

McKINNEY HOUSING FINANCE CORPORATION BOARD

SEPTEMBER 29, 2017

The McKinney Housing Finance Corporation of the City of McKinney, Texas met in the 2nd Floor Conference Room, 222 N. Tennessee Street, McKinney, Texas on September 29, 2017 at 8:00 a.m.

Board Members Present: Semiramis Amirpour, Treasurer James Bresnahan, President Harry Hickey, and Vice President Bridgette Wallis. Absent: Dean Aslinia, Jason Laseter and Bruce Quernemoen.

Guests on Conference Call: James Plummer, Partner, Norton Rose Fulbright US LLP; Tim Nelson, Managing Director, Hilltop Securities Inc; and Tekevwe Okobiah, Sphinx Representative, Sphinx Development Corporation.

Staff Present: Janay Tieken, Housing and Community Development Manager and Cristel Todd, Affordable Housing Administrator.

President Hickey presided and called the meeting to order at 8:07 a.m. after determining a quorum was present.

17-938 Minutes of the McKinney Housing Finance Corporation Meeting of June 9, 2017. Board unanimously approved the motion by Board member Amirpour, seconded by Vice President Wallis, to approve the Minutes of the McKinney Housing Finance Corporation Meeting of June 9, 2017.

17-939 President Hickey called for an Update on Completed Home Rehabilitation Projects. Staff Member Todd provided project completion stats for the Home Rehabilitation projects on High Crest and Tennessee. The High Crest Rehabilitation included: tree removal, striping and installing new roof, all new vinyl siding, fascia, gutters, replacing exterior and interior doors, repairing covering to wood chimney, replacing all flooring in the home, installing new faucets in the kitchen and bathroom, clearing drain at bathtub and installing hardwired smoke detectors and carbon monoxide detector. Total project cost was \$19,035. The Tennessee Rehabilitation included: Foundation repair, grading and compacting the yard, demo and replacing the concrete sidewalk,

Repairing damaged sewer and water lines, replacing drain pipe, replacing gas lines, installing new water heater, installing new drain line and trap for the tub, rewiring electrical system, replacing main service, placing insulation in attic, replacing skirting and installing hardwired smoke detectors and carbon monoxide detector. Total project cost was \$39,166.

17-941 President Hickey called for Discussion on City Council Comments and Direction from the City Council Work Session on September 18, 2017. After much discussion on the timeline from the past year, it was stated by Staff member Tieken that Sphinx came back to City Council to see if they were supportive of the co-development role for the McKinney Housing Finance Corporation (MHFC) that was the purpose of the Work Session. If the Board wants to move forward it will go back to City Council on October 17th, 2017. If the recommendation is no then the deal is dead. Vice President Wallis wanted to clarify that if we look at the City Council Work Session Agenda, there's nothing about Sphinx in the discussion. Sphinx was added as an example. Sphinx is in the agenda, stated Staff member Tieken. I think that's what the confusion was at the work session. They didn't know if we were talking about co-development in general or Sphinx. Staff member Tieken stated we were talking about both. In the manger's notes sent out, the first item was, do you want the MHFC in the co-development role? And the second item was, if you do, do you want to move forward with Sphinx? That's why Council wanted it to come to the MHFC then go back to them. Vice President Wallis requested the Council Agenda item be pulled up for review. The item was pulled up then reviewed and Sphinx was listed in the agenda item but wasn't listed in the title of the agenda item. Vice President Wallis stated that it would be good to watch the item because City Council was just as confused about the item. At this time, the Board conferenced in James Plummer, Partner, Norton Rose Fulbright US LLP. Mr. Plummer

provided the Board with an overview of the co-developer role. The public private concept structure has been successful for over 20 years. In his 30 years of experience twice an HFC has been sued and both times they were removed from the lawsuit without any liability. The Structure is risk free and generates income. Vice President Wallis asked about the pitfalls with retail? Board member Bresnahan asked if retail was included in the income? Vice President Wallis asked if there are any land restrictions? Vice President Wallis asked if people go into development agreements with people you don't know? Mr. Plummer then backed up and explained the steps of the process. Vice President Wallis asked what the next steps are if approved today? Staff member Tieken stated we would work with Council to develop a partnership agreement that would be brought back to the Board for approval and then that would go before City Council for final approval.

17-940 President Hickey called for Consideration/Discussion/Action on Making a Recommendation to City Council to Enter Into a Co-Developer Agreement with Sphinx Development Corporation for Sphinx at Throckmorton Villas. At this time, the Board conferenced in Tekevwe Okobiah, Sphinx Representative, Sphinx Development Corporation. Staff member Tieken stated that this is to explore the possibility of doing a co-development agreement with Sphinx for the Sphinx at Throckmorton Villas. If you recommend that you do want to go into this agreement, that you want to negotiate in good faith, that will go back to City Council on October 17, 2017 for their approval. And then after that, the HFC will be able to start working with Council to negotiate the co-development agreement. Mr. Okobiah provided background on Sphinx Development Corporation. They have been in business since 1994 and have built and managed 10 properties with over 1,400 units all in the DFW area. One is a Senior development and the rest are multifamily. All have been successful; we have never defaulted on loans and have

reached stabilization on all properties. Vice President Wallis inquired about other income listed in the proforma. Mr. Okobiah stated that other income looks to late fees, application fees, pet fees, laundry space, other income outside of the rent. Sometimes to make a deal look better lenders can look toward a fraction of no more than 10-20% of the retail income that they will bank on. President Hickey asked, who are the principle owners of Sphinx? Board member Bresnahan asked if the property in Mesquite is similar to the one in McKinney in construction and appearance. Mr. Okobiah replied that it's not the same. McKinney will have more buildings with more townhomes. The Mesquite project was about a \$26 million deal and McKinney is estimated at \$41 million. Staff member Tieken asked if this development will have a parking garage. Mr. Okobiah stated the location in McKinney will not have structured parking. Vice President Wallis asked if it would be an issue if the city doesn't approve the live/work units. Mr. Okobiah responded that it was City staff that requested the units. Board member Bresnahan asked if Throckmorton Villas would look like the rendering that was given to him at the Council Work Session. Mr. Okobiah replied, yes and no, those things are always changing until the final construction documents. It provides an idea but it's not final. There were no other questions from the Board and the conference call was ended. Staff member Tieken stated I haven't done this before, my apologies if things are not clear. I'm trying to do the process the best I know how and to make it transparent and make sure everybody has the same information I have to move forward so you guys can make an informed decision. Vice President Wallis wanted to bring up one item that came up when we spoke with City Council at Work Session. Councilman Shemwell, District 1, brought up the fact that there are too many in District 1. When we were speaking specifically about co-development in general, putting out a Request for Qualifications, he said please make them not all in District 1. And I think

the problem I have is the same because our city was sued because we had too much in District 1. And here this is in District 1. If this was in another area I would really like it. We were sued, it went to the Housing Authority and they had to do a Request for Qualifications and now there are two 9% tax credit developments in the lower half of the West. Do we want our first co-development to be in an area that has been historically segregated? Board Member Amirpour asked, so how long do they have to have affordable housing? Staff member Tieken responded for 15 years. Vice President Wallis also expressed a concern with this Throckmorton Villas having a retail component. Board approved the motion by Board member Bresnahan, seconded by Board member Amirpour, to approve requesting City Council to instruct city staff to enter into negotiations with Sphinx, non-binding negotiations with a vote of 3 - 1 - 0, Vice President Wallis voting no.

Vice President Wallis commented that looking to doing a Request for Qualifications for the future. I think it's a good idea to be proactive and maybe we get more interest. There being no further business to discuss, President Hickey adjourned the meeting at 9:35 a.m.

HARRY HICKEY
President