

BREVARD COUNTY HOUSING FINANCE AUTHORITY
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MINUTES
January 26, 2022

The Brevard County Housing Finance Authority convened on the 26th day of January, 2022, at the hour of 3:00 p.m. in the Lecture Room of the Brevard County Agricultural Center, 3695 Lake Drive, Cocoa, Florida, and by telephone conference call.

Present in person: Michael Hartman, Vice Chairman
James Katehakis, Asst. Secretary/Treasurer
Alison Colvard, Member
Angela A. Abbott, Attorney for the Authority
Debbie Goode, Carr, Riggs & Ingram, LLC
Jennifer Polk, Carr, Riggs & Ingram, LLC

Present by telephone: Kamran Sarkarati, Chairman
Barry Forbes, Secretary/Treasurer
Mark Mustian, Nabors, Giblin & Nickerson
Alex Fischer, Nabors, Giblin & Nickerson
Marianne Edmonds, Public Resources Advisory Group
Helen Feinberg, RBC Capital Markets
Cameron Hill, RBC Capital Markets
Scott Culp, Atlantic Housing Partners
Jacob Zlotoff, Citibank, N.A.

- I. The Vice Chairman, Michael Hartman, opened the public hearing at 3:00 p.m., regarding proposed issuance of not to exceed \$1,990,000, Multifamily Housing Revenue Bonds, Series 2022 (The Venue at Viera Senior Living Project) pursuant to the Notice of Public Hearing which was properly published, and asked for public comment. Hearing none, the public hearing was closed at 3:01 p.m.
- II. The Vice Chairman, Michael Hartman, called the meeting to order at 3:01 p.m. and determined the presence of a quorum.
- III. Public Comments: The Vice Chairman called for public comment. Hearing none, public comment was closed.

IV. Presentation of Carr, Riggs & Ingram, LLC:

A. Presentation of Audited Financial Statements for the year ended September 30, 2021

Debbie Goode and Jennifer Polk presented the Audited Financial Statements for the fiscal year ended September 30, 2021. Ms. Goode thanked Ms. Abbott for providing the information and reports requested in a timely manner. She stated that the report is clean and unqualified. She reviewed the financial statements and the Management Discussion and Analysis in detail. Mr. Hartman questioned a statement on page 9 that did not read correctly in regard to a decrease in net position in 2020. Also, on page 10, paragraphs two and six should state the “net” nonoperating revenue between the years. Ms. Goode agreed to correct the statements to read more clearly. Mr. Hartman noted in Table C on page 11 that the third line should read “Net increase (decrease) in cash or cash equivalents” and the second line should read “Net cash provided by (used for) investment activities”. Ms. Goode reviewed the Statement of Net Position on page 21. There was an increase of about \$230,000 in fiscal year 2021. The primary reason for the increase was attributable to the second mortgage repayments. There were also fewer new loans originated. She pointed out the reduction in liabilities due to the refund of developer deposits in connection with the Millennia and Tropical Manor issues. Ms. Goode noted that there was an increase of \$234,000 in revenues over expenses, which was an increase of \$72,000 over last year. She pointed out the ups and downs in cash flows. Authority fees were up by \$40,000, TBA program income was down \$70,000 and closing fees were up. The largest change in expenses was in the provision for loan losses which was down \$70,000. The net cash increased by \$312,000. Ms. Goode pointed out page 33 regarding investments. She noted that the conduit debt table on page 39 now includes Millennia and Tropical Manor. She stated that the Independent Auditor’s report on internal control is a clean report with no findings. The Authority has good checks and balances, and close oversight. The management letter and report on compliance, which are required by the Auditor General, are clean. She further presented the required communications letter which is clean, with no issues or fraud noted. Mr. Forbes asked whether the loan loss reserve is based on a standard. Ms. Goode indicated that they look at historical losses and calculate against the Authority’s estimate. Ms. Edmonds noted that the loan loss reserve has been 20% for the past ten years.

Motion made by Jim Katehakis, seconded by Alison Colvard and carried unanimously to accept the financial statements, as amended, and to authorize the execution of the management representation letter by the Vice Chairman.

- B. Motion made by Jim Katehakis, seconded by Alison Colvard and carried unanimously to approve payment of invoice of Carr, Riggs & Ingram, LLC for preparation of Audited Financial Statements for the year ended September 30, 2021.
- V. Consent Agenda: Motion made by Jim Katehakis, seconded by Alison Colvard and carried unanimously to approve the Consent Agenda as follows:
- A. Approval of Minutes of October 27, 2021 meeting
 - B. Approval of payment of Hendrickson Ink invoice for website maintenance
 - C. Approval of payment of invoice of Public Resource Advisory Group for 4th Quarter, 2021
 - D. Approval of payment of invoices of Angela A. Abbott, P.A. for 4th Quarter, 2021
 - E. Approval of payment of NALHFA annual dues for 2022
- VI. Report of Treasurer, Barry Forbes: Presentation of 1st Quarter, FY 2021-2022 Treasurer's Report:

Mr. Forbes presented the budget comparison for the 1st Quarter of the current fiscal year. Income is somewhat behind but expenses are also below budget. Ms. Abbott noted that the Single Family 2000 FNMA Certificate paid off in September after the budget was approved so this item will be negative all year. She also mentioned that the Crane Creek fee has now been collected. Mr. Forbes presented the balance sheet for the 1st quarter and the checkbook ledger. Mr. Forbes stated that the Authority maintains high liquidity, with little earnings, which is not likely to change soon. Mr. Hartman asked about the reserve of \$2,500,000 for single family projects. Mr. Forbes responded that the reserve is to fund TBA second mortgages. The members discussed the slow down in the TBA loan originations. Ms. Abbott noted that a lack of home inventory is a large factor. Mr. Forbes stated that the median home price in Brevard County has increased \$125,000. Ms. Edmonds noted that local homebuyers are competing with foreign cash buyers who are paying above asking price. Ms. Colvard mentioned that investors are buying the basic housing stock. Mr. Forbes stated that first time homebuyers are at a disadvantage if it take 45-60 days to process their loans versus a cash buyer, but there is not much the Authority can do about that. Mr. Hartman stated that he completed a survey for the City of Titusville suggesting reductions in impact fees, increases in density and reductions in minimum square footage to simulate housing. Ms. Abbott stated that the upper purchase price limit in the TBA program is now \$311,000. Ms. Edmonds noted that the Authority may increase the purchase price limits on the TBA program. Originally, the purchase price and income limits on the TBA program were set to be consistent with tax exempt bond rules so that the loans could be moved to a single family bond issue.

She added that there is a “safe harbor” requirement. The Authority can conduct a study of purchase prices, which will be higher than HUD limits because there is no lag. She questioned whether raising the purchase price will help if there is little inventory and if incomes are low. Mr. Forbes commented that higher paying jobs are coming to the area and that the gap between lower income and higher income is growing.

Motion by Alison Colvard, seconded by Jim Katehakis, 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 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. Single Family Programs:

- A. Status Report on 2012-2021 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 December 31, 2021. During the months of October, November and December, two (2) new loans closed and eight (8) loans paid off. There are no loans currently pending. The agenda package included status reports on the DPA and GNMA Custody accounts, and a summary of GNMA profits as of December 31, 2021. The average GNMA profit per loan this fiscal year is \$4,088.43, which is \$3,411.66 short of covering the \$7,500 second mortgage. The current balance in the DPA custody account is approximately \$230,100.

Ms. Colvard offered to contact Florida Housing Finance Corporation to find out if it has other ideas to solve the origination problem. Mr. Katehakis discussed whether raising the DPA amount would have an impact.

- B. Quarterly status report on second mortgages: A status report of all second mortgages as of December 31, 2021, was presented. Ms. Abbott stated that she sent letters to all borrowers under the Single Family 1991 C program whose mortgages will mature during this fiscal year reminding them that their loans are maturing and informing them where the payment should be sent. Two loans paid off and two loans are now delinquent.

- C. Consideration of temporary waiver of occupancy requirement for Warren loan: Ms. Abbott stated that Trevarius Warren paid off the second mortgage since the Authority's last meeting.

IX. Multi-Family Programs:

- A. Consideration of request for changes to Land Use Restriction Agreement (the "LURA") from Venue at Brevard Partners, Ltd. (Venue at Viera Project):

Scott Culp presented a request to amend the LURA to substitute vinyl wood plank flooring on the ground floor units in lieu of carpet and to substitute extended patios on the villa units in lieu of a gazebo. Ms. Colvard asked whether there will be an extended use restrictions on the property. Mr. Culp responded that there will be a 4% tax credit document recorded, but it will not contain requirements as to amenities.

Motion by Alison Colvard, seconded by Jim Katehakis and carried unanimously to approve the requested amendment to the LURA.

- B. Consideration of Resolution 2022-01 entitled:

Ms. Edmonds stated that this is just an inducement resolution. The credit underwriting report is in process. Motion by Alison Colvard, seconded by Jim Katehakis and carried unanimously to approve Resolution 2022-01 entitled:

RESOLUTION REGARDING THE OFFICIAL ACTION OF THE BREVARD COUNTY HOUSING FINANCE AUTHORITY RELATIVE TO THE ISSUANCE OF NOT TO EXCEED \$1,990,000 IN MULTIFAMILY HOUSING REVENUE BONDS FOR THE PURPOSE OF ACQUIRING, CONSTRUCTING, EQUIPPING, AND DEVELOPING A MULTIFAMILY RESIDENTIAL HOUSING FACILITY FOR PERSONS OR FAMILIES OF LOW, MIDDLE OR MODERATE INCOME; FURTHER AUTHORIZING THE EXECUTION AND DELIVERY OF AN AGREEMENT BY AND BETWEEN THE AUTHORITY AND VENUE AT BREVARD PARTNERS, LTD.; AND PROVIDING AN EFFECTIVE DATE.

Mr. Culp stated that the project is completed and that these will be completion bonds. He hopes to close in March, 2022.

- C. Consideration of request from Citibank, N.A. to amend Funding Loan Agreements in connection with Trinity Towers South Project and Crane Creek Apartments Project:

Jacob Zlotoff stated that Citibank, N.A. (“Citi”) is requesting an amendment to the Funding Loan Agreements to amend the transfer provisions. Citi has been the largest lender of affordable housing over the past 11 years, originating over \$5 billion per year in construction and permanent loans. Citi proposes to securitize a portion of its portfolio to free up capacity to originate new affordable multifamily housing loans. The transfer will be to Qualified Institutional Buyers (“QIB’s”), if unrated, or will be investment grade rated. To date, only QIB’s have purchased. Ms. Edmonds noted that Citi has been selling in \$100,000 denominations. She noted that she has reviewed this proposal on behalf of other clients. This action is optional on the part of the Authority. She has reviewed the rating agency policies on this type of securitization and she has review the offering documents to see how the deals are being presented to investors. She stated that these loans have already been made. Originally, the construction loan was higher risk, but the loans have converted to permanent, which carries a lower risk. There is no financial benefit or downside to the Authority. Citi will continue to be involved as a servicing advisor. Ms. Edmonds stated that the risk of suit from an investor is not any higher due to the amendment. Ms. Abbott stated that she spoke with Mark Mustian as to whether he had concerns about this proposal, and he stated no. Mr. Sarkarati asked about headline risk. Ms. Edmonds responded that rating criteria is reasonable as to the investment grade rating. She does not see it as a concern. Mr. Zlotoff stated that there will be a pool of loans offered and that the Authority’s name will not appear in the offering documents, other than the project name and title of the issue.

Motion by Alison Colvard, seconded by Jim Katehakis and carried unanimously to approve the requested amendment to the Funding Loan Agreements.

- X. Report of Public Resources Advisory Group: Ms. Edmonds stated that demand for multifamily bond allocation is extensive throughout the state of Florida. Ms. Abbott stated that the Regional allocation is \$61 million and the Authority has approximately \$60 million in carryforward allocation. Ms. Edmonds stated that she is surprised the Authority has not received more applications. She expects that the Volusia County HFA will receive requests.
- XI. Report of Angela A. Abbott, Esquire: Ms. Abbott announced that the ribbon cutting for Tropical Manor will be held at 1:30 p.m. on Saturday, February 26, 2022. Ms. Colvard stated that she plans to attend, but that she is disappointed in the renovations she has seen so far. Ms. Edmonds stated that she will obtain the credit underwriting report from Seltzer to confirm that the anticipated improvements were completed.
- XII. Motion made by Alison Colvard, seconded by Jim Katehakis and carried unanimously to adjourn the meeting at 4:15 p.m.