JACKSONVILLE HOUSING FINANCE AUTHORITY

Jacksonville
Where Florida Begins.

TO: Gregory Pease, Chairman
Professional Services Evaluation Committee

FROM: Laura Stagner-Crites, Director - Finance
Jacksonville Housing Finance Authority

DATE: January 24, 2020

SUBJECT: Contract & Fee Negotiation - P-39-18 Bond Underwriter

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The Jacksonville Housing Finance Authority RFP Review Subcommittee has completed its fee and contract negotiations with RBC Capital Markets, which is the number one (1) ranked respondent to the above referenced RFP.

Accordingly, it is recommended that the Jacksonville Housing Finance Authority enter into a contract with RBC Capital Markets, incorporating the attached RFP identified as "Exhibit "A" and incorporating the attached fee schedule identified as "Exhibit "B". Because these fees are paid out of the proceeds of the underlying issues, this contract will not be encumbered within the City's accounting system.

Services shall be provided for a period of time commencing on the date of contract execution and ending September 30, 2023, with an option for two (2) additional one-year extension periods. All terms and conditions of the contract shall be in accordance with the RFP and in the standard contractual language as is customary to the Jacksonville Housing Finance Authority.

Your favorable consideration to this request is appreciated. Thank you.

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Form 1 – Price Sheet

NAME OF CONSULTANT RBC Capital Markets

Proposal Number P-39-18

SCHEDULE OF PROPOSED PRICES/RATES

The JHFA desires the fee and cost proposal of respondents to include two (2) separate and distinct elements as follows:

A) a Per Bond Rate for fee, exclusive of travel or other reimbursable costs, expressed as X amount per $1,000 principal amount of bonds to be issued for (i) single family bond issues, (ii) single or multi-family projects of the JHFA using available funds and (iii) multi-family bond issues for private developers on a conduit financing basis; and (B) Hourly Rate(s) for a hypothetical $20,000,000 single-family mortgage revenue bond issue of the JHFA including sub-contracting costs (if any) and travel and reimbursable expenses as required.

A. Per Bond Rate (i) $7.65/1,000 (ii) see (i) or (iii) (iii) $5.00/1,000
see attached for detailed breakdown

This rate or these rates shall be applicable to all of the various bond issues, or any other similar financing programs of the JHFA. The rate(s) shall be expressed as X amount per $1,000 principal amount of bonds issued. The rate(s) shall be applicable to (i) single-family bond issues, (ii) single or multi-family projects of the JHFA using its available funds, and (iii) multi-family bond issues of private developers with the JHFA serving as a conduit financing vehicle. The rate(s) shall be paid only if bonds are issued or upon closing if the financing is of a non-bond nature using available funds. Travel and reimbursable shall be as follows:

1. If it is deemed to be financially inadvisable to sell a proposed bond issue or proceed with any other financing program at any time during the term of the contract, or such bonds are not sold or financing program consummated because of market conditions or otherwise, the Underwriter will be paid by the JHFA for "Out of Pocket" expenses upon proper invoice rendered, such as authorized travel, transportation, telephone costs and related costs necessarily incurred as underwriter. Such costs will be paid as a cost of issuance.

2. If the bonds are sold or other financing program consummated the following expenses will be paid to the Underwriter of reimbursed from the proceeds of the bond issue or other legally available funds of the JHFA.

   (a) The Underwriter will be paid by the JHFA for "Out of Pocket" expenses as set forth in Paragraph 1 above.

   (b) The JHFA or its Financial Advisor will pay the cost of printing the bonds and the official statements. Actual costs of printing other documents or advertisements of notice of sale will be borne by the JHFA directly.

   (c) Incidental costs incurred in executing and delivering the bonds shall be borne directly by the JHFA.

(d) Actual charges of security rating agencies shall be borne by JHFA directly.

(e) Incidental costs of any informational meetings authorized by the JHFA and held elsewhere than in the City of Jacksonville shall be paid by the Underwriter. Such costs shall not include travel or transportation costs of representatives of the JHFA traveling to such meetings, or any allowance for time of attendance of representatives of the Underwriter at such meetings.

(f) Any costs of the Underwriter incurred which are not specifically provided for herein to be at the expense of the JHFA, shall be paid by the Underwriter.

(g) Fee of Underwriter.

B. Hourly Rate(s)

Using a hypothetical $20,000,000 single family mortgage revenue bond issue, set forth your present applicable hourly rates and state your proposed fee and expense estimate, each of which shall show a maximum not to exceed estimated amount and then a sum total not to exceed estimated amount for both fee and expenses.

Your proposed fee shall be based upon an hourly rate or hourly rates. Set forth all hourly rates that you may charge during the term of the contract. For example, you may want to set forth hourly rates for partners, associates, assistants, etc. Also, you may want to set forth hourly rates which differ based upon specific underwriting services, conference time, travel time, documents review, etc.

Your proposed expenses should cover estimates for travel (breakdown for number of trips, destination, airfare, meals, lodging, etc.), reproduction, postage, long distance telephone, air expense charges, and other "out of pocket" reimbursable expenses, including any surcharge or billing charge associated therewith.

Fee and expense methods of calculation, rates or estimated total maximum amounts shall not be binding upon the Underwriter or the JHFA. Any and all of the foregoing shall be subject to negotiation and mutual agreement. The JHFA specifically reserves the right to negotiate, accept or reject any proposed fee or expense which is not reasonable, necessary and acceptable to the JHFA for the proposed financing.

Estimated percentage of total fee to be performed by sub-contractors 0 %

Fees to be charged for Single Family and Multifamily Bond Issues: Appearing below are fee schedules for multifamily and single family bond transactions. It should be noted that our pricing is based on a level of year-round services provided to the JHFA including review of older issues, responses to requests for efforts on non-bond transactions, working with developers whose transactions might not come to fruition, etc. RBC is willing to work with the JHFA to meet both time and budget requirements associated with the Authority's transactions and believe that the Firm has demonstrated this ability based on past performance.

Fees for Single Family Transactions	
Management Fee	$1.40/1,000 Subject to a $25,000 minimum
Average Takedown	Estimated at $5.50/1,000, but will vary based on structure and market conditions
Computer	$.75/1,000 for the first $20,000,000 (with minimum of $15,000) – charged when rating agency cash flow projections are required
	$.50/1,000 for each additional $1,000,000
Expenses	The Underwriter also charges for all out-of-pocket expenses, including but not limited to travel (approximately $250 per day trip), communications, duplication, CUSIPs, clearance, and underwriter's counsel.

Fees for Multifamily Conduit Transactions (AAA /AA+)	
Management Fee	$25,000
Average Takedown	$6.25/1,000 (assuming 30-40 year Fixed Rate term but will vary based on structure and market conditions) $5.00/1,000 (assuming 15-18 year Fannie Mae M.TEB) $3.75/1,000 (assuming short-term treasury backed structure)
	$2.50/1,000 (Variable Rate)
Computer/ Structure	$1.00/bond (if Rating Agency Cash Flows are required) Subject to a $10,000 minimum
Expenses	The Underwriter also charges for all out-of-pocket expenses, including but not limited to travel, communications, duplication, CUSIPs, clearance, and underwriter's counsel.

RBC Capital Markets is willing to adjust our fees based on the scope of the actual transaction.

Section B – Hourly Rates

It should be noted that hourly fees are not a customary form of compensation for bond underwriting services, however we have provided a quote on this basis as requested in the RFP. In Single Family transactions, the largest fee component is the Takedown which is a sales commission paid for the sale of the bonds. The Management Fee and Computer Fee could potentially be measured based on an hourly rate structure. Hourly Rates are set forth below:

As stated earlier, RBC Capital Markets attends monthly meetings, meets with staff/ JHFA professionals, and performs a variety of tasks and reviews as required. Fees have only been charged when a

transaction closes. For purposes of this scenario, it is presumed that 50% of meetings will be charged to Single Family and 50% to Multi-family transactions.

Estimated Hourly Time for $20,000,000 Single Family Issues	
Managing Director / Lead Banker	60 hours @ $350.00 = $21,000
Quantitative Banker	60 hours @ $350.00 = $21,000
Support	40 hours @ $150.00 = $6,000
Computer Software Lease	$5,000 (This fee is included on the fixed price transaction)

Total Management/Structure Cost Based on Hourly Structure	$48,000.00
Takedown	$110,000.00
Underwriter's Counsel	$27,500.00
Conference Calls	$1,500.00
Postage / Overnight Deliveries / Copying	$200.00
Travel (5 meetings and closing)	$2,500.00
Wires / Dalcomp / CUSIP, etc.	$2,000.00
TOTAL SPREAD	$191,700.00

1) All expenses are estimated and will be charged based on actual cost.

2) Typical travel includes the following estimations; roundtrip airfare or mileage at $250.00, car rental (if needed) at $60.00/day, hotel for one night while attending closing at $200.00, and incidentals such as parking and meals.