**MINUTES OF THE**

**CAPITAL TRUST AGENCY, INC.**

The 220th meeting of the Capital Trust Agency, Inc., Gulf Breeze, Florida, was held at the Gulf Breeze City Hall at 315 Fairpoint Dr, Gulf Breeze, Florida and on Thursday, November 23, 2021 at 8:00 a.m.

The following Board Members were present: Burt Snooks (Chairman), Bob Cleveland (Secretary), Chris Kemp (Assistant Secretary), Harrison Wilder (Board Member), and Tom Naile (Board Member). Also attending was Denis McKinnon (Executive Director. Attending via telecommunications conference was Kareem Spratling (BMO), Mike Stebbins (Counsel), William Leach (Kingdom Development, Inc.), Zach Rheuban (Blue Ocean Holdings), Woody Vaughn (Holland & Knight Bond Counsel), Ron Bell (Coates Rose Borrower’s Counsel), and Phil Guistolise (Trinity Partners).

**AGENDA ITEM:**

Award Resolution #32-21 – Kingdom Development, Inc (WPB Portfolio)

Award Resolution #33-21 – Kingdom Development, Inc. (Kensington Villas)

**DISCUSSION:**

Denis McKinnon began the meeting by providing a summary of the CTA Board Meeting held the Thursday prior on 11/18/2021 as it related to the Kingdom Development transactions (Resolutions 31-21 and 32-21).

Denis McKinnon and Phil Guistolise explained the changes that had occurred to the transaction between the two meetings.

As it relates to Kingdom West Palm Beach Portfolio, Blue Ocean Holdings and Kingdom made the following changes:

1. The Optional Redemption Period was increased from 7 years to 10 years;
2. Blue Ocean’s Development Fee was reduced by $1,000,000;
3. $550,000 is put back into the project as capital expenditures; and
4. $450,000 was set aside to create a Rent Subsidy Reserve Account to reduce rents for those tenants qualifying as 60% of Area Median Income (AMI) or below; and
5. Beginning year 4, Blue Ocean’s ongoing asset management fee is reduced by approximately $100,000 to maintain the Rent Subsidy Reserve through the life of the bonds.

As it relates to Kingdom Kensington Villas, Blue Ocean Holdings and Kingdom made the following changes:

1. The Optional Redemption Period was increased from 7 years to 10 years;
2. Blue Ocean’s Development Fee was reduced by $775,000;
3. $500,000 is put back into the project as capital expenditures; and
4. $275,000 was set aside to create a Rent Subsidy Reserve Account to reduce rents for those tenants qualifying as 60% of Area Median Income (AMI) or below; and
5. Beginning year 4, Blue Ocean’s ongoing asset management fee is reduced by approximately $100,000 to maintain the Rent Subsidy Reserve through the life of the bonds.

Denis responded to a question asked during the 11/18/21 meeting of “How does this deal meet public purpose?” The apartments are currently market rate apartments offering no subsidies or rental restrictions. The purpose of this transaction is for Kingdom Development to take the market rate apartments and convert them to rental restricted apartments. The owner will enter into a Land Use Restriction Agreement that will define rental restrictions that will go with the land and be enforced no matter who the owner of the properties is.

Denis compared LIHTC transactions to this transaction. This transaction is not intended to be a rehab of the existing facilities; rather, it is intended to reduce and restrict rents on day one. One of the properties does require substantial rehab. Consequentially, bond proceeds will be used to finance rehab on the Lancaster Apartments by approximately $5,000,000.

William Leach of Kingdom Development thanked the board for their guidance at the last meeting making the transaction that much stronger. Zach Rheuban said the intention of the owner is to hold the property until it qualifies for LIHTC financing and hold for another 15 years thereafter.

Bob Cleveland asked if tenants will be kicked out of the property based upon rent rolls increasing. William Leach stated the owner does not intend to remove tenants. According to the current tenant levels, the 60% of AMI test will be easy to meet and up to 25% of tenants may qualify for up to 120% of AMI.

William Leach said the rent must be set based upon AMI to create stable income to the property. Kingdom Development has zero interest in displacing tenants. Zach Rheuban stated the business model does not require increasing rents from the start.

Harrison Wilder asked if the transaction met requirements under Florida and Federal law. Kareem Spratling stated there is very clear case law in the State of Florida that public purpose findings by governmental bodies such as CTA are not to be disturbed by the courts. There is a sophisticated Bond Counsel delivering a Bond Counsel opinion, a sophisticated Borrower’s Counsel, and sophisticated Underwriter’s Counsel. BMO states this meets the bottom line of public purpose.

Woody Vaughn, Bond Counsel of Holland & Knight, stated their firm does many LIHTC deals where net income goes directly to the owners of the project. In this 501c3 transaction, there is no bleed of profit going to any individuals in this transaction.

Burt Snooks pointed out the transaction partners took the recommendations of the CTA board and complied with them. Phil Guistolise compared the developer fee on a LIHTC deal to this 501c3 transaction. The developer fee on a LIHTC transaction would be between $12,000,000 and $15,000,000. That fee is limited by a rate set by the State of Florida.

Holland & Knight left the meeting at this time.

Harrison Wilder stated the Developer and Owner both made concessions to the transaction and wants to better understand Mr. Cleveland’s position on the transaction. Mr. Cleveland stated the developer has moved toward the middle, but the concern comes from the way the transactions were presented and whether or not the deals met a public purpose due to the fees charged by the developer. Consternation also comes from the sale of a PSA for $2,000,000 and the fact that the properties reportedly sold for $20,000,000 less than this purchase price one year prior.

Chris Kemp stated the deal will benefit the lives of the people who live in the properties or who will live in the properties. If Kingdom does not purchase the property, the properties will receive negligible investment and the people there will not see improvement to their lives.

Tom Naile stated the borrower team recognized and conceded to the CTA Board demands.

**MOTION/ACTION:**

**Chris Kemp made a motion to approve resolutions 32-21 and 33-21. Tom Naile seconded. Vote for approval was 4-1.**

Tom Naile, Zach Rheuban, William Leach, and Ron Bell left the meeting at this point.

**NEW BUSINESS:**

Kareem Spratling and Denis McKinnon discussed the two other housing transactions in the CTA pipeline. Kareem stated the CTA board is as good as it gets, but disagrees with previous advice as to the level of scrutiny the CTA Board should delve into at meetings. Kareem Spratling stated the Board should not approve a deal where it definitively knows or has reason to know the deal will default, but they are not intended to be underwriters for the transaction.

**MOTION/ACTION:**

**No action required.**

No other formal business of the board was taken and the meeting adjourned at approximately 9:15 am.

Minutes submitted by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Denis A. McKinnon, III, Executive Director

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