THE HENDRICKSON COMPANY

1404 Alban Avenue ⊄ Tallahassee, Florida 32301
Telephone: 850-671-5601
Fax: 850-671-5603

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

From: Mark Hendrickson, Financial Advisor

Subject: October 13, 2017 Board Meeting

Date: October 6, 2017

I. Bond Allocation—Action

1. The 2017 allocation is $65,923,680, up $1,416,819 (2.1%) over 2016.

Year	Single Family Amount	Multifamily Amount	Unallocated	Expiration
2017	$ 65,923,680			
2016	$100,000,000	$100,000,000		December 31, 2019
2015	$100,000,000	$100,000,000		December 31, 2018
2014	$ 23,225,804	$ 43,400,000		December 31, 2017
TOTAL	**$289,149,484**	**$243,000,000**	**$0**	

2. The single family Plan of Finance expires this year. A new TEFRA is needed to apply for bond allocation. Pursuant to Board policy, staff has published a TEFRA hearing notification for $200 million.

3. **Recommendation:** Ratify staff actions and direct staff to apply for allocation after BOCC approval.

II. FY 2017-2018 Budget—Action

1. A proposed Fiscal Year 2017-2018 budget is attached. Key elements are:
   - All expenses billed at higher of FY 16-17 actual or FY 16-17 Budget, unless there is some specific information that would cause the number to be increased or lowered.
   - Budget includes one bond application and one bond closing (Bethune)
   - 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 from Hillsborough County is the amount remaining under the current agreement ($37,500)
   - 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 2017-2018 budget, and direct staff to post the budget to the website within seven days.

III. Second Mortgage Status—Informational

1. In September, two (2) new loans ($30,000) were funded (down from $180,000 in August).

Original Loans	2006 $68,981 (13)	2007 $30,920 (7)	2010 $1,131,176 (227)	2012 $4,929,571 (423)	TOTAL $6,160,648 (670)
Paid in Full	$26,797 (5)	$10,884 (2)	$ 399,176 (80)	$270,000 (29)	$706,857.00 (116)
Partial Payoff	$ 3,000 (2)		10,214.35 (5)	$ 3,000 (1)	$ 16,214.35 (8)
Loss on Partials	$ 7,060		14,785.65	$ 7,000	$ 28,845.65
Default Loss	$ 8,160 (2)	$ 4,727 (1)	-0-	-0-	$ 12,887.00 (3)
Balance	**$23,964**	**$15,309**	**$707,000**	**$4,649,571**	**$5,395,844**

2. In September, three loans/$20,000 paid in full. Two were from the 2010 Program (Maybin & Tracey—each for $5,000), and one was from the 2012 Program (McLean for $10,000).

3. One loan payoff in August 2016 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, 62.1% of all loans have prepaid, 17.8% were repurchased by the servicer, 8.3% were foreclosed or have borrowers in bankruptcy, and 11.8% 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	$303,568 -1.3%	$640,392 -7.9%	$424,217 -0.5%	661,108 -0.5%	$1,404,549 -0.2%	$1,624,123 -4.3%	$7,071,121 -6.0%
Original # of Loans	352	194	180	158	76	106	170
Prepaid	289/82.1% +0.0%	147/75.7% +0.4%	122/67.8% +0.0%	106/67.1% +0.0%	26/34.2% +0.0%	28/26.4% +0.0%	50/29.4% +2.3%
Foreclosed/Bankruptcy	13/3.7% -0.0%	9/4.6% -0.0%	18/10.0% +0.6%	12/7.6% -0.0%	2/2.6% +0.0%	32/30.2% +1.0%	16/9.4% +1.7%
Repurchased by Servicer for chronic delinquency	41/11.6% +0.0%	20/10.3% +0.0%	31/17.2% -0.6%	28/17.7% +0.0%	33/43.4% +0.0%	31/29.2% +0.0%	36/21.2% -1.7%
# Outstanding Loans	9	18	9	12	14	16	68
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% -0.00%	0/0.00% -0.00%	4/5.88% +1.71%
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% -6.25%	1/1.47% +1.47%
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%	2/14.29% +0.00%	0/0.00% -0.00%	1/1.47 +0.08%

2. Recommendation: None.

V. 2012 Single Family Program—Action

1. The **current program guidelines**:
   - 1st mortgage: 4.0%, 1% origination fee, FHA, VA, RD and Freddie Mac loans
   - 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).
   - Sales price limit of $253,809

2. **Rate Change**: The interest rate was increased from 3.875% to 4.0% in August 2017.

3. **DPA Change**: The DPA amount was increased to $15,000, effective July 1, 2016.

4. **MBS Sales**: The HFA has executed 103 sales, with net revenues of $1,764,400 (net meaning after payments to RBC and counsel).

5. **Hedges & Exposure**: The HFA has five hedges totaling $5.252 million in place. With full delivery, the projected net revenues are estimated at $132,293 (shared pro rata with other counties). The unhedged pipeline as of October 3 is $0 (changes daily).

6. **Summary of 2012 DPA Funding**:
   - The County funded $2.1 million of DPA with SHIP funds. The County received BOCC approval for another $700,000 of funding. In September, the County funded $662,500.
   - The Federal Home Loan Bank of Atlanta is launching a $3 million program which will fund $1 of DPA for every $2 funded by the HFA. The FHLB loan would be subordinate and forgivable. However, the lender must be a member of FHLB Atlanta. New lenders have signed up for the program and are being trained.
   - The FHFC DPA Program is now available. It provides $15,000 (forgivable loan). MOU has been executed as has a new Program Administration Agreement with eHousing. Lender training is scheduled for August 3, with roll-out August 7.
   - The City of Tampa is moving forward with a SHIP/DPA allocation of $250,000.

Source for 2012 Single Family Program DPA	Amount
FHFC	$1,068,831
Hillsborough Funded	$2,762,500
Hillsborough Reimbursement Request Submitted	$ 0
Hillsborough Eligible but not ready for Reimbursement Request	$ 342,000
Total Funded or to be Funded by FHFC or Hillsborough SHIP	**$4,173,331**
HFA Funded Before FHFC Program	$ 25,000
HFA Funded After FHFC & Before Hillsborough SHIP	$ 144,814
HFA Funded After Hillsborough SHIP but in Tampa	$ 236,800
HFA Funded but Over SHIP Income Limit	$ 40,000
HFA Funded After 2nd $600,000 from SHIP Fully Committed	$ 309,626
Total HFA Funded	**$ 756,240**
TOTAL DPA LOANS	**$4,929,571**

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—$2,496,213.50 used) and Tranche 2 ($12.5 million—$12,499,498 used) have been fully utilized. Tranche 3 ($25 million) expired at the end of 2016—and eHousing inadvertently booked no MCC's against this program. Tranche 4 ($25 million) expires at the end 2017 with $17,536,059 utilized. The Board authorized bond counsel to publish a notice to covert $123,225,804 of bond allocation to MCC's.

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. $64.6 million of loans have been originated or are in process to date.

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

Sales Price/ # Loans	Loan Amount	Borrower Income/ MCC Amount	Borrower Age/ Gender	Borrower Family Size	Housing Type	Borrower Ethnicity	Location
$158,314 434 loans +5 loans	$150,652	$50,873 $75,655 Avg. MCC. 430 loans $32,531,770	36.0 53% female	2.6	SF Detached 90% Rowhouse: <1% Townhouse: 9% Existing: 50% New: 50%	Black: 30% White: 29% Hispanic: 34% Mixed: 2% Asian: 1% Other: 4%	County: 72% Tampa: 20% 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		0		27
4.25%	$19,226,134	$0	$0	$0	$19,226,134
	133	0	0	0	133
4.00%	$7,396,575	$796,750	$1,559,267	$0	$9,752,592
	54	5	9	0	68
3.875%	$25,631,708	$1,223,799	$0	$0	$26,855,507
	156	7	0	0	163
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	**$61,803,014**	**$2,020,549**	**$1,559,267**	**$0**	**$65,382,830**

11. **Lender originations**: Eagle (formerly UAMC) (185), DHI (122), Open Mortgage (57), Wells Fargo (25), REMN/Homebridge (31), Fairway (5), Annie Mac (4), Stonegate (2), Prime (1), Shelter (1) & Tidewater (1).

12. **Counties:** Hillsborough, Clay, Brevard, Jacksonville & Pinellas (Pasco and Polk).

13. **Marketing Update** from Sue Denihan:

Lennar could not have been happier that the HFA increased the purchase price limit. They are churning out homes and using the program as their main source of DPA, more than Florida Housing.

To update you on our marketing efforts of the program. Next week we will run a *Home for the Holidays* campaign. This is with a company called AdWerx and it is targeted by zip code. Essentially, we are just providing information about the program, not a different incentive, this is just something to get the interest of buyers and Realtors.

We have added a LiveChat feature to our MyFirstFloridaHome.com web site. We added this feature 2 weeks ago and we are averaging 17 - 20 chats a day. I can't believe how popular this has become.

Attached is the list of Realtors who've attended Realtor training for the HFA of Hillsborough Program. This will continue to grow over the coming months.

We recently added a Spanish version of the buyer flyer. And by the end of next week, all of the buyer web pages on MyFirstFloridaHome will have a Spanish web page as well. We are VERY excited about this.

14. From RBC related to new **FINRA Rule**:

    On June 15, 2016, the SEC approved FINRA's proposed amendment to FINRA Rule 4210, which will require US registered broker-dealers to receive minimum margins from their counterparties with respect to Covered Agency Transactions, including TBA transactions. The broker-dealers are requiring all clients to sign an annex to their existing Master Securities Forward Transaction Agreements by December 31, 2017. RBC has yet to release its annex for signature, but will be provided in the next few weeks.

    RBC bankers have met internally with representatives in our New York office to determine if the HFA of Hillsborough County is exempt from margin requirement. On two accounts, it appears that the HFA should be exempt because (1) The HFA's open position with RBC has never exceeded $10mm and (2) The HFA is a governmental entity. Our initial response from those at RBC is that it appears that the HFA is exempt from the requirement, but RBC would rely on the HFA's counsel to determine its exemption.

    In the next few weeks we will provide the Board with more definitive information regarding the requirements of the Board. Worst case scenario, if it cannot be determined that the HFA is exempt from the margin requirement, the HFA will need to sign the annex prior to year's end. However, the HFA will only be required to post margin if (1) the outstanding trades exceed $10mm AND (2) the current price of the hedged security falls 250 basis points. The current amount of trades outstanding is $5,425,000 (far below the minimum $10mm) and in the last 4 years of the TBA program there has never been a period of time in which the price of the MBS has fallen 250 basis points to invoke a margin requirement. Based on the HFA's current balance, the price would have to fall close to 500 basis points.

15. **2017 MCC Program**: $23,225,805 of single family bond allocation expires at the end of 2017. The allocation can be converted to MCC's—in the amount of $5,806,451.

16. **Recommendation:** Adopt Resolution drafted by bond counsel which, among other items, establishes the 2017 MCC Program, authorizes the exchange of $23,225,805 of single family private activity bond allocation for $5,806,451 of MCC authority, designates eHousing Plus as program administrator, and authorizes the execution of a Program Administration Agreement (see Resolution for all items).

VI. New Multi-Family Transactions—Informational

1. A 2017 Bond NOFA was published August 21, 2017, with a due date of October 1. No application have been received, and the NOFA is now "open". There is one active application from last year's NOFA.

2. **Recommendation**: None.

	Bethune Residences I at West River
Developer	Tampa Housing Authority & Banc of America CDC
Development Location	City of Tampa, West River NE Corner of North Rome Avenue & Main Street West River Development
Total Development Cost	$38,680,295
SAIL Loan Amount	$7,600,000
Bond Amount **Units**	$22,000,000 160
Allocation Status	TBD
Development Status	New Construction TBD
TEFRA Hearing & BOCC TEFRA Approval Dates	9-26-16 10-19-16
Credit Enhancement	Bank of America Freddie Mac DUS Lender: Greystone
Credit Underwriter	Seltzer
Anticipated Closing Date	March 2018

VII. FHFC: Local Government Preference—Informational

1. **Local Government Preference** (now known as Local Government Area of Opportunity Funding): FHFC's scoring process for 9% Housing Credits offers the option to large counties and their cities to provide a higher level of local government financial support to one deal, which would then receive points not available to other applicants. Effectively, the deal chosen by the local government would "win" the HC, if they turned in an application that otherwise met threshold. FHFC has continued this process for the upcoming RFA 2017-113.

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 (Preserve at Sabal Park amount highlighted:

Minimum Local Government Area of Opportunity Funding Amounts

Building Type*	Total Amount of Loan(s)/Grant(s)
Garden-Wood (NC)	$484,500
Garden-Concrete (NC)	$580,000
Mid-Rise-Wood (NC)	$580,000
Mid-Rise-Concrete (NC)	$638,250
High-Rise (NC)	$759,500
Garden (Rehab)	$409,250
Non-Garden (Rehab)	$571,500

* For purposes of this provision (i) Concrete refers to a "Yes" answer to question 4.d. 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 4.b. 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 4.c. 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. In September, the County again requested that the HFA administer an application and selection process to select a development for the preference funding—located in unincorporated Hillsborough County, Plant City or the City of Temple Terrace.

4. At the August meeting, the HFA decided to use the same selection process and criteria and authorized publication of the NOFA and application —if requested by the County to administer the process. The NOFA was published September 22 with a due date of December 1.

5. Additionally, the HFA was able to persuade FHFC to reduce the distance that triggers the penalty for being near a development under construction or not yet stabilized from 2.0 to 0.5 miles. This is a much more realistic distance—as 2 miles "redlined" massive amounts of potential sites, and stretched across market boundaries.

6. **Recommendations:** None.

VIII, <u>Status of Rental Developments Financed by the HFA—Informational</u>

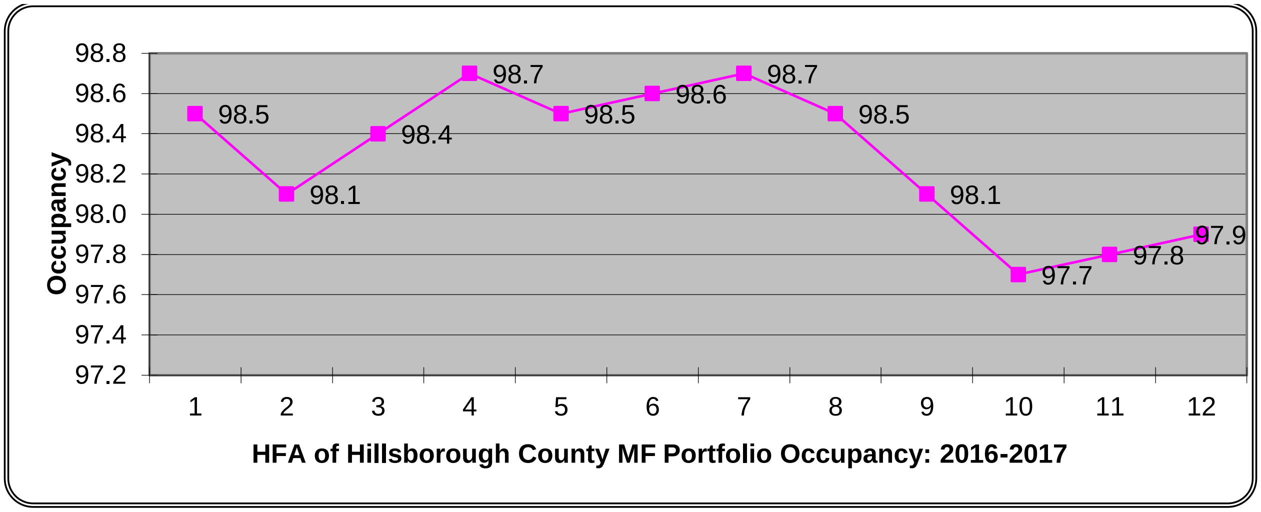
1. The Authority has financed twenty-eight (28) rental developments, containing 5,184 units, with a total development cost of $555,992,013 financed with $272,910,000 of bonds, $160,451,975 of Housing Credit equity, and $47,938,493 of SAIL. The HFA also issued $16.7 million of bonds to refund the Brandon 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 97.9% (+0.1%). The median occupancy level is 99.0% (+1.0%). Twelve (12) of the 21 monitored developments are at 98% or higher occupancy**.**

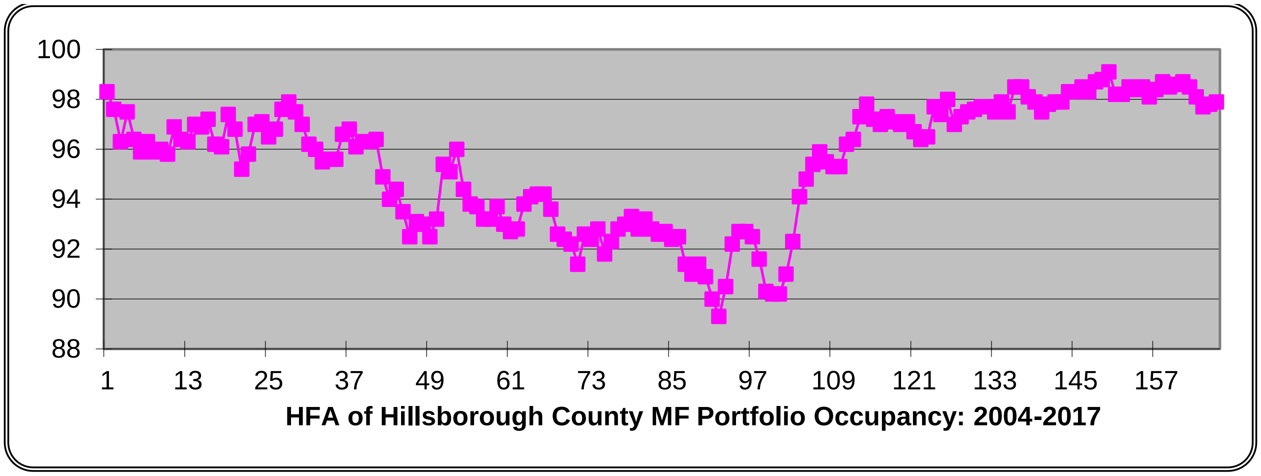
3. The "drag" on occupancy is related to developments associated with the Tampa Housing Authority. When asked for an explanation of the relatively low occupancy compared to other properties in the HFA's portfolio, Leonard Burke of THA responded:
   This message is in response to the inquiry by HFA on the occupancy level of the THA properties funded by the HFA. The explanation for the discrepancies in occupancy rates is attributed to the fact that the THA properties have a significant amount of PBS8 units within each development. This is an important factor to note because THA section 8 department resumed this year (Spring/Summer) awarding PBS8 residents with the option of receiving Housing Choice Vouchers as part of their choice mobility option. Housing Choice Vouchers allows the recipient to move anywhere within the city or even the country that accepts section 8. Because of this option to the PBS8 residents, the residents living on these properties are accepting the HCV and vacating their units. This has created a significant increase in move-outs due to the issuing of portable vouchers by THA section 8 department. In some cases, the average monthly move-outs has doubled because of this factor. So not only does management have to lease units for routine move-out reasons, but now management have to account for move-outs due to the HCV recipients.

None of the non-THA properties have PBS8 units within their community and not subjected to these factors. THA section 8 department has slowed down on awarding new PBS8 residents portable vouchers for now, so the occupancy levels should start to improve in the coming months. If you need any additional requests feel free to send me an email or call my office line.

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



5. The following is an occupancy chart for the previous 165 months (13.75 years):



6. 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.

7. An update from the owner of The Tempo has been sent by email to the Board.

8. **Recommendation**: None.

IX. Housing & Training Programs—Informational

1. **Up & Out Homeless Program** (MetMin)
   - Twenty-three (23) families (-2) are enrolled in the program. Two clients were terminated for non-compliance.
   - Of the 83 clients that are no longer in the program, 55 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, 10 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 321 persons have benefited from the program—135 adults and 186 children. The HFA has advanced a total of $738,581 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 seven (-1) clients receiving rent subsidies, and are also receiving funding for security deposits, application fees, administration, and a transition specialist. Five clients moved against recommendation of program and forfeited deposits, one was evicted for not paying their last month's rent (paid for first 11 months of 12 month lease), while six (+2) have graduated from the program successfully. The HFA has advanced $114,541 to the program. The subsidy provided is $200 per month.

3. **Catholic Charities** has seven (+0) clients receiving rent subsidies, and are also receiving funding for security deposits, application fees, and administration. The HFA has advanced $67,383 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. No clients have left the program.

4. **USF CRED Training**: The 2017 training ended April 8.

5. **Recommendation**: None.

X. **2018 Legislative Update—Informational**

1. In 2018, the legislature meets in January, rather than the regular March date.

2. This is the time to meet with legislators and deliver the message that the legislature should appropriate all monies in the housing trust funds for housing programs.

3. The appropriation of the estimated $314.08 million in the State and Local Housing Trust Funds in FY 2018-19 for Florida's housing programs will create over 30,000 jobs and more than $4 billion of positive economic impact in Florida.

4. At the September Board meeting, HFA members committed to meet with specific legislators in the Hillsborough delegation.

5. Representative Shaw has filed a bill (HB 191) which would prohibit use of monies in the Housing Trust Funds for non-housing activities. It is expected that Senator Passidomo (R-Naples) will file the Senate companion. While the legislation is not likely to pass, it will help raise the issue of full-funding.

6. **Recommendation**: Report on legislative meetings.