

BREVARD COUNTY HOUSING FINANCE AUTHORITY

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MINUTES
August 22, 2018

The Brevard County Housing Finance Authority convened on the 22nd day of August, 2018, at the hour of 3:00 p.m. in the Lecture Room of the Brevard County Agricultural Center, 3695 Lake Drive, Cocoa, Florida.

Present: Kamran Sarkarati, Chairman
Michael Hartman, Vice Chairman
Barry Forbes, Secretary/Treasurer
Angela A. Abbott, Attorney for the Authority
Marianne Edmonds, Public Resources Advisory Group, Inc.
Natalie Sidor, Public Resources Advisory Group, Inc.
Cameron Hill, RBC Capital Markets
Thomas Alderson, Wells Fargo Bank, N. A.

- I. The Chairman, Kamran Sarkarati, called the meeting to order at 3:04 p.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. Marianne Edmonds introduced Natalie Sidor with Public Resources Advisory Group, Inc. Ms. Abbott introduced Tom Alderson, the trustee with Wells Fargo Bank, N.A.
- III. Consent Agenda: Motion made by Barry Forbes, seconded by Michael Hartman, and carried unanimously to approve the Consent Agenda as follows:
 - A. Approval of Minutes of June 27, 2018 meeting
 - B. Approval of payment of Hendrickson Ink invoice for website maintenance
 - C. Approval of payment of invoice of PRAG for 2nd Quarter, 2018
 - D. Approval of payment of invoices of Angela A. Abbott, P.A. for 2nd Quarter, 2018
 - E. Approval of reimbursement of Florida ALHFA conference expenses
 - F. Approval of request for contribution to Sadowski Education Effort
 - G. Approval of 12 Month Planning Goals
 - H. Approval of budget for fiscal year 2018-2019 and adoption of Resolution No. 18-01 entitled:

RESOLUTION ADOPTING THE 2018-2019 BUDGET FOR THE
BREVARD COUNTY HOUSING FINANCE AUTHORITY

Kamran Sarkarati
Chairman

Michael Hartman
Vice Chairman

Barry Forbes
Secretary/Treasurer

James Katehakis
Asst. Secretary/Treasurer

Angela A. Abbott
Attorney/Administrator

IV. Report of Treasurer, Barry Forbes:

Mr. Forbes presented the Treasurer's Report and budget comparison for the quarter year ended June 30, 2018. He noted the large positive income variance due primarily to the Single Family TBA program income, the Crane Creek fee and prepayment of a GNMA certificate under the Single Family 2002 BC program. He reviewed the balance sheet and discussed the liquid and term assets. The expense budget is approximately \$140,000, with an operating reserve of \$200,000. Mr. Hartman inquired about the Community Projects Reserve, which Ms. Abbott stated is for projects such as the Habitat and Community of Hope loans. Ms. Edmonds explained that the GNMA Custody account was originally funded by the Authority with \$1,250,000 to fund loan purchases in the TBA program if there was not a ready market for them. The difference in the current balance and the original funding is MBS sale profit to the Authority. Ms. Abbott noted that approximately \$101,000 was transferred from the GMNA Custody account to the DPA Custody account several years ago. The current balance in the DPA account is approximately \$300,000, including loan reservations. Both of the custody accounts are with BNY Mellon. Motion made by Michael Hartman, seconded by Kamran Sarkarati and carried unanimously to approve 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: The loan to HFH is paying as agreed. A summary of all payments was included in the agenda package.
- B. Loan Agreement with Habitat for Humanity of Brevard County: There has been no activity on this loan since the Authority's last meeting. The agenda package included the June 30, 2018, status report on the Critical Home Repair Program.
- C. Loan to Community of Hope, Inc.: Ms. Abbott stated that, once the subordination agreements were secured from Brevard County, the loan to Community of Hope, Inc. closed on July 10, 2018, in the amount of \$502,200. The loan is secured by a first mortgage to the Authority on the following properties:

1785, 1796, 1805 and 1815 Avocado, Melbourne, 1415 & 1417 Roosevelt, 1416, 1418, 1420 and 1422 Hoag Avenue, Melbourne, FL, and 1868 Southland Avenue, Melbourne, FL.

The mortgages to Regions Bank and Steady Town were paid in full at closing. There are subordinate mortgages to SBA (Avocado), Habitat for

Humanity (Southland) and Brevard County (Roosevelt and Hoag). Principal payments will commence on September 1, 2018, and will continue for a term of 15 years or until the loan is paid in full.

VI. Single Family Programs:

A. Status Report on 2012-2018 TBA/MCC Program:

Ms. Abbott presented a written status report on the Single Family Program as of July 31, 2018. During the months of June and July, 36 loans closed. There are now over \$25 million in first mortgages, with 26 loans now pending. Several new lenders are now originating loans under the program. The agenda package included status reports on the DPA and GNMA Custody accounts as of July 31, 2018, a summary of GNMA profits as of August 14, 2018 and the quarterly status report on second mortgages as of June 30, 2018.

B. Discussion regarding funding of Down Payment Assistance loans and Investments:

Since the last meeting, an additional \$500,000 has been transferred to the DPA account. The members discussed the Authority's overall finances. Mr. Forbes stated that he thinks with the current interest rates, it is unlikely that the first mortgages will be refinanced. Also, the real estate market is high right now. He expressed that the Authority may be holding the second mortgages for a long period of time. Mr. Hartman inquired about the loan to value ratios, to which Ms. Edmonds responded that the LTV is high. The Authority has been reserving a 20% loan loss, but to date, has experienced only a 4% loss. Ms. Edmonds presented a memo regarding TBA Program funding and cash investment alternatives. Since the inception of the program, the Authority has funded \$1,140,000 in DPA loans. The GNMA trade profit is approximately \$550,000. The Authority received GNMA trade profit on approximately 50 loans that received Hardest Hit Fund assistance, for which the Authority did not provide DPA loans. Ms. Edmonds stated that the first mortgages are sold at approximately 103 to 104, which Mr. Hartman estimated results in around \$4,200 in profit per loan. Ms. Hill noted that the loans are pooled and traded quickly to insure no losses. Mr. Forbes stated that the Authority will not be able to sustain this level of DPA funding indefinitely, but that we are fulfilling our purpose in providing loans to homebuyers. The FHFC DPA is \$7,500, with a higher first mortgage interest rate and no MCCs. Ms. Abbott mentioned that the Hillsborough County HFA reduced the amount of its DPA loans from \$10,000 to \$7,500 in early July, and that loan production has not fallen. The Duval County HFA will reduce its DPA from \$10,000 to \$5,000 on September 1st. Ms. Edmonds stated that \$500,000 in funds can be moved from the GNMA Custody account to the DPA Custody account. The SunTrust account has a current balance of \$2.3 million with virtually no return. Ms. Edmonds pointed out that the annual expenditures are \$120,000 to \$150,000 and that income is up due to the new

multifamily programs. Mr. Forbes stated that he thinks it is prudent to lower the DPA loan amount to \$7,500 and to determine a maximum amount for DPA funding. Once an additional 100 loans are originated, the Authority will lower the DPA loan amount to \$5,000.

Motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to reduce the DPA loan amount from \$10,000.00 to \$7,500.00 for reservations made on or after October 1, 2018.

Following discussion and Ms. Edmonds' recommendation, motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to transfer \$1,000,000 from the SunTrust account to the DPA custody account. The return on the DPA custody account is approximately 1.8%, which far exceeds the return on the SunTrust Bank account.

Ms. Edmonds suggested that the Authority should invest \$750,000 to \$1,000,000 in laddered CDs. Ms. Abbott obtained CD rates from SunTrust Bank, N.A. which Ms. Edmonds presented. The rate for a 6 month CD is 0.50%, a 12 month CD is 1.75%, an 18 month CD is 2.0% and a 24 month CD is 2.20%. Ms. Edmonds presented rates for laddered CDs through a Fidelity brokerage account with a blended rate of 2.14%. She also noted that the Florida Prime rate is now 2.22%. Mr. Forbes said that the SBA (now Florida Prime) did not invest funds as QPD's did and it failed. Ms. Edmonds stated that the investments are now different and are AAA rated by S&P, but Florida Prime is not backed by the state.

Following discussion, motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to amend the Investment Policy pursuant to Section 159.608 (11), Florida Statutes, to permit investments in interest bearing time deposits which are FDIC insured regardless of whether the financial institution is a QPD.

Following discussion, motion made by Barry Forbes, seconded by Michael Hartman and carried unanimously to invest \$1,000,000 from the SunTrust account in a portfolio of five laddered CD's, in the amount of \$200,000 each for 3, 6, 9 and 12 month terms. The Authority authorized Ms. Edmonds to select the financial institution at which to open an account for the investment.

C. Documentary Stamp Tax exemption for HFA loans:

Ms. Abbott stated that, effective July 1, 2018, new legislation allows all HFA loans, not just bond loans, to be exempt for doc stamps. Mortgages payable directly to the HFA are exempt from intangible tax as well. The new statute requires that an affidavit by the HFA or its agent be recorded with the

mortgage stating that the loan qualifies for the exemption. She stated that a conference call was held shortly after the last meeting to determine a uniform way to handle this issue across the state. It was decided that borrowers and lenders should be designated as agents of the HFA's for the limited purpose of signing the required affidavit. Motion made by Michael Hartman, seconded by Barry Forbes and carried unanimously to approve Resolution No. 18-02 entitled:

RESOLUTION OF THE BREVARD COUNTY HOUSING FINANCE AUTHORITY OF BREVARD COUNTY, FLORIDA APPOINTING AGENTS FOR THE PURPOSE OF SECTION 159.621(2) FLORIDA STATUTES; PROVIDING AN EFFECTIVE DATE.

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

- A. Ms. Edmonds announced that RBC's role in the TBA Program will be changing. Cameron Hill explained that RBC will be shutting down its MBS trading desk. The Hillsborough County HFA has executed an agreement with Brean Capital to handle the MBS trades for the program going forward. Ms. Edmonds reminded the Authority that it does not control the Hillsborough program. It is likely that the trades with Brean Capital may be more profitable. Ms. Edmonds noted that Miami-Dade will make this change, as well.
- B. Motion made by Michael Hartman, seconded by Barry Forbes and carried unanimously to approve the extension of the Financial Advisor Agreement for an additional one year term ending September 30, 2019, under the same terms.

VIII. Report of Angela A. Abbott, Esquire:

Ms. Abbott stated that a new multifamily application may be received from Atlantic Housing Partners in September. If it is received in time, the Authority may need to hold the meeting scheduled for September 26, 2018.

IX. Other:

- A. Ms. Abbott presented a memo stating that the current contracts with the Authority's Bond Counsel, Nabors, Giblin & Nickerson, P.A., and Disclosure Counsel, Bryant, Miller & Olive, P.A., will expire on July 31, 2018. Both firms were selected following a formal Request for Proposals process. The term of the engagement with both firms began August 1, 2012, for a five year period, with two one year renewals. On June 8, 2017, the Authority exercised the first option to renew for additional one year terms. She recommend that the Authority exercise the second option to extend each of the current

contracts for additional one year terms. Both firms have verbally agreed to a one year extension on the same terms. Alternatively, the Authority may circulate a new Request for Proposals for these positions to be acted upon at the October, 2018 meeting. Mr. Hartman inquired about other bond counsel firms which specialize in housing issues. Ms. Edmonds stated that Greenberg Traurig and Squire Sanders are the other two firms which are active in Florida. Ms. Abbott stated that she works with Greenberg Traurig in Manatee County and its fees are higher. Motion made by Barry Forbes, seconded by Michael Hartman, and carried unanimously to approve the extension of the Bond Counsel and Disclosure Counsel engagement agreement for an additional one year term ending July 31, 2019 under the same terms.

- B. Motion made by Michael Hartman, seconded by Barry Forbes and carried unanimously to acknowledge the termination of the contract with Calvin Charles Johnson, CPA, due to his retirement, and to approve distribution of the Request for Proposals for Auditor, as presented. Ms. Abbott stated that she would circulate the distribution list to the members today, and welcomes any additions to the list that the members may have.
- C. Motion made by Michael Hartman, seconded by Barry Forbes and carried unanimously to clarify that the contribution to the Sadowski Education Effort is \$15,000.

- X. The meeting adjourned the meeting at 4:15 p.m.