

# FY 2023-2024 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 Leon County Board of County Commissioners “BOCC”).

A seven-member volunteer board has been 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 2023-2024**

##### **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.
- **Lake Bradford:** This 158-unit new construction family housing property will be a four-story mid-rise with an elevator. It has received a SAIL loan of \$7,146,000 from FHFC, \$1,000,000 from the City of Tallahassee and a small HFA loan request which enabled this property to receive SAIL. The HFA will provide \$35 million of tax-exempt bonds with the financing scheduled to close in December 2024 (1131 & 1139 Kissimmee Street).
- **Ridge Road:** This 250-unit new construction family housing property will be both garden style and townhomes and has received \$51 million of HFA bond financing, along with SAIL financing of along with \$9.8 million. It closed on March 8, 2023, and is currently nearing completion (85% complete).

- **Tallahassee Affordable Housing Portfolio:** This 470-unit acquisition/rehabilitation rental development bond sale provided \$73.93 million of bond financing from the HFA of Leon County, closed in April 2022. It is complete and leasing.
- **The Magnolia Family I/Columbia Gardens at South City:** This 130-unit new construction rental development bond sale provided \$18.9 million of bond financing from the HFA of Leon County and closed in August 2022. It was completed and leased this year as the first phase of the Orange Avenue redevelopment. The total development cost is \$37.7 million, with additional funding from 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.

- **Mixed Income Developments:** The HFA’s developments are mixed income, serving a wide range of households. Research has shown that avoiding a concentration of extremely low-income families leads to better results for both the development and the families that reside in the development. Developments have households ranging from extremely low income to market rate residents. Examples include:

	Lake Bradford	Ridge Road	Magnolia Family/Columbia Gardens at South City	Tallahassee Affordable (3 developments)
Total Units	158	250	130	470
Units < 30% AMI	39	41	0	0
Units < 33% AMI	0	0	13	0
Units < 50% AMI	0	0	0	94
Units < 60% AMI	17	86	117	0
Units < 70% AMI	87	123	0	0

Units < 80% AMI	15	0	0	259
Market		0	0	117

Note: 62 units at Magnolia Family, 41 units at Ridge Road, and 39 units at Lake Bradford have project-based rental assistance, meaning that residents of those units pay only 30% of their income as rent, with the remainder paid by a federal subsidy.

- **Minority and Women and Owned Business or Small Business (MWSBE) Participation:** The HFA encourages developers to involve minority and women owned businesses and small businesses in the construction of the developments financed by the HFA. The HFA Board is studying ways to improve this component of the HFA’s policies. However, on the last two financings, there has been significant MWSBE participation:

	Ridge Road	Magnolia Family
Percent Complete	85%	100%
Total Construction Budget	\$51,267,032	\$22,476,894
MBE (to date)	\$5,865,159 or 11.4%	\$4,219,976 or 18.8%
WBE (to date)	\$1,735,239 or 3.4%	\$3,220,201 or 14.3%
SBE (to date)	\$210,275 or 0.4%	
Total MWSBE (to date)	\$7,811,113 or 15.2%	\$7,440,177 or 33.1%

\*Construction is still underway at Ridge Road and the dollar amount and percentage of MWSBE will grow as construction is completed.

**Homeownership Activity:** Three families purchased their first home using \$484,649 from the program. From 2012 to present, 470 loans for \$56.689 million of mortgages were made 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). This year Escambia County HFA provided \$30,000 of their funds for downpayment assistance on the loans made in Leon County.

**Emergency Repair Program:** Funded Emergency Repairs for 7 households using \$78,459. Four households served were very low income and three low income—with an average household income of \$35,771. Since its beginning in 2016, 125 households have received \$520,080 for emergency repairs. The HFA committed an additional \$75,000 to the program for FY 24-25. The program is administered by the County.

**Property Sales:** Coordinated efforts with County staff for property disposition which resulted in \$156,575.49 in revenues from the sale of fourteen properties in FY 23-24. Since its inception,

\$1,068,034.44 of revenue has been generated from the sale of 143 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.

**Bond-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. Most recently, Lake Bradford Apartments received over \$7.1 million in SAIL funding as a result of the HFA's \$37,500 contribution.

**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. When requested, the HFA has issued a NOFA for this purpose.

#### **V. Other Coordinated Activities 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 bond-financed rental developments financially feasible. Gap financing means the funding required after bond/bank debt, tax credit equity and Florida Housing Finance Corporation SAIL funding—and it is most often provided by local governments. However, developers often overstate the level of gap financing needed, underutilizing the first mortgage debt and/or deferred developer fee. This is a complex situation of providing enough gap financing, but not wasting public resources that could be used on future affordable housing developments by over subsidizing the transaction.

Over the past two years, Leon County and the City of Tallahassee agreed that the HFA and its credit underwriter could utilize their technical expertise to make this type of evaluation. 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.

##### **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.

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 County and its Office of Human Services and Community Partnerships/Housing Services under the direction of Shington Lamy and Jelani Marks for housing

policy and programs and with the Office of Financial Stewardship 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 families and senior members of the community. Additionally, the Emergency Repair and Property Sales programs will be continued

**HFA OF LEON COUNTY BOARD 2023-2024**

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