

ORANGE COUNTY HOUSING FINANCE AUTHORITY

BOARD OF DIRECTORS

M. Siplin | M. McCall | V. Atkins-Bradley | S. Rizzo | C. Hunter

OFFICIAL MEETING MINUTES

Meeting: Board of Directors Meeting **Date:** Wednesday, October 3, 2018 **Time:** 8:30am
Location: Orange County Administration Center – Commissioners Chambers – 1st Fl., 201 S. Rosalind Ave., Orlando, FL.

Board Members

PRESENT

Marshall Siplin
Chairman

Vernice Atkins-Bradley
Board Member

Curtis Hunter
Board Member

Board Members

ABSENT

Mercedes McCall
Vice Chairman

Sascha Rizzo
Board Member

OCHFA Staff

PRESENT

W.D. Morris
Executive Director

Kayode Adetayo
Chief Financial Officer

Frantz Dutes
Director, Program Operations

Olympia Roman
Staff

Rosalind Natal
Staff

Birva Parikh
Staff

Tavern David
Staff

OCHFA Professionals

PRESENT

Warren Bloom
General Counsel, Greenberg Traurig

Mike Watkins
General Counsel, Greenberg Traurig

Sylvia S. Penneys
Bond Counsel, Greenberg Traurig

David Jones
Financial Advisor – CSG Advisors

Donald Peterson
Managing Underwriter – RBC Capital Markets

James Audette
Corporate Trustee Services – USBank

BCC Staff

PRESENT

Lila McHenry
Assistant District Attny

Fiscal Business Svcs

MEETING OPENED

There being a quorum, Madam Chairman, Marshall Siplin called the meeting to order at 8:30 a.m.

PUBLIC COMMENT(s)

No comment(s).

CONSENT AGENDA

ACTION TAKEN

There being no discussion, the Board approved Consent Agenda items.

MOTION / SECOND: V. Atkins-Bradley/ C. Hunter AYE BY VOICE VOTE: All Present NAY BY VOICE VOTE: _____ ABSTAINED: _____

A. GENERAL ADMINISTRATION

1. Adoption of the September 5, 2018, Board of Directors Meeting minutes.

B. EXECUTIVE DIRECTOR'S OFFICE

C. FINANCIAL MANAGEMENT

1. Acknowledgement Summary of OCHFA's Operating Fund Investments. Acknowledgement of the consolidated balance sheet for the Operating Fund; acknowledgement of combined statement of rev(s)/ exp(s)/ changes in retained earnings; acknowledgement of FY 2018, operating fund comparison of budget vs. actual; acknowledgement of FY 2018, operating fund comparison of actual revenues & expenses; acknowledgement summary of OCHFA's operating fund investments.

D. PROGRAM OPERATIONS

1. Acknowledgement of the Current Status of the Single-Family HRB Program.
2. Acknowledgement of the Multi-Family Audit Period August – September 2018.

DISCUSSION AGENDA

A. EXECUTIVE DIRECTOR

CONSIDER APPROVAL OF THE REIMBURSEMENT RESOLUTION FOR MULTI-FAMILY TAX-EXEMPT BONDS APPLICATION, SUBMITTED BY DOMINIUM DEVELOPMENT FOR THE ACQUISITION AND REHABILITATION OF THE PROPOSED CHAPEL TRACE APARTMENTS, NOT-TO-EXCEED \$34MM.

W.D. Morris, Executive Director, addressed the Board regarding its consideration of the proposed reimbursement resolution for MF Tax-Exempt Bonds for the proposed Chapel Trace Apartments, not-to-exceed \$34MM. He stated that the Authority received the Chapel Trace Apartments proposal under the 2018 Open Cycle Allocation Process. He then stated that the proposed acquisition/ rehabilitation development, is an existing 312-units community of multi-family affordable housing; located at 556 North Goldenrod Road in Orlando; and that the community would offer one, two and three and four bedroom units, with rents ranging from \$647-\$890 per month.

Mr. Morris stated that the proposed transaction would utilize a Short-Term bond structure, whereby, the developer pays off a portion the bonds at permanent financing of SERIES-A Bonds (\$25.888MM) in approximately 18-24 months. He also stated that the tax-exempt bonds amount is \$31.372MM; Tax Credit Equity is \$16,339,713 and Borrower Equity is \$5,804,734, for a Permanent Total Development cost of \$53,516,447. Mr. Morris concluded by stating that the proposed development Debt Coverage Ratio is 1.16, which meets the Authority's Threshold Criteria.

RESOLUTION NO. 2018-03

A RESOLUTION DECLARING THE OFFICIAL INTENT OF ORANGE COUNTY HOUSING FINANCE AUTHORITY TO REIMBURSE ITSELF AND/OR ORLANDO LEASED HOUSING ASSOCIATES XI, L.L.L.P. FROM THE PROCEEDS OF DEBT FOR CERTAIN EXPENSES TO BE INCURRED WITH RESPECT TO A CERTAIN MULTIFAMILY HOUSING PROJECT; AND AUTHORIZING CERTAIN INCIDENTAL ACTIONS.

ACTION TAKEN

There being no discussion, the Board approved Reimbursement Resolution 2018-03, Multi-Family Tax-Exempt Bonds for the acquisition and rehabilitation of Chapel Trace Apartments, not-to-exceed \$34MM; authorization for staff and Bond Counsel to take the required steps to proceed with the process, and with subsequent submission to the Division of Bond Financing.

MOTION / SECOND: V. Atkins-Bradley/ C. Hunter AYE BY VOICE VOTE: All Present NAY BY VOICE VOTE: _____ ABSTAINED: _____

CONSIDER APPROVAL OF THE AUTHORIZING RESOLUTION FOR PROPOSED SERIES 2018-A HOMEOWNER MORTGAGE REVENUE BONDS PROGRAM NOT-TO-EXCEED \$20MM.

Mr. Morris addressed the Board regarding its consideration of the Authorizing Resolution for the proposed SERIES 2018-A Homeowner Mortgage Revenue Bond (HRMB) program, not-to-exceed \$20MM. He stated that this was part of the Authority's 2017 Plan of Financing approved by the Board in August 2017; and that the issuance of the of \$20MM bond, is to assist in financing purchases by first-time homebuyers of new or existing owner-occupied, single-family residences, located within Orange, Seminole, Lake and Osceola Counties. He then asked the Authority's Financial Advisor, David Jones – CSG Advisors, to speak on the highlights of SERIES 2018-A bond structure.

Mr. Jones addressed the Board and provided them, in brief, details of the proposed bond structure to include: Mortgage Backed Securities, guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac; the utilization of \$3,049,106, of zero participation loans from SERIES-2017-A; a bond premium of \$491.127K to be used to purchase 0% deferred 2nd Mortgages, used to fund down payment and closing cost assistance; bond maturity date of no later than September 1, 2049; and the Authority's contribution of funds which with net servicing, release premiums will be used to fund (i) the cash flow lag, and (ii) an expected MBS purchase price premium of 1.0% of the total MBS purchase prices of 101.0%. Mr. Jones concluded by stating that the bonds would be rated "Aaa" by Moody's Investors Service and that he recommends approval of SERIES 2018-A bonds issue.

A motion was made by V. Atkins-Bradley and seconded by C. Hunter, approving SERIES 2018-A HRMB request, followed by Mr. Morris reminding the Board of the impacts of the approved SERIES 2018-A Authorizing Resolution, reflected in the Authority's adopted budget projections for FY 2019.

RESOLUTION NO. 2018-04

A RESOLUTION OF THE ORANGE COUNTY HOUSING FINANCE AUTHORITY AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$20,000,000 ORANGE COUNTY HOUSING FINANCE AUTHORITY HOMEOWNER REVENUE BONDS, SERIES 2018A (NONAMT), ESTABLISHING PARAMETERS FOR THE AWARD OF THE SALE THEREOF TO RBC CAPITAL MARKETS, LLC AND RAYMOND JAMES & ASSOCIATES, INC. ON A NEGOTIATED BASIS, AND ESTABLISHING CRITERIA FOR DETERMINING THE TERMS THEREOF, INCLUDING THE DATES, INTEREST RATES, INTEREST PAYMENT DATES AND MATURITY SCHEDULE AND OTHER TERMS OF SUCH BONDS; APPROVING FORMS OF AND AUTHORIZING THE EXECUTION OF THE SERIES SUPPLEMENT, BOND PURCHASE CONTRACT AND CONTINUING DISCLOSURE AGREEMENT, EACH WITH RESPECT TO SUCH BONDS; CONFIRMING U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE; CONFIRMING U.S. BANK NATIONAL ASSOCIATION AS SERVICER WITH RESPECT TO SUCH BONDS; CONFIRMING HOUSING AND DEVELOPMENT SERVICES, INC. D/B/A EHOUSINGPLUS AS PROGRAM ADMINISTRATOR WITH RESPECT TO SUCH BONDS; AUTHORIZING APPOINTMENT OF A REBATE ANALYST WITH RESPECT TO SUCH BONDS; APPROVING A DRAFT FORM OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE APPROVAL AND DELIVERY OF A FINAL OFFICIAL STATEMENT; AUTHORIZING CERTAIN OFFICIALS AND EMPLOYEES OF THE AUTHORITY TO TAKE ALL ACTIONS REQUIRED IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS; PROVIDING AN EFFECTIVE DATE; AND PROVIDING CERTAIN OTHER DETAILS WITH RESPECT THERETO.

ACTION TAKEN

There being no further discussion, the Board approved Resolution 2018-04 and Associated Documents, Terms and Financing for the Issuance of SERIES 2018-A Homeowner Mortgage Revenue Bonds not-to-exceed \$20MM; and authorization to utilize up to \$800K, to include Cost of Issuance (\$320K), funding of Capitalized Interest of \$200K; and authorization for Chairman, Board Member and Executive Director to execute all documents associated with the transaction subject to General Counsel's approval to legal sufficiency.

MOTION / SECOND: V. Atkins-Bradley/ C. Hunter AYE BY VOICE VOTE: All Present NAY BY VOICE VOTE: _____ ABSTAINED: _____

CONSIDER APPROVAL OF THE WETHERBEE LANDINGS – FAMILY & SENIOR APARTMENTS APPLICATION FOR MULTIFAMILY TAX-EXEMPT BONDS PROPOSAL SUBMITTED FOR THE 2018 OPEN CYCLE PROCESS, NOT-TO-EXCEED \$20.950MM.

Mr. Morris addressed the Board regarding it's consideration of the proposed Multi-Family Tax-Exempt Bonds transaction, Wetherbee Landings – Family & Senior Apartments, not-to-exceed \$20.950MM. He stated that the Authority received the Wetherbee Landings proposal under the 2018 Open Cycle Allocation Process, submitted by Atlantic Housing Partners (AHP). He then stated that the proposed Wetherbee Landings is a new development; and that the Authority's in-house analysis reflects that the proposal exceeds the Authority's Threshold Criteria of 1:10, with a preliminary analysis resulting in a 1.16 debt service coverage, reflecting its financial feasibility.

Mr. Morris stated that the Developer, AHP, had requested that the Authority charge 12.5-basis points (bps) of ongoing bond administration fee, in lieu of 30-bps required by the Authority's policy; therefor, the application does not meet all of the Authority's requirements. He further stated that AHP requested that in the event the Authority did not approve the fee reduction request, AHP requested a refund of the application fee, of \$20.950K. He then explained that the Authority's Application policy states "(Section-7, a) Application Fee: At the time an Application is submitted, the Applicant must include a check in the amount of ten basis points (0.10%) of the total tax-exempt and taxable bond principal requested; and that the Authority's Application Fee is non-refundable." He further stated that AHP was aware of the Authority's policy, at the time of application submission, in which the Authority's fees are outlined within the application.

Board members deliberated on the request by AHP, for the reduction of the Authority's annual bond administrative fees and refunding of the applicants, application fee (both of which are stated within the Authority's application). Mr. Morris provided clarification of the applicant's (AHP) request, that should the Authority not approve the reduction of the Authority's 30-bps (as outlined in the request), AHP would withdraw the application and request the refund of the application fee (\$20.950K). Mr. Morris stated that staff recommends denial of the

request, for the reduction of the 30-bps of annual administrative fees and approve a "one-time" refunding of the application fee; and that going forward, no fee and/or any part of a fee will be refunded. Discussion ensued.

Madam Chairman asked a representative from the developer to approach the Board. Scott Culp, a Key Principal – Atlantic Housing Partners, addressed the Board by stating that AHP did submit the application with the express caveat that they knew and recognized that the application would require discussion from the Board and with the understanding that the application may be rejected, AHP choose to submit a complete application, to include fees, but because this request was outside the published guidelines, AHP did not want to risk a \$20K fee to have a discussion before the Board; and that is why AHP stated that if the request was to be denied, AHP requested the return of the application fee. He then stated that in addition to the request AHP wanted to opening dialogue regarding concerns within the application. He reminded the Board of the principals of AHP long history with OCHFA – decades – and that through them, AHP contributed to the development of the majority of the Authority's mutli-family community's reflected on OCHFA's annual revenue statement and that a significant portion of the Authority's annual revenue comes from AHP. He also expressed appreciation on behalf of AHP for the long-term relationship with OCHFA, in facilitating the financing of affordable housing.

Mr. Culp stated that multi-family revenue deals don't work without some other types of subsidy (SAIL loan, grant and other subordinate loans) – something that helps the loan-to-values and debt services coverage ratio to be in-line with what the bond purchaser requires. He then stated that in recent years, because of the competitive nature of bond deals at the State, AHP has partnered with other counties using "Naked Bond" deals – bond transactions without other subordinated debts – because AHP has been fortunate enough to have the resources available to re-invest (over \$150MM) into its deals, primarily in Central Florida. He explained that AHP has accomplished this through AHP principals, primarily where one of its principals, becomes a bond purchaser in some deals; and how that works is BankUnited (typically AHP Bond Purchaser) would purchase all the bonds initially and then an AHP principal would be required, by BankUnited, to purchase an amount of bonds required to get to their debt service requirement and underwriting criteria (loan-to-value and debt service coverage ratio of 1.30). He further explained that typically, that scenario would work if there were SAIL monies coming in to pay-down the bonds loan-to-values and debt service coverage ratio and that due to AHP not having gap funds, AHP and its primary principals come together and purchase some of the bonds.

Mr. Culp stated that AHP technical issue with OCHFA, which is not encountered with some other Housing Finance Agencies, is that discussions with the Authority's staff about fee reductions have not been successful and may have to continue discussion with them, regarding other ways to make this transaction work. He then stated that AHP is being advised by their counsel regarding this bond structure, that when the borrower and bond purchaser (AHP principals and the commonality of interest in the ownership) are related entities (as they are in this case), the program investment restrictions, limits the fees that can be charged by the issuer, to 12.5-bps and which is AHP understanding from their counsel. He also stated that AHP has had indication that there may be other items that have influence on the restrictions and that AHP is not aware of or advised by their counsel regarding specifics. He further stated that the primary reasons for this request is the reduction in fees.

Mr. Culp stated that because of the Authority's strong balance sheet, net income (\$1.3MM), retained earnings (\$50MM+), and cash (\$4MM+); OCHFA has the ability to facilitate affordable housing financing in this manner; and that the difference of the fees to the Authority in the initial years, is \$40K annually. He explained that at the requested reduced fee (12.5-bps), AHP would be adding revenue to OCHFA and not taking away revenues – vs. not doing the transaction. He then shared AHP beliefs that Authority should consider "naked bond" deals, where there would be other required subsidies and there might be a reason, the Authority, under its charter and purpose, to facilitate the financing of affordable housing, may want to reduce its fees, and may want to consider this a more than a one-time thing; but maybe as an ongoing. He further emphasized that based upon the Authority's financials, resources and abilities, AHP abilities and history with the Authority and the technical issues; there should be consideration for a different fee structure for "naked bond" deals. He also stated that AHP concern regarding the fees in this particular transaction (noted in the board package), as stated in the application, the \$6MM developer fees are deferred fees; however, none of those fees are being paid to the developer, it is all being paid out of cash flow; it is all deferred to make the sources of this transaction work; and if AHP were to eliminate those fees, it takes away from tax credits and more resources.

Mr. Culp concluded by re-emphasizing the possibility of further discussions regarding fee reduction and that the Authority's counsel and AHP counsel, could examine the issues in order to make this transaction work. He further reiterated the request for further discussions and/or continued dialogue with the Authority's staff, about how AHP can facilitate more new construction of affordable housing, that doesn't rely upon competitive State appropriations.

After extensive discussion, Madame Chairman requested to table this item for full board consideration. Ms. Atkins-Bradley, Board Member, concurred with the Chairman with regards to tabling the item; as well as having a possible Board workshop; however, she expressed concern regarding AHP continued fee reduction requests with several proposed applications submissions, in particular with this type of request, regarding a significant (over 50%) fee reduction in the Authority's fees. She also stated that the Board and staff understands the demand of affordable housing needs and that the Board is conscientious of how the agency is ran and that good management is the reason OCHFA has a strong balance sheet. Mr. Hunter, Board Member, also concurred with the Chairman and Ms. Atkins-Bradley.

Warren Bloom, General Counsel, asked Mr. Culp, if the item was tabled, would AHP keep their application on file; to which Mr. Culp replied yes; AHP would like to keep the application on file and request a refund of the application fee. Madame Chairman reminded Mr. Culp of the Authority's policy of non-refundable application fee, which is outlined within the application; and that AHP's request to refund the application fee would not be favorable, if the Board voted on the item, and the refund request would be rejected. Mr. Culp responded by requesting the Board reject the application and refund the application fee, due to the AHP specific request within the submission, to refund the application fee if the proposed request for fee reduction was denied. Madame Chairman reminded Mr. Culp, that the refunding request was a policy issue, based on existing policy, stating "non-refundable" application fee; to which Ms. Atkins-Bradley concurred with the Chairman and stating that should the developer withdraw the proposed application, that the application fee would not be refunded – according to the policies in place – her vote would reflect not to refund the application fee. Madame Chairman asked Mr. Bloom to address the issue; however, Mr. Culp interjected respectfully and stated that the intent of AHP application, was to get to this point of discussion and that he believes the developer has raised some important issues within the application guidelines, it is the impetus of the discussion; as well as, the developer does not believe it is justified that the Authority keeps the application fee. Mr. Bloom, General Counsel, stated that the board could reject the application and refund the application fee, due to the fact that the application did not meet the Authority's requirements.

Mr. Bloom advised the Board with options regarding this request; however Mr. Morris stated that the staff's first consideration was to return the application and fee to the developer due to non-conformity (application not meeting policy/guidelines); however, he did not believe AHP would stop pursuing the reduction of fees and would eventually, be pursued in a different manner; and that as the Executive Director, he believed it would be best to have a discussion, allowing the Board to deliberate. He then stated that he concurred with counsels' advise (out of respect for the Authority's long history and partnership with AHP) to acknowledge receipt of the application, but due to non-conformity, reject the application and return the application fee. He also acknowledged the continual efforts of AHP, to change the Authority's policies. He then addressed Mr. Culp's statement regarding AHP experiencing technical issues with regards to other agencies, by stating that the other agencies are not structured in the same manner as OCHFA. He also stated that staff is willing to examine the issues that AHP has brought fourth, by utilizing the expertise of the Authority's professionals and staff. He further stated that based on the application received and staff's analysis, the proposed Wetherbee Landings application would have met the Authority's threshold criteria (without fee reduction request) – it exceeds the Authority's 1.10 debt ratio. He then addressed Mr. Culp's comment regarding the \$6MM of deferred fees. He followed by stating that Mr. Culp never stated that the fees were not going to be received over a period of time; and that this is how AHP deals are structured. He further expressed that if the developer chooses to have a bond structure/business model, whereby related parties are required to purchase the bonds, then that is a business strategy decision. Ms. Atkins-Bradley asked counsel if today's vote had any precedence on future application submission decisions, from any applicant. Mr. Bloom stated no - discussion ensued.

Ms. Atkins-Bradley expressed concern for AHP presentation, in a manner which appears to be strong arming, by its introduction of AHP long and great history with OCHFA; and using this relationship as leverage for a privileged position. She then stated that this relationship has been mutually beneficial to both parties and that AHP continual request to change or disrupt the process is a challenging one.

Ms. Atkins-Bradley made a friendly motion to reject the proposed Wetherbee Landings Apartments application, due to non-conformity to the Authority's application policy; and return the developer's fee to Atlantic Housing Partners; and should the developer seek to present the proposed Wetherbee Landings Apartment request back to the Board, it should be with the understanding that the application fee would not be refundable. Mr. Morris respectfully asked Mr. Culp to have AHP counsel prepare and submit its concerns regarding the investment fee restriction, to the Authority and its counsel. He then stated that the Authority is preparing a Short-Form SAIL Application, which may provide other opportunities for bond deals.

ACTION TAKEN

There being no further discussion, the Board rejected the proposed Wetherbee Landings Apartments application, due to non-conformity to the Authority's application policy; and approved a one-time, refund of the developers fee to Atlantic Housing Partners (in the amount of \$20,950K); and that all future applications received (any applicant), the application fee or no part of the fee would not be refundable.

MOTION / SECOND: V. Atkins-Bradley/ C. Hunter AYE BY VOICE VOTE: All Present NAY BY VOICE VOTE: ABSTAINED:

OTHER BUSINESS

ADJOURNMENT

There being no further business, Madame Chairman Marshall Siplin, adjourned the meeting at 9:24 a.m.

ATTEST:

W.D. MORRIS
EXECUTIVE DIRECTOR

MARSHALL SIPLIN
CHAIRMAN

END OF MINUTES PREPARED BY OLYMPIA ROMAN