



Housing Finance Authority of Leon County

ANNUAL REPORT

FY 2019-2020

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 Chapter 159 Part IV, Florida Statutes. As a result, the HFA began to operate as an independent entity with a separate budget and ability to set its own procurement policies. It is not funded through the County budget. 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.

OPPORTUNITIES TO

Available Affordable Housing in Leon County



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

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 by offering them for sale for the development of affordable single-family homes.

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Tax Exempt Bonds

The HFA of Leon County is authorized to 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 using other methods. From 2012 to present, there have been 428 loans made representing \$50.67 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. Applications can be received throughout the year and are reviewed for feasibility and public purpose (benefit). This program offers the opportunity to provide multifamily housing with little to no local funding by utilizing federal resources

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 2019-2020

- Multifamily Bond Activity – Magnolia Terrace acquisition and rehabilitation of existing 108-unit development through tax exempt bond financing; Induced Magnolia Family – Joint Venture with Tallahassee Housing Authority and private developer which should close in 2021
- Partnership with Escambia County HFA since 2012 has provided 428 first-time homebuyer families with an affordable first mortgage and down payment assistance. The total loan volume is \$50.67 million (through October 1, 2020). During FY 2019-2020, 18 single family loans closed, with a total mortgage amount of \$2.9 million.
- Funded Emergency Repairs for 72 households, making 84 different repairs to low-income homeowners. Committed an additional \$53,000 to fund emergency repairs identified by Leon County Housing Services Department—bringing the total emergency repairs funded by the HFA to date \$170,080.
- Coordinated efforts and structured a procedure working with County staff for property disposition which resulted in over \$419,181 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 with the City of Tallahassee and the county meetings concerning Orange Avenue Redevelopment; working with the Public Housing Authority and private developers to educate and offer financing assistance; and other activities as requested by Leon County Housing Services
- Worked closely with the Florida Housing Finance Corporation to ensure that HFA of Leon can continue to provide affordable housing to the community through participation. 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.
- Successfully implemented the HFA's independent status which began on October 1, 2017 which has included an independent audit that has been completed timely for the last two years and is provided to the County for consolidated reporting purposes.
- Implemented a Communication Media Technical Meeting policy to accommodate COVID-19 requirements
- Working with other County, City and private sector partners to look for ways to deal with COVID-19 and other issues confronting our community.



428

First-Time Homebuyer Families

assisted with an affordable first mortgage and down payment assistance in partnership with the Escambia County HFA since 2012

\$2.9 million

Total Mortgages

financed during
FY 2019-2020

\$50.67 million

Total Loan Volume

through Oct. 1, 2020

18

Single-Family Loans Closed

during FY 2019 -2020

84

Different Repairs to Low-Income Homeowners Funded

72

Households Recieved Emergency Repair Funding



\$53K

Additional Funding Committed for Emergency Repairs

\$170K

Total Emergency Repairs Funded

By the HFA of Leon County

\$419K

revenue from property sales

to be used to supplement funding for affordable housing programs

How Bonds Make a Difference

Tax-exempt bonds for rental housing can make a real difference in the community. Bonds are a limited resource — with the federal government setting a cap on the dollar volume of bond sales within every state each year. However, bonds are complex and do not work for small developments. They are loans from investors to the developer (new construction or rehabilitation) of apartments — not grants. Each deal must be economically viable.

Bonds can help make that happen in two ways. First, the tax-exempt nature of the bonds can produce a loan interest rate below market. Secondly, and of more importance, when tax exempt bonds are used, they also bring federal tax credits to the deal. The tax credits are sold to investors who provide equity to the development in exchange for the tax credits. For many years, Leon County did not have an active bond program, but that has ended with the new activities of the HFA of Leon County.

Detailed Explanations of FY 2018-2019 Successes

1. Multifamily Bond Activity

Magnolia Terrace acquisition and rehabilitation of existing 108-unit development through tax exempt bond financing; and Induced Magnolia Family – Joint Venture with Leon County Housing Authority and private developer which should close in 2021.

The HFA's goal has been to provide more affordable housing for families in Leon County. One of our most underutilized tools that has been our ability to issue tax exempt bonds. There have been obstacles that prevented the use, but the HFA has been able to overcome the issues, through structural and operational, changes and efforts. Since these transactions are market sensitive, the current market allows for the opportunity to build properties utilizing the tax-exempt bond structure. The culmination of those efforts allowed us to close our first tax exempt bond transaction in 16 years. These changes included:

- Updating our bond application each year and issuing an open ended RFA
- Ensuring that our application is consistent with FHFC guidelines enabling the developer to access funds to help subsidize their developments
- Working with FHFC to insure there are no requirements in their rules that exclude Leon County from the source of funds (i.e. Limited Development Areas)
- Coordinating County and City efforts to leverage all resources to benefit our community

The efforts have led to Magnolia Terrace, Magnolia Family, Magnolia Senior and Magnolia Family housing. See next page for details.

What is a Ground Lease?

In a typical rental development, the land is purchased by the developer of the apartments as part of the financing. However, in some cases, the land is leased for 99 years to the developer by the current owner. This is a "ground lease". This structure is used where the land is owned by a public or non-profit entity such as a public housing authority—and makes sure that the development and any replacement housing in the future remains affordable.



FAMILIES

Magnolia Terrace

108 Units

Closed in
April 2020

Built in 1972, the rehabilitation costs will exceed \$5.2 million or \$48,000 per unit. The 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 following three properties are joint ventures with Tallahassee Housing Authority and a private developer. They all will be utilizing a ground lease from the Tallahassee Housing Authority.

FAMILIES

Magnolia Family

130 units

Estimated Closing
Date May 2021

This will be a new construction property and serving families containing five residential buildings located at Canton Circle, 150' SW of the intersection of Canton Circle and Country Club Drive. Our efforts to coordinate with the FHFC funding sources, allowed the property to be eligible and awarded \$6,211,577 SAIL/ELI funds. These funds as well as \$1,650,000 of City of Tallahassee funds, projected use of \$15,000,000 of tax-exempt bonds and \$9.0 of tax credit equity will all be necessary to accomplish this new construction. It is presently moving with the underwriting process which will determine the details and final cost and funding amounts. When built, there will be an agreement (Land Use Restriction Agreement – LURA) which will require 50 years of affordability.

SENIORS

Magnolia Senior

110 units

Estimated Closing
Date November
2021

Magnolia Senior (Elderly Demographic) is new construction and will be one three story residential building with an elevator located on Sebring Ct., NE of intersection of Sebring and County Club Drive. This development will utilize SAIL, 4% credits, Tax Exempt Bonds and City of Tallahassee funding to structure the financing. HFA of Leon will be issuing the bonds if the other funds are secured. Columbia Residential of Atlanta, GA will partner with Tallahassee Housing Authority to build this property. When built, there will be an agreement (Land Use Restriction Agreement – LURA) which will require 50 years of affordability.

FAMILIES

Magnolia Family II

160 units

Estimated Closing Date
November 2021

Magnolia Family II (Family Demographic) is new construction and will have six three story residential buildings located at Country Club Dr., SW of the intersection of Country Club and Putnam Drive. This development will utilize SAIL, 4% credits, Tax Exempt Bonds and City of Tallahassee funding to structure the financing. HFA of Leon will be issuing the bonds if the other funds are secured. When built, there will be an agreement (Land Use Restriction Agreement – LURA) which will require 50 years of affordability.

2. **Partnership with Escambia County HFA since 2012 has provided 428 first-time homebuyer families with an affordable first mortgage and down payment assistance.** The total loan volume is \$50.67 million (through October 1, 2020). During FY 2019-2020, 18 single family loans closed, with a total mortgage amount of \$2.9 million. The total loan volume has been \$50.67 million (through October 1, 2020). 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..
3. **Funded Emergency Repairs for 72 households, making 84 different repairs to low-income homeowners. Committed an additional \$53,000 to fund emergency repairs identified by Leon County Housing Services Department—bringing the total emergency repairs funded by the HFA to date \$170,080.** 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 \$170,080, with another \$50,000 committed for FY 20-21. In Fiscal Year 2019-2020, 13 homeowners were served with the HFA contributing \$53,000. The most common repairs were tarps, septic tank pump-outs, and HVAC repairs. All of the repairs are made to residences occupied by low income homeowners. This program also allows the HFA funds to be utilized while waiting for other state dollars coordinating efforts and serving the community
4. **Coordinated efforts and structured a procedure working with County staff for property disposition which resulted in over \$419,181 in revenues from property sales—all to be used to supplement funding for affordable 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. During this fiscal year an RFA was issued, allowing the use of a realtor to list the properties which increase property sales have exponentially.
5. **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.
6. **Participated with the City of Tallahassee and the county meetings concerning Orange Avenue Redevelopment; working with the Public Housing Authority and private developers to educate and offer financing assistance, and other activities as requested by Leon County Housing Services. In addition, the HFA Board members have participated in Community Meetings 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.

- 7. Worked closely with the Florida Housing Finance Corporation to ensure that HFA of Leon can continue to provide affordable housing to the community through participation 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. 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. In 2019, 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. This requires ongoing monitoring and in 2019-2020 the decisions made in 2018 have held and left Leon County the ability to participate ability in funding cycles.
- 8. Successfully implemented the HFA's independent status which began on October 1, 2017 which has included an independent audit that has been completed timely for the last two years and is provided to the County for consolidated reporting purposes.** 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 and FY 18-19. 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.
- 9. Implemented a Communication Media Technical Meeting policy to accommodate COVID-19 requirements.** With the onset of COVID-19 in March of 2020, all public agencies had to consider the health of its Board members and participants in regard to public meetings. The Governor issued an Executive Order that permitted governmental bodies to meet by phone or meetings online (i.e. Zoom, Webex). Policies had to be put in place quickly to accommodate the new format and posted so that the general public were able to continue to participate in public meetings. This policy is now available for any future issues that may arise.
- 10. Working with other County, City and Private Sector partners: The HFA designates a member to participate on the County CDBG Advisory Committee and Housing Leadership Council, and is looking for ways to expand cooperation with both the County and City AHAC's. The goal is for policy makers and on-the-ground housing providers to understand what the HFA programs can do to address the housing crisis that faces our community.**

What is a Community Land Trust (CLT)?

A community land trust (CLT) is an affordability mechanism that separates the ownership of land from the improvement (home) to make housing affordable for lower-income homebuyers. Typically, a CLT is formed as a community-based nonprofit organization with a mission to increase the supply of affordable housing in perpetuity.

The CLT model ensures permanent affordability by separating the title to the land from the home. The cost of land is one of the greatest barriers to developing affordable housing. By excluding the price of the land from the cost of the home, CLT homes can be less expensive. CLTs can acquire land through land donations from local governments and private individuals/entities or with funding from public, corporate, and philanthropic sources.

The CLT retains ownership of the land and sells the improvements to a lower-income buyer while leasing the land to the homebuyer using a 99-year ground lease that is both renewable and inheritable. The ground lease allows the nonprofit to limit the resale value of home and preserve the home for future lower-income buyers. This keeps homes from re-entering the speculative market, so homes remain permanently affordable. Alongside additional subsidies such as SHIP, CDBG, and HOME, the CLT model dramatically reduces the overall purchase price of a home, provides an affordable alternative to renting, and allows CLT homeowners to build equity which they can use towards the purchase of a market rate home in the future, if they choose to sell.

Future Plans for the HFA of Leon County

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. More information about CLTs is available in the sidebar on this page.

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
2019-2020

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