

# BREVARD COUNTY HOUSING FINANCE AUTHORITY

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## MINUTES September 23, 2020

The Brevard County Housing Finance Authority convened on the 23<sup>rd</sup> day of September, 2020, at the hour of 4:00 p.m. by telephone conference call.

Present by telephone:

- Kamran Sarkarati, Chairman
- Michael Hartman, Vice Chairman
- Barry Forbes, Secretary/Treasurer
- James Katehakis, Asst. Secretary/Treasurer
- Alison Colvard, Member
- Angela A. Abbott, Attorney for the Authority
- Mark Mustian, Nabors, Giblin & Nickerson, P.A.
- Marianne Edmonds, Public Resources Advisory Group, Inc.
- Helen Feinberg, RBC Capital Markets
- Stephanie Sinito, Millennia Housing Development
- Erin Schlitts, Smith & Henzy Advisory Group

- I. **PUBLIC HEARING:** The Chairman opened the public hearing at 4:01 p.m., regarding proposed issuance of not to exceed \$40,000,000 in Single Family Housing Revenue Bonds, or in the alternative, \$10,000,000 in Mortgage Credit Certificates, pursuant to the Notice of Public Hearing which was properly published, and asked for public comment. Hearing none, the public hearing was closed at 4:02 p.m.
- II. The Chairman, Kamran Sarkarati, called the meeting to order at 4:03 p.m. and determined the presence of a quorum. Ms. Abbott conducted a roll call of all those present on the telephone. The Chairman requested that each member identify himself when making motions and he announced that all voting by the members would be taken by roll call.
- III. **Oath of Office:** The oath of office was taken by the new member, Alison Colvard.
- IV. **Public Comments:** The Chairman called for public comment. Hearing none, public comment was closed.
- V. **Consent Agenda:** Motion made by Michael Hartman, seconded by Jim Katehakis and carried unanimously to approve the Consent Agenda as follows:
  - A. Approval of Minutes of July 9, 2020 meeting
  - B. Approval of payment of Hendrickson Ink invoice for website maintenance

Kamran Sarkarati  
Chairman

Michael Hartman  
Vice Chairman

Barry Forbes  
Secretary/Treasurer

James Katehakis  
Asst. Secretary/Treasurer

Alison Colvard  
Member

Angela A. Abbott  
Attorney/Administrator

- C. Approval of payment of invoice of Public Resource Advisory Group for 2<sup>nd</sup> Quarter, 2020
- D. Approval of payment of Florida ALHFA annual dues for 2020-2021
- E. Approval of request for contribution to Sadowski Education Effort of \$15,000, as budgeted
- F. Approval of 12 Month Planning Goals
- G. Approval of budget for fiscal year 2020-2021 and adoption of Resolution No. 20-08 entitled: RESOLUTION ADOPTING THE 2020-2021 BUDGET FOR THE BREVARD COUNTY HOUSING FINANCE AUTHORITY
- H. Approval of amended budget for fiscal year 2019-2020 and adoption of Resolution No. 20-09 entitled: RESOLUTION AMENDING THE 2019-2020 BUDGET FOR THE BREVARD COUNTY HOUSING FINANCE AUTHORITY

VI. Report of Treasurer, Barry Forbes: Presentation of 3<sup>rd</sup> Quarter, FY 2019-2020 Treasurer's Report and reports as of August 31, 2020: Mr. Forbes presented the budget comparison year to date which indicates more income than budgeted. The balance sheet reflects a balance in the SunTrust account of \$1.7 million as of August 30, 2020. The Fidelity account is invested in certificates of deposit which are earning 1.5% to 2.0% for now. As the CD's mature, the rates will drop. The second mortgage receivable portfolio was approximately \$2.3 million at the end of August, 2020. Ms. Abbott explained that the Habitat for Humanity custody account with Wells Fargo transferred the balance to the SunTrust in August. She added that there is approximately \$400,000 of developer deposits in the SunTrust account.

Michael Hartman asked whether the multifamily issues are expected to close. Ms. Abbott responded that she expects all of the issues to close. The Southlake Towers issue is expected to close on Friday. The developer deposit of \$110,000 will be returned, upon payment of costs of issuance and the Authority's fee. The other two issues are expected to close in early 2021. Motion by Michael Hartman, seconded by Jim Katchakis, and carried unanimously to accept the Treasurer's report as presented.

VII. 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: The Loan Agreement with Habitat for Humanity ended on July 31, 2020. Ms. Abbott reported that the funds in the custody account with Wells Fargo Bank were transferred to the Authority's checking account at SunTrust Bank in August.
- C. Loan to Community of Hope, Inc.: The loan to Community of Hope is paying as agreed. A summary of all payments was included in the agenda package.

VIII. Multi-Family Programs:

- A. Status report on Application of Venue at Brevard, Ltd. (The Venue at Viera Senior Living Project): Ms. Abbott reported that this issue closed on July 14, 2020, as expected. Construction of the project is underway.
- B. Status report of Application of Southlake Towers, LLLP (Southlake Towers Apartments Project): Ms. Abbott reported that this issue is scheduled to close on Friday, September 25, 2020.
- C. Status report on application of Millennia Housing Development (Jupiter Ridge, Armstrong Glen and Sandpoint Village Projects, collectively Millennia Project): Stephanie Sinito stated that they are working through due diligence with the lender and the credit underwriter. Due to issues with the equity provider, the closing has been delayed until January or February, 2021. Ms. Colvard asked Ms. Sinito to elaborate on the issue with the equity provider. Ms. Sinito responded that, as a developer in Cleveland, they are seeing a reduction in capacity of the equity syndicators due to the pandemic and the slow down in the economy. RBC cannot commit to close until early next year.
- D. Status report of application of HKH Tropical LP (Tropical Manor Apartments Project): Ms. Abbott reported that approval of the TEFRA hearing was granted unanimously by the Board of Brevard County Commissioners on September 15, 2020. The credit underwriting has been initiated and the issue is expected to close in January, 2021. There was a kickoff call held today.

IX. Single Family Programs:

- A. Status Report on 2012-2020 TBA/MCC Program and discussion regarding funding of Down Payment Assistance loans:

Ms. Abbott presented a written status report on the Single Family Program as of August 30, 2020. During the months of July and August, six (6) new loans closed and four (4) loans paid off. If loans continue to originate at the current rate, the funds on deposit in the DPA custody account will be sufficient to provide DPA loans through July, or August, 2021.

The agenda package included status reports on the DPA and GNMA Custody accounts as of August 31, 2020, and a summary of GNMA profits as of August 31, 2020. During this fiscal year, as of August 31, 2020, thirty (35) second mortgages were funded totaling \$262,500 and ten (10) second mortgages were repaid in full totaling \$95,000. The GNMA profit this fiscal year is \$186,794, with an average profit per loan of \$5,048. As housing prices increase, the GNMA profit per loan increases. The net cash cost to the

Authority to continue its participation in this program is less than \$2,500 per loan and the Authority holds the full amount of the second mortgage (\$7,500) as a term asset. Historically, the foreclosure rate on loans with second mortgages is about 4%. The current balance in the DPA custody account is approximately \$289,000.

Ms. Abbott recommends continuing the DPA program from both a public purpose and an economic standpoint. Even if the real estate market declined, it is not likely that the HFA would suffer losses in the overall portfolio. Ms. Edmonds added that the total profit on the program is about \$1.2 million, and the DPA loans originated are about \$2.3 million. The total assets from the program are \$1.2 million in GNMA profit, plus the second mortgage portfolio of \$2.3 million. Even with a 20% default rate, the HFA is ahead of the game. Mr. Forbes asked about the net funding of the DPA loans. Ms. Edmonds noted that the August profit was \$14,000, and the DPA loans were funded at \$15,000. Mr. Forbes concurred that the HFA is funding the DPA loans at a level that is far less than the loss rate would be, especially considering the historic rate of foreclosure. He stated that, in this low interest rate environment, it is unlikely that loans will be refinancing, which reduces the ability to recycle the funds. Following discussion, motion by Barry Forbes, seconded by Michael Hartman and carried unanimously to continue to fund the DPA program in increments of \$100,000 whenever the balance in the DPA custody account drops below \$150,000.

- B. Quarterly Report on Second Mortgage and status as of August 31, 2020: The agenda package contained status reports for all second mortgages as of June 30, 2020 and as of August 31, 2020.
- C. Discussion regarding Mortgage Credit Certificate program and consideration of Resolution 2020-10 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 UP TO \$40,000,000 OF SINGLE FAMILY PRIVATE ACTIVITY BOND ALLOCATION FOR UP TO \$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.

Ms. Abbott presented a memo explaining that the current Mortgage Credit Certificate (MCC) program will end on December 31, 2020. In order to continue the availability of MCC's to borrowers under the TBA program in 2021 and 2022, the following steps must be taken:

1. Hold a TEFRA (public) hearing;
2. Obtain Brevard County Commission approval of TEFRA hearing;
3. Apply to the Florida Division of Bond Finance for private activity bond allocation of \$40,000,000;
4. Convert \$40,000,000 allocation to \$10,000,000 in MCC authorization; and,
5. Publish Notice of Intent to establish the MCC program.

Since January, 2015, only \$320,501.50 in MCC's were issued. If allocation is available from the state pool in November, there will be no impact on the regional allocation pool, which is approximately \$57,000,000 per year for Brevard and Volusia Counties. Given the lack of utilization of the MCC program, Ms. Abbott does not recommend applying to the regional allocation pool, which may be needed for multifamily projects. She stated that she believe that the reason the MCC program has not been more successful is likely because lenders do not fully understand the program or are not willing to make the effort to process the MCC's. The Hillsborough HFA has made the issuance of MCC's mandatory for all qualifying loans. The potential risk of this requirement is that some lenders may drop out of the TBA program due to the extra work.

Ms. Abbott suggested that the Authority has the following options:

1. Continue MCC program as is;
2. Make MCC's mandatory for all qualifying loans; or,
3. Discontinue the MCC program.

Ms. Abbott also mentioned that FHFC is discontinuing its MCC program, which may drive borrowers to the HFA program, and/or drive lenders away from the HFA program. The cost to continue the MCC program is approximately \$5,000.00. Ms. Edmonds stated that it is likely that the state pool will have funds available in November. She expressed concerns about the availability of allocation in the regional pool over the next two years due to the increased demand for multifamily issues. Mr. Forbes asked whether the Authority may preserve allocation for future use. Mark Mustian responded that whatever allocation the Authority receives may be carried forward for the following three years. The Authority currently has \$30 million in carryforward allocation and the allocation for the Millennium Housing and Tropical Manor projects will also be carried forward. Ms.

Edmonds asked whether the Authority could request \$40 million in allocation but not convert it to MCCs. Mr. Mustian responded that, upon application with the Division of Bond Finance, the Authority may request allocation for either single family or multifamily, but, at the end of the year, the filing with the IRS for carryforward authorization must designate the purpose as single or multifamily, not both. Ms. Edmonds asked whether the Authority can obtain allocation and decide at the December meeting whether to use the allocation for single family, MCC or multifamily purposes. Mr. Mustian responded yes but the resolution would need to be modified to include multifamily. Ms. Edmonds suggested that it is a good idea to bank allocation for future use. Alison Colvard asked whether the loans with MCCs would have gone forward without the MCCs. Ms. Edmonds responded that the MCC is not enough to make a bad loan good, but it makes a good loan better.

Motion made by Michael Hartman, seconded by Alison Colvard and carried unanimously to approve Resolution No. 2020-10, as modified to include the option to apply for multifamily allocation, and to authorize the Chairman and Secretary to sign the modified Resolution.

- X. Report of Public Resources Advisory Group, Inc.: Ms. Edmonds stated that she continues to hear from developers interested in multifamily. She has spoken with three developers in the past week who are either new to affordable housing or who are moving to Florida from out of state. The demand is robust. It is unclear what the impact will be when eviction moratorium expires. Mr. Hartman stated that tax credits are not as profitable because pricing is being pushed downward. Ms. Edmonds added that larger developers are buying and holding their own credits to syndicate later. Barry Forbes stated that the local Economic Development Council is looking to accelerate work force housing. The existing affordable housing stock is rolling off and the need is increasing. Mr. Hartman added that banks that need CRA credit will likely eat up the tax credits. Ms. Edmonds mentioned that tax credit prices are running between 87 and 95 cents in larger markets. Mr. Hartman predicted that, after the election, if taxes go up then tax credits will likely go up.
  
- XI. The meeting adjourned at 4:59 p.m.