THE HENDRICKSON COMPANY

VALENCIA WAY ANALYSIS

Current Name	**Eureka Gardens I & II**
New Name	**Valencia Way**
*Owner Entity**	Valencia Way FL TC, LP
Developer/Location	Millennia Housing Development Cleveland, OH
Type	Acquisition & Substantial Rehabilitation
Street Address	1214 Labelle Street
City Council District	Garrett Dennis
Units	400
Bedrooms	804
Square Feet	337,932
# of Buildings	38
# of Stories	2
Acres	23.75
Bond Request	$38,780,000 $96,950/unit
Total Cost	$64,042,483
Cost Per Unit	$160,106
Land Cost	$2,600,000 $6,500/unit
Acquisition of Building Cost	$23,400,000 $58,500/unit
Hard Rehabilitation Cost	$21,725,475 $64.29/Sq. Ft. $54,314/unit
General Contractor	NEI
Credit Enhancement	Private Placement to R4
Set-Aside Period	50 years
Set-Aside Levels	100%<60% AMI

Valencia Way (Eureka Gardens I & II) Analysis:

Valencia Way is an existing 400 unit garden apartment complex built in 1968. The development has been poorly maintained, and is in need of significant rehabilitation and modernization.

The proposed rehabilitation will be "substantial" ($54,314/unit). A detailed description of the rehabilitation follows later in this analysis.

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A. Financing & Cost Analysis:

1. The financing structure uses privately place tax exempt bonds—providing access to 4% Housing Credits. The bond purchaser and equity provider will be R4.

2. The proposed acquisition cost is $26.0 million, or $65,000 per unit. The Credit Underwriter will determine if this is an appropriate cost, based upon an independent appraisal.

3. The Applicant provided a letter of interest for Debt/Private Placement from R4. The commitment is for both the construction and period loan periods. The loan (bonds) would have a 17 year term, 40 year amortization, and an interest rate of the 15 year MMD plus 225 basis points (currently estimated at 5.00%).

4. The Applicant provided a Letter of Interest for Housing Credit syndication from R4. The price is $0.9378 per $1 of credits.

5. The Applicant is not applying for SAIL, and the deal works without any additional FHFC or JHFA subordinate financing.

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	$38,780,000	$ 96,950	61%
Housing Credits	$20,058,866	$ 50,147	31%
Equity-Partner Contribution	$ 2,000,000	$ 5,000	3%
Construction Period Income	$ 1,970,246	$ 4,926	3%
Deferred Developer Fee	$ 1,233,371	$ 3,083	2%
JHFA Loan	$ 0	$ 0	0%
TOTAL	$64,042,483	$160,106	100%

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C. Development Information, Including Design and Amenities

Unit Mix Phase I		
Bedroom/Baths	**Number**	**Square Footage**
1/1	100	675
2/1	196	864
3/1	104	972

1 Valencia Way is a proposed 400 unit rehabilitation family development, in 38 two-story garden apartment buildings, plus a community building, a laundry building, and a maintenance building.

2 An independent Physical Needs Assessment is needed to determine if proposed $54,314/unit "substantial" rehabilitation is adequate.

3 In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
- Air conditioning
- Cable TV hook-up
- Full sized appliances in all units
- Exterior lighting for all buildings and parking areas
- Window Treatment: blinds

4. Unit amenities (in addition to those required) include:
- Ceramic Tile Bathroom Floors
- Microwave
- Dishwasher
- Garbage disposal
- Steel entry door frames
- Double compartment kitchen sink

The Applicant has 21 of the required 25 points and requests a waiver. The other possible point-scoring items are either not-feasible (gated community), cost prohibitive (fire sprinklers in all units), or physically infeasible (washer-dryer hookups).

5. Development amenities include:
- 30-year expected life roofing
- Termite prevention/detection system
- Exercise room with appropriate equipment
- Community Center

- 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: Basketball 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

The Applicant is requesting a waiver from the feature dealing with sealed and insulated heating and cooling system ducts. The Applicant states: "*We are able to meet each requirement other than the requirement to seal and insulate heating and cooling systems ducts (highlighted below). This requirement is financially infeasible due to the amount of extensive demolition to dry wall in order to access all of the duct work in each unit.*"

7. Other energy conservation features:
   - Energy Star exhaust fans in all 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
   - Eco-Friendly Flooring - Carpet and Rug Institute Green Label Certified Carpet and Pad, Bamboo, Cork, Recycled, Content Tile, and/or Natural Linoleum

8. **Design, Amenity & Energy Efficiency Issues:**
   - The development has physical features that are consistent with the needs of family housing.
   - Recommend granting waiver on duct-work
   - Recommend granting waiver on unit amenities

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):
   - Health Care Screening (M)
   - Resident Activities (M)
   - On Site Voter Registration (M)
   - Life Safety Training (O)
   - Health and Nutrition Classes (O)
   - Case Management/Residential Stabilization Services (O)
   - Homeownership Opportunity Program (M): Waiver requested
   - First-time homebuyer seminars (M)
   - Job Training (O)

The Applicant is requesting a waiver from the Homeownership Opportunity Program, stating "*Due to the nature of the Project Based Section 8 contracts and other compliance complications, we do not believe we could initiate this program successfully.*"

4. Public Purpose Issues: None
   - The Applicant is providing services and programs for residents that exceed JHFA standards—and has agreed to provide four optional programs.
   - Recommend granting waiver from Homeownership Program, as this is large administrative burden without significant impact on the community. The optional programs being offered are much more relevant to improving the lives of the residents.

E. Ability to Proceed

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

2. The site is zoned 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 late 2017. This is questionable, given that the credit underwriter has not begun work, third party reports have not been ordered, and FHFC will have to fully review for Housing Credit allocation. An first-quarter closing in 2018 seems more likely.

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, rehabilitation of existing developments, and housing credits. Some members of the team have not yet been named. 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 1214 LaBelle Street, Westside, south of I-10, south of Plymouth Street, west of Cassat Avenue.

2. The development has Section 8 rent subsidies; therefore the only impediment to marketing the units is their condition.

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

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

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I. Rehabilitation

1. Possibly the most important analysis for the JHFA relates to adequacy of the rehabilitation.

2. As part of credit underwriting, a Physical Needs Assessment will be ordered from an independent third party and will be compared to the proposed rehabilitation. This will insure that required repairs are part of the rehabilitation plan and budget. As is the case with all major rehabilitations, there will be a cost constraint on the repairs.

3. A detailed rehabilitation work plan and resident location plan are included in the application.

4. Given the importance of this issue, I have copied the Design Narrative from the application for the Board's review:

Design Narrative:
The property now known as Eureka Gardens (to be renamed Valencia Way) is located at 1214 Labelle St. in Jacksonville, Florida. The property is an existing apartment community originally constructed in 1968 and provides for four hundred (400) units of affordable family housing. The property is approximately 23.6 acres and is comprised of several surface parking lots, a community building, a maintenance building, a laundry building, and (38) two-story apartment buildings. The most notable features of the area are nearby museums and parks—many under six miles away.

The apartment buildings consist of 400 one bedroom, two bedroom and three bedroom units. Per accessibility requirements, (20) three bedroom units will be converted to 'Type-A' ADA accessible. The remainder of the units are Type-B Units. Once complete, the complex will consist of a total of (100) – one bedroom / one bath, (196) – two bedroom / one bath, (84) – three bedroom / two bath and (20) ADA – three bedroom / one bath apartments. Eight hearing impaired units are also provided. There are no non-rental units in this project.

Rehab Characteristics:
The proposed project for Valencia Way addresses the rehabilitation and construction of the property throughout. Each of the two-story, masonry-clad and vinyl siding apartment buildings will be renovated and improved for new windows and doors, new roofing and entry ways, new exterior trim, landscaping and site amenity work. New covered entry stair/porch/balcony configurations will be provided to create a variety of building looks throughout the complex. A renovated and expanded community building, gardens, walking paths, an older children recreational area and playgrounds throughout the site will be included in the exterior improvements.

With regards to the interior of the property, some of the most significant upgrades are to the kitchens and bathrooms. These improvements may include new cabinetry, laminated countertops, bath and showers, sinks, stoves, and fixtures (all appliances/fixtures will be Energy Star Rated).

The community building will be expanded and renovated to include a variety of new rooms and appliances. The existing laundry and maintenance buildings will be renovated and various new picnic pavilions for outdoor recreation will be constructed.

The proposed renovation plan will dramatically improve both the aesthetics and functionality of the property and

therefore the residents' quality of life as well. The primary motivation for this proposed plan is not only to provide the necessary near-term capital improvements, but also extend the economical and physical life of Valencia Way into the foreseeable future.

Exterior Improvements:
Many of the materials used during the original construction have exceeded their useful life. In some cases, the property lacks certain features as a whole.

Some of the largest external improvements that need to be made include:

- Window and door replacement
- Exterior lighting for buildings and parking areas
- 30 year expected life of roofing on all buildings
- New entry porches and stairs
- Small trellis structures
- Dumpster enclosures
- Walking paths and gardens
- Landscaping and site amenity enhancement (fencing, signage, site furniture, etc.)

Unit-Based Improvements:
The proposed rehabilitation plan will also replace and/or revamp various features within many of the units at Valencia Way. Some of the most significant interior renovations will include complete unit upgrades with new furnaces and central A/C, new cabinets and countertops, new EnergyStar appliances, plumbing fixtures, lighting and finishes. These improvements will help to save on energy bills while providing better functionality and aesthetics.

Other improvements to the units will include:

- Ceramic tile bathroom floors
- Microwave oven
- Dishwasher inside each unit
- Garbage disposals inside each unit
- Steel entry door frames
- Termite prevention/detection system
- Double compartment kitchen sink

Common Area Improvements:
Much of the effort for external and internal rehabilitation is geared towards fostering a sense of community. The project plan for Valencia Way offers much-needed amenities to a resident profile where accessibility to similar benefits can often be too expensive.

Some of the amenities included:

- An expanded and renovated community building
- New recreation area
- Outdoor seating with trellis structure
- An exercise room with appropriate equipment
- Playground/tot lot
- Car care area
- Library study room with computer lab

The renovated and expanded community will include a new fitness center, a new business center, a laundry room, a large community room and kitchen, offices, and new bathrooms. There will be outdoor seating with a trellis structure and a new patio as part of the exterior improvements. The existing laundry and maintenance buildings will be renovated and various new picnic pavilions for outdoor recreation will be constructed. Furthermore, the surrounding area has a child care facility within three miles and means of public transportation within a half mile. The proposed on-site amenities, as well as the nearby services help to build an ideal climate for our residents.

Energy Conservation:

Energy efficiency, using recycled-content materials, and reducing waste are standards of Millennia's approach to management and construction. Selections made and described in the scopes of work follow this rule as well as take into consideration the needs of our residents. Some examples of our energy conservation features at Valencia Way include, energy star qualified refrigerators and dishwashers, low-flow water fixtures in bathrooms, and programmable thermostats in each unit. Other typical improvements to apartment homes at Valencia Way include:

- Energy Star exhaust fans in bathrooms
- Energy Star rating for all windows
- Daylight sensors, timers, or motion detectors on all outdoor lighting attached to the buildings
- FL yards and neighborhoods certifications on all landscaping
- Eco friendly flooring- green label certified

5. **Rehabilitation Issues**: The proposed rehabilitation appears adequate, but will need to be evaluated in credit underwriting by an independent third-party Physical Needs Assessment. The PNA may require additional repairs to be made.