



# **BOARD OF DIRECTORS**

## **STRATEGIC PLANNING INFORMATION PACKET**

**September 20, 2019**

**Cheeca Lodge  
81801 Overseas Highway  
Islamorada FL 33036**

**FLORIDA HOUSING FINANCE CORPORATION**  
**BOARD OF DIRECTORS**  
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# Trends and Conditions Impacting Affordable Housing in 2019 and Beyond

## Statewide Demographic and Economic Conditions

Each year, the Legislative Budget Commission is required to issue a *Long-Range Financial Outlook* for the state which covers the upcoming three fiscal years.<sup>1</sup> While the *Outlook* is primarily a tool to assist the Legislature in setting fiscal and budgetary strategies, its economic and demographic analysis sections provide a summary of current and projected conditions in these areas. The fall 2019 report concludes that most economic indicators have returned to pre-recession performance levels and progress is expected to continue, however a few recession indicators are being closely monitored. Some of the findings relevant to Florida Housing from the most recent report include:<sup>2</sup>

- **Economic growth is expected to continue.** The state's growth was strong during 2018 and remains above the national average, however, forecasts predict a decline in the rate of growth over the next three years. Florida's strong reliance on tourism-related revenues presents some risk to the long-term forecast. Any events resulting in a decrease of travel and tourism activities can have a widespread and negative impact on the state's economic health.
- **The impact of the National Economic forecast.** Rooted in the basis of Florida's economic forecast is the National Forecast. National forecasts carry a greater than normal risk in projections of economic growth over the next two years due to trade tensions and tariffs and the potential of a global trade war.
- **Job growth remains steady, however participation rate remains low.** Florida's annual job growth rate has been positive for many months, but the labor force participation rate remains subdued. While the share of long-term unemployed remains elevated, Florida has been experiencing a steady decline. Noteworthy as well is the change in composition of the labor market as Florida's population ages.
- **State wages remain below the national average.** Florida's average annual wage has typically been below the national average and recently further declined to 87.5 percent of the average for the United States as a whole (a drop of 0.2 percent). This lower than average gain is primarily

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<sup>1</sup> See Article III, Section 19(c)(1) of the Florida Constitution. The Legislative Office of Economic and Demographic Research takes a lead role in preparing the *Outlook*.

<sup>2</sup> Legislative Budget Commission, *State of Florida Long-Range Financial Outlook Fiscal Year 2020-21 through 2022-23* (Fall 2019), available at <http://edr.state.fl.us/Content/long-range-financial-outlook/index.cfm>.

a result of the increase in jobs in lower wage industries, such as Accommodation & Food Services.

- **Moderate population growth over the next few years.** Florida's population grew moderately last year with the strongest annual increase since 2006. This growth was bolstered by in-migration resulting from the 2017 hurricane season. Forecasts predict that by 2026, Florida's population growth will be attributed almost entirely to net migration.<sup>3</sup>
- **The share of residents over 65 years of age will continue to grow.** Since 2011, nine cohorts representing almost half of the total baby boomer population have entered retirement. Additionally, 61.2 percent of the growth in population between 2010 and 2030 is projected to be in the 60 and older age group. As a result, Florida's prime working age population represents 37.2 percent of total population and is expected to decline to 35.8 percent by 2030.<sup>4</sup>

### Homeownership Landscape

The state's *Long-Range Financial Outlook* indicates that although homeownership rates remain below normal levels, the housing market continues to improve. Home sales and prices have fully recovered but demographic changes and financing challenges will continue to impact homeownership rates across the state. Below are current homeownership trends to consider.

- **Florida's homeownership rate is decreasing, especially among younger households.** According to the Shimberg Center's *2019 Rental Market Study*, the state's overall homeownership rate is down to 65 percent.<sup>5</sup> The drop has been particularly acute for under-55 households, for whom homeownership rates fell from 62 percent in 2000 to 51 percent in 2017.
- **State home sales and prices have fully recovered.** The sales volume of existing homes has fully rebounded after the financial crisis, exceeding 2005 peak levels annually since 2014 with trends continuing in this direction. Sales prices have also remained consistent with national averages the last 3 years, although prices are beginning to trend to the higher side of the national median of \$280,200. The Florida Realtors are reporting a statewide median sales price of \$270,000, an increase of 3.8 percent over the prior year, which exceeds the state's prior peak from June 2006

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<sup>3</sup> Growth is expected to average 1.6 percent between 2018 and 2022.

<sup>4</sup> Florida's older population will account for most of the state's population growth through 2030, representing 61.2 percent of the gains.

<sup>5</sup> See The Shimberg Center for Housing Studies at the University of Florida, *2019 Rental Market Study* (May 2019), available at <https://www.floridahousing.org/press/publications/2019-rental-market-study>.

- **Despite low foreclosure rates, financing remains a challenge.** Florida’s foreclosure rate continues to decline, down almost 2 percent in the last year, to 9.7 percent. Construction of new homes is also in positive territory, although still below historic standards pre-recession. Despite that, data shows that residential credit for home purchases still remains difficult for customers with lower credit scores. The average credit score for all loans closed in July 2019 was 731 and 89 percent of all conventional home purchase lending had credit scores 700 or above. Some of the largest factors affecting the ability to obtain residential credit are student loans and auto debt.
- **Housing inventory is still tight.** Available inventory for sale (both existing and new construction) has remained stable nationally but remains near the lowest levels in over three decades. Florida Realtors data shows only 3.9 months of existing for-sale single family inventory available. As the state’s aging population increases, trends are showing a greater desire to age in place, putting additional strain on the housing stock available. Additionally, national trends indicate a significant increase in activity for higher priced homes (\$500,000-\$750,000) and a very constrained inventory of starter homes priced at \$200,000 and below, placing further pressure on the housing market for affordable single family homes.

## Rental Housing Landscape

Various housing policy groups envision a growing need for all types of rental units in the future.

Demographic trends and the after-effects of hurricanes impacting Florida and our Caribbean neighbors are just a few of the pressures that will impact rental stock going forward. These overall forces will affect the affordable rental market served by Florida Housing. Already worsening state statistics related to cost burdened renters and the actual availability of affordable units could cause a greater squeeze than already exists. Additionally, the unique challenges related to providing affordable housing for persons who are homeless or who have special needs bears close monitoring.

- **The number of Florida renters is increasing.** The increase in housing costs, particularly in the “entry-level” and modest price categories, and the shifting preferences among millennials to rent, has led more Floridians to turn to rental housing. According to the Shimberg Center, the number of renters in the state increased by 9 percent between 2012 and 2017.
- **Florida’s “housing wage” – the amount needed to afford a market rate apartment – is 15<sup>th</sup> highest in the nation at almost \$23/hour.** Figures from the *Out of Reach: Florida* show that the

median rent in Florida is \$957 per month for a one-bedroom and \$1,189 per month for a two-bedroom. Based on the estimated average renter wage of \$16.67 per hour, an affordable monthly rent would be \$867, almost \$100 per month below the state average for just a one-bedroom apartment.<sup>6</sup>

- **Growing pressure for all rental housing may push rents even higher for low-income households.** There are just under 2.5 million rental units on the market in Florida. However, since 2000, there has been a staggering increase in units priced over \$1,000 and an overall decline in units priced under \$1,000. This trend will undoubtedly have a negative impact on an already significant portion of the population that is cost burdened and struggle to find adequate and affordable housing. Exacerbating this is the population migration that occurred as a result of Hurricane Maria in 2017. Noteworthy as well is the unknown impact Florida may feel as a result of the destruction in the Bahamas from Hurricane Dorian. The combined impact of echo boomers forming their own households and baby boomers downsizing from their current homes may push rents further out of reach for low-income households least able to afford them.
- **Labor and materials shortages lead to increased construction delays.** Nationally, labor shortages and local permitting delays have resulted in a slowing pace of the development of new rental units to a projected 2 percent growth per year. These delays are compounded by increasingly growing challenges related to higher materials cost and labor shortages. In July 2018, the 3-month average on delays was 4.7 months. The outlook is better for Florida than other states with Miami, Jacksonville and Fort Lauderdale being in the top 15 cities nationwide for new apartment construction as a percentage of the current stock.
- **Physical occupancy rates in Florida Housing's portfolio are on the rise.** The statewide occupancy rate has remained strong at 96-97 percent since the end of 2016. Some counties have overall lower occupancy rates than the state, and other counties make up for that with higher rates.

### **Cost Burdened Renters Continue to Grow**

Cost burdened households pay more than 40 percent of income for rent and utilities.<sup>7</sup> Florida is home to nearly 800,000 low-income, cost burdened renter households. Those with incomes at or below 60

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<sup>6</sup> National Low Income Housing Coalition, *2019 Out of Reach*, available at [https://reports.nlihc.org/sites/default/files/oor/OOR\\_2019.pdf](https://reports.nlihc.org/sites/default/files/oor/OOR_2019.pdf).

<sup>7</sup> Sixty-three percent of cost burdened households are 1-2 person households.

percent of area median income (AMI) represent 69 percent of the cost burdened population. As part of the mission of providing affordable housing, most of the units in Florida Housing’s rental properties are set aside for these lower income households. The following conditions from the *2019 Rental Market Study* highlight specifics surrounding the growing ranks of these households.

- **More Florida renter households are facing a housing cost burden.** In 2019, almost 1 million renter households are struggling to pay rising housing costs, double the number since 2000. The number of renter households who are both cost burdened *and* low-income rose by over 350,000. In 2019, an estimated 795,605, or 28 percent, of renter households in the state are cost burdened. While there is an increase in the total number of cost burdened households at all levels, 80 percent of renter households who could be served by Florida Housing’s programs are cost burdened.
- **Extremely low-income renter households have the most severe needs.** Renter households are considered to be “extremely low-income” (ELI) if their incomes are at or below 30 percent of the area median. More than two-thirds of these ELI renter households pay more than 60 percent of their incomes for rent and utilities. In 2019, 70 percent of ELI renter households were cost burdened.

### **The Affordable and Available Housing Gap Exacerbates Difficulties**

An important metric in affordable housing analysis is the correlation between affordability and availability.<sup>8</sup> Many affordable units are unavailable to low-income households because they are already occupied by higher income households. When higher income renters occupy lower rent units, lower income renters are essentially crowded out of units they *could* afford. An affordable *and available* unit at a particular income threshold is: 1) affordable at that income threshold and 2) either vacant or occupied by a household with an income at or below the threshold.

- **Florida is among the states with the most severe affordable and available gap.** Considering families with incomes at or below 50 percent of median income, there is a deficit of over 570,000 affordable and available rental units in Florida:<sup>9</sup>
  - **Only 35 affordable, available units per 100 very low-income households.**<sup>10</sup>

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<sup>8</sup> In this type of analysis, an affordable unit is any market rate, subsidized or public housing unit for which a household at a given income limit would pay no more than 30 percent of income for gross rent. These include apartments, condominiums for rent or single family homes for rent.

<sup>9</sup> *Id.* at 5.

<sup>10</sup> \$26,050 for a 2-person very low-income (VLI) family.



- **Only 23 affordable, available units per 100 extremely low-income households.**<sup>11</sup>
- **The consequences of this gap are borne by the most vulnerable.** When ELI renter households spend the majority of their income on rent and utilities, this leaves them with little money for other necessities such as food, medicine, transportation, and childcare. These are the households that are most vulnerable to becoming homeless if their incomes decrease or they have unexpected expenses.
- **Cost burdened households continue to be challenged in high-cost counties.** A total of 44 percent, or 181,463, renters with household incomes above 60 percent of AMI are also cost burdened. Most of these renters are geographically concentrated in high-cost counties, primarily in southeast Florida. Miami-Dade, Monroe, St. Lucie, Broward, Seminole and Martin counties each have at least 40 percent of renters cost burdened at income levels 60-80 percent AMI. Cost burdened renters at income levels 80-120 percent of AMI are mostly concentrated in Miami-Dade and Monroe counties. Each have at least 30 percent of renters at this income level living cost burdened, whereas no other county in the state has a percentage higher than 15 percent.

### **Households with Special Needs and Others Facing Additional Housing Challenges**

Persons with special needs, including older more frail elders who need services, and homeless people often encounter additional challenges in accessing affordable housing. While these individuals encounter obstacles unique to their circumstances, they share a tendency to greatly benefit from various forms of supportive housing. Pairing supportive services with affordable housing in a supportive housing framework is a proven successful delivery model for helping persons with special needs, people who become homeless and elders who wish to “age in place.”

- **Affordable housing is a real issue for special needs households.** The *2019 Special Needs Households Study* estimates nearly 105,000 low-income, cost burdened renter households in Florida include a person with a disability and receive Social Security Disability Insurance, Supplemental Security Income, or veterans’ disability benefits. In addition, nearly 8,000 households used domestic violence emergency shelters in state fiscal year 2016-2017 and roughly 2,500 young people aged out of foster care but were still attending school or vocational training; these households also are likely to need safe, affordable housing.<sup>12</sup>

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<sup>11</sup> \$15,600 for a 2-person extremely low-income (ELI) family.

<sup>12</sup> *Id.* at 5.

- **The special needs household count likely understates the prevalence.** In the *Study*, the Shimberg Center acknowledges their household counts likely do not encompass the full spectrum of persons receiving disability-related benefits or requiring independent living services in order to maintain housing.
- **More than one-fourth of low-income, cost burdened renters are elderly.** Of all cost burdened renter households, 34 percent are headed by someone age 55 and older, and nine percent are headed by someone age 75 or older. Over half of the projected growth in population over the next ten years will be age 60 and older. The growth in this demographic will bring with it the challenges of many Floridians wishing to age in place. For many frail elders needing supports, nursing homes are simply the only option to get these supports, because there are extremely limited options for independent, supportive housing or affordable assisted living units. With the expectation of almost one-quarter of the projected population growth being 75 and older, not only do these limited options impact elders' lives, but nursing homes are the most costly way for the state to provide housing/services to frail residents.
- **Homelessness continues to be a serious problem.** The Shimberg Center study finds 28,376 homeless individuals in Florida, including single adults, married adults without children, and unaccompanied youth. There are also 43,592 homeless families made up of adults and their children. This includes families in shelters, unsheltered locations, hotels and motels, and those who are doubled up with other family members or friends. The total number of homeless students, as estimated by the Department of Education, grew to 95,873 in the 2017-2018 school year. Much of this growth was driven by the displacement of families due to hurricanes, including Hurricane Maria. There is likely to be continued impacts resulting from Hurricane Dorian which are just beginning to materialize.

### **Affordable Housing Supply and Preservation**

Summary information on Florida Housing-assisted home ownership and rental unit supply and location, as well as supply figures on rental units financed through other subsidy programs is provided below. In addition, preservation data and trends are also highlighted. Florida Housing's preservation funding programs currently prioritize developments with U.S. Department of Housing and Urban Development (HUD) or U.S. Department of Agriculture (USDA) Rural Development rental assistance which largely

serve extremely low-income households. These households are the ones most negatively impacted by losses of assisted housing developments both now and into the future.

- **Supply Data**

- **Homeownership impact.** Since 1980, Florida Housing has provided funding for mortgage loans to over 102,000 units of ownership housing. Once these homes are sold to eligible buyers, and assuming all loan criteria are met, these units do not come back to Florida Housing for use by another income-eligible homebuyer. For the first three quarters of 2019, through the Homeownership Loan Programs:
  - The average loan amount was \$155,618.
  - The average acquisition price was \$163,200.
  - The average household income was \$51,536, or 79.2 percent of AMI.
- **State Housing Initiatives Partnership Program impact.** Since 1992, the State Housing Initiatives Program (SHIP) has facilitated the creation, rehabilitation or homebuyer purchase of more than 207,000 homeownership and rental units, with almost 85 percent of SHIP funding going for homeownership.
- **Rental impact.** Combined with affordable rental units financed through HUD, USDA Rural Development and Local Bond programs, the state of Florida currently has approximately 259,000 privately owned affordable rental units and another approximately 34,000 public housing units. Of this total, Florida Housing has participated in financing 207,876 currently active or pipeline units. A map displaying by-county depictions of Florida Housing’s currently active and pipeline rental units are provided in the attachments section of this document.
- For perspective, Florida household incomes and rents paid in rental housing:<sup>13</sup>
  - **Incomes:**
    - Average household income in all rental units (including market rate): \$47,096.
    - Average household income across all Florida Housing units: \$24,971.
    - Average household income in all assisted and public housing units with rental assistance: \$11,000-17,000.

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<sup>13</sup> These data are all reported in the Florida Housing Quarterly Performance Dashboard and can be found at [https://www.floridahousing.org/docs/default-source/aboutflorida/transparency/strategic-dashboard.pdf?sfvrsn=2b85117b\\_2](https://www.floridahousing.org/docs/default-source/aboutflorida/transparency/strategic-dashboard.pdf?sfvrsn=2b85117b_2).

- **Rents:**
    - Average rent paid by ALL Florida renters: \$1,208/month.
    - Average rent across all Florida Housing units: \$744/month.
    - Average rent portion paid by tenants in rental assistance units: \$307/month.
  
- **Aging Development, Expiring Affordability Periods and Subsidies**
  - **Aging affordable housing properties.** Statewide, there are nearly 68,000 units that are at least 30 years old and an additional 83,000 that are 15-29 years old. The vast majority of the units 30 years and older are not part of Florida Housing’s portfolio. Conversely, 84 percent of the units 15-29 years old are part of Florida Housing’s portfolio. Preservation and rehabilitation of aging units will be of increasing importance over the coming years.
  - **Affordable developments are being lost.** According to the Shimberg Center, Florida has over 27,000 units that have subsidies scheduled to expire by the end of 2030. Nearly 33 percent of these units are concentrated mostly in large counties with significant housing needs.
  - **Losses of assisted housing have come in waves.** The expiration of a great number of Florida Housing’s developments funded with Low Income Housing Tax Credits is only a few short years away. Developments funded in the early 1990’s using 9 percent competitive credits reach the end of the 30-year affordability period beginning in 2022, peaking in 2025. A second spike is expected to begin in 2027 as affordability periods for units funded in the late 1990’s using 4 percent non-competitive credits begin to expire. Roughly 14 percent of these units are in Central Florida alone, an area of currently high occupancy rates in our rental housing stock.
  - **Loss of affordable rental housing stock when affordability periods end.** Required affordability periods on properties financed through Florida Housing help ensure the long-term availability of affordable rental units statewide across all income levels. The Shimberg Center completed a 2018 review of properties exiting out of Florida Housing’s portfolio to provide insight into whether these properties were still providing affordable rents after exiting their affordability periods. They found that current rents at 80 percent of these properties were not affordable to residents at 60 percent of AMI, and none were affordable at lower rents for extremely low-income residents. This means

that when properties' affordability periods end, most often they do not remain affordable to the residents targeted by Florida Housing programs. This is particularly true during periods when the rental market is strong.

### **Affordable Housing Trust Funds**

At this time, Florida Housing's state funds are generally appropriated through the trust funds created by the Sadowski Act. No appropriations are made to Florida Housing from general revenue. From the inception of the trust funds in 1992 through Fiscal Year 2000-01, the Legislature appropriated all documentary stamp tax distributed to the trust funds for affordable housing programs greatly enhancing the impact and reach of Florida Housing. The Legislature has chosen to sweep at least some of the trust fund distributions in the years since for the purpose of meeting state budget deficits or for other purposes. Future trust fund sweeps would continue to impact Florida Housing's ability to carry out its statutorily defined mission and purpose.

- **Total documentary stamp collections are increasing.** According to the state *Long-Range Financial Outlook*, while documentary stamps are nowhere near their prior peak, they have continued to increase at a very modest rate over the last several years. Estimates project a continued but slowing trend of growth at a rate of roughly 3-4 percent annually. The prior peak level of revenues is not expected to be exceeded until Fiscal Year 2031-32.
- **Full appropriations of Housing Trust Fund dollars would make a difference.** Florida Housing estimates that every \$1 million appropriated to SAIL would create approximately 25 units, leverage \$4.64 million in private and other public investments and generate approximately 103 jobs and \$15.24 million in economic benefit. Every \$1 million appropriated to SHIP would create approximately 48 units, leverage \$4.47 million in private and other public investments and generate approximately 174 jobs and \$25.81 million in economic benefit. The moderately higher economic benefit provided by the SHIP program is a result of a higher percentage of funding being dedicated to the rehabilitation of existing homes (compared to new construction, more of the funding in a rehab job goes to labor than materials) versus the construction of new homes.

## Markets and Methods related to Housing Related Investments

Recent Moody's and Standard and Poor's nationwide analyses of state Housing Finance Agencies (HFAs) maintain a stable outlook for 2019 given the strong demand for affordable housing among the low-to-moderate income population and the limited supply and high demand which are expected to keep vacancy levels low.<sup>14</sup> HFAs are choosing to use new bond issuances to finance mortgage-backed securities rather than whole loans, which are held in HFAs' portfolios. A 2018 study of more than one million low-and moderate-income mortgages found that single family loans originated through state HFA programs perform better than similar non-HFA loans to low-and moderate-income borrowers. Overall, HFA loans are 20 percent less likely to experience a long-term default. They were also 20-30 percent less likely to be foreclosed.<sup>15</sup> Below are some relevant investment market conditions and approaches specifically related to Florida Housing.

- **Issues impacting national origination volume of homeownership loan programs.** Current pressures affecting origination volume include continuing high credit standards and a shrinking supply of affordable homes. These pressures seem to be partially offset by lower mortgage interest rates, which have fallen by more than a point since November 2018.<sup>16</sup> The Mortgage Bankers Association expects a slight decrease in year-over-year originations in 2020, while forecasted refinance originations are projected to increase due to lower interest rates
- **Movement back toward the use of traditional mortgage revenue bonds (MRB).** Annual issues of single family mortgage bonds had declined significantly as a result of the financial crisis, but have been on the increase recently. From early 2018 through August 2019, Florida Housing has issued \$475 million of traditional Homeowner MRBs, compared to just over \$458 million issued from 2014-2017. Based on discussions with various Investment Bankers and Florida Housing's Financial Advisor, it is expected that bonds will be a good option for HFA's in the coming years.

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<sup>14</sup> See Moody's Investor Service, *Research Announcement: Moody's: Sector outlook for US state housing finance agencies remains stable for 2019* (Nov. 28, 2018), available at [https://www.moodys.com/research/Moodys-Sector-outlook-for-US-state-housing-finance-agencies-remains--PBM\\_1151768](https://www.moodys.com/research/Moodys-Sector-outlook-for-US-state-housing-finance-agencies-remains--PBM_1151768) and Standard & Poor's Ratings Services Ratings Direct, *U.S. Municipal Housing 2019 Sector Outlook: Stable for Now* (Jan. 23, 2019), available at <https://www.spglobal.com/ratings/en/research/articles/190123-u-s-municipal-housing-2019-sector-outlook-stable-for-now-10843752#>.

<sup>15</sup> National Council for State Housing Agencies, *State Housing Finance Agencies: At the Center of the Affordable Housing System* (September 7, 2018), available at <https://www.ncsha.org/wp-content/uploads/2018/09/State-HFAs-at-the-Center-Current.pdf>

<sup>16</sup> Mortgage Bankers Association, *MBA Mortgage Finance Forecast*, August 19, 2019, available at <https://www.mba.org/assets/Documents/Research/Mortgage%20Finance%20Forecast%20Aug%202019.pdf>.

Coupled with an increasing demand for MRBs for rental development, our annual allocation of MRBs is not enough to meet all of the projected need. As a result, we will be discontinuing our Mortgage Credit Certificate (MCC) program in 2020.

- **Financing flexibility for single family purposes remains critical going forward.** Diversified loan financing strategies including tax exempt and taxable mortgage revenue bonds, the To Be Announced (TBA) market, and MBS sales in the secondary market provide much needed flexibility to react in future markets. Florida Housing’s successful use of the TBA market supports the continuous lending model during times when use of traditional mortgage revenue bond strategies are not as feasible or bond allocation is needed for rental development.
- **Pricing on Housing Credits has strengthened.** After dropping precipitously in 2016 in anticipation of a lower corporate tax rate, average Housing Credit pricing has remained fairly constant since 2018 with a slight upward trend lately, making development financing more predictable. According to investors, the current Florida locations that will demand higher pricing are Miami-Dade and Broward counties; following those areas, urban locations within Tampa, Orlando, and Jacksonville MSAs along with Palm Beach County. Good developments in other areas of the state will be able to find investors, but pricing will be slightly less. The highest pricing is usually offered by direct investors (i.e., banks) for specific locations to meet Community Reinvestment Act (CRA) needs, with the lowest pricing typically offered by national investors in a pooled-asset investment strategy (i.e., they aren’t buying particular properties to meet location needs, but are choosing to invest in a broader Housing Credit investment that includes multiple properties).

### **Federal and State Legislative Issues/Trends related to Housing**

Florida Housing’s administration of resources to finance affordable housing requires adherence to numerous laws, rules and regulations. Federal and state legislative mandates impact, and often dictate, Florida Housing’s programs and priorities. Below are some current legislative issues and trends that may be relevant to the future of affordable housing in the state. As with any proposed or potential legislation, the specifics are fluid and unpredictable.

- **The roles of Fannie Mae and Freddie Mac are being re-envisioned.** Efforts to reform the housing finance system continue with recent Congressional hearings on administration proposals regarding Fannie Mae and Freddie Mac. The current plan is to remove both from

conservatorship and make them mortgage guarantors along with other companies in the private sector. High loan-to-value (LTV) and high debt-to-income (DTI) ratio loans, including many first time homebuyer loans, would then become almost the sole purview of the Federal Housing Administration (FHA).<sup>17</sup>

- **Possible changes in state appropriations to fund more “workforce” housing.** In recent years, the Legislature has chosen to direct SAIL funding to “workforce” housing that is, housing to serve residents with incomes over 60 percent of AMI. While the data show that renters with incomes over 60 percent of AMI are in fact more cost burdened than even five years ago, the fact remains that the lower a resident’s income, the more likely they are to be cost burdened. In addition, the use of the term “workforce” is confusing and in some cases suggests that residents at or below 60 percent of AMI living in Florida Housing’s units are not working. In fact, unless a resident is retired on a fixed income or has rental assistance (~10 percent of residents at Florida Housing properties do have this assistance, many whom are elderly), residents must work to afford even the restricted incomes – there is no safety net for residents who cannot pay their rent. Included as an attachment is the resident work profile at a property in downtown Tampa called Metro510. Most of the Metro510 residents are working, and most of the residents at properties throughout our portfolio are members of the “workforce.”

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<sup>17</sup> National Council of State Housing Finance Agencies (2019, Sept. 6) Memo re: Treasury, HUD Housing Finance Reform Proposals.







## WHO LIVES HERE RESIDENT PROFILE

### HEALTH CARE

Bay Area Neuropsychology – Receptionist  
Bay Care Health Systems – Patient care services  
Brandon Hospital – Nurses Aide  
First Care Medical – Receptionist  
Florida Department of Health – Records Technician  
Florida Health Science Center – Administrative  
Florida Hospital – Nursing Assistant  
Humana – Insurance Representative  
Laser Spine Institute – Health tech  
Moffitt Cancer Center – Medical Assistant  
Quest Diagnostic – Lab tech  
Tampa General Hospital – Nursing Assistant  
Tampa Women’s Health Center – Nursing Assistant

### CORPORATE

Bay Area Legal Service – Paralegal  
Choice Legal – Paralegal  
Directions of Living – Family Specialist  
Diversified Management Construction – Conservation Specialist  
Ernst Construction – Assistant Construction Supervisor  
Freedom Insurance – Receptionist  
K Force – Account Manager  
Lifestyle Realty – Real Estate Agent Support  
Maids, Inc. – Cleaner  
Oakwood Church – Administrative Assistant  
Progressive Insurance – Claims Admin Support  
Support.com – Computer Specialist  
Wells Fargo – Teller

### EDUCATION

Hillsborough County Schools – Cafeteria worker  
University of South Florida – Instructor  
University of Tampa – Admissions

### PUBLIC SERVICE

Tampa Police Department – Police Officer

### HOSPITALITY AND RETAIL

Claire’s – Store Manager  
Finish Line Shoes – Sales Associate  
Hotel Bar - Server  
Long Ash Cigars – Sales Associate  
Macy’s – Sales Representative  
Marriott Waterside – Assistant Manager  
Nordstrom’s –Sales Associate  
Nutrition Solutions – Sales Associate  
Old Navy – Sales Associate  
Pizza Hut – Floor Manager  
Plato’s Closet – Sales Associate  
Posh Salon and Spa – Hair Stylist  
Publix – Cashier  
Winn Dixie – Cashier  
Red Lobster – Cook  
Seminole Hard Rock – Food Prep Service  
Stadium Toyota – Sales  
The Portico – Floor Manager

### OTHER

Property Manager  
Retired Banker  
Retired from School System  
Artist  
Author  
Tampa Bay Symphony (cellist and violinist)  
Youth Aging Out of Foster Care

AVERAGE AGE – 27 years old

## Florida Housing Finance Corporation Program Policy and Financial Objectives: September 2019

Florida Housing is beginning work on a revised strategic plan. To inform this process, below are capsule summaries of the major Florida Housing programs and initiatives. The reviews are purposefully concise to allow for broad, high-level comparisons among them. Each summary contains the following information:

- ❖ Program Name and Brief Description
- ❖ Authority for the Program and FHFC's Function
- ❖ Statutory Requirements Summary
- ❖ Funding Source(s)
- ❖ Policy Objectives (may represent federal, state or FHFC aims or a merging of all three)
- ❖ Financial Objectives (may represent federal, state or FHFC aims or a merging of all three)
- ❖ Program Impacts

Programs are grouped as Rental, Homeownership, Special, or Recent One-Time Initiatives. While these categorizations represent a program's primary focus, programs can often operate within and affect both the rental and homeowner markets.

### **Program Eligibility: Average Median Income Levels**

Resident eligibility for Florida Housing programs is typically governed by area median income (AMI) levels. AMI data is published by the U.S. Department of Housing and Urban Development (HUD) for every county and metropolitan area. While Florida's 2019 state median income is \$65,100 for a family of four, the AMI eligibility for a particular program is determined by the county or group of counties in which the property is located as well as family size. The following are standard household income level definitions and, for perspective, their relationship to the 2019 state median (\$65,100) for a family of four (as a family's size increases or decreases, these income ranges also increase or decrease; the average household size in Florida is just above two persons):

- Moderate Income - earning from 80.01 to 120 percent of AMI (\$52,081 to \$78,120)
- Low Income - earning from 50.01 to 80 percent AMI (\$32,551 to \$52,080)
- Very Low Income - earning from 30.01 to 50 percent AMI (\$19,551 to \$32,550)
- Extremely Low Income - earning up to 30 percent AMI (\$19,550)

### **Rental Programs**

*Current counts of active and pipeline units are provided under each rental program below. Programs are often combined to make transactions financially feasible; therefore, the unit count cannot simply be totaled to get the total number of Active Rental Units in Florida Housing's portfolio. At this time, there are 1,718 total properties with 211,158 units in the portfolio.*

#### Statutory Requirements Summary Pertaining to all Rental Programs (s. 420.507(48), (49) and (50), F.S.):

- Allows annual allocation funds to be awarded via competitive request for proposal solicitations
- Requires Florida Housing to reserve up to five percent of annual allocation funds for specified high-priority affordable housing purposes, five percent of annual allocation funds for affordable housing that targets persons who have a disabling condition, and five percent of annual allocation funds for affordable housing to serve persons with developmental disabilities
- Requires Florida Housing to adopt rules prioritizing affordable housing in the Florida Keys Area of Critical State Concern and the City of Key West Area of Critical State Concern

## **State Apartment Incentive Loan Program (SAIL)**

Provides non-amortizing, low-interest loans on a competitive basis to developers of affordable rental housing for new construction or rehabilitation.

Authority/FHFC Function: State (Sections 420.507 and 420.5087, F.S.). Florida Housing evaluates and selects applications for funding, determines actual loan amounts through credit underwriting, and closes and services the loans.

### Statutory Requirements Summary:

- Program funds must be distributed over successive 3-year periods using the most recent statewide low-income rental housing market study
- Allocations are made to counties based on small, medium and large category apportionments
- Program funds must be reserved for specified groups such as commercial fishing workers and farmworkers, persons who are homeless, elderly or who have special needs
- At least 20 percent of funded units must be rented to households that earn 50 percent or less of AMI; however, if the development is also assisted with housing credits, a minimum of 40 percent of units may be rented to households that earn 60 percent or less of AMI
- Loan terms for periods of not more than 15 years with exceptions related to tax credit syndication
- Loans may not exceed 25 percent of project cost except to nonprofit organizations and public bodies that meet certain criteria, and for developments serving ELI tenants
- Loan proceeds must be used for new construction, moderate rehabilitation, or substantial rehabilitation
- Interest – 0-3 percent interest for farmworker, commercial fishing workers, homeless people or persons with special needs; 0-3 percent interest based on the pro rata share of units set aside for homeless residents or persons with special needs if the total of such units is less than 80 percent of the units in development; 1-9 percent interest for developments targeted at populations other than farmworkers, commercial fishing workers, homeless people, or persons with special needs
- Loan amounts attributable to the share of ELI units may be forgiven
- Competitive applicant evaluation and selection must include a set of criteria, including such items as
  - income and demographic targeting
  - local government contributions and comprehensive planning to promote affordable housing
  - developer experience and ability to proceed with construction
  - incorporation of green building principles and storm-resistant construction

Funding: State appropriation, primarily from the State Housing Trust Fund. Each year, the Legislature determines whether an appropriation will be made and the amount of the appropriation. As loans are repaid to Florida Housing, funding is re-loaned. In FY 2019-2020, funding of approximately \$31 million was appropriated for the traditional SAIL program and \$69 million for special SAIL-like program for recovery in areas impacted by Hurricane Michael.

### Policy Objectives:

- Meet the need and demand for very low income rental housing throughout the state by providing first, second, or other subordinated mortgage loans
- Align development selection with current statewide low-income rental housing market studies
- Encourage development of properties that target specific demographic groups such as elders, people who are homeless, and persons with special needs
- Better serve extremely low income households with forgivable loans
- Provide a range of rental housing options, including permanent supportive housing

#### Financial Objectives:

- Provide gap financing which allows development feasibility
- Maximize leverage of federal Mortgage Revenue Bonds and 4% housing credits
- Provide gap financing for special needs developments financed with 9% housing credits
- Offer low interest rate parameters to encourage unit set-asides for specified target populations
- Preserve favorable repayment terms to stimulate program participation
- Provide for refinancing of existing loans
- Collect interest per loan documents
- Recapture principal on loans
- Ensure that funds are used only for financially feasible developments

#### Program Impacts:

- 71,365 Active Units in Portfolio, representing \$1.3 billion million in financing

#### **Multifamily Mortgage Revenue Bonds Program (MMRB)**

Provides funds for developers who set aside a certain percentage of their apartment units for low income families through the sale of taxable and tax exempt bonds. By charging upfront and annual agency fees, bond transactions generate program income for Florida Housing.

Authority/FHFC Function: Federal (26 U.S.C. § 142), State (Private Activity Bonds, 159.804) and State (420.507, F.S.). Florida Housing offers bond financing, often combined with gap financing such as SAIL to develop properties and manages an ongoing MMRB portfolio.

Funding: The federal government sets annual private activity bond volume based on state population. State statute sets the formula for the allocation of private activity bonds. Florida Housing's 2019 allocation of the state's total private activity bonds is \$534.7 million. Florida Housing has \$1.6 billion of allocation authority from current year. Of this amount, \$479 million is committed to single family programs and over \$526 million is committed to multifamily developments in the pipeline. The Corporation receives priority status for any unused allocation reverting back to the state pool in the 4<sup>th</sup> quarter of each year, however, no additional allocation was available in 2018.

#### Statutory Requirements Summary:

- State annual issuance of mortgage revenue bonds is capped. The 2019 limit is \$105 multiplied by the state population.
- Multifamily housing bond developments must set aside at least 40 percent of units for families with incomes of 60 percent of AMI or less, or 20 percent for families with incomes of 50 percent of AMI or less.

#### Policy Objectives:

- Increase the construction and rehabilitation of affordable multifamily rental properties in geographic locations where needed
- Expand the number of units available for low income families within market rate developments

#### Financial Objectives:

- A key attraction of MMRB financing is to obtain access to 4% housing credits (see below) to access the equity to help finance development
- Provide an income stream to Florida Housing to support operations

- Monitor financial viability of the developments and maintain compliance with Internal Revenue Code requirements and Land Use Restriction Agreements
- Ensure that funds are used only for financially feasible developments

Program Impacts:

- 49,993 Active Units in Portfolio, representing \$2.9 Billion in financing

**Low Income Housing Tax Credits (LIHTC)**

Through a competitive process, provides developers with 9% federal housing credits that they sell to investors in exchange for equity to finance the acquisition, rehabilitation and new construction of affordable rental housing. Investors use the housing credits for a dollar-for-dollar reduction of their federal tax liability over a ten year period. The equity infused into the housing transaction lowers the need for additional debt. The program also features non-competitive 4% housing credits that are awarded to developments financed with state and local tax exempt multifamily Mortgage Revenue Bonds.

Authority/FHFC Function: Federal (Section 42, Internal Revenue Code) and State (Sections 420.507 and 420.5099, F.S.). Florida Housing establishes annual development goals and objectives and receives, reviews and approves development applications. The corporation then manages subsequent underwriting and commitment processes and continues compliance monitoring for the life of the affordable housing status of the development.

Funding: Annual 9% federal allocation is based on state population, estimated at \$58.7 million (21.3 million residents x \$2.76) in 2019. 4% housing credit availability is based on annual federal tax-exempt bond allocations.

Statutory Requirements Summary:

- Eligible development types and corresponding credit:
  - new construction (9%)
  - substantial rehabilitation (9%)
  - acquisition (4%)
  - federally subsidized (4%).
- At least 20 percent of funded units must be rented to households that earn 50 percent or less of AMI, or at least 40 percent of units must be rented to households that earn 60 percent or less of AMI
- Affordability period minimum of 30 years with option to convert to market rates after the 14th year
- Ineligible development types include hospitals, sanitariums, nursing homes, retirement homes, trailer parks, and life care facilities (assisted living facilities are allowable)
- 50 percent of the aggregate basis of non-competitive 4% developments must be funded by tax-exempt bonds and bond proceeds
- An annual state Qualified Allocation Plan must be adopted and signed by the Governor

Policy Objectives (particularly the 9% allocation):

- Incentivize the development of affordable multifamily rental housing
- Stimulate development of properties that target specific demographic groups such as elders, people who are homeless, and persons with special needs
- Encourage developments in certain targeted geographic areas of need such as the Florida Keys
- Allocate at least 10% of housing credits to nonprofit entities (federal requirement)

Financial Objectives:

- Ensure that housing credits are used only for financially feasible developments

- Confirm that developments are located in markets with an identified demand for affordable housing
- Target financing to areas and developments in which investors are willing to invest
- Minimize impacts on existing developments in Florida Housing's portfolio by locating newer properties away from existing properties, particularly in areas with high vacancies

Program Impacts:

- 96,721 Active Units in 9% Portfolio, representing \$891.8 million in 9% financing (~\$7.76 Billion in Investor Equity\*).
- 106,194 Active Units in 4% Portfolio, representing \$410.4 million in 4% financing (~\$3.57 Billion in Investor Equity)

**Florida Affordable Housing Guarantee Program**

Provides credit enhancement (i.e., repayment guarantees) on MMRB developments to lower borrowing costs and improve the economic viability of these transactions. While established in 1992, Florida Housing has not provided any guarantees since early 2005. In March 2009, the Florida Housing Board of Directors officially confirmed the suspension of new guarantees because of the market availability of such instruments and the reassessment of the financial capacity and condition of the Guarantee Fund.

Authority/FHFC Function: State (Sections 420.507 and 420.5092, F.S.).

Funding: Capitalization of the Guarantee Fund occurs through the issuance of debt secured by Guarantee Fund income and documentary stamp tax revenues under terms specified in statute. There is no capitalizing debt outstanding as of December 31, 2012. Documentary stamp taxes distributed to the State Housing Trust Fund are the foundation of the Guarantee Fund's credit rating and the essential element for maintaining an acceptable insurer financial strength (IFS) rating.

Statutory Requirements Summary:

- Florida Housing must perform a financial feasibility study prior to the issuance of any affordable housing guarantee
- Maximum total amount of revenue bonds that may be issued for the Guarantee Fund is \$400 million
- An annual debt service reserve must be maintained equal to the maximum reserve amount for each series of revenue bonds issued
- If the primary revenue sources for repayment of revenue bonds are insufficient, the annual principal and interest due on each series of revenue bonds is payable from the annual debt service reserve
- If primary revenue sources are insufficient to fully fund the annual debt service reserve, the deficiency is payable from the first proceeds of the documentary stamp tax moneys deposited into the State Housing Trust Fund
- If the claims payment obligations in the guarantee fund cause the claims paying rating to be less than the third-highest rating classification of any nationally recognized rating service, the amount necessary to meet obligations is payable from the first available taxes distributed to the State Housing Trust Fund

Policy Objectives:

- Given the suspension of guarantees since 2005, policy objectives relate to the monitoring and management of individual property compliance and viability

Financial Objectives:

- Continue effective asset management (no foreclosures in inventory)

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\* Developer Equity = ~87 cents on the dollar multiplied by 10 years.

- Maintain top three claims paying ratings by the rating agencies
- Preserve an adequate fund corpus for the program to maintain at least a 5:1 risk to capital ratio (actual risk to capital ratio of .11:1 as of June 2019)
- Ensure that funds are used only for financially feasible developments

Program Impacts:

- During its active phase, the program guaranteed 120 multifamily transactions, representing \$1.4 billion for the construction of over 28,000 affordable rental units.
- Guarantees in effect at the end of December 2018 cover 829 units in 3 multifamily transactions for \$34.9 million.

**Elderly Housing Community Loan Program (EHCL)**

Provides loans of up to \$750,000 to preserve, repair or improve existing affordable elderly rental housing.

Authority/FHFC Function: State (Section 420.5087, F.S.). Florida Housing evaluates and selects applications for funding through a competitive process, determines actual loan amounts, and makes and services the loans.

Funding: A statutorily-specified portion of SAIL funding from the State Housing Trust Fund (as noted above, each year, the Legislature determines whether appropriations for housing will be made). EHCL funding is 10% of the SAIL funding targeted to serve elders. In 2019-20, this amount is \$2.5 million.

Statutory Requirements Summary:

- Program loans may not exceed \$750,000
- Program participants must match at least 5 percent of the loan amount
- Loan interest rates may not exceed 3 percent; loan terms may not exceed 15 years
- Florida Housing must establish, by rule, the procedure and criteria for receiving, evaluating, and competitively ranking all loan applications
- Program participants may not use the proceeds of the loan to pay for administrative costs, routine maintenance, or new construction

Policy Objectives:

- Increase elderly rental housing compliance with federal, state, or local codes
- Improve the security and safety of the elderly tenants

Financial Objectives:

- Offer low interest rates (not to exceed 3%) to spur program participation
- Limit terms of loans to 15 years
- Provide for refinancing of existing loans as needed
- Collect interest per loan documents
- Recapture principal on loans
- Ensure that funds are used only for financially feasible developments

Program Impacts:

- 3,126 Active Units in Portfolio, representing \$8.8 million in financing



## **National Housing Trust Fund (NHTF)**

Funded from a small portion of the revenue generated by the Government Sponsored Entities, Freddie Mac and Fannie Mae, NHTF provides funds to developers for set-aside units for residents with special needs with incomes at or below 22 percent of AMI, which is about equal to supplemental security income typically provided to people with disabilities with very little income. Florida Housing developed a NHTF Allocation Plan as part of the state's Consolidated Plan (required and in place for several federal programs administered by the state, including the HOME Program). At least 80 percent of the funding must be used for rental housing. At projected funding levels, 100 percent of the funding must be used to serve households at 30 percent of AMI. Units assisted through the NHTF must remain affordable for 30 years.

Authority/FHFC Function: Federal (Title I of the Housing and Economic Recovery Act of 2008, Section 1338 of the Federal Housing Enterprise Financial Safety and Soundness Act of 1992 (Public Law 110-289) and 24 CFR Part 93. State (Section 420.9089, F.S.) Florida Housing develops an allocation plan to include strategies to reduce homelessness and risk of homelessness in the state.

Funding: Federal block grant to states from HUD with exact amounts determined by a need based formula. Pending a signed agreement with HUD, the 2019 allocation is \$9.4 million.

### Statutory Requirements Summary:

- Created as part of the Housing and Economic Recovery Act of 2008
- When granted, funds must be committed within two years and expended within five years
- Properties not located in areas of minority concentration except under narrow circumstances

### Policy Objectives:

- Increase the supply of rental housing for ELI household, including homeless families

### Financial Objectives:

- Efficient allocation of funds to recipients
- Leverage of other capital subsidies

### Program Impacts:

- In 2018, \$6.4 million was provided for seven developments with 35 set-aside units

## **Homeownership Programs**

### **Homebuyer Loan Programs (HLP)**

Provides 30-year, fixed-rate, high loan-to-value first mortgage loans to eligible first-time homebuyers. Down payment and closing cost assistance is often paired with these loans, discussed below.

Authority/FHFC Function: State (Sections 420.507, 420.5088, 420.509 and 159.8075, F.S.) and Federal (26 U.S.C. § 142). Florida Housing develops and manages the program in conjunction with participating private lenders which provide loans directly to homebuyers.

Funding: Approximately half utilize private activity bond proceeds, with the other half generated in the TBA (To Be Announced) Market.

### Statutory Requirements Summary:

- Borrowers must earn less than 115 percent AMI, except in targeted areas, which is limited to 120 percent AMI

- The price of a home purchased with a bond-originated mortgage is limited to 90 percent of the average area purchase price
- The homebuyer must not have owned a home that they have lived in the previous three years. Exceptions to these rules are made for targeted low-income neighborhoods, households with many members, households living in certain high cost areas, and veterans
- State statute gives Florida Housing the authority to issue single family mortgage revenue bonds to finance the origination of home mortgages
- Grants Florida Housing the right to purchase mortgage loans from lending institutions and permits Florida Housing to sell, at public or private sale, with or without public bidding, any mortgage or other obligation held by Florida Housing

Policy Objectives:

- Increase opportunities for low-income and moderate-income first time homebuyers to purchase a primary residence

Financial Objectives:

- Ensure participant and program viability via homebuyer credit worthiness testing and education
- Partner program loans with second mortgage purchase assistance
- Limit risk to FHFC through use of mortgage backed securities
- Sell loans at a rate that provides Florida Housing with fee income

Program Impacts:

- 6,207 homes were financed in 2018, totaling \$945.0 million in first mortgage volume
- Approximately 93 percent were existing single family homes
- Average purchase price as of June 2019 was \$164,297; the average loan amount was \$156,080; and the average purchase assistance amount was \$12,327
- 6,207 households received down payment assistance, representing \$59.5 million

**Homeownership Assistance Program (HAP)**

Provides up to \$7,500 of down payment assistance in the form of a 0% non-amortizing, second mortgage that runs concurrently with the HLP first mortgage, i.e., the homebuyer does not make any monthly payments on this second mortgage.

Authority/FHFC Function: State (Sections 420.507 and 420.5088, F.S.). Florida Housing develops and manages the program in conjunction with participating private lenders, who provide financing directly to homebuyers.

Funding: Appropriations have been made previously from the State Housing Trust Fund. \$35 million was appropriated from the National Mortgage Settlement Fund in 2013.

Statutory Requirements Summary:

- May be used for homebuyer loans, subordinated loans to nonprofit builders for purchase of property, construction or for financing of housing to be offered for sale to eligible borrowers
- Loans must all be for housing that will serve as primary residence
- Allows Florida Housing (among other things) to geographically/demographically target loans, defer loan payment for term of first mortgage, establish flexible, non-amortizing loan terms not to exceed three percent and require repayment upon sale, refinancing, or if property does not remain primary residence

- Mortgage loans must be to homebuyers with incomes at or below 120 percent of AMI and may not exceed the lesser of 35 percent of home purchase price or the amount necessary to meet credit underwriting
- In developments financed with HAP
  - preference must be made to fund community-based organizations
  - priority must be given to PLP applicants
  - maximum loan amount may not exceed 33 percent of total development cost
  - At least 30 percent of units must be sold to households with incomes at or below 80 percent of AMI; another 30 percent of the units must be sold to households with incomes at or below 65 percent of AMI

Policy Objectives:

- Provide additional assistance as “gap funding” to make FTHB mortgages more affordable
- Increase opportunities for low-income and moderate-income first time homebuyers to purchase a primary residence

Financial Objectives:

- Ensure participant and program viability via homebuyer credit worthiness testing and education
- Monitor and maintain compliance with statutory program criteria
- Ensure repayment of loans which can then be recycled to new qualified borrowers

Program Impacts:

- 3,792 Florida Assist Loans, totaling \$28.4 million, leveraging \$558.6 million in first mortgage loan volume

**Mortgage Credit Certificates (MCC)**

Provides eligible homebuyers with an annual tax credit that can be applied against their federal tax liability each year as long as they pay mortgage interest and the home remains their primary residence.

Authority/FHFC Function: Federal (Internal Revenue Code, s. 25(f)(4) and State (Section 159.8075, F.S.). Florida Housing develops and manages the program in conjunction with participating private lenders which provide mortgage financing to homebuyers.

Funding: The federal government sets the private activity bond capacity based on state population. Florida Housing sets the credit rate at between 10% – 50%, which determines the volume of MCCs that may be utilized. \$27.2 million in total credit certificate authority is currently available, which, using a tiered rate structure of 10%, 20% and 30% credit rates, can provide assistance for up to approximately \$136 million in first mortgage loans. Every \$1 of MCCs uses \$4 of private activity bond authority.

Statutory Requirements Summary:

- Conversion of private activity bond volume to MCC authority on a four-to-one basis
- Borrower income limits and eligible purchase prices are governed by household size and county location
- Home must be a borrower’s primary residence
- Borrowers may not have owned a home as a primary residence in the past three years; exceptions exist for qualified veterans or if the home is located in a federally designated target area

Policy Objectives:

- Increase opportunities for low-income and moderate-income first time homebuyers to afford the purchase of a primary residence by reducing their federal tax liabilities, thereby providing more capacity to afford monthly house payments
- Utilize bond authority for this purpose when the bond market is not conducive for development

Financial Objectives:

- Ensure participant and program viability via homebuyer credit worthiness testing and education

Program Impacts:

- In 2018, 2,030 homebuyers received MCCs
- Currently, the bond market is strong for financing development, resulting in a significantly lower usage rate of bond authority for MCCs.

**HOME Investment Partnerships Program (HOME)**

Provides federal non-amortized, low-interest loans to developers to finance the construction and rehabilitation of homes and rental apartments for low income families. HOME also includes the Homeownership Pool (HOP) program and Tenant Based Rental Assistance (TBRA). HOP allows developers to reserve funds for homebuyer purchase assistance (primarily self-help programs) while TBRA provides short term rental relief (up to 24 months) through participating Public Housing Authorities (PHAs). Currently being used in part to fund TBRA to help stabilize formerly homeless families with schoolchildren in one pilot area of the state.

Authority/FHFC Function: Federal (24 CFR Part 92, HOME Investment Partnerships Act) and State (Section 420.5089, F.S.). Florida Housing develops and manages HOME programs, working with participating private lenders, developers and PHAs.

Funding: Annual federal block grant to all states and larger entitlement cities. \$20.1 million was allocated to State of Florida in 2018. The expected 2019 allocation is \$17.9 million, pending an official agreement with HUD.

Statutory Requirements Summary:

- Provides state and local governments with the discretion to determine the type of housing product in which they will invest, the location of investments, and the segment of population that will be housed through investments
- For rental housing, at least 90 percent of HOME funds must benefit low and very low income families at or below 60 percent of AMI; the remaining ten percent must benefit families at or below 80 percent of AMI
- In rental developments with five or more assisted units, at least 20 percent of the units must be occupied by families with incomes at or below 50 percent of AMI
- Assistance to homeowners and homebuyers must be to families at or below 80 percent of AMI
- HUD-imposed rent limits and home purchase prices are published annually
- Submission to HUD (by DEO) of state consolidated plan every five years which includes HOME; action plan and certifications annually required of Florida Housing
- Loan terms are minimum of 15 years for rental rehabilitations and 20 years for rental or homeownership new construction loans
- Any accrued proceeds remain with the program and do not revert to a general fund

Policy Objectives:

- Target at least 15% of HOME funds to Community Housing Development Organizations, i.e., specialized nonprofit housing providers (federal requirement)
- Provides somewhat flexible financing that allows Florida Housing to use this funding where it is needed over time, e.g., hurricane housing recovery, tenant based assistance, gap financing for self-help homeownership projects, etc.

Financial Objectives:

- Ensure loan interest rates remain low (target 0% to nonprofits and 1.5% to for-profits)
- Maintain favorable loan terms (generally 15 years for rehabilitation and 20 years for new construction)
- Maintain compliance with program requirements to ensure FHFC is not responsible for paying back HUD for a loan
- Ensure payment of interest and repayment of principal which can then be re-loaned
- When needed, provide gap financing to make MMRB transactions financially feasible

Program Impacts:

- 15,662 Active Rental Units in Portfolio, representing \$388.7 million in financing

**Foreclosure Counseling Program (FCP)**

Provides foreclosure counseling services and financial management education delivered by HUD certified Housing Counseling Agencies (HCAs) contracting with Florida Housing.

Authority/FHFC Function: State (2013 Legislative Budget Commission). Florida Housing develops and administers service delivery approach that is carried out by HCAs.

Funding: \$10 million appropriation from the National Mortgage Settlement Fund in 2013.

Statutory Requirements Summary:

- 2013 Legislative Budget Commission approved funding based on program description above

Policy Objectives:

- Provide at risk homeowners with traditional delinquency resolution support
- Augment standard resolution services with financial management and credit education training
- Enhance counseling efficacy and accountability through technical assistance, improved data collection, monitoring, and reporting

Financial Objectives:

- Efficiently disburse FCP funds over the program's anticipated three to four year lifespan
- Effectively and completely use the administrative money available from the program

Program Impacts:

- Vetted and contracted with over 50 HCAs as service providers
- 11,565 assisted through December 31, 2018
- Funding likely to run out some time in 2020

## Special Programs

### State Housing Initiatives Partnership (SHIP)

Provides state-appropriated funds to all counties and eligible larger cities to finance and preserve affordable homes and rental housing for moderate and lower income families. Allocations are made on a population-based formula. Local funding strategies are based on locally adopted housing plans.

Authority/FHFC Function: State (Sections 420.907 - 420.9079, F.S.). Florida Housing coordinates program funding distributions, monitors compliance with statutory provisions, and collects data to report to policy makers. Local governments make actual allocations.

Funding: State appropriation, primarily from the Local Government Housing Trust Fund. Each year, the Legislature determines whether an appropriation will be made and the amount of the appropriation.

#### Statutory Requirements Summary:

- To participate a local government must:
  - establish a Local Housing Assistance Program by ordinance
  - adopt a Local Housing Assistance Plan (LHAP) and submit to the state for approval
  - amend land development regulations or establish local policies to implement the LHAP
  - ensure that rent or mortgage payments within the targeted areas do not exceed 30 percent of the area median income limits
- A minimum of 65 percent of the funds must be spent on eligible homeownership activities
- A minimum of 75 percent of funds must be spent on eligible construction activities
- At least 20 percent of the funds must be reserved for persons with special needs; a minimum of 30 percent of the funds must be reserved for very low income households; an additional 30 percent may be reserved for low income households; the remaining funds may be reserved for moderate income households
- No more than 5 percent of SHIP funds may be used for administrative expenses unless a local government makes a finding of need by resolution; then no more than 10%
- Fund distributions are calculated using a population based formula defined in statute
- SHIP funds may not be pledged to pay debt service on any bonds
- Up to \$5 million of the total distribution may be withheld annually to provide funding to counties and eligible municipalities with a declared state of emergency

#### Policy Objectives:

- Create local housing partnerships
- Expansion or local production and preservation of affordable housing
- Enhance affordable housing components of local government comprehensive plans
- Increase housing-related employment
- Reserve at least 65 percent of the funds for home ownership
- Reserve at least 75 percent of the funds for construction-related purposes

#### Financial Objectives:

- Efficiently disburse SHIP appropriations to local governments
- Local government financial objectives vary, e.g., revolving loans, grants, etc.

#### Program Impacts:

- Over the last 3-year reporting period, \$244.6 million has assisted more than 13,000 households
- Funds leveraged in this reporting period total \$630 million

### **Predevelopment Loan Program (PLP)**

Provides “front end” financing to nonprofit organizations, local governments, and housing authorities to develop homeowner and rental housing for lower income households. These predevelopment loans help organizations to access and secure permanent construction financing.

Authority/FHFC Function: State (Sections 420.521 – 420.529, F.S.). Florida Housing processes applications, assigns technical assistance to applicants to prepare development plans, evaluates and approves funding, and services program loans.

Funding: Revolving loan fund (self-sustaining since 2004). Currently, \$12 million is committed to active, pending and past due loans with approximately \$5 million available in uncommitted funds.

#### Statutory Requirements Summary:

- Funds are made available on a first-come, first-served basis, unless otherwise established by rule
- Funding may be used for such predevelopment activities as site acquisition, site development, fees for services from architects, engineers and other professionals, market studies, and consulting fees;.
- Loan interest rates must be set at 0-3 percent per year
- Loan terms must not exceed three years or initiation of permanent financing, whichever occurs first; Florida Housing may extend terms if the extension would not jeopardize security interest
- Loans may exceed the lesser of development and acquisition costs or \$750,000

#### Policy Objectives:

- Facilitate housing predevelopment activities such as:
  - site acquisition and development
  - architectural and engineering analysis
  - market and feasibility studies
  - administrative-related services
- Provide technical assistance to program participants
- Maximize participation of mission-based nonprofits serving specialized populations

#### Financial Objectives:

- Leverage additional federal, state, and local public funds and private resources
- Ensure loan interest rates remain low (between 0 and 3 percent)
- Maintain favorable repayment terms for participants (non-amortizing; 3 years or until initiation (whichever is less) of permanent financing with a 1-year extension allowed)
- Sustain the program as a revolving loan fund through principal and interest repayments

#### Program Impacts:

- 1,682 units in the pipeline with loans of \$11.0 million
- 3,462 units completed using \$14.5 million

### **Grants to Develop Rental Housing for Persons with Developmental Disabilities**

Provides one-time financing for affordable rental housing developments targeting persons with developmental disabilities. Developments may include new construction of Community Residential Homes that are licensed by the Agency for Persons with Disabilities and serves up to 6 residents or permanent supportive housing developments that provide more independent housing. Funding must be competitively offered to nonprofit organizations.

Authority/FHFC Function: State (Chapter 2013-106, Laws of Florida) Florida Housing develops program parameters, issues RFAs, evaluates and awards funding, underwrites and monitors construction, and monitors developments over affordability period.

Funding: State funds. Approximately \$53 million since 2013, including \$3 million for FY 2019-2020

Statutory Requirements Summary:

- Funding targeted at housing for persons with developmental disabilities is available to private nonprofit organizations that have a primary mission which includes serving such persons

Program Objectives:

- Provide affordable housing combined with access to supportive services (i.e., permanent supportive housing) to improve resident ability to maintain a stable and productive life in the community
- Ensure nonprofit applicants establish partnerships with community-based providers to help identify, assess, and serve the targeted population groups
- Ensure nonprofit applicants will promote access to amenities, general and supportive services, employment, and education/training out in the community

Financial Objectives:

- Provide realistic financing to ensure that developments can be financially feasible even with a high portion of extremely low income residents paying reduced rents

Program Impacts:

- 84 Community Residential Homes serving nearly 500 persons; 8 supportive housing developments totaling 495 rental units (other funding sources were also utilized)
- Funding set aside for 80 full house generators for Community Residential Homes. To date, approximately 50 have either installed full house generators or are in the process of doing so.
- Remaining funds anticipated to be awarded in 2019 and 2020

**Link Initiative (Link)**

Provides set-asides for a portion of a Family or Elderly development's extremely low income units to be reserved for special needs households receiving community-based supportive services that are referred by a recognized supportive services lead agency in the community. This is not a program, but is a strategy that is incorporated into rental program financing when financially feasible.

Authority/FHFC Function: 2009 Strategy developed and implemented by Florida Housing. The corporation provides incentives to developers who commit to set aside units for this purpose and monitors compliance with set-aside targets.

Funding: In 9% Housing Credit developments, Link is required with no additional funding provided. When SAIL ELI is provided, Link units are typically required.

Statutory Requirements Summary:

- Not statutory, however, recent legislatures memorialized support for this approach

Program Objectives:

- Enhance the ability of Florida Housing's programs to serve a lower income resident than would normally be capable of being served through our programs



- Provide more opportunities for ELI households with special needs to access and retain affordable rental housing in their communities
- Target persons requiring short- or long-term community-based services
- Incentivize developer interest in the program
- Ensure that special needs residents are receiving the supports they need from the supportive service agency that refers them to the unit through an MOU with the developer

Financial Objectives:

- Provide assistance (typically through forgivable loans) to developers as needed to support reduced income on the property from these units

Program Impacts:

- More than 2,700 Link units developed since 2009 when the strategy was implemented

## **One Time Recent Financing Initiatives**

### **Pilot to Evaluate the Cost/Benefit of Permanent Supportive Housing for High Needs/High Cost Chronically Homeless Individuals**

Provide one-time financing for affordable rental housing developments targeting persons with special needs with extremely low incomes. Offers competitive funding to nonprofit organizations with experience in developing and managing housing for these populations.

Authority/FHFC Function: State (2012 proviso). Florida Housing develops program parameters, issues RFP, evaluates and awards funding, credits underwrites and monitors construction, and monitors developments over affordability period.

Statutory Requirements Summary:

- Proviso stipulates that funds must be used for a request for proposals outside the regular cycle to develop affordable sustainable and permanent housing for special needs and extremely low income households
- Funding awards are limited to nonprofit housing developers specializing in such housing

Funding: \$10 million appropriation from the State Housing Trust Fund

Program Objectives:

- Financing will be the foundation of a pilot in partnership with state agencies to evaluate the cost/benefit of providing permanent supportive housing for chronically homeless persons who are high utilizers of publicly funded resources. The question to be answered is whether this housing (and attendant supportive services) really lowers local, state and federal costs of supporting these residents if they are stabilized and less likely to use crisis services, as shown in other states/cities.
- Through the provision of permanent supportive housing for high utilizers of publicly funded resources, stabilizing these persons and helping them attain higher quality outcomes
- In partnership with researchers, each awardee carrying out a multi-year study to include a quantitative and qualitative evaluation of residents' health, self-sufficiency and other outcomes aimed at developing cost/benefit information for legislative and other policymakers.

Financial Objectives:

- Provide realistic financing to ensure that developments can be financially feasible even with a high portion of extremely low income residents paying reduced rents

- At the state level, assess program outcomes to determine whether an increase in permanent supportive housing targeted to these persons will in fact reduce public costs

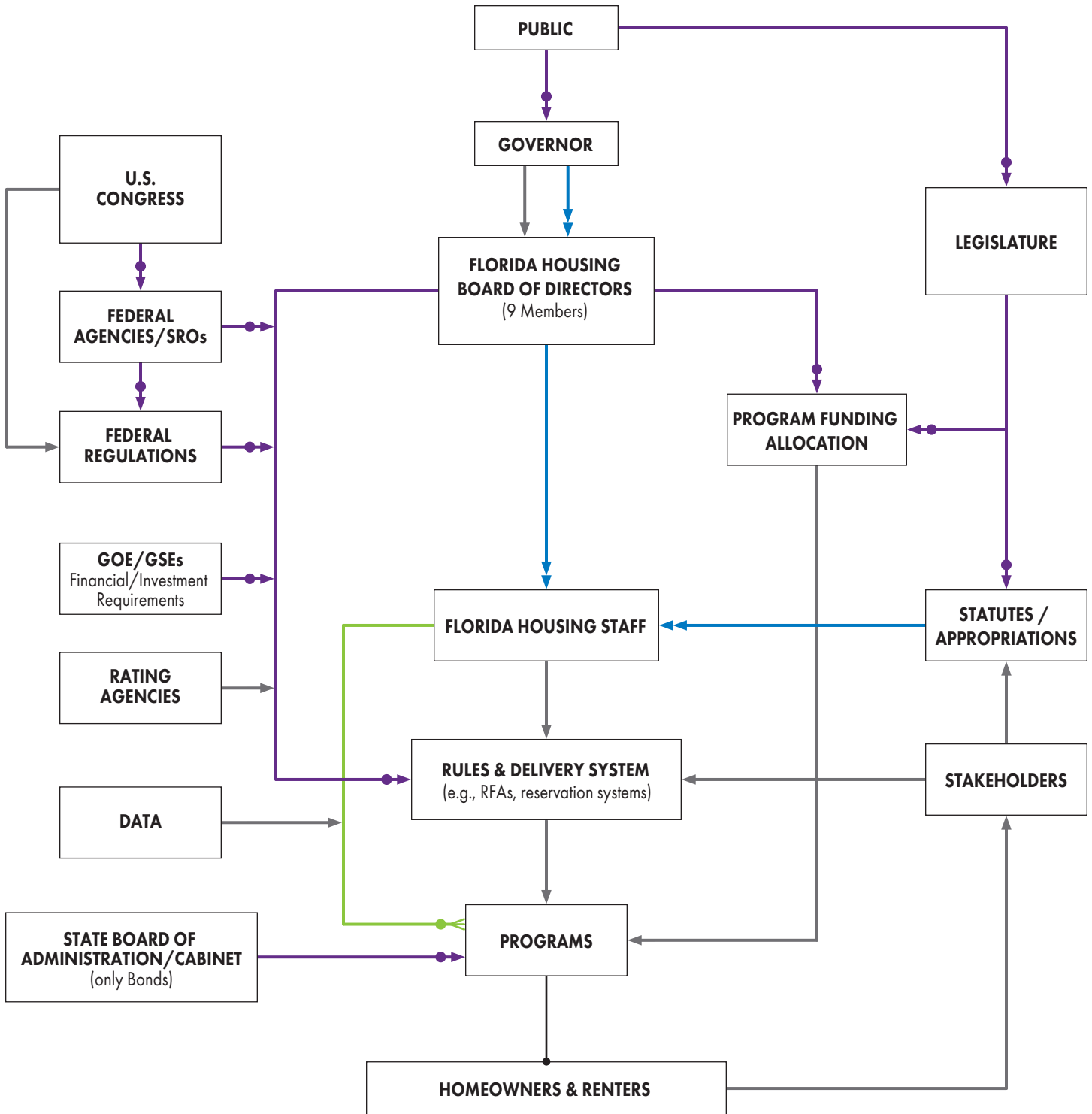
Program Impacts:

- Program funds were awarded for three developments with a total of 122 units, one each in Duval, Miami-Dade and Pinellas Counties
- December 2015, FHFC Board of Directors approved up to \$50,000 in research grant match funding for each site. By February 2018, all sites had signed research grant funding agreements
- All properties were fully leased by August 2018
- Final research reports expected by mid-2021 for all sites

# FLORIDA HOUSING FINANCE CORPORATION

## Decision Making Process

as of 9/2019



- APPROVING BODY
- IMPLEMENTATION
- INPUT
- POLICY DIRECTION

SRO - Self Regulatory Organization  
 GOE - Government Owned Enterprise  
 GSE - Government Sponsored Enterprise

## What is important to Board Members? – Sept 2019

Board members might find the list of information below useful in jogging your thoughts about issues or questions you may have regarding what's appropriate for the strategic plan. It is merely to provide a jumping off point for your thinking.

### Income of beneficiaries\*

- Extremely Low Income (ELI – depends on area in FL; nat'l = 30% area median income)
- Very Low Income (up to 50% area median income)
- Low Income – up to 80% AMI
- Moderate Income – up to 120% AMI
- Mixed Income

### Residents

- Family (general, including one person households)
- Elderly
- Farmworker/fishing worker
- Special needs populations, such as:
  - Developmental, mental and physical disabilities
  - Homeless
  - Youth aging out of foster care
  - Survivors of domestic violence
  - Frail elders
  - Veterans

### Type of housing/use

- Homeownership
- Self help homeownership<sup>†</sup>
- Rental (building new housing, rehab of existing, other assistance)
- Supportive rental housing types such as transitional housing, a small portion of units for special needs in bigger apartment properties, and specialized properties for special needs groups

### Type of housing assistance for homeowners and/or renters

- Mortgage assistance
- Foreclosure prevention assistance
- Acquisition
- Rehabilitation
- Preservation of existing, aging affordable housing that needs rehab (focus on maintaining properties w/project based rental assistance?)
- New construction
- High rises, low rises, garden style, duplexes, etc.
- Type of construction (e.g., concrete) for sustainability

### Location

- Geographically distributed
- Rural
- Urban
- Need based distribution
- Neighborhood stimulus
- TOD
- Location in areas where there are jobs, amenities and services (economically prosperous areas)
- Location in poorer areas where there are fewer jobs/amenities, but housing is in bad shape
- Where investors are participating

### Type of developer

- For profit
- Non-profit
- Joint venture

### Other issues/approaches

- Total cost per unit
- Leveraging of resources
- Length of affordability set aside
- Requiring specific amenities as condition of funding
- Construction features, such as energy efficiency
- Resident programs, such as after school care
- Developer partnerships with external organizations for supportive services
- Amount of FHFC funding per unit – rental and homeownership

\* Statewide, for two people, ELI annual income (30% AMI) = \$15,600; Very Low Income (50% AMI) = \$26,050; Low Income (80% AMI) = \$41,650. These income amounts go up or down if there are more or fewer people living in the household.

<sup>†</sup> "Self-help" homeownership refers to models where the homebuyer puts "sweat equity" into building the home. The Habitat for Humanity and USDA Rural Development Self Help programs are examples.

## FHFC CHAIR'S LETTER REQUESTING COMMENTS ON FLORIDA HOUSING'S STRATEGIC DIRECTION

Dear Affordable Housing Stakeholder Community:

Florida Housing's Board of Directors has begun work to update its strategic plan. On October 31, 2019, the Board has scheduled time during its regular Board meeting in Tallahassee for the public to present its thoughts about the strategic direction of the corporation. We hope you will take time to join us as we have an informal and broad policy discussion about Florida Housing's near- and longer-term priorities.

We are using the Strategic Plan adopted by the Board in 2014 as our starting point. You may find a copy of this plan and other information as it becomes available by clicking [here](#).

In order for the Board to thoroughly address as many critical issues as possible, I am asking for your thoughts and input on the following questions:

- What are the essential issues affecting the provision of affordable housing in Florida today and what will they be in the coming years?
- What should Florida Housing and our many partners do to address these issues?
- How can we improve the delivery and increase the production of affordable housing units in Florida?
- How should we utilize our limited resources in the near and long term to best address Florida's most crucial affordable housing needs?

Feel free to answer these questions or to make any additional comments you think appropriate via letter or email. We will publish your responses on our website in order to promote a community conversation about these issues. Please send replies in care of Tracy Banner at the address above or to [comments@floridahousing.org](mailto:comments@floridahousing.org).

Thank you for your assistance and for all your efforts to make affordable housing available in Florida.

Sincerely,

Ray Dubuque

Chair, Board of Directors  
Florida Housing Finance Corporation

Florida Housing Finance Corporation

# **Strategic Plan**

**Adopted by the Board of Directors**

September 19, 2014

# Florida Housing Finance Corporation Strategic Plan

## INTRODUCTION

The purpose of this strategic plan is to provide a three to five year framework for policy and operational decisions at Florida Housing Finance Corporation. While Chapter 420, Florida Statutes, outlines Florida Housing's powers and responsibilities, and explains generally how programs will be implemented, there is an array of choices to be made within that statutory authority.

This plan is Florida Housing's roadmap of how programs will be targeted in the coming years. It is not meant to be a comprehensive plan that includes every facet of what Florida Housing does, but provides a big picture view of the Corporation's most important priorities. The strategic plan responds to current housing conditions and opportunities, emerging issues and concerns and provides a framework to guide operations.

The plan is divided into the following components:

- **Mission and Vision** - Statements outlining the purpose, primary objectives and aspirations of Florida Housing.
- **Guiding Principles** - The values the Board and Staff use to do business.
- **Priorities** - The goals that Florida Housing will focus on in the coming three to five years. The priorities are grouped by external issues (how Florida Housing wants to impact housing opportunities for Floridians) and internal, or operational, issues.
- **Strategies** - A list of actions that describe the key steps that Florida Housing will take to implement each priority.
- **Performance Measures and Targets** - Metrics to evaluate the execution of Florida Housing's goals and actions.
- **Current Trends and Conditions** - An overview of how demographic, economic and real estate conditions in Florida impact the need for affordable housing in 2014 and beyond and a picture of the current supply of and access to affordable housing in the state.

## **MISSION**

Provide a range of affordable housing opportunities for residents that help make Florida communities great places to live, work and do business.

## **VISION**

Florida Housing will be recognized as an outstanding provider of innovative, measurable, data-driven and fiscally sustainable solutions to the affordable housing challenges of our state.

## **GUIDING PRINCIPLES**

As Florida Housing carries out its mission and vision, we will:

- Conduct business in an honest, ethical, open and respectful manner
- Be mindful and accountable stewards of resources entrusted to us
- Allocate resources fairly and consistently
- Remain innovative, flexible and responsive in our programs and funding strategies
- Base decisions on objective data and collaboration with public and private sector stakeholders
- Promote housing stability, sustainability and options for Floridians
- Foster awareness of affordable housing's role in building stronger communities

## **PRIORITIES**

### **I. PRIORITY: Promote and support sustainable homeownership**

- **Homeownership Lending Strategies**
  - A. Maintain a continuous lending model, including the availability of down payment assistance, particularly through the state Homeownership Assistance Program, for credit worthy homebuyers
  - B. Continue the use of mortgage backed securities as a means of limiting financial risk
  - C. Evaluate alternative servicing opportunities to ensure the continuing delivery and purchase of loans
  - D. Explore new/emerging financing opportunities to diversify mortgage lending options
  - E. Recruit and retain reputable lending partners, and ensure that lenders and Realtors® know about and are trained on Florida Housing's programs
  - F. Enhance financing opportunities for active duty military and veterans
- **Homeownership Development Strategies**
  - G. Market Mortgage Credit Certificates to lenders and builders to support development
  - H. Continue partnering with self-help builders
  - I. Work with state, regional and local disability organizations to tie the homeownership needs of their consumers into local SHIP and Florida Housing programs



- J. Incorporate design techniques into housing that will make units functional for different family types, including the aging population and multi-generational families
- K. Incentivize the inclusion of green building features in homeownership development programs
- L. Ensure that local governments receive training and technical assistance to implement SHIP development strategies, including rehabilitation, accessibility and green building techniques
- **Homeownership Sustainability Strategies**
  - M. Encourage homebuyer education for borrowers
  - N. Provide training and technical assistance to support strong local housing counseling agencies, including training on operating successful nonprofit businesses
  - O. Support post-purchase and post-loan modification education and training
  - P. Promote financial management/literacy education

**II. PRIORITY: Ensure that rental programs are flexible enough to respond to housing needs in Florida’s diverse communities and can respond to changing market conditions**

- A. Use market, investment and housing need data to assist in targeting resources to match needs throughout the state
- B. Enhance the capacity to use property construction cost and operating expense data to assist in allocating resources and in credit underwriting
- C. Continue work on a comprehensive preservation strategy to save critical, aging affordable properties that are worthy of preservation, including those in Florida Housing’s portfolio
- D. Implement strategies to target development that will support local revitalization and economic development efforts
- E. Continue to foster a more integrated approach between Florida Housing’s asset management and development teams to keep development costs down while incentivizing sustainable development that lowers operating costs over the long term
- F. Incentivize the inclusion of green building features to lower operating costs, and accessibility/visitability features that accommodate the physical disabilities and frailty of household members and their visitors
- G. Incentivize high quality management of properties in Florida Housing’s portfolio
- H. Develop partnerships with public/private utilities to build a more robust energy retrofit strategy for properties in Florida Housing’s portfolio
- I. Provide liquidity for future affordable housing needs by thoughtfully managing Guarantee Program assets and safeguarding the risk to capital ratio while ceding risk

**III. PRIORITY: Enhance opportunities for special needs and homeless households to access rental housing paired with supportive services**

- A. Enhance implementation of the Link strategy as a way to integrate units for extremely low income households with special needs into general occupancy units throughout Florida Housing’s portfolio

- B. Develop a supportive housing model that supports elders aging in place by facilitating and supporting partnerships between developers and health care and other supportive service providers
- C. Continue work to support development of a range of supportive housing options to assist veterans with special needs to live independently in their communities
- D. Strengthen partnerships with state agencies responsible for Medicaid and supportive services
- E. Continue outreach and partnerships with stakeholders in the supportive housing community
- F. Work with state agencies, supportive service providers and developers to compile data for policy makers that evaluates resident outcomes and public cost savings of permanent supportive housing
- G. Work with partners to bring federal rental assistance funding into Florida to help extremely low income elders and persons with disabilities

**IV. PRIORITY: Ensure that information about Florida Housing’s programs and the role that affordable housing plays in our state’s economy is accessible and understandable to government officials, stakeholders and the public**

- A. Inform federal, state and local officials about affordable housing programs, issues and solutions
- B. Provide easy access to information about Florida Housing programs through various communication media, including internet, print and broadcast
- C. Create a customer focused approach to help different types of developers access Florida Housing’s programs, from application for financing, to credit underwriting, to property and asset management
- D. Develop and maintain relationships with local, state and business partners to deliver programs

**V. PRIORITY: Strengthen Florida Housing’s operational capacity**

- A. Attract, support and engage a skilled and productive workforce
- B. Preserve the corporation’s financial strength in order to serve the needs of Floridians well into the future
- C. Automate, enhance and streamline work processes that are supported by technology
- D. Continue to enhance data and records management through a systematic, planned approach to ensure information is accurate, complete and accessible
- E. Establish an environment in which risk assessment and mitigation is integrated into all business practices and decisions

## Performance Measures and Targets

Metric	Section 420.511 (1), F.S., specifies that as part of its strategic plan FHFC must provide performance measures and specific targets for the following:	Alignment with FL Strategic Plan for Economic Development	Explanation of Metric
Amount of funding disbursed through the Hardest Hit Fund each quarter	(a) The ability of low-income and moderate-income Floridians to access housing that is decent and affordable.	Goals 1, 3 Objs 3, 4 Strategies 4, 13, 24, 25, 27	Provides the total amount of funding that has been disbursed to assist homeowners (total disbursed as of the end of the quarter). The number reported will be one quarter behind due to timing of Treasury report.  <u>Quarterly Target:</u> \$30 million per quarter through the end of the program (early 2019 for final disbursements)
Amount of state appropriated rental funding awarded over time to target populations	(b) The continued availability and affordability of housing financed by the corporation to target populations.	Goals 1, 2, 3 Objs 1, 2, 5 Strategies 1, 4, 13, 24, 25, 27	Provides markers along the state fiscal year (July 1 through June 30) to show that FHFC is making progress towards awarding state appropriated rental funding to target populations. To match up calendar and state fiscal year quarterly reporting, each quarter's targets will always relate to the most recent prior legislative appropriation received. For example, Quarters 1 and 2 of 2014 would report on targets related to getting state fiscal year 2013/2014 funding awarded, and Quarters 3 and 4 of 2014 would report on targets related to getting state fiscal year 2014/2015 funding awarded.  The target populations change over time, based on statutory, legislative and policy priorities. In 2014-2015, the target populations are families; elders; persons with special needs, including persons with developmental disabilities; farmworkers and fishing workers; and homeless persons.  <u>Q1 Target:</u> Open at least one funding opportunity to receive applications/proposals for the current Fiscal Year funding <u>Q2 Target:</u> 80% of the current Fiscal Year appropriated rental program funds awarded <u>Q3 Target:</u> FHFC Board approves plan for allocation of the current Fiscal Year funding <u>Q4 Target:</u> Hold at least one public meeting on one or more draft competitive funding proposals for the current Fiscal Year funding

### Performance Measures and Targets (Continued)

Metric	Section 420.511 (1), F.S., specifies that as part of its strategic plan FHFC must provide performance measures and specific targets for the following:	Alignment with FL Strategic Plan for Economic Development	Explanation of Metric
Number of participating lenders trained and approved to offer first mortgage financing throughout the state	(c) The availability of affordable financing programs, including equity and debt products, and programs that reduce gaps in conventional financing in order to increase individual access to housing and stimulate private production of affordable housing.	Goal 3 Objs 1, 2, 5Strategies 13, 24, 27	FHFC must partner with private sector lenders such as banks, credit unions, and mortgage companies to offer affordable housing programs to qualified first time homebuyers. This lender base forms partnerships with local realtors, title companies, home appraisers, and all other third party service providers involved in successful origination of FHFC's Program Loans and Mortgage Credit Certificates. Without an adequate number of trained and approved lenders, FHFC's programs and resources would not reach Florida residents.  <u>Quarterly Target:</u> Maintain at least 50 active participating lenders at all times
FHFC budgeted total operating expenses to actual total operating expenses	(d) The establishment and maintenance of efficiencies in the delivery of affordable housing.	Goal 3 Strategies 13, 25, 27	Based on the annual operating budget approved by FHFC's Board. Year to date through the most recent month reported to the Board.  <u>Quarterly Target:</u> Actual total operating expenses do not exceed budgeted total operating expenses by more than 10%
Board engagement: attendance and attainment of quorum	(e) Such other measures as directed by the corporation's board of directors.	Goal 3 Strategies 13, 25, 27	Shows the involvement of FHFC Board members via their attendance at scheduled Board meetings and whether a quorum was achieved at these meetings for decision making purposes over the quarter.  <u>Quarterly Target:</u> Presence of five Board members required to achieve quorum at each Board meeting during the quarter

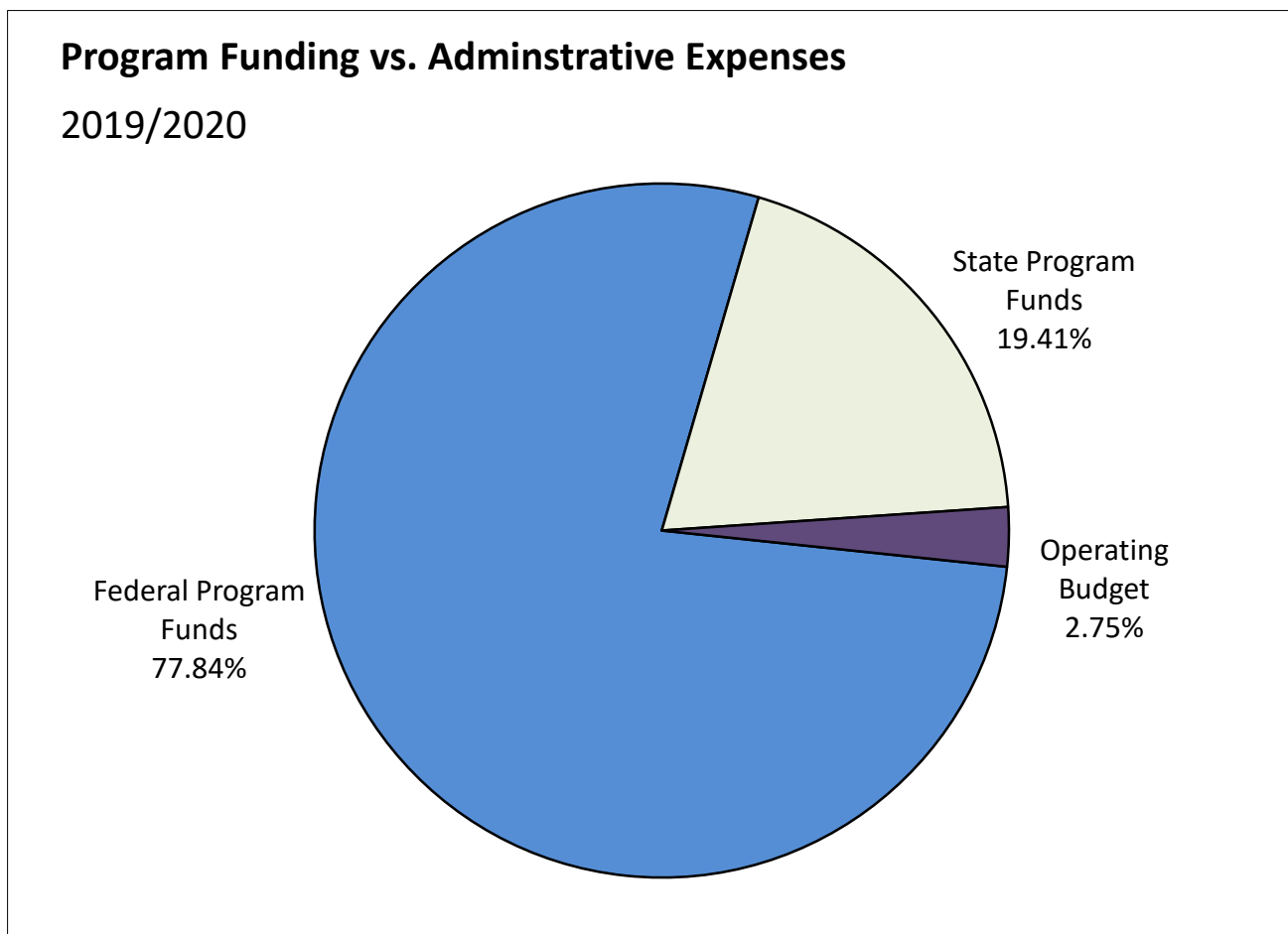


## Overview of Florida Housing Finance Corporation



## Quick Facts

- **Florida Housing Finance Corporation** (Florida Housing) is a public corporation of the State of Florida. As a financial institution, Florida Housing administers federal and state resources to provide low interest financing to homebuyers and to finance the development and preservation of affordable homeowner and rental housing.
- Florida Housing is not a department of the executive branch of state government but is an instrumentality of the State.
- Amount of state General Revenue appropriated to Florida Housing annually: None.
- Number of state employees working at Florida Housing: None.



## Introduction

Florida Housing Finance Corporation is a public corporation of the State of Florida and is considered to be a financial institution. Florida Housing administers federal and state resources to finance the development and preservation of affordable homeowner and rental housing and assist homebuyers with financing and down payment assistance. When the 1980 Legislature created Florida Housing Finance Corporation's precursor, Florida Housing Finance Agency, the Agency was an arm of the Florida Department of Community Affairs

(DCA). In the 2011 legislative session, statutory changes moved Florida Housing's functional relationship from DCA to the Florida Department of Economic Opportunity (DEO). Florida Housing's purpose as outlined in Section 420.502, F.S., is to:

- Provide access to federal housing resources;
- Stabilize the flow of funds for affordable housing;
- Promote affordable housing; and
- Boost Florida's construction industry.

As a result of revisions made by the 1997 Legislature, on January 1, 1998, Florida Housing became a public-private entity to reduce bureaucracy, streamline many administrative processes and operate more effectively within the real estate and financial markets. Two changes were particularly important in this regard: accelerated disbursement of trust fund dollars to the private sector and local governments, and elimination of duplicative services in the issuance of bonds. Funds disbursed by Florida Housing in loan closings for developments and homeowner mortgages, which took up to six weeks before Florida Housing became a public corporation, were processed through both DCA (now the Department of Economic Opportunity) and the Comptroller (now the Chief Financial Officer). The lengthy process was costly to private sector partners, created construction delays and slowed down implementation of local housing programs. The 1997 legislative changes authorized Florida Housing to disburse funds directly, typically within five business days. The bond issuance process also was streamlined by authorizing Florida Housing to issue bonds directly. Prior to this change, the Division of Bond Finance issued these bonds, requiring both agencies to provide staff for this purpose. The statute still requires the State Board of Administration to approve a fiscal determination for each bond issue carried out by Florida Housing.

Florida Housing is also subject to the Government-in-the-Sunshine Law, the Public Records Act, the Administrative Procedure Act, audits by the Chief Financial Officer for the State of Florida and the State Auditor General, and various other state and federal entities. Florida Housing is not a department of the executive branch of state government within the scope and meaning of Section 6, Article IV of the State Constitution, but is an instrumentality of the State. Sections 420.0006 and 420.504, F.S., require Florida Housing and DEO to sign a performance contract outlining the conduct of business by Florida Housing.

### **Statutory Responsibilities**

Section 420.507, F.S., assigns responsibilities to Florida Housing, which are summarized below:

- To carry out analyses of housing needs within the state and ways of meeting those needs;
- To participate in federal housing programs and federal community development, insurance and guarantee programs;
- To develop and administer the state rental and homeownership programs as outlined by statute;
- To designate and administer private activity tax exempt bond allocation received by Florida Housing pursuant to Part VI of Chapter 159 between the single family and multifamily programs;
- To set standards for and monitor compliance of residential housing financed by Florida Housing; and
- To conduct demonstration programs and projects which further the statutory purposes of Florida Housing.

## **Governance**

Florida Housing is governed by a Board of Directors, with eight members appointed by the Governor and subject to Senate confirmation, and the executive director of the Department of Economic Opportunity as an ex officio, voting member, or their designee. The following interests must be represented on the Board, pursuant to Section 420.504 (3), F.S.:

- Residential home building industry;
- Commercial building industry;
- Banking or mortgage banking industry;
- Home building labor representative;
- Low income advocate with experience in housing development;
- Former local government elected official;
- Two Florida citizens who are none of the above; and
- The Executive Director of the Florida Department of Economic Opportunity or a designee (ex officio voting).

Each member of Florida Housing's board of directors must file full and public disclosure of financial interests at the times and places and in the same manner required of elected constitutional officers under s. 8, Art. II of the State Constitution and any law implementing s. 8, Art. II of the State Constitution.<sup>1</sup>

The Board typically meets eight times per year. Day-to-day operations are managed by Florida Housing's executive director, who is appointed by the DEO Executive Director with the advice and consent of the Board, and a staff of about 125.

## **Financial Role**

As a financial institution, Florida Housing works with a variety of entities to finance affordable housing: private lenders and investors, mortgage and bond insurers, the Federal Home Loan Banks, liquidity facility providers, government sponsored enterprises (GSEs), federal agencies, for profit and nonprofit developers and property managers, local governments, public housing authorities and local housing finance authorities. In developing and implementing program priorities, the Florida Housing Board and staff must balance financial and market forces with our mission of serving Floridians who need well maintained, affordable housing. Florida Housing has approximately \$4.97 billion in assets primarily in the form of single-and multifamily loans receivable and securities resulting from single family loan transactions and are restricted by various bond indentures or by statute.

## **What Is Affordable Housing?**

Affordable housing is defined in terms of the income of the household living in the housing. Housing is generally said to be affordable when a family is spending no more than 30 percent of its income on housing. On the rental side, this includes utilities, while on the homeownership side, principal, interest, taxes and insurance are all part of the equation. A household is said to be severely cost burdened if it is paying more

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<sup>1</sup> Section 420.504(7), F.S.



than 50 percent of its income for housing. Households at the lower end of the income spectrum are more likely to be cost burdened.

Resident eligibility for Florida Housing programs is typically governed by area median income (AMI) levels. AMI data is published by the U.S. Department of Housing and Urban Development (HUD) for every county and metropolitan area. While Florida's 2019 state median income is \$65,100 for a family of four, the AMI eligibility for a particular program is determined by the county or group of counties in which the property is located as well as family size. The following are standard household income level definitions and, for perspective, their relationship to the 2019 state median shown above (as a family's size increases or decreases, these income ranges also increase or decrease; the average household size in Florida is just above two persons):

- Extremely low income – earning up to 30 percent AMI (at or below \$19,550);
- Very low income – earning from 30.01 to 50 percent AMI (\$19,551 to \$32,550);
- Low income – earning from 50.01 to 80 percent of AMI (\$32,551 to \$52,100); and
- Moderate income – earning from 80.01 to 120 percent of AMI (\$52,101 to \$78,120).

## **Florida Housing Finance Corporation's Role in the Financial Market**

Florida Housing uses federal and state resources to make loans and guarantees of loans to further our mission, including private activity tax exempt bonds. Each resource for financing brings with it certain financial risks. Every bond transaction is structured to provide an array of protections to assure that the mortgage and the bonds will be paid.

As an issuer of tax exempt bonds, Florida Housing understands the necessity of effecting efficient transactions in the bond market to achieve the best interest rate for the bonds sold. These transactions require Florida Housing to establish and maintain good working relationships with the following:

- The State Board of Administration;
- The Division of Bond Finance;
- The three major rating agencies;
- Investment bankers;
- Tax credit syndicators; and
- Bond investors.

Each one of these parties plays a pivotal role in financing affordable housing and bringing tax exempt bond transactions to completion. The following descriptions further explain Florida Housing's role in bond sales and the protections against risk employed for multifamily and single family transactions.

### **Revenue Bonds**

Private activity tax exempt bonds are allocated to Florida Housing pursuant to the calculation in Part VI of Chapter 159 performed by the Division of Bond Finance on an annual basis. Florida Housing receives

approximately 25 percent of the annual state private activity bond volume. In 2019, the allocation to Florida Housing is \$543.7 million.<sup>2</sup>

These are revenue bonds; they are a not general obligation debt of the State of Florida, nor is the State liable for the debt in any way. Florida Housing Statutes clarify the revenue bond issuance process:

- **Section 420.51, F.S., State and local government not liable on bonds or notes** – The bonds of the corporation shall not be a debt of the state or of any local government, and neither the state nor any local government shall be liable thereon. The corporation shall not have the power to pledge the credit, the revenues, nor the taxing power of the state or of any local government shall be, or shall be deemed to be, pledged to the payment of any bonds of the corporation; and
- **Section 420.509(2), F.S., Revenue Bonds** – The State Board of Administration is designated as the state fiscal agency to make the determinations required by s. 16, Art. VII of the State Constitution in connection with the issuance of such bonds that in no state fiscal year will the debt service requirements of the bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for such debt service requirements.

The cash flow documents created for each issue and submitted to the State Board of Administration must demonstrate that the bond issue is in compliance with the above statutory and Constitutional requirement. For multifamily bond issues (each issue is a standalone indenture), revenues of the individual issue must meet these criteria. For single family issues which reside in a master indenture, the individual issue and the master indenture must both meet these criteria.

### **Who is responsible for the debt service payments on the revenue bonds?**

For **multifamily rental**, it is the indenture trust estate; the development (borrower) which is funded by the bonds. For **single family homeownership**, it is the indenture trust estate; for securitized loans in the indenture, the timely loan payment guarantees by Fannie Mae, Freddie Mac and Ginnie Mae (as of May 31, 2019, this is 93 percent of the 1995 single family bond indenture and 100 percent of the 2009 New Issue Bond Program single family indenture<sup>3</sup>); or for the whole loans in the 1995 master indenture, the borrower along with a primary mortgage insurer and a pool insurer.

### **How Mortgage Revenue Bonds Work at Florida Housing**

**Multifamily Rental** – Florida Housing facilitates the issuance of bonds by serving in a conduit capacity to lend bond proceeds to multifamily developers to construct/rehabilitate rental housing serving low income households. Each bond indenture is for a single purpose entity, i.e., each development that is financed. Only the development funded by the bonds supports the debt service of that indenture.

**Homeownership** – Single family bonds are part of one of two master indentures with all issuance of bonds (supplements to the master indenture) incorporated into one indenture. The indenture is the legal mechanism

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<sup>2</sup> As of January 1, 2019, the total amount of PAB allocation available for issuance (counting prior years' carry forward and 2019 allocation) is nearly \$1.8 billion. The Corporation receives priority status for any unused allocation reverting back to the state pool in the fourth quarter of each year.

<sup>3</sup> The New Issue Bond Program was a short term response to the national credit and liquidity crisis which created extremely high interest rates on tax exempt bonds making them difficult to use for affordable housing programs.

created to establish the trust estate related to the issued bonds and governs the assets and liabilities accumulated in the indenture.

In 2002, Florida Housing changed its homeownership program from a whole loan program in which Florida Housing took all financial responsibility for payment of the debt service on the bonds to a mortgage backed securities (MBS) program in which there is a guarantee as to the timely payment of loan principal and interest by Fannie Mae, Freddie Mac, or Ginnie Mae. This change further insulated Florida Housing's financial risk related to debt service on the bonds. The 2009 indenture, created solely to cover single family bonds issued under the authority of the New Issue Bond Program, is 100 percent MBS, resulting in no financial risk to Florida Housing related to debt service on the bonds.

To achieve the most advantageous pricing for program loans, Florida Housing settles MBS in various ways. As an alternative to selling tax exempt mortgage revenue bonds into the market, Florida Housing sells a portion of its securitized loans as specified pools in the secondary market. Depending on market conditions having both options available provides the best outcome for generating ongoing program resources. When sold, these securitized loans are no longer a part of Florida Housing's single family bond indentures. In February of 2013, in response to the continuously changing financial markets, Florida Housing added the To Be Announced (TBA) forward delivery market for selling conventional loans. The market products for selling securitized single family loan pools continues to evolve and Florida Housing will utilize the market products that are deemed most beneficial for homeownership including but not limited to tax exempt bonds, the specified pool market, and the TBA market.

In addition, Florida Housing also allocates Mortgage Credit Certificates to homebuyers. These certificates, which are made available from single family mortgage revenue bond volume cap, are tax credits which can be applied against a home buyer's annual federal tax liability each year the homeowner uses the home as their primary residence, increasing the homebuyer's after-tax wages and thus increasing their ability to afford a home.

Both the securities, as indenture assets, and the bonds, as indenture liabilities, are included on Florida Housing's balance sheet. The trust estate of the indenture, which is comprised of the indenture assets and liabilities, financially stands on its own. Neither the State of Florida nor Florida Housing general operations are responsible for the debt of the indenture.

While Florida Housing provides financing for homebuyer mortgages, we have never participated in subprime lending. Florida Housing reviews the performance of its homebuyer mortgages on a regular basis. At the end of the second quarter of 2019, 0.77 percent of the active loans originated by Florida Housing were in foreclosure, compared to the 1.32 percent of all loans statewide in foreclosure at that time.

# Summary of Key Affordable Housing Programs Administered by Florida Housing Finance Corporation

Florida Housing recognizes that not all Floridians are candidates for homeownership. Our affordable housing programs provide a range of housing types, both rental and homeowner, to ensure that residents have decent, affordable housing options that are appropriate for them.

## Homebuyer Loan Programs

**Objective:** To originate 30-year, fixed-rate, high loan-to-value mortgage loans for eligible first-time homebuyers who meet credit worthiness tests, have incomes within federal program limits and receive homebuyer education. For homeownership, the proceeds from tax exempt mortgage revenue bonds issued by Florida Housing are used by participating private lenders to originate 30-year, fixed-rate mortgage loans through this program; we have never participated in subprime lending. Florida Housing generally pairs some type of second mortgage purchase assistance with these mortgages to assist homebuyers, either through state or federal funding, if available. The average sales price as of June 2019 was \$164,297; the average first mortgage loan amount was \$156,080; and the average purchase assistance amount was \$12,327.

Approximately 93 percent of the homes financed in 2018 were existing single family homes.

**Source of Financing:** Primarily federal private activity bond volume allocated to states and secondary securities markets such as TBA and specified pool

## Homeownership Assistance Program/Florida Assist 2<sup>nd</sup> Mortgage

**Objective:** In conjunction with Homebuyer Loan Programs, to assist eligible homebuyers in purchasing their home, primarily by providing up to \$7,500 of down payment assistance in the form of a 0-percent interest, non-amortizing second mortgage loan that runs concurrently with the first mortgage, which means the homebuyer does not make any monthly payments. Instead, the loan is repaid when the homebuyer sells the home, transfers ownership, satisfies or refinances the first mortgage, or ceases to occupy the home.

**Source of Financing:** Appropriations from the State Housing Trust Fund

## Mortgage Credit Certificates

**Objective:** To provide eligible homebuyers with an annual federal tax credit that can be applied against their federal tax liability each year as long as the home is the primary residence, thus increasing the homebuyer's after-tax income and thereby increasing their ability to afford a home.

**Source of Financing:** Federal private activity bond volume allocated to states

## Multifamily Mortgage Revenue Bonds

**Objective:** To finance the development and preservation of rental apartments through proceeds from taxable and tax exempt bonds issued to provide below market rate loans to developers who set aside a certain percentage of their apartments for low income families.

**Source of Financing:** Federal private activity bond volume allocated to states

## Low Income Housing Tax Credits

**Objective:** To provide equity to developers through private sector investment by providing a dollar-for-dollar reduction in federal tax liability in exchange for the acquisition/substantial rehabilitation and new construction

of affordable rental housing for low income households. Affordable housing developers sell these tax credits to large, private investors and use the cash from the sale to infuse equity into the construction of the property, lessening the need for additional debt.

**Source of Financing:** Federal population-based allocation to states

### **HOME Investment Partnerships Program**

**Objective:** Provides low-interest or zero-interest loans to developers to finance the construction and rehabilitation of homes and rental apartments. Additionally, HOME funds may be used for Tenant Based Rental Assistance to provide rent subsidy and security deposit assistance for very low- to moderate income households.

**Source of Financing:** Federal funding

### **State Apartment Incentive Loan Program (SAIL)**

**Objective:** To provide gap financing through non-amortizing, low-interest loans to developers to leverage mortgage revenue bonds or competitive Low Income Housing Tax Credit resources and obtain the full financing needed to construct affordable rental units for very low income families.

**Source of Financing:** The state affordable housing trust funds and unobligated Florida Affordable Housing Guarantee funds

### **Florida Affordable Housing Guarantee Program**

**Objective:** Authorized by the Legislature in 1992, the Guarantee Program was created to provide credit enhancement (i.e., mortgage repayment guarantees) primarily on bond-financed affordable rental housing developments at the time when such products for bond transactions were mostly unavailable in the private market. During its active phase, the program guaranteed 120 transactions, representing approximately \$1.4 billion and over 28,000 rental units, the majority of which partnered with HUD's Risk-Sharing Program (Section 542c), with HUD assuming 50 percent of the default risk. The program's last transaction was in 2005 and, in March 2009, Florida Housing's Board of Directors officially confirmed the suspension of new guarantees.

Capitalization of the Guarantee Fund occurred through the statutorily authorized issuance of debt, and the Guarantee Fund corpus is current invested in the Florida Treasury. Documentary stamp taxes distributed to the State Housing Trust Fund are the essential element for maintaining the Guarantee Fund's insurer financial strength (IFS) credit rating; currently A+/Stable by Standard & Poor's and Fitch Ratings. In the event the Guarantee Fund is rated less than in the top three claims paying ratings by any of the rating agencies, the state would be required to use collections distributed to the State Housing Trust Fund to replenish the Guarantee Fund at the amount necessary to maintain the minimum IFS claims paying rating.

As of August 31, 2019, the program guarantees covered 509 units in 2 multifamily transactions, representing approximately \$15.2 million risk in force. Capital not needed to support the outstanding Guarantees has been used in the SAIL Program.

### **State Housing Initiatives Partnership Program (SHIP)**

**Objective:** To provide funds to all 67 county local governments and Florida's larger cities on a population-based formula to finance and preserve affordable housing for very low, low, and moderate income families

based on locally adopted housing plans. A minimum of 20% of funds must be used to serve persons with special needs. At least 65 percent of funds must be used for homeownership, although on average 85 percent of the funds have gone for this purpose annually. Funding is routinely used for such strategies as rehabilitation, emergency repairs, down payment assistance and homeownership counseling.

**Source of Funding:** Local Government Housing Trust Fund

### **Hardest-Hit Fund**

In 2010, U.S. Treasury provided funds to states with housing markets that were hardest hit with foreclosures, housing price declines, and unemployment. There are 18 states and the District of Columbia participating in the Hardest-Hit Fund (HHF) Program. Florida's total allocation has equaled more than \$1.1 billion. From program inception through the end of 2<sup>nd</sup> quarter 2019, approximately \$1.18 billion in HHF funds was reserved to nearly 54,000 homeowners and more than \$1.16 billion was disbursed. Florida Housing expects to make final program disbursements by the fourth quarter of 2019. Over the life of the program, a number of strategies have been funded through the HHF. Some of these strategies were discontinued in 2018, and the full program should wrap up in late 2019, but the list below provides a sense of the broad reach of this economic recovery program.

- **Unemployment Mortgage Assistance Program (UMAP)** - The UMAP provides up to \$24,000 for up to 12 months (whichever comes first) in monthly first mortgage payment assistance on behalf of qualified borrowers with an eligible hardship.
- **Mortgage Loan Reinstatement Program (MLRP)** - MLRP funds (when used in conjunction with UMAP) are available in an amount of up to \$18,000 to help satisfy all or some of the arrearages on the first mortgage prior to UMAP payments commencing. When used without UMAP, MLRP-only funds are available in an amount of up to \$25,000 as a one-time payment to assist in bringing a delinquent first mortgage current for a homeowner who has returned to work or recovered from an eligible hardship.
- **Principal Reduction (PR)** - The HHF-PR program is designed to assist eligible homeowners by providing up to \$50,000 applied to the principal balance of the first mortgage to reduce the loan-to-value to no less than 100 percent.
- **Modification Enabling Pilot (MEP) Program** - The MEP program is designed to provide assistance to eligible borrowers with the intent to permanently modify and reduce the borrower's loan amount to an affordable level.
- **Elderly Mortgage Assistance Program (ELMORE)** - The ELMORE program pays up to \$50,000 to assist seniors who are in default on their reverse mortgage because of their inability to pay their taxes, insurance and other property charges.
- **Downpayment Assistance (DPA) Program** - The DPA Program provides eligible borrowers with up to \$15,000 in the form of a 0-percent, forgivable second mortgage, which can be used for downpayment, closing costs, prepaid expenses, mortgage insurance premiums, or as a principal reduction to the first mortgage. There are 11 counties currently approved by US Treasury where this program may be used.

**Source of Funding:** Federal Troubled Asset Relief Program (TARP)

### **Foreclosure Counseling Program**

**Objective:** To provide counseling services throughout the state to help homeowners avoid foreclosure;

provide good financial management education to help families better manage their money; provide extended financial coaching; and assist families with credit problems to become financially stable. Foreclosure counseling services are provided through a network of U.S. Department of Housing and Urban Development-approved nonprofit housing counseling agencies throughout the state through fee-for-service contracts with Florida Housing. In 2016, funding was also made available to SHIP local governments to provide these services directly or through a community partner. These SHIP funds began to flow in 2017.

**Source of Funding:** National Mortgage Settlement funds appropriated by the 2013 Legislature. Through the end of 2018, approximately \$2.6 million in funding remained to assist homeowners in need.

### **National Housing Trust Fund (NHTF)**

**Objective:** Federal program to increase and preserve the supply of rental housing for ELI households and Very Low Income (VLI) households. Florida's funding preferences are for rental developments that set aside a very small portion of units to serve ELI populations with incomes at or near the Supplemental Security Income levels (about 22% of AMI), targeted to homeless persons, those at risk of homelessness, or persons with special needs. NHTF funds may be used for development hard costs, demolition, acquisition of real property, related soft costs and operating cost reserves.

**Source of Funding:** Federal block grant to the states from HUD with exact amounts determined by a need based formula

### **Link Initiative**

**Objective:** The Link Initiative enhances the ability of extremely low income (ELI) households that are homeless and/or have special needs to access and retain affordable rental housing in their communities. Special needs populations include persons with disabilities, youth aging out of foster care, frail elders and survivors of domestic violence. Link targets those who require affordable, permanent housing, plus short- or long-term community-based services to maintain optimal stability and self-sufficiency. Through Link, Florida Housing requires general occupancy properties to set aside a portion of a property's ELI units for homeless and/or special needs households that are receiving community-based supportive services and are referred by a recognized supportive services agency in the community where the property is located.

### **Financing Initiatives Targeting Persons with a Disabling Condition**

**Objective:** To provide financing for affordable rental housing developments targeting persons with developmental disabilities. Developments may include new construction or renovation of existing units. Funding is provided as grants which are competitively offered to nonprofit organizations.

**Source of Funding:** State Housing Trust Fund (Legislation in 2016 requires Florida Housing to annually reserve a minimum of 5% of its SHTF appropriation for such initiatives going forward)

### **Community Development Block Grant – Disaster Recovery**

**Objective:** Construction of new affordable rental housing in areas impacted by Hurricane Irma and in areas that experienced a population influx because of migration from Puerto Rico and the U. S. Virgin Islands due to Hurricane Maria. Florida Housing will serve as a sub-recipient to the Department of Economic Opportunity (DEO), administering competitive solicitations seeking applications from for-profit and not-for-profit developers.

**Source of Financing:** Federal funding

## **Affordable Housing Catalyst Program**

**Objective:** Provide on-site and telephone/email technical assistance as well as training through workshops and webinars on state and federal affordable housing programs being implemented in Florida. The program is targeted to local governments and nonprofit organizations. Florida Housing contracts with an experienced provider to implement this program.

**Source of Funding:** Generally from the Local Government Housing Trust Fund

## **Web-Based Affordable Rental Locator for the Public (FloridaHousingSearch.org)**

**Objective:** Provide a free, online affordable rental housing locator that helps citizens search for housing throughout Florida. *FloridaHousingSearch.org* allows users to search for and find available rental units by many different search criteria, including rent amount, city, county, and zip code. Map links also are offered to allow users to search for housing near schools, transportation and employment.

**Source of Funding:** Florida Housing

## **Funding Affordable Housing Leads to Economic Benefits for Florida**

Construction and development are important job and economic generators for local communities and states. In carrying out its mission to provide a range of affordable housing opportunities for residents that help make Florida communities great places to live, work and do business, Florida Housing provides financing through a range of federal and state programs that provide important economic benefits for the state.

To assist us in estimating the economic impact of Florida Housing's programs, we have worked with Florida State University to develop an analysis. The most recent information available showing Florida Housing's economic impact to the state is for program activity in 2017. In 2017, Florida Housing leveraged funding to create a total of \$7.01 billion in economic activity. The total annual economic impact as a result of the development activities resulting from Florida Housing's programs, as well as operations, is estimated to be:

- \$7.01 billion in economic output,
- \$2.35 billion in income,
- \$3.89 billion in value added, and
- 47,995 full and part-time jobs.

In addition, researchers at Florida State University analyzed the on-going economic impact created each year for the first 15 years of each rental property based on their projected operations. The additional average annual economic impact over this period of operations is projected to be:

- \$552 million in economic output (equal to \$8.27 billion over 15 years),
- \$387 million in personal income (equal to \$5.80 billion over 15 years),
- 2,904 full and part-time jobs.

Florida Housing's objective is to carefully target any new rental construction to those areas of the state where there is a defined need for such housing. The data show us there is currently a need for new affordable rental units in most markets in Florida, particularly because of rent increases as urban markets strengthen. In areas where new construction is not currently needed, economic benefit results when we finance rehabilitation of older, existing affordable apartments (generally 20+ years old) to extend affordability and ensure that they remain in good condition.



## Florida Housing Finance Corporation's Role in the State's Housing Delivery System

In the first years of its operation, Florida Housing accessed only federal resources to finance housing, but these funds proved difficult to use on their own. To leverage and augment these programs, the Florida Legislature began appropriating some funding for state programs in the late 1980s. However, it was the enactment of the William E. Sadowski Affordable Housing Act in 1992 that created a dedicated source of revenue for affordable housing from a portion of documentary stamp taxes on the transfer of real estate. This legislation provided both the funding mechanism for state and local programs, as well as a flexible, but accountable framework for local programs to operate. The dedicated revenue comes from:

- A ten-cent increase to the documentary stamp tax paid on the transfer of real estate, which began in August 1992; and
- A re-allocation of ten cents of existing documentary stamp tax revenues from general revenue to the affordable housing trust funds, which began in July 1995.

The 2005 Legislature adopted a cap restricting the amount of revenue that may flow into the housing trust funds to \$243 million per year, with a mechanism for a small increase over time. The cap went into effect July 1, 2007. The 2011 Legislature removed the cap, but created a new annual requirement starting July 1, 2012, which provides that the first \$75 million in documentary stamp tax collections credited to the housing trust funds is automatically transferred to the State Economic Enhancement and Development (SEED) Trust Fund within DEO. The statutory change maintains the priority of payments for the Guarantee Fund as needed. The SEED fund gives the Governor a certain level of flexibility to create economic development opportunities. Florida Housing has the ability to compete for funding from the SEED trust fund. At this time, all of Florida Housing's state funds are appropriated through the housing trust funds created by the Sadowski Act or through one-time initiatives; no appropriations are made to Florida Housing from general revenue.

Documentary Stamp Tax & Other Program Appropriations  
1992 / 1993 through 2019 / 2020

PROGRAM NAME	1992 / 1993 to 2011 / 2012 & reallocations	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020
<b>State Housing Trust Fund</b>									
State Apartment Incentive Loan (SAIL)	\$ 501,830,722	\$ -	\$ -	\$ 57,660,000	\$ 59,300,000	\$ 54,315,000	\$ 9,500,000	\$ 36,465,000	\$ 28,821,000
Homeownership Assistance (HAP)	198,898,100	-	-	-	-	-	8,085,000	-	-
ELI & Special Needs	62,619,790	10,000,000	-	10,000,000	10,000,000	10,000,000	10,000,000	-	3,904,000
Guarantee Fund Debt Service	73,150,209	-	-	-	-	-	-	-	-
Hurricane Funding	70,536,476	-	-	-	-	-	-	-	50,000,000
State Housing Initiatives Partnership (SHIP)	33,444,086	-	-	-	-	-	-	-	-
HOME Investment Partnerships (HOME)	19,683,000	-	-	-	-	-	-	-	-
Administration	13,310,958	-	-	-	-	-	-	-	-
Predevelopment Loan (PLP)	13,288,200	-	-	-	-	-	-	-	-
Catalyst Program	3,517,400	-	-	-	400,000	-	-	-	-
Housing Data Clearinghouse	1,392,938	-	-	-	300,000	285,000	315,000	300,000	315,000
Miscellaneous and One-Time Appropriations	4,451,153	-	-	-	-	-	100,000	-	-
<b>TOTAL SHTF Appropriations</b>	<b>\$ 996,123,032</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>	<b>\$ 67,660,000</b>	<b>\$ 70,000,000</b>	<b>\$ 64,600,000</b>	<b>\$ 28,000,000</b>	<b>\$ 36,765,000</b>	<b>\$ 81,040,000</b>
<b>Sweeps to General Revenue</b>	<b>\$ 366,706,012</b>	<b>\$ 29,815,000</b>	<b>\$ 52,730,000</b>	<b>\$ 14,298,030</b>	<b>\$ 6,000,000</b>	<b>\$ 30,414,438</b>	<b>\$ 59,270,000</b>	<b>\$ 54,600,000</b>	<b>\$ 10,000,000</b>
<b>Local Government Housing Trust Fund</b>									
State Housing Initiatives Partnership (SHIP)	\$ 1,932,025,364	\$ -	\$ -	\$ 96,000,000	\$ 101,000,000	\$ 129,800,000	\$ 94,225,000	\$ 43,950,000	\$ 45,060,000
Hurricane Funding	253,150,000	-	-	-	-	-	-	-	65,000,000
Homeless Programs - DCF & DEO	53,236,805	-	-	4,000,000	4,000,000	5,200,000	5,200,000	-	-
State Apartment Incentive Loan (SAIL)	13,065,231	-	-	-	-	-	9,000,000	42,390,000	-
Community Workforce Housing Innovation Pilot	14,872,892	-	-	-	-	-	-	-	-
Catalyst Program	-	-	-	-	-	500,000	500,000	500,000	500,000
Housing Data Clearinghouse	1,022,950	-	-	-	-	-	-	-	-
Miscellaneous and One-Time Appropriations	5,889,900	-	-	-	-	-	75,000	-	1,000,000
<b>TOTAL LGHTF Appropriations</b>	<b>\$ 2,273,263,142</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000,000</b>	<b>\$ 105,000,000</b>	<b>\$ 135,500,000</b>	<b>\$ 109,000,000</b>	<b>\$ 86,840,000</b>	<b>\$ 111,560,000</b>
<b>Sweeps to General Revenue</b>	<b>\$ 892,732,034</b>	<b>\$ 66,845,000</b>	<b>\$ 151,400,000</b>	<b>\$ 91,853,337</b>	<b>\$ 75,000,000</b>	<b>\$ 86,500,000</b>	<b>\$ 95,130,000</b>	<b>\$ 127,400,000</b>	<b>\$ 115,000,000</b>
<b>TOTAL Documentary Stamp Tax Appropriations</b>	<b>\$ 3,269,386,174</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>	<b>\$ 187,660,000</b>	<b>\$ 175,000,000</b>	<b>\$ 200,100,000</b>	<b>\$ 137,000,000</b>	<b>\$ 123,605,000</b>	<b>\$ 192,600,000</b>
<b>Sweeps to General Revenue</b>	<b>\$ 1,249,438,046</b>	<b>\$ 96,660,000</b>	<b>\$ 204,130,000</b>	<b>\$ 106,151,367</b>	<b>\$ 81,000,000</b>	<b>\$ 116,914,438</b>	<b>\$ 154,400,000</b>	<b>\$ 182,000,000</b>	<b>\$ 125,000,000</b>

Attorney General Settlement Funds	2012 / 2013
State Apartment Incentive Loan (SAIL) Elder, ELI, DD	\$ 60,000,000
State Housing Initiatives Partnership (SHIP)	40,000,000
Homeownership Assistance (HAP)	35,000,000
ELI & Special Needs	20,000,000
Foreclosure Counseling	10,000,000
<b>TOTAL Attorney General Settlement Funds</b>	<b>\$ 165,000,000</b>

Guarantee Fund (back of the bill appropriations)	2016 / 2017	2017 / 2018
State Apartment Incentive Loan (SAIL) Elder, ELI, DD	\$ 36,850,000	\$ 73,000,000
State Apartment Incentive Loan (SAIL) Workforce	-	40,000,000
<b>TOTAL Guarantee Fund</b>	<b>\$ 36,850,000</b>	<b>\$ 113,000,000</b>

16/17 appropriation did not include a dollar amount. Amount listed is the amount actually available and used.

LBC amendment - 01/2013, SB 1652 - signed 06/2013

# How Florida Housing Finance Corporation Makes Resource Allocation Decisions

Florida Housing targets funding to specific populations and geographic areas of the state based on a number of factors. Federal and state programs target all or a portion of funds to households at or below income levels set by each program.

On the homeownership side, Florida Housing follows federal income targeting requirements, allowing us to provide financing to households with incomes as high as 115 percent of AMI in the government loan program or 140 percent of AMI for the conventional TBA program. On the rental side, targeted program incomes are generally lower to assist families that are unlikely to be able to afford homeownership. For example, the federal Low Income Housing Tax Credit Program requires that a portion of rental units in an apartment complex be set aside for families with incomes at or below 50-60 percent of area median income. Other federal rental programs are similar. As specified in s. 420.507, F.S., Florida Housing undertakes and uses studies and analyses of housing needs within the state, along with regular input from stakeholders and current market conditions to target program resources. Continuing input from stakeholders provides context and direction to Florida Housing's Board and staff. Interested parties are encouraged to provide comments and critiques of our programs by mail, phone, personal contact and public meetings that are held regularly each year as we modify programs to respond to changing policies and market conditions.

Florida Housing's Board and staff are constantly analyzing data, seeking input on financial and economic conditions and trends, and weighing this information with the range of changing housing needs to provide a set of balanced programs to finance affordable housing in an economically feasible manner. The Florida Housing Board and staff strive to allocate resources in a fair, open and rational way that is stable, predictable and user-friendly for the many participants in our programs and processes.

On the rental side, Florida Housing allocates program resources, such as federal Low Income Housing Tax Credits, through a competitive solicitation process whereby a series of approximately 18 "Requests for Applications" (RFAs) are issued each year to focus on various geographic areas of the state and offer funding for different types of housing and to serve different populations in need. For each RFA issued, a draft is circulated for public comment and one or more public workshops are held to seek input. Stakeholders may submit comments at these meetings or via phone, email or letter. This allocation process maintains a balanced, open, and transparent process that is flexible and is capable of reacting to changing markets and needs.

On the homeownership side, participating private lenders throughout the state originate mortgages through the Homebuyer Loan Programs to homebuyers on a first come, first served basis according to federal and state regulations and indenture criteria. Through Florida Housing's Home Ownership Pool Program, builders may apply to reserve down payment assistance on a first come, first served basis for their homebuyers when funding is available.

According to statute, SHIP funds are distributed to counties and eligible cities on a population-based formula. Local governments must follow statutory and administrative rule requirements in the disbursement of funds, but

the program's premise is to allow them to set their own priorities within these guidelines according to local need as outlined in a locally adopted plan.

## **Accountability – How Florida Housing Finance Corporation Ensures Program Resources Are Appropriately Used**

### **Multifamily Rental Process**

The rental funding process begins with rule making and development of one or more Requests for Applications. Applications are submitted, scored independently by each member of a staff review committee, discussed and ranked by the full committee and the final recommendation is sent to Florida Housing's Board of Directors for approval. Applicants have the right to contest the findings through an administrative hearing process.

Once recommended orders are issued through the hearing process and brought back to the Board for final action, developments awarded financing are invited to enter the credit underwriting process. Developments are assigned to one of three independent credit underwriters under contract with Florida Housing. Independent professionals approved by the credit underwriter complete necessary evaluations, such as appraisals and market studies. Credit underwriting reports are reviewed and approved by Florida Housing staff and the Board of Directors before loan closing may proceed. At loan closing, Florida Housing receives construction completion guarantees and operating deficit guarantees as applicable. The developer signs personal guarantees for these.

Throughout the construction process, Florida Housing's servicers manage the draw process, construction inspections and other duties to ensure commitments. Once the development is completed, Florida Housing's compliance monitoring agents visit every development at least every year for the portion of our portfolio with state funds, and at least once every three years (as required by federal regulations) for those properties with Low Income Housing Tax Credits only that are in their first 15 years of their federal compliance period. For the remaining affordability period, these properties are monitored annually. The monitors ensure compliance with applicable federal and state statutes and rules, and with the loan closing documents. Florida Housing's staff and servicers also receive and review audited financial statements for each property annually as a part of our permanent loan servicing and asset management processes.

### **Single Family Homeownership Process**

In Florida Housing's homeownership construction programs, the process for credit underwriting and construction loan servicing works in the same way that it does for our multifamily process. Applications for Florida Housing's down payment assistance loans by builders on behalf of homebuyers are also reviewed by our servicers who verify income and purchase price limits. Funds are not released until Florida Housing has sign-off from the servicer. In Florida Housing's down payment assistance programs, which are coupled with our Homebuyer Loan Programs, our Compliance servicer provides our "bond compliance" function. They review each loan made by participating lenders to make sure that it complies with federal and state income and purchase price limits.

## **State Housing Initiatives Partnership Program**

SHIP eligible local jurisdictions submit their Local Housing Assistance Plans (LHAPs) to Florida Housing for review to ensure that they meet the broad statutory guidelines and requirements of the program rules. Florida Housing must approve an LHAP before a local government may receive SHIP funding. Florida Housing reviews each local jurisdiction's annual report which details how they have spent or encumbered their SHIP funds. Local jurisdictions are also required to send Florida Housing their annual audited financial statements and their Florida Single Audit Act reports for review.

Compliance monitoring is performed using a risk based approach with the amount of SHIP dollars received by the local government as one of the risk factors considered. Florida Housing's Inspector General may also audit local governments at any time. If problems are found, follow-up and annual reviews are scheduled, and Florida Housing may assign technical assistance providers to assist the local jurisdiction with formulating and implementing a corrective action plan. When funds have been found to have been misused, the local jurisdiction has reimbursed that amount of funds. If technical assistance and/or training fail to correct the problems and a pattern of violations is established, Florida Housing has statutory authority to suspend or possibly terminate disbursement of funds to the local jurisdiction.

## **Other Accountability Measures**

Quality Assurance Reviews are performed by Florida Housing to determine compliance with external contract requirements for such areas as: credit underwriting, loan servicing, compliance monitoring and bond trustee services. Internally, Florida Housing's Inspector General oversees the audit and investigative functions for all aspects of the Corporation's programs and operations. Audits or other engagements can be initiated by internal audit risk assessments, the Board, Executive Director and internal or external complaints. Florida Housing contracts with an independent audit firm to carry out annual audits of the financial statements. The independent auditor opines on the financial statements, internal control over financial reporting and on compliance and other matters, and compliance and internal controls applicable to each major federal award program. Florida Housing is also subject to audits by the Auditor General, the State of Florida Chief Financial Officer, DEO, the Office of Program Policy Analysis and Government Accountability (OPPAGA), HUD, U.S. Treasury, the Internal Revenue Service and other state and federal entities at their discretion.

In addition, the following best business practices and financial transparency information is readily available on Florida Housing's website:

- Reports that include metrics and return on investment calculations;
- All relevant audits, tax returns, financial reports and summaries;
- All statutorily required reports;
- All vendor contracts;
- External reports detailing Corporation spending; and
- An organizational chart, and employee position and salary information.

## **Current and Emerging Budget and Policy Issues**

### **The State and Local Government Housing Trust Funds**

When the William E. Sadowski Affordable Housing Act, which created the State and Local Government Housing Trust Funds, was enacted in 1992, a coalition of diverse interest groups came together to support this legislation, including the Florida Home Builders Association, the Florida Association of Realtors, the Florida League of Cities, the Florida Association of Counties, 1000 Friends of Florida, the Florida Housing Coalition, Florida Impact, Florida Catholic Conference and Florida Legal Services. Today, the “Sadowski Coalition” as it is called, also includes the Florida Chamber of Commerce, Associated Industries of Florida, the Florida Retail Federation, the Florida Bankers Association, AARP and many other groups. The Coalition remains committed to funding for Florida’s affordable housing programs.

From the inception of the trust funds through Fiscal Year 2000-01, the Legislature appropriated all documentary stamp tax distributed to the trust funds for affordable housing programs. Since then, the Legislature has chosen to sweep at least some of the trust fund distributions in 15 out of the last 19 years to meet state budget deficits or for other purposes. In some years, the Legislature left funding in the trust funds, and this proved to be very helpful when the state was hit with multiple hurricanes in 2004 and 2005, damaging or destroying a high percentage of housing in every county in the state. In Fiscal Years 2005-06 and 2006-07, these funds were appropriated for long term housing recovery through a set of programs administered by Florida Housing. (See the “Florida Housing Documentary Stamp Tax Appropriations” chart found earlier in this overview for more perspective.)

Florida uses housing trust fund appropriations in part to leverage federal funds available to the state. The major federal housing resources that are lost without adequate state funding are noncompetitive Low Income Housing Tax Credits (as opposed to competitive Tax Credits which provide more favorable financing than these noncompetitive credits) and private activity tax exempt bonds, which are used together to finance rental developments. Florida is permitted by the federal government to sell a limited amount of Mortgage Revenue Bonds for housing activities, but the bonds must be sold within three years or the allocation is forfeited, and along with it, these noncompetitive Tax Credits. However, bonds and noncompetitive tax credits by themselves are not always sufficient to make construction or rehabilitation of apartments economically feasible or a home affordable to a buyer. While an extremely valuable resource, they must have some additional subsidy to work. Bonds are also used to provide low cost, fixed rate first mortgages for homebuyers, but again, these mortgages are often unable to be used without state funds for purchase assistance. The state funding typically provides down payment assistance and gap financing necessary for this purpose.

### **Hurricane Response and Recovery Efforts by Florida Housing Finance Corporation**

When hurricanes and other natural disasters impact the state, Florida Housing works with the Florida Division of Emergency Management (DEM) and FEMA on initial and longer term response actions. A major disaster declaration provides a wide range of federal disaster assistance programs for individuals and public infrastructure, including funds for both emergency and permanent work.

Over the past several years, Florida Housing staff has participated in DEM's Disaster Recovery Housing Task Force and the Housing Recovery Support Function Conference calls with FEMA and HUD staff, providing information during those calls about our response activities. After the most recent storms, Hurricanes Irma and Michael, staff engaged in regular meetings with affected counties. After Hurricane Michael specifically, staff also engaged with the three Homeless Assistance Continuum of Care (CoC) Lead Agencies that serve households in those impacted counties to provide information regarding available rentals for homeless and displaced households and discuss permanent housing needs for homeless households and those at risk of being homeless. These three agencies continue to work with their local communities and governments to develop disaster recovery plans that address the unmet needs of homeless and special needs households. While Florida Housing is involved in shorter term response strategies, our primary capability in disaster recovery is long term housing.

## Background Materials

The following linked materials provide more information about Florida Housing Finance Corporation and its programs. All materials are also available on the Florida Housing website.

### Transparency Webpage on Florida Housing's Public Website

<https://www.floridahousing.org/about-florida-housing/transparency>

### 2018 Audited Financial Statements

[http://www.floridahousing.org/docs/default-source/data-docs-and-reports/finance/audited-financial-reports/2018-audited-financial-statements.pdf?sfvrsn=65b3317b\\_2](http://www.floridahousing.org/docs/default-source/data-docs-and-reports/finance/audited-financial-reports/2018-audited-financial-statements.pdf?sfvrsn=65b3317b_2)

### 2018 Annual Report

[https://issuu.com/fhfc/docs/2018\\_annual\\_report](https://issuu.com/fhfc/docs/2018_annual_report)

### Chapter 420, Part V, Florida Statutes [pertaining to Florida Housing Finance Corporation]

[http://www.leg.state.fl.us/STATUTES/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=0400-0499/0420/0420PARTVContentsIndex.html](http://www.leg.state.fl.us/STATUTES/index.cfm?App_mode=Display_Statute&Search_String=&URL=0400-0499/0420/0420PARTVContentsIndex.html)

### Florida Administrative Code Rules that Apply to Florida Housing Programs

<https://www.floridahousing.org/legal/rules>

### Affordable Housing Services Contract with DEO

[https://www.floridahousing.org/docs/default-source/legal/contracts/2014/c1334---florida-department-of-economic-opportunity---affordable-housing-services-contract.pdf?sfvrsn=41b51c7b\\_2](https://www.floridahousing.org/docs/default-source/legal/contracts/2014/c1334---florida-department-of-economic-opportunity---affordable-housing-services-contract.pdf?sfvrsn=41b51c7b_2)



# Florida Housing Finance Corporation Organization Chart

