

# THE HENDRICKSON COMPANY

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

From: Mark Hendrickson, Financial Advisor

Subject: December 2, 2016 Board Meeting

Date: November 20, 2016

## **I. Bond Allocation—Informational**

- 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
<b>TOTAL</b>	<b>\$187,768,292</b>	<b>\$149,000,000</b>	<b>\$0</b>	

- Recommendation:** None.

## **II. Second Mortgage Status—Informational**

- In November, five (5) new loans (\$75,000) was funded.

	2006	2007	2010	2012
<b>Original Loans</b>	<b>\$68,981 (13)</b>	<b>\$30,920 (7)</b>	<b>\$1,131,176 (227)</b>	<b>\$3,482,071 (327)</b>
<b>Paid in Full</b>	\$17,184 (3)	\$10,884 (2)	\$ 240,000 (48)	\$97,500 (11)
<b>Partial Payoff</b>	\$ 3,000 (2)		8,714.35 ( 4)	\$ 3,000 (1)
<b>Loss</b>	\$ (7,060 )		11,285.65	\$ 7,000
<b>Default</b>	\$ (8,160) (2)	\$(4,727) (1)	-0-	-0-
<b>Balance</b>	<b>\$33,577</b>	<b>\$15,309</b>	<b>\$871,176</b>	<b>\$3,374,571</b>

- November Payoffs: \$20,000—2012 Program: Johnson & Pfeiffer (each 10,000) paid in full.
- 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.
- Recommendation:** None.

### III. Single Family Report- Outstanding Bond Issues—Informational

- 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	\$375,547 -0.5%	\$749,551 -0.8%	\$504,039 -0.4%	\$811,136 -17.2%	\$1,533,152 -0.1%	\$1,809,867 -4.8%	\$9,483,127 -0.2%
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%	27/25.5% +1.0%	30/17.6% +0.5%
Foreclosed/Bankruptcy	13/3.7% -0.0%	11/5.72% +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	17	89
30 Days Delinquent	0/0.00% -0.00%	0/0.00% -0.00%	1/10.00% +10.00%	0/0.00% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%	6/6.74% +1.12%
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%	2/2.25% +1.13%
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% -0.00%	0/0.00% -0.00%	0/0.00% -0.00%
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% +0.00%	0/0.00% -0.00%	1/1.12% -0.00%

- Recommendation: None.

### IV. 2012 Single Family Program—Action

- The **current program guidelines**:
  - 1<sup>st</sup> 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).
- Rate Change**: The interest rate was decreased from 4.25% to 3.875% in February 2016.
- DPA Change**: The DPA amount was increased to \$15,000, effective July 1.
- MBS Sales**: The HFA has executed 76 sales, with net revenues of \$1,416,647 (net meaning after payments to RBC and counsel).

5. **Hedges & Exposure:** The HFA has three hedges totaling \$2.765 million in place. With full delivery, the projected net revenues are estimated at \$117,495 (shared pro rata with other counties). The unhedged pipeline as of November 6 is \$0 (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	\$ 395,500
<b>Total Funded or to be Funded by FHFC or Hillsborough SHIP</b>	<b>\$2,763,831</b>
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 2 <sup>nd</sup> \$600,000 from SHIP Fully Committed	\$ 331,626
<b>Total HFA Funded</b>	<b>\$ 718,240</b>
<b>TOTAL DPA LOANS</b>	<b>\$3,482,071</b>

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 \$7.96 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
\$150,980 330 loans +1 loans	\$143,777	\$50,971  \$71,963 Avg. MCC. 319 loans \$22,956,197	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%	\$8,976,190	\$1,524,011	\$487,064	\$287,912	\$11,275,177
	59	9	3	2	73
3.75%	\$3,430,088	\$0	\$0	\$2	\$3,430,090
	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
<b>Total</b>	<b>\$45,147,496</b>	<b>\$1,524,011</b>	<b>\$487,064</b>	<b>\$287,914</b>	<b>\$47,446,485</b>
	<b>316</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>330</b>

11. **Lender originations:** UAMC (120), DHI (97), Open Mortgage (51), Wells Fargo (25), REMN/Homebridge (24), 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. The inclusion of Freddie Mac loans was approved by the Board and will be implemented when a Freddie Mac lender joins the program.

14. FHFC is working with US Bank and eHousing to expand their Hardest Hit Fund DPA program to local HFA's. FHFC is requiring that the mortgage rate on the HFA's loans that utilize HHF funds be the same rate as FHFC's rate. This would necessitate an increase to 4.5% (or higher if rate increased by FHFC).
15. **Recommendation:** Consider options related to FHFC rate, including delegation to Chair and FA to approve rate change, if required.

**V. 2007 Single Family: Sale of MBS and Redemption of Bonds—Action**

1. The 2007-1 Single Family Program has \$2,400,000 of outstanding bonds, and the 2007-2 has \$425,000 of outstanding bonds. The 2007-1 bonds are callable at 102.50%, and the 2007-2 bonds at par.
2. The \$2,912,968 of underlying MBS in the transaction can be sold at an estimated 10% premium (\$291,297).
3. **Option 1:** Therefore, the bonds can be redeemed and the assets (MBS premium plus over \$450,000 of equity in bond deal) can be released to the JHFA. This would bring a net cash benefit to the HFA of an estimated \$658,178.
4. **Option 2:** Another alternative is to sell enough MBS to redeem the bonds, and retain the remaining \$580,335 of MBS as investments yielding 5.90%-6.05%.
5. The “do-nothing” scenario (leaving the bonds outstanding) has a NPV value between \$474,241 (250% PSA) and \$518,862 (0% PSA). The actual PSA over the life of the bonds is 198%.
6. An analysis is attached, including proposed professional fees. Debbie Berner is continuing to analyze the two options, and will provide her recommendation at the meeting.
7. **Recommendations:** (1) Decide between Options 1 and 2, and (2) Authorize the Professional Team and legal counsel to move forward to implement the selected option, including sale of MBS and redemption of bonds, and authorization for the Chair to sign required documents.

**VI. New Multi-Family Transactions—Informational**

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
<b>Developer</b>	Tampa Housing Authority & Banc of America CDC	Tampa Housing Authority & Banc of America CDC	Blue Sky Communities	Southport
<b>Development Location</b>	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
<b>Total Development Cost</b>	\$38,680,295	\$49,523,791	\$11,319,646	\$17,226,626
<b>SAIL Loan Amount</b>	\$7,600,000	\$7,600,000	\$811,000	\$5,729,000
<b>Bond Amount Units</b>	\$18,500,000 160	\$23,000,000 250	\$5,400,000 (\$6 million TEFRA) 56	\$9,400,000 93
<b>Allocation Status</b>	TBD	TBD	TBD	TBD
<b>Development Status</b>	New Construction TBD	New Construction TBD	New Construction TBD	Acquisition & Rehabilitation TBD
<b>TEFRA Hearing &amp; BOCC TEFRA Approval Dates</b>	9-26-16 10-19-16	9-26-16 10-19-16	9-26-16 10-19-16	9-26-16 10-19-16
<b>Credit Enhancement</b>	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
<b>Credit Underwriter</b>	Seltzer	Seltzer	AmeriNational	Seltzer
<b>Anticipated Closing Date</b>	TBD	TBD	TBD	TBD

2. All four developments applied for SAIL. If they made no errors in the application, the Boulevard at West River application should be funded. Also, because of its small request amount, the Sweetwater Villas application may be funded.

3. **Recommendation:** None.

## **VII. FHFC Housing Credit RFA & Local Government Preference—Action**

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

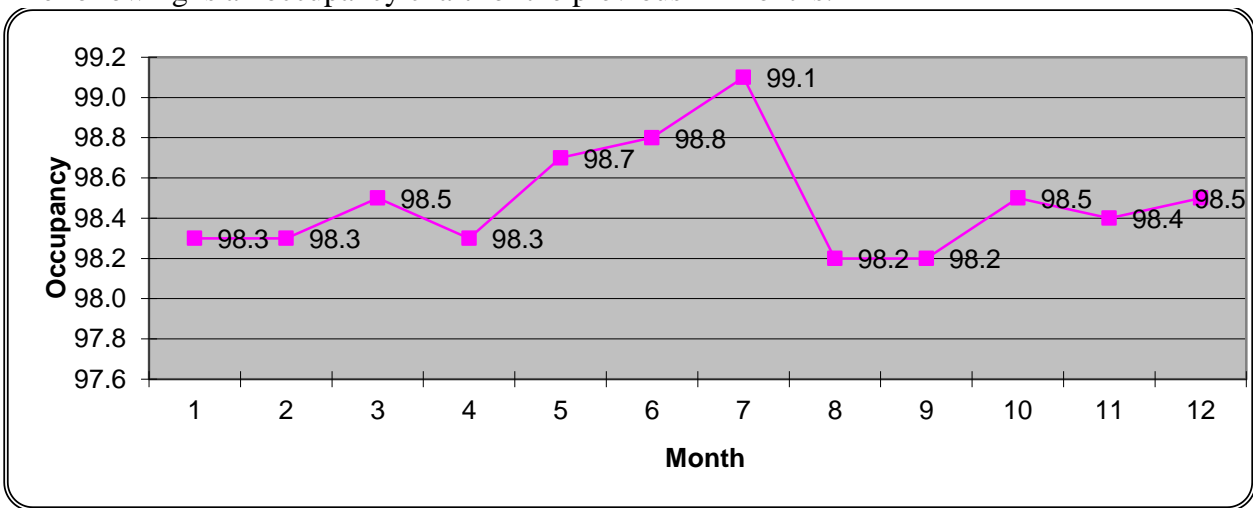
<b>Minimum Local Government Area of Opportunity Funding Amounts</b>	
<b>Building Type*</b>	<b>Total Amount of Loan(s)/Grant(s)</b>
Garden-Wood (NC)	\$458,250
Garden-Concrete (NC)	\$551,000
Mid-Rise-Wood (NC)	\$551,000
Mid-Rise-Concrete (NC)	\$607,500
High-Rise (NC)	\$739,500
Garden (Rehab)	\$385,250
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.

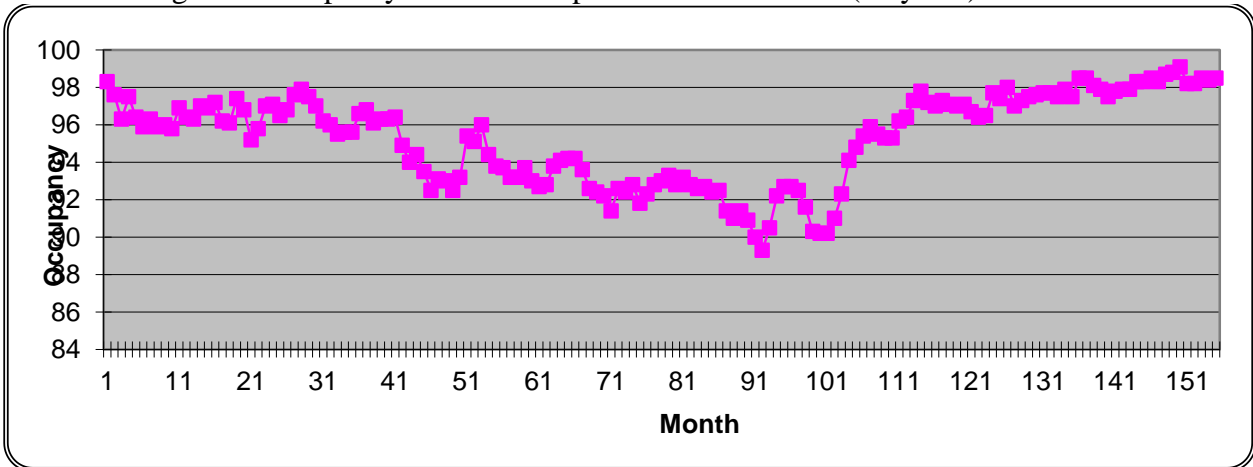
3. Either Tampa and the County would have to agree on one development, or each could give a preference. If two deals are given preference, they would be in a lottery competing only with each other. At this point, it appears that the City of Tampa will exercise its right to support a deal.
4. Hillsborough County requested the HFA to issue a NOFA to invite applications for local government support funding, which may or may not include the Area of Opportunity preference level of funding. The NOFA and application have been issued, with a due date of November 18. A full analysis is attached.
5. FHFC has established an application date of December 30 (moved back because of legal challenges).
6. **Recommendations:**
  - Select one application for priority funding level.
  - Recommend that County fund remaining applicants that meet threshold as back-up deals
  - Establish amount of loan, term of loan, and amortization.
  - Authorize the Chair to sign loan commitment letters.
  - Request the appropriate County official to sign the FHFC form required to verify the local government contribution.
  - Loan to be evidenced by Promissory Note and Mortgage, with anticipated second mortgage position (subject to all loan documents and due diligence necessary to evidence and complete the transaction). Loan documents to include a Land Use Restriction Agreement with all Applicant commitments (HFA programs, length of set-aside, income restrictions).
  - Loan commitment expiration date of December 31, 2017.

**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 98.5% (+0.1%). The median occupancy level is 99.0% (+0.0%). Seventeen (17) 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 155 months (13 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. Bonds were redeemed for **Park Springs** Apartments. The affordability period has expired and there will be no further monitoring or occupancy reports.
7. The general contractor (Siltek) was removed from **The Tempo**. According to the owner, the surety is stepping in to complete the construction. Legal counsel and the servicer have been requested to explore the HFA's options and to verify what is happening both legally and with the on-site construction. A full report will be made at the Board meeting. Eileen Pope of Bank of America CDC stated in an email:

*Good afternoon. Please be advised that on October 24, 2016 the Surety, Berkeley insurance company, stepped in and took over as the completion Surety. They have remobilized on site, construction is well underway and the Surety will complete the construction of the Tempo at Encore for the value of the remaining contract. They have selected TRON Construction, Inc. as the general contractor. TRON Construction is owned by Ana Sierra. They have ratified the contracts of the majority of the subcontractors who previously had a contract with Siltek. The new completion date is estimated to be 9/1/2017. I have spoken to the construction lender and the perm lender and they have agreed that we will need and seek a second extension for both the construction loan and the perm loan. The investor member, RBC, is working with us as well. We are currently in litigation with Siltek. I know that Felix Rodriquez is setting a call with Misty Taylor to discuss this matter in further detail.*

Of interest is the fact that TRON is a newly formed company, and Ana Sierra was the owner of Siltek, the GC that was fired by the owner.

8. **Recommendation:** None.

## **IX. Housing & Training Programs—Informational**

1. **Up & Out Homeless Program** (MetMin)
  - Fifteen (15) families (-0) are enrolled in the program. Two clients graduated successfully from the program in November and two new clients entered the program.
  - Of the 75 clients that are no longer in the program, 49 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, 6 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 268 persons have benefited from the program—114 adults and 146 children. The HFA has advanced a total of \$645,862 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. Four clients moved against recommendation of program and forfeited

deposits. The HFA has advanced \$20,503 to the program. The subsidy provided is \$200 per month.

3. **Catholic Charities** has four (+1) clients receiving rent subsidies, and are also receiving funding for security deposits, application fees, and administration. The HFA has advanced \$7,707 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
4. **USF CRED Training:** The 2016 program is complete and a report has been received.
5. **Recommendation:** None.

**X. 2017 Legislative Update**

1. SEE contributions, are moving forward at an adequate level.
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. The Governor denied the meeting request.
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. If full funding was approved, Jacksonville would receive \$9,612,446 of SHIP funding.
5. Bascom Communications, The P5 Group, EBS Consulting, Sunrise Consulting, and LAT Creative have been engaged through the 2017 legislative session.
6. **Recommendation:** None.