

BREVARD COUNTY HOUSING FINANCE AUTHORITY

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MINUTES April 13, 2017

The Brevard County Housing Finance Authority convened on the 13th day of April, 2017, at the hour of 3:00 p.m. in the F. S. C. Room of the Brevard County Agricultural Center, 3695 Lake Drive, Cocoa, Florida.

Present: Larry Boudrie, Chairman
Barry Forbes, Secretary/Treasurer
James Katehakis, Assistant Secretary/Treasurer
Michael Hartman, Assistant Secretary/Treasurer
Angela A. Abbott, Attorney for the Authority
Helen Feinberg, RBC Capital Markets
Marianne Edmonds, Public Resources Advisory Group, Inc.

- I. The Chairman, Larry Boudrie, called the regular meeting to order at 3:06 p.m., determined the presence of a quorum.
- II. Public Comments: The Chairman called for public comment. Hearing none, public comment was closed.
- III. Motion made by Michael Hartman, seconded by Jim Katehakis and carried unanimously to approve the Consent Agenda as follows:
 - A. Approval of Minutes of February 7, 2017 meeting
 - B. Approval of payment of invoices of Public Resources Advisory Group for 1st Quarter, 2017
 - C. Approval of payment of invoices of Angela A. Abbott, P.A. for 1st Quarter, 2017
 - D. Approval of payment of Green Pony Press invoice for website maintenance
- IV. Report of Treasurer, Barry Forbes: Presentation of Seconded Quarter Fiscal Year 2016 to 2017, Treasurer's Report.

In the absence of Mr. Forbes, Ms. Abbott presented the budget comparison as of March 31, 2016. She indicated that following the adoption of the budget in August, 2016, there were several large principal payments on the 2001 and 2002 GNMA Certificates held in the custody account. Therefore, there will be decline in income this year below the budgeted amount. Additionally, the decline in activity under the TBA loan program has also resulted in a negative variance in income dropped below the budgeted amount.

Larry Boudrie
Chairman

Kamran Sarkarati
Vice Chairman

Barry Forbes
Secretary/Treasurer

James Katehakis
Asst. Secretary/Treasurer

Michael Hartman
Asst. Secretary/Treasurer

Angela A. Abbott
Attorney/Administrator

[Mr. Forbes arrived.]

Mr. Forbes presented the remainder of the Treasurer's report. Mr. Forbes indicated that the expenses are under budget as of the end of the second quarter. He reviewed the balance sheet in detail. Mr. Forbes noted that there is a reserve for community projects, such as, Habitat for Humanity, Housing for Homeless, Crosswinds Youth Services and general homelessness needs.

Further, he presented a summary of all expenditures and income during the second quarter. Motion made by Michael Hartman, seconded by Jim Katehakis and carried unanimously to accept the Treasurer's report, as presented.

V. Status Reports on Special Projects:

- A. Loan Agreement with Housing for Homeless ("HFH") f/k/a Coalition for the Hungry and Homeless: Ms. Abbott indicated that the loan to HFH is paying as agreed, and that the summary of all payments is included in the agenda package. Also, the agenda package included the annual certification from HFH that they are in compliance with their loan agreement.
- B. Habitat for Humanity of Brevard County: Ms. Abbott indicated that there has been no additional loan activity under the loan agreement. The Authority's agenda package included the quarterly report due March 31, 2017 on the Critical Home Repair Program. There was an additional roof replacement funded December 30, 2016. Mr. Boudrie questioned whether Habitat for Humanity has become inactive. Mr. Forbes discussed that housing in Brevard County has been very affordable over the past several years, and that this may have contributed to Habitat being less active. Mr. Katehakis mentioned that sales prices and rents are beginning to rise, as well as the cost of vacant land.

VI. Single Family Programs:

- A. Report on 2012-2017 TBA/MCC Program:
 - 1. Status Report: Ms. Abbott presented a status report on the program and indicated that there have been three loan closed since the beginning of the year. Ms. Feinberg noted that the current interest rate on the program is 3.875%. The Hillsborough HFA has purposely kept the rate as low as possible in an attempt to serve homebuyers, and to compete with the Florida Housing Finance Corporation program.

2. Discussion Regarding Florida Housing Finance Corporation Hardest Hit Fund Down Assistance Program:

Ms. Abbott indicated that the Memorandum of Understanding contained in the Authority's agenda package has been previously approved. She mentioned that the term of the agreement has been increased from September 30, 2017, to December 31, 2017. She also indicated that the changes which were expected to the agreement have not been made. The Authority will have certain reporting requirements and obligations in regard to the appropriateness of the loans. Once this program is operational, lenders will have to originate first mortgage loans under the Authority's program and second mortgage loans under the Florida Housing Finance Corporation program. Ms. Feinberg indicated that the lenders' incentive to participate in this program is the addition of the mortgage credit certificate.

3. Authorization to transfer funds to the DPA Custody Account:

Ms. Abbott presented a summary of the DPA custody account and GNMA settlement custody account. She indicated that since the balance in the DPA Custody account has dropped below \$100,000, the Authority should transfer an additional \$100,000 to the account. Motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to transfer \$100,000 from the Sun Trust checking account to the DPA Custody Account with Bank of New York Mellon.

B. Quarterly Status Report on Second Mortgages:

Ms. Abbott presented a report showing the balance of the second mortgage program and noted that loans are prepaying at a rate of three times higher than new loans are originating.

C. Status report regarding Single Family 1985 program:

Ms. Abbott reminded the Authority that this program has capital appreciation bonds which have been accruing interest at a rate in excess of the mortgages available to pay the bonds. The bonds matured on April 3, 2017, with an outstanding balance of \$450,000. There are no funds remaining with the Trustee and no outstanding mortgages to pay the bonds. The bonds are FDIC insured. However, FDIC has gone through a reorganization. It is expected that FDIC will pay \$112,500 to DTC on these bonds, which is 25% of the amount owed. Thereafter, there will be an annual payout of approximately 1% to 2% under the reorganization plan. Ms. Edmonds indicated that it is very likely that the bondholders under this program may have paid pennies on the dollar for these bonds. Further, FDIC was approached long ago by the Authority and the Trustee about this accruing problem. FDIC failed to take any action to prepay the bonds when the balance was much lower. Therefore,

the bonds are now in default. Ms. Edmonds indicated that a similar situation arose in Tampa and that she evaluated the outstanding bonds and the financial analysis that occurred upon the issuance of the bonds. Mr. Forbes questioned the difference of what is owed and what has been paid. Ms. Abbott responded that there is still \$337,500 owed to bondholders. Since these are capital appreciation bonds there were no payments until maturity. Ms. Edmonds stated that on the initial analysis the mortgage rate was set high enough to pay the bonds and various tests were run to determine if funds would be sufficient. FDIC as the insurer performed its own review and analysis. When bonds are issued without insurance, the bond rating agencies review and probably have better analytics. The way the call structure of these bonds developed, the lowest interest rate bonds may have been redeemed earlier than the higher rate interest bonds. Motion made by Barry Forbes, seconded by Jim Katehakis and carried unanimously to approve the payment of the Wells Fargo invoice for the Trustee fee in the amount of \$300.

VII. Report of Public Resources Advisory Group, Inc.:

- A. Ms. Edmonds discussed that the Authority had previously asked her to review potential investments of Authority funds. She presented information regarding the rate of return on the Florida Prime account and excerpts from Brevard County financial statements for 2016 and 2015, as well as the Authority's investment policy. She recapped that the Authority had stopped investing in Florida Prime after the local government went under in 2007 and 2008. The Authority followed the lead of Brevard County in this regard. Florida Prime has now restructured its money market fund and is now S&P AAA rated. Brevard County has invested \$25,000,000 in Florida Prime. Florida Prime is now paying above 1%. Ms. Edmonds reminded the Authority that it used to invest in CDs, but the differential was not worth the chase. Mr. Forbes stated that the public depository system guarantees that all banks in the State of Florida which are public depositories share in the loss of any one of the public depositories. Further, securities are supposed to be allocated to be public funds deposited. Mr. Forbes asked whether brokered CDs could be an investment of Authority funds. The Authority could ladder CDs under the \$250,000 FDIC limit. Mr. Forbes stated that on a \$2,000,000 investment, the difference between the Florida Primate rate and the SunTrust rate would be approximately \$20,000 per year. Ms. Abbott mentioned that if the Authority invests beyond its current investment policy, that continuing education requirements may be imposed on the Board members. The Authority asked Ms. Edmonds to determine whether the Authority may invest in FDIC insured CDs at non-qualified public depositories.
- B. Ms. Edmonds stated that Yvonne Chaustre has resigned from PRAG and will be leaving to become a teacher.

VIII. Report of Angela A. Abbott, Esquire:

Ms. Abbott stated that she has been contacted regarding an upcoming multi-family financing application by Dominion for the Crane's Creek Senior Apartments Project. It is located in Melbourne and will be an acquisition rehab.

IX. Other:

A. Ms. Abbott reminded the Authority of the upcoming Florida ALHFA Conference, July 12th through July 15th in Jacksonville, Florida. The Authority has previously sponsored the conference at the gold level. Motion made by Jim Katehakis, seconded by Michael Hartman and carried unanimously to approve a sponsorship at the gold level.

B. Mr. Hartman stated that he is concerned about the Authority's Multifamily guidelines and policies in regard to developers who have entered prosecution deferral agreements. The Authority requested that Ms. Abbott review the Authority's guidelines to determine whether the Authority may consider the reputation and prior activities of an applicant in its decision making process. The Authority discussed that Pinnacle has been cited for diverting \$4.2 million through sub-contractors. Its position is that it did not violate any of the rules set forth by Florida Housing Finance Corporation.

X. Motion made by Michael Hartman, seconded by Jim Katehakis and carried unanimously to adjourn the meeting at 4:29 p.m.