

FY 2021-2022 ANNUAL REPORT

HOUSING FINANCE AUTHORITY OF LEON COUNTY

I. Background

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 (including within the City of Tallahassee) 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, requirement for an annual independent audit, and requirement for an annual report to the Board of County Commissioners.

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

II. Programs and Services

The mission of the HFA is to finance apartments affordable to low- and moderate-income families and seniors and to assist first-time homebuyers with the purchase of a home. 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 to right-size subsidies to rental developments and in the disposition of surplus lands designated for affordable housing.

III. Tax Exempt Bonds

The HFA of Leon County issues 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 or provide loans to first-time homebuyers via other programs. The HFA currently continues its long-term partnership with the Escambia County Housing Finance Authority to provide home loans to first-time buyers

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 has adopted policies that require significantly longer affordability periods than the minimum federal requirement.

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.

The economic environment influences the viability of tax-exempt financing for both single and multifamily programs. The last few years has been a positive economic environment for multifamily housing and the HFA positioned its programs and guidelines to take advantage it.

IV. Notable Successes for Fiscal Year 2021-2022

Multifamily (Rental Housing) Activity:

- **Rental Development Policies:** The HFA of Leon County has adopted policies that require developments receiving HFA financing to have a much greater public policy component than the minimum required by federal law. All HFA bond financings require 50 years of affordability, as compared to the federal 15-year requirement. Additionally, the HFA requires multiple resident programs to be provided as well as significant development and unit amenities and energy efficiency features—none of which are required by federal law. As a result, HFA financed properties are of a higher standard than those financed with only the minimum federal requirements and are affordable for a much longer period.
- **Tallahassee Affordable Housing Portfolio:** This acquisition/rehabilitation rental development bond sale provided \$73.93 million of bond financing from the HFA of Leon County, closed in April. This entailed the acquisition and rehabilitation of three previous student housing properties which were repurposed as family housing. This created 470 units of family housing immediately that is now upgraded and set aside for affordable housing for the next 50 years. This was an unusual financing for an HFA as it did not require bond allocation due to its 501(c)(3) status and ability to access bonds without allocation due to tax code.
- **The Magnolia Family I:** This new construction rental development bond sale provided \$18.9 million of bond financing from the HFA of Leon County, closed in August. When

completed, it will provide 130 units of family housing as the first phase of the Orange Avenue redevelopment. The total development cost is \$37.7 million, with funding from 9% Housing Credit equity, SAIL, Leon County, the City of Tallahassee and the Tallahassee Housing Authority. The coordination between Leon County, The City of Tallahassee, the Tallahassee Housing Authority and the HFA made this financing possible.

Additionally, the HFA and its credit underwriter worked with the County and City to “right-size” the local subsidy for this development—giving the developer what was needed as opposed to what was requested initially. This HFA activity saved over \$1.5 million of public funds.

- **Ridge Road** is a new construction family housing property that will be both garden style and townhomes and has received SAIL financing providing for a total of 250 units. It is expected to close in February of 2023.
- **New TEFRA Process:** For tax-exempt financing, the federal law requires that a public hearing be held prior to approval of the financing. “TEFRA” is the term used for the hearing and approval process and comes from the Tax Equity and Fiscal Responsibility Act (TEFRA) which initiated the public hearing and approval requirements. After discussions with the Leon County Board of County Commissioners (BOCC) and County administration, the HFA changed its TEFRA procedures to ensure greater access for public comment. In addition to a call-in option for the public hearing:
 - TEFRA hearings to be held in-person
 - TEFRA hearing notices to be posted for at least 10 days on the website of the HFA and in local newspapers (Tallahassee Democrat and Capital Outlook)
 - TEFRA hearings to remain open for 30 minutes minimum
 - The HFA is also meeting with the County MWSBE to determine opportunities to incorporate MWSBE targets into the HFA’s development process.

Homeownership Activity: Nine families purchased their first home using \$1,427,563 million from the program. From 2012 to present, 462 loans were made using \$55.427 million of mortgages in Leon County. The program is operated by the Escambia County HFA, who provide both the first mortgages and down payment assistance loans to the homebuyers in Leon County. The program was approved via an interlocal agreement between the Escambia County HFA and the Leon County Board of County Commissioners (BOCC).

Emergency Repair Program: Funded Emergency Repairs for 20 households using \$131,981. Since its beginning in 2016, 110 households have received \$377,061 of emergency repairs. The program was expanded to focus on low-income elderly persons owning mobile homes in need of repairs. The HFA committed an additional \$75,000 for the program in FY 22-23. The program is administered by the County.

Property Sales: Coordinated efforts with County staff for property disposition which resulted in \$30,468 in revenues from the sale of four properties in FY 21-22. Since its inception, \$656,933.71 of revenue has been generated from the sale of 102 parcels designated by the County for affordable housing. All of the revenues have or will be spent on direct housing activities, such as the Emergency Repair Program and local contributions for developers seeking SAIL or 9% Housing Credits from the Florida Housing Finance Corporation.

SAIL Application: The HFA has been able to provide required local contribution for local applicants to the SAIL program (Florida Housing Finance Corporation rental gap financing for use with HFA of Leon County bonds), increasing the opportunity for priority properties to be competitive.

Local Government Area of Opportunity Funding (LGAOF) The City and County have asked the HFA to administer their application process for selection a local preference development for a 9% Housing Credit application to the Florida Housing Finance Corporation. The HFA has issued a NOFA and will make a recommendation to the local governments who would make the ultimate funding decision.

V. Future Plans for the HFA of Leon County

Working with Leon County and the City of Tallahassee to “Right-size” Subsidy

Developers most often need gap financing to make a rental development work. Gap financing means the funding required after bond/bank debt, tax credit equity and Florida Housing Finance Corporation SAIL funding—and it most often provided by local governments. However, developers often overstate the level of gap financing needed, underutilizing bond or bank first mortgage debt and/or deferred developer fee. This is a complex situation of providing enough gap financing, but not wasted public resources that could be used on future affordable housing developments by over subsidizing the transaction.

The HFA and its credit underwriter have the technical expertise to make this type of evaluation. It was first used on the Magnolia Family I transaction and has continued on Magnolia Family II. This is a true partnership between Leon County, the City of Tallahassee and the HFA—one that has resulted in savings millions of dollars for future affordable housing needs.

The Community Land Trust (CLT)

The HFA continues to participate in the County and City’s effort to nurture a successful 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.

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 create opportunities for more affordable multifamily properties, to take advantage of market opportunities to encourage production or rehabilitation serving both family's and senior members of the community. In addition, 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 2020-2021

Chairman, Dr. Jeffrey Sharkey
Vice Chair, Mike Rogers
Secretary, Chuck White
Treasurer, Andrew Gay
Member, Marnie George
Member, Tom Lewis
Member, Gail Milon

Financial Advisors:

Mark Hendrickson
Susan Leigh

Legal Counsel:

Nabors Giblin, Mark Mustian