THE HENDRICKSON COMPANY

MEMORANDUM

To: Jacksonville Housing Finance Authority Board of Directors

From: Mark Hendrickson, Financial Advisor

Subject: Analysis of Millennia Portfolio Bond Applications

Date: August 8, 2017

Attached is an analysis of the Millennia Portfolio 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.

This is a four development financing involving the acquisition and rehabilitation of properties that were owned by the Global Ministries Foundation, including Eureka Gardens. As the new owner (the Millennia Companies), development team, and financing structure are common to all four transactions, the analysis consolidates information wherever possible.

Analysis of Bond Applications- Millennia Portfolio

I. Summary of Findings

A. Summary of key criteria:

Question	Millennia Portfolio
Are the developments economically feasible as submitted?	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Yes. Sales price will need verification by appraisal
Is the experience of the development team adequate?	Yes
If feasible, is it ready to proceed to closing in 2017	1st Quarter 2018
Is the product being proposed adequate in terms of design and amenities?	Rehab appears to be adequate. PNA will verify.
Is the product being proposed adequate in terms of ongoing resident services?	Yes
Are the income targeting and length of set-aside adequate?	Yes
Any special impact on redevelopment?	Yes
Did the responses within the application contain adequate responses to important questions, relating to financing and other key issues?	Yes
Recommend Inducement?	Yes

B. Summary of the Proposed Developments

Current Name	**Eureka Gardens I & II**	**Market Street**	**Moncrief Village**	**Southside Apartments**	**Springfield Residential**	**Washington Heights**
New Name	Valencia Way	Sunray Estates	Estuary Estates	Oyster Pointe	Palmetto Ledges	Charlesfort Commons
*Owner Entity**	Valencia Way FL TC, LP	Sunray Estates FL TC, LP	Estuary Estates FL TC, LP	Oyster Pointe FL TC, LP	Palmetto Ledges 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	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH
Type	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation
Street Address	1214 Labelle Street	1205 N. Market Street	1650 Moncrief Village North	2414 Westmont Street	1411 N. Jefferson St.	4229 Moncrief Road W
City Council District	Garrett Dennis		Katrina Brown	Lori Boyer		Reginald Brown
Units	400	17	94	74	51	200
Bedrooms	804		178	148		504
Square Feet	337,932		53,720	58,238		179,848
# of Buildings	38	2	26	12	12	23
# of Stories	2	2 & 3	1 & 2	2	2 & 3	2
Acres	23.75	0.41	7.12	2.84	1.43	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 $6,383/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	NEI	NEI
Credit Enhancement	Private Placement to R4		Private Placement to R4	Private Placement to R4		Private Placement to R4
Set-Aside Period	50 years	50 years	50 years	50 years	50 years	50 years
Set-Aside Levels	100%<60% AMI	100%<60% AMI	100%<60% AMI	100%<60% AMI	100%<60% AMI	100%<60% AMI

The Market Street and Springfield Residential developments were deemed as not feasible for rehabilitation by the Applicant. They will still be purchasing the properties, as they are part of the GMF portfolio. Millennia will attempt to transfer the existing Section 8 Project Based Assistance to other properties that they acquire outside of this transaction, and then relocate the residents to the other properties.

C. Summary of Findings and Recommendations for Millennia Portfolio

1. These properties are in desperate need of significant rehabilitation and new management. The proposed financing will provide life and safety repairs, massively upgrade the properties, bring in an experienced owner/property manager with a good track-record, and provide a life-changing upgrade for the residents of the property. Jacksonville will be well served by the financing.

2. That being said, all rehabilitation deals are limited by the available resources—so that 60 year old units will not be as nice as newly constructed ones. However, the hard cost rehabilitation of the properties is over $40.2 million, or $52,374 per unit.

3. As important as the rehabilitation, all of these properties have Section 8 project based assistance which will be preserved with this financing and rehabilitation. The current owner was on the path to HUD revoking the Section 8 contracts—which would have been lost forever. This financing will preserve the precious rent subsidy.

4. In credit underwriting, an appraisal will be used to determine the market value (using multiple approaches, including income). This will be used to evaluate the sales price of the properties. FHFC will have a direct role in this aspect of the analysis as well, as they will make the determination if the sales price is reasonable and if all of it can be included in eligible basis for the allocation of Housing Credits.

5. The underlying public purpose of the financing is to replace the current owner—and to rehabilitate the properties to a livable condition. Without both of these taking place, the Project Based Section 8 will almost certainly be lost with the residents suffering the brunt of the negative consequences.

6. HUD participated in the negotiations to find a buyer for the entire Global Ministries Foundation portfolio, located in eight states, with 4,500 units. The business terms of the sales agreement involved negotiations between GMF, Millennia, and HUD.

7. There is no doubt that the Capital Trust Agency financing of these properties was massively irresponsible, and served no identifiable public purpose. Properties in need of massive repairs were sold to a questionable non-profit who took the properties off the tax rolls and did little, if any, renovations.

8. This financing is the opposite—a new, responsible owner/manager is being brought into the picture and the properties will be substantially rehabilitated. The properties will also be brought back onto the property tax rolls—producing an estimated $1.83 million of revenue to the City over the next 10 years.

9. The development appears economically feasible. The bond issue is not dependent upon SAIL.

10. The development amenities and resident programs meet or exceed minimum JHFA requirements, with the exception of a few minor waiver requests (see each development's memorandum for detail).

11. The costs and fees associated with this development appear to be reasonable. However, the sales price of the developments will need to be verified by an independent appraisal. This will be a key factor in FHFC's award of Housing Credits.

12. The amount of rehabilitation appears to be adequate, but will be verified by an independent third-party Physical Needs Assessment.

13. The energy efficiency items meet JHFA standards, with one minor exception (see each development's memorandum for detail).

14. The site is controlled by the developer, has proper zoning, and has evidence of availability of water, sewer, roads and electricity. The transaction could close in the first quarter of 2018.

15. The developer and development team have extensive experience in affordable housing in general, and rehabilitation of older properties in particular.

16. As a Section 8 rent subsidized property, the market is not an issue other than the physical condition of the units. Additionally, the credit underwriter will order and evaluate an independent market analysis.

17. **Recommendations for Millennia Portfolio:**
    - Permit Valencia Way, Oyster Pointe, Charlesfort Commons, and Estuary Way to proceed through the JHFA financing process.

    - Adopt Inducement Resolution prepared by bond counsel, which includes Preliminary Agreement.

    - 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.