

FLORIDA HOUSING FINANCE CORPORATION

Board Meeting

April 25, 2014

Consent Items



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I. LEGAL

A. In Re: Independence Village LLC – FHFC Case No. 2014-058VW

Development Name: (“Development”):	Independence Village
Developer/Principal: (“Developer”):	Big Bend Community Based Care, Inc.
Number of Units: 24	Location: Bay County
Type: Duplex	Set Aside: 33% @ or below 35% AMI 67% @ or below 60% AMI
Demographics: Youth Aging out of Foster Care	SAIL Amount: \$1,691,745

1. Background

a) Pursuant to RFP 2008-01, for the Development and Substantial Rehabilitation of Special Needs Housing, Florida Housing awarded a State Apartment Incentive Loan (“SAIL”) loan to Independence Village, LLC. (“Petitioner”) to build a twenty-four unit complex in Bay County, to provide housing for Youth Aging out of Foster Care demographic (the “Development”). Fifty percent of the units were dedicated to this demographic. On February 19, 2014, Florida Housing received a “Petition for Waiver or Variance from Rule 67-48.004(14)(i), F.A.C.” (the “Petition”), from Petitioner. A copy of the Petition is attached as [Exhibit A](#). Rule 67-48.004(14)(i), F.A.C., was applied to the terms of the RFP.

b) Rule 67-48.004(14)(i), Fla. Admin. Code (2008), provides:

(14) Notwithstanding any other provision of these rules, there are certain items that must be included in the Application and cannot be revised, corrected or supplemented after the Application Deadline. Failure to submit these items in the Application at the time of the Application Deadline shall result in rejection of the Application without opportunity to submit additional information. Any attempted changes to these items will not be accepted. Those items are as follows:

* * *

(i) Total number of units; ...

c) Petitioner requests a waiver of the Rule 67-48.004(14)(i), Fla. Admin. Code, to the extent that the Rules prohibit changing the number of units in Petitioner’s Application, to allow it to change the number of units reserved for youth aging out of foster care from 12 to 8 and allow it to convert one unit into a management unit.

d) On February 20, 2014, Notice of the Petitions was published in Volume 40, Number 35, of the [Florida Administrative Register](#).

e) To date, Florida Housing has received no comments concerning the Petition.

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2. Present Situation

a) Petitioner states that the proposed change in the number of units is necessary to allow it to better manage the property with a management and supervisory office, and allow it to provide residential services to other teens who do not qualify under the Youth Aging out of Foster Care demographic.

b) Section 120.542(2), Florida Statutes provides in pertinent part:

Variations and waivers shall be granted when the person subject to the rule demonstrates that the purpose of the underlying statute will be or has been achieved by other means by the person and when application of a rule would create a substantial hardship or would violate principles of fairness.

c) Petitioner has demonstrated that strict application of the above rule under these circumstances would violate the principles of fairness. Petitioner provided documentation that established that there has been a significant decrease in the number of youths in Bay County that would be eligible to live in the Development. Further, Petitioner demonstrated that there are other special needs youth who need affordable housing, but are not eligible to reside at the Development. Granting the requested waiver will serve the purpose of the underlying SAIL statute and the Act as a whole by providing affordable housing to other special needs persons that might not be otherwise be eligible to live in the Development.

3. Recommendation

Staff recommends that the Board grant Petitioner's requested waiver from the requirements of Rule 67-48.004(14)(i) Fla. Admin. Code (2008), to the extent necessary to allow Petitioner to convert one residential unit into a management office and reduce the number of residential units from twelve to eight. Petitioner is allowed to expand its residential services to young adults between the age of 16-22, including homeless women who are pregnant or have a baby six months old or less; and to provide residential services to youth between the age of 18-21, who have aged out of traditional foster care, but do not meet the Youth Aging Out of Foster Care demographic.

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B. In Re: Cypress Cathedral, LLLP - FHFC Case No.: 2014-061VW

Development Name: (“Development”):	Cypress Cathedral Apartments
Developer/Principal: (“Developer”):	Integra Property Group, LLC
Number of Units: 68	Location: Polk County
Type: Mid-Rise with elevator	Set Aside: 100% @ or below 60% AMI
Demographics: Elderly	Non-competitive 4% credits: \$214,619

1. Background

- a) On March 27, 2013, Cypress Cathedral, LLLP, (“Petitioner”) received a tax-exempt bond allocation from the Housing Finance Authority of Polk County, Florida to acquire and rehabilitate Cypress Cathedral Apartments (the “Development”). Petitioner completed its rehabilitation and placed the Development in service in December, 2013. Subsequently, on January 21, 2014, Petitioner submitted an application to Florida Housing requested an allocation of Non-Competitive Housing Credits. On March 17, 2014, Florida Housing received a “Petition for Waiver of Rule 67-21.028(2)(m)” (the “Petition”), from Petitioner. A copy of the Petition is attached as [Exhibit B](#).
- b) Rule 67-21.028(2)(m), Fla. Admin. Code (2013), provides:
- (2) Tax-Exempt Bond-Financed Developments receiving bonds issued by a County Housing Finance Authority established pursuant to Section 159.604, F.S., shall:
- (m) Make Application to the Corporation utilizing the Non-Competitive Application Package ...but in no event may the Application be submitted later than the last Corporation business day of December of the year the Development is placed in service...
- c) Petitioner requests a waiver of the Rule 67-21.028(2)(m), Fla. Admin. Code, to allow it to submit an Application to Florida Housing after the last Corporation business day of December of the year the Development was placed in service.
- d) On March 18, 2014, Notice of the Petitions was published in Volume 40, Number 53, of the [Florida Administrative Register](#).
- e) To date, Florida Housing has received no comments concerning the Petition.

2. Present Situation

- a) Section 120.542(2), Florida Statutes provides in pertinent part:

Variances and waivers shall be granted when the person subject to the rule demonstrates that the purpose of the underlying statute will be or has been achieved by other means by the person and when application of a rule would create a substantial hardship or would violate principles of fairness.

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- b) Petitioner has demonstrated that strict application of the above rule under these circumstances would create a substantial hardship. When Petitioner closed on the debt and equity financing for the Development, it provided guarantees to the providers of the debt and equity financing based upon it obtaining the Housing Credits from Florida Housing. A denial of the Petition would trigger economic defaults under the other financing documents. Granting the requested waiver will serve the purpose of the underlying statute and the Act as a whole by facilitating the availability of affordable housing to elderly persons that might not be otherwise available in Polk County, while recognizing the economic realities of developing, preserving and constructing affordable rental housing.

3. Recommendation

Staff recommends that the Board GRANT Petitioner's requested waiver from the requirements of Rule 67-21.082(2)(m) Fla. Admin. Code (2013), to allow Petitioner to submit its Application for an allocation of Non-Competitive Housing Credits.

MULTIFAMILY BONDS

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II. MULTIFAMILY BONDS

A. Request Approval of the Final Credit Underwriting Report and Approval of the Assignment, Assumption, and Subordination of the SAIL LURA and EUA's for Ridge Club Apartments (2014-102B)

Development Name: Ridge Club Apartments	Location: Orange County
Developer/Principal ("Applicant"): Dalcor Affordable Housing I, LLC	Set-Asides: 85% @ 60% AMI (MMRB) 100% @ 60% AMI (4% Housing Credits)
Funding Source: Multi-Family Mortgage Revenue Bonds (MMRB) and 4% Housing Tax Credits (Housing Credits)	Amount: \$18,000,000 MMRB \$1,207,323 Housing Credits
Number of Units: 372	Type: Family

1. Background

- a) Applicant submitted an Application ("Application") on behalf of the proposed Development using the Non-Competitive Application package. Applicant applied for Multi-Family Mortgage Revenue Bonds in the amount of \$18,000,000 and non-competitive Housing Credits in the amount of \$1,133,000 in order to acquire and rehabilitate the Development.
- b) Phase I of this development previously received a 9% Housing Credits allocation in the amount of \$1,004,400 in 1993. Phase II previously received a State Apartment Incentive Loan Program (SAIL) loan of \$300,000 in 1995 that has been paid and a 9% Housing Credits allocation in the amount of \$793,851. A Land Use Restriction Agreement (LURA) and Extended Low Income Housing Agreements (EUA) exist on this development. Phase II LURA set-asides are 99% @ 60% AMI for 30 years. Phase I EUA set-asides are 100% @ 60% AMI for 50 years and Phase II EUA set-asides are 100% @ 60% AMI for 30 years.

2. Present Situation

- a) While the current Program Rule does not prohibit changes or modifications of the proposed Development during credit underwriting, the Board has directed staff to notify it of any such changes.
- b) Development costs for the acquisition/rehabilitation are \$36,884,894, which is an increase of \$2,219,480 from Application primarily due to increases in financial costs related to the first mortgage and an increase in developer fees. The source of funds has changed to reflect the use of net operating income and deferral of the operating deficit reserve. The credit enhancer changed from Fannie Mae to Freddie Mac.

MULTIFAMILY BONDS

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- c) The Applicant requests approval for the transfer of ownership of the Development and the assignment and assumption of the SAIL Land Use Restriction Agreement (LURA) and Extended Low Income Housing Agreements (EUA). In addition, the subordination of the SAIL LURA and EUA's to the Oak Grove Commercial Mortgage, LLC d/b/a Oak Grove Capital first mortgage and Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds.
- d) A Final Credit Underwriting Report dated April 10, 2014, is attached as [Exhibit A](#).

3. **Recommendation**

That the Board approve the recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report recommending and allocating \$18,000,000 in tax exempt Multi-Family Mortgage Revenue Bonds for the acquisition and rehabilitation of the Development and the transfer of the Development, the assignment, assumption, and subordination of the SAIL LURA and the existing EUA's subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.

MULTIFAMILY BONDS

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B. Assignment of Bond Underwriter and Recommended Method of Sale

1. Background

- a) Pursuant to staff's request for approval to issue bonds to finance the acquisition and rehabilitation of the proposed Development referenced below, a Final Credit Underwriting Report is being presented to the Board for approval simultaneously with this request to assign the appropriate professionals to this transaction and approval of the recommended method of sale. A brief description of the Development is detailed below along with the Staff's recommendation.
- b) Pursuant to Rule 67-21.0045, F.A.C., staff has requested a review of the proposed bond structure by the Senior Financial Advisor in order to make a recommendation to the Board for the method of bond sale. TIBOR PARTNERS, Inc. has prepared an analysis and recommendation for the method of bond sale for the Development. The recommendation letter is attached as [Exhibit B](#).

2. Present Situation

The Credit Underwriter, the Senior Financial Advisor and Florida Housing staff has reviewed the financial structure for the proposed Development.

3. Recommendation

That the Board approve the assignment of the recommended professionals and the Senior Financial Advisor's recommendation for the method of bond sale, as shown in the chart below, for the proposed Development.

Development Name	Location of Development	Number of Units	Method of Bond Sale	Recommended Professional
Ridge Club Apartments	Orange County	372	Negotiated	RBC Capital Markets, LLC

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C. Request Approval of the Update to the Final Credit Underwriting Report for Caravel Arms Apartments (2013-102B)

Development Name: Caravel Arms Apartments	Location: Broward County
Developer/Principal (“Applicant”): Southport Development, Inc.	Set-Asides: 100% @ 60% AMI (MMRB) 100% @ 60% AMI (4% Housing Credits)
Funding Source: Multi-Family Mortgage Revenue Bonds (MMRB) and 4% Housing Tax Credits (HC)	Amount: \$6,300,000 MMRB \$411,674 Housing Credits
Number of Units: 110	Type: Family

1. Background

Applicant submitted an Application (“Application”) on behalf of the proposed Development using the Non-Competitive Application package. Applicant applied for Multi-Family Mortgage Revenue Bonds in the amount of \$6,300,000 and non-competitive Housing Credits in the amount of \$435,000 in order to acquire and rehabilitate the Development.

2. Present Situation

The final credit underwriting report dated March 10, 2014 was approved by the Board of Directors on March 14, 2014. The report contemplated a private placement of the bonds, which were to be purchased by Citibank with a cash-collateralized first mortgage. After Board approval of the final credit underwriting report, the Applicant decided to change the method of sale from private placement to a public offering. First Housing Development Corporation has reviewed the revised summary of financing assumptions and results that was prepared by RBC Capital Markets. First Housing recommends approval of the change in the method of sale of the bonds for the development subject to satisfactory review at or prior to closing that all terms of the financial structure are favorable as those in the original credit underwriting report ([Exhibit C](#)).

3. Recommendation

That the Board approve the recommendation of the Credit Underwriter outlined in the Final Credit Underwriting Report Update Letter recommending a change in the method of sale of the bonds subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.

MULTIFAMILY BONDS

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D. Request Approval of the Method of Bond Sale Recommendation from Florida Housing's Senior Financial Advisor

1. Background/Present Situation

- a) The Method of Bond Sale recommendation from the Florida Housing's Senior Financial Advisor was approved by the Board of Directors on March 14, 2014. Subsequent to approval, the Applicant changed the method of sale from private placement to a public offering. The Credit Underwriter has provided a Final Credit Underwriting Report Update Letter for the proposed Development below. Florida Housing seeks Board approval pursuant to the recommendation of the Credit Underwriter and the appropriate Florida Housing staff.
- b) Pursuant to Rule 67-21.0045, F.A.C., staff has requested a review of the proposed bond structure by the Senior Financial Advisor in order to make a recommendation to the Board for the method of bond sale.
- c) TIBOR PARTNERS, Inc. has prepared an analysis and revised recommendation for the method of bond sale for the Development. The recommendation letter is attached as [Exhibit D](#).

Development Name	Location of Development	Number of Units	Method of Bond Sale
Caravel Arms Apartments	Broward County	110	Negotiated

2. Recommendation

That the Board approve the recommendation of the Senior Financial Advisor for the method of bond sale for the above Development.

SPECIAL ASSETS

Consent

III. SPECIAL ASSETS

A. Request Approval of Transfer of General Partner Interest in Village at Delray, Ltd., a Florida Limited Partnership, for Village at Delray Apartments (2009-037CT/2010-003CT)

Development Name: Village at Delray (“Development”)	Location: Palm Beach County
Developer/Principal: Auburn Group (“Developer”)/ Village at Delray, Ltd. (“Borrower”)	Set-Aside: HOME 20% @ 50%, 80% @ 60%; TCAP & HC 11% @ 28%, 89% @ 60% AMI LURA 50 years; EUA 50 years
Number of Units: 144	Allocated Amount: TCAP \$7,384,100; HOME \$115,900; HC \$2,110,000
Demographics: Family	Servicer: Seltzer Management Group

1. Background

- a) During the 2009 funding cycle, Florida Housing Finance Corporation (“Florida Housing”) awarded a Tax Credit Assistance Program (“TCAP”) loan in the amount of \$7,384,100 and a HOME Investment Partnership (“HOME”) loan of \$115,900 to Village at Delray, Ltd., a Florida limited partnership (“Borrower”), for the development of a 144-unit property in Palm Beach County, Florida. The TCAP and HOME loans closed on May 5, 2010. The Development also received a 2010 allocation of low-income housing tax credits of \$2,110,000.
- b) In November 2012, correspondence was received from PNC Bank (“PNC”) on behalf of the current interim general partner and special limited partner, Columbia, advising that the original general partner, Village at Delray GP, L.L.C. (“VADGP”) was replaced by Columbia because of failure to comply with its duties and obligations under the Partnership Agreement which caused an automatic withdrawal. The construction loan has not yet converted to permanent financing.
- c) On November 1, 2013, the Board approved a transfer of general partner interest but the transfer was not completed.

2. Present Situation

- a) On February 25, 2014, Florida Housing received a new request for approval to change the current general partner, Columbia, because Freddie Mac is unwilling to convert to permanent financing without an independent third party general partner in place. Columbia is also the special limited partner and an affiliate of PNC. The current limited partner, PNCLP, is also a PNC affiliate. PNC proposes that the new independent third party general partner will be a to-be-formed single-purpose entity to be wholly-owned by Dominion.
- b) Florida Housing received a positive recommendation from the credit underwriter ([Exhibit A](#)).

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3. **Recommendation**

Staff recommends that the Board approve the transfer of the general partner interest in the borrower entity subject to the conditions provided in the credit underwriting report, and direct staff to proceed with loan document modification activities as needed.

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B. Request Approval to Refinance the First Mortgage for Bonita Pointe Associates, Ltd., a Florida Limited Partnership, for Bonita Pointe Apartments (GUAR/HUD Risk/2003-049S/2003-523C)

Development Name: Bonita Pointe Apartments (“Development”)	Location: Miami-Dade County
Developer/Principal: Cornerstone/Bonita Pointe Associates, Ltd. (“Borrower”)	Set-Aside: SAIL 17% @ 50%; 83% @ 60%; HC 100% @ 60% AMI LURA: 50 years; EUA: 50 years
Number of Units: 164	Allocated Amount: SAIL \$2,000,000; HC \$654,820
Demographics: Large Family	Servicer: First Housing Development Corporation

1. Background

During the 2003 funding cycle, Florida Housing Finance Corporation (“FHFC”) awarded a State Apartment Incentive Loan (“SAIL”) in the original amount of \$2,000,000 to Bonita Pointe Associates, Ltd., a Florida limited partnership (“Borrower”), for the development of a 164-unit apartment complex in Miami-Dade County, Florida. The SAIL loan closed on June 4, 2004, and will mature on February 15, 2045. The Development also received a 2003 allocation of low-income housing tax credits of \$654,820. The Development is HUD risk sharing with Florida Housing’s Guarantee Program (“Guarantee Program”).

2. Present Situation

- a) The Borrower requests consent from the Board to refinance the existing first mortgage. The Borrower intends to obtain a Fannie Mae first mortgage loan originated by Oak Grove Capital, the proceeds of which will be used to satisfy the existing first mortgage from Housing Finance Authority of Miami-Dade County, redeeming the underlying bonds and effectively terminating the mortgage guaranty issued by the Guarantee Program and its associated financial risk to FHFC.
- b) The Borrower also requests that the SAIL loan, the SAIL Land Use Restriction Agreement (“LURA”), and the Low Income Housing Tax Credit Extended Use Agreement (“EUA”) be subordinated to the new first mortgage.
- c) Staff has received a credit underwriting report ([Exhibit B](#)) providing a positive recommendation for approval for the new financing, and subordination of the SAIL loan, SAIL LURA, and HC EUA to the new first mortgage.

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3. **Recommendation**

Approve the refinancing of the first mortgage loan, and subordination of the SAIL loan, SAIL LURA, and HC EUA subject to the conditions outlined in the credit underwriter's report, and subject to further approvals and verifications by the credit underwriter, counsel, and appropriate Florida Housing staff, and direct staff to proceed with loan document modification activities as needed.

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C. **Request Approval of Loan Renegotiation and Transfer of Ownership Interests for M.B. Apartments, Ltd., a Florida Limited Partnership, for Madison Apartments' HOME Loan (94DRHR-022/96L-013)**

Development Name: Madison Apartments ("Development")	Location: Miami-Dade County
Developer/Principal: Miami Beach CDC ("Developer") M.B. Apartments, Ltd. ("Borrower")	Set-Aside: HOME & HC 20% @ 40% & 80% @ 60% AMI; LURA: 53 years; EUA: 50 years;
Number of Units: 17	Allocated Amount: HOME: \$50,000; HC: \$164,607
Demographics: Family	Servicer: First Housing Development Corporation

1. **Background**

During the 1994 HOME Disaster Relief Cycle, Florida Housing Finance Corporation ("Florida Housing") awarded a \$50,000 HOME Investment Partnership ("HOME") loan to M.B. Apartments, Ltd., a Florida Limited Partnership ("Borrower"), for the acquisition and rehab of a 17-unit development in Miami-Dade County. The HOME loan closed on December 27, 1995 with an original maturity date of December 30, 2010. The Board previously approved two extensions to December 30, 2013. The Development also received a 1996 allocation of low-income housing tax credits of \$164,607, and was placed in service in June 1997.

2. **Present Situation**

- a) The general partner of the Borrower, M.B. Apartments, Inc., is an affiliate of Miami Beach Community Development Corporation ("Miami Beach CDC"), a Florida non-profit corporation. The limited partner and the special limited partner are affiliates of Boston Capital. Miami Beach CDC is acquiring the limited partner interest and the special limited partner interest from Boston Capital Tax Credit IV Fund and Boston Capital Tax Credit, Inc., respectively. Subsequent to Miami Beach CDC acquiring the interests of the limited partner and special limited partner, the Borrower is requesting that the ownership be transferred from the limited partnership (M.B. Apartments, Ltd.) to a limited liability company where the sole member will be Miami Beach CDC. This change allows the 100% non-profit ownership to be eligible for property tax abatement.
- b) The Borrower has further requested that the HOME loan be renegotiated as an amortizing loan with monthly payments of \$833.33 per month until the balance is repaid over a term of five years. Since the proposed new ownership will be a non-profit entity, the Borrower also requests that the HOME loan terms be renegotiated to reduce the interest rate from 6.36% to 0%. The Borrower will pay all accrued interest at the current rate at the closing of the renegotiated loan. The Borrower has also agreed to extend the affordability term of the Land Use

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Restriction Agreement (“LURA”) for an additional five years beyond the current 53 years.

- c) Florida Housing staff have reviewed the Development’s operating and financial information, and have provided a positive recommendation for the renegotiated terms of the loan and the transfer of ownership interests.

3. **Recommendation**

Staff recommends that the Board approve the renegotiated terms to modify and extend the loan term for five years with a reduction of the interest rate to 0%, monthly amortization of principal, extension of the LURA for an additional five years, and transfer of the ownership interests, and direct staff to proceed with loan closing activities as needed.