

**MINUTES OF THE
CAPITAL TRUST AUTHORITY, INC.**

The 20th meeting of the Capital Trust Authority, Inc., Gulf Breeze, Florida, was held at 315 Fairpoint Dr, Gulf Breeze, Florida and on Thursday, February 22, 2024 at 9:00 a.m.

The following Board Members were present: Chris Kemp (Chairman), Gary Michaels (Vice-Chairman), Bob Cleveland (Secretary), Deborah Roche (Asst. Secretary), Bobby Potomski (Board Member), Christy Larkins (Board Member), Mayor Cherry Fitch (Board Member), Harry Wilder (Board Member). Also attending was Denis McKinnon (Executive Director), Samantha Abell (City Manager) and Connie Beargie (Office Administrator). Attending via teleconference was Kareem Spratling (BMO Bond Counsel), Brooke Gonzalez (BMO Bond Counsel), and special guests Barbara Coccio (Affordable Housing Preservation Corporation) and Christopher Walker (Developer, Ancient City Capital).

AGENDA ITEM:

Capital Trust Authority Minutes from 2/8/2024

DISCUSSION:

No discussion.

MOTION/ACTION:

Mayor Cherry Fitch made a motion to approve the minutes as presented. Christy Larkins seconded. Vote for approval was 8-0.

AGENDA ITEM:

Award Resolution 07-24 – AHPC (Gulf Coast Portfolio Project)

DISCUSSION:

The American Housing Preservation Corporation (AHPC) project consists of five affordable housing facilities located in Pensacola and Tallahassee, FL and Mobile and Birmingham, AL. The purpose of the bonds is to refinance taxable debt and provide rehab to existing properties.

Harry Wilder asked for clarification on the not to exceed amount of the bonds versus the amount needed to refinance the old debt. Denis McKinnon replied that the Capital Appreciation Bonds (CAB) will accrue and compound unpaid principal and interest, if any, until maturity. The not to exceed total amount possible at maturity. Chris Kemp asked if our team is comfortable with

the bond amount at maturity. Kareem Spratling replied that he would certainly push back if he was uncomfortable or thought Bond Council for this project was wrong. Kareem Spratling also mentioned that Franklin Templeton, who is purchasing 100% of the bonds will sign an investor letter to the Authority. Gary Michaels asked if this is the first issuance of CAB bonds for CTA or the Authority. Denis McKinnon replied yes for CTA, but this is not an irregular occurrence for other issuers.

Bob Cleveland asked what happens if the property is not worth the increase upon maturity of the bonds. Denis McKinnon stated the private placement memo from Franklin Templeton includes the waterfall of revenues and expenses. The excess revenue will be applied to principal, - the cash flow projections modeled by the Underwriter show cash flow sufficient to paying down debt. Kareem Spratling stated the Land Use Restriction Agreement (LURA) is reported to the IRS and tied to the property through the life of the bonds.

Christy Larkins stated she lived at the Cordova Regency during her clinicals and found the property to be excellent.

Gary Michaels asked if the improvements to the units will be done all at one time or as units come available and will they be quality or sub-par. Denis McKinnon replied that the rehab will be done as the units become available, but much of the rehab was done through the 2021 financing. Denis reported that during his inspection of the properties he noted the recent installation of LVP flooring, stainless steel appliances, new cabinets, etc. Gary asked if they have security cameras. Denis replied that yes, he observed security cameras in place.

Gary Michaels asked if there will be rent restrictions and if so, will they apply to a 70-year-old tenant who has been there for a few years. Denis replied that they will follow HUD guidelines for median income requirements. Denis further mentioned the owner will not increase rents greater than what income restricted tenants would be able to afford.

Chris Kemp asked why the TEFRA Hearing was held in Gulf Breeze. Samantha Abell replied that with all projects there are two hearings: local and host jurisdiction (where the project is physically located).

Bob Cleveland asked why the interest rate on the debt is at 5.25%, when the cap rate is at 4.5%. Chris walker, with Ancient City Capital stated that under traditional for-profit ventures, this would be an issue, however, in this not-for-profit scenario, the figure is actually considered by underwriting standards to be conservative and an altruistic approach to providing affordable housing.

MOTION/ACTION:

Deborah Roche made a motion to approve Resolution 07-24 as presented. Harry Wilder seconded. Vote for approval was 8-0.

AGENDA ITEM:

Inducement Resolution 08-24 – Miami Arts Classical Academy

DISCUSSION:

Miami Arts Classical Academy is an existing charter school located in Miami, Florida. The purpose of the bonds is to refinance tax-exempt and taxable debt. The school is a tuition free, public charter school concentrating on performing and expressive arts and consists of approximately 1500 students in grades 6-12.

Gary Michaels asked why enrollment numbers are down and revenue is up by 19%. Denis McKinnon said more information is forthcoming and he will have Richard Moreno address questions during our next meeting.

Bobby Potomski asked about the parking garage and the IRS audit findings. Kareem Spratling stated the school is allowed non school use of the garage to the extent the IRS allows for private use. Private for profit use is typically not allowed in non-profit organizations.

Chris Kemp asked for detail on the additional 1 million in other revenue shown in the budget. Denis replied he would get an answer to this question in the weekly conference calls.

MOTION/ACTION:

Christy Larkins made a motion to approve Resolution 08-24 subject to satisfactory answers to board member questions. Gary Michaels seconded. Vote for approval was 8-0.

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

Minutes submitted by:  Connie Beargie, Office Administrator

Approved by:  Chris Kemp, Chairman