COUNTY BONDS FOR AFFORDABLE / WORKFORCE HOUSING – COMPARISON OF GENERAL OBLIGATION BONDS TO BONDS SECURED BY A COVENEANT TO BUDGET AND APPROPRIATE

General Obligation Bonds – Summary

1. Bonds are secured by a pledge of the full faith and credit of the County. This typically means a separate levy of ad valorem taxes sufficient to pay the annual debt service on the bonds.

2. The debt service on general obligation bonds does not count against the County's 10 mill cap, and there is no limit on how much general obligation debt the County can issue.

3. The debt service on all "voter approved ad valorem debt" is a separate line item on the tax bill.

4. Proceeds can only be used to "finance or refinance capital projects." Article VII, Section 12 of Florida Constitution. For example, this might preclude general obligation bond proceeds from being used to provide second mortgages to individuals to purchase housing or "gap" financing to developers because those would not be "capital projects."

5. Referendum is required. Article VII, Section 12 of Florida Constitution.

6. Bonds must be for a "paramount public purpose." – not well defined, but interpreted by case law to generally mean that that the predominant purpose of an expenditure must be to benefit the general public, and any private benefit is merely incidental.

7. Questionable whether general obligation bond proceeds can be granted or loaned to private parties. May depend on an analysis of the relative benefit to the public and the private party, and whether the proposed use meets the "paramount public purpose" test.

Bonds Secured by a Covenant to Budget and Appropriate from Legally Available Non Ad Valorem Revenues ("CBA Bonds") -Summary

1. Bonds are not secured by a particular tax or revenue stream, but by the County's promise to include the money to pay the debt service on the bond in its budget each year, but only from Legally Available Non Ad Valorem Revenues. These are all of County's revenues except for (a) ad valorem taxes, (b) funds necessary to provide essential public services (typically public safety) and (c) revenues that cannot be legally used to pay debt service on the bonds. The County also refers to these as "non self-supporitng revenue bonds" because they are not secured by a specific revenue stream, such a utility system revenues.

2. Major sources of non ad valorem revenues are:

(a) Licenses, permits and other taxes;
(b) Intergovernmental Revenues;
(c) Charges for Services;
(d) Interest earnings and other miscellaneous;
(e) Interfund Transfers;
(f) Fund balances carried forward

For FY 2020, these revenues total approximately $543,525,179.

3. The debt service on CBA Bonds does count against the County's 10 mill cap.

4. Proceeds can generally be used for the same purposes as other County moneys. Use is not limited to capital expenditures, and although there still has to be a public purpose, the use is probably not subject to the paramount public purpose test.

5. A referendum is not required.

6. The County's annual Legally Available Non Ad Valorem Revenues must be at least 2x the maximum annual debt service on County bonds secured by or payable from the County's Legally Available Non Ad Valorem Revenues. Coverage for FY 2018, the last year that I could find the information, was 6.16x.

Current and Future Annual Debt Service.

According to the County's FY 2020, the County's annual debt service is as follows:

General Obligation Debt -	$ 19,083,619
Non Self-Supporting Revenue Debt -	76,167,025
Self-Supporting Revenue Debt-	19,655,214
TOTAL	$114,905,858

The annual debt service on general obligation debt drops to $10,989,500 in FY 2021, levels off for a couple of years, and drops further to $6,956,800 in FY 2024.

The annual debt service on non self-supporting revenue debt drops to $74,343,468 in FY 2021, decrease slightly for a couple of years, and drops further to $66,419,120 in FY 2024.

COUNTY BONDS FOR AFFORDABLE / WORKFORCE HOUSING – POTENTIAL RESTRICTIONS ON THE USE OF TAX-EXEMPT BONDS

Just as there are uses of the proceeds of CBA Bonds that would be permitted that would not be a permitted use of General Obligation Bonds, tax-exempt bonds have restrictions that would not apply to taxable bonds. Some of those restrictions are as follows:

1. No more than either 5% or 10% of the proceeds of tax-exempt bonds (depending on the structure) can be for "private business use," as defined by the IRS.

2. For private or non-profit owned multi-family developments, tenant income may be limited, which may limit use of tax-exempt bond proceeds for "workforce" housing.

3. Tax-exempt bond proceeds either have to be for capital projects, or there are strict limits on their maturity. For this reason loans, which may not be considered capital projects, may be problematic.

Caveat:

Ultimately, the decision as to what uses of bond proceeds is permitted will depend on the opinion of the County's bond counsel. The County may also decide to ask the courts to approve their proposed type of bond issue and use of bond proceeds though a legal proceeding called a bond validation.

Attached to this memo are the following:

1. A list of questions regarding the use of bond proceeds that has been presented to the County's bond counsel for consideration.

2. For illustrative purposes only, a sample sources and uses and debt service schedule for a $100,000,000 taxable CBA bond issue that was prepared last year by PFM, the County's financial advisors. Since we expect to be proposing a bond issue in the range of $200,000,000, the annual debt service would be double what is shown in the schedule. Interest rates today are probably lower than they were at the time the schedule was prepared.

LEGAL QUESTIONS REGARDING THE USE OF PROCEEDS OF COUNTY GENERAL OBLIGATION BONDS AND NON SELF SUPPORTING REVENUE BONDS FOR AFFORDABLE AND WORKFORCE HOUSING

It would be extremely helpful to have the answers to the following questions to assist in a determination of the best way for the County to structure a housing bond issue for affordable and workforce housing. The uses described below all relate to gap financing in one form or another with the goal of leveraging the bond proceeds as much as possible. These questions do not address whether the bonds can or should be issued on a tax-exempt basis.

1. Can general obligation bonds proceeds be used to provide subordinate gap financing in the form of below market interest rate subordinate loans to for profit developers for the production of new multifamily rental housing or substantial rehabilitation of existing multifamily rental housing. Repayments on loans would be recycled into the program.

2. Can general obligation bonds proceeds be used to provide subordinate gap financing in the form of below market interest rate subordinate loans to for profit developers for the production new single family for sale housing or substantial rehabilitation of existing single-family housing. For sale single family housing will include townhomes. This financing would convert into second mortgage financing for the ultimate home purchaser. Repayments on second mortgages would be recycled into the program.

3. Can general obligation bonds proceeds be used to provide subordinate gap financing in the form of below market interest rate subordinate loans to not for profit developers for the production of new multifamily rental housing or substantial rehabilitation of existing multifamily rental housing. Repayments on loans would be recycled into the program.

4. Can general obligation bonds proceeds be used to provide gap funding in the form of grants or forgivable loans to not for profit developers for the production of new multifamily rental housing or substantial rehabilitation of existing multifamily rental housing.

5. Can general obligation bonds proceeds be used to provide subordinate gap financing in the form of below market interest rate subordinate loans to not for profit developers for the production new single family for sale housing or substantial rehabilitation of existing single-family housing. For sale single family housing will include townhomes. This financing would convert into second mortgage financing for the ultimate home purchaser. Repayments on second mortgages would be recycled into the program.

6. Can general obligation bonds proceeds be used to provide subordinate gap financing in the form of grants of forgivable loans to not for profit developers for the production of new single-family housing or substantial rehabilitation of existing single-family housing.

7. Same questions as 1-6 above, but bonds are non self supporting revenue bonds

instead of general obligation bonds.

8. With regard to questions 1-7 above, does it matter whether the income of renters or purchasers is limited to (a) Affordable Housing, (up to 60% of AMI) (b) Workforce Low Housing, (up to 80% of AMI) (c) Workforce Moderate Housing (up to 120% of AMI) or (d) Workforce Middle Housing (up to 140% of AMI).

9. With regard to questions 1-8 above, does it matter if the use of bond proceeds is limited to or preference given to developments that are (a) transit-oriented developments, (b) redevelopment of existing retail and commercial centers along major commercial roads, or (c) rehabilitation of for sale housing in neighborhoods targeted for revitalization (i.e. those with CRAs).

10. With regard to questions 1-9 above, does it matter if a project for which bond proceeds are being requested (a) is a combination of residential and commercial or other non-residential uses, or (b) has a combination of income/price restricted and non income/price restricted units.

Thank you for your consideration.

SOURCES AND USES OF FUNDS

Preliminary Numbers for Illustration Purposes Only
Taxable Revenue Bonds, Series 2020
20 Year Financing

Sources:	
Bond Proceeds:	
Par Amount	100,755,000.00
	100,755,000.00

Uses:		
Project Fund Deposits:		
Project Fund		100,000,000.00
Delivery Date Expenses:		
Cost of Issuance	250,000.00	
Underwriter's Discount	503,775.00	
		753,775.00
Other Uses of Funds:		
Additional Proceeds		1,225.00
		100,755,000.00

BOND SUMMARY STATISTICS

Preliminary Numbers for Illustration Purposes Only
Taxable Revenue Bonds, Series 2020
20 Year Financing

Dated Date	10/01/2020
Delivery Date	10/01/2020
Last Maturity	10/01/2040
Arbitrage Yield	3.149875%
True Interest Cost (TIC)	3.204159%
Net Interest Cost (NIC)	3.215565%
All-In TIC	3.231242%
Average Coupon	3.171879%
Average Life (years)	11.445
Duration of Issue (years)	9.372
Par Amount	100,755,000.00
Bond Proceeds	100,755,000.00
Total Interest	36,577,318.50
Net Interest	37,081,093.50
Total Debt Service	137,332,318.50
Maximum Annual Debt Service	6,869,241.00
Average Annual Debt Service	6,866,615.93
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	5.000000
Total Underwriter's Discount	5.000000
Bid Price	99.500000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	100,755,000.00	100.000	3.172%	11.445	92,243.25
	100,755,000.00			11.445	92,243.25

	TIC	All-In TIC	Arbitrage Yield
Par Value	100,755,000.00	100,755,000.00	100,755,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	(503,775.00)	(503,775.00)	
- Cost of Issuance Expense		(250,000.00)	
- Other Amounts			
Target Value	100,251,225.00	100,001,225.00	100,755,000.00
Target Date	10/01/2020	10/01/2020	10/01/2020
Yield	3.204159%	3.231242%	3.149875%

BOND DEBT SERVICE

Preliminary Numbers for Illustration Purposes Only
Taxable Revenue Bonds, Series 2020
20 Year Financing

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/01/2021			1,496,280.75	1,496,280.75	
10/01/2021	3,875,000	2.330%	1,496,280.75	5,371,280.75	6,867,561.50
04/01/2022			1,451,137.00	1,451,137.00	
10/01/2022	3,965,000	2.340%	1,451,137.00	5,416,137.00	6,867,274.00
04/01/2023			1,404,746.50	1,404,746.50	
10/01/2023	4,055,000	2.350%	1,404,746.50	5,459,746.50	6,864,493.00
04/01/2024			1,357,100.25	1,357,100.25	
10/01/2024	4,155,000	2.400%	1,357,100.25	5,512,100.25	6,869,200.50
04/01/2025			1,307,240.25	1,307,240.25	
10/01/2025	4,250,000	2.450%	1,307,240.25	5,557,240.25	6,864,480.50
04/01/2026			1,255,177.75	1,255,177.75	
10/01/2026	4,355,000	2.500%	1,255,177.75	5,610,177.75	6,865,355.50
04/01/2027			1,200,740.25	1,200,740.25	
10/01/2027	4,465,000	2.580%	1,200,740.25	5,665,740.25	6,866,480.50
04/01/2028			1,143,141.75	1,143,141.75	
10/01/2028	4,580,000	2.760%	1,143,141.75	5,723,141.75	6,866,283.50
04/01/2029			1,079,937.75	1,079,937.75	
10/01/2029	4,705,000	2.810%	1,079,937.75	5,784,937.75	6,864,875.50
04/01/2030			1,013,832.50	1,013,832.50	
10/01/2030	4,840,000	2.860%	1,013,832.50	5,853,832.50	6,867,665.00
04/01/2031			944,620.50	944,620.50	
10/01/2031	4,980,000	2.960%	944,620.50	5,924,620.50	6,869,241.00
04/01/2032			870,916.50	870,916.50	
10/01/2032	5,125,000	3.060%	870,916.50	5,995,916.50	6,866,833.00
04/01/2033			792,504.00	792,504.00	
10/01/2033	5,280,000	3.160%	792,504.00	6,072,504.00	6,865,008.00
04/01/2034			709,080.00	709,080.00	
10/01/2034	5,450,000	3.210%	709,080.00	6,159,080.00	6,868,160.00
04/01/2035			621,607.50	621,607.50	
10/01/2035	5,625,000	3.260%	621,607.50	6,246,607.50	6,868,215.00
04/01/2036			529,920.00	529,920.00	
10/01/2036	5,805,000	3.310%	529,920.00	6,334,920.00	6,864,840.00
04/01/2037			433,847.25	433,847.25	
10/01/2037	6,000,000	3.360%	433,847.25	6,433,847.25	6,867,694.50
04/01/2038			333,047.25	333,047.25	
10/01/2038	6,200,000	3.410%	333,047.25	6,533,047.25	6,866,094.50
04/01/2039			227,337.25	227,337.25	
10/01/2039	6,410,000	3.460%	227,337.25	6,637,337.25	6,864,674.50
04/01/2040			116,444.25	116,444.25	
10/01/2040	6,635,000	3.510%	116,444.25	6,751,444.25	6,867,888.50
	100,755,000		36,577,318.50	137,332,318.50	137,332,318.50