



Delray Beach Housing Authority

REGULAR BOARD MEETING

NOVEMBER 12, 2010

MINUTES

I. CALL TO ORDER

Meeting Called to order at 1:00 p.m..

II. ROLL CALL

Joseph Hepp – Absent
Christel Silver – Present
Choli Aronson – Present
Sylvia Morris – Present
Shelly Petrolia – Present
Shelly Weil – Present
Guarn Sims - Present

III. APPROVAL OF AGENDA

A motion to approve the agenda was made by Commissioner Morris. Motion seconded by Commissioner Weil. All in favor. Motion passed.

IV. APPROVAL OF THE MINUTES OF OCTOBER 21, 2010

A motion to approve the minutes of October 21, 2010 was made by Commissioner Sims. Motion seconded by Commissioner Weil. All in favor. Motion passed.

V. RECOGNITION OF VISITORS

Michael Hartman – Roundstone Development
Richard MacFarland – Broad and Cassel
Jon Levinson – Roundstone/Klewin
Tylan Klewin – Klewin Construction
Diane Ursle – Gehring Insurance
Joanne Frechette – Gehring Insurance
Klif Gehring – Gehring Insurance

VI. PUBLIC COMMENTARY

None

VII. CONSENT

A motion to approve consent agenda was made by Commissioner Aronson. Motion seconded by Commissioner Morris. All in favor. Motion passed.

VIII. CORRESPONDENCE

NAHRO's Journal of Housing & Community Development

IX. NEW BUSINESS

a. **Gehring Insurance** – Presentation of Employee Health Coverage for 2010/2011

The CEO introduced Klif Gehring of Gehring Insurance, the Authority's Agent for employee Health Benefits. The CEO informed the Board that the DBHA's renewal period is effective 12/1/2010 and a decision regarding health benefits to renew or change carriers was needed. Mr. Gehring had some recommendations regarding employee health benefits and reported that the Authority had received very good results that reflected an enhancement in the schedule of benefits. The enhancement in the schedule of benefits also reflected savings in any of the benefits that could be chosen. Mr. Gehring reported that in addition the DBHA also received proposal regarding Dental and Life that reflected savings with no change in coverage. Mr. Gehring reported that two carriers provided very competitive packages and therefore recommended that the DBHA switch from the current carrier Aetna. The two carriers that proposed the best packages were BlueCross/BlueShield and AvMed.

Benefits Comparison

- BlueCross/BlueShield

This carrier offered two valuable plans BlueOptions 5461 that will save the Authority approximately \$3,690 in the upcoming year and BlueOptions 5462 that was not as strong with the schedule of benefits but provided approximately \$8,506 in savings. Mr. Gehring reported that BlueCross is one of the largest carriers in the state with a provider network of 4,879 physicians in Palm Beach County alone. BlueCross provides its members with access to its own nationwide network physicians (over 700,000 physicians) that employees of the Authority may use at their in network benefits level and requires \$250.00 facility copayment

- AvMed

This carrier offered Plan 5188, this proposed plan offered the most savings to the Authority approximately \$19,127.16 for the upcoming year. However there were some distinct differences when comparing the two organizations and their plans. AvMed required 15% of the contracted charges to be paid up to \$1,500. An Employee could have substantial higher cost in this instance under the AvMed plan. Mr. Gehring reported that AvMed rents a provider network and employees can only utilize this network if they are in the service area and at a reduced schedule of benefits.

After a brief discussion regarding employee health benefits the CEO recommended approval to obtain coverage with BlueCross/BlueShield plan 5461.

A motion to approve BlueOptions 5461 was made by Commissioner Morris. Motion seconded by Commissioner Aronson. All in favor. Motion passed.

Dental/Life Benefits

Mr. Gehring explained that the DBHA has been with Assurant for many years but that due to this company's rate of \$58.00 per employee it was determined that it was in the best interest of the Authority to obtain dental and life coverage quotes. Mr. Gehring reported that a good proposal was received from Dearborn National. This company came in at a rate of \$38.00 while Assurant did lower their rates from \$58.00 to \$55.00 they were not willing to match the \$38.00 per employee rate. By switching to Dearborn National the Authority will save approximately \$3,000 in dental coverage and provide the same level of coverage with the exception of orthopedic service. With the current plan Assurant, the plan only offers these services to children under the age of 19 and the Authority currently had one employee who paid out of pocket for these benefits.

Mr. Gehring also reported that currently the DBHA offers \$25,000 for life insurance to its employees. Dearborn National submitted a plan that matches what the Authority currently has with an estimated savings of \$500.00 for the year. Mr. Gehring recommended that the DBHA switch their Dental/Life coverage to Dearborn National.

The CEO recommended approval for Dearborn National flat \$25,000 for life insurance and Dearborn National's Dental Coverage.

A motion to approve Dearborn National as the Authority's Dental/Life carrier was made by Commissioner Weil. Motion seconded by Commissioner Morris. All in favor. Motion passed.

b. Annual Plan

The Chief Operations Officer noted that the Annual Plan is due to HUD January 15, 2011. It was noted that this meeting represented opening up the 60 day comment period. The Chief Operations Officer reported that the Agency is currently in the process of updating the Plan to include the Agencies goals, accomplishments and projects for the upcoming year. The Plan will include the set aside of additional vouchers to be project based for the elderly component of the redevelopment of Carver Estates, Hope VI, the financing of the redevelopment, the new public housing units, the waiting list management and other related plans for the upcoming year. The CEO noted that the process will be that in December the Agency will have a Public Hearing and take the comments from the meeting and revise the Plan. The DBHA will then present the Plan for the Board to approve at the January Board Meeting.

X. OLD BUSINESS

a. Consideration of approval of a Master Development Agreement (MDA) between Delray Beach Housing Authority and Roundstone Development

The Attorney thanked Richard MacFarland (Roundstone's Attorney) and Michael Hartman for a very constructive and professional discussion regarding the DBHA's comments & concerns. The Attorney reported that he was very pleased to report that all comments with the exception of one had been agreed upon. The Attorney reminded the Board that this agreement will be the most important agreement that they will sign for the next five years and at this time the Attorney opened the table for any questions that the Board could have. The Attorney proceeded to review some of the Sections of the MDA that required negotiations and the solutions that they had agreed upon.

SECTION 2.02 Developer's Obligation to Develop

Right to Terminate; The Authority will have the right to terminate this agreement if the Developer fails to close on the first phase by 12/31/11 (Tax/Bond Transaction) and if it's a 9% Tax Credit the closing must occur by 06/30/12. Therefore if the Developer is not able to obtain the financing to get the projects going under these scenarios and if the DBHA decides not to extend the dates provided by the Developer in the Development Schedule the Authority will have the right to terminate this agreement.

SECTION 2.03 (f) Water Intrusion Prevention & Remediation

The Attorney noted that the Developer will be responsible for this provision until a Certificate of Occupancy has been obtained.

SECTION 2.04 (a) Quarterly Reports

The Attorney noted that the Development Schedule & the Development Budget will be added to this piece, but are not ready at this time. The Attorney asked Mr. Hartman to provide the Board with the Development Schedule and the Development Budget. Mr. Hartman noted that the numbers were still being worked on but that the CEO and the Development Officer receive updates frequently. The Attorney noted that at the end of his presentation he recommends that the Board approve the agreement subject to Roundstone delivering the Development Schedule and the Development Budget and subject to the approval of those two schedules. Therefore this will be a conditional approval. All changes in the budget in excess of \$100,000 will require Authority approval. The Attorney noted that at the last Board Meeting the Board had asked if the DBHA could create a For Profit Corporation. The answer was "yes." The Attorney advised the Board to wait to create one, if necessary Roundstone will give the

DBHA sixty days to create one. The CEO noted that she spoke to Kevin Kenny (DBHA's Auditor) about the tax implication of forming a For Profit Entity, and was advised that there was no issue.

SECTION 5.01 Owner Entity Formations

The Attorney noted that the three Entities that will be created are:

Village Square Elderly, LTD, Village Square Family, LTD, and for the moment the Attorney noted that he was not certain if a third Limited Partner would be needed for the For Sale Phase because the Authority will remain as owner of the land. The Attorney explained that the Owner Entities will have two general partners: the Delray Housing Group at 51% ownership and Roundstone Development at 49% ownership. The Attorney noted that the Developer will be responsible for the day to day decision making of the Owner Entity. The Developer will do so for the entire Risk Period. "The Risk Period will start on the earlier of the date of admissions of an investor or the date Developer or a Developer Affiliate provides further capital contributions on loans to the applicable Owner Entity to recover predevelopment expenses." The Attorney noted that the Risk Period will end on the later of the date that neither Developer nor any Developer Affiliate is bound by the terms of any guarantee in favor of the tax credit limited partner or any lender to the applicable Owner Entity. At the end the Delray Beach Housing Authority will own the Elderly project and the Family project.

SECTION 5.02 Management Agent

The Developer proposed that the initial management agent would be Sunchase American, LTD. The Developer provided some background information and the CEO noted that the one concern with this agent was regarding their limited experience with this type of deal. The CEO also noted that there are companies who have done nothing more than these types of deals such as Wilson Company, however due to the Hope VI deadline Sunchase American was used. This Management Agent will provide training to the Authority.

SECTION 5.03 Ground Leases

The Attorney estimated that these should be ready for the Boards approval at the next Board Meeting.

SECTION 6.03 Homeownership Component

The Attorney noted that language was changed to reflect "at the Authority's discretion."

SECTION 6.05 Pre-Development Costs

The Attorney noted that the Authority will need to provide their estimated predevelopment costs to the Developer. The Developer has provided some estimated pre development costs, the estimated results are as follows.

- 1- \$ 955,100. Elderly Phase
- 2- \$ 1,329. Family Phase
- 3- \$ 111,400. For Sale Phase

The pre development costs shall be line items in the Development Budget. These numbers will allow the Authority to view what the estimated pre development costs will be.

Article VII Selection of Professionals, Contractors & Consultants

The Attorney noted that staff will need to work with the Developer filling in the blanks regarding the Section 3 Participation. It was determined that the Authority will require a goal of 30 percent (the minimum requirement) for this piece.

Article X Insurance

10.1 The Attorney reported that it was agreed that each Owner Entity shall prior to commencing any work and prior to the applicable financial Closing maintain and keep in force insurance, naming the Authority as an additional insured, in the type and for the amounts specified on Exhibit I. The applicable Owner Entity shall furnish the Authority certificates of insurance showing the Authority as an additional insured and stating that a 30 day notice of prior cancellation or change will be provided to the Authority.

11.01 Books and Records

The Developer will make available to the Authority.

Article XV Term; Termination

(g) The Attorney explained that if the project has received funding, the financing Closing has occurred, and such project is proceeding with development, any termination of this agreement shall apply only to any of the projects that have not yet received financing and have been commenced, and no termination shall affect such project(s).

SECTION 6.01 Rental Development Fee

The Developer agreed that both parties will get paid at the same time. The Attorney noted that the Developer will receive 85 percent of the Development Fee and the Authority shall receive 15 percent of the Development Fee. The Board

expressed that this was an item that they felt could be negotiated. Mr. Hartman explained that in the upcoming year Roundstone will spend over 2 million dollars and that until Closing will be at risk. Mr. Hartman also noted that Roundstone will be getting out and not get any of the cash flow that the Authority will receive and therefore was not willing to negotiate regarding this piece. The CEO noted that she was pleased with the negotiations of the MDA and also noted that this was the only piece that Roundstone was not willing to negotiate on and therefore felt it was best to leave things as they are.

Discussion

At this time the Board had a lengthy discussion regarding the Rental Development Fee. In summary all members agreed that though a higher percentage for the Authority would have been appreciated, all members agreed to leave the Rental Development Fee as is 85 percent to the Developer and 15 percent to the Authority.

b. **Resolution 2010-10 Approving the MDA between Roundstone Development, the Delray Housing Group, and the Delray Beach Housing Authority**

The Attorney noted two changes to the draft resolution.

1. The Preamble will read as follows:

A Resolution of the Delray Beach Housing Authority approving the Master Development Agreement between Roundstone Development LLC, The Delray Housing Group, Inc, and the Delray Beach Housing Authority as amended by the parties providing for conditions, providing for Authorization and providing for an effective date.

2. Section 2 Agreement of the draft resolution will read as follows:

That the Agreement attached hereto as Exhibit "A" is hereby approved as amended by the Parties and subject to the Developer providing a Development Schedule pursuant to Section 4.01 and a Development Budget pursuant to Section 4.02 for approval by this Board.

A motion to approve Resolution 2010-10 as amended was made by Commissioner Weil. Motion seconded by Commissioner Morris. All in favor. Motion passed.

XI. COMMENTS

a. President/CEO

None

b. Attorney

The Attorney thanked Roundstone for their professionalism

c. Commissioners

XII. ADJOURNMENT

Meeting Adjourned at 2:45 p.m..