THE HENDRICKSON COMPANY

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To: Board of Directors, Housing Finance Authority of Hillsborough County

From: Mark Hendrickson, Financial Advisor

Subject: October 14, 2016 Board Meeting

Date: October 5, 2016

I. Bond Allocation—Informational

1. The 2016 allocation is $64,542,488, up $1,416,819 (2.2%) over 2015.

Year	Single Family Amount	Multifamily Amount	Unallocated	Expiration
2016	$ 64,542,488			December 31, 2019
2015	$ 100,000,000	$100,000,000		December 31, 2018
2014	$ 23,225,804	$ 49,400,000		December 31, 2017
TOTAL	**$187,768,292**	**$149,000,000**	**$0**	

2. **Recommendation:** None.

II. FY 2016-2017 Budget—Action

1. A proposed Fiscal Year 2016-2017 budget is attached. Key elements are:
   - All expenses billed at higher of FY 15-16 actual or FY 15-16 Budget, unless there is some specific information that would cause the number to be increased or lowered.
   - Budget includes one bond application from the Tampa Housing Authority, based upon the fact that we received four this year. Given timing of existing applications, there are two bond closings in the budget
   - Income from sale of MBS based upon average of six loans per month with profit to HFA of 3.8%
   - Income from reimbursement of DPA loans includes the $1,000,000 from Hillsborough County that is currently contracted.
   - Income from investments is based upon current portfolio performance.
   - Sponsorship of Florida ALHFA conference in budget under Dues and Subscriptions
   - Budget includes funds for full year of Metropolitan Ministries, Camelot and Catholic Charities programs as if fully utilized every month. Actual expenditures will be less.
   - $355,000 in budget for single family cost of issuance, if for some unexpected reason, a bond deal becomes feasible.

2. **Recommendation**: Approve Resolution drafted by HFA Counsel adopting the proposed Fiscal Year 2016-2017 budget, and direct staff to post the budget to the website within seven days.

III. Second Mortgage Status—Informational

1. In September, five (5) new loans ($65,300) were funded.

Original Loans	2006 $68,981 (13)	2007 $30,920 (7)	2010 $1,131,176 (227)	2012 $3,377,071 (320)
Paid in Full	$17,184 (3)	$10,884 (2)	$ 235,000 (47)	$67,500 (8)
Partial Payoff	$ 3,000 (2)		8,714.35 (4)	$ 3,000 (1)
Loss	$ (7,060)		11,285.65	$ 7,000
Default	$ (8,160) (2)	$(4,727) (1)	-0-	-0-
Balance	**$33,577**	**$15,309**	**$876,176**	**$3,299,571**

2. September Payoffs: $10,000—2012 Program: Stephenson (10,000) paid in full.

3. One of the loan payoffs in August was funded with SHIP, and the HFA will need to reinvest that cash into another DPA loan—and show this in the accounting system.

4. **Recommendation**: None.

IV. Single Family Report- Outstanding Bond Issues—Informational

1. To date, 60.0% of all loans have prepaid, 17.7% were repurchased by the servicer, 8.1% were foreclosed or have borrowers in bankruptcy, and 14.2% are still outstanding.

Issue	1997A	1998A	2000 A&B	2001	2006	2007	2010
Servicer	US BANK	US Bank	US Bank	US Bank	Citibank	US Bank	US Bank
Mortgage Rates	6.40% 6.87%- 7.40%	5.85% 6.85%	6.60% 7.60%	5.99% 6.55%	5.99%	5.89% 6.45%- 6.55%	3.99% 4.99%
Original Loan Balance	$25,359,029	$13,909,019	$14,765,664	$14,018,539	$9,793,523	$13,611,243	$21,032,827
Current Loan Balance	$377,308 -0.8%	$755,735 -0.8%	$506,180 -0.4%	$979,591 -16.8%	$1,535,716 -0.1%	$1,900,555 -0.2%	$9,502,414 -2.5%
Original # of Loans	352	194	180	158	76	106	170
Prepaid	289/82.1% +0.0%	146/75.3% +0.6%	121/66.7% +0.0%	104/65.8% +0.6%	25/32.9% +1.3%	26/24.5% +0.9%	30/17.6% +0.5%
Foreclosed/Bankruptcy	13/3.7% -0.0%	11/572% +0.0%	18/10.0% -0.0%	12/7.6% -0.0%	2/2.6% +0.0%	32/30.2% -0.9%	12/7.1% -1.1%
Repurchased by Servicer for chronic delinquency	40/11.4% +0.0%	18/9.3% -0.0%	31/17.2% +0.0%	28/17.7% +0.0%	33/43.4% +0.0%	30/28.3% +0.9%	39/22.9% +1.7%
# Outstanding Loans	10	19	10	14	15	18	89
30 Days Delinquent	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -6.67%	0/0.00% -0.00%	5/5.62% +1.22%
60 Days Delinquent	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	1/1.12% +1.12%
90+ Days Delinquent	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -12.50%	0/0.00% -0.00%	0/0.00% -1.10%
In Foreclosure/Bankruptcy	0/0.00% -0.00%	0/0.00% -0.00	0/0.00 -0.00%	0/0.00% -0.00%	2/13.33% +13.33%	0/0.00% -0.00%	1/1.12% -1.08%

2. Recommendation: None.

V. 2012 Single Family Program—Informational

1. The **current program guidelines**:
    - 1st mortgage: 3.875%, 1% origination fee, insured by FHA, VA or RD
    - First time homebuyers
    - 640 minimum credit score Down payment assistance: $15,000
    - Mortgage Credit Certificates providing homebuyers a credit in the amount of 50% of mortgage interest paid annually (up to a $2,000 annually).

2. **Rate Change**: The interest rate was decreased from 4.25% to 3.875% in February 2016.

3. **DPA Change**: The DPA amount was increased to $15,000, effective July 1.

4. **MBS Sales**: The HFA has executed 74 sales, with net revenues of $1,365,181 (net meaning after payments to RBC and counsel).

5. **Hedges & Exposure**: The HFA has four hedges totaling $3.74 million in place. With full delivery, the projected net revenues are estimated at $159,506 (shared pro rata with other counties based upon who originated loans). The unhedged pipeline as of September 30 is $468,607 (changes daily).

6. **Summary of 2012 DPA Funding**:
    - The County funded $1.1 million of DPA with SHIP funds. Another $1 million is available effective July 1, with loans funded from February 1, 2016 and after eligible.
    - The Federal Home Loan Bank of Atlanta has approached Florida ALHFA and local HFA's with a proposed program in which they would fund $1 or DPA for every $2 funded by the HFA. The FHLB loan would be subordinate and forgivable. However, the lender would need to be a member of FHLB Atlanta. RBC and eHousing are working on the FHLB program, attempting to identify lenders.
    - The FHFC DPA Program is expected to be available this fall. It provides $15,000 (forgivable loan).
    - The team is working the City of Tampa to encourage them to utilize their SHIP funds with the HFA's program.

Source for 2012 Single Family Program DPA	Amount
FHFC	$1,068,831
Hillsborough Funded	$1,100,000
Hillsborough Reimbursement Request Submitted	$ 199,500
Hillsborough Eligible but not ready for Reimbursement Request	$ 290,500
Total Funded or to be Funded by FHFC or Hillsborough SHIP	**$2,658,831**
HFA Funded Before FHFC Program	$ 25,000
HFA Funded After FHFC & Before Hillsborough SHIP	$ 144,814
HFA Funded After Hillsborough SHIP but in Tampa	$ 176,800
HFA Funded but Over SHIP Income Limit	$ 40,000
HFA Funded After 2nd $600,000 from SHIP Fully Committed	$ 331,626
Total HFA Funded	**$ 718,240**
TOTAL DPA LOANS	**$3,377,071**

7. **MCC's:** Between 2012 and 2015 the HFA converted $260 million of bond authority into $65 million of MCC's. Tranche 1 ($2.5 million) and Tranche 2 ($12.5 million) have been fully utilized. Tranche 3 ($25 million) expires at the end of 2016 with $7.74 million utilized to date. Tranche 4 ($25 million) expires at the end 2017 with $0 utilized.

8. **MCC Program: What Does it Mean to Home Buyer:** With the HFA's average loan of $141,000 and a 3.875%/30 year mortgage, interest payments in Year 1 = $5,419. With the 50% MCC rate that the HFA has chosen, **the homebuyer would be able to claim a tax credit of the federal maximum of $2,000 each year** (slightly declining after Year 7 as more of monthly payment is principal) until the home buyers sells or moves from the property. The MCC lowers net payments (monthly payments - $2,000) to a level equivalent to a 1.6% mortgage rate.

9. **Size of Program:** The program is limited to $3.5 million of loans (not sold, hedged, or from another county) at any given time. $47.3 million of loans have been originated to date.

10. The **current pipeline and loan demographics**:

Sales Price/ # Loans	Loan/	Borrower Income/ MCC Amount	Borrower Age/ Gender	Borrower Family Size	Housing Type	Borrower Ethnicity	Location
$151,102 329 loans +4 loans	$143,893	$50,937 $71,958 Avg. MCC. 316 loans $22,738,870	35.0 52% female	2.7	SF Detached 91% Rowhouse: <1% Townhouse: 9% Existing: 56% New: 44%	Black: 28% White: 31% Hispanic: 35% Mixed: 2% Asian: 1% Other: 3%	County: 68% Tampa: 25% Plant City: 7% Temple Terrace <1%

	Sold	Purchased or Pooled	UW	Reservations	Total
4.50%	$3,472,512	$0	$0	$0	$3,472,512
	27				27
4.25%	$19,226,134	$0	$0	$0	$19,226,134
	133	0	0	0	133
4.00%	$7,396,575	$0	$0	$0	$7,396,575
	54	0	0	0	54
3.875%	$7,599,080	$1,697,780	$1,331,635	$541,066	$11,169,561
	54	10	8	3	75
3.75%	$3,430,088	$0	$0	$0	$3,430,088
	23				23
3.50%	$1,659,312	$0	$0	$0	$1,659,312
	12				12
3.25%	$986,685	$0	$0	$0	$986,685
	8				8
Total	**$43,770,386**	**$1,697,780**	**$1,331,635**	**$541,066**	**$47,340,867**
	311	**10**	**8**	**3**	**332**

11. **Lender originations**: UAMC (120), DHI (96), Open Mortgage (52), Wells Fargo (25), REMN/Homebridge (23), Fairway (5), Annie Mac (4), Stonegate (2), Prime (1), and Shelter (1).

12. **Counties:** Hillsborough, Clay, Brevard and Jacksonville. Pinellas HFA was invited to join the program, and is moving to take that step.

13. The team is working with US Bank and eHousing to prepare the system for a lower mortgage rate on Hillsborough SHIP loans.

14. The inclusion of Freddie Mac loans was approved by the Board and will be implemented when a Freddie Mac lender joins the program.

15. FHFC is working with US Bank and eHousing to expand their Hardest Hit Fund DPA program to local HFA's.

16. **Recommendation:** None.

VI. New Multi-Family Transactions—Action

1. A 2016 Bond NOFA was published September 2, with a due date of October 1. The NOFA is now "open". **Four applications for bond funding** were received under last year's "Open NOFA", as listed below.

	Bethune	Boulevard	Sweetwater Villas	Mango Terrace
Developer	Tampa Housing Authority & Banc of America CDC	Tampa Housing Authority & Banc of America CDC	Blue Sky Communities	Southport
Development Location	City of Tampa, West River NE Corner of North Rome Avenue & Main Street West River Development	City of Tampa, West River NW Corner of Main Street & North Willow Avenue West River Development	Unincorporated County, Carrollwood 4102 W. Humphrey St. 8437, 8441 & 8713 N. Lois Avenue	Unincorporated Hillsborough County, Mango Area 3818 Lemon Avenue, Seffner, FL One Block south of MLK
Total Development Cost	$38,680,295	$49,523,791	$11,319,646	$17,226,626
SAIL Loan Amount	No SAIL	No SAIL	No SAIL	$5,527,500
Bond Amount **Units**	$18,500,000 160	$23,000,000 250	$5,400,000 ($6 million TEFRA) 56	$9,400,000 93
Allocation Status	TBD	TBD	TBD	TBD
Development Status	New Construction TBD	New Construction TBD	New Construction TBD	Acquisition & Rehabilitation TBD
TEFRA Hearing & BOCC TEFRA Approval Dates	9-26-16 10-19-16	9-26-16 10-19-16	9-26-16 10-19-16	9-26-16 10-19-16
Credit Enhancement	Bank of America Freddie Mac DUS Lender: Greystone	Bank of America Freddie Mac DUS Lender: Greystone	Private Placement Citi Community Capital	Private Placement Citi Community Capital
Credit Underwriter	Seltzer	Seltzer	AmeriNational	Seltzer
Anticipated Closing Date	TBD	TBD	TBD	TBD

2. County staff contacted the HFA concerning working with the HFA to fund a **homeless (primarily for chronically homeless) development**. The process involves a $1 million grant from the County to the HFA. The HFA approved the contract with the County, as well as an RFP and Application. Both were published and widely distributed—with a due date of August 24. The County requested that the required number of units be reduced from 40 to 20—due to the limited size of the subsidy. The HFA approved this change. Despite all of this, no applications for the homeless funding were received.

3. The **Sweetwater Villas** applicant requested a series of waivers, including some required resident programs and lowering of the 50 year set-aside period. Waivers were granted for the Homeownership Opportunity Program and the Self-Sufficiency Program. The Applicant revised their application and now offers to include two additional required resident programs (financial counseling and on-site voter registration), and one optional program (smoking cessation). The Applicant still requests a waiver for Health Care Screening and Computer Training. A complete update on these requests can be found in the updated detailed development review, attached in the Board Packet.

4. A summary of the FA position on the **Sweetwater Villas** Affordability Period waiver request:
    - The HFA has a successful policy of requiring the 50 year period.
    - A reduction to 30 years could lead to displacement of 56 families.
    - Replacing lost units will have an exponentially higher cost in 30 years than simply requiring it today.
    - Other developers have applied this year for bond financing from the HFA and have agreed to the 50 year affordability period.
    - The primary argument being advance for the reduction is a theoretical problem with the ability to recapitalize developments, including any need for rehabilitation.
    - This argument may have merit for a limited number of developments, most likely bond deals with little or no subordinate financing and high first mortgage debt.
    - Sweetwater Villas has substantial ($4.5 million) subordinate debt, and also has $4.5 million of housing credit equity—compared to an only $1.8 million first mortgage.
    - Many deals are recapitalizing after 15 years—with some increasing their first mortgage debt in order to pull cash from the deal for the developer. They are artificially creating a potential problem in year 30. Other deals have recently sold for substantial profit—undercutting the argument that the deals will not have sufficient value in the future to recapitalize.
    - The limited amount of potential problem deals does not justify a radical reduction in the affordability period.
    - This issue can be dealt with on a case-by-case basis, as needed.
    - A detailed paper sent to FHFC on this topic is attached.

5. A summary of the FA position on the Resident Program waiver request:
    - The HFA has encouraged developers to propose alternatives to the required programs, and has already waived two required programs for this deal due to either the cost or relevance of the program in today's world. The two programs where waivers have been granted are the Homeownership Opportunity Program (where the developer is obligated to pay up to 5% of a resident's rent towards their buying a home) and the Self-Sufficiency Program (which was an FHFC program related to welfare to work).
    - The Applicant has agreed to one program that is optional—Smoking Cessation classes.

- The Applicant is requesting two additional waivers—Health Care screening and Computer Training.
- Neither of these programs has any significant cost, and are not difficult to administer. Conversely, both have a high benefit to the residents.

6. **Recommendations**: **Sweetwater Villas Waiver Requests**:
   - Affordability Period: Deny Waiver Request
   - Waiver for Health Care Screening and Computer Training: Deny Waiver Request

VII. <u>FHFC Housing Credit RFA & Local Government Preference—Action</u>

1. In the last RFA for large counties (9% Housing Credits), FHFC initiated a pilot program wherein a local government could designate the development which it supported for funding. The preference meant that if the application met application threshold requirements, the local government preference became the first tiebreaker—insuring that the development would be funded. The program is being expanded this year from Jacksonville to all large counties other than Miami-Dade. The preference is known this year as the "Local Government Area of Opportunity Funding".

2. To give the preference, the local government has to contribute a significantly higher amount of funds to the development. The contribution measurement is cash into the deal, not the NPV of the cash. Therefore, a loan is valued at its face amount, rather than an NPV of the savings. For this year, the following are the required loan amounts:

Loan Amount to be determined by development type, as detailed in FHFC RFA 2016-113

Minimum Local Government Area of Opportunity Funding Amounts

Building Type*	Total Amount of Loan(s)/Grant(s)
Garden-Wood (NC)	$458,250
Garden-Concrete (NC)	$551,000
Mid-Rise-Wood (NC)	$551,000
Mid-Rise-Concrete (NC)	$607,500
High-Rise (NC)	$739,500
Garden (Rehab)	$385,250
Non-Garden (Rehab)	$542,750

* For purposes of this provision (i) Concrete refers to a "Yes" answer to question 5.c.(3) of Exhibit A; (ii) NC includes Development Categories of New Construction, Redevelopment and Acquisition and Redevelopment and Rehab includes Development Categories of Rehabilitation and Acquisition and Rehabilitation, as selected by the Applicant at question 5.c.(1) of Exhibit A; and (iii) Garden includes all Development Types other than Mid-Rise and High-Rise; Non-Garden includes Development Types of Mid-Rise with Elevator (4 stories, 5 stories, or 6 stories) and High-Rise (7 or more stories); Mid-Rise includes Development Types of Mid-Rise with Elevator (4 stories, 5 stories, or 6 stories); and High-Rise includes Development Type of High Rise (7 or more stories), as selected by the Applicant at question 5.d. of Exhibit A. In the case of mixed-type Developments, the Applicant should use the Building Type that will comprise the majority of the units in the Development.

3. Either Tampa and the County would have to agree on one development, or each could give a preference. If two deals are given preference, they would be in a lottery competing only with each other. At this point, it appears that the City of Tampa will exercise its right to support a deal.

4. Bonnie Wise is still discussing the process with the BOCC. It has not been decided if the County will exercise its right to select a development for priority. If it does, it is likely that the HFA will be asked to administer the selection process.

5. FHFC has established a tentative application date of December 8.

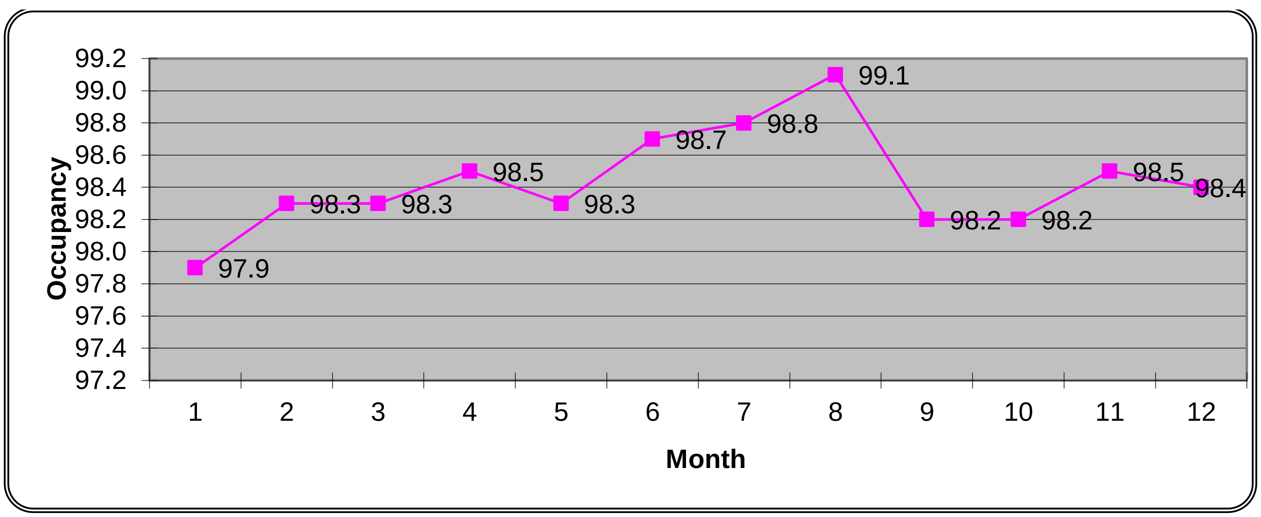
6. **Recommendation**: If the County requests the HFA to administer the selection process, approve a NOFA and Application for the Local Government Area of Opportunity Funding, with a due date of November 4, 2016.

VIII. Status of Rental Developments Financed by the HFA—Informational

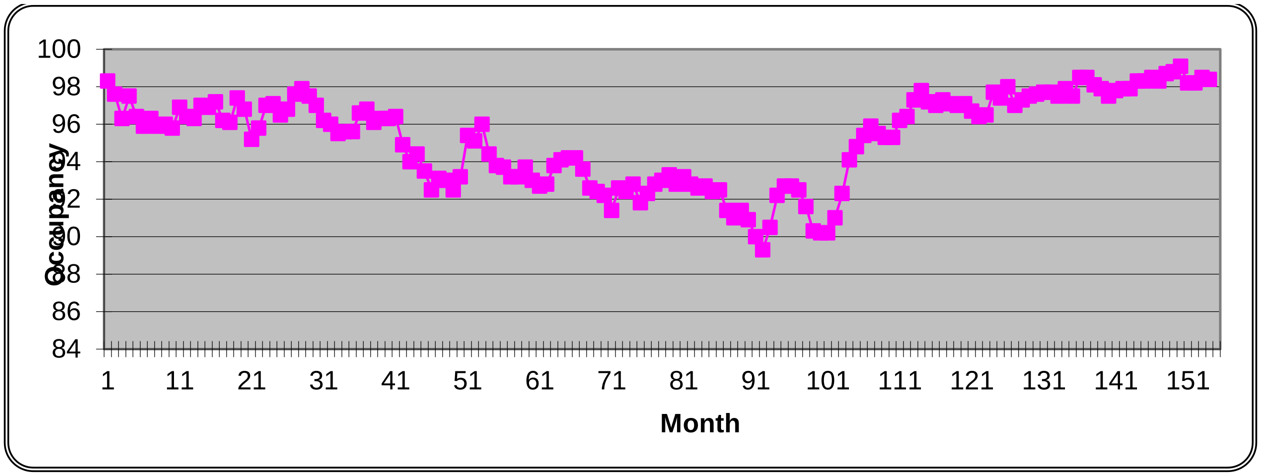
1. The Authority has financed twenty-seven (27) rental developments, containing 5,128 units, with a total development cost of $537,904,581 financed with $272,910,000 of bonds, $155,557,814 of Housing Credit equity, and $47,938,493 of SAIL. The HFA also issued $16.7 million of bonds to refund the Brandon Crossing and Mobley Park developments. One development (Kaylee Bay) was financed without bonds.

2. The weighted average occupancy level of the HFA's portfolio is 98.4% (-0.1%). The median occupancy level is 99.0% (+0.0%). Eighteen (18) of the 21 monitored developments are at 98% or higher occupancy**.**

3. The following is an occupancy chart for the previous 12 months:



4. The following is an occupancy chart for the previous 154 months (12 ¾ years):



5. All HFA financed properties are in compliance, except for **Hunter's Run** (Atlantic). The owner has not recertified resident income this year as required by the LURA, nor have they requested that the LURA be amended to remove the requirement. The HFA has established a policy that such a request would be approved, subject to the owner paying legal costs of the HFA.

6. The compliance period for **Lakewood Shores** ended. There will be no further monitoring or occupancy reports.

7. Bonds will be redeemed for **Park Springs** Apartments on or about October 22. After the redemption, the affordability period will expire and there will be no further monitoring or occupancy reports.

8. The general contractor was removed from **The Tempo**. The surety is stepping in to complete the construction, which should resume in October.

9. **Recommendation**: None.

IX. Housing & Training Programs—Informational

1. **Up & Out Homeless Program** (MetMin)
   - Seventeen (17) families (+0) are enrolled in the program. One client graduated successfully from the program in September and one new client jointed the program.
   - Of the 71 clients that are no longer in the program, 46 successfully completed the program and are now self-sufficient, 8 moved for employment or to be with family and are now self-sufficient, 4 were moved back into supportive housing on the advice of their case worker, 5 were terminated from the program for non-compliance with case management/self-sufficiency plan, 1 is incarcerated and was terminated from the program, 6 had financial problems and sought other housing, and 1 cannot be located.

- A total of 260 persons have benefited from the program—114 adults and 146 children. The HFA has advanced a total of $643,444 to the program. The subsidy provided is $286 per month for a one bedroom and $403 per month for a two bedroom or larger apartment

2. **Youth Aging Out of Foster Care** (Camelot) has nine (+0) clients receiving rent subsidies, and are also receiving funding for security deposits, application fees, administration, and a transition specialist.

3. **Catholic Charities** has three (+0) clients receiving rent subsidies, and are also receiving funding for security deposits, application fees, and administration.

4. **USF CRED Training**: The 2016 program is complete and a report has been received.

5. **Recommendation**: None.

X. Sadowski Education Effort—Informational

1. Hillsborough HFA has led the way for increased SEE contributions, with Brevard, Clay, Escambia, Jacksonville, Orange, Palm Beach, and Pinellas HFA's all contributing at the $15,000 level. The Miami-Dade and Lee HFA's have remained at the $10,000 level, and the Broward HFA at $5,000. Osceola County HFA joined the program at the $10,000 level. Other HFA's are considering their contribution levels this month.

2. A meeting was held with Governor's Office staff on August 17 to encourage a better budget recommendation from the Governor and to begin the effort to set up a meeting between the entire Sadowski Coalition and the Governor.

3. The Doc Stamp Revenue Estimate was updated in August, and shows that $303.43 million of new money will be available for appropriation in FY 17-18. The division is $212.63 million in the Local Government Housing Trust Fund (SHIP) and $90.8 million in the State Housing Trust Fund (SAIL and other FHFC programs).

4. Bascom Communications, The P5 Group, EBS Consulting, Sunrise Consulting, and LAT Creative have been engaged through the 2017 legislative session.

5. **Recommendation**: None.