

BREVARD COUNTY HOUSING FINANCE AUTHORITY

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MINUTES December 20, 2017

The Brevard County Housing Finance Authority convened on the 20th day of December, 2017, at the hour of 11:00 a.m. in the 4-H Conference Room of the Brevard County Agricultural Center, 3695 Lake Drive, Cocoa, Florida.

Present: Larry Boudrie, Chairman
Kamran Sarkarati, Vice Chairman
Barry Forbes, Secretary/Treasurer
Michael Hartman, Assistant Secretary/Treasurer
Angela A. Abbott, Attorney for the Authority
Mark Mustian, Nabors, Giblin & Nickerson
Marianne Edmonds, Public Resources Advisory Group, Inc.
Helen Feinberg, RBC Capital Markets
Drew Warren, Community of Hope

- I. The Chairman, Larry Boudrie, called the regular meeting to order at 11:00 a.m., determined the presence of a quorum and acknowledged proof of publication of the Notice of Meeting.
- II. Public Comments: The Chairman called for public comment. Hearing none, public comment was closed.
- III. Motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to approve the Consent Agenda as follows:
 - A. Approval of Minutes of October 12, 2017 meeting
 - B. Approval of payment of NALHFA annual dues for 2018
 - C. Approval of 2018 Public Meeting Schedule
 - D. Approval of Green Pony Press, Inc. invoice for website maintenance and editing
 - E. Approval of payment of NALHFA and FLALHFA conference registration fees and authorization to incur reimbursable expenses for 2018

Mr. Hartman pointed out that the Authority's meeting schedule conflicts with the Florida Housing Finance Corporation's schedule for June, September and December. Ms. Abbott stated that she will publish the meeting schedule for January through May and will gather alternate meeting dates for the remainder of the year.

IV. 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.

- B. Habitat for Humanity of Brevard County Status Report on Loan Agreement: Ms. Abbott stated that there has not been any activity on this loan since the Authority's last meeting. Ms. Abbott reported that she spoke with Diane Koenig, Executive Director, regarding the line of credit. Ms. Koenig stated that Habitat appreciates having the line of credit available as a backup. She is expecting that there may be a need to use a line of credit in the future, since the real estate market is improving and foreclosures are dissipating.

- C. Consideration of Request from Community of Hope: Drew Warren, Executive Director of Community of Hope, stated that his organization has been around for 12 years. It provides transitional and permanent housing. It owns 29 housing units. It currently owns and operates a 12 unit apartment complex, which is financed by Keith Donald formerly of Steady Town, as well as a duplex with a \$67,000 mortgage with Regions Bank at an interest rate of 5.56%. The Community of Hope is requesting a consolidated no interest loan to take out its current loans to allow Keith Donald to free up funds for housing for additional families. Mr. Forbes stated that BB&T has supported Keith Donald and that his organization is the best at addressing homelessness because it provides case management and has a church based work force. There is a lack of readily available housing for the homeless. BB&T had looked at this financing, but it did not meet its underwriting standards even though it does cash flow. There is approximately \$430,000 owed on the apartment complex mortgage, and the real estate is worth more than \$500,000. Tenants are paying approximately \$650 per month, including utilities. There are 10 to 11 churches represented on the Board and all make donations to Community of Hope. Keith Donald focuses on rapid re-housing, but is not directly involved in the housing. Street to Home analyses the needs of tenants and directs them to appropriate solutions. Michael Hartman asked whether Section 8 project based vouchers are utilized to which Mr. Warren replied no. This is not their business model as they want tenants to be self-reliant. Mr. Forbes stated that Keith Donald has a 90% success rate. Mr. Forbes wants to understand the financial reports, rent rolls, and cash

flows of the properties. Mr. Warren replied that the Avocado and Hogue properties have first mortgages only, and the Authority's loan would be in first position if the Authority refinanced them. However, there are restrictions placed on one of the properties by the City that could be a 25 year mortgage. Mr. Warren is requesting approximately \$500,000, which would refinance the existing mortgages and include \$75,000 for rehab on the Avocado property. This would pay out Keith Donald entirely. Barry Forbes stated that he would like to know what Keith Donald has planned for the funds that will be freed up. Mr. Warren stated that there is no time constraint, and that he would like to expand into North Brevard County. Mr. Warren agreed to provide more information to Ms. Abbott for further distribution to the members and the professionals.

V. Multifamily Programs - Discussion regarding status of financing of Crane Creek Senior Apartments Project:

Ms. Abbott stated that since the Authority's last meeting, the Brevard County Commission granted its approval to the issuance and the Authority has obtained allocation from the Division of Bond Finance for this program. Resolution No. 2017-02 presented today will grant final approval of this issue by the Authority. Mr. Mustian stated that the Resolution approves two series of bonds which equate to the total amount for which allocation was obtained. The structure of this issue involves a first mortgage loan from CITI Bank and a Seller Note back to the seller of the property. There will be a sale of the property, which has an appropriate separation of parties for tax purposes. The Resolution before the Authority will grant approval of the bond documents, including the Land Use Restriction Agreement. A credit underwriting report has been produced by First Housing. Closing is scheduled for December 26 and 27, 2017. Mr. Mustian stated that the provisions in the bond documents are similar to those of Trinity Towers. Mr. Forbes asked whether any of the County Commissioners had questions or concerns. Ms. Abbott responded that the approval was given without discussion. Ms. Edmonds stated that the original application, as well as the credit underwriting report, anticipated that the low income set aside would be 100% at 60% of AMI. However, Florida Housing Finance Corporation did not grant an amendment to its extended use agreement, so the units will remain at 90% at 60% of AMI with 20 units at 35% of AMI, and 10% at market rate. An advantage of this mix is that the market rate units will not require tenant relocation. Ms. Edmonds added that there has been an issue regarding the scope of rehab and the amount of the repair and replacement reserves. The scope of the rehab is discussed on page A-5 of the CUR. There is \$8.2 million of tax exempt financing and housing credit equity of \$5.1 million. The deferred developer fee is \$264,000. The developer is required to fund \$255,000 in reserves up front. The developer is coming to closing with \$630,000 in equity, which is unusual. The CUR is subject to the special condition that certain reserves be funded at closing. Michael Hartman stated that he wants it clear that the developer will be putting \$699,231 in cash into the deal at closing. Ms. Edmonds agreed and responded that the credit underwriting report anticipates cash or an irrevocable letter of credit from an acceptable institution. Mr. Forbes asked who will hold the reserve funds. Ms. Edmonds responded that

CITI Bank will hold the reserves and they will be funded from cash flows on an ongoing basis. First Housing initially recommended \$760.00 per unit per year in replacement reserves, but the cash flows would only support \$300.00 per unit per year. After discussions and negotiations, it was agreed that the reserves should be \$487.00 per unit per year. Since cash flows only support \$300, the developer agreed to an upfront payment of the present value of the differential in the reserves at closing. Mr. Forbes questioned the use of the reserves. Mr. Mustian indicated that the Land Use Restriction Agreement sets forth the reserve requirements. Mr. Forbes stated that he believes the market rate units will force the project to be competitive.

Ms. Edmonds stated that another issue is the guaranties. Deep pocket and personal guaranties were preferred and recommended by First Housing. However, Dominium has requested something different. Ms. Edmonds recommends requiring what is in the CUR. Mr. Mustian stated that there are four different types of guaranties: Environmental, completion, operating deficits and recourse obligations. Ms. Edmonds stated that she recommends approval of this issue for the preservation of affordable units. She stated that the current version of the tax bill will preserve tax exempt private activity bonds. Motion made by Kamran Sarkarati, seconded by Barry Forbes and carried unanimously to approve Resolution No. 2017-02 entitled:

A RESOLUTION OF THE BREVARD COUNTY HOUSING FINANCE AUTHORITY AUTHORIZING THE ISSUANCE BY THE AUTHORITY OF NOT EXCEEDING \$8,210,000 IN AGGREGATE PRINCIPAL AMOUNT OF ITS MULTIFAMILY HOUSING REVENUE FUNDING NOTE, SERIES 2017 (CRANE CREEK APARTMENTS PROJECT) AND NOT EXCEEDING \$4,992,000 IN AGGREGATE PRINCIPAL AMOUNT OF ITS SUBORDINATE MULTIFAMILY HOUSING REVENUE NOTE, SERIES 2017 (CRANE CREEK APARTMENTS PROJECT); ESTABLISHING PARAMETERS FOR THE AWARD OF THE SALE THEREOF AND ESTABLISHING CRITERIA FOR DETERMINING THE TERMS THEREOF, INCLUDING THE DATE, INTEREST RATES, INTEREST PAYMENT DATES AND MATURITY SCHEDULE AND OTHER TERMS OF SUCH NOTES; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION OF A FUNDING LOAN AGREEMENT, BORROWER LOAN AGREEMENT, LAND USE RESTRICTION AGREEMENT, SUBORDINATE LOAN AGREEMENT, AND RELATED LOAN DOCUMENTS; AUTHORIZING THE NEGOTIATED ISSUANCE AND DELIVERY OF THE NOTES; AUTHORIZING THE APPOINTMENT OF A FISCAL AGENT FOR THE FUNDING NOTE; AUTHORIZING THE CHAIR OR VICE CHAIR OR ANY AUTHORITY MEMBER AND THE SECRETARY TO TAKE ANY OTHER ACTIONS NECESSARY TO ISSUE THE NOTES AND MAKING OTHER PROVISIONS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

VI. Single Family Programs:

A. Status Report on 2012-2017 TBA/MCC Program:

Ms. Abbott presented a status report on the Single Family Programs as of November 30, 2017. She also presented a summary discussing that Florida Housing Finance Corporation will be out of f Hardest Hit Funds very soon, which will increase the first mortgage activity under local HFA programs who qualify for Hardest Hit Funds.

- B. Mr. Mustian presented Resolution No. 2017-03 to extend the MCC Program. Mr. Hartman questioned whether MCC's will be eliminated under the new tax bill. Ms. Edmonds and Mr. Mustian confirmed that MCC's were not eliminated. Extending the program will require the holding of a TEFRA hearing, obtaining Brevard County Commission approval and applying for allocation from Division of Bond Finance. Motion made by Barry Forbes, seconded by Kamran Sarkarati and carried unanimously to approve Resolution No. 2017-03, entitled:

A RESOLUTION OF THE BREVARD COUNTY HOUSING FINANCE AUTHORITY AUTHORIZING THE INITIATION OF ACTION IN CONNECTION WITH THE PROPOSED ISSUANCE OF SINGLE FAMILY MORTGAGE REVENUE BONDS; AUTHORIZING THE INITIATION OF ACTION, IN THE EVENT SUCH BONDS ARE NOT ISSUED, TO ESTABLISH A MORTGAGE CREDIT CERTIFICATE PROGRAM; AUTHORIZING THE EXCHANGE OF \$40,000,000 OF SINGLE FAMILY PRIVATE ACTIVITY BOND ALLOCATION FOR \$10,000,000 OF MORTGAGE CREDIT CERTIFICATE AUTHORITY; AUTHORIZING CERTAIN OFFICIALS OF THE AUTHORITY TO TAKE ACTIONS NECESSARY IN CONNECTION WITH THE IMPLEMENTATION OF THE BOND OR MCC PROGRAM; PROVIDING CERTAIN OTHER FINDINGS AND DETAILS WITH RESPECT THERETO; AND PROVIDING AN EFFECTIVE DATE

The Authority authorized Ms. Abbott to hold the TEFRA hearing and apply to the County for approval.

- C. Motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to approve the First Amendment to Memorandum of Understanding with Florida Housing Finance Corporation to extend local utilization of Hardest Hit Funds until March 31, 2018.

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

Ms. Edmonds stated that Florida Housing Finance Corporation has been aggressive in its approach to and review of 4% tax credit applications for local HFA projects. Ms. Edmonds stated that she believes that local HFA's should be able to set the standards for the use of 4% tax credits in connection

with its bond issues without Florida Housing Finance Corporation imposing additional requirements. Mr. Forbes asked why FHFC has taken this approach, to which Ms. Edmonds replied, that it is attempting to avoid headline risk. When tax credits go up, developer fees go up, but also there is more money for rehab. Ms. Feinberg stated that FHFC does not like “related party transactions” even when they are not considered related parties for tax purposes. FHFC is not allowing the consideration of favorable financing as an enhancement to value when it reviews appraisals. Mr. Hartman stated that the average new developer is \$2,500,000 in the hole before any profit, and that the developer only gets to take about 60% of its fee. His concern is that FHFC is overriding tax attorneys and tax CPA’s as to what will be considered eligible basis. Helen Feinberg stated that most state agencies do not get as involved in reviewing appraisals. FHFC has hired someone who is an appraiser and who is questioning the appraisals instead of policy. When state agencies act erratically, it shifts millions of dollars and developers will go elsewhere. The policy needs to be reviewed and commented on. Mr. Forbes stated that there needs to be a consistent set of rules.

VIII. Report of Angela A. Abbott, Esquire:

Ms. Abbott presented a proposed release of regulatory agreement in connection with the Windover Oaks and Windover Health Club, Series 1996 A and B. Bonds. She explained that these bonds were defeased in 2006 and the Land Use Restriction Agreement expired in February, 2012. Further, the developers provided a certification under oath that the projects do not receive Section 8 assistance. She recommended approval of these releases as presented. Motion made by Michael Hartman, seconded by Barry Forbes and carried unanimously to approve the Releases of the LURA’s.

IX. Motion made by Michael Hartman, seconded by Kamran Sarkarati and carried unanimously to adjourn the meeting at 12:13 p.m.