

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
June 18, 2010
Information Items



COMMUNICATIONS

Information

I. COMMUNICATIONS

A. Corporate Marketing and Outreach

1. Background/Present Situation

- a) Since the HFA Hardest-Hit Innovation Fund was announced on February 19 by the U.S. Treasury, the Communications Office has fielded reporter, consumer and stakeholder calls at a steady pace. Communications staff has also participated in conference calls with Treasury and the National Council of State Housing Agencies (NCSHA) to discuss how states are handling media calls and determining marketing needs regarding the program. Florida Housing's submitted proposal and frequently asked questions (FAQs) document, in addition to other information on the program, are available on the Corporation's website.
- b) Communications staff continues to work on redeveloping the website during the 2010 calendar year, in accordance with the Strategic Plan.
- c) The most recent version of the *What's Developing* newsletter is on the website under "Newsroom & Publications." The next issue will be printed subsequent to the 2010 Lenders Appreciation Awards Dinner in late June/early July.
- d) The Seventh Annual Lenders Appreciation Awards Dinner will be held Friday, June 11, 2010, at the Peabody Hotel in Orlando. Communications staff continues to work with Single Family Program staff to plan the event. Invitations have been mailed and we expect approximately 200 attendees.

FISCAL
Information

II. FISCAL

A. Operating Budget Analysis for April 2010

- a) The Financial Analysis for April 30, 2010, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending April 30, 2010, is attached as [Exhibit B](#).

GUARANTEE PROGRAM

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III. GUARANTEE PROGRAM

A. Claim Payment and Pending Foreclosure of Heritage Apartments

Development Name: Heritage Apartments	Location: Collier County
Developer: Worthwhile Development (“Developer”)	Set-Aside: MMRB 50% @ 60% AMI HC 100% @ 60% AMI
Funding Sources: MMRB 2001 Series E1/E2 HC 2001-518C Guarantee Fund #72 HUD Risk-Sharing #066-98011	Amounts: MMRB \$18,970,000 (redeemed) HC \$931,004 (annually) GF \$9,098,976 (50% mtg guarantee)
Number of Units: 320	Type: Family

1. Background

- a) Heritage Apartments are located in Collier County, approximately 7 miles northeast of Naples in the Golden Gate community. Worthwhile Development, whose principal is H.J. “Jay” Royall, built the developments in 2001. Mr. Royall was the general partner (1% owner) and KeyBank Real Estate Capital was the limited partner (99% owner and tax-credit syndicator).
- b) The property was financed with FHFC bonds and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgages. A title insurance update will be obtained to identify any additional debt/liens.
- c) The development is comprised of 320 units (72 x 1BR, 176 x 2BR, 72 x 3BR, with set-asides at 100% @ 60% of area median income by virtue of the housing credit use restriction agreement. As of 03/31/10, physical occupancy was 89%.
- d) Heritage has been a problem asset in recent years as a result of its financial struggles, highlighted by recurring monetary defaults, as well as the foreclosure of its sister properties; Riverfront (claim filed December 2008), Sarah’s Place and Nelson Park (both claims filed September 2009), all located in other counties.
- e) In considering the contributing factors for the default, from a historical perspective, we attribute the property’s problems to mismanagement by the Borrower/Developer and related management company. In addition, KeyBank’s refusal to assume control of the general partner and their unwillingness to provide continued financial support coupled with the adverse economic climate contributed to the properties’ ultimate demise. Generally speaking, with respect to troubled properties, the Guarantee Program expects limited partners (equity providers/tax-credit syndicators) to assist in keeping them operationally viable by funding operating deficits.

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2. Present Situation

- a) On April 16, 2009, the Guarantee Program filed an Application for Initial Claim payment with HUD. The initial claim amount totaled \$18,472,057 based on the combined current mortgage balances of \$18.2 million plus 75 days of accrued interest (note: the initial claim amount equates to approximately \$57,725/unit). Claim funds received from HUD were paid to the Trustee. The Trustee has issued a redemption notice to bondholders and a full redemption of the bonds occurred on May 20, 2010. As a Risk-Sharing property, HUD shares in the mortgage guarantee 50/50 with the Guarantee Program (i.e., our half of the claim will be approximately \$9.2 million plus costs). HUD pays the entire claim amount upfront to the Trustee. Typically, an HFA must provide a debenture to HUD evidencing its indebtedness for its half of the mortgage exposure. In our case, in lieu of a debenture, we are allowed to segregate funds within the Guarantee Program corpus for such purpose, evidenced by enforceable certificates (the "certificates"). HUD provides a five (5) year term for repayment; a balloon payment, allowing time for Florida Housing to settle the matter and dispose of the property. During that term, interest accrues on the certificate at HUD's debenture rate based on the date HUD endorsed the Note following construction completion.
- b) KeyBank and Worthwhile Development have indicated their willingness to cooperate with the foreclosure process, but negotiations in this regard are still ensuing at this time.
- c) We have advised our counsel to immediately pursue all appropriate legal and equitable remedies under the note, mortgage and other loan documents to obtain direction over monthly net operating income, prevent any deterioration of the property, and to obtain total control of Heritage. KeyBank facilitated a management change on Heritage effective October 1, 2007 to a FHFC-approved company that currently serves as management agent on prior/current foreclosures; Riverfront, Sarah's Place and Nelson Park. We initiated discussions with Worthwhile Development and KeyBank to assume the management company contract, but the parties have been uncooperative, thus requiring us to pursue receivership at additional legal cost and time. A physical needs assessment, environmental site assessment and appraisal have been ordered and should be received soon. The property's current tax assessed value is \$12,060,899.

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B. Status of Defaults within the Guarantee Program Portfolio

1. Background

- a) In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. Since then, the Guarantee Program alone and/or in conjunction with HUD has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. Of the 93 multifamily developments in the Guarantee Program portfolio today, 60 are Risk-Sharing transactions.
- b) The eight (8) claims filed since November 2008 representing all multifamily claims incurred in the 15-year history of the Guarantee Program. As of May 31, 2010, the following developments have been foreclosed or are in the process of foreclosure, listed in order; first claim to most recent:

<u>Development</u>	<u>Location</u>	<u>Year Built</u>	<u>Units</u>	<u>Claim Amt.</u>	<u>Risk- share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Turtle Creek	Naples	1996	268	11,798,177	Yes	C.J. Communities	KeyBank	Foreclosed 5/10.
Riverfront	Orlando	1997	356	13,322,340	Yes	MMA *	MMA	Foreclosed 7/09. Sold 12/09.
Riley Chase	North Port	1999	312	12,135,769	Yes	Vestcor	Centerline Capital	Foreclosed 11/09. Sold 1/10.
Walker Ave Club	Vero Beach	2000	172	8,163,931	Yes	Benchmark	PNC Capital	Foreclosed 11/09. Sold 3/10.
Landings at Boot Ranch	Palm Harbor	1995	232	10,028,319	Yes	Gulf Landings Dev. Corp.	Centerline Capital	Foreclosed 10/09. Under contract.
Sarah's Place	Clermont	1997	330	12,369,280	Yes	Sarah's Place LLC *	Key Bank	Claim filed 9/09, Foreclosure in process
Nelson Park	Clermont	2000	358	14,409,565	Yes	Nelson Park LLC *	Key Bank	Claim filed 9/09, Foreclosure in process
Heritage	Collier	2001	320	18,056,240	Yes	Worthwhile Development	Key Bank	Claim filed 4/10, Foreclosure in process

*The original general partner was Worthwhile Development (H.J. "Jay" Royall, principal), who was either removed by the limited partner or resigned and was subsequently replaced by a limited partner related entity.

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- c) As of May 31, 2010, there were three (3) developments in the portfolio in monetary default due to the borrower's failure to make timely payments on the note. All are Risk-Sharing transactions, as outlined below:

<u>Development</u>	<u>Location</u>	<u>Closing Date</u>	<u>Total units</u>	<u>Mtg. bal.</u>	<u>Risk-share</u>	<u>Gen Ptr</u>	<u>Ltd Ptr</u>	<u>Status</u>
Leigh Meadows	Jacksonville	9/26/1996	304	9,379,500	Yes	Vestcor Development	Wachovia	Past due: 5/1/10 & 6/1/10 pmts
Venetian Isles I	Lake Park	2/28/2002	288	18,236,346	Yes	Shelter Corp / Community Housing Corp	MMA	Past due: 5/15/10 & 6/15/10 pmts
Venetian Isles II	Lake Park	8/6/2002	112	7,908,112	Yes	Shelter Corp / Community Housing Corp	MMA	Past due: 5/15/10 & 6/15/10 pmts

- d) The owner/borrower for Leigh Meadows has been approved for funding under the subordinate mortgage initiative (SMI), but they have not yet proceeded with closing the transaction due to their inability to obtain investor approval citing insufficiency of SMI funding.

C. Guarantee Program Capacity ([Exhibit A](#))

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IV. LEGAL

A. In Re: MCPI, Ltd. – First DCA Case No. 1D10-1134; FHFC Case No. 2009-061UC

Development Name: (“Development”):	Model City Plaza
Developer/Principal: (“Developer”):	MCP I, Ltd.
Number of Units: 100	Location: Miami-Dade County
Type: Garden Apartments	Set Aside: 10% @ 33% AMI 90% @ 60% AMI
Demographics: Family	HC: \$2,541,000

1. Background

- a) MCP I, Ltd. (“Model City”) timely submitted an Application in the 2009 Universal Cycle, seeking an allocation of \$2,541,000 in low income housing tax credits to help fund a proposed 100 unit development to be located in Miami-Dade County, Florida.
- b) On December 2, 2009, Florida Housing notified all applicants of its score, provided all applicants with a Notice of Rights pursuant to Sections 120.569 and 120.57, Florida Statutes, and an Election of Rights form. Florida Housing awarded ½ of an Ability to Proceed Tie Breaker point to Model City, as Model City was required to cure a site plan approval form.
- c) On or about December 17, 2009, Model City timely filed a Petition for Informal Administrative Hearing, alleging that Florida Housing erred in the scoring of its application, asserting that Model City was entitled to full Ability to Proceed Tie Breaker Measurement Points.
- d) The informal hearing in this case was held on January 14, 2009. On February 2, 2009, the Hearing Officer filed his Recommended Order, which found that Florida Housing’s scoring was correct and that Model City was entitled to ½ of an Ability to Proceed Tie-Breaker Measurement point regarding its cure of its site plan approval form.
- e) On February 8, 2010, Model City filed a written argument in opposition to the Recommended Order, pursuant to Rule 67-48.005(3), Fla. Admin. Code, captioned, “Petitioners Exceptions to Recommended Order.” On February 12, 2010, Florida Housing filed its written argument in response (Response to Exceptions).
- f) On February 26, 2010, the Board entered a Final Order rejecting the Written Argument submitted by Model City in opposition to the Recommended Order, and adopting the Findings of Fact, Conclusions of Law and Recommendation of the Recommended Order, and dismissing Model City’s petition.

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2. Present Situation

On March 5, 2010, Model City filed a Notice of Appeal with the First District court of Appeal. On May 14, 2010, Model City moved the Court to abate the appeal proceedings. On May 20, 2010, the Court issued an order placing the case in abeyance until June 30, 2010.

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B. In Re: APD Housing Partners 20, LP – First DCA Case No. 1D-1460; FHFC Case No. 2009-067UC

Development Name: (“Development”):	TM Alexander
Developer/Principal: (“Developer”):	
Number of Units: 151	Location: Miami-Dade County
Type:	
Demographics:	HC: \$1,405,417

1. Background

- a) During the 2009 Universal Cycle, APD Housing Partners 20, LP (“APD 20,” or “Petitioner”), applied for an allocation of Housing Credits to construct TM Alexander (the “Development”) in Miami-Dade County, Florida. Florida Housing scored Petitioner’s application and determined that it failed threshold requirements pertaining to site control and financing.
- b) On December 3, 2009, Florida Housing notified all applicants of its score, provided all applicants with a Notice of Rights pursuant to Sections 120.569 and 120.57, Florida Statutes, and an Election of Rights form. Petitioner timely filed its Petition contesting Florida Housing’s scoring of its application.
- c) An informal hearing was held before Florida Housing’s contract Hearing Officer on January 13, 2010. (Prior to the informal hearing, Florida Housing agreed to rescind the threshold failure pertaining to financing.)
- d) The sole issue for determination at the informal hearing was whether Petitioner demonstrated site control for its proposed development as required by Part III.C.2. of the 2009 Universal Application Instructions. In its original application, the Petitioner attempted to demonstrate site control by providing a Contract for Purchase and Sale of Real Property (the “Contract”) between Mederos-T.M. Alexander Acquisitions, LLC, as “Seller,” and The American Opportunity Foundation, Inc., and Allied Pacific Development, LLC, as “Buyer.” The Petitioner, APD 20, was not a party to the Contract.
- e) At preliminary scoring, Florida Housing determined that Petitioner’s Application failed to satisfy the threshold requirements for site control because the “August 17, 2009 Purchase and Sale Agreement did not reflect the Applicant as the buyer and no assignment was provided.”
- f) To cure this failure, APD 20 provided a First Amendment to and Assignment and Assumption of Contract for Purchase and Sale of Real Property (the “Assignment and Assumption Agreement”). The Assignment and Assumption Agreement on its first page purports to be a tri-party agreement entered into by the Seller and the original Buyer under the Contract, and by APD 20, as the new buyer. Under its terms, the original Buyer purports to assign its rights, title and interest under the Contract to the new buyer; the new buyer purports to assume and perform the obligations of the original Buyer under the Contract; the Seller purports to consent to the assignment and assumption of the Contract; and, the parties purportedly agree to amend the Contract. While the Assignment and Assumption Agreement was executed by the original Buyer under the Contract, neither the Seller under the Contract, Mederos-T.M. Alexander Acquisitions, LLC, nor the Petitioner, APD Housing Partners 20, LP, executed the agreement.

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Instead, the Assignment and Assumption Agreement was executed by an entity named Mederos-Civic Acquisitions, LLC, as the seller, and an entity named APD Housing Partners 19, LP, as the new buyer.

- g) Florida Housing rejected the cure at final scoring because the assignment was not signed on behalf of the Petitioner, APD 20, and because it was not signed on behalf of the Seller, Mederos-T.M. Alexander Acquisitions, LLC.
- h) On February 4, 2010, the Hearing Officer issued his Recommended Order, in which he recommended that Florida Housing enter a Final Order finding that the Petitioner achieved threshold for site control, and reversing Florida Housing's rejection of Petitioner's application.
- i) It is the position of Florida Housing staff that the conclusions of law, or parts thereof, in paragraphs 7, 8, 9 and 10, on page 10 of the Recommended Order are without basis under Florida Housing's rules, and are contrary to case precedent and basic contract law.
- j) Florida Housing staff timely filed its Argument in Opposition to Recommended Order as provided in Rule 67-48.005(6), F.A.C.
- k) On February 26, 2010, the Board entered a Final Order: adopting the findings of fact in the Recommended Order; rejecting the conclusions of law at paragraphs 7, 8, 9 and 10, on page 10, of the Recommended Order; adopting conclusions of law consistent with its own rules and case precedent as provided in the Argument in Opposition to Recommended Order; rejecting the recommendation in the Recommended Order; and finding that Petitioner failed to meet threshold requirements relating to site control.

2. Present Situation

On March 23, 2010, APD 20 filed its Notice of Appeal with the First District Court of Appeal. APD 20's Initial Brief is due to be filed on June 22, 2010.

V. SINGLE FAMILY BONDS

A. Single Family Professional Development and Outreach

1. Background/Present Situation

- a) Florida Housing continues to honor our commitment to have funds continuously available for qualifying first time homebuyers through our First Time Homebuyer Program. In our uncertain housing market, Florida Housing's Program provides needed assistance to eligible homebuyers offering low cost, 30-year, fixed rate mortgages together with down payment and closing cost assistance.
- b) To help ensure that we are providing this assistance to homebuyers who can not only complete the purchase process but also maintain homeownership. We continue to implement a minimum FICO score requirement. Rather than increasing the FICO requirement to 620 or higher, as many lenders have, we have established a modest 600 (mid-score) FICO requirement for our borrowers. Our delinquency data analysis continues to reflect that borrowers below this

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threshold show a higher rate of serious delinquency. Lenders may still continue to manually underwrite loans for borrowers with no FICO score based upon Agency underwriting guidelines (Fannie Mae, Freddie Mac, FHA, VA and USDA-RD). Because manually underwritten loans require more scrutiny, this group of borrowers performs very well in terms of maintaining homeownership. We will continue to monitor loan performance and make necessary program adjustments as needed.

- c) Single Family Programs staff continues to teach a three hour DBPR approved continuing education course offered through local Realtor boards since 2003. We contract these classes through the local board of Realtors in various counties throughout the state. Program staff has been reaching out to local board of Realtor offices in smaller, rural counties in an effort to increase our network of housing partners in these often overlooked areas. Our 2010 Realtor training calendar has been distributed to local Realtor associations throughout the state. In May, Single Family staff conducted the course in Ft. Myers, Venice, Naples, and Jacksonville. We have 6-8 additional classes scheduled for the remainder of the year. The Naples class was sponsored by Bank of America who picked up part of the cost of the class for the Realtors and was the first class held in Collier County in the last several years. The class was both well attended and well received by the local Realtors.
- d) The Single Family Program staff, in conjunction with our Master Servicer, US Bank, and the program compliance team at eHousing, continues planning for new lender trainings. These quarterly training sessions are conducted via a teleconference format called WebEx. The WebEx format allows lenders from offices around the state along with some out of state support centers to dial in via conference call and participate in an interactive computer based training session. We conduct two 3 hour classes which allows up to 300 registered participants in each session. The morning session is for loan officers and processors while the afternoon session is for underwriters, closers, shippers, and funders. By tailoring each class for the intended working group, we find that we are able to provide more useful and specific information. We had over 300 attendees on each of our January and April trainings.
- e) In our ongoing efforts to strengthen and grow our lender partner relationships, Single Family Program staff is also evaluating processes and systems within Florida Housing Finance Corporation, eHousing and US Bank to determine areas which need improvement. Single Family staff will incorporate necessary changes while offering improved education and training to our valued lender partners with an increased focus on individual loan officers. Our focus will include issues that may delay loan delivery and purchase such as the recent changes to the Real Estate Settlement Procedures Act (RESPA).
- f) Our Seventh Annual Lender Appreciation Awards Dinner will be held Friday, June 11, 2010, at the Peabody Orlando Hotel. We anticipate approximately 170 attendees which include participating lender corporate officers, loan officers and support staff, as well as several housing counseling providers. We will be presenting Senator Mike Fasano and Representative Gary Aubuchon with a Partnership Award for their work in supporting affordable housing measures in the 2010 Legislative Session, including the appropriation of roughly \$35 million that will be used as downpayment and closing cost assistance in conjunction with the First Time Homebuyer Program. Florida Housing will also be receiving

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a partnership award at the Dinner from USDA-Rural Development for our contribution to homeownership in rural communities throughout Florida.

- g) Florida Housing continues to sponsor a toll-free telephone line (800-814-HOME) for first time homebuyers to call for information about our program. For the month of February, we received 455 total calls from first time homebuyers, Realtors and lenders via the first time homebuyer line; of which 257 were transferred to the Single Family staff. For the month of March, we received 603 total calls; of which 314 were transferred to the Single Family staff. For the month of April, we received 567 total calls; of which 298 were transferred to the Single Family staff. The remaining callers that were not transferred to the Single Family Staff were able to receive information for accessing our First Time Homebuyer Wizard tool which is located on our website. We continue to closely monitor these calls to evaluate the best way to efficiently handle the call volume in the long term.

B. Single Family Bonds Information ([Exhibit A](#))