

Florida Housing Finance Corporation
Transfers of General Partner Interest to a Not-For-Profit Entity
1st Rule Development Workshop
Tallahassee City Hall, Commission Chambers,
300 South Adams Street, Tallahassee, FL 32301
January 26, 2012

1. Statutory changes during 2011 Legislative Session

Changes to Sections 196.196 and 196.1978, F.S., were passed which extend the affordable housing property ad valorem tax exemptions to include property that is held for the purpose of providing affordable housing to persons and families meeting the income restrictions in Sections 159.603(7) and 420.0004, F.S.

2. Solicit public comments concerning proposed changes to Rule Chapters 67-21 and 67-48, F.A.C.

3. Background: Processes FHFC staff has previously discussed with its Board of Directors

- a. Consider the creditworthiness of the proposed non-profit sole general partner and such party's management ability with respect to the development;
- b. Consider whether the borrower or proposed transferee is currently in financial arrears or default to Florida Housing or its servicer under any program or otherwise in noncompliance beyond any cure period contained under existing documents relating to any Florida Housing program;
- c. Consider whether or not the security for repayment of the loan and other payment obligations under the financing agreements, and the performance of the covenants and other obligations under the loan documents (without regard to whether any loans are outstanding), or Florida Housing's ability to enforce its rights, remedies and recourses with respect to such security or performance will be impaired in any way or to any degree by the proposed transfer;
- d. Consider the conditions within the property and require that any deferred maintenance be addressed in accordance with a plan acceptable to Florida Housing;
- e. Consider the provisions with respect to property insurance, repairs, alterations, payment of taxes, reserves and assessments, delinquency charges, default remedies, and additional security as are deemed necessary to address new problems or market situations and which are satisfactory to Florida Housing;
- f. Require that Florida Housing be reimbursed for all reasonable costs and expenses incurred by Florida Housing, its counsel and servicer in connection with such transfer;

- g. Require the payment of all payment obligations of the borrower under the loan documents, including but not limited to accrued obligations not yet payable, along with any amount reasonably determined by Florida Housing as being necessary to compensate it for monitoring costs and expenses for the balance of the compliance period;
- h. Require escrows for potential contests by local property appraisers (it has been Florida Housing's experience that litigation with local property appraisers can take three or more years to settle).
- i. Require the execution of a document(s) evidencing the express, unconditional assumption of all payment and performance obligations under the loan documents, any guarantee of recourse obligations and environmental indemnity relating to the development and any other document, agreement guaranty or instrument evidencing or securing the borrower's obligations under the loan documents by the proposed non-profit sole general partner (without the release of the borrower/current guarantors from liability for such obligations);
- j. Require the execution of modification agreements, supplemental security documents, financing statements and such other documents, agreements and instruments as Florida Housing or its counsel may reasonably require; and
- k. Require endorsements to any existing title insurance policies insuring Florida Housing's liens and security interests covering the property and delivery of legal opinions by counsel for the transferee.