

**Daytona Beach Housing Authority**

**June 17, 2021 Special Board Meeting**

- I. Call to Order** - The meeting was called to order at 2:32 PM by Commissioner Ivey. Commissioner Daniels was on his way.
- II. Roll Call** - Commissioners Jass, Jamison, Ivey, Brown Crawford were present during roll call and Commissioner Daniels was in route to the meeting at this time.
- III. Invocation** - The invocation was led by Mrs. Smith Wells.
- IV. Recognition of Visitors** - Commissioner Ivey introduced Attorney Wilson, Mr. McCarthy, and Attorney Walsh, who introduced themselves to the board.
- V. Introduction** - Ms. Bates described the purpose of this special meeting is to review documents that will be required for the RAD closing and for the commissioners to get to a comfortable place in approving resolutions that will allow Ms. Bates to execute the documents. Ms. Bates stated due to a conversation between Attorney Walsh and Attorney Wilson, the agenda may be amended.

Attorney Wilson described to the board the meeting will be kept as conversational as possible and the attorneys will present in and out together. He also encouraged the board to ask any questions at any time during the presentation. Attorney Walsh echoed what Attorney Wilson

said regarding encouraging the board to ask questions and acknowledged the purpose of the meeting is to cover what board members are interested in. He also asked Ms. Bates to repeat any questions he may not be able to hear due to the Zoom audio not being great. Attorney Gilmore stated he will chime in as needed during the presentation.

Ms. Bates stated for the record this is a special board meeting that permits the board to make motions and to take action as opposed to a workshop. She turned the meeting over to the attorneys.

**VI. Jonathan Flugstad/Martin Walsh, Reno Cavanaugh**

Select Transaction Document List (ShareFile Link included) PowerPoint Presentation - Attorney Walsh thanked the board for having them to the meeting. He presented the transaction overview for the WM at the River and shared they will talk about the background, the structure of the transaction, the financing, the cost benefit calculation from the authorities' perspective, the transactional documents, regulatory approvals and credit approvals that are implicated, as well as next steps to get to closing.

Attorney Walsh asked Ms. Bates to start the PowerPoint presentation. He explained to the board the background, which is 300 units that are currently public housing to Windsor and Maley. He also described the background of

HUD's RAD program to the board, which converts public housing over to Section 8. Attorney Walsh explained the intent to convert the 300 public housing units down to 298 post-conversion, converting to Section 8 Project Based Voucher units.

Attorney Walsh presented to the board possible public/private partnership structures, including private developer, fee-based developer, and PHAAS developer and explained each option. He also expanded on the Master Development Agreement and explained why different transaction structures are important. The board was made aware this PowerPoint will be made available to them.

Attorney Walsh described the Authority roles to the board. He then presented on the structure of the LIHTC owner entity and each entity's role. Questions by the board were addressed, such as the Authority's rights and options, funding, etc. Ms. Bates stated for the record that Commissioner Ivey joined the meeting at 3:29 PM.

Attorney Walsh presented to the board the general partner's role in overseeing the project, liability for the owner entity's debts, and emphasized the housing authority is not a guarantor.

Attorney Walsh explained an equity investor invests for the ten years of tax credits, as well as losses. He

then briefly presented on the financing, such as tax-exempt bonds, deferred fees, etc. Questions and comments by the board were addressed regarding the financing structure.

Attorney Walsh then presented on Authority cost/benefits, describing the Authority owns the property currently, which will be transferred to the limited partnership. He detailed the Authority is taking a seller note, which will be repaid through available cashflow. Attorney Walsh described the Section 8 HAP subsidy to the board as the conversion of the current public housing operating and capital funds related to these units. He then detailed the benefits to the board, such as the Authority getting 50 percent in developer fee and cash flow is also 50 percent to the Authority. Questions and comments by the board were addressed, such as concerns over cost, development training for the board, etc.

Attorney Walsh presented the annotated document list to the board, and detailed to the board the purpose of each of the documents that the housing authority signs, such as real estate, financing, debt, equity documents, etc. He then presented the authorizing resolution for the Authority, detailing what the transaction is, the co-developer structure, tax credit limited partnership, general partner structure, the investor in limited

partnership, the structure of the tax credits, the seller note, the structure of financing, subordinate financing, the developer providing third party guarantees, the bond reference, the developer fee, option and right of first refusal, the authorization, the actual resolutions, certification, etc. Questions and comments by the board were addressed regarding development fees, etc.

**VII. Jean Wilson, Esq./Carl McCarthy, Esq., Greenberg Traurig -**

**Bond Transaction Review** - Attorney Wilson described the conduit issuer process to the board. He thanked Marty for walking through the documents and explained why it was important to the board. He then explained the construction loan which gets converted into a permanent loan and the thought process behind it. Questions and comments by the board were addressed.

Attorney Wilson discussed the resolution that authorizes the issuance of the bonds and the bond document signing. He also discussed the financial risks that each side takes in a deal such as this. Attorney Walsh answered some questions by the board regarding the tax opinion, the challenge of a tax credit deal, and the reason the subordinate debt is 40-50 years, which the tax attorney for the invest for will dictate how long. He also described how if not structured appropriately, the loan gets

recharacterized as a grant, which has adverse tax consequences.

Attorney Wilson described the credit underwriting report and the importance of it. Questions and comments by the board were addressed regarding timing. Attorney Wilson then discussed the resolution that's going to authorize the issuance of the bonds and all bond document signing. He expressed his intent was to get the bond transaction to the board before the July meeting. Questions and comments by the board were addressed regarding timing, etc.

Attorney Wilson introduced a summary to the board of the three main documents, which are the venture, the financing agreement, and the land restriction agreement. Mr. McCarthy described each of these three main documents to the board. He stated the particulars of the financing and the bond are really just to mirror the financing structure of the development.

Attorney Wilson discussed to the board that the documents provide for an issuance fee to be paid. Ms. Bates discussed the different fees paid at closing and ongoing fees. Questions and comments by the board were addressed.

Ms. Bates thanked the attorneys and the board for their work.

#### **VIII. Adjournment**

Commissioner Ivey adjourned the meeting at 5 p.m.

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