

Condensed Title:

A resolution approving: 1) a subordination of the City's interest in favor of a new mortgage in the amount of a \$2,000,000 being made to Miami Beach Community Development Corporation (MBCDC) by the State of Florida; (SHADP); 2) a subordination of the City's interest in favor of a new mortgage in the amount of \$1,215,000 being made to MBCDC by Miami-Dade County from FY 2007 HOME funds; 3) a subordination of the City's interest in favor of a new mortgage in the amount of \$1,000,000 being made to MBCDC by Miami-Dade County from FY 2006 Surtax Program Funds; 4) further authorizing the City Manager to execute any and all documents to effectuate the aforesaid transactions with regards to the affordable housing rental project known as Villa Maria Apartments, located at 2800 Collins Avenue.

Key Intended Outcome Supported:

Increase access to workforce or affordable housing.

Supporting Data (Surveys, Environmental Scan, etc.):

Based on the 2007 Customer Satisfaction Survey, 75% of residents rank the quality of life within the City of Miami Beach favorably, however, in regards to Construction/Development – Housing, 67% of respondents indicated that the City of Miami Beach should ensure the provision of housing for the elderly/seniors.

Issue:

Shall the City enter into subordination agreements in favor of the State of Florida and Miami-Dade County?

Item Summary/Recommendation:

The 34-unit Villa Maria Apartments, located at 2800 Collins Avenue, and the adjacent vacant lot, located at 221 28th Street, were purchased by MBCDC on March 18, 2005, at a cost of \$2,600,000. The purchase price, interest, closing costs, and predevelopment costs were paid with \$3,200,000 HUD HOME set-aside program funds received from the City, and which had been committed to MBCDC for the development of affordable housing. The properties have 30-year covenants running with the land which require that they remain as affordable housing sites.

The Villa Maria Apartments site is currently under construction and is projected to be completed by September 2009. The adjacent vacant lot, now known as Villa Matti, will be developed into a new 36-unit affordable elderly housing project, with separate funding sources, including a grant obtained by MBCDC from US HUD in the amount of \$4,836,200. The estimated completion date for the Villa Matti Apartments site is May 2010.

In order to rehabilitate the Villa Maria Apartments, a historic, elderly affordable housing rental project, MBCDC applied for private construction financing from International Finance Bank, as well as State and County funding. The additional funding sources require that the City subordinate its position until the debts are paid. Therefore, on July 16, 2008, the City Commission approved: 1) the release of an existing recorded mortgage and security agreement against Lots 1, 2, 6 and 7 of the property, providing for execution and recordation of a new mortgage, note, and security agreement, in the amount of \$3.2 million against Lots 1 and 2 only (the Villa Maria property); and 2) a subordination of the City's \$3.2 million interest/new mortgage in favor of a \$3 million construction loan being made to MBCDC by International Finance Bank (IFB Loan), provided that the approval of the subordination of the IFB Loan is only for the duration of the construction loan.

As anticipated, MBCDC has applied for, and is preparing to close on, the following loans for which the City has been asked to subordinate its position:

- 1) \$2,000,000 from Florida Housing Finance Corporation Special Housing Assistance and Development Program (SHADP);
- 2) \$1,215,000 from Miami-Dade County from FY 2007 HOME funds;
- 3) \$1,000,000 from Miami-Dade County FY 2006 Surtax Program funds.

As the additional financing becomes available, MBCDC has committed to utilizing those funds to pay down draws taken against the IFB construction loan. MBCDC projects that, upon completion of the Villa Maria project, the remaining debt will be \$1,482,992 (\$482,992 - International Finance Bank; \$1 million County Surtax). No interest payments are due over the 30-year life of the Surtax loan. While debt service payments are currently projected over a 30-year affordability period, MBCDC intends to renew the bank loan every five years at the most favorable terms.

The City's recorded covenant ensures that the project will remain affordable housing for thirty years, consistent with our goal of affordable housing retention.

Advisory Board Recommendation:

N/A

Financial Information:

Source of Funds:	Amount		Account
	1	N/A	
OBPI			
	Total		

Financial Impact Summary:

City Clerk's Office Legislative Tracking:

Anna Parekh

Sign-Offs:

Department Director	Assistant City Manager	City Manager
Anna Parekh	Hilda Fernandez <i>for HMF</i>	<i>[Signature]</i>

T:\AGENDA\2008\December 10\Consent\MBCDC Villa Maria Subordination Summary.doc



MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: December 10, 2008

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING THE FOLLOWING ACTIONS WITH REGARD TO THE AFFORDABLE HOUSING RENTAL PROJECT ACQUIRED AND TO BE REHABILITATED BY MIAMI BEACH COMMUNITY DEVELOPMENT CORPORATION (MBCDC), KNOWN AS THE VILLA MARIA, AND LOCATED AT 2800 COLLINS AVENUE: 1) APPROVING A SUBORDINATION OF THE CITY'S INTEREST IN FAVOR OF A NEW MORTGAGE IN THE AMOUNT OF \$2,000,000 BEING MADE TO MBCDC DEVELOPMENT CORPORATION (MBCDC) BY THE FLORIDA HOUSING FINANCE CORPORATION SPECIAL HOUSING ASSISTANCE AND DEVELOPMENT PROGRAM (SHADP); 2) APPROVING A SUBORDINATION OF THE CITY'S INTEREST IN FAVOR OF A NEW MORTGAGE IN THE AMOUNT OF \$1,215,000 BEING MADE TO MBCDC BY MIAMI-DADE COUNTY FROM FY 2007 HOME FUNDS; 3) APPROVING A SUBORDINATION OF THE CITY'S INTEREST IN FAVOR OF A NEW MORTGAGE IN THE AMOUNT OF \$1,000,000 BEING MADE TO MBCDC BY MIAMI-DADE COUNTY FROM FY 2006 SURTAX PROGRAM FUNDS; 4) FURTHER AUTHORIZING THE CITY MANAGER TO EXECUTE ANY AND ALL DOCUMENTS TO EFFECTUATE THE AFORESTATED TRANSACTIONS.**

ADMINISTRATION RECOMMENDATION

Adopt the Resolution.

ANALYSIS

The 34-unit Villa Maria Apartments, located at 2800 Collins Avenue, and the adjacent vacant lot, located at 221 28th Street, Miami Beach, were purchased by the Miami Beach Community Development Corporation (MBCDC) on March 18, 2005, at a cost of \$2,600,000. The purchase price, interest, closing costs and pre-development costs were paid with \$3,200,000 of US Housing and Urban Development (HUD) HOME Program Set-Aside funds received from the City of Miami Beach, and which were committed to MBCDC for the development of affordable housing. The properties have 30-year covenants running with the land which require that they remain as affordable housing sites.

The Villa Maria Apartments site is currently under construction and is projected to be completed by September 2009. The adjacent vacant lot, which now has a separate folio number and is now known as Villa Matti, will be developed into a new 36-unit affordable elderly housing project, with separate funding sources, including an independently obtained US HUD Section 202 grant in the amount of \$4,836,200 to MBCDC. The estimated completion date for the Villa Matti Apartments site is May 2010.

The total projected construction costs for the rehabilitation of Villa Maria Apartments, an elderly affordable housing rental project, is \$5,818,729. MBCDC applied for private construction financing from International Finance Bank, as well as State and County funding, in order to complete the rehabilitation of the Villa Maria project.

The additional funding sources require that the City subordinate its position until the debts are paid. Consequently, on July 16, 2008, the City Commission passed and adopted Resolution 2008-26850 approving: 1) the release of an existing recorded mortgage and security agreement against Lots 1, 2, 6 and 7 of the property, providing for execution and recordation of a new mortgage, note, and security agreement, in the amount of \$3.2 million against Lots 1 and 2 only (the Villa Maria property); and, 2) a subordination of the City's \$3.2 million interest/new mortgage in favor of a \$3 million construction loan being made to MBCDC by International Finance Bank (IFB Loan); provided that the approval of the subordination of the IFB Loan is only for the duration of the construction loan and that MBCDC shall either pay off the IFB Loan or, if any part of the IFB Loan is sought to be converted into a permanent loan against the Villa Maria property, then requiring the City Manager's further consent and further authorizing the City Manager to execute any and all documents to effectuate the aforesaid transactions.

MBCDC has applied for, and is preparing to close on, the following loans for which the City has been asked to subordinate its position:

- 1) \$2,000,000 from Florida Housing Finance Corporation Special Housing Assistance and Development Program (SHADP);
- 2) \$1,215,000 from Miami-Dade County from FY 2007 HOME funds;
- 3) \$1,000,000 from Miami-Dade County FY 2006 Surtax Program funds.

As the additional financing becomes available, MBCDC has committed to utilizing those funds to pay down draws taken against the IFB construction loan. MBCDC projects that, upon completion of the Villa Maria project, the project's remaining debt will be \$1,482,992n (\$482,992 -International Finance Bank; \$1 million - Miami-Dade County Surtax). While debt service payments are currently projected over a 30-year affordability period, MBCDC intends to renew the bank loan every five years at the most favorable terms. There are no interest payments due on the Surtax loan over the 30-year life of the loan.

It should be noted that Miami-Dade County's 2008 Assessed Market Value of the two properties is \$2,250,000, and \$1,719,750, respectively, for the Villa Matti and Villa Maria Apartments sites.

The requested subordination will permit the financing to be secured for the project. The City's recorded covenant ensures that the long-term use of the property remains affordable housing, meeting the City's goal of affordable housing retention.

CONCLUSION

The Administration recommends approval of the subordination of its position to the State and the County in order to facilitate the closing of the State/SHADP loan and the County HOME and Surtax funding loans to MBCDC.

JMG/HMF/AP

T:\AGENDA\2008\December 10\Consent\MBCDC Villa Maria Subordination Memo.doc

RESOLUTION NO. _____

RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING THE FOLLOWING ACTIONS WITH REGARD TO THE AFFORDABLE HOUSING RENTAL PROJECT ACQUIRED AND TO BE REHABILITATED BY MIAMI BEACH COMMUNITY DEVELOPMENT CORPORATION (MBCDC), KNOWN AS THE VILLA MARIA, AND LOCATED AT 2800 COLLINS AVENUE: 1) APPROVING A SUBORDINATION OF THE CITY'S INTEREST IN FAVOR OF A NEW MORTGAGE IN THE AMOUNT OF A \$2,000,000 LOAN BEING MADE TO MBCDC DEVELOPMENT CORPORATION (MBCDC) BY THE FLORIDA HOUSING FINANCE CORPORATION SPECIAL HOUSING ASSISTANCE AND DEVELOPMENT PROGRAM (SHADP); 2) APPROVING A SUBORDINATION OF THE CITY'S INTEREST IN FAVOR OF A NEW MORTGAGE IN THE AMOUNT OF \$1,215,000 BEING MADE TO MBCDC BY MIAMI-DADE COUNTY FROM FY 2007 HOME FUNDS; 3) APPROVING A SUBORDINATION OF THE CITY'S INTEREST IN FAVOR OF A NEW MORTGAGE IN THE AMOUNT OF \$1,000,000 BEING MADE TO MBCDC BY MIAMI-DADE COUNTY FROM FY 2006 SURTAX PROGRAM FUNDS; 4) FURTHER AUTHORIZING THE CITY MANAGER TO EXECUTE ANY AND ALL DOCUMENTS TO EFFECTUATE THE AFORESTATED TRANSACTIONS.

WHEREAS, the 34-unit Villa Maria Apartments, located at 2800 Collins Avenue,, and the adjacent vacant lot, located at 221 28th Street, were purchased by MBCDC on March 18, 2005 at a cost of \$2,600,000; and

WHEREAS, the purchase price, interest, closing costs and pre-development costs were paid with \$3,200,000 of US HUD Home Program Set-Aside funds received from the City of Miami Beach; and

WHEREAS, the properties have 30-year covenants running with the land which require that they remain as affordable housing sites; and

WHEREAS, the Villa Maria Apartments site is currently under construction and is projected to be completed by September 2009;

WHEREAS, the adjacent vacant lot, which now has a separate folio number and is now known as Villa Matti, will be developed into a new 36-unit affordable elderly housing project, with separate funding sources, including an independently obtained US HUD Section 202 grant in the amount of \$4,836,200 to MBCDC; and

WHEREAS, MBCDC applied for private construction financing from International Finance Bank, as well as State and County funding, in order to complete the rehabilitation of the Villa Maria project; and the additional funding sources require that the City subordinate its position until the debts are paid; and

WHEREAS, on July 16, 2008, the City Commission passed and adopted Resolution 2008-26850 approving: 1) the release of an existing recorded mortgage and security agreement against Lots 1, 2, 6 and 7 of the property, providing for execution and recordation of a new mortgage, note, and security agreement, in the amount of \$3.2 million against Lots 1 and 2 only (the Villa Maria property); and, 2) a subordination of the City's \$3.2 million interest/new mortgage in favor of a \$3 million construction loan being made to MBCDC by International Finance Bank (IFB Loan); provided that the approval of the subordination of the IFB Loan is only for the duration of the construction loan and that MBCDC shall either pay off the IFB Loan or, if any part of the IFB Loan is sought to be converted into a permanent loan against the Villa Maria property, then requiring the City Manager's further consent and further authorizing the City Manager to execute any and all documents to effectuate the aforesated transactions; and

WHEREAS, MBCDC has applied for, and is preparing to close on, the following loans for which the City has been asked to subordinate its position: 1) \$2,000,000 from Florida Housing Finance Corporation Special Housing Assistance and Development Program (SHADP); 2) \$1,215,000 from Miami-Dade County from FY 2007 HOME funds; 3) \$1,000,000 from Miami-Dade County FY 2006 Surtax Program funds; and

WHEREAS, as the additional financing becomes available, MBCDC has committed to utilizing those funds to pay down draws taken against the IFB construction loan; and

WHEREAS, the requested subordinations will permit the financing to be secured for the project; and

WHEREAS, the City's recorded covenant ensures that the long-term use of the property remains affordable housing, meeting the City's goal of affordable housing retention.

NOW THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, that the Mayor and City Commission authorize the following actions with regard to the affordable housing rental project acquired and to be rehabilitated by Miami Beach Community Development Corporation (MBCDC), known as The Villa Maria, and located at 2800 Collins Avenue: 1) approving a subordination of the City's interest in favor of a new mortgage in the amount of a \$2,000,000 being made to Miami Beach Community Development Corporation (MBCDC) by the Florida Housing Finance Corporation Special Housing Assistance and Development program (SHADP); 2) approving a subordination of the City's interest in favor of a new mortgage in the amount of \$1,215,000 being made to MBCDC by Miami-Dade County from FY 2007 HOME funds; 3) approving a subordination of the City's interest in favor of a new mortgage in the amount of \$1,000,000 being made to MBCDC by Miami-Dade County

from FY 2006 Surtax Program Funds; 4) further authorizing the City Manager to execute any and all documents to effectuate the aforesated transactions.

PASSED AND ADOPTED this _____ day of _____, 2008.

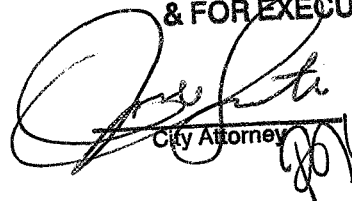
ATTEST:

CITY CLERK

MAYOR

T:\AGENDA\2008\December 10\Consent\MBCDC Villa Maria Subordination Reso.doc

**APPROVED AS TO
FORM & LANGUAGE
& FOR EXECUTION**



City Attorney

12/4/08

Date