THE HENDRICKSON COMPANY

ESTUARY ESTATES ANALYSIS

Current Name	**Moncrief Village**
New Name	**Estuary Estates**
*Owner Entity**	Estuary Estates FL TC, LP
Developer/Location	Millennia Housing Development Cleveland, OH
Type	Acquisition & Substantial Rehabilitation
Street Address	1650 Moncrief Village North
City Council District	Katrina Brown
Units	94
Bedrooms	178
Square Feet	53,720
# of Buildings	26
# of Stories	1 & 2
Acres	7.12
Bond Request	$9,190,000 $97,766/unit
Total Cost	$14,327,577
Cost Per Unit	$152,421
Land Cost	$600,000 $6,383/unit
Acquisition of Building Cost	$5,400,000 $57,447/unit
Hard Rehabilitation Cost	$4,186,400 $77.93/Sq. Ft. $44,536/unit
General Contractor	NEI
Credit Enhancement	Private Placement to R4
Set-Aside Period	50 years
Set-Aside Levels	100%<60% AMI

Estuary Estates (Moncrief Village) Analysis:

Estuary Estates is an existing 94 unit garden apartment complex built in 1957. The development has been poorly maintained, and is in need of significant rehabilitation and modernization.

The proposed rehabilitation will be "substantial" ($44,536/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 $6.0 million, or $63,830 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	$ 9,190,000	$ 97,766	64%
Housing Credits	$ 4,242,648	$ 45,135	30%
Equity-Partner Contribution	$ 0	$ 0	0%
Construction Period Income	$ 609,118	$ 6,480	4%
Deferred Developer Fee	$ 285,811	$ 3,040	2%
JHFA Loan	$ 0	$ 0	0%
TOTAL	$14,327,577	$152,421	100%

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C. Development Information, Including Design and Amenities

Unit Mix Phase I		
Bedroom/Baths	**Number**	**Square Footage**
1/1	10	500
2/1	84	580
3/1	0	N.A.

1 Estuary Estates is a proposed 94 unit rehabilitation family development, in 26 one and two-story garden apartment buildings. A new community building will be added.

2 An independent Physical Needs Assessment is needed to determine if proposed $44,536/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)
   - Homeownership Opportunity Program (M): Waiver requested
   - First-time homebuyer seminars (M): Waiver requested
   - 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.*" The Applicant is requesting a waiver from the First-time homebuyer seminars, stating "*The Moncrief Village complex does not possess the capability to host seminars… due to lack of space we feel we could not accomplish this supportive service on an ongoing basis.*"

4. Public Purpose Issues: None
   - The Applicant is providing services and programs for residents that exceed JHFA standards—and has agreed to provide three optional programs.
   - Recommend granting waiver from Homeownership Program, as this is large administrative burden without significant impact on the community and the First-time homebuyer seminars. 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 1650 Moncrief Village North, west of I-95, off Moncrief Road, north of 35th Street.

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 Moncrief Village Apartments (to be renamed Estuary Estates) is located at 1650 Moncrief Village North in Jacksonville, Florida. The property is an existing apartment community originally constructed in 1957 and provides for ninety-four (94) units of affordable family housing. The property is approximately 7.12 acres and is comprised of several surface parking lots and (26) one and two-story apartment buildings. The surrounding area is primarily residential and is made up of low income families, with roughly 62% of the local population making under $25,000 annually. The Moncrief Park neighborhood hosts a variety of churches and parks within close proximity to the property.

The apartment buildings consist of 94 one bedroom, two bedroom and three bedroom units. Per accessibility requirements, (5) 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 (10) – one bedroom / one bath, (79) – two bedroom / one bath and (5) ADA – apartments. Eight hearing/visually impaired units are also provided.

Rehab Characteristics:

The proposed project for Estuary Estates addresses the rehabilitation and construction of the property throughout and has a strong emphasis on communal and shared amenities. Each of the two-story, stucco-clad apartment buildings will be renovated and improved for new windows and entries, new roofing, new exterior trim, and landscaping. A new community building and an older children recreational area with playground and picnic pavilion 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 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 Estuary Estates into the foreseeable future.

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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
- Dumpster enclosures
- Exterior lighting for all buildings and parking areas
- 30 year expected life of roofing on all buildings
- New entry features and exterior trim
- Landscaping and site amenity enhancement (fencing, lighting, 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 Estuary Estates. 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 Estuary Estates offers much-needed amenities to a resident profile where accessibility to similar benefits can often be too expensive.

Some of the new amenities included:

- New community building
- New recreation area
- An exercise room with appropriate equipment
- Playground/tot lot
- Car care area
- Library study room with computer lab

The new community building will include a new fitness center, computer area, a laundry room, community room and kitchen, offices, and new bathrooms. The recreational area will host a playground and picnic pavilion for the residential families. 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 Estuary Estates 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 Estuary Estates 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.