

FY 2017-2018 ANNUAL REPORT

HOUSING FINANCE AUTHORITY OF LEON COUNTY

I. 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.

II. 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.

III. 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 2013 to present, there have 250 loans made representing \$28.5 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.

IV. Analysis

Over the last year, the HFA of Leon County has been working with its Financial Advisor to seek more funding for its established programs. It is important to note that the HFA funding must be self-generated, because limited funds are received for its activities from Leon County. While putting new processes in place, the HFA continued their activities which served the citizens of Leon County:

V. Notable Successes:

1. Partnership with Escambia County HFA since 2012 has provided 360 first-time homebuyer families with an affordable first mortgage and down payment assistance. The total loan volume has been \$41.6 million (through October 1, 2018). During FY 2017-2018, 56 single family loans closed in the Fiscal Year 2017-2018.
2. Committed an additional \$30,000 to fund Emergency Repairs identified by Leon County Housing Services Department—bringing the total funded by the HFA to \$60,000.

3. Coordinated efforts and structured a procedure working with County staff for property disposition which resulted in over \$106,000 in revenues from property sales—all to be used to supplement funding for housing programs.
4. Developed a system for tracking outstanding single family second mortgages which has resulted in an interlocal agreement between Leon County and the HFA to designate the ownership of the identified loans and return of funds to the appropriate entity.
5. Renegotiated agreement with Escambia County to require ongoing payments to the HFA as loans are repaid by homeowners. In addition, with a new Single-Family bond issue under consideration by Escambia County HFA, negotiated a fee for loans made in Leon County.
6. Marketed Single Family loans and down-payment through participation in Parade of Homes supporting local lender participation
7. Reviewed organization structure and activities resulting Procedures and Process put in place with amended conduit policies
8. Implemented all necessary actions with primary responsibility of HFA funds being handled by the HFA Financial Advisors and Board
9. Contribution of Local Government Funds to Leverage State and Local funds
10. Participating in Housing Leadership Council for Leon County and other Activities as Requesting by Leon County Housing Services
11. HFA of Leon participated in the funding of Sadowski Education Effort benefiting the County through additional SHIP funding benefiting the citizens of Leon County

VI. Detailed Explanation of Successes:

1. **Partnership with Escambia County HFA since 2012 has provided 360 first-time homebuyer families with an affordable first mortgage and down payment assistance.** The total loan volume has been \$41.6 million (through October 1, 2018). During FY 2017-2018, 56 single family loans closed in the Fiscal Year 2017-2018. 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 41 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, or air conditioner replacement in the summer for an elderly homeowner. There is a limit on available funds per event. The HFA Board has providing funding for this effort since 2016 in a total amount of \$60,000.

3. Coordinated efforts and structured a procedure working with County staff for property disposition for Affordable Housing

The BOCC has the ability to dispose of properties for the purpose of affordable housing. Working with County staff, the board and financial advisors created a process for property disposition to be utilized for affordable housing countywide. The County Real Estate Division were able to update their real estate policies which has resulted in additional properties being added to the list. The coordination of the County staff and the HFA Board and financial advisors have resulted in the property sales whose proceeds has been used to fund affordable housing activities. The Authority's Financial Advisors and Board Members have evaluated each property (physically visiting each property) for its best use.

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 and 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. 105 Loans are identified that belong to the HFA have a total value of \$468,197.98. Currently, 33 loans with a value of \$154,869.23 are outstanding.

5. Negotiated with Escambia HFA to receive a percentage of their fees issued on a new Single-Family Bond programs for loans made in Leon County

A new agreement was signed with the Escambia County HFA to receive a portion of the fees earned for new loans made in Leon County through any new single-family bond issue. This is in addition to an earlier negotiation wherein Financial Advisors were engaged to review existing opportunities for bringing more funds to the HFA of Leon County, which resulted in ongoing payments to the HFA as loans are repaid by homeowners The Financial Advisors also renegotiated an existing agreement with HFA of Escambia County. With funds identified from Florida Housing Finance Corporation and available after this agreement was signed, there was a windfall to Escambia County for loans made within Leon County. After this was identified, HFA of Escambia County agreed to provide those funds to HFA of Leon County as loans were repaid.

6. Marketed Single Family loans and down-payment through participation in Parade of Homes supporting local lender participation

In an effort to support the single-family loan programs administered by Escambia County HFA for homebuyers in Leon County, the Board authorized a marketing plan to participate in the 2018 Parade of Homes. This was coordinated by the HFA of Leon County working with Participating Lenders involved an ad in the Parade of Homes magazine, a radio announcement running during the weekends of the Parade, and a web page to drive traffic to the lenders. Lenders, the Authority and Escambia HFA participated financially to cover the cost of the campaign. There was an activity increase for several of the participating lenders.

7. Continued Review of Organizational Structure and adjusting as needs are identified

Additional committees have been established, such as an Audit Committee, to handle the requirement for an Annual Audit of the Authority's financial activities.

8. Implemented all necessary actions with primary responsibility of the HFA funds handled by the Authority's Financial Advisors and Board

a. Financial Statements are Produced Monthly Specific to HFA of Leon County

Previously, the HFA's budget and financial statements were provided to the HFA Board as information within the County reporting system. This did not provide the HFA Board with the information they needed in order to track and monitor their funds and expenditures. With the assistance of County staff, the Financial Advisors now present monthly statements that are reconciled monthly allowing for current data. This has been critical to decision making for this HFA Board which in the end will benefit the County's citizens

b. Compliance with Special Districts requirements

Effective October 1, 2017 a new Florida law impacting Special Districts, of which the HFA is one, went into effect. This amended the statute that governs Special Districts—detailing requirements that must be on the HFA's website. New information required as of October 1, 2017 were requirements that (1) the HFA post a list of its regularly scheduled public meetings at least 7 days before each meeting or workshop, (2) that the agenda of the event, along with any meeting materials available in an electronic format, excluding confidential and exempt information, be posted at least 7 days in advance of meetings, and (3) that contact information and terms of Board members be posted on the website. The information must remain on the website for at least 1 year after the event. These requirements have been implemented and maintained during this fiscal year.

c. Issued the first Authority RFQ for Auditor & Completion of 1st HFA Independent Audit

The HFA issued an RFA for an Auditor, resulting in HFA review of the responses and the hiring of an Auditor for Fiscal year Fiscal Year 2017-2018. The HFA utilized an Audit Committee and Legal Counsel in the process. The Audit was completed in a timely manner and presented to Leon County for incorporation into the Leon County Audit and reporting systems. No issues were identified, with a clean Management Letter.

9. Contribution of Local Government Funds to Leverage State and Local funds

In 2016, the HFA was able to make a contribution of \$37,500 (required for participation of an applicant for state and federal resources) that enabled an applicant for Florida Housing Finance Corporation funds to successfully compete for Housing Credit funds. **The property, the \$18.7 million Kenwood Place Apartments, is now built and has provided 112 units of Senior housing units. It was completed in March 2017.**

10. Participating in 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 Department as well as the Real Estate Department 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.

11. Participation in funding the Sadowski Education Efforts

The main source of funding for housing efforts statewide are the Sadowski Housing Trust Funds. The HFA helps fund the Sadowski Education Effort along with other County HFA's— which has resulted in renewed funding for the SHIP Program. For State FY 2018-2019, the HFA's investment resulted in \$490,251 coming to our community-- \$322,928 to the City of Tallahassee and \$167,323 to Leon County. The HFA is currently working to achieve full funding of SHIP for State FY 2019-2020, which would result in \$3,510,107 of SHIP funds for Leon County and the City of Tallahassee.

VII. Future Plans for the Leon HFA

The HFA of Leon County has and will continue to work with County staff to implement public purpose priorities set by the BOCC. Currently the HFA has provided input into changes in the LHAP plans, provided valuable feedback concerning multifamily activities on a state and federal level incorporating needed changes into their system in order to best position the county for federal and state affordable housing funds (Housing Tax Credits, tax exempt bonds, and SAIL), and serving as a sounding board for County affordable housing issues.

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 Housing Services under the direction of Shington Lamy and with the attorneys and staff of Leon County working with the Affordable Housing Disposition program.

In the coming year, the Authority 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.

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