THE HENDRICKSON COMPANY &

THE COMMUNITY CONCEPTS GROUP

To: Board of Directors, Jacksonville Housing Finance Authority

From: Mark Hendrickson, Susan Leigh and Priscilla Howard, Financial Advisors

Subject: August 17, 2017 JHFA Meeting

Date: August 8, 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

2. **Recommendation**: None.

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

1. Some developers attacked the local preference system (known as "Local Government Area of Opportunity Funding"), which has been so successfully implemented in Jacksonville. They urged FHFC to return to a lottery system. Chairman Gulliford wrote a letter to FHFC urging them to continue the local preference. 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 RFA 2016-113 (likely to be the level of funding required this year :

Minimum Local Government Area of Opportunity Funding Amounts

Building Type*	**Total Amount of Loan(s)/Grant(s)**
Garden-Wood (NC)	$458,250
Garden-Concrete (NC)	$551,000
Mid-Rise-Wood (NC)	$551,000
Mid-Rise-Concrete (NC)	$607,500
High-Rise (NC)	$739,500
Garden (Rehab)	$385,250
Non-Garden (Rehab)	$542,750

* For purposes of this provision (i) Concrete refers to a "Yes" answer to question 5.c.(3) 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 5.c.(1) 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 5.d. 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. To have adequate time to analyze applications prior to that meeting, the application due date is suggested as November 8.

5. All JHFA loans must meet certain threshold criteria detailed in the City Ordinance, including
   - Project must be located within Duval County, Florida;
   - Applicant must provide evidence of ownership or other legal control of the project site (e.g., a contract or option to purchase the project site);
   - Applicant must provide a set-aside of rental units equal to or greater than the standards for low income Housing Tax Credits or applicable FHFC Program, as the case may be; and,
   - Project must have evidence of land use and zoning authorizing the use of the property for multi-family residential uses.

6. The following selection criteria are in the Ordinance:
   - Project feasibility as determined by:
     - ✓ Applicant's development and construction experience;
     - ✓ Applicant's management experience; and
     - ✓ Financial feasibility to complete and operate the project (including, but not limited to, cost estimates, cash flows, debt service, coverage ratios, the percentage of public monies requested compared to project cost; leveraging)
   - Applicant's performance and/or compliance (including any prior defaults) of any prior loans or contracts with the JHFA or the City;
   - The extent to which social services and assistance is offered to occupants (including, but not limited to, job training, computer training, home purchase assistance, health-related support);
   - The extent to which there is temporary (for any rehabilitation projects) or permanent displacement of existing tenants (then in which event either shall be scored as a negative factor); and,
   - The following shall receive emphasis in scoring:

- ✓ Existing projects with either expiring Section 8 rental assistance contracts, or the preservation of projects that have expiring affordable housing land use restrictions

7. JHFA added the following criteria for preference selection last year:
   - Location in the Central Business District
   - 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.

8. The main criteria that should be examined for possible change this year is the geographic area for the preference. The CBD was used the past two years, with both developments selected in the LaVilla area. Additionally, a factor used by another HFA (Hillsborough) in its preference selection was the willingness of the applicant to agree to a longer term of affordability than the 50 year level required by FHFC (they selected a deal that agreed to perpetuity).

9. JHFA also needs to have a backup application submitted to FHFC, in case the application selected for the preference fails threshold through applicant error. The NOFA needs to be clear that JHFA may select a backup application to receive the 5-point local government contribution from those that apply for the 10-point preference funding.

10. **Recommendations**.
    - Authorize publication of an Area of Opportunity Funding NOFA for applicant seeking Housing Credits under FHFC RFA 2017-113, with a due date of November 8
    - NOFA to make clear that JHFA may select a backup application from those applying under this NOFA to receive the 5-point local government contribution (historically, NPV of $75,000, which translates into a $115,000/20 year/0% loan).
    - Determine Selection Criteria for the preference.

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

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). Historically, the NPV of the contribution must equal or exceed $75,000, which requires a $115,000/20 year/0% loan.

2. RFA 2017-108 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 20 meeting. To have adequate time to analyze applications prior to that meeting, the application due date is suggested as September 11.

3. Historically, JHFA has utilized the selection criteria established by City Ordinance, with a preference for applicants using JHFA bonds (providing contribution commitments to all applicants that meet threshold and who are using JHFA bond financing).

4. When JHFA selects an applicant to receive the preference funding for Housing Credits, there is still a need to have a backup application submitted to FHFC (in case the applicant receiving the preference fails threshold due to applicant error). Ideally, the backup would be selected from those applying under the preference NOFA. However, it is possible (as was the case last year), that none of those applications would have passed FHFC threshold without the preference designation (proximity to other developments being built was the problem last year).

5. Recommendations:
   - Authorize publication of a Local Government Contribution NOFA for applicants seeking SAIL funding under FHFC RFA 2017-108, with a due date of September 11
   - In the same NOFA, for applicants seeking Housing Credits under RFA 2017-113, establish a due date of November 8.
   - Determine Selection Criteria for loan commitments

IV. New Rental Financings—Action

1. **Oakwood Villa** closed June 30.

2. A NOFA for 2017 allocation was published, with an application due date of January 6. No applications were received. The NOFA is now "open" to applications on a first-received first-evaluated basis.

3. As applications are received, there is often a need to quickly request bond allocation—which cannot take place without TEFRA approval. The TEFRA approval process can be lengthy because it involves coordination with City Council agenda deadlines and procedures. Waiting to hold TEFRA hearings until after the JHFA induces a deal can create timing issues for some non-controversial transactions. The HFA of Hillsborough County has a standing policy to allow staff and counsel to publish TEFRA notices and hold TEFRA hearings—knowing that the Board of Directors can always end the process by failing to induce the project. Bond counsel recommends that the JHFA adopt a similar standing policy.

4. **Millennia Housing Development** is acquiring the Global Ministries Foundation portfolio (including Eureka Gardens and other properties in Jacksonville—list below). They have submitted four applications for bond financing, for a total of $76.02 million.

5. The four applications involve both phases of Eureka Gardens and three other properties. Two additional properties that were part of the portfolio (Market Street—17 units, and Springfield Residential—51 units, were deemed to be in such condition that refinancing/rehabilitation is not feasible). They will still be purchased, with the goal to receive HUD approval to transfer the Project Based Section 8 contracts to other properties to be acquired by Millennia outside of this financing, and then to move the residents to the other properties.

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

6. **Recommendations**: :
   - Adopt policy permitting bond counsel and staff to publish TEFRA notices and hold TEFRA hearings prior to Board action on an application for multi-family bond financing, and

   - For Valencia Way, Estuary Gardens, Oyster Pointe, and Charlesfort Commons, approve Inducement Resolution prepared by bond counsel, subject to all conditions in the JHFA MF Handbook and the recommendations included in the full FA analysis of these applications (part of the Board Packet).

V. <u>2013 Single Family Loan Program—Informational</u>

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 $681,010. 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.

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 (August7). It provides $15,000 (forgivable loan).

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

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%	$4,920,548 $54,672.75 avg. 90 buyers

7. **Lender Originations**: SWBC (59), Academy (24), DHI (4), Fairway (16), Prime (7), 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 $54,673 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 $342,748 (net meaning after payments to RBC and counsel) coming to JHFA.

11. **Hedges & Exposure**: Hillsborough County has eight hedges totaling $8.5 million in place. With full delivery, the projected net revenues are estimated at 184,410 (shared pro rata with counties based upon originations). The unhedged pipeline as of August 4 is $520,588 (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**: None.

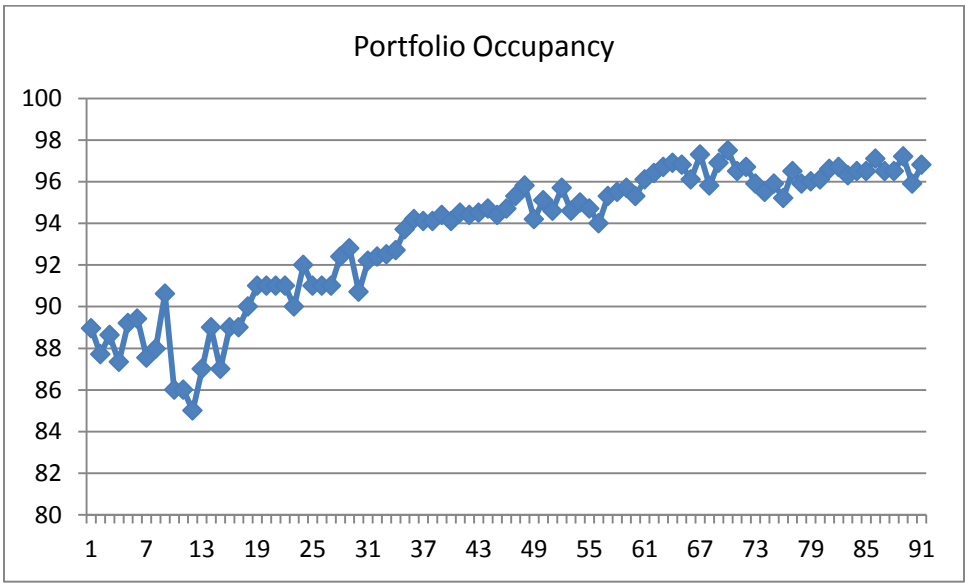
VI. Update on Existing Rental Properties—Informational

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 96.8% (+0.9%).

3. **Recommendation**: None.



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.

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