**MINUTES OF THE**

**CAPITAL TRUST AGENCY, INC.**

The 217th meeting of the Capital Trust Agency, Inc., Gulf Breeze, Florida, was held at the Capital Trust Agency office at 315 Fairpoint Drive, Gulf Breeze, Florida and on Monday, October 18, 2021 at 8:00 a.m.

The following Board Members were present: Burt Snooks (Chairman), Gary Michaels (Vice-Chairman), Bob Cleveland (Secretary), Chris Kemp (Asst. Secretary), Deborah Roche (Board Member) and Tom Naile (Board Member). Also attending was Denis McKinnon (Executive Director), and Samantha Abell (City Manager). Attending via Zoom conference was Michael Stebbins (Counsel) and Kareem Spratling (Bond Counsel). Special guest was Phil Guistolise (Trinity Partners).

**AGENDA ITEM:**

Approval of Minutes: 9/30/2021

**DISCUSSION:**

Denis McKinnon requested Samantha Abell be added to the list of attendees during the September 30th board meeting.

**MOTION/ACTION:**

**Tom Naile made a motion to approve the minutes of the 9/30/2021 meeting with Samantha Abell added to the list of attendees. Deborah Roche seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Inducement Resolution # 21-21 – Tallahassee Classical School

**DISCUSSION:**

Tallahassee Classical School is a new charter school located in Tallahassee, Florida. The school opened its doors with 349 students in grades K-8 and quickly expanded to 553 students in grades K-9. The school plans to increase enrollment each year and have a total enrollment of approximately 750 students in grades K-12 by the 2024-25 school year. The current interest rate of the construction loan is approximately 6.5%.

Chris Kemp asked if the school is simply seeking a better interest rate on their construction loan. Kareem Spratling replied that the original construction loan was short term financing and they are now seeking more permanent financing and the bonds will allow for considerable savings to the school.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve Resolution #21-21 as presented. Tom Naile seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Bryant Miller Olive Conflict Waiver – Tallahassee Classical School

**DISCUSSION:**

Kareem Spratling stated that BMO has a fiduciary responsibility to both CTA and to the borrower as CTA’s bond counsel and borrower’s counsel and wishes to disclose this information and obtain consent to serve in this capacity for the benefit of both parties.

Gary Michaels asked how often a conflict waiver is required. Mike Stebbins stated it is a common document and he is comfortable with this waiver.

Bob Cleveland asked if this arrangement alters the fee structure in any way. Kareem stated the review fee is typically waived.

**MOTION/ACTION:**

**Deborah Roche made a motion to approve the BMO one time conflict waiver as presented. Chris Kemp seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Inducement Resolution 22-21 – Milestones Community School D/B/A Imagine Schools at West Melbourne

**DISCUSSION:**

Imagine Schools at West Melbourne acquired Milestones Community School in 2002 and currently serves students in grades K-6. Imagine Schools is currently leasing the facility consisting of a 54,700 square foot building on 10 acres of land. Rosemawr, the owner of the facility, will be the sole purchaser of the bonds.

Bob Cleveland asked about the appraised value of the property and expressed concern that the value be established fairly. Kareem Spratling stated that bond counsel will review the appraised value and verify that Rosemawr does not pay more than appraised value as that would interrupt public purpose of the bonds.

Deborah Roche suggested getting two appraisals. Kareem Spratling stated the market standard is one appraisal, however, this project has special circumstances and two would not be unreasonable.

Tom Naile suggested approving 2 appraisals as CTA policy going forward. Denis McKinnon stated we could address the issue at a later board meeting.

Chris Kemp stated the schools cash flow is very tight and asked how much of a cushion they will have after the issuance of the bonds. Denis McKinnon stated the underwriter has indicated the school will have to purchase the facility or fold the school as the lease payment has become unaffordable. Chris stated the school has been around for a long time and that is a lot of families to displace should the school be forced to fold. Deborah Roche said this is a smaller, underserved area and would also hate to see it fold.

Bob Cleveland asked if Rosemawr foreclosed on the bonds, would they have a net positive. Kareem replied that Rosemawr would be in a worse position if a foreclosure took place, that it is far more painful to close the school and start over with a new charter.

Bob Cleveland cautioned that it is far more difficult to say no to the award resolution than it is to say no now, at the inducement stage, before substantial money is spent. Denis stated all parties understand there is no obligation to approve now or at the award stage. Deborah Roche stated we have questions and need more information, and the only way to get those answers is to approve the inducement and ok if they have to spend a little money to get those answers for us.

Gary Michaels asked if we could request that they come back with additional financials and appraisals before we induce. Denis stated we can, however, if we do that, the project will not close prior to year-end due to the Governor’s new procedures regarding TEFRA approvals.

**MOTION/ACTION:**

**Deborah Roche made a motion to approve Resolution #22-21 with the understanding that additional financial information and a second appraisal will be required. Tom Naile seconded the motion. Vote for approval was 4-2.**

**AGENDA ITEM:**

Inducement Resolution 23-21 – Kingdom Development – WPB Portfolio

**DISCUSSION:**

Kingdom Development is requesting financing for the purpose of acquisition and rehabilitation of three housing complexes located in West Pam Beach, Florida.

Phil Guistolise with Trinity Partners stated that approximately $16,000 will be allocated to each unit for renovations.

Chris Kemp asked what the property management reports found regarding the age of the buildings. Phil replied that property inspections are on his checklist and overall conditions of each complex will be verified. Bob Cleveland stated that Apartment Finder reports for the Lancaster and the Sunset Place properties are unfavorable, with large vacancies. Phil replied that the renovations to the complex along with implementation of higher standards that naturally comes with a change of ownership/management will help to turn around low performing complexes. Denis further stated that Kingdom Development’s goal for the complexes is to completely turn around negative community perceptions by implementing a sense of pride of place within the complexes.

Deborah Roche stated that the improvements are substantial and are sustainable for a 20 year look forward period, not just a 5 or 10-year period that new paint and carpet would cover. Deborah asked for an explanation of why only 75% of the cabinets are scheduled to be replaced; why not all of them. Also, why is only 70% of the roof scheduled to be replaced; why not all of it. Phil Guistolise stated the owners are very responsive to the needs of the complex and he stated the cost figures are based on a sample of units due to the Covid restrictions at the time. Further information will be forth coming once the site visit has been completed and all units are included in the final documents.

Gary Michaels asked if there were any plans for security/security cameras for the complexes. Phil stated this is a great question and will ask what other plans they have

Bob Cleveland commented that this project is a not for profit, 501c3, and yet after the 10-year capital improvement timeframe, the developers will both receive $2 million each, and if they sell the property after 10 years, potentially $21 million in total profits will be disbursed to the developers, including cash flows over 10 years.

**MOTION/ACTION:**

**Gary Michaels made a motion to approve Resolution #23-21 as presented. Tom Naile seconded the motion. Vote for approval was 5-1.**

**AGENDA ITEM:**

Inducement Resolution 24-21 – Kingdom Development – Kensington Villas

**DISCUSSION:**

Kingdom Development is requesting financing for the purpose of acquisition and rehabilitation of an existing low-income housing project located in Orlando, Florida. Kensington Villas is a single story 170-unit complex on 11 acres of land.

Phil Guistolise with Trinity Partners stated that approximately $11,765 will be allocated to each unit for renovations.

Tom Naile asked about the difficulty in replacing the water and sewer pipes as listed in the scope of work for repairs. Phil Guistolise stated it should relatively easy to repair or replace as the complex is a single-story building.

**MOTION/ACTION:**

**Tom Naile made a motion to approve Resolution #24-21 as presented. Deborah Roche seconded the motion. Vote for approval was 5-1.**

**AGENDA ITEM:**

Inducement Resolution 25-21 – Social Housing, Inc - Lake Osborne

**DISCUSSION:**

Social Housing, Inc is a Georgia not for profit, 501c3 corporation. The purpose of the bonds is to purchase Lake Osborne, an existing 118-unit housing complex in Lake Worth, Florida.

Bob Cleveland asked how the rents are established based on the income restrictions. Phil Guistolise stated that there is not a rule on the rent level, however, there is a revenue procedure that if you want to be in the safe harbor, then you must have 20% of the units be restricted to low-income tenants with 50% of Area Median Income (AMI), and another group with 55% of the units be restricted to 80% AMI, and 25% of the units restricted to 120% AMI, followed by a statement that rents should be affordable. Phil stated in his experience with these types of bond deals, he has never seen rents more than 35% or 36% of area median income and still be considered affordable housing. Kareem stated this one is different because of the 501c3, however, the restrictions to the rents will be covered in the LURA, which runs with the land, and also covered by the 501c3 restrictions, and will also be covered in the covenants of the tax certificate that will remain as long as the bonds are outstanding.

Deborah Roche asked if any of the units will be subsidized by the government. Kareem stated that they will not be directly subsidized, however, the individual tenant could receive other income assistance.

Bob Cleveland asked if rents are going up, yet 75% of rents will go down by $191, how are overall rents going up. Denis stated he would look into this question and present final rent roll projections to the board prior to final authorization.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve Resolution #25-21 as presented. Tom Naile seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Award Resolution 26-21 – Marie Selby Botanical Gardens

**DISCUSSION:**

Marie Selby Botanical Gardens is an existing 501c3 nonprofit located on 45 acres in Sarasota, Florida. The purpose of the bonds is for the construction of a Living Energy Access Facility (LEAF) including parking, restrooms, solar energy, and a cistern for storm water runoff and filtration.

Denis stated the bonds will only be sold to accredited investors and qualified institutional buyers.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve Resolution #26-21 as presented. Deborah Roche seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Award Resolution 27-21 – New Springs Schools

**DISCUSSION:**

New Springs is an existing charter school located in Tampa, Florida. The purpose of the bonds is to purchase the currently leased 50,000 square foot building that will accommodate approximately 450 students in grade K-8 at full capacity. The school will save approximately $5 million over the life of the bonds.

**MOTION/ACTION:**

**Gary Michaels made a motion to approve Resolution #27-21 as presented. Chris Kemp seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Award Resolution 28-21 – Imagine Charter School – North Manatee

**DISCUSSION:**

Imagine Charter School at North Manatee is an existing charter school located in Palmetto, Florida. The purpose of the bonds is for the acquisition, development and equipping of a new gymnasium, restrooms, 8 additional classrooms, administrative offices and an athletic field and parking.

**MOTION/ACTION:**

**Chris Kemp made a motion to approve Resolution #28-21 as presented. Tom Naile seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Award Resolution 29-21 – Legends Academy

**DISCUSSION:**

Legends Academy is an existing charter school located in Orlando, Florida. The school is seeking financing for the acquisition of two buildings to be renovated into classroom space for 331 students in grades K-8.

Denis McKinnon stated that the 2020 audited financial statements were amended and restated due to the merging of the two charter schools.

Denis McKinnon stated that the State of Florida pension fund is offered to every school but not commonly participated in. This school has opted to participate in the fund and reports the obligation on their financial statements. Denis further noted that the funds are solely reserved for the pension fund and is a true obligation of the State of Florida.

Denis McKinnon stated that the school plans to substantiate the additional debt by the addition of the permanent structures combined with the added value of the school contributing to the social fabric and well-being of the community.

**MOTION/ACTION:**

**Tom Naile made a motion to approve Resolution #29-21 as presented. Gary Michaels seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

Charitable Giving Request – Children’s Home Society of Florida

**DISCUSSION:**

The Children’s Home Society of Florida has requested from CTA a $10,000 one-time charitable gift. These funds will support the children and families of Gulf Breeze and Santa Rosa County who are in need of assistance. The Children’s Home Society currently provides housing and shelter for runaway and homeless children ages 14-22, provides adoption support, family therapy and abuse prevention. Their service programs include Youthworks, Healthy Families, Adoption Support, and Street Outreach programing. Gary Michaels is a current board member of the Children’s Home Society of Florida.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve the one-time $10,000 charitable contribution to the Children’s Home Society of Florida. Deborah Roche seconded the motion. Vote for approval was 5-0. Gary Michaels abstained from voting.**

No other formal business of the board was taken and the meeting adjourned at approximately 10:10 am.

Minutes submitted by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Connie Beargie, Office Administrator

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Burt Snooks, Chairman