THE HENDRICKSON COMPANY

MEMORANDUM

To: Jacksonville Housing Finance Authority Board of Directors

From: Mark Hendrickson, Financial Advisor

Subject: Analysis of Georgian Estates, Pine Grove & The Waves Bond Applications

Date: September 13, 2017

Attached is an analysis of the Georgian Estates, Pine Grove, and The Waves bond applications. Several items used in the analysis were requested after receipt of the application, and this is part of the normal review process. All additional materials were forwarded to Laura Stagner to be made part of the permanent public record.

I. Summary of Findings

A. Summary of key criteria:

Question	Georgian Estates	Pine Grove	The Waves
Are the developments economically feasible as submitted?	Yes	Yes	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Yes	Yes	Yes
Is the experience of the development team adequate?	Yes	Yes	Yes
If feasible, is it ready to proceed to closing in 2018?	3rd Quarter 2018	3rd Quarter 2018	2nd Quarter 2018
Is the product being proposed adequate in terms of design and amenities?	Yes	Yes	Yes
Is the product being proposed adequate in terms of ongoing resident services?	Yes	Yes	Yes
Are the income targeting and length of set-aside adequate?	Yes	Yes	Yes
Any special impact on redevelopment?	Yes, located in Qualified Census Tract	Yes, located in Qualified Census Tract	Yes, replacing old public housing & in QCT
Did the responses within the application contain adequate responses to important questions, relating to financing and other key issues?	Yes	Yes	Yes
Recommend Inducement?	Yes	Yes	Yes

B. Summary of the Proposed Developments

Name	**Georgian Estates**	**Pine Grove**	**The Waves**
*Owner Entity**	SP Estates Apartments LLC	Powers Avenue Apartments LTD	The Waves of Jacksonville Ltd.
Developer/Location	Southport Development Tampa, FL	Richman Group of Florida West Palm Beach, FL	Jacksonville Housing Authority & Vestcor Jacksonville, FL
Type	New Construction Garden	New Construction Garden	New Construction Garden
Street Address	5678 George Court Arlington	Powers Avenue, north of intersection of Powers & Toledo Road	Nine scattered JHA public housing sites in Jacksonville Beach
City Council District	Joyce Morgan	Lori Boyer	Bill Gulliford
Units	72	168	127
Bedrooms	168	360	310
Square Feet	70,000		
# of Buildings	4		16
# of Stories	2	3	
Bond Request	$7,200,000 $100,000/unit	$15,200,000 $90,476/unit	$17,750,000 $139,764/unit
Total Cost	$14,245,996	$29,608,188	$23,377,628
Cost Per Unit	$197,861	$176,239	$184,076
Land Cost	$550,000 $7,639/unit	$2,500,000 $14,881/unit	$0 $1 per year lease
Acquisition of Building Cost	NA	NA	NA
Hard Construction Cost	$8,050,000 $115.00/Sq. Ft. $111,806/unit	$18,159,052 $108,090/unit	$15,068,550 $118,650/unit
General Contractor	Vaughn Bay Construction		TBD
Credit Enhancement	***Private Placement to R4***		
Set-Aside Period	50 years	50 years	50 years
Set-Aside Levels	90%<60% AMI 10%<33% AMI	90%<60% AMI 10%<33% AMI	90%<60% AMI 10%<33% AMI

C. Summary of Findings and Recommendations for Georgian Estates, Pine Grove & The Waves

1. The developments appear economically feasible with SAIL funds.

2. The development's amenities and resident programs meet or exceed minimum JHFA requirements.

3. The costs and fees associated with the devlopments appear to be reasonable.

4. The energy efficiency items meet JHFA standards.

5. Each site is controlled by the Applicant, has proper zoning, and has evidence of availability of water, sewer, roads and electricity. The transactions could close in the second and third quarter of 2018.

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6. All developers and development teams have extensive experience in affordable housing. All have successfully closed bond deals with JHFA.

7. The credit underwriter will order and evaluate an independent market analysis.

8. **Recommendations:**
   - Permit Georgian Estates, Pine Grove, and The Waves to proceed through the JHFA financing process.
   - Adopt Inducement Resolutions prepared by bond counsel, which includes Preliminary Agreements.
   - All items subject to review and approval of credit underwriter and counsel, including but not limited to preconstruction analysis, appraisal, market study, loan terms and amount, guaranties, credit enhancement, loan and bond documents.
   - All items subject to conditions in this memorandum and each development's individual memorandum.

II. Georgian Estates Analysis:

Georgian Estates is a proposed 72-unit new construction garden apartment development in the Arlington area. The development is located in a Qualified Census Tract (low income area).

A. Financing & Cost Analysis:

1. The financing structure uses publicly marketed tax exempt bonds—providing access to 4% Housing Credits.

2. The Applicant provided a letter of interest for the bond credit enhancement (FHA 221(d)(4) insurance from JLL Capital Markets . The commitment is for both the construction and period loan periods. The loan (bonds) would have a 40 year term, 40 year amortization, and an interest rate of 3.75% plus 0.25% MIP (current estimate). $7.2 million would be issued for construction financing, with $3.4 million to remain outstanding for the permanent loan period.

3. The Applicant provided a Letter of Interest for Housing Credit syndication from Regions Bank. The price is $0.90 per $1 of credits.

4. The Applicant is applying for SAIL, and the deal would likely not work as currently structured without SAIL, or an equivalent source of gap financing. The Applicant states that they would attempt to build the development without SAIL, seeking other subsidies, using market rate units, or some combination of the two.

5. The developer proposes to defer $1.5 million of the $2.0 million developer fee (75%).

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6. **Financing & Cost Issues**:

- The financing commitments are adequate for this stage of the process.

B. Sources:

Permanent Loan Period

Source	$	Per Unit	% of Development Cost
Tax Exempt Bonds	$3,400,000	$ 47,222	24%
Housing Credits	$4,859,514	$ 67,493	34%
SAIL & ELI	$5,125,000	$ 71,181	36%
JHFA Loan	$ 115,000	$ 1,597	1%
Deferred Developer Fee	$1,500,000	$ 10,368	5%
TOTAL	$14,245,996	$197,861	100%

C. Development Information, Including Design and Amenities

Unit Mix Phase I		
Bedroom/Baths	**Number**	**Square Footage**
1/1	6	750
2/1.5	36	900
3/2	30	1,100

1 Georgian Estates is a proposed 72 unit new construction family development, in four garden apartment buildings, plus a community building, a laundry building, and a maintenance building.

2 In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:

- Air conditioning
- Dishwasher
- Garbage Disposal
- Cable TV hook-up
- At least two full bathrooms in all 3 bedroom and larger units
- At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all 2 bedroom units
- Minimum square footage of 600 square feet (one bedroom), 850 square feet (2 bedroom), and 1,050 square feet (3 bedroom)
- Full sized appliances in all units

- Bathtub in at least one bathroom
- Exterior lighting for all buildings and parking areas
- Window Treatment: blinds

4. Unit amenities (in addition to those required) include:
   - Microwave
   - Steel entry door frames
   - Double compartment kitchen sink
   - Laundry hook-ups and space for washer/dryer inside each unit

5. Development amenities include:
   - 30-year expected life roofing
   - Gated community with carded entry
   - Termite prevention/detection system
   - Exterior lighting
   - Exercise room with appropriate equipment
   - Community Center or clubhouse
   - Playground/tot lot
   - Car care area
   - Childcare facility located within three miles of property
   - Public transportation located within one-half mile of property
   - Library /study room with minimum of 100 books and 5 magazine subscriptions
   - Outside Recreation area for older children: Shuffleboard/activity court

6. Mandatory Energy Conservation features:
   - Energy Star qualified refrigerator;
   - Energy Star qualified dishwasher;
   - Energy Star qualified washing machine, if provided by applicant;
   - Minimum SEER of 14 for unit air conditioners (excluding buildings with a central chiller system);
   - Caulk, weather strips, seal hole, cracks, etc. for rehabilitation developments
   - Sealed and insulated heating and cooling system ducts for rehabilitation developments (waiver requested)
   - Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
   - Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
     - Toilets: 1.6 gallons/flush or less
     - Faucets: 1.5 gallons/minute or less
     - Showerheads: 2.2 gallons/minute or less.
   - Programmable thermostat in each unit

7. Other energy conservation features:

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- Energy Star ceiling fan in all bedrooms and living areas
- Energy Star exhaust fans in bathrooms
- Energy Star rating for all windows
- Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
- FL Yards and Neighborhoods certification on all landscaping

8. **Design, Amenity & Energy Efficiency Issues: None**
   - The development has physical features that are consistent with the needs of family housing.

D. Public Purpose/ Resident Services

1. The set-aside period is for 50 years.

2. The income set-aside is 100% at 60% of area median income.

3. The resident services/programs include (no optional services/programs selected):
   - Participation in Crime Free Multi-Housing Program sponsored by the Jacksonville Sheriff's Office (M)
   - Health Care Screening (M)
   - Resident Activities (M)
   - On Site Voter Registration (M)
   - Homeownership Opportunity Program (M)
   - First-time homebuyer seminars (M)
   - Literacy training (O)
   - Job Training (O)

4. Public Purpose Issues: None
   - The Applicant is providing services and programs for residents that exceed JHFA standards—and has agreed to provide one optional programs.

E. Ability to Proceed

1. Site control is established by a contract for purchase and sale.

2. The site is zoned RMD-C & RMD-D, Residential Medium Density, for which the development is an allowable use.

3. As an existing facility, electricity, water, sewer and roads are available.

4. All other information was submitted as required, and no information submitted indicated there would be issues at this stage that would prevent the project from moving forward.

5. The applicant's schedule calls for a bond closing in October 2018. This is reasonbable.

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6. **Ability to Proceed Issues: None.**

F. Experience of Development Team:
The developer and the members of the team that were identified have extensive experience with affordable housing, bond transactions, and housing credits. This team has closed two bond issues with JHFA in the past year. The credit underwriter will review all team members.

Experience of Development Team Issues: None.

G. Other requirements: Expense and Indemnity Agreement

- The required Expense and Indemnity Agreement was executed.

H. Site Location and Market

1. This development is located at 5678 George Court, in the Arlington area (one block south of Fort Caroline Road, two blocks west of Cesery Boulevard.

2. An independent market study will be evaluated by the credit underwriter.

3. **Site Location and Market Issues: None.**

III. Pine Grove Analysis:

Pine Grove is a proposed 168-unit new construction garden apartment development in ***the Arlington*** area. The development is located in a Qualified Census Tract (low income area).

A. Financing & Cost Analysis:

1. The financing structure uses publicly marketed tax exempt bonds—providing access to 4% Housing Credits.
2. The Applicant provided a letter of interest for the bond credit enhancement (FHA 221(d)(4) insurance from JLL Capital Markets . The commitment is for both the construction and period loan periods. The loan (bonds) would have a 40 year term, 40 year amortization, and an interest rate of 3.75% plus 0.25% MIP (current estimate). $7.2 million would be issued for construction financing, with $3.4 million to remain outstanding for the permanent loan period.
3. The Applicant provided a Letter of Interest for Housing Credit syndication from Regions Bank. The price is $0.90 per $1 of credits.

4. The Applicant is applying for SAIL, and the deal would likely not work as currently structured without SAIL, or an equivalent source of gap financing. The Applicant states that they would attempt to build the development without SAIL, seeking other subsidies, using market rate units, or some combination of the two.

5. The developer proposes to defer $3,021,905 of the $4,135,147 developer fee (73%).

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6. **Financing & Cost Issues**:

- The financing commitments are adequate for this stage of the process.

C. Sources:

Permanent Loan Period

Source	$	Per Unit	% of Development Cost
Tax Exempt Bonds	$ 8,080,000	$ 48,095	27%
Housing Credits	$10,141,383	$ 60,365	34%
SAIL & ELI	$ 8,249,900	$ 49,107	28%
JHFA Loan	$ 115,000	$ 684	1%
Deferred Developer Fee	$ 3,021,905	$ 17,988	10%
TOTAL	$29,608,188	$176,239	100%

C. Development Information, Including Design and Amenities

Unit Mix Phase I		
Bedroom/Baths	**Number**	**Square Footage**
1/1	24	750
2/2	96	900
3/2	48	1,100

1. Georgian Estates is a proposed 72 unit new construction family development, in four garden apartment buildings, plus a community building, a laundry building, and a maintenance building.

2. In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
   - Air conditioning
   - Dishwasher
   - Garbage Disposal
   - Cable TV hook-up
   - At least two full bathrooms in all 3 bedroom and larger units
   - At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all 2 bedroom units
   - Minimum square footage of 600 square feet (one bedroom), 850 square feet (2 bedroom), and 1,050 square feet (3 bedroom)

- Full sized appliances in all units
- Bathtub in at least one bathroom
- Exterior lighting for all buildings and parking areas
- Window Treatment: blinds

3. Unit amenities (in addition to those required) include:
   - Microwave
   - Steel entry door frames
   - Double compartment kitchen sink
   - Laundry hook-ups and space for washer/dryer inside each unit

4. Development amenities include:

   - 30-year expected life roofing
   - Gated community with carded entry
   - Termite prevention/detection system
   - Exterior lighting
   - Exercise room with appropriate equipment
   - Community Center or clubhouse
   - Playground/tot lot
   - Car care area
   - Childcare facility located within three miles of property
   - Public transportation located within one-half mile of property
   - Library /study room with minimum of 100 books and 5 magazine subscriptions
   - Outside Recreation area for older children: Shuffleboard/activity court

5. Mandatory Energy Conservation features:
   - Energy Star qualified refrigerator;
   - Energy Star qualified dishwasher;
   - Energy Star qualified washing machine, if provided by applicant;
   - Minimum SEER of 14 for unit air conditioners (excluding buildings with a central chiller system);
   - Caulk, weather strips, seal hole, cracks, etc. for rehabilitation developments
   - Sealed and insulated heating and cooling system ducts for rehabilitation developments (waiver requested)
   - Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
   - Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
     - Toilets: 1.6 gallons/flush or less
     - Faucets: 1.5 gallons/minute or less
     - Showerheads: 2.2 gallons/minute or less.
   - Programmable thermostat in each unit

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6. Other energy conservation features:
   - Energy Star ceiling fan in all bedrooms and living areas
   - Energy Star exhaust fans in bathrooms
   - Energy Star rating for all windows
   - Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
   - FL Yards and Neighborhoods certification on all landscaping

7. Design, Amenity & Energy Efficiency Issues: None

- The development has physical features that are consistent with the needs of family housing.

D. Public Purpose/ Resident Services

1. The set-aside period is for 50 years.

2. The income set-aside is 100% at 60% of area median income.

3. The resident services/programs include (no optional services/programs selected):
   - Participation in Crime Free Multi-Housing Program sponsored by the Jacksonville Sheriff's Office (M)
   - Health Care Screening (M)
   - Resident Activities (M)
   - On Site Voter Registration (M)
   - Homeownership Opportunity Program (M)
   - First-time homebuyer seminars (M)
   - Literacy training (O)
   - Job Training (O)

4. Public Purpose Issues: None

- The Applicant is providing services and programs for residents that exceed JHFA standards—and has agreed to provide one optional programs.

E. Ability to Proceed

1. Site control is established by a contract for purchase and sale.

2. The site is zoned RMD-C & RMD-D, Residential Medium Density, for which the development is an allowable use.

3. As an existing facility, electricity, water, sewer and roads are available.

4. All other information was submitted as required, and no information submitted indicated there would be issues at this stage that would prevent the project from moving forward.

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5. The applicant's schedule calls for a bond closing in October 2018. This is reasonbable.

6. **Ability to Proceed Issues: None.**

F. Experience of Development Team:
The developer and the members of the team that were identified have extensive experience with affordable housing, bond transactions, and housing credits. The team has closed one bond issue with JHFA. The credit underwriter will review all team members.

Experience of Development Team Issues: None.

G. Other requirements: Expense and Indemnity Agreement

- The required Expense and Indemnity Agreement was executed.

H. Site Location and Market

1. This development is located at 5678 George Court, in the Arlington area (one block south of Fort Caroline Road, two blocks west of Cesery Boulevard.

2. An independent market study will be evaluated by the credit underwriter.

3. **Site Location and Market Issues: None.**

IV. The Waves Analysis:

The Waves is a proposed 127-unit scattered-site new construction garden apartment development in Jacksonville Beach. The units will replace old Jacksonville Housing Authority public housing units. The development is located in a Qualified Census Tract (low income area).

A. Financing & Cost Analysis:

1. The financing structure uses publicly marketed tax exempt bonds—providing access to 4% Housing Credits.

2. The Applicant provided a letter of interest for the bond credit enhancement (FHA 221(d)(4) insurance from JLL Capital Markets . The commitment is for both the construction and period loan periods. The loan (bonds) would have a 40 year term, 40 year amortization, and an interest rate of 3.75% plus 0.25% MIP (current estimate). $7.2 million would be issued for construction financing, with $3.4 million to remain outstanding for the permanent loan period.

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3. The Applicant provided a Letter of Interest for Housing Credit syndication from Regions Bank. The price is $0.90 per $1 of credits.

4. The Applicant is applying for SAIL, and the deal would likely not work as currently structured without SAIL, or an equivalent source of gap financing. The Applicant states that they would attempt to build the development without SAIL, seeking other subsidies, using market rate units, or some combination of the two.

5. The developer proposes to defer $1,580,278 of the $3,566,078 developer fee (44%).

6. **Financing & Cost Issues**:

- The financing commitments are adequate for this stage of the process.

D. Sources:

Permanent Loan Period

Source	$	Per Unit	% of Development Cost
Tax Exempt Bonds	$ 6,600,000	$ 51,969	28%
Housing Credits	$ 7,799,899	$ 61,416	33%
SAIL & ELI	$ 7,600,000	$ 59,843	32%
JHFA Loan	$ 115,000	$ 906	<1%
Deferred Developer Fee	$ 1,580,278	$ 12,443	7%
TOTAL	$23,695,177	$186,576	100%

C. Development Information, Including Design and Amenities

Unit Mix Phase I		
Bedroom/Baths	**Number**	**Square Footage**
1/1	14	750
2/2	56	900
3/2	44	1,100
4/2	13	1,100

1. Georgian Estates is a proposed 72 unit new construction family development, in four garden apartment buildings, plus a community building, a laundry building, and a maintenance building.

2. In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
   - Air conditioning
   - Dishwasher
   - Garbage Disposal
   - Cable TV hook-up
   - At least two full bathrooms in all 3 bedroom and larger units
   - At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all 2 bedroom units
   - Minimum square footage of 600 square feet (one bedroom), 850 square feet (2 bedroom), and 1,050 square feet (3 bedroom)
   - Full sized appliances in all units
   - Bathtub in at least one bathroom
   - Exterior lighting for all buildings and parking areas
   - Window Treatment: blinds

3. Unit amenities (in addition to those required) include:
   - Microwave
   - Steel entry door frames
   - Double compartment kitchen sink
   - Laundry hook-ups and space for washer/dryer inside each unit

4. Development amenities include:
   - 30-year expected life roofing
   - Gated community with carded entry
   - Termite prevention/detection system
   - Exterior lighting
   - Exercise room with appropriate equipment
   - Community Center or clubhouse
   - Playground/tot lot
   - Car care area
   - Childcare facility located within three miles of property
   - Public transportation located within one-half mile of property
   - Library /study room with minimum of 100 books and 5 magazine subscriptions
   - Outside Recreation area for older children: Shuffleboard/activity court

5. Mandatory Energy Conservation features:
   - Energy Star qualified refrigerator;
   - Energy Star qualified dishwasher;
   - Energy Star qualified washing machine, if provided by applicant;
   - Minimum SEER of 14 for unit air conditioners (excluding buildings with a central chiller system);
   - Caulk, weather strips, seal hole, cracks, etc. for rehabilitation developments
   - Sealed and insulated heating and cooling system ducts for rehabilitation developments (waiver requested)

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- Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
- Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
  - Toilets: 1.6 gallons/flush or less
  - Faucets: 1.5 gallons/minute or less
  - Showerheads: 2.2 gallons/minute or less.
- Programmable thermostat in each unit

6. Other energy conservation features:
   - Energy Star ceiling fan in all bedrooms and living areas
   - Energy Star exhaust fans in bathrooms
   - Energy Star rating for all windows
   - Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
   - FL Yards and Neighborhoods certification on all landscaping

7. Design, Amenity & Energy Efficiency Issues: None

- The development has physical features that are consistent with the needs of family housing.

D. Public Purpose/ Resident Services

1. The set-aside period is for 50 years.

2. The income set-aside is 100% at 60% of area median income.

3. The resident services/programs include (no optional services/programs selected):
   - Participation in Crime Free Multi-Housing Program sponsored by the Jacksonville Sheriff's Office (M)
   - Health Care Screening (M)
   - Resident Activities (M)
   - On Site Voter Registration (M)
   - Homeownership Opportunity Program (M)
   - First-time homebuyer seminars (M)
   - Literacy training (O)
   - Job Training (O)

4. Public Purpose Issues: None

- The Applicant is providing services and programs for residents that exceed JHFA standards—and has agreed to provide one optional programs.

E. Ability to Proceed

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1. Site control is established by a contract for purchase and sale.

2. The site is zoned RMD-C & RMD-D, Residential Medium Density, for which the development is an allowable use.

3. As an existing facility, electricity, water, sewer and roads are available.

4. All other information was submitted as required, and no information submitted indicated there would be issues at this stage that would prevent the project from moving forward.

5. The applicant's schedule calls for a bond closing in October 2018. This is reasonbable.

6. **Ability to Proceed Issues: None.**

F. Experience of Development Team:
The developer and the members of the team that were identified have extensive experience with affordable housing, bond transactions, and housing credits. The team has multiple bond and local government loans with JHFA. The credit underwriter will review all team members.

Experience of Development Team Issues: None.

G. Other requirements: Expense and Indemnity Agreement

- The required Expense and Indemnity Agreement was executed.

H. Site Location and Market

1. This development is located at 5678 George Court, in the Arlington area (one block south of Fort Caroline Road, two blocks west of Cesery Boulevard.

2. An independent market study will be evaluated by the credit underwriter.

3. **Site Location and Market Issues: None.**

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