HOUSING FINANCE AUTHORITY OF
MANATEE COUNTY, FLORIDA
435 12th Street West, Suite 117
Bradenton, Florida 34205
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MINUTES

February 12, 2019

The Housing Finance Authority of Manatee County convened on the 12th day of February, 2019, at the hour of 1:30 p.m. in the second floor conference room of 417 12th Street West, Bradenton, Florida.

Present: Richard M. Pierro, Chairman
Hugh D. Miller, 1st Vice Chairman
Paul A. Sharff, 2nd Vice Chairman
Jay Heagerty, Jr., 3rd Vice Chairman
Frank R. Dodson, III, Secretary/Treasurer
Angela A. Abbott, Attorney for the Authority
Mark Hendrickson, The Hendrickson Company
Tim Wranovix, Raymond James & Associates
Helen Feinberg, RBC Capital Markets
Cameron Hill, RBC Capital Markets
Denise Thomas, Manatee County, Florida
Geri Lopez, Manatee County, Florida
Owen Metz, Dominium
Devon Quist, Dominium

I. The Chairman called the meeting to order at 1:32 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 Paul Sharff, seconded by Jay Heagerty and carried unanimously to approve the Consent Agenda as follows:
A. Minutes of December 11, 2018 meeting
B. Requisition No. 662 for website hosting and editing by Hendrickson Ink
C. Requisition No. 663 for fees and costs of Angela A. Abbott, P.A. for general services
D. Requisition No. 664 for fees and costs of Angela A. Abbott, P.A. in connection with the 2013-2019 Single Family Loan and MCC Program
E. DAP Requisition No.71 for fees and costs of Angela A. Abbott, P.A. for in connection with administration of 2009-2012 Single Family DAP Program
F. Requisition No. 665 for fees and costs of Angela A. Abbott, P.A. in connection with administration of 2009 Home Ownership Loan Program
G. Next Meeting: March 12, 2019, or April 9, 2019, at 1:30 p.m. at 417 12th Street West, 2nd Floor Conference Room, Bradenton, Florida

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

Mr. Dodson stated the reason the Audit report was pulled from the agenda was an issue arose regarding whether single family bonds are considered as "conduit debt" under the GASB definition of conduit debt. The Authority addressed this issue with the Auditor General and the Shinn & Company several years ago. The Auditor General performed a desk audit regarding the notes to the financial statements and did not take issue with the way the Authority's single family bonds were reported in the Authority's financial statements. The issue has not been addressed uniformly across the state. Since Shinn & Company merged into Carr, Riggs & Ingram, a major regional firm, it has obtained an opinion from GASB that single family bonds are not conduit debt because there is no third party borrower/obligor. Therefore, under the GASB definition, single family bonds must be reflected as liabilities in the Authority's financial statements, even though the Authority is clearly not obligated on the debt. The Brevard HFA has recently hired Carr, Riggs & Ingram and is facing the same problem. Mr. Dodson stated that Neil Unruh did not leave his notes regarding the extensive discussion on this issue from years ago. Mr. Hendrickson stated that the Hillsborough HFA had previously taken the position that single family bonds are conduit debt and they were not reported in the financial statements. However, due to GASB's definition, certain auditors are requiring the inclusion in the financial statements. Mr. Dodson expects issues regarding the management letter and disclaimers as to financial responsibility for the debt. Mr. Miller stated that even though there is disclosure of the single family bond issues, that does not mean that the Authority has the legal responsibility for payment of the bonds under state law. The revised Audit report will be presented at the next Authority meeting.

Mr. Dodson presented the General Fund Financial Reports for November and December, 2018. He stated that the funding reserve for the DPA program with Manatee County does not have to show as restricted funds on the financial reports. This change will be reflected in future reports. Income and expenses are very close to being on budget. The net position has increased by approximately $120,000. Motion made by Hugh Miller, seconded by Jay Heagerty and carried unanimously to accept the Treasurer's Report into the record.

V. Status Report of Single Family Programs:

A. Loan and Mortgage Credit Certificate Program:

1. Status Report: Ms. Abbott presented a memorandum on the status of the program and indicated that there were eight loans closed during the months of December, 2018 and January, 2019. Loan originations have been steady.

2. Ms. Abbott explained that the current MCC program expired December 31, 2018. The proposed resolution authorizes a new MCC program which is smaller but consistent with prior utilization. Motion made by Frank Dodson, seconded by Jay Heagerty, and carried unanimously to approve Resolution 2019-01 entitled:

A RESOLUTION AUTHORIZING A MORTGAGE CREDIT CERTIFICATE PROGRAM, THE CONVERSION OF $10,000,000 OF MORTGAGE REVENUE BOND VOLUME CAP ALLOCATION FOR $2,500,000 OF MORTGAGE CREDIT CERTIFICATE ISSUANCE AUTHORITY, AND THE EXECUTION OF ALL NECESSARY DOCUMENTS AND THE TAKING OF ALL OTHER ACTIONS NECESSARY OR APPROPRIATE TO THE IMPLEMENTATION OF THE MORTGAGE CREDIT CERTIFICATE PROGRAM.

3. Motion by Frank Dodson, seconded by Paul Sharff and carried unanimously to approve Requisition No. 666 for fees and costs of Greenberg Traurig in connection with the 2019 MCC program

B. <u>Status Report on Livable Manatee DPA Program - Request for Amendment to Program:</u>

Denise Thomas reminded the Authority that SHIP funding for this fiscal year was extremely limited. At the time that the Authority initiated the Livable Manatee DPA Program, the SHIP program was already up and running. The SHIP funds have been depleted and the County is now using HOME funds for down payment assistance. She is expecting eight (8) loans within the next 30 days. The issue is that one of the requirements of the Authority's DPA Program is a SHIP third mortgage in conjunction with the Authority's second mortgage. There have been no loans closed under this program yet. Ms. Thomas requested the expansion of the program to allow the use of HOME funds for subordinate financings in addition to SHIP. The program will still serve borrowers with 80% or less of AMI. She is also requesting that the program be available throughout unincorporated Manatee County and not limited to Livable Manatee sites. Motion made by Jay Heagerty, seconded by Hugh Miller and carried unanimously to expand the program as requested. This change will be effective immediately.

VI. <u>Multifamily Programs:</u>

A. <u>Sadowski Education Effort ("SEE") update</u>: Mr. Hendrickson provided a brief legislative update on the Sadowski Education Effort. He indicated that both Governor DeSantis and the Senate are supporting full funding in the proposed budget this year. The goal at this point is to contact all House members to request full funding, in support of the Governor's budget. It has been 10 years since a governor has recommended full funding. SEE has published several editorials acknowledging the Governor's support. There will be a new information piece coming out to show what counties should have received and what was actually received in SHIP funding.

B. Discussion regarding preliminary application of Dominium (Palmetto Senior Project):

Mr. Hendrickson presented an analysis of the preliminary application for the Palmetto Senior Project. He discussed the matter with Mr. Dodson prior to the meeting. The goal of the team is not to turn away potential financings, it is to find a way to work with applicants to find a way to bring in new projects with the longest possible affordability period. The policy of the Authority is a 50 year affordability period. He explained that on non-SAIL deals, FHFC requires a 30 year affordability period and when SAIL loans are utilized the affordability term is 50 years. The application for Palmetto Senior is a non-SAIL loan requesting a 15 year affordability period, which is the minimum under the federal tax code. From a policy prospective, 15 years is not very long, particularly when senior residents are involved. Mr. Pierro expressed his concern about what happens to the senior residents at the end of the 15 year term. Mr. Hendrickson stated that the developer has offered a 5 year phase out period. He is more comfortable with a plan to allow seniors to stay in place without a significant rent increase. This is a tax credit apartment deal with no assisted living component.

Owen Metz explained that Dominium is based in Minnesota, has been in business since 1972 and is the second largest provider of affordable housing in the country. Its integrity is its core value. He explained that Dominium is requesting that federal law minimum limits apply in case the market changes. The affordability period would be 30 years, but the developer would have an exit strategy after 15 years that would allow the developer to offer the property for sale under a "Qualified Contract" at a predetermined price for a one year period. If the property does not sell, then the project can be converted to market rate within a 3 year conversion period. If the project is performing well, then the kick out option would not be exercised. The project will be structured with a great deal of debt up front, with little subsidy, so that the project can be built well with below market rents. This project is greatly needed in the area and the financing is a challenge. The site is 6 acres, with approximately 200-240 units proposed. Upon questioning from Mr. Sharff, Mr. Hendrickson responded that this proposal is better than nothing but the Authority should still impose its standards. Mr. Miller inquired about the debt structure. Mr. Metz explained that the financing will be a Freddie Mac tax exempt loan through SunTrust, as servicer, and will be underwritten to normal standards. Dominium treats all of its debt as recourse to preserve its banking relationships. The tax credits are earned over 10 years. Mr. Miller is concerned about long term maintenance of the project. Mr. Hendrickson expressed concerns about the developer having a "circuit breaker" and would hope that the developer would approach the Authority if the project is not working. Mr. Dodson asked about the age limit. Mr. Metz indicated that a 55 year and older resident is required in each unit. Mr. Dodson also inquired about the timing and terms of the "Qualified Contract". Mr. Metz responded that, at the end of the 14^{th} year, the property would be offered for sale at a price equal to the original debt plus equity.

Mr. Hendrickson recommended that the $1.3 million for repair and replacement reserves should be controlled by the servicer not the developer. Mr. Metz explained that replacements and repairs generally cost twice the required amount. The required reserves will be controlled by the servicer, but the cash flows in excess of the required reserves would be controlled by the developer. Mr. Hendrickson emphasized that all bond proceeds should be controlled by the servicer.

Mr. Dodson suggested a 20 year, as opposed to a 15 year, "Qualified Contract" option with a 5 year conversion period. Mr. Miller asked if the developer could restrict rentals to its advantage toward the end of the affordability period, to which the developer responded no. The area is in great need of this project and Mr. Miller believes that something will be built in the area. Mr. Heagerty stated that the Authority has dealt with this developer in the past and it performed honorably. He stated that if the developer would consider 20 years and the project is good for the community, then the Authority can't be overly worried about what happens after 20 years. Mr. Pierro thinks that these rents will change people's lives now because there is nothing else available in that rental range of quality. Mr. Miller expressed he wants the project to be well maintained. Mr. Metz stated that the income is limited to 60% of AMI. He further emphasized the lack of supply of affordable housing. This would help increase supply which will in turn help keep rents down. Mr. Hendrickson asked what percentage of residents will be voucher holders. Mr. Metz responded approximately 20%. Mr. Hendrickson suggested another alternative is to adjust the income limits to 80/20 after the initial 15 year term. Mr. Metz offered a compromise of a 20 year affordability period, plus a three year conversion period. The members agreed by consensus to the compromise. Mr. Hendrickson stated that there should be a limited number of three bedroom units. The developer will submit a full application for the Authority to consider for inducement.

C. Denise Thomas requested a conference call to discuss a newly proposed multifamily project of 270 units in unincorporated Manatee County located in the southwest district, south of Tropicana. She will coordinate a time for the call with Ms. Abbott. Ms. Lopez added that the developer is interested in 4% credits. She wanted to gain a sense of the Authority's process and the allocation limitations.

VII. Other:

A. Consideration of Retainer Agreement with Angela A. Abbott, P.A.: Motion made by Paul Sharff, seconded by Frank Dodson and carried unanimously to approve the revised Retainer Agreement with Angela A. Abbott, P.A.

B. Consideration of Engagement Letter with Greenberg Traurig: Motion made by Paul Sharff, seconded by Frank Dodson and carried unanimously to issue an RFP for bond counsel to be presented at the April meeting.

C. Motion made by Jay Heagerty, seconded by Hugh Miller and carried unanimously to approve Requisition No. 667 in the amount of $2,500.00 to Florida ALHFA for conference sponsorship.

D. Election of Officers for 2019: Rich Pierro passed the gavel to Ms. Abbott who opened the floor for nominations. Motion made by Frank Dodson seconded by Paul Sharff and carried unanimously to approve the following slate of officers for 2019:

Hugh D. Miller: Chairman
Paul A. Sharff: First Vice Chairman
James J. Heagerty, Jr.: Second Vice Chairman
Richard M. Pierro: Third Vice Chairman
Frank R. Dodson, III: Secretary/Treasurer

VIII. The meeting adjourned at 2:41 p.m.

Respectfully submitted:

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