

HOUSING AND NEIGHBORHOODS DEPARTMENT



JACKSONVILLE HOUSING FINANCE AUTHORITY

MINUTES

OF

REGULAR MEETING

March 18, 2009

JACKSONVILLE HOUSING FINANCE AUTHORITY

March 18, 2009

12:00 p.m.

PROCEEDINGS before the Jacksonville Housing Finance Authority taken on Wednesday, March 18, 2009, Edward Ball Building, 214 N. Hogan Street, 8th Floor, Jacksonville, Duval County, Florida commencing at approximately 12:02p.m.

AUTHORITY MEMBERS

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

JOHN ALDERSON, Office of General Counsel
RHONDA BOND-COLLINS, Greenberg Traurig, Inc.
HELEN FEINBERG, RBC Dain Rauscher
MARK HENDRICKSON, The Hendrickson Company
PRISCILLA HOWARD, Community Concepts Group
SUSAN LEIGH, Community Concepts Group

STAFF:

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

OTHERS PRESENT:

Richard Dillard, BNY
Kara Frank, NHT Enterprise
Steve Frick, Vestcor
Sandy Horvitz, LISC
Scott Kline, NHT Enterprise
Shannon Nazworth, Ability Housing

PROCEEDINGS

March 18, 2009

Regular meeting

12:00 p.m.

Call to Order and Comments. Chair Smith called the regular meeting to order at approximately 12:02 p.m. with a quorum present.

Consider Approval of Minutes of February 18, 2009 of the JHFA

Regular Meeting. The first item on the agenda was the approval of the minutes of the February 18, 2009, Regular Meeting, a copy of which is attached hereto and by this reference made a part hereof. Ms. Childers made a motion to approve the minutes and Mr. Filip seconded the motion.

Motion Passed 4-0.

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 activities ending January 31, 2009 are available for review. She stated that there are no significant items to report and to contact her if there any questions.

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 the TEFRA for Arlington Portfolio and Bennett Creek was held last week and it is presently going through the legislative process. She also stated that the appropriation for part of the proceeds that are coming back from the partial

redemption of the 2006 single family bond issue is still in process. She will provide more information at the next Board meeting.

1c. Director's Report

Ms. Greger gave a report regarding information that has taken place since the last authorized Board meeting:

- Ms. Greger stated that there are some impacts in occupancy at some of the properties. She stated that it is her desire to work with the new monitoring agency to put together a proactive plan on where we are with occupancy and how well the properties are performing. She will provide more information as it becomes available and may bring some recommendations to the Board that will improve occupancy.
- Regarding the Neighborhood Stabilization Program (NSP), Ms. Greger stated that contract negotiations with partner agencies are currently in process. She hopes to be acquiring rehabilitation properties by the end of this month.
- Referring to the community/city-wide information portal and foreclosure campaign conducted by Councilman Hyde, Ms. Greger stated that the information portal is scheduled to go live within the next week. The portal will provide updated information and referrals to those that are interested in foreclosure issues. She also stated that staff is deploying a massive public relations campaign with the help of some pro-bono outside agencies for TV ads, radio and newspaper print information.

1d. JHCDC Report

Ms. Greger stated that the JHCDC minutes for February 18, 2009 are available for review. She also stated that the JHCDC annual board retreat will be held today at 4:00pm.

1e. Financial Advisor 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 2006 single family bond program is completed. There are approximately \$700K that were not utilized and allocation is due to come back to the JHFA that was not used in the original down payment assistance of 20%.

2. Action Items

2a. Release of Letter of Credit for Courtney Manor

Mr. Filip is an employee of Regions Bank. He does business with Vestcor on the conventional lending side and today will not partake in any of the discussions regarding Courtney Manor and today will abstain from voting. Mr. Filip has filed Form 8B, Memorandum of Voting Conflict for County, Municipal and other Local Public Officers for the record last month, a copy of which is attached hereto and by this reference made a part hereof.

Referring to the request for the removal of Letter of Credit (LOC)for Courtney Manor (Vestcor), a copy of which is attached hereto and by this reference made a part hereof. Mr. Hendrickson stated the request for the removal of Letter of Credit (LOC)for Courtney Manor (Vestcor), was deferred last month by the Board

pending additional information to be provided as well as the inclusion of the demonstrated need for extremely low income units in the City, current conditions of the property and how the proposal would address that need. Today, Mr. Hendrickson stated that Courtney Manor has a local government loan of \$752,000, with 0% interest and a 40 year maturity (annual payment of principal of \$18,800). The current loan balance is \$601,600. The loan is scheduled to be fully paid in 32 years. The loan is secured by a Letter of Credit in the amount of the outstanding loan balance. There are no provisions in the current documents related to conversion of the LOC requirement to a subordinate mortgage. A policy has been developed by the JHFA Board that requires the developer to submit information related to the current financial and physical condition of the property as part of any request for release of an LOC and to demonstrate that the results of restructuring will meet a valid public purpose. Vestcor has requested that the JHFA remove the LOC requirement for Courtney Manor. Vestcor has offered to provide an additional 25 units at 35% of AMI (rent and income restricted) for a period of five years. At the end of the five year period, the rents on these units would be affordable to families earning 60% of AMI as each resident's lease is renewed. Additionally, Vestcor is offering to increase its annual principal payment to \$25,067 which would reduce the term of loan by 8 years. Last month, Mr. Jackson stated that he would like to review financial statements and a proforma to get a better understanding of the physical needs for the property. Today, Mr. Hendrickson stated that he reviewed the

financial statements of the development over the past three years, and a projected income and expenses statement for the next six years was completed and reviewed. Mr. Hendrickson stated that there is a valid public purpose in maintaining the property as affordable and recommends granting the request for release of the LOC while also requiring the developer to place the \$601,600 in an escrow account which cannot be released without the consent of the JHFA through a servicing agent. These funds can only be released by the JHFA for approved future operating deficits or improvements to the property. The borrower will be responsible for paying for all costs of restructuring the transaction including all legal and professional fees. Mr. Frick of Vestcor indicated that the property is not in default nor do they contemplate default on the property anytime in the future. Ms. Childers stated that she recognizes the public purpose and is supportive of the request. However, she expressed reluctance in giving up the LOC based on the financial climate at this time and suggested the possibility of removing half of the LOC so that the JHFA will still hold some form of security. The Board requested that Ms. Greger comment on the proposed request. Ms. Greger stated that the City desperately needs Extremely Low Income (ELI) units. Part of the mission of the Housing and Neighborhoods Department is to provide affordable housing for all residents. There are not sufficient housing options for these at that income category. Therefore, the request meets a valid public purpose. By providing a public purpose, the developer's request is consistent with the values of the department, JHFA and the City. Discussion ensued about costs,

security issues, occupancy rates, the LOC and its risk and mortgage positions. Mr. Jackson made a motion to approve the recommendation by the financial team to modify the Letter of Credit collateral to be a third lien mortgage loan positions (amount of loan will be the then-existing principal balance as of the closing date, which as of February 19, 2009 is \$601,600), subject to:

- Execution of the third mortgage loan documents (behind Fannie Mae and City's HOME dollars).
- Written approval of the third mortgage loan documents and increased extremely low income set aside from the first-mortgage lender (Fannie Mae).
- Receipt of certification/estoppel certificate from borrower and Fannie Mae confirming the project is not now and is not expected to be in default.
- Approval from the City Council and
- Subject to the following terms:
 - Interest at 0%
 - Increase annual principal payment to \$25,067
 - Reduce term of loan accordingly from 40 years to approximately 33 years.
 - Existing LURA term remains at 40 years, but change terms as needed to provide that 25 units will be set-aside at 35% AMI for five (5) years.

- Require escrow of \$601,600 with party agreeable to the Authority, with releases to be approved by the JHFA's servicer for documented operating deficits or repairs.
- The borrower will be responsible for paying all costs of the transaction including all legal and professional fees.

Ms. Childers seconded the motion.

Motion passed 2 - 1.

Opposed - 1 (Childers).

2b. Single Family Issues for 1999 and 2000 Sale of Mortgage Back Securities (GNMA)

Referring to the Resolutions for the 1999 and 2000 single family issues, copies of which are attached hereto and by this reference made a part hereof, Mr. Hendrickson stated that the investment banker, RBC Dain has presented a concept for the sale of Mortgage Backed Securities (MBS) for a price higher than the bonds can be bought back from bond holders and generate revenue. The price that can be obtained by selling the GNMA mortgage securities in both the 1999 and 2000 single family bond issues exceeds both the cost of redeeming the bond issues and the NPV of leaving the issues outstanding. Mr. Hendrickson recommends that the Board establish a minimum "net proceeds" level of \$500K for the 1999 single family and \$670K for the 2000 single family as well as determining if a final year audit is needed. The net after cost will be approximately \$1.1M. Discussion ensued about the final year audit even though it is not required from a bondholder

prospective and professional costs and the Board approved the following:

Ms. Childers made motion to adopt the resolution for the 1999 single family issue - sale of MBS (GNMA Securities) as prepared by Bond counsel with a minimum floor of \$500K including a final year audit of \$65K. Mr. Jackson seconded the motion.

Motion passed 4-0.

Mr. Jackson made a motion to adopt the resolution for the 2000 single family issue - sale of MBS (GNMA Securities) as prepared by Bond counsel with a minimum floor of \$670K including the final year audit. Ms. Childers seconded the motion.

Motion passed 4-0.

2c. Approval of the Hollybrook Inducement Resolution

Referring to the Inducement Resolution for Hollybrook Homes Apartments, a copy of which is attached hereto and by this reference made a part hereof. Mr. Hendrickson stated that the developers have submitted an application for multi-family housing revenue bonds issuance from JHFA. Hollybrook Homes Apartments is a 182 unit, 100% Section 8 development that has never undergone any major renovations. NHTE Hollybrook, LP will purchase the property from the National Housing Trust/Enterprise Preservation Corp. They will acquire and rehabilitate the existing property by using tax-exempt bonds and 4% housing credits. Mr. Hendrickson stated that the application is very thorough and that they are working with the developer through credit underwriting regarding the physical needs assessment. Discussion ensued and Ms. Childers made a motion to approve the inducement resolution as prepared by

Bond counsel which includes the authorization of the TEFRA hearing and request that City Council grant TEFRA approval as well as the execution of the Preliminary Agreement with the developer for the issuance of not to exceed \$10M in aggregate principal amount of its multi family housing revenue bonds for Hollybrook Homes Apartments for the purpose of acquiring, rehabilitating and equipping the multi family residential housing facility. All items are subject to review and approval of the credit underwriter and Counsel as well as all comments made in the Financial Advisor Memorandum and upon all conditions being met. Mr. Jackson seconded the motion.

Motion passed 4-0.

3. New Business

None.

4. Old Business

4a. Madison and Taylor - Multi-County Bond Issue

Ms. Leigh stated that she is still waiting for the developers to submit an application. She will keep the Board informed as more information becomes available.

5. Public Comments

None.

Adjournment. Meeting adjourned at 1:01p.m.

JACKSONVILLE HOUSING FINANCE AUTHORITY

Certification

Recorded by:

Submitted by:

Yonner Wheeler

Jim Pellot, Secretary

Approved by:

Bernard E. Smith, Chair