

HOUSING AND NEIGHBORHOODS DEPARTMENT



JACKSONVILLE HOUSING FINANCE AUTHORITY

# MINUTES

OF

# REGULAR MEETING

January 21, 2009

# JACKSONVILLE HOUSING FINANCE AUTHORITY

January 21, 2009

12:00 p.m.

PROCEEDINGS before the Jacksonville Housing Finance Authority taken on Wednesday, January 21, 2009, Edward Ball Building, 214 N. Hogan Street, 8<sup>th</sup> Floor, Jacksonville, Duval County, Florida commencing at approximately 12:00p.m.

## AUTHORITY MEMBERS

BERNARD E. SMITH, Chair  
CATHERINE L. CHILDERS, Member  
KEN FILIP, Member  
RONALD JACKSON, Member  
JIM PELLOTT, Secretary

WIGHT GREGER, Director

## APPEARANCES

### BOARD MEMBERS:

BERNARD E. SMITH, Chair  
CATHERINE L. CHILDERS, Member  
KEN FILIP, Member  
RONALD JACKSON, Member  
JIM PELLOT, Member.....absent

### PROFESSIONAL STAFF:

RHONDA BOND-COLLINS, Greenberg Traurig, Inc.  
KAREN CHASTAIN, Office of General Counsel  
HELEN FEINBERG, RBC Dain Rauscher  
MARK HENDRICKSON, The Hendrickson Company  
CALVIN JOHNSON, Calvin C. Johnson, CPA  
PRISCILLA HOWARD, Community Concepts Group  
SUSAN LEIGH, Community Concepts Group

### STAFF:

WIGHT GREGER, Director  
DARRELL GRIFFIN  
LAURA STAGNER  
NANCY WESTCOTT  
YON WHEELER

### OTHERS PRESENT:

Kandi Begue, COJ – Mayor’s Office  
Chris Brown, LB Jax Development  
Richard Dillard, BNY  
Sandy Horvitz, LISC  
Jorina Jolly, COJ – JEDC  
Shannon Nazworth – Ability Housing

**PROCEEDINGS**

January 21, 2009

Regular meeting

12:00 p.m.

**Call to Order and Comments.** Chair Smith called the regular meeting to order at approximately 12:00 p.m. with a quorum present.

**Consider Approval of Minutes of December 3, 2008 of the JHFA**

**Regular Meeting.** The first item on the agenda was the approval of the minutes of the December 3, 2008, Regular Meeting, a copy of which is attached hereto and by this reference made a part hereof. Mr. Filip made a motion to approve the minutes. Mr. Jackson seconded the motion.

**Motion Passed 3-0.**

**1. Staff Reports**

**1a. JHFA Financial Reports**

Referring to the Financial Report, a copy of which is attached hereto and by this reference made a part hereof. Ms. Stagner stated that the financial results for the month ending November 30, 2008 are available for review and all of the JHFA closing entries for fiscal year 2008 are complete.

**1b. Legislative Updates**

Referring to the Legislative Update Memorandum, a copy of which is attached hereto and by this reference made a part hereof. Ms. Stagner stated that there are no items in legislation that are specific to the JHFA at this time. However, the memorandum specifies other legislative items that are going through various activities within the department.

#### 1c. Director's Report

Ms. Greger gave a report regarding information that has taken place since the last authorized Board meeting. Referring to the emails about Housing Funding at Great Risk, copies of which are attached hereto and by this reference made a part hereof. Ms. Greger stated that the Florida Legislature has concluded their sessions. The next step is for the Governor to sign or veto the Bill for housing funding. Presently, the Bill effectively guts the SAIL program which is connected to the activities of the JHFA. A lot of the deals require SAIL dollars in order to make them work. Mr. Hendrickson stated that the homebuilders from the Sadowski Coalition met with the Governor. The homebuilders have a follow-up meeting scheduled in order to urge the Governor to institute a line item veto. Referring to the letter that was written to the Legislature by Mr. Smith, a copy of which is attached hereto and by this reference made a part hereof, Ms. Greger suggested that everyone else should also write the legislators regarding reasons not to remove funding dollars. She also reminded the Board members that the regular legislative session will be starting relatively soon and everyone must be ready for any additional action that is necessary in order to protect the trust fund dollars.

#### 1d. JHCDC Report

Ms. Greger stated that the Housing Division concluded their Universal Cycle application process. The next process will be for staff to rank and score the applications. Referring to the NSP Amendment, HUD notified staff that the plan was approved

yesterday. There is a RFP due for submission on February 6, 2009 to select provider agencies to perform all of the activities under the NSP. As soon as the electronic drawdown system is activated, funds can be drawn from the program. Ms. Greger informed the Board that there was some language added to the Plan about being able to be creative with financing mechanisms and there may be a need to come to the JHFA for additional assistance if appropriate, to finance some of the loans.

1d. Financial Advisor's Memo

Referring to the Financial Advisor's Report from The Hendrickson Company, the Community Concepts Group, and the Memorandum from Greenberg Traurig, copies of which are attached hereto and by this reference made a part hereof, Mr. Hendrickson stated that the 2009 allocation received was 7% above last year's allocation. He also stated that the allocation will be reserved initially for single family projects. However, the reserve can be flipped to multi family projects as needed.

2. Action Items

2a. LB Jax Development Funding Conversion

Referring to the LB Jax Development Funding Conversion, a copy of which is attached hereto and by this reference made a part hereof. Mr. Hendrickson stated that in 2001, The DCHFA approved a \$300K second mortgage to LB Jax Development for the acquisition and rehabilitation of the W.A. Knight Building located on West Adams Street in Jacksonville. The first mortgage lender was Wells Fargo (formerly known as First Union Bank) and the third mortgage was from the City of Jacksonville through the Jacksonville Economic

Development Commission (JEDC). The development is mixed use, with a combination of retail space and apartments. The DCHFA's loan provides one unit of affordable housing. The DCHFA loan is secured by a second mortgage lien and by a "Continuing and Unconditional Guaranty" in the amount of \$300K. The First Union loan is secured by a first lien mortgage that matured on November 10, 2008 and a guaranty of the full loan amount signed by the same guarantors. The DCHFA, First Union and the City signed an Intercreditor Agreement which states that upon an event of default of the first mortgage, the junior lenders agree to forbear receipt of payment as to their respective loans. There is no prohibition of a junior lender (JHFA or the City) declaring a default, accelerating their indebtedness and foreclosing their mortgage loans, however, all subject to the forbearance of receiving payments if First Union is not paid. The owner has requested conversion of the loan to a grant because of low occupancy rates in the apartments and 8 years of vacant retail space. The owners are experiencing losses and cannot refinance the development and there is a possibility that they may be facing foreclosure in February 2009. Mr. Hendrickson stated that after review, the professional team feels that if the loan was converted to a grant, it will not be in the best interest for the JHFA. There needs to be a restructure of the first mortgage debt where the property will be able to improve the operation of the development and increase cash flow. There would not be anything accomplished towards a restructure by flipping and does not recommend converting the grant to a loan. Mr. Hendrickson also stated that

the terms of the loan are to amortize after the end of the construction period. Apparently, the notification was not given to the developer that they needed to start paying the principle and interest and as such they have been paying interest only even though the note dictates principle and interest. Therefore, the professional team recommends an offer of forbearance for a six month period in order to give the developer the opportunity to restructure. Mr. Hendrickson wanted to make a note that basically, the JHFA have been forbearing the principle all along even if it was not intentional and recommends to continue to forbear for another six months. There has not been any principle collected for the past eight years. Mr. Brown who is in partnership with Mr. Langton gave a brief overview about the development. Mr. Brown stated that he is trying to rectify his situation with Sun Trust bank, but they will not lend money if there is a second and third mortgage. They would like to keep the building and need help from the JHFA as one of the lenders. He also stated that a forbearance for six months is not going to help with refinancing. The loan needs to be converted to a forbearance completely for the balance of the loan. With having at least \$6K per year of increasing cash flow, the lenders will look at the development more favorably in order to do business with their development and requested that the Board consider forbearance on a permanent basis and then come back to the Board in March to discuss the grant after negotiations with Wachovia. They received a three month extension with Wachovia and have until the end of February to refinance or they will be in default on the loan

unless another extension is granted. He also stated that he would even consider possibly making the loan an affordable housing project. Ms. Childers stated that she remembers the approval of this loan. She also recalls the Board not being in favor of the project since the mission is affordable housing. There had to be a request for one unit to be set aside for affordable housing in order for the project to be qualified for approval and she does not feel that at this time it is in the best interest of the JHFA to convert the loan to a grant. Ms. Chastain stated that if the JHFA continue in a junior lien position, the loan documents will have to be amended, restated and recalibrated to make up the deficiency. If the developer were to agree to a forbearance, there will not be any recommendations during the six months that anything is forgiven. However, at the end of the six month period, if a restructure is successful, there would be revised loan documents as a result. Discussion ensued about personal guarantee, cash settlements, a possible affordable housing development and third and junior lien positions and Mr. Jackson made a motion to approve a six month forbearance period of principle and interest payments through June 30, 2009 to allow the lenders and developers to figure out what the global solution would be for the development. Mr. Filip seconded the motion.

**Motion passed 3 - 1.**

**Opposed 1.**

2b. Approval of the Local Government Support Terms

Referring to the Local Government Support Terms, Mr. Hendrickson stated that at the last authorized Board meeting, there was an

approval to authorize issuance of the preliminary commitments to Bennett Creek, Arlington Portfolio and the Towers of Jacksonville in the amount of \$4M. Today, there is a need to establish the loan terms to mirror the SAIL program as well as an expiration date of December 31, 2009 for the commitment of the loans. If the allocation is not used by that time, it can be reallocated for use in other areas. Discussion ensued about equity, tax credits and credit underwriting and Mr. Jackson made motion to approve the establishment of the loan terms as per the SAIL program for Bennett Creek, the Towers of Jacksonville and Arlington Portfolio with the committed expiration date of December 31, 2009. Ms. Childers seconded the motion.

**Motion passed 4-0.**

2c. 2007 Single Family Sale of Mortgage Back Securities

Mr. Hendrickson stated that the investment banker, RBC Dain has presented a concept for the sale of mortgage backed securities and purchase of the bonds on the 2006 and 2007 single family bond issues for a price higher than we can buy the bonds back from the bond holders and generate revenue. The professional team is working on the technical side for a positive solution. There is no action needed at the moment. However, if the process works, the team will be recommending approval from the Board to take action. Mr. Hendrickson also stated that this could be an opportunity to generate revenue.

**No Action Taken.**

2d. Approval of 2006 Single Family Program Bond Redemption

Referring to the 2006 Single Family program, Mr. Hendrickson

stated that the program is coming to a close. The approval of \$85K for second mortgage assistance was able to help loans move forward through the process efficiently. Presently, there is not any more additional down-payment assistance funding and the program will be expiring. Therefore, an extension is not needed for the 2006 Single Family program which expires in March 2009. After expiration, there will be approximately \$235K left of the original allocation which will be forwarded back to the JHFA. Presently, the 2007 single family program has about \$2M left where there is 5.99% with no subsidy. Discussion ensued and Mr. Filip made a motion to authorize staff and the professional team to initiate the partial redemption of the remaining bond amount of \$235K for the 2006 Single Family program in lieu of an extension and release the excess allocation to the JHFA. Ms. Childers seconded the motion.

**Motion passed 4-0.**

Ms. Childers made a motion to authorize \$85K be forwarded to the 2007 Single Family program for down-payment assistance as a 4% loan contingent upon the redemption taking place and that the unused portion of the down-payment allocation be released to the JHFA. Mr. Jackson seconded the motion.

**Motion passed 4-0.**

2e. Fees for North Point Commons, LLC

Mr. Greger stated that there was a request received from the developer of North Point Commons for the development on North main Street to have a portion of the fees refunded in the amount of \$5K. The developer paid fees for their bond application and since

the tax credit market is going to withdraw, they would like a credit of the unused fees to go towards the development in the future. Ms. Greger stated that the policy is to not refund any fees, however, staff believes that the development will move forward eventually when the market is in a better position. Discussion ensued and Mr. Jackson made a motion to credit the fees for North Point Commons, LLC towards a future application for the development located on North Main Street. Mr. Filip seconded the motion.

**Motion passed 4-0.**

### **3. New Business**

#### 3a. Compliance Monitoring RFP and Agency Selection

Ms. Greger informed the Board that a RFP was instituted for Compliance Monitoring. There were three proposals submitted. The proposals have been ranked, scored and submitted to the Procurement Department. She also stated that staff is awaiting approval of the go ahead from Procurement so that contract negotiations can begin with the top ranked organization that was awarded the highest points.

#### 3b. IRS Audit - Lighthouse Bay

Regarding the IRS Audit for Lighthouse Bay, Ms. Bond-Collins stated that Lighthouse Bay has been selected for a routine audit by the IRS. She stated that Bond Counsel is working along with the Trustee and staff to provide the requested documentation to IRS by the Friday deadline date.

#### 3c. Single Family Series 1999 Bond Program Financial Statement

Audit

Referring to the Single Family Bond Program Financial Statement Series 1999, a copy of which is attached hereto and by this reference made a part hereof, Mr. Johnson stated that the program is in sound financial condition. As of October 1, 2008, there are a total of restricted net assets over \$614K. The operating income for year ending October 1, 2008 was an excess of \$12K compared to approximately \$9K in the prior year. The authority was paid a little over \$9K in issuer fees in 2008 as compared with a little over \$11K in 2007. Mr. Johnson also stated that he have no matters to report on internal control and compliance.

**4. Old Business**

None.

**5. Public Comments**

**Adjournment.** Meeting adjourned at 1:18p.m.

**JACKSONVILLE HOUSING FINANCE AUTHORITY**

**Certification**

**Recorded by:**

**Submitted by:**

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**Yonner Wheeler**

**Jim Pellot, Secretary**

**Approved by:**

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**Bernard E. Smith, Chair**