UPDATE

A. Hurricane Nicole - Multifamily Rental Portfolio

1. Background/Present Situation

- a) FEMA has declared six (6) counties eligible for Individual Assistance (IA). Florida Housing has 176 developments with 848 buildings comprised of 17,814 units in our portfolio located in the 6 FEMA IA declared counties regarding Hurricane Nicole.
- b) We have received a total of 222 damage reports, with 39 (22.2%) reports originating from the 176 developments located in the IA counties. Of those, 201 reported no damage, 18 reported limited damage to 10 buildings and 6 units, 3 developments reported moderate damage to 0 buildings and 12 units, and 0 developments reported extensive damage. There were no reports of displaced households due to impacts from Hurricane Nicole. Florida Housing staff will continue to solicit Hurricane Nicole damage estimate reports.
- c) A summary of the status of developments within Florida Housing's portfolio that sustained damage from Hurricane Nicole is attached as [Exhibit A](#).

B. Hurricane Ian

1. Background/Present Situation

- a) Florida Housing has 1,056 developments with 6,833 buildings comprised of 132,196 units in our portfolio located in the 26 counties declared a major disaster due to Hurricane Ian.
- b) We have received a total of 1,053 damage reports, with 889 (84.2%) from developments in counties FEMA declared for Individual Assistance. Of those, 719 reported no damage, 257 reported limited damage to 746 buildings and 574 units, with 2 households displaced. 63 developments reported moderate damage to 420 buildings and 1,146 units, with 5 households displaced. 12 developments reported extensive damage to 137 buildings and 423 units, with 13 households displaced. 2 developments reported catastrophic damage to 1 building and 113 units, with 112 households displaced. Staff continues to follow up with those developments that have not yet submitted their damage reports.
- c) A summary of the status of developments within Florida Housing's portfolio that sustained damage from Hurricane Ian is attached as [Exhibit B](#).

NATURAL DISASTERS UPDATE

Information

C. Hurricane Michael

1. Background/Present Situation

- a) Florida Housing had 68 developments comprised of 597 buildings with 6,134 units in its portfolio located in the twelve counties declared a major disaster due to Hurricane Michael.
- b) From the damage assessments, nine developments reported damage extensive enough to require displacement of some or all households. In total, 652 households have been displaced due to direct damage, unhealthy moisture content and/or the discovery of mold in the housing units. An additional 15 properties reported moderate damage, 17 reported limited damage because of the hurricane. Hatton House, a Jackson County development, was able to return all 76 households to their units once power was restored and the elevator operational.
- c) Reported Hurricane Michael damage at all 41 developments was complete as of May 31, 2022.
- d) The current status of Hurricane Michael related Requests for Applications (RFAs) and developments awarded funding through those RFAs is attached as [Exhibit C](#).

D. Hurricane Eta

1. Background/Present Situation

- a) Damage reports received indicated limited to moderate damage to roofs and windows combined with limited landscape damage. Of the 34 properties that sustained damage, 33 have completed all repair work as of December 31, 2021. Thirty (30) households were displaced due to flooding at Glorieta Gardens in Opa-Locka, Miami-Dade County. As of December 31, 2022, management reported 0 households displaced and 6 units remain out of service.

SINGLE FAMILY HOMEBUYER PROGRAMS

Information

I. SINGLE FAMILY HOMEBUYER PROGRAMS

A. Single Family Homebuyer Programs

1. Background/Present Situation

- a) Florida Housing's Homebuyer Loan Programs provide assistance to eligible homebuyers by offering low-cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance (DPA). Currently, we have four active first mortgage programs; the Florida First Government Loan Program (Government Loan Program), the Fannie Mae HFA Preferred Conventional Loan Program (HFA Preferred), the Freddie Mac HFA Advantage Conventional Loan Program (HFA Advantage), the Florida Hometown Heroes Housing Loan Program (Hometown Heroes).
- b) The Government Loan Program offers borrowers a 30-year, fixed-rate mortgage using all approved government-insured loan types. These include Federal Housing Administration (FHA) loans, U.S. Department of Veteran Affairs (VA) loans, and U.S. Department of Agriculture-Rural Development (RD) loans. This program is funded through both traditional mortgage revenue bond sales as well as by the sale of Mortgage Backed Securities (MBS) into the secondary markets.
- c) The HFA Preferred and HFA Advantage programs offer first mortgage loan products developed specifically for state housing finance agencies. These programs are offered both as bond-financed products as well as forward delivery "To Be Announced" (TBA) products in conjunction with our TBA Program Administrator, Hilltop Securities. Single Family Program Staff sets daily mortgage interest rates for the TBA loans based upon prevailing market rates and predetermined profitability goals. The conventional loans, originated by participating lenders, offer borrowers 30-year, fixed-rate mortgages.
- d) Borrowers at or below 80% of the area median income (AMI) benefit from lower mortgage insurance costs on these loans when compared to other conventional mortgage products, as well as similar government-insured loans such as FHA.
- e) Hometown Heroes was launched June 1, 2022. The Florida Legislature appropriated \$100 million in the 2022 state budget to be used as a revolving source of funds to make homeownership more affordable by providing down payment and closing cost assistance to income-qualified, first-time homebuyers who are frontline community workers. Veterans and active duty military personnel previously assisted with our Salute Our Soldiers Military Loan program are also being included in this new program. Eligible borrowers can receive up to 5% of their first mortgage loan amount (a maximum of \$25,000) in assistance to help them purchase a primary residence in the community in which they work and serve. The 30-year, 0% interest, deferred repayment second mortgage is combined with one of Florida Housing's Homebuyer Loan Program's low interest rate first mortgage loans. It is anticipated that this initial amount of funding will allow us to assist between 5000-6000 borrowers. As of December 31, 2022, we had an active pipeline of 3,133 loans totaling over \$911

SINGLE FAMILY HOMEBUYER PROGRAMS

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million in first mortgage loan volume, paired with \$45.5 million of downpayment and closing cost assistance.

- f) Florida Housing offers qualified homebuyers DPA in the form of a second mortgage loan in conjunction with our first mortgage loan programs. Our Florida Assist loan is a 0% interest, non-amortizing, deferred payment loan in the amount of \$10,000. This second mortgage program serves homebuyers with an AMI of up to 120%, adjusted for household size. It is repayable in the event the home is sold, refinanced, deed is transferred, or the home is no longer the borrower's primary residence.
- g) The HFA Preferred PLUS and the HFA Advantage PLUS programs offer 3%, 4% and 5% of the loan amount in DPA as forgivable second mortgage loans. These loans are forgiven 20% annually over a 5-year period unless the home is sold, refinanced, deed transferred, or is no longer the borrower's primary residence. If any of these actions occur prior to the 5-year forgiveness period, any unforgiven balance becomes due and payable.
- h) We also offer an amortizing second mortgage product, the Homebuyer Loan Program (HLP) Second Mortgage. This product is offered across all of our first mortgage programs and provides up to \$10,000 of assistance at a 3% fixed interest rate and is repaid in monthly payments over 15 years.
- i) Single Family Program Staff continually offers a three-hour, Department of Business and Professional Regulation (DBPR)-approved continuing education (CE) course for realtors. This course is coordinated through local realtor boards throughout the state. Realtors who attend these classes receive a general three-hour CE credit while learning about our Homebuyer Loan Programs and other affordable housing programs available to their potential homebuyers. Florida Housing has permanent approval from DBPR to offer the class via webinar (online) format. We have found this format to be highly effective in attracting more realtors to the classes while eliminating travel costs entirely. Some local realtor organizations have expressed an interest in having us offer in-person classes again. Staff has resumed in-person presentations, where feasible, and if the realtor board can guarantee a minimum of 25 realtors for the class. For 2022, we have conducted 63 online classes for 34 Board of Realtors Associations located throughout the State of Florida. These classes were attended by approximately 3,326 Real Estate Agents. Additionally, we conducted 17 Hometown Heroes Product trainings, which were attended by 2,887 Real Estate Agents.
- j) Beginning October 3, 2022, new loan reservations began going to Lakeview Loan Servicing, LLC (Lakeview), the new Master Servicer for the Homebuyer Loan Program. All loan reservations made prior to that date will continue to be serviced by US Bank NA. We have sent out multiple announcements and conducted multiple lender trainings to make lenders aware of the new partnership and the new procedure for delivering loans. As of December 31st, 2146 new first mortgage reservations had been received by Lakeview.
- k) Single Family Program Staff periodically conducts telephonic and webinar trainings for lender partners throughout the state. Lender trainings generally consist of program requirements and recent updates, system training with our compliance administrator (eHousingPlus) and first mortgage and servicer requirements and updates with our master servicer, Lakeview. Together, Florida

SINGLE FAMILY HOMEBUYER PROGRAMS

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Housing, eHousingPlus and Lakeview will provide lenders with information to better assist with the origination, delivery and purchase of first and second mortgages originated through our Homebuyer Loan Program. We have conducted 39 Live Webinars and multiple On-Demand (available daily) Lender trainings through December 31, 2022. We have trained over 16,000 loan officers and their support staff this year which has led to record breaking Program production.

- l) Additionally, we partner with other stakeholders such as mortgage insurance (MI) providers and the Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, to better educate and inform our Participating Lenders of recent industry changes.

SINGLE FAMILY HOMEBUYER PROGRAMS

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2022 YEAR END HOMEBUYER LOAN PROGRAMS SUMMARY

	2021 HLP Program Totals	2022 HLP Program Totals	2022 HLP Government Loan Programs Totals	2022 HLP Conventional Loan Programs Totals
Average 1 st Mortgage Loan Amount	\$196,813	\$249,693	\$256,644	\$234,348
Average Acquisition Price	\$204,282	\$259,042	\$262,805	\$250,733
Average Compliance Income	\$53,192	\$68,889	\$69,909	\$66,639
County Area Median Income %	67%	70%	68%	75%
Total Purchased 1 st Mortgage Loan Amounts	\$840,786,523	\$1,378,493,866	\$975,012,510	\$403,481,356
Total # of Units	4,272	5,533	3,808	1,725

2022 TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

County	Loan Count	Loan Amount	DPA
Duval	764	\$181,977,981.62	\$8,476,521.00
Polk	326	\$77,379,453.20	\$3,630,253.00
Pasco	297	\$70,861,788.06	\$3,296,816.00
Hillsborough	282	\$77,443,675.05	\$3,539,408.00
Leon	252	\$47,966,195.58	\$2,580,819.00
Escambia	215	\$43,718,465.25	\$2,278,367.00
Okaloosa	205	\$55,086,656.41	\$2,490,516.00
Volusia	202	\$50,100,645.75	\$2,308,373.00
Lee	197	\$52,998,138.41	\$2,468,877.00
Orange	189	\$50,355,175.72	\$2,343,091.00