

Transportation & Economic Development Appropriations Subcommittee

**Wednesday, February 16, 2011
1:00 PM - 4:00 PM
Morris Hall**

Meeting Packet

**Dean Cannon
Speaker**

**Mike Horner
Chair**



The Florida House of Representatives

Appropriations Committee

Transportation & Economic Development Appropriations Subcommittee

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February 16, 2011

AGENDA
1:00 PM – 4:00 PM
Morris Hall

- I. **Call to Order/Roll Call**
- II. **Budget Workshop**
Presentation by Agency for Workforce Innovation on School Readiness
Brittany Birken, Ph.D, Director of Office of Early Learning
- III. **Florida Housing Finance Corporation Presentation**
Steve Auger, Executive Director
- IV. **Adjourn**

School Readiness (SR) Program Overview

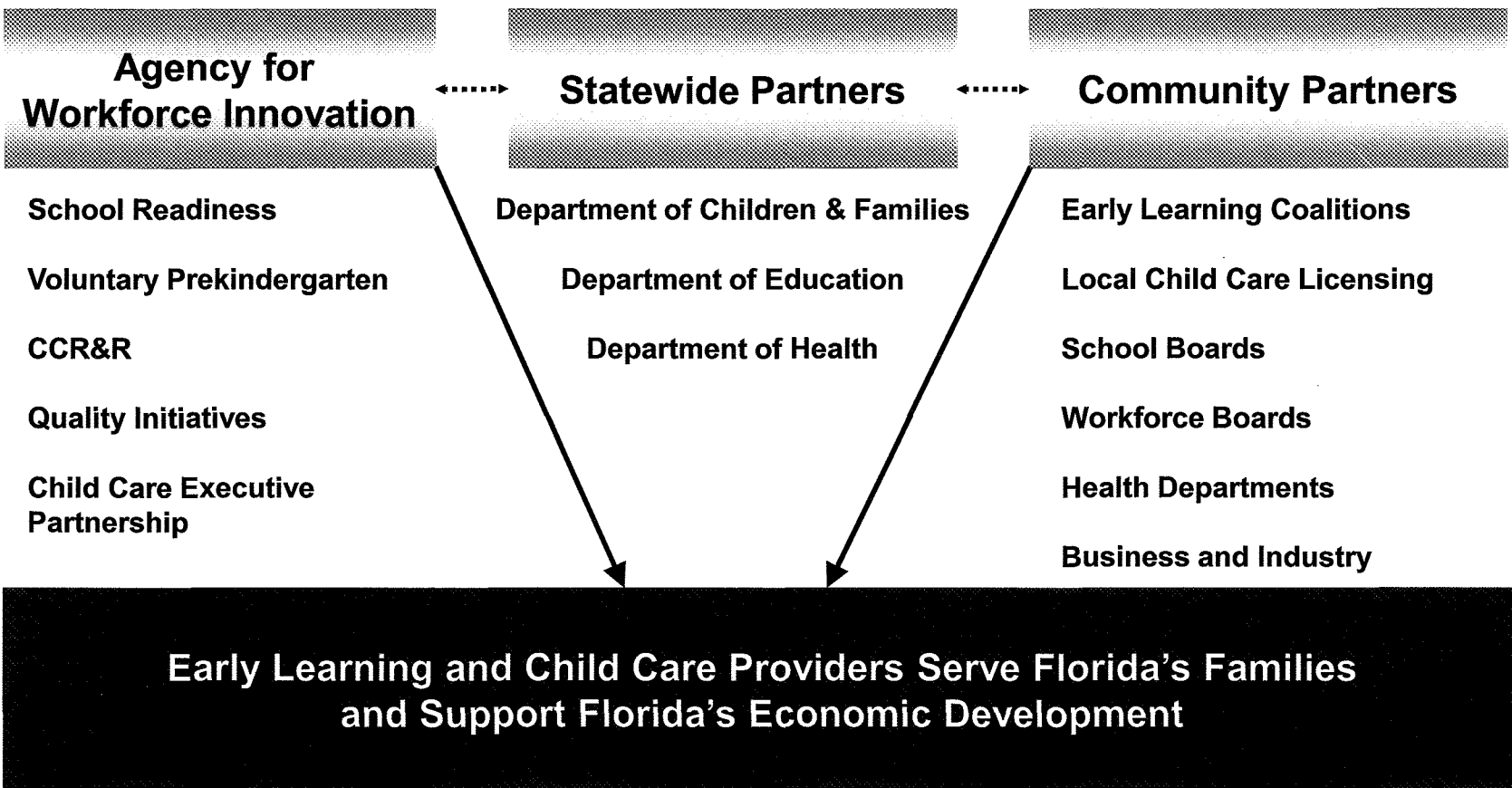
February 16, 2011



School Readiness Program

- Early Childhood Education and Child Care
 - Funded with state and federal Child Care Development Block Grant Trust Fund funds
 - For targeted populations of children based on need
- School Readiness Act
 - Section 411.01, Florida Statutes
 - Enacted in 1999 by the Florida Legislature
 - Administered by the Agency for Workforce Innovation (AWI) at the state level
 - Administered by Early Learning Coalitions at the local level

Early Learning Partnerships for Florida's Families



Florida's Early Learning System

- As the administrator of federal and state child care funds, the Agency for Workforce Innovation partners with the 31 early learning coalitions to deliver a comprehensive early learning system of services statewide.
- The early learning coalitions are able to serve children and families locally and direct funds where there is greatest need.

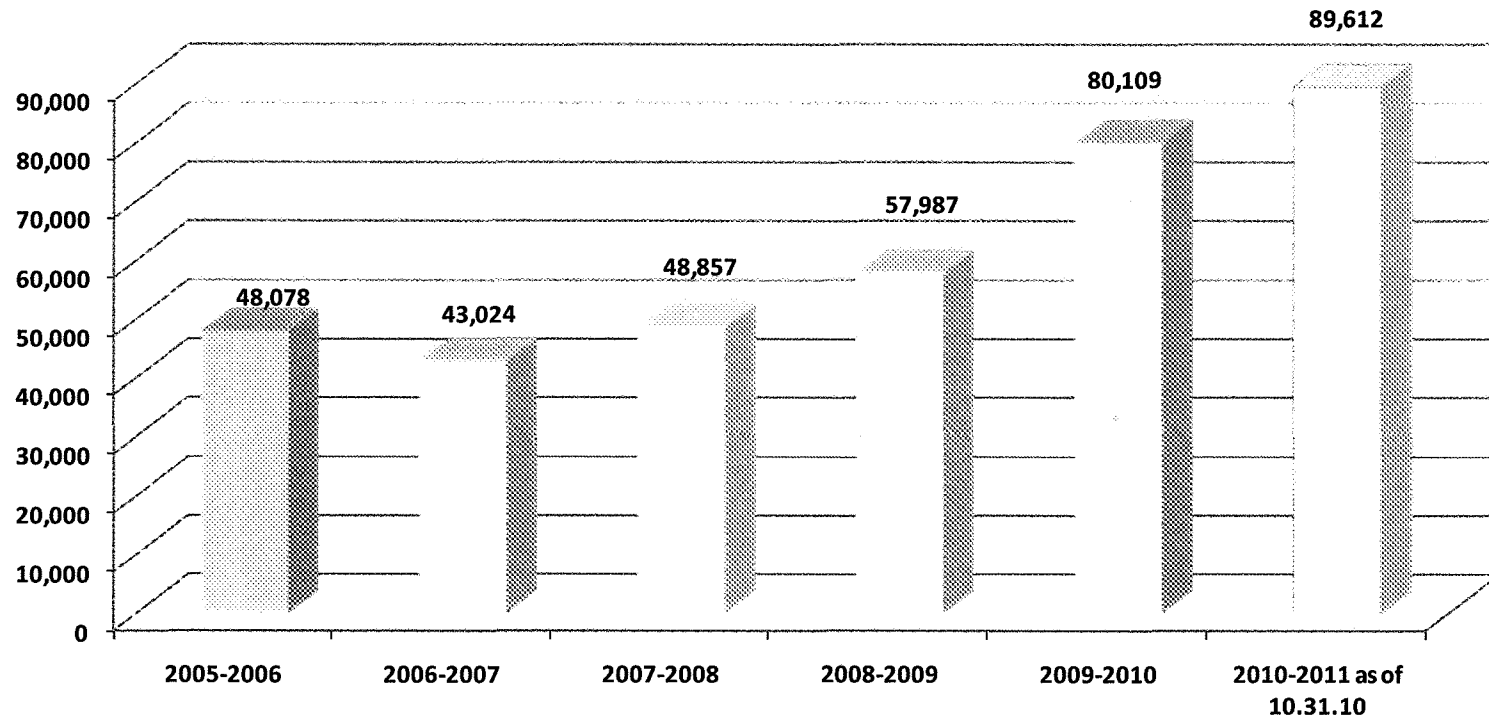
School Readiness Snapshot

- Child care assistance to income-eligible families paid to early learning providers.
- Crucial program to support Florida's economic development and family self-sufficiency goals.
- More than \$687 million in federal and state funds are spent on the School Readiness (SR) program statewide.
- More than 240,000 children received School Readiness services in FY 2009–2010.

Wait List Monthly Average

Coalitions maintain wait lists locally for eligible families.

Children on Wait List



Note: Children from Priority 1 (TCA) and Priority 2 (PS) are not placed on wait list.

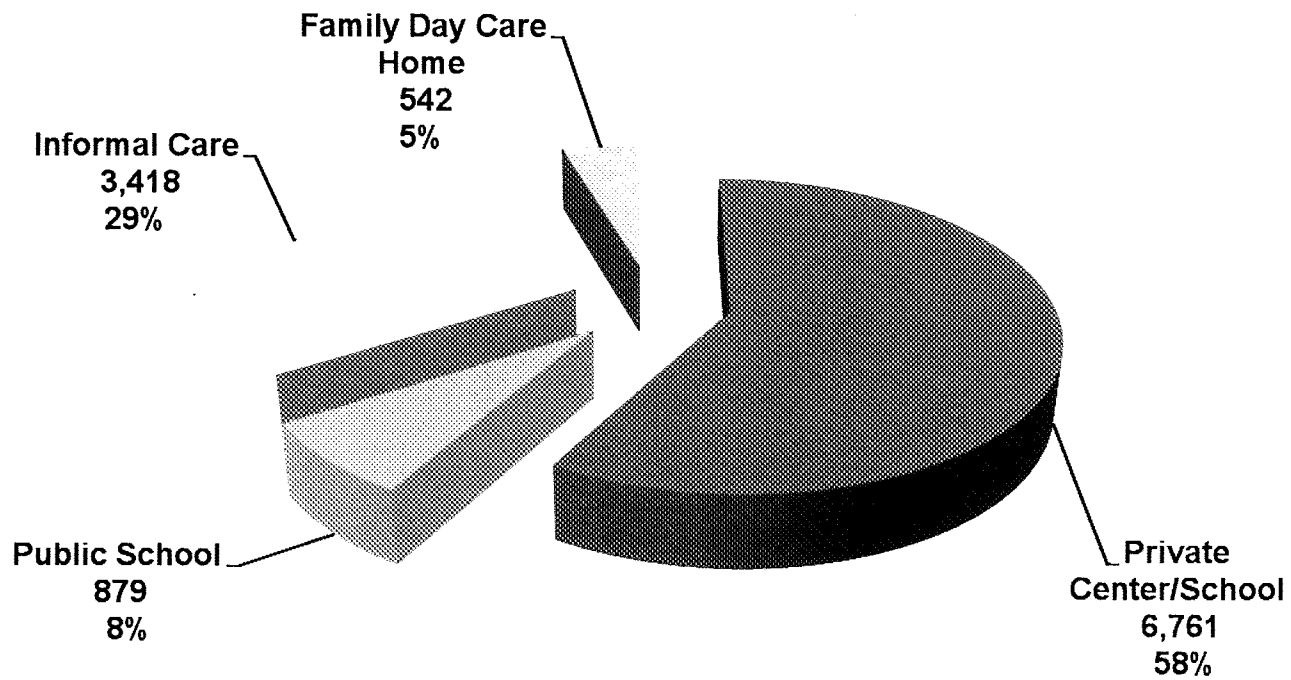
School Readiness Benefits

- Promotes economic self-sufficiency for low income working families
- Assists families in accessing quality child care options
- Supports community economic development with a strong early learning network for today's working families
- Ensures that children enter school ready to learn, preparing them for lifetime success

School Readiness Provider Requirements

- Developmentally appropriate curriculum
- Character development program
- Age-appropriate screening of each child's development
- Pre-test and post-test administered to randomly selected participants as children enter and leave programs
- Appropriate staff-to-child ratio
- Healthy and safe environment

2009-2010 School Readiness Providers by Type



Federal Match Requirements

- Any reduction in state funds results in a reduction of federal funds.
- For every \$1 million invested, Florida is able to draw down an additional \$1.2 million in federal funds.
- Loss of School Readiness services may result in unemployment and therefore increase use of other state and local government programs, including: unemployment compensation, temporary aid for needy families (TANF), temporary cash assistance (TCA), Medicaid, and food stamps.

Funding Impacts

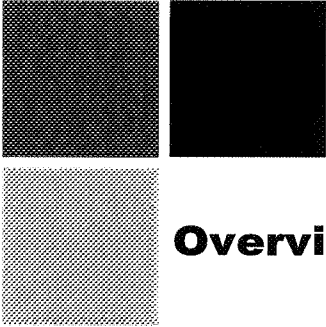
Total State Funds Invested	Federal Funds Contributed (Matching & Non-Matching)	Children Served	Potential Savings to State
\$144.6 million	\$340.7 million	240,000-250,000	\$1.1 billion

Governor's 2011-12 Recommendations

- Restores \$45m of nonrecurring state and federal funds.
- Provides 13,781 children with continued access to quality child care services.
- Ensures parents are able to maintain employment.
- Eliminates the potential need for other governmental services.



Questions?



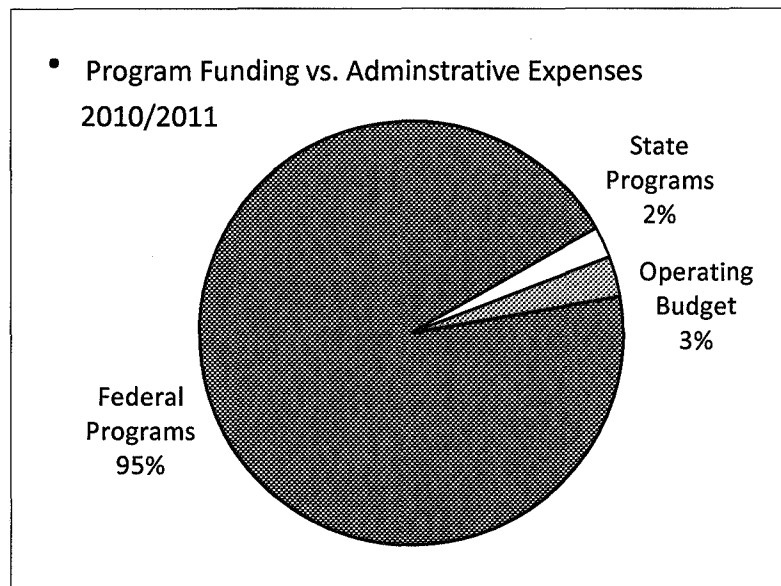
February 2011

Overview of Florida Housing Finance Corporation



Quick Facts

- **Florida Housing Finance Corporation** (Florida Housing) is a public corporation of the State of Florida and is the state's housing finance agency. As a financial institution, Florida Housing administers federal and state resources to provide low interest financing to homebuyers and to finance the development and preservation of affordable homeowner and rental housing.
- Florida Housing is not a department of the executive branch of state government, but is an instrumentality of the State.
- Amount of state General Revenue appropriated to Florida Housing annually: None.
- Number of state employees working at Florida Housing: None.



Introduction

When the 1980 Legislature created Florida Housing Finance Corporation's precursor, Florida Housing Finance Agency, the Agency was an arm of the Florida Department of Community Affairs (DCA) and its purpose as outlined in Section 420.502, F.S., was to:

- Better access federal housing initiatives;
- Stabilize the flow of funds for affordable housing;
- Promote affordable housing; and
- Boost Florida's construction industry.

As a result of revisions made by the 1997 Legislature, on January 1, 1998, Florida Housing became a public-private entity to reduce bureaucracy, streamline many administrative processes and operate more effectively within the real estate and financial markets. Two changes were particularly important in this regard: accelerated disbursement of trust fund dollars to the private sector and local governments, and elimination of duplicative services in the issuance of bonds. Funds disbursed by Florida Housing in loan closings for developments and homeowner mortgages, which took up to six weeks before Florida Housing became a public

corporation, were processed through both DCA and the Comptroller (now the Chief Financial Officer). The lengthy process was costly to private sector partners, created construction delays and slowed down implementation of local housing programs. The 1997 legislative changes authorized Florida Housing to disburse funds directly, typically within five business days. The bond issuance process also was streamlined by authorizing Florida Housing to issue bonds directly. Prior to this change, the Division of Bond Finance issued these bonds, requiring both agencies to provide staff for this purpose. The statute still requires the State Board of Administration to approve a fiscal determination for each bond issue carried out by Florida Housing.

Florida Housing is also subject to the Government-in-the-Sunshine Law, the Public Records Act, the Administrative Procedure Act, audits by the Chief Financial Officer for the State of Florida and the State Auditor General, and various other state and federal entities.

Florida Housing is not a department of the executive branch of state government within the scope and meaning of Section 6, Article IV of the State Constitution, but is an instrumentality of the State. Florida Housing is functionally related to DCA; Sections 420.0006 and 420.504, F.S., require Florida Housing and DCA to sign a performance contract outlining the conduct of business by the Corporation.

Section 420.507, F.S., assigns responsibilities to Florida Housing, which are summarized below:

- To carry out analyses of housing needs within the state and ways of meeting those needs;
- To participate in federal housing assistance and federal community development, insurance and guarantee programs;
- To develop and administer the state rental and homeownership programs as outlined by statute;
- To designate and administer private activity tax exempt bond allocation received by Florida Housing pursuant to Part VI of Chapter 159 between the single family and multifamily programs;
- To set standards for and monitor compliance of residential housing financed by Florida Housing; and
- To conduct demonstration programs and projects which further the statutory purposes of Florida Housing.

Florida Housing is governed by a nine member Board of Directors appointed by the Governor and subject to Senate confirmation, with the following interests represented pursuant to Section 420.504 (3), F.S.:

- Residential home building industry;
- Commercial building industry;
- Banking or mortgage banking industry;
- Home building labor representative;
- Low income advocate with experience in housing development;
- Former local government elected official;
- Two Florida citizens who are none of the above; and
- The Secretary of the Florida Department of Community Affairs (ex officio).

The Board typically meets eight times per year. Day to day operations are managed by Florida Housing's executive director, who is appointed by the DCA Secretary with the advice and consent of the Board, and a staff of about 120.

As a financial institution, Florida Housing works with a variety of entities to finance affordable housing: private lenders and investors, mortgage and bond insurers, the Federal Home Loan Banks, liquidity facility providers,

government sponsored enterprises (GSEs), federal agencies, for profit and nonprofit developers and property managers, local governments, public housing authorities and local housing finance authorities. In developing and implementing program priorities, the Florida Housing Board and staff must balance financial and market forces with our mission of serving Floridians who need well maintained, affordable housing. With more than 185,000 rental units currently financed and on the ground or in the construction pipeline, Florida Housing has nearly \$6.2 billion in assets. These assets are primarily in the form of loans receivable and securities resulting from single family loan transactions and are restricted by various bond indentures or by statute.

What Is Affordable Housing?

Affordable housing is defined in terms of the income of the household living in the housing. Housing is generally said to be affordable when a family is spending no more than 30 percent of its income on housing. On the rental side, this includes utilities, while on the homeownership side, principal, interest, taxes and insurance are all part of the equation. A household is said to be severely cost burdened if it is paying 50 percent or more of its income for housing. The federal and state programs administered by Florida Housing define incomes as follows:

- Extremely low income – at or below 30 percent of area median income (AMI);
- Very low income – at or below 50 percent of AMI;
- Low income – at or below 80 percent of AMI; and
- Moderate income – at or below 120 percent of AMI.

The U.S. Department of Housing and Urban Development sets income levels annually throughout the country. Florida's 2010 state median family income is \$59,400 for a family of four (incomes increase or decrease based on family size and location in the state).

Florida Housing Finance Corporation's Role in the Financial Market

Florida Housing uses federal and state resources to make loans and guarantees of loans to further our mission, including private activity tax exempt bonds. Each resource for financing brings with it certain financial risks. Every bond transaction is structured to provide an array of protections to assure that the mortgage and the bonds will be paid. Bond insurance and credit enhancement are the two primary means of protection.

As an issuer of hundreds of millions of dollars of tax exempt bonds each year, Florida Housing understands the necessity of effecting efficient transactions in the bond market to achieve the best interest rate for the bonds sold. These transactions require Florida Housing to establish and maintain good working relationships with the following financial entities:

- The State Board of Administration;
- The Division of Bond Finance;
- The three major rating agencies;
- Credit enhancers;
- Investment bankers;
- Tax credit syndicators; and
- Bond investors.

Each one of these parties plays a pivotal role in financing affordable housing and bringing tax exempt bond transactions to completion.

Private activity tax exempt bonds are allocated to Florida Housing pursuant to the calculation in Part VI of Chapter 159 performed by the Division of Bond Finance on an annual basis. Florida Housing receives approximately 24 percent of the annual state private activity bond volume. In each of the last three years, the initial allocation to Florida Housing has been \$350-425 million.

These are revenue bonds; they are a not general obligation debt of the State of Florida, nor is the State liable for the debt in any way. Florida Housing Statutes clarify the revenue bond issuance process:

- **Chapter 420.51 State and local government not liable on bonds or notes** – The bonds of the corporation shall not be a debt of the state or of any local government and neither the state nor any local government shall be liable thereon. The corporation shall not have the power to pledge the credit, the revenues, nor the taxing power of the state or of any local government shall be, or shall be deemed to be, pledged to the payment of any bonds of the corporation; and
- **Chapter 420.509(2) Revenue Bonds** – The State Board of Administration is designated as the state fiscal agency to make the determinations required by s. 16, Art. VII of the State Constitution in connection with the issuance of such bonds that in no state fiscal year will the debt service requirements of the bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for such debt service requirements.

The cash flow documents created for each issue and submitted to the State Board of Administration must demonstrate that it is in compliance with the above statutory and Constitutional requirement. For multifamily issues (each issue is a standalone indenture), revenues of the individual issue must meet these criteria. For single family issues which reside in a master indenture, the individual issue and the master indenture must both meet these criteria.

Who is responsible for the debt service payments on the revenue bonds? For **multifamily**, it is the indenture trust estate; the development (borrower) which is funded by the bonds. For **single family**, it is the indenture trust estate; for securitized loans in the indenture, the timely loan payment guarantees by Fannie Mae, Freddie Mac and Ginnie Mae (this is 92 percent of the 1995 single family bond indenture and 100 percent of the 2009 NIBP single family indenture); or for the whole loans in the 1995 master indenture, the borrower along with a primary mortgage insurer and a pool insurer.

How Mortgage Revenue Bonds Work at Florida Housing

Multifamily – Florida Housing facilitates the issuance of bonds by serving in a conduit capacity to lend bond proceeds to multifamily developers to construct/rehabilitate rental housing serving low income households. Each bond indenture is for a single purpose entity, i.e., each development that is financed. Only the development funded by the bonds supports the debt service of that indenture.

Single Family – Single family bonds are part of a master indenture with all issuances of bonds (supplements to the master indenture) incorporated into one indenture. The indenture is the legal mechanism created to establish the trust estate related to the issued bonds and governs the assets and liabilities accumulated in the indenture.

In 2002, Florida Housing changed its single family program from a whole loan program in which Florida Housing took all financial responsibility for payment of the debt service on the bonds to a mortgage backed

securities (“MBS”) program in which there is a guarantee as to the timely payment of loan principal and interest by Fannie Mae, Freddie Mac, or Ginnie Mae. This change further insulated Florida Housing’s financial risk related to debt service on the bonds.

As mentioned above, Florida Housing has two master indentures, one created in 1995 and one created in 2009. The 2009 indenture was created solely to cover single family bonds issued under the New Issue Bond Program.¹ This 2009 indenture is 100 percent MBS which, as stated above, results in no financial risk to Florida Housing related to debt service on the bonds.

Both the securities as indenture assets and the bonds as indenture liabilities are included on Florida Housing’s balance sheet. The trust estate of the indenture, which is comprised of the indenture assets and liabilities, stands on its own. Neither the State of Florida nor Florida Housing general operations are responsible for the debt of the indenture.

Summary of Key Affordable Housing Programs Administered by Florida Housing Finance Corporation

Florida Housing recognizes that not all Floridians are candidates for homeownership. Our affordable housing programs provide a range of housing types, both rental and homeowner, to ensure that residents have decent, affordable housing options that are appropriate for them.

First Time Homebuyer Program

Objective: To originate 30-year, fixed-rate, high loan-to-value mortgage loans for eligible first-time homebuyers who meet credit worthiness tests, have incomes within federal program limits and receive homebuyer education. For homeownership, the proceeds from tax exempt mortgage revenue bonds issued by Florida Housing are used by participating private lenders to originate 30-year, fixed-rate mortgage loans through this program; we have never participated in subprime lending. Florida Housing generally pairs some type of second mortgage purchase assistance with these mortgages to assist homebuyers, either through state or federal funding, if available. The average purchase price during 2010 was \$100,588; the average loan amount was \$96,669.

This program provides a strategy to lower the oversupply of for-sale homes on the market as a result of current economic conditions. Of the 4,283 homes financed in 2010 (totaling \$430.6 million in first mortgage volume), 3,821 (89 percent) were existing single family homes, and 462 (11 percent) were classified as “new.” This program does not fund new construction. The “new” homes financed with these funds have been previously built and are usually vacant for an extended period of time.

Source of Financing: Federal private activity bond volume allocated to states

Multifamily Mortgage Revenue Bonds

Objective: To finance the development and preservation of rental apartments through proceeds from taxable and tax exempt bonds issued to provide below market rate loans to developers who set aside a certain percentage of their apartment units for low income families.

¹ This federal program is a short term response to the credit and liquidity crisis that created extremely high interest rates on tax exempt bonds, making them difficult to use for affordable housing programs. To maintain the viability of state and local housing finance agency lending programs and infrastructure, this program lowers debt service costs on tax exempt bonds through the federal purchase of a portion of tax exempt bond sales at lower than market interest rates. The program terminates on December 31, 2011.

Source of Financing: Federal private activity bond volume allocated to states

Low Income Housing Tax Credits

Objective: To provide equity to developers through private sector investment by providing a dollar-for-dollar reduction in federal tax liability in exchange for the acquisition/substantial rehabilitation and new construction of affordable rental housing for low income households. Affordable housing developers sell these tax credits to large, private investors and use the cash from the sale to infuse equity into the construction of the property, lessening the need for additional debt.

Source of Financing: Federal population-based allocation to states

HOME Investment Partnership Program

Objective: Provides low-interest loans to developers to finance the construction and rehabilitation of homes and rental apartments.

Source of Financing: Federal funding

State Apartment Incentive Loan Program

Objective: To provide gap financing through non-amortizing, low-interest loans to developers to leverage mortgage revenue bonds or competitive Low Income Housing Tax Credit resources and obtain the full financing needed to construct affordable rental units for very low income families.

Source of Financing: State Housing Trust Fund (None appropriated since FY 2008-09)

Florida Affordable Housing Guarantee Program

Objective: The program provided credit enhancement (i.e., repayment guarantees) on tax-exempt and taxable bond developments to lower overall borrowing costs and improve the economic viability of affordable housing. It was authorized by the Legislature in 1992, at a time when credit enhancement products for bond transactions were mostly unavailable in the private market. During its active phase, the program guaranteed 120 multifamily transactions, representing \$1.4 billion for the construction of over 28,000 affordable rental units. The program partners with HUD's Risk Sharing program, with HUD assuming 50 percent of the default risk on about two-thirds of the mortgages in the portfolio. Florida Housing has not provided any guarantees since early 2005, and in March 2009, the Florida Housing Board of Directors officially confirmed the suspension of new guarantees from this program because of the market availability of such guarantee instruments and the reassessment of the financial capacity and condition of the Guarantee Fund.

Capitalization of the Guarantee Fund occurs through the issuance of debt secured by Guarantee Fund income and documentary stamp tax revenues under terms specified in statute. Documentary stamp taxes distributed to the State Housing Trust Fund are the foundation of the Guarantee Fund's credit rating and the essential element for maintaining an acceptable insurer financial strength (IFS) rating.

In the event that the Guarantee Fund is rated less than in the top three claims paying ratings by any of the rating agencies or there is a projected deficiency in the debt service reserve, the state would be required to use collections distributed to the State Housing Trust Fund to replenish the Guarantee Fund at the amount necessary to maintain the minimum claims paying rating or to pay the fund's debt service. If the IFS rating on the Guarantee Fund drops below a certain level, documentary stamp tax revenues from the State Housing Trust Fund will be required to address these issues.

State Housing Initiatives Partnership Program

Objective: To provide funds to all county local governments and Florida's larger cities on a population-based formula to finance and preserve affordable housing for very low, low, and moderate income families based on locally adopted housing plans. At least 65 percent of funds must be used for homeownership, although fully 87 percent of the funds have gone for this purpose. Funding is routinely used for such strategies as rehabilitation, emergency repairs, down payment and closing cost assistance and homeownership counseling.

Source of Funding: Local Government Housing Trust Fund (i.e., state funding) (None appropriated since FY 2009-10)

SPECIAL INITIATIVE: Hardest Hit Fund (NEW)

In 2010, the federal government announced funding to the hardest hit housing markets in the states that have been hit with foreclosures, housing price declines and unemployment. There are now 18 states and the District of Columbia participating in the \$7.6 billion HHF program. Florida's final share of these funds totals more than \$1 billion. Florida and the other participating states worked with Treasury, major loan servicers and others to standardize plans for two programs briefly described below. Florida Housing launched a pilot program in Lee County in late October, and is poised to launch statewide in the coming months. Florida's targeted unemployment programs are summarized below:

- **Unemployment Mortgage Assistance Program** – Will provide up to 18 months of payments to the mortgage lender to assist unemployed/underemployed borrowers with their first mortgage until they can resume payments on their own; and
- **Mortgage Loan Reinstatement Program** – Will be used to bring a delinquent mortgage current for a homeowner who has returned to work or recovered from unemployment/underemployment.

Source of Funding: Federal Troubled Asset Relief Program (TARP)

Florida Housing Finance Corporation's Role in the State's Housing Delivery System

In the first years of its operation, Florida Housing accessed only federal resources to finance housing, but these proved difficult to use on their own. To leverage and augment these programs, the Florida Legislature began appropriating some funding for state programs in the late 1980s, and the enactment of the William E. Sadowski Affordable Housing Act in 1992 that created two housing trust funds and provided a more regular source of revenue for affordable housing from an increase in revenue from:

- A ten-cent increase to the documentary stamp tax paid on the transfer of real estate, which began in August 1992; and
- A re-allocation of ten cents of existing documentary stamp tax revenues from general revenue to the affordable housing trust funds, which began in July 1995.

The 2005 Legislature adopted a cap restricting the amount of revenue that may flow into the housing trust funds to \$243 million per year, with a mechanism for a small increase over time. The cap went into effect July 1, 2007. At this time all of Florida Housing's state funds are appropriated through the trust funds created by the Sadowski Act; no appropriations are made to us from general revenue.

Funding Housing Leads to Economic Benefits for Florida

Construction and development are important job and economic generators for local communities and states. In carrying out its mission to help our fellow Floridians access housing that may not otherwise be accessible to them, Florida Housing Finance Corporation provides financing through a range of federal and state programs that provide important economic benefits for the state.

To assist us in estimating the economic impact of Florida Housing's programs, we work with the Shimberg Center for Housing Studies at the University of Florida, a nationally known housing data/research center. The Shimberg Center works with the IMPLAN input-output model that is used by hundreds of universities and government agencies across the country to estimate the economic and fiscal impacts of investments and to forecast employment generation, among other things.

In 2010, Florida Housing carried out closings on 94 affordable multifamily rental developments (9,735 units) – 72 new construction developments (7,264 units) and 22 preservation developments (2,471 units).² These 94 affordable rental developments generated a total development cost of \$1.7 billion. This translates into approximately \$3.1 billion in total economic activity and over 24,219 jobs.

Florida Housing's objective is to carefully target any new rental construction to those areas of the state where there is a defined need for such housing. The data show us there is currently a need for new affordable rental units in some markets in Florida. However, because so much single family stock is currently on the market for sale, many owners have chosen to rent out their homes rather than try to find buyers in this market. These additional rental units are competing with market rate and affordable apartments, leading apartment owners to respond with lower rents and special offers. In these areas where new construction is not currently needed, economic benefit results when we finance rehabilitation of older, existing affordable apartments (generally 20+ years old) to extend affordability and ensure that they remain in good condition.

How Florida Housing Finance Corporation Makes Resource Allocation Decisions

Florida Housing targets funding to specific populations and geographic areas of the state based on a number of factors. Federal and state programs target all or a portion of funds to households at or below income levels set by each program. On the homeownership side, Florida Housing follows federal income targeting requirements, allowing us to provide financing to households with incomes as high as 115 percent of area median income.

On the rental side, targeted program incomes are generally lower to assist families that are unlikely to be able to afford homeownership. For example, the federal Low Income Housing Tax Credit Program requires that a portion of rental units in an apartment complex be set aside for families with incomes at or below 50-60 percent of area median income. Other federal rental programs are similar.

As specified in s. 420.507, F.S., Florida Housing undertakes and uses studies and analyses of housing needs within the state, along with regular input from stakeholders and current market conditions to target program resources. Continuing input from stakeholders provides context and direction to Florida Housing's Board and staff. Interested parties are encouraged to provide comments and critiques of our programs by mail, phone, personal contact and public meetings that are held regularly each year as we modify programs to respond to changing policies and market conditions.

Florida Housing's Board and staff are constantly analyzing data, seeking input on financial and economic conditions and trends, and weighing this information with the range of changing housing needs to provide a set of balanced programs to finance affordable housing in an economically feasible manner. The Florida Housing Board and staff strive to allocate resources in a fair, open and rational way that is stable, predictable and user-friendly for the many participants in our programs and processes.

² 2010 was an extraordinary year for closings. Florida Housing has typically closed 30-40 rental transactions annually in recent years.

On the rental side, Florida Housing generally allocates competitive funding each year through a universal application process. To respond to changing priorities, market conditions and financing needs, the staff holds 3-5 public workshops and takes hundreds of written public comments before program rules are finalized. Once the Board of Directors approves modifications to program rules and attendant funding application forms, they are filed with the Department of State and become formal administrative rules of the corporation.

The competitive rental application and scoring process are designed to be transparent and to ensure that applicants have an opportunity to comment on and participate in the scoring process as it moves forward, pursuant to Chapter 120, F.S. While the opportunities for applicants to comment on and challenge scoring at various stages throughout the process have created a longer scoring period, the result has been that the overall process is less likely to be impacted by administrative hearings on the back end. Typically Florida Housing's Universal Application Cycle for its primary rental programs opens in February and final awards are made by the Board in September or October each year.

On the homeownership side, participating private lenders throughout the state originate mortgages through the First Time Home Buyer Program to homebuyers on a first come, first served basis according to federal and state regulations and indenture criteria. Through Florida Housing's Home Ownership Pool Program, builders may apply to reserve down payment assistance on a first come, first served basis for their homebuyers when funding is available.

Florida Housing Finance Corporation 2011 Operating Budget

Typically, Florida Housing's operating budget is approximately two percent of the total program amounts administered. In 2010, our operating budget was \$17.8 million. In 2011, with the expected statewide implementation of the new federal Hardest Hit Fund, the operating budget will be more than doubled to pay for services related to this program. As shown below, Florida Housing expects to expend approximately \$49.2 million to administer over \$1.5 billion in program resources during 2011.

Florida Housing Finance Corporation 2011 Operating Budget

REVENUES	
Program Fees	\$ 7,764,378
Investment Income, net	3,404,000
Direct Administration Reimbursement	35,559,886
Administrative Fees	2,500,000
Other Income	770,000
TOTAL REVENUES	49,998,264
EXPENSES	
Salaries & Benefits	11,099,330
Program Administration	31,711,302
General & Administrative Expenses	6,392,795
TOTAL EXPENSES	49,203,427

Approved by Florida Housing's Board of Directors on December 10, 2010.

No state appropriations are currently used for administration, other than the funds used for compliance monitoring for the SHIP program. Statutorily, this may be up to one quarter of one percent of the SHIP appropriation. In 2009/2010, the last of year of a SHIP appropriation, this amount was \$75,275. During 2011, almost \$32 million in Hardest Hit Fund-related expenses will be incurred, including program administration, staffing, legal and other costs. These expenses are fully reimbursed by federal administrative funds. These reimbursements make up 71 percent of Florida Housing's anticipated revenue for 2011. The next largest component of revenue is Program Fees, which is comprised mainly of bond issuer fees. Almost 58 percent of all expenses are direct program administration, including loan servicing and compliance monitoring. In the past, when available, operating revenues in excess of expenses have been channeled into programs.

Accountability – How Florida Housing Finance Corporation Ensures Program Resources Are Appropriately Used

Multifamily Rental Process

The rental funding process begins with rule making and then is followed by application submission, scoring, applicant appeals and, finally, approval of final scores and rankings by Florida Housing's Board of Directors.

After the Board approves the final scores and rankings, developments are invited to enter the credit underwriting process. Developments are assigned to one of three independent credit underwriters under contract with Florida Housing. Independent professionals approved by the credit underwriter complete necessary evaluations, such as appraisals and market studies. Credit underwriting reports are reviewed and approved by Florida Housing staff and the Board of Directors before loan closing may proceed. At loan closing, Florida Housing receives construction completion guarantees and operating deficit guarantees. The developer signs personal guarantees for these.

Throughout the construction process, Florida Housing's servicers manage the draw process, construction inspections and other duties to ensure that commitments are carried out. Once the development is completed, Florida Housing's compliance monitoring agents visit every development at least every year for the portion of our portfolio with state funds, and at least once every three years (as required by federal regulations) for those properties with Low Income Housing Tax Credits only that are in their first 15 years of their federal compliance period. The monitors ensure compliance with applicable federal and state statutes and rules, and with the loan closing documents. Florida Housing's staff and servicers also receive and review audited financial statements for each property annually as a part of our permanent loan servicing and asset management processes.

Single Family Homeownership Process

In Florida Housing's down payment assistance programs which are coupled with the First Time Homebuyer Program, our Master Servicer provides our "bond compliance" function. They review each loan made by participating lenders to make sure that it complies with federal and state income and purchase price limits as well as the requirement that the borrower be a first time homebuyer.

Other Accountability Measures

Quality Assurance Reviews are performed by Florida Housing to determine compliance with external contract requirements for credit underwriting, loan servicing, compliance monitoring and bond trustee services. Internally, Florida Housing's Inspector General oversees the audit and investigative functions for all aspects of

the Corporation's programs and operations. Audits or other engagements can be initiated by internal audit risk assessments, the Board, Executive Director and internal or external complaints. Florida Housing contracts with an independent audit firm to carry out annual audits of the financial statements. The independent auditor opines on the financial statements, internal control over financial reporting and on compliance and other matters, and compliance and internal controls applicable to each major federal award program. Florida Housing is also subject to audits by the Auditor General, the State of Florida Chief Financial Officer, DCA, the Office of Program Policy Analysis and Government Accountability (OPPAGA), HUD, U.S. Treasury, the Internal Revenue Service and other state and federal entities at their discretion.

Background Materials

The following materials provide more information about Florida Housing Finance Corporation and its programs.

2009 Audited Financial Statements

<http://www.floridahousing.org/FH-ImageWebDocs/Investors/AuditedFinancialStatements/990-2009%20Audited%20Financial%20Statements.pdf>

2009 Annual Report

http://www.floridahousing.org/FH-ImageWebDocs/Newsroom/Publications/AnnualReports/2009AnnualReport_FHFC.pdf

Florida Housing Finance Corporation's Strategic Plan [adopted December 4, 2009]

<http://www.floridahousing.org/FH-ImageWebDocs/Aboutus/StrategicPlan/2009StrategicPlanningProcess/Strategic%20Plan%20BOARD%20ADOP TED%2012%204%202009.pdf>

Chapter 420, Part V, Florida Statutes [pertaining to Florida Housing Finance Corporation]

http://www.flsenate.gov/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0400-0499/0420/0420PARTVContentsIndex.html

Florida Administrative Code Rules that Apply to Florida Housing Programs

<http://www.floridahousing.org/BusinessAndLegal/Rules/>