

HOUSING FINANCE AUTHORITY OF MANATEE COUNTY, FLORIDA

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Bradenton, Florida 34205
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MINUTES

February 11, 2020

The Housing Finance Authority of Manatee County convened on the 11th day of February, 2020, at the hour of 1:30 p.m. in the second floor conference room of 417 12th Street West, Bradenton, Florida.

Present: Jay Heagerty, Jr., 2nd Vice Chairman
Rich Pierro, 3rd Vice Chairman
Frank R. Dodson, III, Secretary/Treasurer
Angela A. Abbott, Attorney for the Authority
Susan Leigh, The Community Concepts Group
Tim Wranovix, Raymond James & Associates
Helen Feinberg, RBC Capital Markets
Owen Metz, Dominion

- I. The 2nd Vice Chairman called the meeting to order at 1:30 p.m., determined the presence of a quorum and acknowledged proof of publication of the Notice of Public Meeting.
- II. Public Comments: The 2nd Vice Chairman called for public comments. Hearing none, public comment was closed.
- III. Motion made by Rich Pierro, seconded by Frank Dodson and carried unanimously to approve the Consent Agenda as follows:
 - A. Minutes of December 10, 2019 meeting
 - B. Requisition No. 706 for website hosting and editing by Hendrickson Ink
 - C. Requisition No. 707 for costs of Angela A. Abbott, P.A. for general services
 - D. Next Meeting: March 10, 2020, or April 14, 2020, at 1:30 p.m. at 417 12th Street West, 2nd Floor Conference Room, Bradenton, Florida
- IV. Report of Treasurer, Frank R. Dodson, III: Presentation of General Fund Financial Reports for November and December, 2019:

Mr. Dodson presented the General Fund Financial Reports for November and December, 2019. He noted that all of the income for the first quarter of the fiscal year was derived from repayments of second mortgages and investment earnings. The increase in net position is approximately \$29,500.

Hugh D. Miller
Chairman

Paul A. Sharff
1st Vice Chairman

James J. Heagerty, Jr.
2nd Vice Chairman

Richard M. Pierro
3rd Vice Chairman

Frank R. Dodson, III
Secretary/Treasurer

Angela A. Abbott
Attorney/Administrator

Motion made by Rich Pierro, seconded by Frank Dodson and carried unanimously to accept the general fund financial report into the record.

V. Status Report of Single Family Programs:

A. Loan and Mortgage Credit Certificate Program:

Status Report: Ms. Abbott presented a memorandum on the status of the program and indicated that two loans closed during the months of December, 2019, and January, 2020, four loans paid off and two new foreclosures were filed. No loans are currently pending. Ms. Leigh stated that higher home prices may be the reason that the program is slow at this time. Mr. Wranovix stated that the FHFC program is also slow now.

B. Status report on Livable Manatee DPA Program: Ms. Abbott stated that there has been no activity since the last meeting.

VI. Multi-family Programs: Discussion regarding status of application of Dominionium (Palmetto Senior Project):

A. Consideration of request for waiver of personal guarantee requirement by credit underwriter:

Susan Leigh presented two memos prepared by the financial advisors. The memo dated February 1, 2020 explains the various guaranties required. The memo dated February 10, 2020 includes recommendations from the financial advisors. The environmental issue has still not been fully quantified. Therefore, the credit underwriting report ("CUR") cannot be finalized. There may be conditions contained in the CUR. The construction costs are not final yet. Mr. Heagerty expressed concerns about the precedent that waiving personal guaranties will set for the future. Ms. Leigh expressed the same concerns. The completion guaranty is of greatest concern because non-completion will reflect poorly on the Authority. Ms. Feinberg added that credit underwriters make exceptions called "drawing a box around it" which limits the exception to the particular circumstances. In this instance, there are new units being developed with no outside subsidy, which is very rare. This only occurs when the developer is large enough to invest in the property. Dominionium does this with Freddie Mac, so that it receives a return on the investment over and above the cash flows, which few developers can afford to do. Mr. Wranovix stated that he has not seen the precedence being a problem in other areas. Mr. Dodson noted that Dominionium is a very large company with a good track record. Personal guaranties have some value but they are difficult to collect on. In this case, the entity providing the guaranty

is strong and there will be a completion bond. Mr. Dodson and Mr. Pierro stated that they agree with the recommendations of the financial advisors. Mr. Dodson stated that he prefers the evergreen escrow of fees to the personal guaranty. Ms. Leigh reviewed each of the guaranties separately:

1. Guaranty of Completion. Since this is a short term guaranty which is less likely to be impacted by market issues, and there will be a payment and performance bond, she recommends accepting the corporate guaranty only, with no personal guaranty. Further, the equity investor has a strong incentive to step in to complete construction if the developer fails. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to accept the recommendation of the financial advisors.
2. Guaranty of Performance or Operating Deficits. This guaranty remains in place until a 1.15 DSC ratio is achieved, and then the guaranty is released. Since this has little impact on the Authority, the financial advisor recommends accepting the corporate guaranty only, with no personal guaranty. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to accept the recommendation of the financial advisors.
3. Guaranty of Recourse Obligations and/or Fees. Since these fees are the most likely to not be paid if the deal encounters financial difficulties, the financial advisors recommend that five years of all fees be escrowed with the trustee at closing, with an evergreen provision requiring the developer to continually fund the escrow with five years of fees, in addition to a corporate guaranty (not personal). Owen Metz apologized for not noticing the personal guaranty requirement sooner in the process.

[Mark Mustian joined the meeting by phone.]

Mr. Metz stated that Dominion is generally not asked to provide personal guaranties. He suggested that the corporate guaranty is stronger than personal guaranties because of the continuity and stability of the corporation. The deals are cross collateralized. The tax creditor investor is SunTrust (Truist), which has already carefully reviewed this transaction and the strength of the corporate guarantor. Dominion has a \$570,000 operating deficit reserve that is funded with tax credit investment equity, which would pay the fees if Dominion did not. In regard to the issuer fee, if an escrow is required at closing, there will be a \$300,000 hit to the sources and uses of the project. In addition, the annual fee has to be underwritten as an operating expense. He requested that the Authority consider accepting an upfront payment of half of the issuer fee, discounted to

present value (approximately \$300,000). The developer would continue to pay 10 basis points (half of the fee) annually. Mr. Dodson reminded Mr. Metz that the escrow structure was used on the River Trace deal. Mr. Metz stated that River Trace was not new construction, which has a tighter margin without subsidy. Mr. Heagerty questioned the discount rate of 4.5% and stated that in his opinion, it is way too high. Mr. Dodson agreed the rate is too high given current market conditions. Ms. Leigh suggests having the credit underwriter review this structure. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to accept the recommendation of the financial advisors.

4. Environmental Guaranty/Indemnity Agreement. The environmental indemnity is prospective. The financial advisor recommends accepting the corporate guaranty, without a personal guaranty. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to accept the recommendation of the financial advisors.

Ms. Leigh stated that personal guaranties are a standard requirement for local Florida HFA's and FHFC. Mr. Pierro asked about the gross difference in the annual issuer fee if it is paid up front as compared to over time. Mr. Metz responded that the fee would be approximately \$458,000 over time or approximately \$314,000 using a present value discount of 4.5% and paid upfront. Mr. Pierro expressed that he likes the concept of the upfront payment. Mr. Heagerty asked Mr. Metz for a status report on the project. Mr. Metz distributed a rendering of the project. He added that it has been difficult to get a general contractor to bid on the project. Current Builders will be the GC. He would like to close in two months. A recent issue has arisen with the North River Fire District. It is requiring an extra \$80,000/year for fire services, which will total about \$1.5 million, in addition to taxes. The environmental issue has been resolved at no cost. The developer will be permitted to move dirt around, will install a vapor barrier and will cap the property with the building and parking lot. Florida DEP will inspect the property after construction for ground water issues. Mr. Metz presented a rent savings analysis for residents.

- B. Approval of project name change from Palmetto Senior to Reef at Riviera: Motion by Rich Pierro, seconded by Frank Dodson and carried unanimously to approve the project name change to Reef at Riviera.

Mark Mustian mentioned that because SunTrust (Truist) is the tax credit syndicator and the construction lender, there is a limit on the amount of the issuer fees during the construction period. Mr. Mustian will research how the fees can be structured to meet the limitations.

VII. Other:

- A. Motion made by Frank Dodson, seconded by Rich Pierro and carried unanimously to approve Requisition No. 708 in the amount of \$5,000.00 to Florida ALHFA for conference sponsorship at the host level.
- B. Election of Officers for 2020: Jay Heagerty passed the gavel to Ms. Abbott who opened the floor for nominations. Motion made by Frank Dodson seconded by Rich Pierro and carried unanimously to approve the following slate of officers for 2020:

Paul A. Sharff: Chairman
James J. Heagerty, Jr.: First Vice Chairman
Richard M. Pierro: Second Vice Chairman
Hugh D. Miller: Third Vice Chairman
Frank R. Dodson, III: Secretary/Treasurer
- C. Mr. Wranovix explained that one loan closed last September that utilized the grant DPA. When the loan was pooled, and purchased by the Authority, the funds that were to be used for the grant DPA should have been disbursed to U.S. Bank but instead remained in the Authority's GNMA custody account. These funds of approximately \$6,000 need to be transferred to U.S. Bank for reimbursement of the DPA loan.

VIII. The meeting adjourned at 1:48 p.m.

Respectfully submitted:

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