

THE HENDRICKSON COMPANY

1404 Alban Avenue ☞ Tallahassee, Florida 32301
Telephone: 850-671-5601
mark@thehendricksoncompany.com

To: Housing Finance Authority of Leon County Board of Directors
From: Mark Hendrickson, Administrator
Subject: December 13, 2018 Board Meeting
Date: December 6, 2018

I. Financial Reports and Budget—Action

1. The November 30, 2018 Financial Statement is attached. Net assets as of November 30, 2018 are \$1,134,896.83, with \$663,896.77 in cash (\$37,309.01 restricted).
2. All Emergency Repair and CDBG expenditures are booked against the restricted assets from the property sales (they meet the test as direct housing expenditures).
 - ✓ Total revenues from property sales: \$82,802
 - ✓ Emergency Repair expenditures since August 2016: \$33,329.99
 - ✓ CDBG rehab: \$12,163
 - ✓ Remaining Restricted Funds: \$37,309.01
3. An Expenditure Approval list and bank/SBA statements are attached.
4. **Recommendations:**
 - Accept Financial Statements
 - Approve expenditures detailed on Expenditure Approval list.

II. Audit Update—Informational

1. The Auditor will deliver a draft audit to the Audit Committee, who will report to the Board.
2. **Recommendations:** To be determined by Audit Committee.

III. Emergency Repair Program—Informational

1. The HFA authorized an emergency repair program, for minor repairs that need immediate attention—and are not covered by the County's SHIP Program. A total of \$30,000 was authorized for this program through September 30, 2018, with another \$30,000 committed for FY 18-19. Individual repairs are limited to \$1,650 per home (\$7,500 for senior or persons with special needs that reside in mobile homes).
2. The total amount funded through August 2018 was \$30,000. Another \$11,250 was funded in September, which was an advance on the \$30,000 authorized for FY 18-19 (leaving \$18,750 available for remainder of fiscal year). Another \$1,920 has been expended by the County, \$3,385 allocated, and \$185 recaptured (SHIP)—leaving a balance of \$13,630.

3. A new spreadsheet has been created for all repair costs incurred towards the \$30,000 authorized for this fiscal year.
4. **Recommendation:** None.

IV. Real Estate—Informational

1. The Real Estate Division is responsible for selling surplus properties designated for affordable housing, with proceeds of the sale coming to the HFA. An advertisement for the properties was published in the Tallahassee Democrat for five days in January and February 2018. There were no meaningful responses to the advertisement.
2. Sales of six properties generated total revenues to the HFA of \$82,802.
3. At the April meeting, the Board directed the Administrator to develop a proposed marketing strategy for selling the properties to non—profit organizations. That work is in progress. Due to the lack of response on previous advertisements it was determined that MLS listings would be necessary—which required a County procurement process to select a broker.
4. The County conducted their procurement process which resulted in the selection in September by the BOCC of Ketchum Realty. County staff indicated that they hope to have a contract in place by December 7.
5. At the November HFA meeting, the Board committed up to \$6,000 for the payment of upfront fees required by Ketchum Realty (matching the County investment). The HFA also authorized working with the County to determine which properties warranted the payment of an upfront fee.
6. Mr. Rogers and Ms. Leigh have visited most of the properties and plan to visit the remainder prior to this meeting. After their visits a strategy will be presented to the Board (December), which would include marketing for sale in general, and targeted marketing to non-profits that would develop affordable housing. Their analysis will also guide the determination of which properties are worth the investment of the upfront fee to Ketchum Realty.
7. Ms. McGhin indicates that the Dykes Road property is still under contract for \$25,000, with an extension for closing granted.
8. A current list of available properties is attached.
9. **Recommendation:** None.

V. Escambia HFA Program Change & Interlocal—Action

1. Escambia County HFA has indicated that they are considering issuing bonds, instead of using the current MBS Program. As a result, they are asking that the HFA of Leon County adopt a Resolution approving an Amendment to the current Interlocal Agreement. This would also require action by the Leon County BOCC to approve an Area of Operation agreement authorizing Escambia HFA to operate a bond program in Leon County.

2. Our analysis is that the bond program would not be an improvement over the current program from a homebuyer or issuer perspective, with the same or only slightly lower mortgage rate, loss of the MCC's for the borrower, and substantial costs to sell the bonds.
3. While researching this issue, we discovered that no lender in Leon County is using the MCC's which are available—a significant reduction in benefit to the homebuyer. It is imperative that we reach out to lenders to get them to offer this benefit. Additionally, Escambia now indicates that the bond issue will only be government (FHA, VA and/or RD loans), and that the conventional Freddie Mac loans would still be part of a TBA program. Again, we will need to make sure that Leon County lenders are active parts of the ongoing TBA program when limited to Freddie Mac loans—and have asked Escambia for information on which Leon County lenders have originated Freddie loans (awaiting response).
4. For the new bond program, Escambia HFA offered 0.1% of the mortgage amount as payment to the HFA of Leon County, for each loan originated in Leon County (down from 0.2% in current program). They would continue to fund the DPA loans to Leon County borrowers. The HFA of Leon County directed Mr. Mustian and Mr. Hendrickson to negotiate with Escambia HFA, and request that the compensation remain at 0.2% per loan (which was communicated to Escambia).
5. Escambia HFA counter-offered with a new proposal—to set aside \$30,000 in the bond issue and divide it upfront based upon each county's percent of total loan originations over the past year (which was 23.66% for Leon). This would result in a payment to the HFA of Leon County of \$7,080, the same amount of revenue as would have been realized if the bond program has the same County loan origination mix as over the past year. Escambia further offers that if additional bonds are issued, the payment in that second bond issue would be based upon loan originations in the first bond issue—so that if loan originations in Leon County are greater than 23.66%, it would be recognized in the payment related to a second bond issue.
6. In conclusion, the new offer seems fair, and would generate the same level of revenue as we have received over the past 12 months—on a per loan basis. Of course, the bond issue may not result in as many loans being made as have been under the existing TBA program. Given that Escambia HFA seems determined to issue bonds, the new proposal seems the best outcome for the HFA of Leon County.
7. **Recommendation:** (1) Approve new Interlocal Agreement with Escambia County HFA, reflecting the business arrangement described above, and (2) Recommend that the Leon County BOCC approve the new Area of Operations Agreement, subject to review by General Counsel..

VI. Legal Update—Informational

1. Counsel has participated in negotiations with the Escambia County HFA and reviewed and approved the new Interlocal Agreement.
2. **Recommendation:** None.

VII. To-Do List—Informational

To-Do Item	HFA	Admin	CAO	SL	NBN	Status	Completed
Prior to October 2015 Meeting							
Set date for Stakeholders Meeting. At June 2018 meeting, staff directed to move forward with the concept	X					Administrator evaluating	
December 2016							
HFA to seek additional donations of property from lending institutions. Mr. Gay volunteered to draft letter and provide lender contacts.	X					In progress	
February 2018							
HFA DPA Loans: The Board requested that contact with borrowers that appeared to be in violation of agreement be contacted with report back to HFA Board in June		X				On hold	
April 2018							
The Board directed the Administrator draft a proposed policy for Board consideration on ways to market the properties to non-profits at a discount.		X				In progress. Awaiting County contract with Broker	
June 2018							
Chairman Lewis directed the Administrator to invite lenders to the September HFA meeting		X				Lenders indicated they would attend meeting when focused on increased loan volume	
November 2018							
Mr. Stucks requested that the FY18-19 year-to-date income and expenditure v. budget report include a comparison to FY 16-7 & FY 17-18.		X				In the packet	Done
Chairman Lewis directed Mr. Hendrickson to publicize to developers of rental housing that the HFA was open to multi-family bond applications		X				Email sent to members of CAHP; website updated	Done
The Board directed Mr. Hendrickson to utilize Mr. Mustian and to negotiate with Escambia County HFA for a fee of 0.2% in any bond program		X			X	Negotiations completed	Done
The Board directed Mr. Hendrickson to schedule a brief training at the December meeting on Community Land Trusts, to be conducted by the Florida Housing Coalition		X				FHC staff not available for December. Will be available in January	Rescheduled for January 2019

VIII. State Legislative Update—Informational

1. The 2019 legislative session begins in March. The new Senate President will be Bill Galvano (Bradenton) and the new House Speaker will be Jose Oliva (Miami). Senator Galvano has been a long-time supporter of housing funding. Rep. Travis Cummings (Clay County) was named House Appropriations Chairman. In the Senate, Senator Rob Bradley is Appropriations Chair, and Senator Travis Hutson is the TED Appropriations Chair.
2. The latest (August) revenue estimate for doc stamp distributions into the Housing Trust Funds for FY 19-20 is \$328.2 million (\$229.99 SHIP and \$98.21 FHFC programs/SAIL). The estimated impact of appropriating all available funds to housing programs:

Program	SAIL	SHIP	Combined Totals
Funding	\$ 98,210,000	\$ 229,990,000	\$ 328,200,000
TDC Produced	\$ 499,986,951	\$1,238,692,868	\$1,738,679,820
# of Units	2,238	10,056	12,294
Jobs Created	7,412	21,341	28,753
Economic Impact	\$1,075,712,139	\$3,052,457,405	\$4,128,169,544

3. The SHIP distributions—at full funding—have been calculated for FY 19-20. With all monies in the housing trust funds appropriated for housing, Leon County and the City of Tallahassee would receive a combined \$3,403,870 (County \$1,163,783, City of Tallahassee \$2,240,087).
4. We worked with both candidates for Governor on housing. Governor-elect DeSantis expressed general support for using trust funds for their intended purposes.
5. The lobbying team has been engaged and will again be led by Ken Pruitt of The P5 Group. Becker Poliakoff and Sunrise Consulting will also be utilized, as will Bascom Communications (PR and editorials) and LAT Creative (website and materials). The estimated cost of the effort is \$200,000.
6. The day after the election, the Orlando Sentinel wrote an excellent editorial urging Governor-elect DeSantis to submit a budget using all of the monies in the housing trust funds for housing programs. The editorial is attached.
7. However, we are hearing from multiple members of the legislature a new talking point—“Housing funding isn’t needed because if local governments would just relax regulations and not charge impact fees, housing would be affordable”. We are working on a counter-message, as obviously, this notion is not accurate. Housing is sold for what the market will pay—the same home sold in Naples costs more than if it were sold in Tallahassee. Sellers of homes don’t lower the sales price because they save money with fee reductions. Emergency repairs aren’t less costly because there aren’t impact fees. Down payment assistance is needed whatever the price of housing. And most importantly, the gap that SAIL fills is several million dollars per deal, not a few dollars that would be saved by any regulatory cost reductions.

8. Senator Kathleen Passidomo (R-Naples) has filed a bill to prohibit sweeps of the trust funds (SB70). While this bill does not absolutely restrict sweeps (it would take a Constitutional amendment to accomplish that), it is an important part of our strategy to keep the pressure for full funding. We are working with various Republican House members to file the House companion.
9. We were asked by various campaigns for Governor and legislative seats to develop an analysis of the cost of sweeps—lost housing and economic impact—as well as the five-year impact of fully funding housing. Those analyses are:

Five Year Impact of Full Funding

- \$1.789 billion appropriated for housing
- 67,012 units built, rehabilitated or sold
- 156,728 jobs created
- \$22.5 billion total economic impact

Negative Impact of Sweeps

- \$2.19 billion has been swept from the housing trust funds to general revenue
- 81,566 units have been lost
- 191,512 jobs have been lost
- \$27.5 billion of economic impact lost

10. **Recommendations:** Meet with your legislators to solicit their support for using all housing trust funds for housing programs and to co-sponsor Senator Passidomo's bill or its House companion. It is important to tell the story of how Florida's housing programs work—this isn't "throwing money at a problem", it is funding programs that have proven over 25 years that they work and attract massive private sector investment in affordable housing.

IX. New Business: Annual Election of Officers—Action

1. The HFA's bylaws call for the annual election of officers at any regularly scheduled meeting. The bylaws call for this to be the last item on the agenda. The Chair is limited to two consecutive terms—therefore, Mr. Lewis is eligible for re-election to the Chair.
2. The term of the officers will be calendar year 2019. In addition to the Chair, the other officers are Vice-Chair (Ms. George), Secretary (Dr. Sharkey) and Treasurer (Mr. Gay).
3. **Recommendation:** Elect officers.

X. New Business: 2019 Calendar—Action

1. The HFA has traditionally met on the 2nd Thursday of each month. This can make it difficult to receive and prepare financial reports each month. The Board may want to consider an altered schedule, such as the 4th Thursday of the month.
2. **Recommendation:** Adopt 2018 HFA meeting calendar.