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CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

# Memorandum

MIAMI-DADE COUNTY

**Date:** June 3, 2010

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

Agenda Item No. 8(K)(1)(A)

**From:** George M. Burgess
County Manager

**Resolution No. R-604-10**

**Subject:** Approving the Transfer of General Partnership Interest in the Hidden Grove Apartments and the Villages of Naranja Affordable Housing Developments

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**Recommendation**

It is recommended that the Board of County Commissioners (Board) approve the attached resolution that does the following: 1) changes the ownership and/or the general partner for the two remaining Greater Miami Neighborhoods, Inc ("GMN") developments that have loans with Miami-Dade County (Hidden Grove Apartments and The Villages of Naranja), 2) authorizes the County Mayor or the County Mayor's designee to approve changes in ownership and/or general partnership interests prospectively, as applicable, and 3) authorizes the County Mayor or the County Mayor's designee to enter into contract(s) and loan documents with the new entities for the affected properties to secure the County's interest in the projects and ensure compliance with the federal, state and local requirements.

**Scope**

Hidden Grove Apartments is a completed affordable housing rental development consisting of 222 rental-housing units, an office/clubhouse building, and a day care center located at 13815 SW 271 Terrace, in Commission District 9.

The Villages of Naranja, also completed, is comprised of 259 affordable rental-housing units, playground, laundry facilities, community room, swimming pool, and basketball court located at 13700 SW 268 Street, in Commission District 9.

**Fiscal Impact / Funding Source**

No additional monies are being committed through this item.

Approval of this item provides for the new general partners/owner to assume the outstanding debt owed to the County. The current debt for Hidden Grove is $3,261,025.31 and $5 million for Villages of Naranja.

**Monitoring**

Upon Board approval of this resolution, the County will contract with the general partners for the assumption of the existing County funded debt. Annual monitoring and contract compliance with the executed rental regulatory agreements will continue to be performed by the Department of Housing and Community Development (DHCD).

**Background**

In early 2008, the County, the Florida Housing Finance Corporation (FHFC), and GMN worked together to develop a financing solution whereby properties still under GMN's control could remain affordable through a new general partner and protect the units from the bankruptcy process. Prior

to GMN declaring bankruptcy, the Board adopted Resolution R-24-08 on January 10, 2008, which permitted the transfer of the general partnership interest and/or ownership of 18 developments owned in part or in full by GMN to two entities: Enterprise Community Partners, Inc., (ECP) and Preservation of Affordable Housing, Inc. (POAH). This transfer was necessary to preserve Miami-Dade County's interest in the 18 properties.

However, the equity investors for Hidden Grove Apartments and the Villages of Naranja had exercised their right to retake ownership and management of the projects prior to the implementation of the financial solution, and as such, were not included as part of Resolution R-24-08. This Resolution presented today recognizes the transfer of the general partnership interest in these two developments to the new general partners and permits the County to take necessary actions to protect its financial interest and enter into contracts and loan documents with the new general partners. The general partnership interest in Hidden Grove will transfer to RAP FL 5, LLC while Replacement, LLC, will assume the role of general partner for the Villages of Naranja.

Hidden Grove Apartments and Villages of Naranja were the first two developments owned by GMN to fail and the County lost its contractual rights with GMN, as a direct result of the equity investors removing GMN as the general partner. The County was in a subordinate position with both loans. Since that time, the new owners have made improvements to the properties and restructured their financing and are now in the position to meet their obligation to the County to maintain the units as affordable housing.

**Hidden Grove Apartments**

Hidden Grove, LTD. is a Florida Limited Partnership that was formed on December 21, 1998, to construct and operate Hidden Grove Apartments. Effective December 26, 2007, GMN was removed as general partner and replaced with the special limited partner, Related Corporate XV SLP, LP. GMN subsequently filed for Chapter 11 bankruptcy on January 22, 2008.

Related Corporate XV SLP, LP has agreed to assign and transfer the General Partner interest of 1.01 percent in Hidden Grove, LTD., to RAP FL 5, LLC, whose members are 686 Fern LLC (75 percent managing member) and Affordable Holdings, LLC (25 percent member). The sole owner of 686 Fern, LLC is Mark E. Carbone and the sole member of Affordable Holdings, LLC is Matt Finkle. The original tax credit investor, Centerline, continues to hold 98.99 percent interest in the property.

The County has invested $3.25 million in Hidden Grove, LTD., under multiple funding sources including 2006 Documentary Surtax ($2.5 million) and 2001 State Housing Initiative Partnership (SHIP) ($750,000). The SHIP loan has a maturity date of December 31, 2032, and is not delinquent; however, the Surtax loan became delinquent in August 2007, with a past due amount of $80,592 in interest and late charges due by GMN. Because the project does not currently have the cash flow necessary to pay the outstanding amounts owed by the previous owner (GMN), a loan restructuring was presented to the Affordable Housing Loan Committee on November 4, 2009, and it moved to recommend a restructuring of the loan that would allow the full amount, including late fees and interest, to be added to the principal balance and a loan maturity date of August 2036 to be paid by new general partners. While this item has not yet been approved, the RAP FL 5, LLC has commenced payments as of February 2010.

Seven units are set aside for residents earning 33 percent or less of the area median income (AMI) and the remaining 215 units are set aside for families earning 60 percent AMI or less. The building is operating under a Rental Regulatory Agreement that guarantees the AMI rent requirements until August 30, 2036, the maturity date of the loan.

**Villages of Naranja**

Under Villages of Naranja, LTD., GMN, the original developer, received $5 million of HOME Disaster Relief funding in 1994, after Hurricane Andrew, to rehabilitate the project. The HOME Disaster Relief loan was a zero percent, one-time balloon mortgage due on October 1, 2009.

Similar to the previously described Hidden Grove project, the Villages of Naranja was taken over by the investors, Greenwich Institutional Tax Credit Fund 1993 LP (Greenwich) and GMN was subsequently removed as the General Partner. When Greenwich assumed the ownership on May 9, 2007, they also assumed the debt incurred by GMN. They named Replacement GP, LLC, as the new General Partner. Brian Myers is the President of Richman Asset Management, Inc., and is the sole member of Replacement GP, LLC. Concurrent with the replacement of the general partner, Richman Property Services assumed the day-to-day property management duties. DHCD compliance staff has been working with the new developer and project management company to address remedies for the much needed repair work. Since taking over, Replacement GP, LLC has invested close to $2 million to do necessary repairs.

It is recommended the debt be restructured and extended for 30 years. In exchange, the affordability period will be extended for an additional 30 years from the date the existing loan closes. These terms are consistent with the agreement the developer structured with the FHFC.

All of the units in the development are set aside for families earning 60 percent or less of the AMI. The building is operating under a Rental Regulatory Agreement (RRA) that restricts rental rates in accordance with US HUD guidelines. The current RRA ensures these rental rates remain affordable through October 18, 2015. By assuming the debt and executing the new loan documents, the affordability period will extend until 2045.

Finally, under Resolution R-32-07, the Villages of Naranja was awarded a $1 million Surtax commitment in 2007 by the County, shortly before the take over by the Tax Credit Investor. The commitment, while needed to improve the project, did not close with the County. Now that the ownership has become more stable, the loan will move forward and be utilized to re-roof the development.

Irene Taylor-Wooten
Special Assistant, Social Services

# MEMORANDUM

**(Revised)**

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

**DATE:** June 3, 2010

**FROM:** R. A. Cuevas, Jr. County Attorney

**SUBJECT:** Agenda Item No. 8(K)(1)(A)

**Please note any items checked.**

_____ **"3-Day Rule" for committees applicable if raised**

_____ **6 weeks required between first reading and public hearing**

_____ **4 weeks notification to municipal officials required prior to public hearing**

_____ **Decreases revenues or increases expenditures without balancing budget**

_____ **Budget required**

_____ **Statement of fiscal impact required**

_____ **Ordinance creating a new board requires detailed County Manager's report for public hearing**

_____ **No committee review**

_____ **Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous _____ ) to approve**

_____ **Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required**

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(K)(1)(A)
6-3-10

RESOLUTION NO. **R-604-10**

RESOLUTION ACCEPTING THE CHANGE IN OWNERSHIP AND/OR THE GENERAL PARTNERSHIP FOR TWO MIAMI- DADE COUNTY FUNDED MULTI-FAMILY RENTAL DEVELOPMENTS; AUTHORIZING THE COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO ACCEPT CHANGES IN OWNERSHIP AND/OR GENERAL PARTNERSHIP INTERESTS PROSPECTIVELY; AND FURTHERMORE, AUTHORIZING THE COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO EXECUTE ANY NECESSARY AGREEMENTS, FOLLOWING APPROVAL BY THE OFFICE OF THE COUNTY ATTORNEY

**WHEREAS**, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA,** that this Board accepts the changes in ownership and/or the general partner for two mufti-family affordable housing developments that have loans with Miami-Dade County: Hidden Grove Apartments and The Villages of Naranja; authorizes the Mayor or the Mayor's designee to accept changes in ownership and/or general partnership interests prospectively, as applicable; authorizes the Mayor or the Mayor's designee, following approval by the County Attorney's Office, to execute agreements, contracts, amendments and loan documents on behalf of Miami-Dade County; authorizes the Mayor or the Mayor's designee to shift funding to different agencies without exceeding the total amount allocated to the project; and authorizes the Mayor or the Mayor's

designee to exercise amendment, modification, renewal, cancellation and termination clauses on behalf of Miami-Dade County, Florida.

The foregoing resolution was offered by Commissioner **Jose "Pepe" Diaz**, who moved its adoption. The motion was seconded by Commissioner **Audrey M. Edmonson** and upon being put to a vote, the vote was as follows:

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|---|---|---|---|
| Dennis C. Moss, Chairman | aye | | |
| Jose "Pepe" Diaz, Vice-Chairman | aye | | |
| Bruno A. Barreiro | aye | Audrey M. Edmonson | aye |
| Carlos A. Gimenez | aye | Sally A. Heyman | aye |
| Barbara J. Jordan | aye | Joe A. Martinez | absent |
| Dorrin D. Rolle | aye | Natacha Seijas | aye |
| Katy Sorenson | aye | Rebeca Sosa | aye |
| Sen. Javier D. Souto | aye | | |

The Chairperson thereupon declared the resolution duly passed and adopted this 3rd day of June, 2010. This resolution shall become effective (10) days after the date of its adoption unless vetoed by the Mayor, and if voted, it shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: **DIANE COLLINS**
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

Brenda Kuhns Neuman