

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
October 31, 2019
Action Items



PROFESSIONAL SERVICES SELECTION (PSS)

Action

I. PROFESSIONAL SERVICES SELECTION (PSS)

A. Competitive Solicitation for Arbitrage Rebate Analyst Services

1. Background

- a) Florida Housing issues tax-exempt revenue bonds to finance the acquisition and construction of single family and multifamily housing in the state of Florida. In order to ensure the continuation of the tax-exempt status of the bonds, it is necessary that Arbitrage Rebate calculations be performed in accordance with the Internal Revenue Code of 1986, as amended, and as defined by U.S. Treasury Department regulations.

2. Present Situation

- a) Florida Housing currently has two firms under contract for these services: BLX Group, LLC and Hawkins Delafield & Wood LLP. These contracts are set to expire on June 15 and June 22, 2020, respectively.
- b) To remain in compliance with the Arbitrage and Tax Certificate requirement, Florida Housing mandates an annual rebate calculation for all bond issues. Should a rebate liability occur during any five-year period, the IRS requires payment of the existing liability. All rebate calculation reports prepared by the rebate analysts contain the calculations and conclusions needed for continued tax compliance.

3. Recommendation

- a) Staff believes that it is in the best interest of Florida Housing to continue to retain arbitrage rebate analysts and recommends the Board direct staff to begin the competitive solicitation process to select one or more service providers.

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B. Competitive Solicitation for a Single Family Cash Flow Provider

1. Background

- a) Florida Housing issues bonds out of the 1995 Homeowner Mortgage Revenue Bond Indenture (“1995 Master Indenture”) and the 2009 Homeowner Mortgage Revenue Bond (Special Program) Indenture (“NIBP Master Indenture”). Bank of New York Mellon Trust Company, N.A. is the trustee for both Master Indentures.
- b) Rating agencies issue ratings on individual Bond Issues and periodically on Master Indentures. They assess the creditworthiness of Bond Issues and Master Indentures based on a review of the structure of the deal, the stand alone and consolidated cash flows and legal documents. These ratings are required as stated in the bond offering and Indenture documents and are important to bond investors. The 1995 Master Indenture and The NIBP Master Indenture are rated “Aaa” by Moody’s Investor Service.

2. Present Situation

- a) RBC Capital Markets, LLC currently performs the cash flow function for Florida Housing via their Investment Banker contract. However, staff believes it is in the best interest of Florida Housing to retain a single family cash flow provider separate from the Investment Banker contract and to procure these services through a separate competitive solicitation.
- b) RBC Capital Markets, LLC’s contract is set to expire on September 2, 2020.

3. Recommendation

- a) Staff recommends the Board direct staff to begin the competitive solicitation process for single family cash flow provider services.

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C. Rule Development for Chapter 67-49, F.A.C.

1. Background/Present Situation

- a) Staff would like to begin the process to update and amend the Corporation's Rule regarding the Procurement of Commodities or Contractual Services.

2. Recommendation

- a) Authorize staff to proceed with the rule development process for Chapter 67-49, F.A.C.

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D. Single Source Procurement for Oversight of Cost/Benefit Research on High Needs/High Cost Pilot Developments

1. Background

- a) Florida Housing has issued grants to three pilot developments to develop and provide up to 50 units of rental housing to serve “high needs/high cost” chronically homeless residents in permanent supportive housing. The purpose of the pilot is to target and integrate supportive housing and community-based services to high needs persons with disabilities and frail elders who are homeless. These individuals typically are high utilizers of publicly funded crisis services, such as emergency rooms and jails.
- b) Each developer committed to hire a research team to carry out cost-benefit and personal outcome evaluations of how well this model works to evaluate the Florida-specific of public services/housing and residents’ personal outcomes, compared to when the residents were still homeless. While evaluations of this sort have occurred in other states, our staff and stakeholders in Florida have found that Florida policymakers want to know how well such a model works in this state.
- c) The data collection started as residents moved in to the units and will continue for 24 months, at which point the final reports will be written. Each organization is responsible for its own data collection, analysis and report.
- d) Because of the importance of this research, Florida Housing staff determined that it would be helpful to have assistance from a more knowledgeable organization to ensure that the three pilot sights are problem solving around data and research questions that arise. During the initial phase of this work in January 2016, Florida Housing released a Request for Quote to procure a firm that would provide research oversight and work with Florida Housing on these grants. The Corporation for Supportive Housing, Inc. (CSH), was the only firm to respond, and because of CSH’s qualifications as the only firm nationally that specializes in this type of research, Florida Housing entered into a contract with the organization.

2. Present Situation

- a) The current contract with CSH for these services is set to expire on December 31, 2019. Florida Housing estimates that the research portion of this pilot will not be completed until late 2020, and has found these research oversight services to be very helpful.
- b) CSH is the only firm nationally that specializes in this type of research. Florida Housing’s High Need/High Cost Pilot is similar to a CSH’s signature initiative, FUSE (Frequent Users Systems Engagement), which has been implemented in approximately 30 communities nationwide – including Orlando. The CSH program has its origins more than 10 years ago as a pilot experiment in New York City to develop an enhanced supportive housing model to target individuals with established patterns of cycling between jail and shelters in the city. Nationally, evaluations have been released demonstrating the benefits of

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this approach, and early results from one of the three projects financed by Florida Housing also demonstrate exciting benefits.

- c) No other technical assistance provider has the depth and breadth of experience CSH does with frequent user/high utilizer supportive housing initiatives generally, and Florida Housing is not aware of any that have tried to provide technical assistance particularly targeted to the type of pilot we are implementing. Such a contract will have an annual cost of no more than \$20,000.

3. **Recommendation**

- a) Staff believes that it is in the best interest of Florida Housing to continue with these services and proceed with a new one-year contract for 2020. Staff requests authorization to enter into negotiations for a single source contract with the Corporation for Supportive Housing, Inc., for this purpose.

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II. SINGLE FAMILY BONDS – FINANCE

A. Single Family Homeownership Program

1. Background

- a) Florida Housing issues bonds under two master bond indentures. The 2009 Homeowner Mortgage Revenue (Special Program) Bond Indenture (the “NIBP Master Indenture”) was created for the purpose of implementing the United States Treasury’s New Issue Bond Program (the “NIBP”). The NIBP Master Indenture is currently rated “Aaa” by Moody’s Investors Service. Florida Housing also issues single family bonds under its 1995 Homeowner Mortgage Revenue Bond Indenture (the “1995 Master Indenture”). The 1995 Master Indenture is currently rated “Aaa” by Moody’s Investors Service. In addition, bonds issued under the 1995 Master Indenture prior to December 1, 2015 are also rated “AA+” by Standard and Poor’s Rating Service and “AA+” by Fitch Ratings.
- b) Florida Housing has \$478.6 million of tax-exempt bond volume cap that has been allocated for single family bond issuance. The \$478.6 million consists of \$202.9 million of 2017 carry forward and \$275.7 million of 2018 carry forward. It is expected that additional allocation from 2019 will be added to the carry forward from prior years.
- c) Due to difficult conditions in the municipal bond market but attractive pricing of Mortgage-Backed Securities (“MBS”) in the mortgage market, commencing on October 31, 2008, and subsequently thereafter, the Board has approved resolutions allowing staff to access funding for Florida Housing’s Homeowner Mortgage Program (the “Single Family Program”) through the sale of specified pools or To-Be-Announced (“TBA”) commitments in the MBS mortgage market.
- d) This year, through October 4, 2019, Florida Housing has settled over \$270.3 million of newly originated Ginnie Mae MBS and \$411.2 million of Fannie Mae MBS through various market options. Of the Ginnie Mae totals, \$102.1 million settled in bonds and \$168.2 million settled in the specified pool market. Of the Fannie Mae MBS totals, \$84.4 million settled in bonds and \$326.8 million were sold in the TBA mortgage market.
- e) Staff expects to continue periodic funding of the Single Family Program through the sale of MBS when market conditions are favorable at the time of sale, however, financing alternatives in the municipal market have again become more attractive. The sale of bonds in the municipal market can be for: (1) refunding outstanding high coupon bonds that are currently subject to optional redemption, (2) refunding outstanding bonds currently subject to special redemption to preserve volume cap, (3) continuing Florida Housing’s single family lending program through the pooling of Mortgage Loans into Guaranteed Mortgage Securities under Florida Housing’s Homeowner Mortgage Program. Staff will continue to evaluate market conditions and, should market conditions warrant, may sell a portion or all MBS in the TBA or specified pool market, rather than issue bonds, to fund new production and refund the outstanding bonds subject to optional redemption.

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2. Present Situation

- a) Below is a chart of bonds that may be optionally redeemed in 2020:

NIBP Indenture		
Bond Series	2009 B-2	2009 B-5
Bond Balance*	\$11,090,000	\$43,990,000
Bond Yield	3.01%	2.32%

*As if 10/3/2019

- b) Staff and its Independent Registered Municipal Advisor will determine the amount of refunding bonds to be issued and whether they are executed as one or more refunding transactions based upon market conditions. Florida Housing may also opt to sell a portion of the MBS backing such bonds and use the proceeds of such sale to optionally redeem the bonds should this be deemed more economically prudent.
- c) Conditions in the municipal bond market have improved significantly making the issuance of new money bonds feasible. Staff expects that it would be financially prudent to issue new money bonds under several separate series throughout 2020 to continue funding single family loans, including the potential to fund down payment and closing cost assistance loans under its program.
- d) The investment banking team, bond counsels, Independent Registered Municipal Advisor and special counsels have been approved by the board pursuant an RFP/RFQ process. Staff expects to issue a new procurement for investment banking services in early 2020. Depending on the timing of bond issuance and the outcome of the 2020 RFQ process, it is expected that the following professionals may serve as senior and co-senior managing investment bankers for the 2020 Phase One Bonds, in alphabetical order: Citigroup Global Markets Inc., Morgan Stanley & Co. LLC., Raymond James & Associates, Inc. and RBC Capital Markets LLC. Caine Mitter & Associates Incorporated will serve as the Independent Registered Municipal Advisor.
- e) The 2020 Phase One bonds will be issued under one of the following: the 1995 Master Indenture, the NIBP Indenture or a new master indenture, but the aggregate amount of such 2020 Phase One Bonds shall not exceed \$450,000,000. The 2020 Phase One Bonds are expected to be rated “Aaa” by Moody’s Investors Service if issued under either the 1995 Indenture or the NIBP Indenture; provided, however, that in consultation with the underwriting team and our Independent Registered Municipal Advisor, staff may opt to solicit ratings from additional rating agencies. If the bonds are issued under a new master indenture, the rating is expected to be “Aaa” by Moody’s Investors Service. It is anticipated that the 2020 Phase One Bonds and any additional new money bonds issued will, for the foreseeable future, be secured by MBS.
- f) Authorization necessary to issue the 2020 Phase One Bonds requires (1) adoption of an authorizing resolution by Florida Housing’s Board and (2) approval of a fiscal determination by the State Board of Administration. To work within the constraints of regularly scheduled public meetings, to maintain Florida Housing’s goal of providing continuously available single family mortgage funding, and to take full advantage of the current market conditions

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for refunding, the authorizing resolution for the 2020 Phase One Bonds is being presented for consideration at Florida Housing's October 31, 2019 meeting.

- g) Staff will determine the timing of issuance, size of issuance and the most applicable documents for the issuance of each series of 2020 Phase One Bonds based upon prevailing market conditions and recommendations from the Independent Registered Municipal Advisor.
- h) To ensure sufficient time for obtaining required approvals for the 2020 Phase One Bonds, staff requests authorization to commit up to \$65 million of indenture assets and/or other funds available to Florida Housing to provide interim funding for single family mortgage backed securities and down payment and closing cost assistance loans. Additionally, Florida Housing may also use the line of credit secured with the Federal Home Loan Bank as previously approved by the Board.
- i) [Exhibit A](#): Board Resolution

3. Recommendation

- a) Staff recommends the Board approve the necessary funding, staff actions and the Resolution to permit the issuance of the proposed 2020 Phase One Homeowner Mortgage Revenue Bonds.