Memorandum

MIAMI-DADE COUNTY

Date: July 8, 2010

Supplement to
Agenda Item No. 8E1B

To: Honorable Chairman Dennis C. Moss
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Supplemental Information on the Resolution Authorizing the $107 Million in Miami-Dade County Capital Asset Acquisition Special Obligation Bonds and the HOPE VI Scott/Carver Homes HOPE VI Revitalization Project

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The following report is to provide the Board of County Commissioners (Board) with information to consider and amend into the accompanying 2010 Resolution that authorizes the issuance and negotiated sale of up to $107,000,000 in Miami-Dade County Capital Asset Acquisition Special Obligation Bonds (Series 2010 Bonds). More specifically, staff recommends amending the accompanying 2010 Resolution to include Scott/Carver Homes HOPE VI Revitalization Project (Scott/Carver Project) as an eligible project in an amount of $13,700,000 in the new proposed Capital Asset Bond. The amount of the new Capital Asset Bonds will not increase. Rather, the amount to be paid from the proceeds of such Bonds for the purchase of Overtown II shall be reduced by $13,700,000 and in to offset that amount, it is recommended that the Board allocate the $13,700,000 remaining from the Series 2007A Capital Asset Bonds, no longer necessary for Scott-Carver Project, to the purchase of Overtown II. As detailed further below, the financing structure of the Scott/Carver Project has changed since the Board approved the Series 2007A Bonds which has impacted the use of the funds from the Series 2007A Bonds for the Scott/Carver project. The proposed action effectively swaps the funding sources to create the flexibility needed to complete both the Scott/Carver Project and the purchase of the Overtown II facility. The proposed action is required to ensure that County meets certain HUD deadlines to preserve federal funding for the Scott/Carver Project.

Background on the Scott/Carver HOPE VI Revitalization Project

On September 16, 1999, the County was awarded a $35 million HOPE VI grant by the United States Department of Housing and Urban Development (HUD) for the Scott/Carver Project. The Scott/Carver Project consists of the demolition of 850 antiquated, dilapidated, and functionally obsolete public housing units of the Scott Homes and Carver Homes public housing developments.

The County issued its $210,270,000 Capital Asset Acquisition Special Obligation Bonds, Series 2007A on May 24, 2007 and one of the approved projects to be funded from the bond proceeds was the Scott/Carver Project site with an allocation of $16,341,000, of which approximately $13,700,000 remains unspent. To date, approximately, $2,600,000 has been spent on capital development costs. At the time the Series 2007A Bonds were approved, it was anticipated that Scott/Carver Project would be owned and developed by the County so the proceeds would be used directly for development and construction costs.

On December 16, 2008, the Board adopted Resolution R-1417-08, which approved a Master Development Agreement between the County and McCormack Baron Salazar (Master Developer) for Phase II of the Scott/Carver Project. The Master Developer proposes to construct a total of 354 rental units of which 177 units will be replacement public housing units, subject to HUD approving revisions to the Revitalization Plan.

Since the Board's approval of the Master Development Agreement, the financing structure has been finalized to take advantage of various federal funding sources, which includes low-income tax credits.

With this structure, the land will be leased to for-profit partnership created by the developer who will construct and manage the low-income rental units with ownership reverting to the County in the future. One of the significant advantages of the use of private ownership is the ability to use low-income tax credits to raise additional capital which would not be available if the County developed and owned the Scott/Carver Project. In order to qualify for low-income tax credits, the County's contribution must be in the form of a loan instead of a grant. Because of federal income tax regulations with respect to tax exempt bonds for low-income housing projects, the County cannot loan the remaining balance to the developer. Without the County's contribution, the financing structure would have to be altered which may reduce the amount of funds available to the Scott/Carver Project and more importantly, cause the County and the developer to miss a July 16, 2010 deadline for submission of evidentaries to HUD. The closing is scheduled for September 14, 2010. HUD has advised that the failure to close by September 20, 2010 will result in a reduction by HUD of federal funding for this project.

A simple solution is to include the Scott/Carver Project as an eligible project in the amount of $13,700,000 in the new proposed Capital Asset Bond issue which the accompanying resolution approves in the aggregate principal amount not to exceed $107,000,00. This would meet the Internal Revenue Code guidelines regarding low income housing bonds so the County would be able to lend the proceeds to the developers. The County would be repaid from the cash flows after any operating reserves are funded. The bond size of $107,000,000 would not increase. Rather, the amount to be paid from the proceeds of the proposed Capital Asset Bonds for the purchase of Overtown II shall be reduced by $13,700,000. In order to replenish that amount, the Board needs to allocate the $13,700,000 remaining from the Series 2007A Bonds, no longer necessary for Scott-Carver Project, to the purchase of Overtown II.

Assistant County Manager