THE HENDRICKSON COMPANY

To: Board of Directors, Jacksonville Housing Finance Authority

From: Mark Hendrickson, Financial Advisor

Subject: September 19, 2017 JHFA Meeting

Date: September 9, 2017

I. 2017 Bond Allocation—Action

1. The 2017 allocation is $45,010,604, an increase of $917,642 (2.1%) over 2016:

Year	Single Family Amount	Multifamily Amount	Unallocated	Expiration
2017	$ 45,010,604		$4,989,396 *1	November 28, 2017
2016		$119,900,000		December 30, 2019
2015	$ 80,250,000			December 31, 2018
TOTAL	**$125,260,604**	**$119,900,000**	**$4,989,396**	

*1 Pending request to DBF. If received, no validation will be required.

2. To reserve 2018 bond allocation, a single family TEFRA hearing is required. This would also allow JHFA to apply for bond allocation in November if available from the State Pool. Bond counsel has prepared a resolution authorizing the TEFRA and related requests for allocation in the amount of $50 million.

3. Additionally, the Millennia Portfolio will be submitted for multi-family bond allocation from the State Pool in November ($90 million).

4. **Recommendation**: Approve Single Family resolution prepared by bond counsel.

II. Local Government Area of Opportunity Funding (Preference)—Action

1. FHFC has agreed to keep the preference system for the upcoming 9% Housing Credit RFA 2017-113.

2. An applicant that receives "Local Government Area of Opportunity Funding" receives 10 points, while the smaller local government contribution only receives 5 points. A development receiving these points should be the "winner", if the remainder of the application is complete. Each large county should receive one deal. In addition to the additional points, the applicant receiving the LGAOF automatically receives the maximum score for "proximity" to services and is not penalized if within the FHFC "death penalty" distance from other developments under construction or built and not yet stabilized.

3. To exercise the right to select a development for preference in the 9% Housing Credit competition, a local government has to provide a larger local contribution. This contribution is a direct dollar (not NPV) calculation; therefore, the loan to the development would be in the amount shown below, based upon building type. From draft RFA 2017-113

Minimum Local Government Area of Opportunity Funding Amounts

Building Type*	**Total Amount of Loan(s)/Grant(s)**
Garden-Wood (NC)	$484,500
Garden-Concrete (NC)	$580,000
Mid-Rise-Wood (NC)	$580,000
Mid-Rise-Concrete (NC)	$638,250
High-Rise (NC)	$759,500
Garden (Rehab)	$409,250
Non-Garden (Rehab)	$571,500

* For purposes of this provision (i) Concrete refers to a "Yes" answer to question 4.d. of Exhibit A; (ii) NC includes Development Categories of New Construction, Redevelopment and Acquisition and Redevelopment and Rehab includes Development Categories of Rehabilitation and Acquisition and Rehabilitation, as selected by the Applicant at question 4.b. of Exhibit A; and (iii) Garden includes all Development Types other than Mid-Rise and High-Rise; Non-Garden includes Development Types of Mid-Rise with Elevator (4 stories, 5 stories, or 6 stories) and High-Rise (7 or more stories); Mid-Rise includes Development Types of Mid-Rise with Elevator (4 stories, 5 stories, or 6 stories); and High-Rise includes Development Type of High Rise (7 or more stories), as selected by the Applicant at question 4.c. of Exhibit A. In the case of mixed-type Developments, the Applicant should use the Building Type that will comprise the majority of the units in the Development

4. RFA 2017-113 has an application deadline of December 13, 2017. In order to select a development within that timeframe, JHFA would need to select a development at the November 29 meeting. A NOFA has been issued with a due date of November 8.

5. The NOFA is attached, which includes all selection criteria, including the JHFA preference items:

   - Location within the boundaries of the Jacksonville City limits (Pre-Consolidation, 1968)
   - FHFC category of "Family" demographic
   - Maximum Economic Impact
   - Developments which provide a lift to the neighborhood, and could lead to additional revitalization and/or neighborhood improvement
   - Projects that result in the adaptive reuse or redevelopment of existing structures or properties
   - Proximity to public transportation
   - Leveraging of JHFA funds with other City resources that could be used to meet the FHFC required contribution level, and leveraging of JHFA funds with other funds to achieve greater impact on the community/neighborhood
   - Ability to meet FHFC requirements for the contribution to be a part of permanent financing with minimum loan term.
   - Developments which commit to an affordability period beyond the minimum 50 year period required by FHFC and JHFA

6. Board discussion focused on geographic targeting for the Preference development selection.

7. **Recommendation:** Consider geographic targeting.

   .

III. Local Government Contribution—Minimum Required in Conjunction with SAIL or Housing Credits—Action

1. FHFC requires a smaller level of local government contribution to be provided to all SAIL applicants and Housing Credit applicants not awarded the larger Local Government Area of Opportunity Funding (preference). The NPV of the contribution must equal or exceed $75,000, which requires a $115,000/20 year/0% loan.

2. RFA 2017-108 (SAIL) has an application deadline of October 5. In order to provide local contributions to multiple developments (no Local Government Area of Opportunity Funding system for SAIL), JHFA would need to act at the September 19 meeting. A NOFA has been issued with a due date of September 11, extended to September 15 due to Hurricane Irma. Three applications were received from Applicants that will be applying to FHFC for SAIL.

NAME LOCATION	DEVELOPER	UNITS	DEMOGRAPHIC	TDC	COST/UNIT LAND/UNIT	Hard Cost/Unit
Georgian Estates 5678 George Ct. Arlington	Richman Group of Florida Todd Fabbri SP Estates Apartments LLC	72	Family Garden New Construction	$14,245,996	$197,861 $8,639	$111,806 57% of TDC
Pine Grove Powers Avenue, north of intersection of Powers & Toledo	Southport Development Brianne Heffner Powers Avenue Apartments Ltd.	168	Family Garden New Construction	$29,608,188	$176,239 $14,881	$108,090 61% of TDC
The Waves 9 scattered JHA public housing sites in Jacksonville Beach	Jacksonville Housing Authority & Vestcor Ryan Hoover The Waves of Jacksonville Ltd.	127	Family Garden New Construction (replacing existing units)	$23,377,628	$184,076 $0 ($1 per year land lease)	$118,650 64% of TDC

3. All three applications meet City and JHFA threshold and selection criteria. It is most likely that one of the three will received SAIL funding.

4. **Recommendation**: Provide commitments for local government contributions to Georgian Estates, Pine Grove, and The Waves, subject to the loan conditions detailed in the attached Analysis of Local Government Support Loan Requests.

IV. New Rental Financings—Action

1. The 2017 bond NOFA is now "open" to applications on a first-received first-evaluated basis. It is time to issue a 2018 Bond NOFA.

2. The Board induced the four **Millennia Portfolio** transactions at the August meeting, with a combined bond total for the four deals of not to exceed $82 million. Subsequently, the financing structure has changed from four separate bond issues (one for each development) to one bond issue including all four developments (essentially with combined financing and finances, as a "scattered-site" single financing). Among other items, the combined financing will improve overall cash-flow and increase the borrowing capacity. The final TEFRA has a bond total of not to exceed $90 million.

3. The TEFRA hearing is scheduled to be held at 10 AM, September 19.

4. Bond Counsel has prepared an Amended and Restated Inducement Resolution for the Millennia Portfolio, with a single borrowing entity and a bond amount not to exceed $90 million.

Current Name	**Eureka Gardens I & II**	**Moncrief Village**	**Southside Apartments**	**Washington Heights**
New Name	Valencia Way	Estuary Estates	Oyster Pointe	Charlesfort Commons
*Owner Entity**	Valencia Way FL TC, LP	Estuary Estates FL TC, LP	Oyster Pointe FL TC, LP	Charlesfort Commons FL TC, LP
Developer/Location	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH
Type	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation
Street Address	1214 Labelle Street	1650 Moncrief Village North	2414 Westmont Street	4229 Moncrief Road W
City Council District	Garrett Dennis	Katrina Brown	Lori Boyer	Reginald Brown
Units	400	94	74	200
Bedrooms	804	178	148	504
Square Feet	337,932	53,720	58,238	179,848
# of Buildings	38	26	12	23
# of Stories	2	1 & 2	2	2
Acres	23.75	7.12	2.84	14.61
Bond Request	$38,780,000 $96,950/unit	$9,190,000 $97,766/unit	$7,160,000 $96,757/unit	$20,890,000 $104,450/unit
Total Cost	$64,042,483	$14,327,577	$12,440,322	$34,755,018
Cost Per Unit	$160,106	$152,421	168,112	$173,775
Land Cost	$2,600,000 $6,500/unit	$600,000 $6,373/unit	$470,000 $6,351/unit	$1,600,000 $8,000/unit
Acquisition of Building Cost	$23,400,000 $58,500/unit	$5,400,000 $57,447/unit	$4,230,000 $57,162/unit	$14,400,000 $72,000/unit
Hard Rehabilitation Cost	$21,725,475 $64.29/Sq. Ft. $54,314/unit	$4,186,400 $77.93/Sq. Ft. $44,536/unit	$4,118,000 $70.71/Sq. Ft. $55,649/unit	$10,196,161 $56.60/Sq. Ft. $50,981/unit
General Contractor	NEI	NEI	NEI	NEI
Credit Enhancement				
Set-Aside Period	50 years	50 years	50 years	50 years
Set-Aside Levels	100%<60% AMI	100%<60% AMI	100%<60% AMI	100%<60% AMI

5. Bond applications have been received for Georgian Estates, Pine Grove, and The Wave. All applications The applications meet JHFA standards. See attached analysis for details. A summary:

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

6. **Recommendations:**
   - Authorize publication of 2018 MF Bond NOFA,
   - For the **Millennia Portfolio**, approve Amended and Restated Inducement Resolution for Millennia Portfolio.
   - For **Georgian Estates**, **Pine Grove**, and **The Wave**, approve Inducement Resolutions prepared by bond counsel, subject to all conditions in the JHFA MF Handbook and the recommendations included in the full FA analysis of each application (part of the Board Packet)

V. 2013 Single Family Loan Program—Action

1. The **current program guidelines**:
   - 1st mortgage: 4.00%, 1% origination fee, FHA, VA, RD & Freddie Mac loans
   - First time homebuyers.
   - Income and Sales Price limits identical to bond issue.
   - Minimum credit score of 640
   - Interest rate set by the HFA of Hillsborough County, with rate set at level that is anticipated to generate a premium when sold.
   - Loans purchased by the master servicer (US Bank) and converted into MBS.
   - MBS are purchased by the HFA's, with each HFA funding their pro rata share of the cost.
   - MBS are sold, with each HFA keeping its pro rata share of any net premium or loss realized from the sale of the MBS.
   - Down payment assistance: $15,000 second mortgage, due on sale of property, or maturity of first mortgage
   - Mortgage Credit Certificates providing homebuyers a credit in the amount of 50% of mortgage interest paid annually (up to a $2,000 annually).

2. **DPA**: $88,796 was received from FHFC. The JHFA has funded another $1,126,010. The JHFA set the DPA amount at $15,000 in August 2016. Additionally, $360,000 of SHIP is being allocated by the City for use as DPA by the JHFA. Loans totaling $27,500 have paid in full.

3. **FHFC DPA and FHLB Atlanta Program**:

   - The Federal Home Loan Bank of Atlanta launched a $3 million program which will fund $1 of DPA for every $2 funded by the HFA. The FHLB loan is subordinate and forgivable. However, the lender must be a member of FHLB Atlanta. To date, this program has not produced loans.
   - The FHFC DPA Program is now available (August 7). It provides $15,000 (forgivable loan). No loans have been originated using these funds.

4. Available DPA Funds: $850,000 total:
   - $250,000 authorized by the City Council
   - At the May 2015 meeting, the Board (using the power granted under the new legislation) increased the amount of available DPA funds by $200,000.
   - In June 2015, the Board authorized the use of an additional $400,000
   - Even with repayments and future SHIP reimbursements, JHFA is out of DPA allocation.
   - Laura Stagner is researching fund availability, and will bring a recommendation to the meeting to either increase DPA funding or suspend the program.

5. **Rate Change**: The interest rate was increased from 3.875% to 4.00% in August 2017.

6. **Program Demographics:**

Sales Price/ # Loans	Loan Amount	Borrower Income	Borrower Age/ Gender	Borrower Family Size	Housing Type	Borrower Ethnicity	MCC Amount
$118,230 115 loans +10 loans	$113,451	$41,939	35.0 44% female	2.3	SF Detached 87% Condo: 0% Townhouse: 13% Existing: 94% New: 6%	Black: 26% White: 39% Hispanic: 17% Mixed: 0% Asian: 13% Other: 4%	$4,864,076 $54,652.54 avg. 89 buyers

7. **Lender Originations**: SWBC (59), Academy (23), DHI (4), Fairway (16), Prime (8), Network Funding (4), and Open (1).

8. **MCC's:** The HFA converted $120 million of bond authority into $30 million of MCC's. Tranche 1 ($5.25 million) expired at the end of 2015 with $1,109,274 not utilized. Tranche 2 ($10.0 million) expired at the end of 2016, with $9,668,903 not utilized. Tranche 3 ($14.75 million) expires at the end of 2018. The average JHFA borrower uses $54,653 of MCC's.

9. **MCC Program: What Does it Mean to Home Buyer:** With the HFA's average loan of $105,000 and a 3.875%/30 year mortgage, interest payments in Year 1 = $4.035. With the 50% MCC rate that the HFA has chosen, **the homebuyer would be able to claim a tax credit of the full $2,000 per year maximum allowed by federal law** (slightly declining as more of monthly payment is principal) until the home buyers sells or moves from the property. The $2,000 of tax savings lowers the "functional" mortgage rate for the program from 3.875% to less than 1%.

10. **MBS Sales**: The HFA has executed 48 sales, with net revenues of $341,748 (net meaning after payments to RBC and counsel) coming to JHFA.

11. **Hedges & Exposure**: Hillsborough County has seven hedges totaling $7.25 million in place. With full delivery, the projected net revenues are estimated at 171,282 (shared pro rata with counties based upon originations). The unhedged pipeline as of September 8 is $0 (changes daily).

12. **Size of Program:** The initial legislation wherein City Council authorized the program limited it to no more than $1.5 million of loans in pipeline at any time. In June, the Board changed the authorization to $1.5 million of unhedged loans. Loans originated or in progress are $11.785 million.

13. **Recommendation**: Ms. Stagner will bring recommendation on DPA authorization to the meeting.

VI. Update on Existing Rental Properties—Action

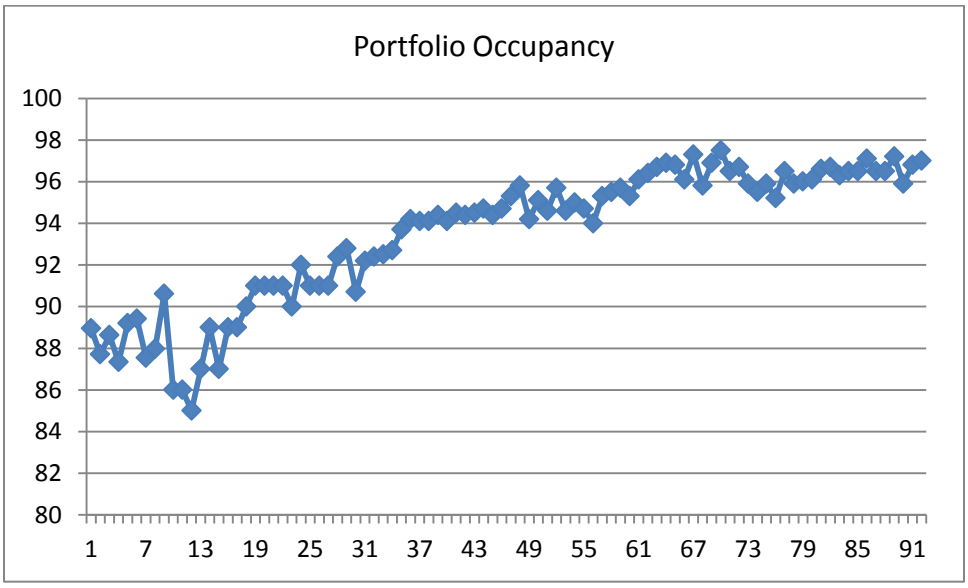
1. JHFA marketed its bonds, JHFA loans, and JHFA local government contributions to developers. As a result, the following has been accomplished in the last three years:
:

Development	Location	Building Type Demographic	Units	TDC	JHFA Loan
Peyton Ridge	1800 Corporate Square Blvd	3-Story Elevator NC Elderly	120	$16,894,456	$115,000
Caroline Oaks	North Main, east side just south of E. 43rd Street	3-Story Elevator NC Elderly	82	$14,146,603	$5.6 million bonds $2.2 million JHFA loan
Cathedral Terrace	701 N. Ocean St.	High Rise Rehab Elderly	240	$25,604,057	$12.5 million bonds $1.0 million JHFA loan
Mt. Carmel Gardens	5746 Mt. Carmel Terrace	High Rise Rehab Elderly	207	$21,631,853	$9.75 million bonds
Mary Eaves	East of intersection of Myrtle Ave. N. & West 16th St.	Mid-Rise NC Elderly	80	$13,325,568	$300,000
Lofts at LaVilla	906 West Bay Street	Mid-Rise NC Family	130	$23,388,174	$265,000
Lofts at LaVilla on Monroe	1000 West Monroe Street	Mid-Rise NC Family	108	$20,962,615	$303,750
Houston Street Manor	615 Houston Street	Mid-Rise NC Elderly	72	$21,185,213	$115,000
Timberwood Trace	12250 Atlantic Boulevard	Garden Rehab Family	224	$31,238,140	$16.0 million bonds
Oakwood Villa	8201 Kona Avenue	Garden Rehab Family	200	$23,092,183	$12.7 million bonds
TOTAL		Garden Rehab Family	**1,463**	**$211,768,862**	**$56.55 million bonds** **$4.299 million JHFA loans**

2. **Occupancy**: The current portfolio occupancy using a weighted average is 97.0% (+0.2%).

3. **Cathedral Terrace** has a minor change in the ownership structure, wherein Scott MacDonald is given a 5% ownership in the general partner entity. This is a non-consequential change. Bond Counsel has drafted a consent form.

4. **Recommendation**: Consent to minor change in ownership for Cathedral Terrace.



VII. 2018 Legislative Update—Action

1. For the 2017 Legislative Session, JHFA contributed $15,000 towards the Sadowski Education Effort (SEE)

2. Without SEE, SHIP funding would be severely reduced or eliminated.

3. Jacksonville will received $3,946,988 of SHIP funds for FY 17-18. This translates into a 263-1 return on investment of JHFA's $15,000.

4. The SEE budget for 2018 is $214,000. The HFA of Hillsborough County voted this month to increase their SEE contribution to $20,000, and challenge other large county HFA's to make the same commitment. Lee County HFA (middle sized County), voted last month to increase their annual contribution to $20,000.

5. At the last JHFA meeting, the Board asked that additional information on JHFA and other counties' contributions be conducted. That summary:

   Since SEE began in 2011:
   Jacksonville has received well over $17.9 million of SHIP Funds and $10.4 million of SAIL funds—total $28.4 million.
   Jacksonville HFA has invested $75,000 in the effort.
   That is a return on the $75,000 investment of 379-1

   Details on the contributions over the years follow. Essentially, JHFA has contributed the requested amount.
   Many HFA's from County's smaller than Duval have contributed at the same level as JHFA
   Other large county HFA's have contributed at same level or somewhat higher.

   FYI: JHFA has net assets of $22.6 million, with $4.7 million liquid in Operating fund and over $2 million liquid in loan funds. The HFA of Hillsborough County has net assets of $15.5 million, with $9.6 million liquid.

   Exceptions are the three south Florida counties. See below. However, both Palm Beach and Miami-

Dade have increased their participations in the past two years, with both now contributing $15,000.

Details:

For 2017, the request to all HFA's was $15,000, and JHFA contributed $15,000
2016, request was $10,000, JHFA contributed $10,000
2015 and 2014—same $10,000 requested and $10,000 contributed
2013, request was $10,000 and JHFA funded only $5,000
However in 2012, request was $10,000 and funded $10,000
2011, basic request was $10,000 and JHFA funded $15,000

Therefore, in the existence of the SEE Effort, JHFA has been asked to contribute $75,000 and it has contributed $75,000 (although off $5,000 in each direction in 2011 and 2013)

During this same period of time, HFA's from middle sized counties have contributed at the same level as JHFA, including Clay ($70,000), Escambia ($70,000), Brevard ($70,000), Manatee ($70,000) and Lee ($77,500). Note that several of these smaller counties compared to Jacksonville are at $70,000 only because the request to middle sized HFA's was only $5,000 in 2011.

Orange has contributed $80,000, Hillsborough $75,000, and Pinellas $85,000.

And indeed, Miami-Dade didn't give anything in 2011 and 2012, but since then has contributed $52,500.
Palm Beach did not contribute in early years, but has participated at the requested level the past two years. Total $52,000
And Broward lags with $27,000.

Last year Osceola County joined and contributed $10,000 for 2017, and little Leon has contributed $2,500 per year for the past three years.

6. **Recommendation:** Direct staff to include authorization to pay a SEE contribution in October 2017, and determine the funding level for that payment.