

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 137 Florida Housing Financial Corporation Revenue Bonds

**SPONSOR(S):** Roth

**TIED BILLS:** IDEN./SIM. BILLS: SB 196

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Ways & Means Committee	17 Y, 0 N	LaTorre	Aldridge
2) State Affairs Committee	22 Y, 0 N	Smith	Williamson
3) Appropriations Committee			

### SUMMARY ANALYSIS

The Florida Housing Finance Corporation (Florida Housing) is a public corporation created by the Legislature to assist in providing a range of affordable housing opportunities for Florida residents. Florida Housing administers federal and state resources to make loans and guarantees of loans and to issue bonds to finance the development and preservation of affordable homeowner and rental housing.

The bill makes the following amendments regarding Florida Housing bond financed transactions:

- Designates Florida Housing 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 Florida Housing bonds;
- Removes the authority of the State Board of Administration to authorize interest rates in excess of the maximum; and
- Removes the requirement that the claims-paying rating classification be consistent with rules adopted by the State Board of Administration.

The bill does not appear to have a fiscal impact on state or local governments.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

##### Florida Housing Finance Corporation

The Florida Housing Finance Corporation (Florida Housing) is a public corporation created by the Legislature to assist in providing a range of affordable housing opportunities for Florida residents. Florida Housing administers federal and state resources to make loans and guarantees of loans and to issue bonds to finance the development and preservation of affordable homeowner and rental housing and assist homebuyers with financing and down payment assistance.<sup>1</sup>

##### Florida Housing Bonds

Florida Housing facilitates the issuance of bonds by serving in a conduit capacity. Each bond indenture is for a single purpose entity and the bonds are secured solely by the revenues, assets and guarantees associated with each bond.<sup>2</sup> The bonds are not an obligation of the state as they are not secured by the full faith and credit of the state.<sup>3</sup>

Section 420.509, F.S., designates the State Board of Administration (SBA) 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 Florida Housing bonds. The required fiscal determination is 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. This section also authorizes Florida Housing to bear interest on the bonds that are issued. However, the rate or rates may not exceed the interest rate limitation set forth in s. 215.84, F.S., unless authorized by the SBA.<sup>4</sup>

Before a bond is issued, the Florida Housing's Board of Directors must approve the requirements for a bond financed development. Upon the Board's approval, a cash flow analysis is prepared and submitted to the SBA for approval of fiscal determination. Once the cash flow analysis is received, the Governor, Chief Financial Officer (CFO), and Attorney General, functioning as the SBA Board of Trustees, places the report on the agenda of the next scheduled meeting for the SBA Board of Trustees. Upon approval by the SBA Board of Trustees, the bond transaction can proceed to closing.

##### Florida Affordable Housing Guarantee Program

The Florida Affordable Housing Guarantee Program (Guarantee Program or Program) was created in 1992 by the Legislature. The purpose of the Guarantee Program is to stimulate private sector lending in an effort to overcome the lack of available credit enhancement for the production of affordable housing in Florida and, in turn, reduce the cost of financing housing projects.<sup>5</sup>

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<sup>1</sup> See *Overview of Florida Housing Finance Corporation*, FLORIDA HOUSING FINANCE CORPORATION, <https://www.floridahousing.org/docs/default-source/aboutflorida/august2017/august2017/tab8.pdf> (last visited December 1, 2021).

<sup>2</sup> *Affordable Housing Workgroup, Overview of the State's Implementation of Rental Programs*, FLORIDA HOUSING FINANCIAL CORPORATION (August 2017), <https://www.floridahousing.org/docs/default-source/aboutflorida/august2017/august2017/tab7.pdf> (last visited December 1, 2021). Chapter 2017-71, Laws of Fla., established the Workgroup to develop recommendations to address the state's affordable housing needs.

<sup>3</sup> Sections 420.509(15) and 420.51, F.S., and s. 16, Art. VII, Florida Constitution.

<sup>4</sup> Section 420.509(4), F.S.

<sup>5</sup> *Guarantee Program*, FLORIDA HOUSING FINANCE CORPORATION, <https://www.floridahousing.org/programs/developers-multifamily-programs/guarantee-program> (last visited December 1, 2021); Section 420.5092, F.S.

The cost savings are achieved by the Guarantee Program guaranteeing the payment of obligations made to finance or refinance the purchase, construction, or rehabilitation of eligible housing.<sup>6</sup> This includes guaranteeing mortgages that secure multifamily mortgage revenue bonds.<sup>7</sup> Florida Housing uses proceeds from the issuance of bonds to establish a “guarantee fund” to guarantee the payment of such obligations.<sup>8</sup> Current law defines the guarantee fund, as the Affordable Housing Guarantee Fund created and established with proceeds of revenue bonds issued by Florida Housing to implement the Florida Affordable Housing Guarantee Program.<sup>9</sup>

When combined with bond insurance, Guarantee Program enhanced securities typically received a “AAA” rating.<sup>10</sup> The ratings are given by independent rating classification services, such as Standard & Poor’s, to rate a company’s fiscal soundness and strength and its ability to pay claims.<sup>11</sup> A “AAA” rating is typically the strongest financial strength rating.<sup>12</sup>

Under current law, if the claims payment obligations under the affordable housing guarantees from amounts on deposit in the guarantee fund would cause the claims-paying rating assigned to the guarantee fund to be less than the third-highest rating classification on any nationally recognized rating service, which classifications being consistent with s. 215.84(3), F.S., and rules adopted by the SBA, Florida Housing must certify to the CFO the amount of such claims payment obligations.<sup>13</sup> Upon receipt of certification, the CFO must transfer to the guarantee fund the amount certified as necessary to meet such obligations.<sup>14</sup>

### **Effect of the Bill**

The bill amends s. 420.509, F.S., to designate Florida Housing 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 Florida Housing bonds, and removes the authority of the SBA to authorize an interest rate in excess of the maximum.

The bill removes the requirement that the claims-paying rating classification be consistent with rules adopted by the SBA.

#### **B. SECTION DIRECTORY:**

Section 1: Amends s. 420.509, F.S., to designate Florida Housing as the state fiscal agency to make determinations required by s. 16, Art. VII of the State Constitution, in connection with the issuance of Florida Housing bonds; revises the authority for interest rates on Florida Housing bonds; and removes the authority of the SBA to increase interest rates in excess of the maximum.

Section 2: Amends s. 420.5092, F.S., to remove the requirement that certain bond rating classifications be consistent with rules adopted by the SBA.

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<sup>6</sup> Section 420.5092, F.S.

<sup>7</sup> *Guarantee Program*, FLORIDA HOUSING FINANCE CORPORATION, <https://www.floridahousing.org/programs/developers-multifamily-programs/guarantee-program> (last visited December 1, 2021).

<sup>8</sup> Section 420.5092(2)(e), F.S.

<sup>9</sup> *Id.*

<sup>10</sup> Having a “AAA” or strong financial rating, helps lower the overall cost of borrowing, which ultimately allows for a reduction in the rents to individual earning lower incomes. *Guarantee Program*, FLORIDA HOUSING FINANCE CORPORATION, <https://www.floridahousing.org/programs/developers-multifamily-programs/guarantee-program> (last visited December 1, 2021).

<sup>11</sup> *Intro to Credit Ratings*, S&P GLOBAL, <https://www.spglobal.com/ratings/en/about/intro-to-credit-ratings> (last visited December 1, 2021).

<sup>12</sup> *Understanding Credit Ratings*, S&P GLOBAL, <https://www.spglobal.com/ratings/en/about/understanding-credit-ratings> (last visited December 1, 2021).

<sup>13</sup> Section 420.5092(6)(b), F.S.

<sup>14</sup> Section 420.5092(6)(b), F.S., requires the CFO upon receipt of certification to transfer funds to the guarantee fund from the first available taxes distributed to the State Housing Trust Fund pursuant to s. 201.15(4)(c) and (d), F.S., during the ensuing state fiscal year.

Section 3: Provides an effective date of July 1, 2022.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

### **C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

### **D. FISCAL COMMENTS:**

None.

## **III. COMMENTS**

### **A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

### **B. RULE-MAKING AUTHORITY:**

The bill does not provide rulemaking authority nor does it require executive branch rulemaking.

### **C. DRAFTING ISSUES OR OTHER COMMENTS:**

On line 30, the comma should be placed between the words "revenues" and "exceed."

## **IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

None.