
PUBLIC RESOURCES ADVISORY GROUP

MEMORANDUM TO: Brevard County Housing Finance Authority
FROM: Public Resources Advisory Group, Inc.
SUBJECT: Request for Waivers--Venue at Viera
DATE: April 15, 2020

Atlantic Housing Partners has requested several significant variances from the Authority's standard fees and underwriting standards. The Authority does not typically consider these variances prior to review of the completed credit underwriting report. Nonetheless, at the request of the developer, I have reviewed their requests and discussed those with the other members of the Authority's professional team.

Venue at Viera is new construction; this Authority has not funded new units since 2008. Most, if not all, new construction affordable housing transactions have been done with the 9% housing credit (which is a limited resource) or with significant subsidy. The Applicant reports that the requested waivers will lower costs and make the project feasible.

The Applicant's requests fall into three categories:

Reduction of Fees paid to the Authority and its professional team at closing as well a reduction in the Authority's annual fees.

Waiver of Performance & Payment Bonds, Letters of Credit and/or Liquidity Maintenance for Construction Completion Guarantee.

Eliminate requirement that tax credit equity be fully funded at closing.

Reduction of Fees

The Applicant requested that the Authority pay one half of the cost of issuance, or \$87,125 and a reduction of the annual issuer fee from 0.25% to 0.125%. We proposed that the Authority provide these funds as a loan, to be forgiven after the development has operated as a successful affordable development for 10 years. The Applicant is concerned that a forgivable loan creates a taxable event which significantly reduces its value. Alternatively, we would propose that you consider a fee structure wherein the Issuer Fees are established at 50% of your published rate and the Cost of Issuance funded 50% by the Applicant and 50% by the HFA, with the 50% balance of the Issuer Fees and Cost of Issuance due and payable as an obligation of Atlantic Housing or its Bond Purchaser Affiliate, at any time during the minimum 15 year



bond term that the Owner is not in compliance (*allowing for appropriate cure period*) with any of the terms or requirements of the MMRB regulatory agreements. I prefer the forgivable loan structure but need to understand the impact of the tax liability.

Waiver of Construction Guarantees

The Applicant requested the waiver Performance & Payment Bonds, Letters of Credit and/or Liquidity Maintenance for Construction Completion Guarantee. They agree to include the Owner, Bond Purchaser, and HFA as multiple Obligees on the major subcontractor performance and payment bonds. In addition, an entity with some commonality of Ownership with the Developer and Applicant would provide a Construction Completion Guarantee. That entity would be one that has been underwritten by the Credit Underwriter and deemed to have the financial resources adequate to support the Construction Completion Guarantee.

Funding of Tax Credit Equity

The Applicant is providing a bridge loan to the tax credit equity. These bridge funds will be spent before bond proceeds.

The loan commitment includes a requirement that an entity controlled by a principal of the Applicant purchase at least 10% of the outstanding bonds each year after construction completion. We requested transfer restrictions for any subsequent sales; the applicant has proposed that future sales will be to Accredited Investors in minimum denominations of \$500,000.