

HOUSING FINANCE AUTHORITY OF MANATEE COUNTY, FLORIDA

435 12th Street West, Suite 117
Bradenton, Florida 34205
(877) 264-0334

MINUTES June 13, 2017

The Housing Finance Authority of Manatee County convened on the 13th day of June, 2017, at the hour of 1:52 p.m. in the second floor conference room of 417 12th Street West, Bradenton, Florida.

Present: James J. Heagerty, Jr., Chairman
Rich Pierro, 1st Vice Chairman
Frank R. Dodson, III, Secretary/Treasurer
Angela A. Abbott, Attorney for the Authority
Susan J. Leigh, The Community Concepts Group
Tim Wranovix, Raymond James & Associates, Inc.
Sue Denihan, eHousing Plus
Cameron Hill, RBC Capital Markets
Frank Hogan, Dominionium
Chris Barnes, Dominionium

- I. The Chairman, James J. Heagerty, Jr., called the meeting to order at 1:52 p.m., determined the presence of a quorum and acknowledged proof of publication of the Notice of Public Meeting.
- II. Public Comments: The Chairman called for public comments. Hearing none, public comment was closed.
- III. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to approve the Consent Agenda as follows:
 - A. Minutes of April 11, 2017 meeting
 - B. Requisition No. 589 for fees and costs of Angela A. Abbott, P.A. for general services
 - C. Requisition No. 590 for fees and costs of Angela A. Abbott, P.A. in connection with the 2013 Single Family Loan and MCC Program
 - D. DAP Requisition No. 32 for fees and costs of Angela A. Abbott, P.A. in connection with administration of 2006 Single Family DAP Program
 - E. Requisition No. 591 for website hosting and editing by Green Pony Press, Inc.
 - F. Next Meeting: July 11, 2017, or August 8, 2017, at 1:30 p.m. at 417 12th Street West, 2nd Floor Conference Room, Bradenton, Florida

James J. Heagerty, Jr.
Chairman

Richard M. Pierro
1st Vice Chairman

Hugh D. Miller
2nd Vice Chairman

Paul A. Sharff
3rd Vice Chairman

Frank R. Dodson, III
Secretary/Treasurer

Angela A. Abbott
Attorney/Administrator

IV. Report of Treasurer, Frank R. Dodson, III:

Mr. Dodson presented the Treasurer's Reports for March, April and May, 2017. Mr. Dodson indicated that everything balances as it should. There was a disbursement error by the Trustee at the end of March, which was corrected immediately on the first business day of April. He noted that \$300,000 of internal funds have been transferred to the DPA custody account this year. He also indicated that interest payments are being received. Motion made by Rich Pierro, seconded by Frank Dodson and carried unanimously to accept the financial reports into the record.

[Steve Sanford joined the meeting by telephone.]

V. Multifamily Programs - River Trace and Manatee Ponds:

A. Financial presentation of final credit underwriting report and recommended conditions of final approval: Susan Leigh presented the Financial Advisor Memorandum which summarized the credit underwriting report and status of the financing and recommendations. Ms. Leigh reminded the Board that this financing involves two projects and has been ongoing since September, 2016. The credit underwriting report is now completed. It verifies the sufficiency of the project rehabilitation being performed and recommends the scope of rehabilitation needed for the project to last another 30 to 50 years. The Financial Advisor memo delineates what is actually being done, which primarily addresses life safety issues. While certain items are not being performed, the developer has agreed to contribute an additional \$997,000 for repairs and rehab to address life safety issues and the most critical needs. The Financial Advisor is satisfied with the scope of work, but asked the developer to clarify that the air conditioning units will be not less than 14 SEER, as opposed to 12 SEER as previously indicated. Mr. Barnes confirmed that is the case. Ms. Leigh stated that the Energy Star roofing and appliances will not be required. In lieu of certain personal guarantees, the developer has agreed to escrow with the Fiscal Agent a five year reserve of fees for the issuer and compliance monitor. Mr. Dodson has carefully reviewed the escrow agreement for this purpose.

The Financial Advisor is recommending that the Authority;

- (i) Approve the issue for the financing of the acquisition and rehabilitation of the projects;
- (ii) Waive the requirement for Energy Star roofing material and Energy Star conservation scope;
- (iii) Approve repair and rehabilitation items indicated in the credit underwriting report, including the replacement of all smoke detectors, wood decks in Manatee Pond, replacing portions of chain link fence

at both properties, replacing the wood bridge at Manatee Pond, installing gutters and downspouts at Manatee Pond and repairing and repainting the exterior of homes at Manatee Pond.

(iv) Approve a set aside period of 30 years as opposed to 50 years.

Mr. Heagerty questioned the amount of the replacement reserve per unit per year. Ms. Leigh explained that the engineer originally recommended a fairly high number based upon what he thought needed to be done. The Credit Underwriter recommended an annual reserve of \$400/unit for future repairs and replacements.

Mr. Dodson thanked the professionals for their efforts in bringing this financing to closing. Mr. Pierro and Mr. Heagerty stated that the rehabilitation of these projects is greatly needed and will enhance the community.

Ms. Abbott indicated that the retainer agreements with the professionals do not contemplate the structure of this financing, which includes a tax exempt note, a taxable note and subordinate debt with separate documents to support it. The financing also includes two projects.

Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to accept the recommendations of the Financial Advisor and to approve the cost of issuance, as presented.

B. Adoption of Resolution No. 2017-02:

Steve Sanford stated that the financing structure is different than usual in that no bonds are being issued and there will be no public offering. In this case, there are two loans (A and B) from JPMorgan Chase Bank to the Issuer, which the Issuer will in turn loan to the borrower. The series C Note is a purchase money note, which is tax exempt between the buyer and the seller of the project. The Issuer issues the note which the borrower repays which in turn pays the seller.

The Authority obtained volume cap in 2016, which is being carried forward. Of the \$25,000,000 obtained, this project will use \$23,500,000. The documents listed in Exhibit "A" to the Resolution being approved are in substantially final form. Mr. Sanford briefly described the documents as follows:

- Exhibit A is the Project Loan Agreement is between the Issuer and the Borrower;
- Exhibit B is the Funding Loan Agreement is between JPMorgan and the Issuer to fund the loan;

- Exhibit C is the form of the Series A and B Notes;
- Exhibit D is the form of the mortgages. There are three mortgages: a senior mortgage (securing the A loan), a junior mortgage (securing the B loan) and a subordinate mortgage (securing the C loan);
- Exhibit E is the form of the Assignments of the mortgages to the fiscal agent. U. S. Bank will act as the fiscal agent, as opposed to acting as Trustee;
- Exhibits F, G and H are the Series C Loan Agreement, Note and Mortgage, which creates an obligation for the borrower/purchaser to repay the purchase money loan to the seller;
- Exhibit I is the Assignment of the Series C loan documents;
- Exhibit J is the Land Use Restriction Agreement which will be recorded and will run with the land, and contains mechanisms for enforcement;
- Exhibit K is the Fee Guaranty and Environmental Indemnity Agreement;
- Exhibit L is the Credit Underwriting Report;
- Exhibit M includes the ancillary documents, such as the guaranty agreements and Compliance Monitoring Agreement. Chris Barnes is a guarantor on the completion guaranty.

Mr. Sanford stated that the recommended rehab is delineated in the LURA, which will be an enforceable document. The blacklined version of the resolution was distributed but contained no substantive changes. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to approve Resolution No. 2017-02 entitled:

A RESOLUTION OF THE HOUSING FINANCE AUTHORITY OF MANATEE COUNTY, FLORIDA (THE "AUTHORITY"), AUTHORIZING THE MAKING OF NOT TO EXCEED \$25,000,000 HOUSING FINANCE AUTHORITY OF MANATEE COUNTY, FLORIDA, IN TAX-EXEMPT GOVERNMENTAL LOANS REPRESENTING A FUNDING LOAN AND A SUBORDINATE SELLER LOAN AND AUTHORIZING THE MAKING OF NOT TO EXCEED \$3,000,000 TAXABLE GOVERNMENTAL BRIDGE LOAN AND PROVIDING FOR CERTAIN DETAILS WITH RESPECT TO SUCH GOVERNMENTAL LOANS; APPOINTING A FISCAL AGENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FUNDING LOAN AGREEMENT BY AND AMONG THE AUTHORITY, JPMORGAN CHASE BANK, N.A., AS INITIAL FUNDING LENDER AND U.S. BANK NATIONAL ASSOCIATION, AS FISCAL AGENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PROJECT LOAN AGREEMENT BY AND AMONG THE AUTHORITY, BRADENTON LEASED HOUSING ASSOCIATES III, LLLP, AS THE BORROWER; APPROVING THE FORMS OF PROJECT NOTES EVIDENCING THE BORROWER OBLIGATIONS TO REPAY THE GOVERNMENTAL LOANS; APPROVING THE FORMS OF THE SECURITY INSTRUMENTS SECURING THE FUNDING LOAN, BRIDGE LOAN AND SUBORDINATE SELLER LOAN; APPROVING THE FORMS OF

AND AUTHORIZING THE EXECUTION OF THE ASSIGNMENT OF SECURITY INSTRUMENTS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LAND USE RESTRICTION AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FEE GUARANTY AND ENVIRONMENTAL INDEMNITY AGREEMENT; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN ABSOLUTE AND UNCONDITIONAL GUARANTY OF OPERATING DEFICITS, A CONTINUING ABSOLUTE AND UNCONDITIONAL GUARANTY OF COMPLETION, A CONTINUING, ABSOLUTE AND UNCONDITIONAL GUARANTY OF RECOURSE OBLIGATIONS, A CONSTRUCTION AND LOAN SERVICING AGREEMENT, A FINANCIAL MONITORING AGREEMENT, A COMPLIANCE MONITORING AGREEMENT, A SUBORDINATE LOAN AGREEMENT AND A SUBORDINATION AGREEMENT; DETERMINING THE NEED FOR A NEGOTIATED PRIVATE SALE OF THE GOVERNMENTAL NOTES; ACCEPTING THE CREDIT UNDERWRITING REPORT; AUTHORIZING THE PROPER OFFICERS TO DO ALL THINGS NECESSARY OR ADVISABLE; AND PROVIDING AN EFFECTIVE DATE FOR THIS RESOLUTION.

Mr. Sanford stated that the closing documents will be signed after the meeting in lieu of a face to face closing.

VI. Status Report on Single Family Programs:

A. Status Report of Single Family Loan and Mortgage Credit Certificate Program:

Ms. Abbott presented a status report stating that there have been 10 additional loans since the Authority's last meeting, and that 6 additional loans have been reserved in the past week. Homestead Funding and Open Mortgage have become active and are originating loans. There is also a new lender, Atlantic Bay Mortgage, and a new loan officer at HomeBridge that have been active recently. Rich Pierro asked about other programs available to lenders. Tim Wranovix indicated that Florida Housing Finance Corporation is now giving MCC's. The hardest hit grant funds are available in other counties but should expire by the end of this year.

B. Discussion and approval of DPA grant program option:

Tim Wranovix presented a written proposal discussing and comparing the current second mortgage program with the grant program. He indicated that the Authority approved adding conventional loans to the program at the last meeting. The current mortgage interest rate on the program is 4.125%. Ninety five percent of the loans made are through HomeBridge. Twenty six loans have been purchased this year through the end of May. The Authority has funded approximately \$190,000 in DPA loans this year. The program has

received approximately \$83,000 on the sale of first mortgages. Mr. Wranovix compared loans with second mortgages to the grant program at closing. The grant program loans are purely TBA and will never go into a bond deal. The grant program will result in cash to the Authority at closing with no risk associated with the collection of a second mortgage. The grant program would just be another option for borrowers to consider. A 5% down payment assistance grant would be funded at closing to the borrower and the borrower will pay a slightly higher mortgage interest rate. Additionally, the income limits and purchase prices under the grant program would be adjusted to the target area limits. Mr. Wranovix stated that even though the purchase price limits are higher, it is not likely that the limits will be reached due to the income restrictions. The higher limits will allow the Authority's program to compare favorably to Florida Housing Finance Corporation's programs. Mr. Dodson stated that he likes the idea of adding another option for borrowers, and that this may result in attracting additional lenders. Mr. Pierro asked about the fiscal effect of the program. Mr. Dodson stated that under the example presented, instead of five loans costing the Authority \$34,000 in second mortgage loans, it would make \$8,500. However, he stated that he is more concerned about expanding the reach of the program. Mr. Wranovix stated that the Lee County Housing Finance Authority has done \$36,000,000 in loans this year. It offers a \$7,500 DPA second mortgage loan or a 5% DPA grant. Eighty seven percent of its loans are through the grant program. Many new lenders joined that program because of the grant option. Mr. Wranovix stated that two disadvantages of the grant program are the HUD-OIG issue which lingers in regard to FHA loans. Further, the SRP values from the master servicer may change. Following discussion, motion made by Frank Dodson, second by Rich Pierro, and carried unanimously to accept the proposal of Raymond James and to add the grant option to the existing program. Ms. Leigh and Ms. Abbott cautioned that the higher purchase price limit looks bad politically. Mr. Wranovix stated that the income and purchase price limits would be the target area limits. Bond counsel will need to confirm the new limits and review the new guidelines. The grant program can be available within approximately one month.

C. Discussion Regarding Home Buyer Education Requirement:

The Authority's agenda package included a bulletin from U.S. Bank stating that FNMA and Freddie Mac are requiring pre-closing homebuyer education. Therefore, U.S. Bank will not purchase loans unless the requirement is met. Ms. Abbott stated that Denise Thomas contacted her regarding the County's homebuyer education course. In order for borrowers to participate in the Authority's program and the Manatee County program, the homebuyer must complete the homebuyer education course through Manatee County. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to require homebuyer education courses and to accept completion of the Manatee County Homebuyer Education Course to satisfy this requirement.

D. Approval of new servicing agreement with U.S. Bank:

Mr. Wranovix indicated that language in the agreement may be changing and that there is no rush to have the agreement executed. Therefore, this matter was deferred until the August meeting.

VII. Other:

Mr. Heagerty inquired about the requirement in the River Trace and Manatee Ponds Land Use Restriction Agreement for on-site voter registration. This was discussed at the last meeting. He stated that he does not think it is appropriate and would like this requirement removed from the LURA and from multi-family application and guidelines of the Authority.

VIII. Motion made Rich Pierro, seconded by Frank Dodson and carried unanimously to adjourn the meeting at 2:50 p.m.

Respectfully submitted:

By: _____
Frank R. Dodson, III, Secretary/Treasurer