

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 a.m.

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

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

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

There were no guests present.

President Hickey 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. Affordable Housing Coordinator 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 and replacing exterior and interior doors, repaired covering to wood chimney, replaced all flooring in the home, installed new faucets in the kitchen and bathroom, cleared drain at bathtub and installed hardwired smoke detectors and carbon monoxide detector. Total project cost \$19,035. The Tennessee Rehabilitation included: Foundation

repair, grading and compacting the yard, demo and replace the concrete sidewalk. Repaired damaged sewer and water lines, replaced drain pipe, replaced gas lines, installed new water heater, installed new drain line and trap for the tub. Rewired electrical system, replace main service, placed insulation in attic, replaced skirting and installed hardwired smoke detectors and carbon monoxide detector. Total project cost is \$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 Housing and Community Development Manager Tieken that Sphinx came back to City Council on September 18, 2017 to see if the City Council would be supportive of the co-development role for the McKinney Housing Finance Corporation (MHFC). If the board desires to move forward with the Co-Developer role, it will go back to City Council on October 17, 2017. If the Board's recommendation is to not proceed with the Co-Developer role, then the project will not proceed. 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. Ms. Tieken stated that Sphinx was added as an example which caused some confusion by the Council at the Work Session. They didn't know if we were talking about co-development in general or Sphinx. Ms. Tieken stated that, "In the City Manger's notes that were sent out to the City Council, the first item was a question of whether the Council desired the MHFC to be in a co-development role? And the second question posed was, if you the MHFC to participate as a Co-Developer, do you want to move forward with Sphinx?" The City Council requested that this item be considered by MHFC first before returning to them for a final decision. Vice President Wallis requested the Council Agenda item be pulled up for review. It was noted during the meeting that the City Council agenda item listed Sphinx in the agenda item text file but wasn't listed in the title.

The board participated in a conference call with 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 asked if people go into development agreements with people you don't know? Vice President Wallis asked what are next steps if approved today? Ms. Tieken stated that Staff 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. The board participated in a conference call to Tekevwe Okobiah, Sphinx Representative, Sphinx Development Corporation. Ms. 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 and want to negotiate in good faith, it will be forward to the City Council on October 17, 2017 for their consideration/approval. If approved by the City Council, the MHFC will be able to start working with the City 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 multi-family. 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 can depend on. President Hickey asked, who are the principal 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 \$26 million and in McKinney the estimation is \$41 million. Ms. Tieken asked if this development will have a parking garage. Mr. Okobiah stated that 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 stated that those things are always changing until the final construction documents are approved. Ms. Tieken apologized that she hasn't done one of these type projects before so she is unclear on the process. Vice President Wallis stated that when the City Council discussed this item at their Work Session, Councilman Shemwell, brought up the fact that there are too many (tax credit projects) already located in District One. Vice President Wallis stated: when we were speaking specifically about co-development in general and putting out a Request for Qualifications, he (Councilman Shemwell) said please make them not all in District One. And I think the problem I have is the same because our city was sued because we had too much

in District One. And here this is in District One. 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? Ms. Tieken stated 15 years. Vice President Wallis also expressed a concern with this Throckmorton Villas having a retail component. The Board approved the motion by Board member Bresnahan, seconded by Board member Amirpour, to approve Motion to ask City Council to instruct City staff to enter into non-binding negotiations with Sphinx, with a vote of 3-1-0, Vice President Wallis voting against.

Vice President Wallis requested that future projects should include going out for Requests for Qualifications for future project so be proactive and maybe we will get more interest.

There being no further business to discuss, President Hickey adjourned the meeting at 9:35 a.m.

HARRY HICKEY
President