



Housing Finance Authority of Leon County

ANNUAL REPORT

FY 2018-2019

Background

On June 10, 1980, the Board of County Commissioners (BOCC) established the Housing Finance Authority of Leon County (HFA) by adopting Ordinance No. 80-39 pursuant to the Florida Housing Finance Authority law., Chapter 159, Part IV, Florida Statutes. The HFA is a seven-member, dependent special district. A dependent special district, as defined in Section 189.012(2), is a special district that meets at least one of the following criteria:

- (a) the membership of its governing body is identical to that of the governing body of a single county or a single municipality;
- (b) all members of its governing body are appointed by the governing body of a single county or a single municipality;
- (c) during their unexpired terms, members of the special district's governing body are subject to removal at will by the governing body of a single county or a single municipality;
- (d) the district has a budget that requires approval through an affirmative vote or can be vetoed by the governing body of a single county or a single municipality. The HFA of Leon County is deemed to be a dependent special district because it satisfies the criteria contained in (b).

The HFA of Leon County exists for the purpose of addressing affordable housing needs in Leon County, Florida, by stimulating the construction and rehabilitation of housing through the use of public financing. The HFA of Leon County is empowered to alleviate the shortage of affordable residential housing and to provide capital for investment in such facilities for low, moderate or middle-income families and persons anywhere within Leon County through the issuance of its mortgage revenue bonds.

Effective October 1, 2017, after an ordinance was approved by the BOCC, the HFA of Leon County was granted all of the powers of an HFA under State law. As a result, the HFA began to operate as an independent entity with a separate budget and ability to set its own procurement policies. This also required an independent audit of the HFA each year.

A seven-member volunteer board is appointed by the BOCC and governs the Authority.

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Programs and Services

The mission of the HFA is to consider opportunities that increase the availability of affordable housing in Leon County. This includes financing for owner-occupied single-family and multi-family housing units and the sale of tax exempt and taxable bonds once approved by the BOCC. The HFA also works with the County to fund an Emergency Repair Program and other County housing activities, as well as in partnership with the Escambia County HFA for a first-time homebuyer program. Additionally, the HFA works closely with the County in the disposition of surplus lands designated for affordable housing.



Increase the availability of affordable housing



Financing for owner-occupied single-family and multi-family housing units



Fund the Emergency Repair Program + other housing activities



First-time homebuyer program partner



Disposition of surplus lands for affordable housing

Tax Exempt Bonds

The HFA of Leon County may issue tax-exempt bonds to provide funds for below market rate mortgages to homebuyers and financing of affordable rental developments.

Since its creation, the HFA has issued or joined with other counties to issue single-family mortgage revenue bonds. The HFA currently continues its long-term partnership with the Escambia County Housing Finance Authority to issue single family mortgage revenue bonds, or to finance homeownership in using other methods. From 2012 to present, there have 410 loans made representing \$47.8 million of mortgages in Leon County.

The HFA of Leon County has issued multifamily bonds to finance the construction or acquisition and rehabilitation of apartment complexes. Because the interest paid to the investors who buy these bonds is exempt from federal income tax, the interest rate on the mortgage to the developer is generally lower than conventional interest rates. More importantly, tax-exempt bonds bring automatic federal Housing Credits to each deal—providing private sector equity investment that makes the transaction economically feasible.

By federal law, developments financed through the issuance of tax-exempt bonds include a requirement that a certain percentage of units be set aside for specific percentage levels of the local area median income. The development is also required to remain affordable for a specific period of time.

The HFA encourages investment by private enterprise and stimulates construction and rehabilitation of housing through use of public financing. The HFA is authorized to issue and sell bonds but must seek BOCC approval for each bond issue.

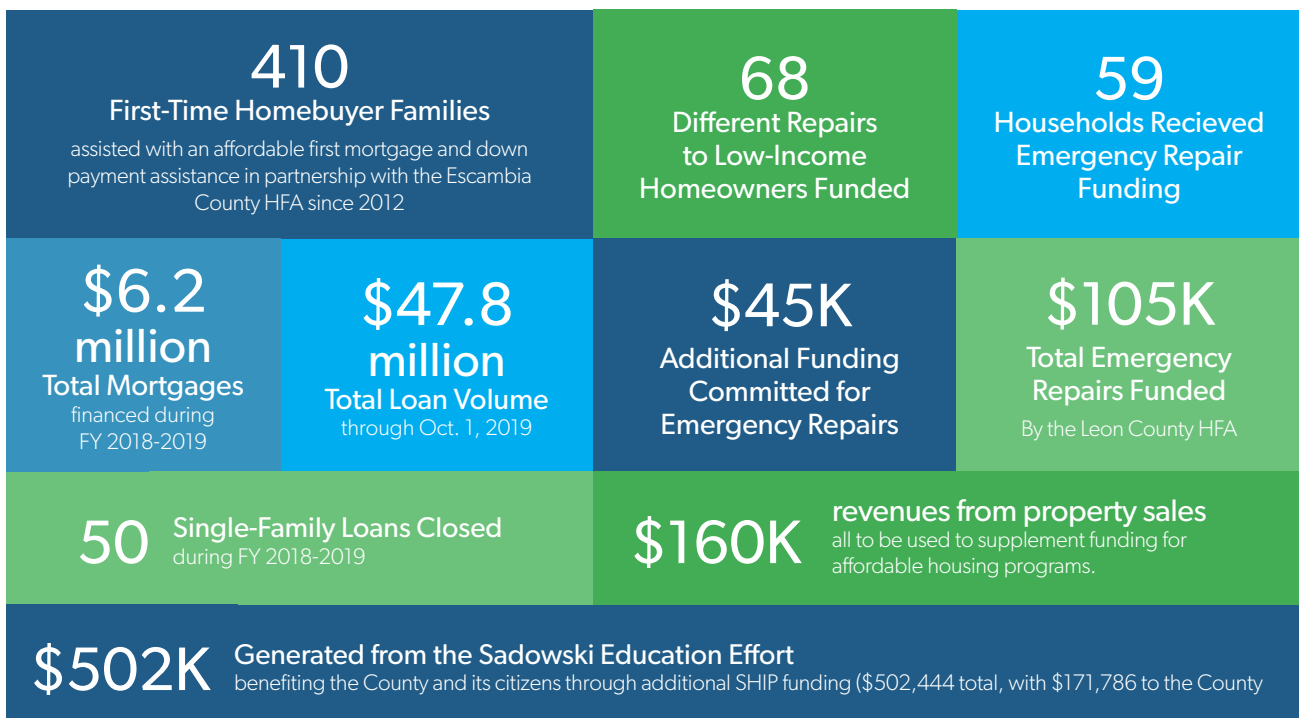
The HFA developed a rental bond application and handbook and is open to developer applications for bond financing.

Analysis

Over the last year, the HFA of Leon County has been working with its Financial Advisor to seek additional funding for its established programs. It is important to note that almost all HFA funding must be self-generated. While putting new processes in place, the HFA continued serving the citizens of Leon County in the areas of technical assistance, public policy, and moving affordable housing efforts forward.

Notable Successes for Fiscal Year 2018-2019

- Partnership with Escambia County HFA since 2012 has provided 410 first-time homebuyer families with an affordable first mortgage and down payment assistance. The total loan volume is \$47.8 million (through October 1, 2019). During FY 2018-2019, 50 single family loans closed, with a total mortgage amount of \$6.2 million.
- Funded Emergency Repairs for 59 households, making 68 different repairs to low-income homeowners. Committed an additional \$45,000 to fund emergency repairs identified by Leon County Housing Services Department—bringing the total emergency repairs funded by the HFA to \$105,000.
- Coordinated efforts and structured a procedure working with County staff for property disposition which resulted in over \$160,000 in revenues from property sales—all to be used to supplement funding for affordable housing programs.
- Developed a system for tracking single-family outstanding mortgages that utilized funds for down-payment assistance
- Participated in the Housing Leadership Council for Leon County and other activities as requested by Leon County Housing Services
- Helped protect Leon County/City of Tallahassee from Florida Housing Finance Corporation (FHFC) attempt to implement the application of Limited Development Area (LDA) status to Leon County & the City of Tallahassee. If the County had been designated as an LDA, funding from FHFC would have been severely restricted or eliminated.
- Participated in the funding of Sadowski Education Effort benefiting the County and its citizens through additional SHIP funding (\$502,444 total, with \$171,786 to the County and \$330,658 to the City of Tallahassee).
- Successfully implemented the HFA's independent status which began on October 1, 2017.



Detailed Explanations of FY 2018-2019 Successes



1. **Partnership with Escambia County HFA since 2012 has provided 410 first-time homebuyer families with an affordable first mortgage and down payment assistance.** The total loan volume has been \$47.8 million (through October 1, 2019). During FY 2018-2019, 50 single family loans closed, with a total mortgage amount of \$6.2 million. The HFA of Leon County works to market the multi-county homeownership program administered by the Escambia County HFA—resulting in millions of dollars of bank investment into our community. The program also generates a fee for the HFA which is used to market the program and support other housing programs.



2. **Funded Emergency Repairs for 59 households, making 68 different repairs to low-income homeowners.** The HFA of Leon County has an ongoing program that funds small-scale emergency repairs that cannot be handled by other county funding sources or cannot move through the county process quickly enough. An example might be a roof repair, septic tank pump-out, or air conditioner replacement in the summer for an elderly homeowner. There is a limit on available funds per event. The HFA Board has provided funding for this effort since 2016 in a total amount of \$105,000, with another \$50,000 committed for FY 19-20. In Fiscal Year 2018-2019, 59 homeowners were served with the HFA contributing \$45,000. The most common repairs were tarps (28) and septic tank pump-outs (24). All of the repairs are made to residences occupied by low income homeowners.



3. **Coordinated efforts and structured a procedure working with County staff for property disposition which resulted in over \$160,000 in revenues from property sales—all to be used to supplement funding for housing programs.** The BOCC can dispose of properties for the purpose of affordable housing. A streamlined system has been implemented by the County resulting in the ability to sell or donate designated properties for affordable housing use, or sell surplus properties with the sale proceeds being used to support affordable housing programs. The coordination of the County staff and the HFA Board and financial advisors has resulted in the property sales whose proceeds have been used to fund affordable housing activities. Once sold, the funds are reserved to ensure that all funds are utilized as required by law.

In FY 2018-2019, one of the affordable housing properties was donated to Habitat for Humanity who constructed a home for a low-income homebuyer. Property sales during the fiscal year totaled \$160,000, with the monies used to fund emergency repairs and other housing programs.



4. **Developed a system for tracking single family outstanding mortgages that utilized funds for down-payment assistance.** From 1996-2006, soft second mortgage loans were made by the HFA to enable and assist first time homebuyers. Due to various changes in County and HFA staff, these were not tracked and captured in an organized and trackable system. The financial advisors, working with County staff, have been able to create an ongoing and trackable system. The HFA and County entered into an interlocal agreement. With this system now in place, funds have been recovered and a tracking system is in place to track loans as they are satisfied. In FY 2018-2019, one loan for \$4,950 was repaid.



5. **The HFA Board members have participated on the Housing Leadership Council for Leon County and other activities as requested by Leon County Housing Services.** The HFA continues to work with Leon County Housing Services as well as the Real Estate Division in various capacities. The coordination includes funding of emergency housing needs, CDBG repairs, funding of other County activities, and participation with the County on multiple committees. HFA Board members have participated on County selection committees including one selecting a Community Land Trust, and have formed their own Real Estate Committee to better coordinate activities related to the disposition of surplus lands.



6. **Helped protect Leon County/City of Tallahassee from Florida Housing Finance Corporation attempt to implement the application of Limited Development Area Status to Leon County & the City of Tallahassee. Limited Development Areas (LDA's) are counties or portions of counties where applications for SAIL and 9% Housing Credits are prohibited by FHFC due to their concern for a weak market.** FHFC proposed that all of Leon County be designated as an LDA. The HFA, County and City staff analysis was that the occupancy data used by FHFC was faulty and included lease up period figures as well as including developments where occupancy issues are related to management, physical condition and/or location – not the market for affordable housing. HFA staff, coordinating with City and County staff, were successful in providing data that removed Tallahassee/Leon County from Limited Development Area status. If the comments and data had not been provided, any affordable housing development in Leon County would have been ineligible for funding through the affordable housing programs administered by FHFC.



7. **The HFA of Leon County participated in the funding of Sadowski Education Effort benefiting the County through additional SHIP funding benefiting the citizens of Leon County.** The main source of funding for housing efforts statewide are the Sadowski Housing Trust Funds, which provide the money for the SHIP Program. Unfortunately, the legislature often sweeps some of these funds, and a legislative educational effort is funded by County HFA's (including the HFA of Leon County) to advocate for the use of all Sadowski funds for affordable housing programs. If fully funded in FY 2020-2021, \$3,496,730 would come to Tallahassee-Leon County, with the County receiving \$1,194,506. Even with the sweeps, the Sadowski Education Effort resulted in \$502,444 coming to our community, with \$171,786 to the County.



8. **Successful implementation of independent status granted to the HFA beginning October 1, 2017.** The HFA successfully implemented its independent status, as was evidenced by the “clean” audit issued by the HFA's independent auditor for FY 17-18. Additionally, the HFA produces monthly balance sheets, income and expense reports, and year-to-date budget v. expenditures that are HFA specific. The HFA is also compliant with all Special District requirements, including publication of Board materials on the website seven days in advance of Board meetings.

Future Plans for the HFA of Leon County

Magnolia Terrace

The HFA of Leon has been working with a developer who is using bond financing to rehabilitate an older multifamily property (built in 1972). The closing of this difficult financing is scheduled for early 2020. When complete, the financing will provide an overdue rehabilitation for 108 units. According to the preliminary credit underwriting report, rehabilitation costs will exceed \$5.2 million or \$48,000 per unit—up slightly from initial estimates. This rehabilitation will bring the property up to ADA code, upgrade energy efficiency, add safety features, and make significant improvements within the units. The financing will have a total development cost of \$21.3 million (acquisition of property, rehabilitation and other costs), and will have a total economic impact on the community of over \$40 million.

The Community Land Trust (CLT)

The newest efforts include the HFA's participation in the creation of a Community Land Trust (CLT) which will benefit the citizens of Leon County by having long term affordability for housing in the community. This effort is led by Housing Services, and the HFA is working to support these efforts.

The HFA will play an important role in the development of the CLT. Under the Leon County Real Estate Policy No. 16-5, the HFA has the first right of refusal to partner with the County on the sale, lease, or donation of the County owned parcels deemed appropriate for affordable housing. Additionally, the HFA could strategically and financially partner in the development of permanent affordable home ownership and rental housing through the CLT.

Other Plans

The HFA of Leon County has and will continue to work with County staff to implement public purpose priorities set by the BOCC. An example would be the meetings held with the Housing Authority to assist in the thought process for funding of the Orange Avenue Development Project and exploring any way the HFA could participate.

The HFA operates as an independent entity, but contracts with a Financial Advisory, Legal Counsel and Auditor to conduct its legal, financial and public policy obligations.

The Authority interacts with the Office of Human Services and Community Partnerships under the direction of Shington Lamy for housing policy and programs and with the Office of Financial Stewardship under Scott Ross for the disposition of properties designated for affordable housing.

In the coming year, the HFA will continue to market the single-family programs, work with local groups for potential partnerships with for the Affordable Housing Disposition program, and be responsive to opportunities to promote, facilitate, and foster affordable housing in Leon County.

HFA of Leon County Board

2018-2019

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